FCE Bank plc

ANNUAL REPORT

For the year ended 31 December 2021



FORD CREDIT

2021

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Approval of the 2021 Strategic Report

The Strategic Report for the year ended 31 December 2021 as set out on pages 3 to 35 was approved by the Board on 17 March 2022.

ON BEHALF OF THE BOARD
Carlos Treadway
Chief Executive Officer
17 March 2022

Company Information

Registered Name:	FCE Bank plc	
Directors:	Marlene Martel	Chair, Non-Executive Director (appointed 16th September 2021)
	Narpal Ahluwalia	Non-Executive Director
	Charles Bilyeu	Chief Executive Officer (resigned 26th November 2021)
	Natalie Ceeney	Non-Executive Director
	Talita Ferreira	Non-Executive Director
	Paul Kiernan	Executive Director, Finance
	Brendan O'Connor	Non-Executive Director
	John Reed	Senior Independent Director
	Keith Robinson	Executive Director, Chief Risk Officer
	Tom Schneider	Non-Executive Director (resigned 2nd December 2021)
	Carlos Treadway	Chief Executive Officer (appointed Executive Director on 14th January 2021 and CEO on 1st November 2021)
Company Secretaries:	Abimbola Adesanya	
	Howard Cohen	
	Michael Lavender (resigned 28th February 2021)	
Registered Office:	Arterial Road Laindon Essex SS15 6EE United Kingdom	
Registered Number:	00772784	
Independent Auditors:	BDO LLP 55 Baker Street London W1U 7EU United Kingdom	
Website:	**www.fcebank.com**	

Business Model

Organisational Structure

FCE Bank plc (FCE), a public limited company incorporated in England and Wales, is now wholly owned by Ford ECO GmbH (Ford ECO) following a corporate restructure completed on 13th October 2021 and is an indirect subsidiary of Ford Motor Credit Company LLC (Ford Credit/FMCC) which is wholly owned by Ford Motor Company (Ford). FCE is authorised by the Prudential Regulation Authority (PRA) and regulated by the PRA and the Financial Conduct Authority (FCA).

FCE operates in 11 other European countries through a branch and subsidiary network providing branded financial services for Ford. FCE provides loans to approximately 803,000 retail customers in the UK, Germany, Italy, France and Spain and provides wholesale financing to around 745 dealer Groups. FCE's largest markets are the UK and Germany, with the UK market representing 34% of the total FCE portfolio and Germany representing 30%, as shown in the chart on page 9. The Company also has a Worldwide Trade Finance (WWTF) division, which provides finance to distributors and importers in about 70 countries where Ford has no National Sales Company presence.

FCE provides savings products to approximately 109,000 savings customers in the UK and Germany.

Customers and Products

FCE is integrally tied to Ford; it aims to be the reason why customers choose and stay with Ford Motor Company through a focus on:

- Lifetime customer relationships that surprise and delight customers through moments that matter
- An integrated, always-on, go-to-market strategy
- Innovative financing solutions to support Ford's electrification plans
- A cost-effective and efficient operating structure
- Strong risk management, ensuring regulatory compliance

FCE's business is best described in the context of its four main customer Groups:

FCE supports **Ford customers** to acquire Ford vehicles by providing:

- Lending to retail customers to purchase or lease vehicles
- Access to insurance products to protect customers

FCE supports **Ford dealers** through wholesale loans to sell Ford vehicles by:

- Financing new and used vehicle inventory
- Providing an understanding of the automotive dealer business and the financing required to optimise their business model through all economic cycles

FCE supports **savings customers** by offering:

- A range of savings products that are easy to open, easy to manage and highly secure
- Competitive rates compared to the high street banks and an attentive, personal service
- A promise for existing customers to enjoy the same rate as new customers

FCE supports **Ford's automotive operations** through:

- A branded finance network dedicated to supporting the sale of Ford products
- High quality customer service that has been proven to increase customer loyalty to the Ford brand
- Financial risk management support to ensure continuity and viability of the Ford dealer distribution network
- Specialist support for key businesses and new markets

Business Model

2021 Overview

In 2021, Ford announced its plan for growth and value creation through the execution of Ford+. The Ford+ Plan is focused on delivering distinctive and increasingly electric products plus “Always-On” customer relationships and user experiences. It is designed to leverage Ford’s foundational strengths, including Ford Credit, to build new capabilities enriching customer experiences and deepening loyalty. Aligned with Ford Credit’s global strategy, FCE’s vision is to be a reason that customers choose and stay with Ford. FCE is uniquely positioned to drive incremental sales, improve customer satisfaction and owner loyalty to Ford, and direct profits and distributions back to support the delivery of Ford+. Consistent with this strategy, priorities for FCE during 2021 were:

- Investing in digital capabilities both to support online sales of vehicles and meet customer needs for an outstanding ‘in person’ experience. This included developing a digital channel in the UK and France, enabling customers to configure and apply for finance for the new Mustang Mach-E. This will be expanded in 2022 to enable customers to complete their finance transaction online in more markets and include other Ford vehicles;

- Focusing on creating a product driven and customer obsessed culture. Actions include deployment of a new system to enable customers to provide faster feedback on their experience in three dimensions: start of agreement (new customers), inbound contact and end of agreement. Overall customer experience, as measured through Net Promoter Score (NPS) for both our retail and Ford Money savings’ customers, was largely flat during 2021, progress having been hampered by COVID-19 volatility during the year. However, we believe a solid foundation has been put in place for improvements in 2022;

- Realigning our organisation to better focus on financing and services for Commercial customers;

- Leveraging Ford Bank Germany’s retail deposit platform that was launched at the end of 2020 to grow FCE’s deposits to £5 Billion and increase FCE’s funding diversity. By the end of 2021, across the UK and Germany, 109,000 customers had invested in FCE’s savings products to benefit from its best rate promise;

- Caring for our employees by valuing diversity, embracing inclusion, celebrating success, and encouraging new thinking. Consistent with the advice from governmental authorities, nearly all FCE’s employees continued working remotely to reduce the spread of COVID-19. For the minority of place-dependent workers required to attend the office strict workplace protocols were put in place to ensure employee health and safety;

- Completing implementation of FCE’s Brexit plans in early 2021 with the launch of a finance company in Italy and an Austrian branch of its German banking subsidiary;

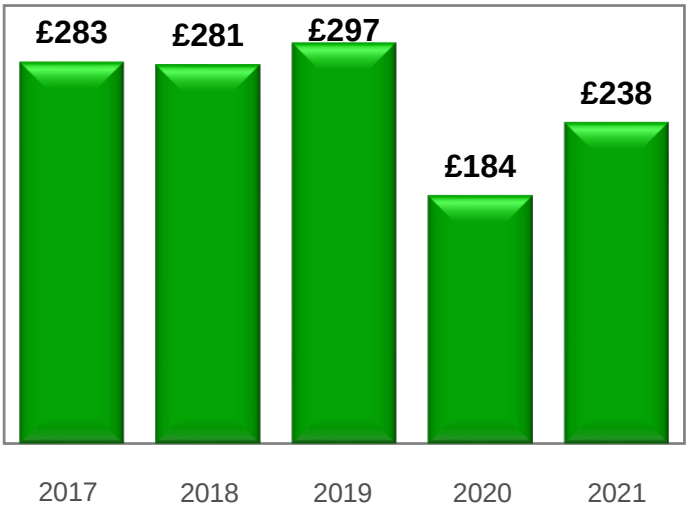
- Delivering a standalone credit rating for FCE Bank plc with Moody’s Investors Service.

Financial Results

The combined impact of COVID-19 restrictions and the global semi-conductor shortage which limited new vehicle production made for another challenging year. That FCE was again able to deliver strong financial results is a testament to the commitment of our team who continued to support FCE’s customers whether they were impacted by COVID-19 or required extended finance for delayed vehicle deliveries. Overall profit from operating activities remained flat year over year. The impact on profit from operating activities of lower loans and advances resulting from reduced vehicle production, were largely offset by reduced costs and the non-recurrence of COVID-19 related credit loss reserve changes in 2020.

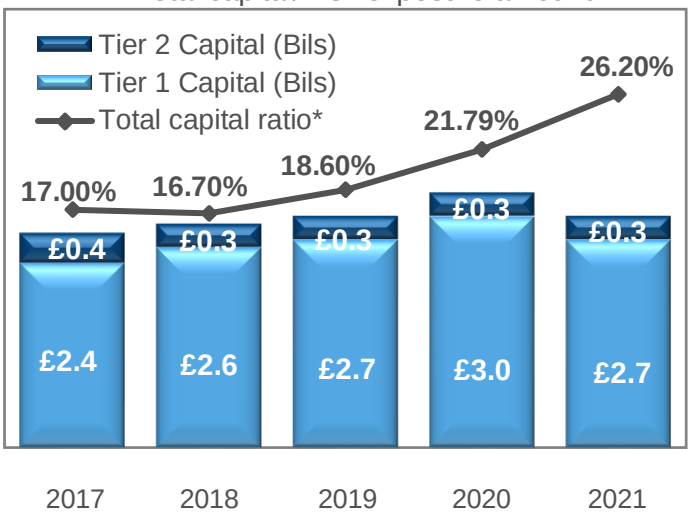
Business Performance

Profit before tax, PBT (Mils)

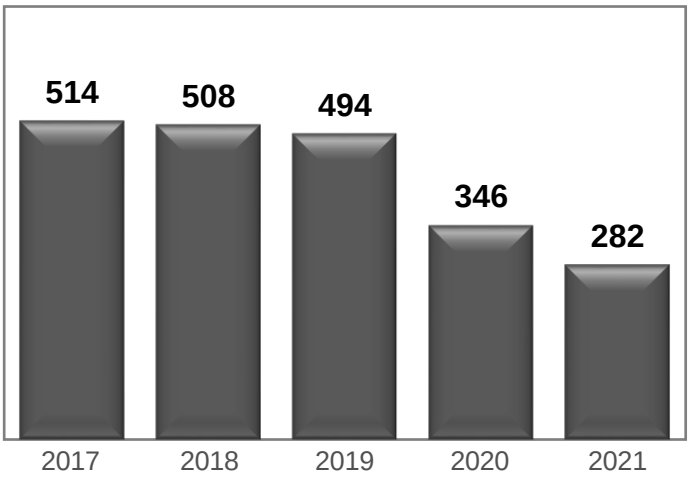


Total capital

*Total capital/Risk exposure amount

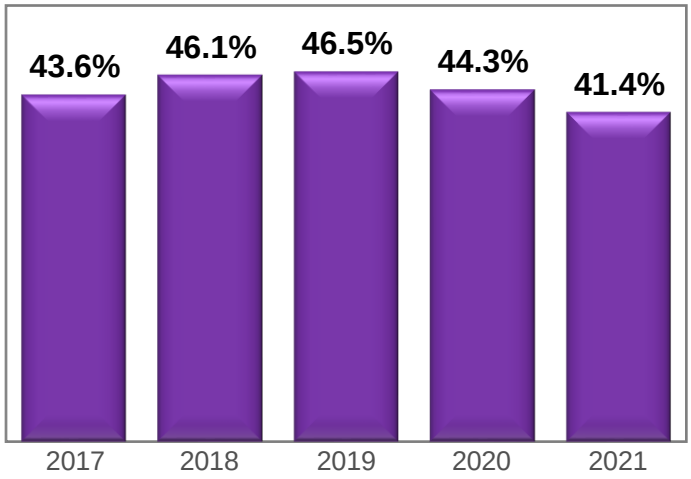


Annual originations of retail/finance lease contracts in top 5 locations (000s)

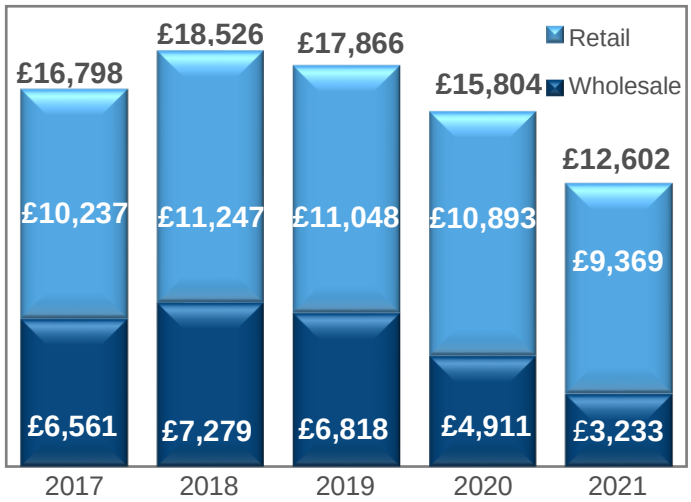


Penetration

FCE new contracts/Ford sales top 5 locations

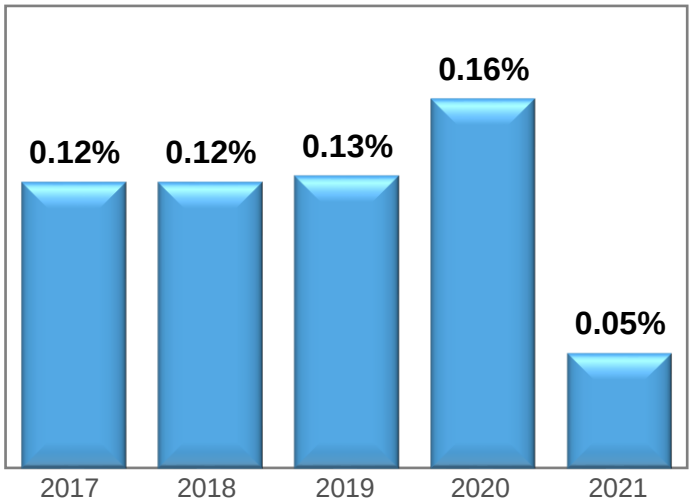


Total net loans and advances (Mils)



Credit loss ratio

Net credit losses/average net loans and advances



Business Performance

Sales

Although FCE's penetration remained strong, retail contracts for the five largest locations reduced to approximately 282,000 in 2021 from 346,000 in 2020 reflecting the impact of COVID-19 and the global semi-conductor shortage.

Customer Experience

FCE works with independent research companies to measure the customer experience (CX) with FCE across the following touchpoints:

- Start of Agreement (New Customers)
- Inbound Contact
- Log on to Account Online
- End of Agreement (Payoff Customers/ Account Closure)

Net Promoter Score (NPS) is the primary metric measured as part of the CX program. NPS is measured with a single question 'How likely are you to recommend FCE to a friend or colleague?' The NPS is calculated by subtracting the percentage of 'Detractors' (those rating 0 to 6 on the recommend question) from the 'Promoters' (those rating 9 or 10 on the same question). The NPS is reported as a number ranging from -100 to +100.

2021 Net Promoter Score (NPS) Performance

All Touchpoints combined	**2021**	**2020**
FCE's Customer NPS (a)	45	46
Ford Money NPS (b)	46	57

a) Metrics for customers in FCE's largest markets
b) 2020 data is UK only. 2021 includes Germany (from mid-year)

In 2021, FCE's Customer NPS was 45 and down 1 point from 2020. During 2021, and particularly across the first half of the year, some markets experienced operational issues as a result of COVID-19 and semi-conductor shortages. These issues led to a significant increase in inbound call volume which has resulted in some customers experiencing longer wait times and/or issues taking longer to resolve.

Profit Performance

FCE's Profit Before Tax (PBT) of £238 million in 2021 increased by £54 million compared to the previous year. Excluding fair value adjustments to financial instruments and gain or loss on foreign exchange, the profits from operating activities of £210 million remained flat year over year. This is primarily explained by lower volume driven by the impact of the global semi-conductor shortages offset by the non-recurrence of a credit loss reserve increase due to COVID-19 and 2020 restructuring effects.

Profit performance	**Note**	**2021 £ mil**	**2020 £ mil**
Profit from operating activities		210	216
Fair value adjustments to financial instruments	10	46	(3)
Gain/(loss) on foreign exchange	7	(18)	(29)
Profit before tax (PBT)		**238**	**184**

Business Performance

Alternative Performance Measures (APMs)

To evaluate performance, FCE uses a number of financial measures that are not defined or specified in the financial reporting framework (IFRS). These are often referred to as Alternative Performance Measures (APMs). The APMs disclosed in this report are the profit from operating activities (defined above) and the four Key Performance Indicators (KPIs) defined in the table below. The variances are all impacted by movements in the exchange rates used to translate non-sterling transactions.

Reconciliation of KPIs to financial statements

	Financial statements data:	**Note**	**2021 £ mil**	**2020 £ mil**
A	Total income		599	736
B	Depreciation of operating lease vehicles		(146)	(190)
C	Net credit losses*		(7)	(26)
D	Operating expenses	5	(239)	(275)
E	Profit before tax		238	184
F	Total assets		15,065	19,534
	Additional data:			
G	Average net loans and advances to customers		13,793	16,903
	Key performance indicators:			
	Margin ratio ([A+B]/G)		3.28%	3.25%
	Credit loss ratio (C/G)		0.05%	0.16%
	Cost efficiency ratio (D/G)		1.73%	1.63%
	Return on Assets (E/F)		1.58%	0.94%

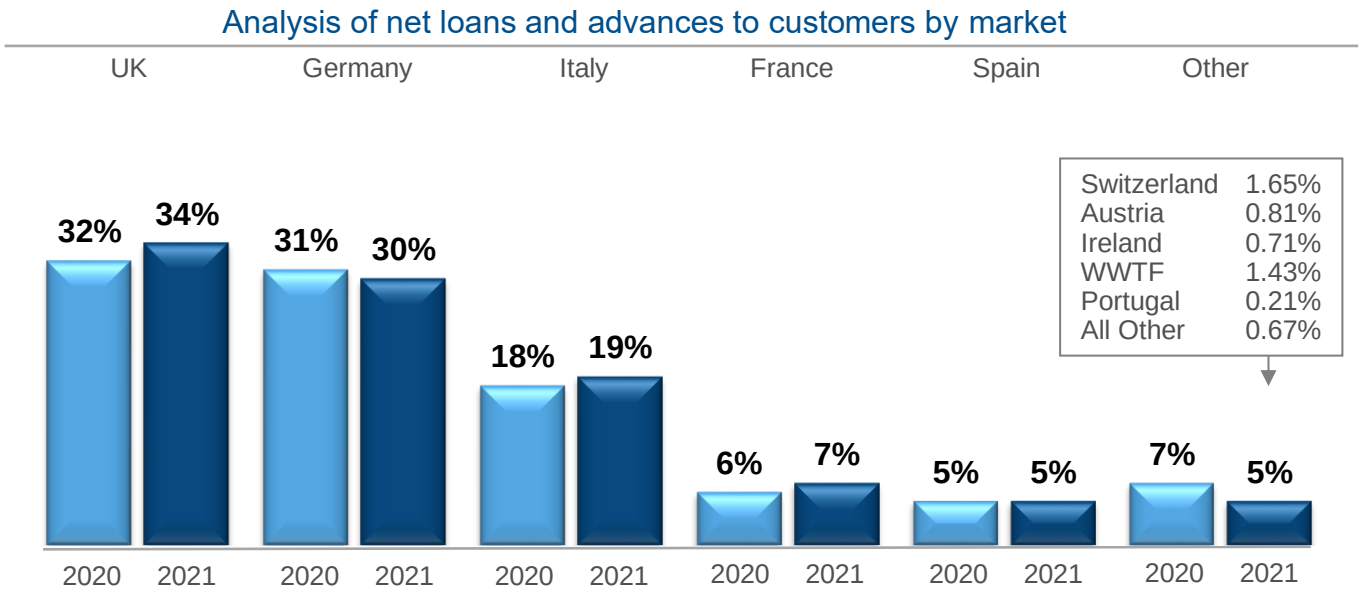
*Net credit loss is defined as total write offs less recoveries

Business Performance

Net Loans and Advances to Customers

FCE's loan portfolio reduced in 2021 with net loans and advances decreasing to £12.6 billion in 2021 from the 2020 year end position of £15.8 billion.

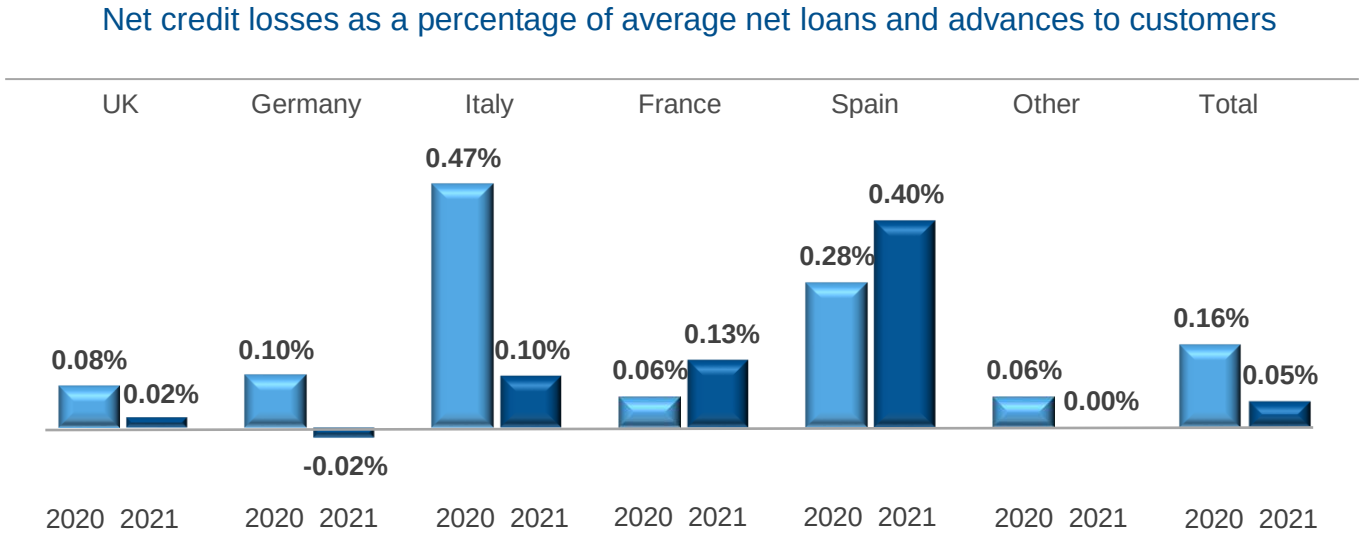
An analysis of FCE's net loans and advances by market as at 31 December 2021 and 31 December 2020 is set out in the chart below.



Net Credit Losses

The 'Net Credit Losses' chart below expresses net credit losses for both wholesale and retail financing as a percentage of average net loans and advances to customers.

FCE's overall net credit loss ratio on total receivables is 0.05% (2020: 0.16%). The retail loss ratio is 0.09% (2020: 0.21%) and the wholesale loss ratio is (0.08%) (2020: 0.05%). These are better than planned levels in aggregate.



Business Performance

Capital

FCE's policy is to manage its capital base to targeted levels that exceed all current and expected future regulatory requirements.

FCE's regulatory capital adequacy is managed through its monthly Asset and Liability Management Committee (ALCO) in which actual and projected capital positions are monitored against capital requirements as determined by the Internal Capital Adequacy Assessment Process (ICAAP) and minimum regulatory levels.

As at 31 December 2021, FCE's Common Equity Tier 1 (CET 1) ratio was 23.49% (2020: 19.54%) and the total capital ratio was 26.20% (2020: 21.79%). During 2021, FCE's leverage ratio remained well above the regulatory minimum. For more details see the unaudited 'Pillar 3 Disclosures' section which starts on page 130.

FCE paid a dividend of £300 million in 2021. FCE's future dividend planning will consider future receivables levels and profits while maintaining a capital ratio that exceeds regulatory requirements and internal targets.

Funding Sources

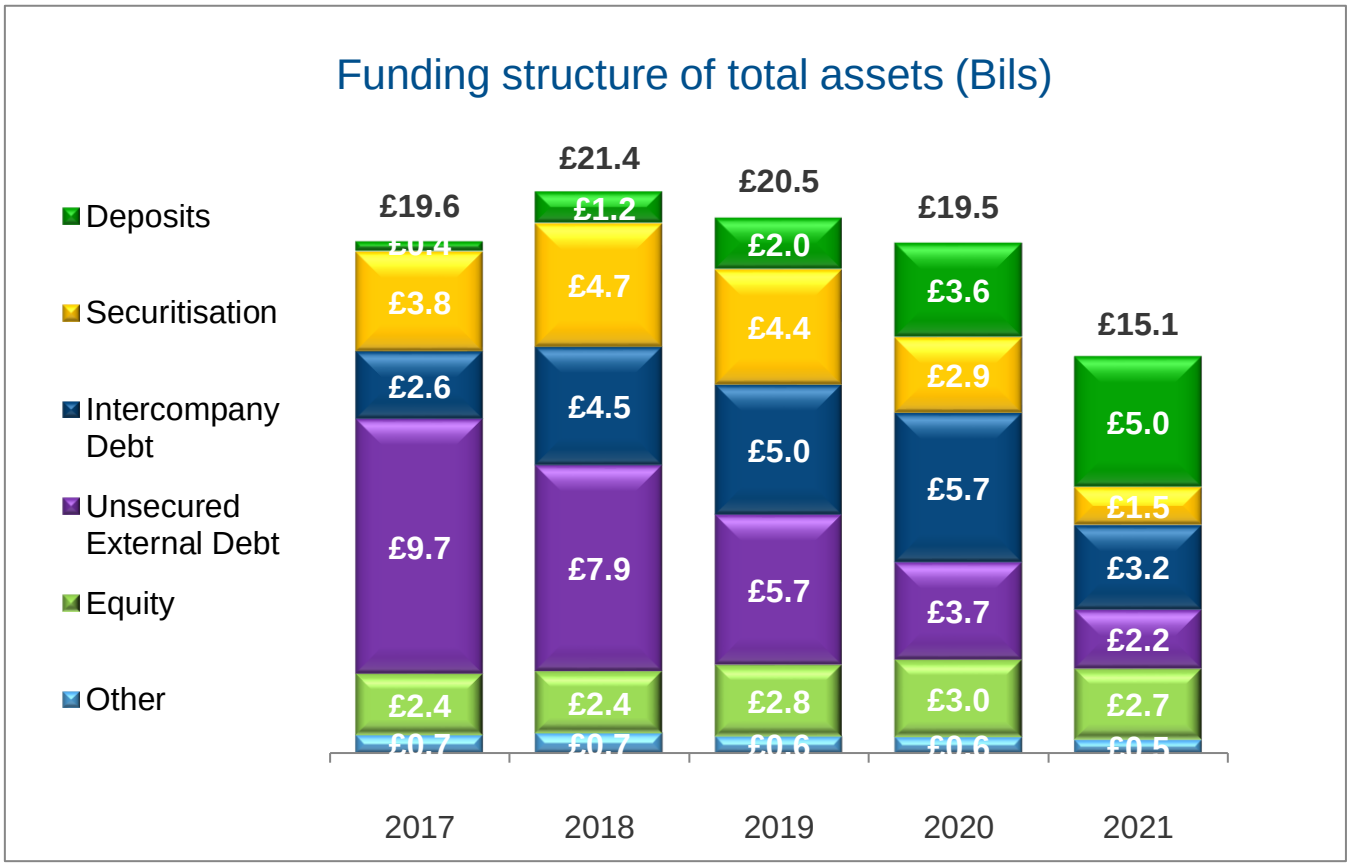
FCE's funding strategy focuses on diversification, accessing a variety of markets, channels, and investors, including government-sponsored funding programmes. The funding strategy is further designed to optimise the level of encumbrance in line with risk appetites.

FCE's German subsidiary, Ford Bank GmbH (FBG), launched customer deposits in December 2020, and has grown the portfolio to €2.2 billion at year end. As a consequence, FCE's total Retail Deposits worth £5.0 billion as at 31 December funds 33.0% of the total FCE's assets.

Levels of both inter company and external debt reduced in 2021, with no new issuances, reflecting lower loans and advances and the increased funding being provided by deposits.

In the secured funding segment, FCE continued to pledge eligible assets as collateral in the form of structured asset backed securities, taking the opportunity to utilise the ECB's open market operations. In addition, FCE issued German Public Retail securitisation debt of €500 million in March 2021 and UK Private Wholesale securitisation debt of £300 million in November 2021.

For further details see the 'Funding Structure' chart below.



Business Performance

Credit Ratings

FCE's short-term and long-term unsecured debt is rated by three major credit rating agencies: Fitch, Moody's and Standard & Poor's (S&P).

FCE has standalone ratings from Moody's (received in 2021) and S&P, both rating FCE at investment grade. The rating from Fitch is based on the rating from Ford and Ford Credit.

The credit ratings table below summarises the long-term senior unsecured credit ratings, short-term credit ratings and the outlook assigned to FCE.

Credit Ratings	Fitch*	Moody's	S&P
Long-Term Senior Unsecured	BB+	Baa3	BBB-
Short -Term Unsecured	B	NP	B
Outlook/Trend	Stable	Stable	Stable

Liquidity Profile

FCE's financial position is inherently liquid because of the short-term nature of FCE's loans and advances to customers and cash compared to its debt.

For additional information with regard to contractual maturities of receivables and debt, see Note 33 'Liquidity Risk'.

Future Prospects

During 2022, FCE plans to continue to develop its digital capabilities and increase its focus on the customer to enable the successful development of products and services to support Commercial Vehicles and online vehicle sales. This will include strengthening its Product Organisation and commencing the deployment of a new flexible IT platform to support faster deployment of new products.

Ford Credit launched the Ford Fleet Management JV in the UK in 2021 and further launches in other European markets are planned in 2022. As a result, FCE expects reductions in fee income in future years as the Ford lease business will progressively transfer into the Ford Fleet Management joint venture. FCE expects that vehicle production will continue to be impacted by the semi-conductor shortage, resulting in lower volumes of loans and advances than previous years. FCE bases its plans of Ford's latest production forecasts, although the outlook remains uncertain and subject to continuous change, at year-end 2022, FCE anticipates 'Net loans and advances to customers' to be in the range of £15 billion to £16 billion, subject to the impact of COVID-19 and the industry wide semi-conductor shortage'.

Although FCE successfully completed its Brexit strategy in 2021, it plans to continue to monitor the post-Brexit regulatory landscape and work with regulators to identify opportunities to optimise its operating model to reduce complexity and cost.

Finally, FCE notes that COVID-19 is continuing to evolve and that its ongoing impact in many European markets is uncertain. Also, many of FCE's customers are experiencing higher costs of living and that central banks are beginning to respond to increasing inflation with changes to policy. Furthermore there is also political uncertainty in East Europe. FCE is confident that its capital and liquidity plans, which include scenario modelling, put it in a good position to manage the potential impacts of these factors and the increases in credit losses that could result from a severe recession. Other than this, FCE does not undertake to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Although FCE has only minimal exposure to the Ukraine market, it is deeply concerned about the situation in Ukraine and the safety and well-being of people there and throughout the region. While there are no direct Ford employees in Ukraine, the Company continues to focus on the safety of the employees of our distributor in Ukraine.

Business Environment

Risk Profile and Management

FCE is an automotive captive with a mission to provide stable funding and risk management throughout all economic cycles.

Its business strategy is to be a secured lender, its loans collateralised primarily through retention of title in the underlying assets. The collateral is easy to value, portable and liquid. FCE has clearly defined rights in relation to counterparty default.

Its funding strategy is to maintain a positive structural liquidity profile, i.e. assets liquidate faster than debt, with a lending portfolio of a short duration.

FCE's lending portfolio is driven by Ford vehicle sales and production so that in a stressed environment, a decline in sales is likely to result in lower capital and liquidity requirements, i.e as seen with the global semi-conductor shortage.

Risk Management

FCE's risk management is based on the principles of the Committee of Sponsoring Organisations (COSO), the Treadway Commission ERM Framework and supported by its Three Lines of Defence.

FCE's risk appetite is set annually by its Board of Directors (the Board) and is clearly defined, monitored and managed through its Risk Appetite Framework. FCE has established processes for its identification of risks arising from its activities and manages each form of risk uniquely in the context of its contribution to overall risk. Business decisions are evaluated on a risk-aware and risk-adjusted basis and are priced consistently with these risks.

Risk Appetite and Monitoring

The Risk Appetite Framework is integrated within the Governance structure of FCE and informs the day-to-day risk management processes/policies which minimise the risk of unexpected losses. FCE conducts close monitoring of the risks in line with its defined risk appetite, and applies proactive risk-mitigating actions and controls which have been developed based on nearly 60 years of experience in the automotive lending sector.

The Risk Appetite Framework clearly defines the amount of risk FCE is willing to accept in pursuit of its long-term objectives and is measured across its principal risk categories. The Risk Management function proposes risk appetite thresholds to the Board, and is responsible for recommending either the tolerance, treatment, transfer or termination of any risk tracking towards an out-of-tolerance position to the appropriate governance committee, be that Executive Committee, Board Risk Committee or Board of Directors.

FCE's key metrics include credit loss ratios, liquidity adequacy, capital adequacy, cyber risk and operational risk and operational resilience metrics.

Risk Management and Culture

FCE continues to increase risk awareness by making it an integral part of its culture through communication and training. FCE reviews and seeks to improve its risk management practices in line with industry best practices.

FCE's risk management follows the Three Lines of Defence model, which ensures clear delineation of responsibilities between day-to-day operations, monitoring and oversight, as well as independent assurance.

Business Environment

First Line of Defence

The first line of defence comprises the operational staff and departmental management who have responsibility for following policy and procedure to mitigate any risks inherent in the operations of the business. It operates in accordance with FCE's control framework with prescribed controls designed into systems and processes, including self-assessment audit tools and reporting requirements through to the second line of defence.

Second Line of Defence

Central office teams such as Compliance, Risk, and the Internal Controls Office (ICO) undertake the second line of defence and are responsible for pan-European policy and procedures executed by the first line management.

Each of the control functions in the second line of defence reports into one or more of FCE's committees as delegated by the Board. These committees monitor and challenge performance metrics, review key risk indicators and escalate, as appropriate, through FCE's governance structure.

Third Line of Defence

The third line of defence provides independent assurance to the Audit Committee and comprises of the Ford General Auditor's Office ('GAO'). GAO auditors audit the business frontlines and the oversight functions to ensure that they are carrying out their tasks to the required level of competency.

FCE also recognises the importance of the Board Risk Committee, Board Audit Committee, Non-Executive Directors (NEDs), external auditors and consultants in providing independent insight and challenge to FCE's risk management and control framework leading to a culture of continuous improvement.

Board Risk Committee

The Committee monitors and reviews FCE's systems for risk management and compliance with financial services legislation and regulatory requirements. The committee met five times during 2021.

The Chair of the Board Risk Committee formally reports to the Board after each meeting on how its duties and responsibilities have been discharged.

The core responsibilities include:

- Annual review of the bank's risk appetite statements
- Review, as appropriate, inputs scenario assumptions to the company's Internal Liquidity Adequacy Assessment Process (ILAAP) and ICAAP
- Approval of FCE's annual Anti Money Laundering Report
- Review of regulatory reports from the Head of Compliance including money laundering, unusual events and regulatory audit reports to ensure appropriate actions are being taken where required
- Provide oversight and direction to the company's whistleblowing and fraud procedure
- Recommendation of approval to the Board of a number of policy letters covering topics such as Regulatory Compliance, Vehicle Residual Value Risk, Large Exposure and Outsourcing Arrangements, in each case ensuring the policies are consistent with FCE's strategy and risk appetite
- Operational Risk and Operational Resilience oversight delegated by the Board
- Provide direction on establishing the bank cyber resilience strategy
- Environmental, social and governance risk and model governance risk

Business Environment

Whistleblowing

FCE has a whistleblowing procedure for the confidential and anonymous submission by employees of concerns regarding business, accounting, and internal controls or auditing matters.

Principal Risks and Uncertainties

FCE defines its principal risks as those key risks which are set out on pages 15 to 20. FCE conducts horizon scans, as a method to provide foresight into the early detection and assessment of emerging technologies or threats. It considers how emerging trends and developments might potentially affect current policy and processes. This helps guide the Board to take a longer-term strategic approach and makes present policy more resilient to future uncertainty. In contingency planning, horizon scanning helps to manage risk by planning ahead for unlikely, but potentially high impact events. In addition to the risks faced by FCE in the normal course of business, some risks and uncertainties are outside FCE's direct control. This section outlines specific areas where FCE is sensitive to such risks.

The automotive industry continues to face a significant shortage of semi-conductors, which has presented challenges and production disruptions globally, including at Ford's assembly plants. This shortage has led to lower dealer inventories of both new and used vehicles, resulting in lower non-consumer receivables and higher residual values. Based on the overall recovery rate FCE is seeing for the industry, FCE believes the automotive semi-conductor shortage will remain fluid and could extend into 2023. A sustained shortage of semi-conductors, or other key components, can cause a significant disruption to Ford's production schedule. This in turn may negatively impact FCE's business, whose focus is to profitably support the sale of Ford vehicles.

FCE expects economic uncertainty and continuing semi-conductor shortages to have a negative impact on vehicle sales, and higher default rates within its retail portfolio following the end of COVID-19 related forbearance measures. A sustained decline in sales could have a significant adverse effect on dealer profitability and creditworthiness.

COVID-19 continues to create significant economic uncertainty, partially mitigated by government actions taken in response. As new strains of COVID-19 continue to develop or if sufficient amounts of vaccines are not available, not widely administered for a significant period of time, or otherwise prove ineffective, the impact of COVID-19 on the global economy, and, in turn Ford and FCE’s financial condition, liquidity, and results of operations could be material. FCE’s business is focused on financing Ford vehicles, and the duration or re-emergence of COVID-19 or similar public health issues may negatively impact the level of originations.

FCE is planning and investing for substantial changes to its business model in anticipation of the move of vehicle production to electric vehicles, changes in Ford’s distribution strategy and the resulting shifts in customer financing needs and service expectations. There is a risk that if FCE’s plans are executed incorrectly or the market evolves in unexpected ways that FCE’s relevance to Ford sales and its penetration may decline.

FCE’s ability to obtain unsecured and intercompany funding at a reasonable cost is dependent on its and FMCC’s credit ratings or the perceived creditworthiness. Further, FCE’s ability to obtain securitised funding under its committed asset-backed liquidity programmes and certain other asset-backed securitisation transactions is subject to having a sufficient amount of assets eligible for these programmes, as well FCE’s ability to obtain appropriate credit ratings and, for certain committed programmes, derivatives to manage the interest rate risk. Over time, and particularly in the event of credit rating downgrades, market volatility, market disruption, or other factors, FCE may reduce the amount of receivables it purchases or originates if there is a significant decline in the demand for the types of securities it offers or FCE is unable to obtain derivatives to manage the interest rate risk associated with its securitisation transactions. A significant reduction in the amount of receivables FCE purchases or originates would significantly reduce its ongoing results of operations and could adversely affect its ability to support the sale of Ford vehicles. The potential risk impacts of LIBOR transition and negative interest rates could cause market volatility or disruption. It is difficult to predict the effect of this change, or other reforms. FCE successfully completed the migration of GBP, USD and CHF LIBOR to Risk Free Rates (RFR) by the end of December 2021 and will continue to review market updates and regulator announcements regards LIBOR and take appropriate action. Regular reviews are conducted on negative interest rates within FCE to be prepared both operationally and financially for such an eventuality.

Ford of Europe currently provides a number of marketing programmes that employ financing incentives to generate increased sales of vehicles. These financing incentives generate significant business for FCE. If Ford chooses to shift the emphasis from such financing incentives, this could negatively impact FCE's share of financing related to Ford's automotive brand vehicles.

Business Environment

Key Risks

FCE's Pillar 1 capital requirements are calculated using prescribed methods aligned with the Standardised Approach for each of the following risk types:

- Credit risk including counterparty credit risk
- Operational risk
- Market risk

The nature of these risks, along with the other key risks facing FCE, are discussed in more detail in the remainder of this section.

Credit Risk

As a provider of automotive financial products, FCE's primary credit risk is the loss from a retail customer or dealer's failure to make payments according to contract terms. Credit risk is mitigated in the majority of FCE's retail, leasing and wholesale financing plans through title retention or a similar security interest in the financed vehicle. In the case of default, the value of the repossessed collateral provides a source of protection. FCE's credit risk policy permits the granting of payment deferrals to provide short-term support to its retail, leasing and wholesale customers.

FCE applies the Standardised Approach for assessing the Pillar 1 capital requirements for credit risk using standard industry-wide risk weightings based on the classification of asset and counterparty types. The unaudited 'Pillar 3 Disclosures' section, which starts on page 130, gives more detail on FCE's credit risk exposures, their relationship to FCE's Statement of Financial Position and the capital requirements.

Retail and Finance Lease (Consumer and Commercial) Credit Risk Management

'Retail' typically includes Conditional Sale, Balloon Conditional Sale, Hire Purchase, Balloon Hire Purchase, Credit Sale, and Retail Financing contracts introduced through a dealer to individual consumers, sole traders and businesses, as well as assets purchased by customers under conditional sale agreements and leased under finance leases.

Retail contracts are primarily fixed-rate, retail contracts or finance leases which generally require customers to pay equal monthly payments over the life of the contracts. Trade Cycle Management (TCM) contracts are retail contracts that provide customers with the choice to purchase, trade-in or hand back the vehicle at the end of the contract.

Retail products are classified by term and whether the vehicle is new or used. This segmentation is used to assist with product pricing to ensure risk factors are appropriately considered.

Retail consumer credit underwriting normally includes a credit bureau review of each applicant and an affordability check where market functionality exists, together with an internal review and verification process. Statistic-based risk-rating models are normally used to determine the creditworthiness of applicants. Portfolio performance is monitored regularly and FCE's originations processes and models are reviewed, revalidated and recalibrated as necessary. Retail credit loss management strategy is based on extensive experience.

FCE also provides automotive financing for commercial entities, including daily rental companies. Each commercial lending request is carefully evaluated using information requested and supported by credit bureau data, where available.

FCE operates centralised originations, servicing and collections activities in all locations which creates economies of scale and enhances process consistency. The UK and Germany locations use advanced servicing technology, risk management techniques and controls. These include customer behavioural models that are used in contract servicing to ensure appropriate collection attention.

Vehicle repossession is considered as a last resort. After proceeds are applied from the sales of repossessed vehicles, collection of the remaining balance continues where legally permitted until the account is paid in full or it is deemed by FCE to be economically uncollectable.

For further details refer to Note 29 'Credit Risk'.

Vehicle Residual Value Risk

This is the risk that the actual proceeds realised by FCE upon the sale of a returned vehicle at the end of the contract will be lower than that forecast at the beginning of the contract. FCE is prepared to incur vehicle residual value risk, predominantly in respect of Ford brand vehicles. Vehicle residual values are set based on a careful evaluation of internal and external data sources and are subject to review and approval by the appropriate committee.

Business Environment

Trade Cycle Management (TCM) contracts, which represent the majority of finance plans whereby FCE have residual value risk, are typically set below expected market value. This approach generates equity for the customer at the end of the contract and also serves to provide protection for FCE against residual value risk. The unforeseen impact of COVID-19, and the industry-wide reductions in new vehicle supply (as a result of reduced availability of semi-conductors), has resulted in a significant increase in used vehicle values at this time and increased future forecast values from external trade guides. FCE expects these values to normalise over time as new vehicle supply constraints ease. FCE continues to monitor used values and seek independent third party trade guide opinion in its decision making processes.

As the industry transitions to electric vehicles, FCE is continuing to grow and enhance its knowledge and strategy for both electric vehicles (EV) and internal combustion engine (ICE) residual value setting.

With respect to FCE's operating lease portfolio, residual value risk is reduced by an arrangement with Ford, under which Ford indemnifies FCE for the majority of residual value losses and receives the benefit of the majority of residual value gains.

For further details refer to Note 30 'Vehicle residual values'.

Wholesale Credit Risk Management

'Wholesale' primarily includes financing to Ford franchised dealers to fund inventory of new and used vehicles (vehicle wholesale financing, demonstrator or courtesy vehicles) and, to a much lesser extent, spare parts and loans for working capital. For the vast majority of FCE's dealer financing products security is taken in the underlying vehicle asset.

Each dealer lending request is evaluated, including the borrower's financial condition, supporting security, debt servicing capacity, and numerous other financial and qualitative factors.

All credit exposures are reviewed annually. Asset verification processes are in place and include physical audits of vehicle stocks with increased audit frequency for higher risk dealers. In addition, stock-financing payoffs are monitored to detect adverse deviations from typical payoff patterns, in which case appropriate actions are taken.

Wholesale lending generally requires dealers to pay a floating-rate interest and include receivables from dealerships that are either partly or wholly owned by Ford.

2021 has seen continued challenges, due to the ongoing impacts of the COVID-19 pandemic and the vehicle shortage resulting from the global semi-conductor shortage. During this time FCE has continued to work closely with Ford to not only maintain but strengthen its communication and relationships with its dealer and commercial partners. FCE has worked with each individual partner to understand the impact of the above challenges on their business, with particular focus on their immediate cashflow situation. FCE has continued to provide dealer specific support where necessary through 2021.

Initial government lockdowns resulted in the majority of dealers in impacted markets being closed for vehicle sales, however in more recent lockdowns, most governments have permitted 'Click and Collect', or 'Click and Deliver' sales which has enabled the large majority of dealers to maintain sales through these restrictions. Dealers have also benefitted from unprecedented levels of government aid to support their cash positions including employee furlough schemes, government supported loan schemes and payment moratoria which have gradually been phased out in 2021. These have varied by market but have been tracked closely as part of the individual dealer monitoring implemented. Standard vehicle auditing has been maintained where local government restrictions permitted and has been fully restored since mid-2021. Where physical audits were not possible, remote audits have continued to be undertaken where viable.

For further details refer to Note 29 'Credit Risk'.

Counterparty Credit Risk

FCE could incur a credit loss if the counterparty to an interest rate or foreign currency derivative with FCE defaults. This is known as counterparty credit risk and is mitigated by the cash collateral that FCE exchanges with most of its counterparties under margin arrangements. FCE uses the Mark to Market (MTM) method to measure this risk and determine its related capital requirements. More detail on FCE's counterparty credit risk exposures, and capital requirements can be found in the unaudited 'Pillar 3 Disclosures' which start on page 130.

In addition to a credit loss caused by a counterparty default, banks can also suffer Mark to Market losses associated with the counterparty's creditworthiness and this is termed credit valuation adjustment (CVA) risk. FCE does not consider CVA to be a key risk. FCE holds Pillar 1 capital for CVA calculated under the Standardised Approach as prescribed by the Capital Requirements Regulation (CRR). The value of this capital requirement is described in the unaudited 'Pillar 3 Disclosures' in Table 5 on page 138.

Operational Risk and Operational Resilience

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Operational Resilience is the ability to continue operating in the face of disruption, regardless of source, and to have the ability to prevent, adapt, respond to, recover and learn from operational disruptions. Operational risk includes risks such as information technology process failure, significant organisational change risk, human error, and lapses in internal controls, fraud or external threats (e.g. cyber-attacks). Processes are in place to identify and assess these risks in order to enable effective risk management. The Risk Control Self-Assessment process (RCSA) is the process used across the business to identify and assess operational risk in line with the Basel Framework.

FCE follows the principles of the Three Lines of Defence model as outlined on page 13, to manage and mitigate operational risk through a robust governance framework. This includes specific committees in place to implement policies, procedures and processes to control or mitigate material exposure to losses.

Based on the guiding principle that management at all levels is responsible for managing operational risk, FCE maintains a strong internal control culture across the organisation. The Annual Control Testing, a self-assessment control process used across the business, is used to monitor adherence to key controls.

FCE is indemnified under insurance policies for certain operational risks including health and safety. Notwithstanding these control measures and this insurance coverage, FCE remains exposed to operational risk that could negatively impact its business and results of operations.

To assess Pillar 1 capital requirements for operational risk, FCE qualifies for both the Basic Indicator Approach (BIA) and the Standardised Approach. As FCE has two distinct product lines, it has adopted the Standardised Approach where a firm divides its activities into a number of business lines and applies the relevant beta factor to each one. The value of this capital requirement can be seen in the unaudited 'Pillar 3 Disclosures' in Table 5 on page 138.

FCE's effective response to the impact of COVID-19, including the transition of most of its employees to home-working has demonstrated many aspects of its operational resilience.

Market Risk

This is the risk of adverse impacts to FCE's profits and capital as a result of changes to foreign currency exchange rates.

Currency exposures are managed by FCE as an integral part of its overall risk management programme, which recognises the unpredictability of foreign exchange markets and seeks to reduce the potential adverse effects on FCE's results.

FCE reduces its exposure to market risk through the use of foreign currency exchange derivatives.

FCE's strategy for the use of derivatives is designed only to mitigate risk; derivatives are not used for speculative purposes. For further details, refer to Note 31 'Market Risk'. FCE holds equity in its overseas branches and subsidiaries in order to hedge its capital ratios against movements in exchange rates.

The Pillar 1 capital requirement relating to market risk is made up of a number of risk elements, all of which require their Position Risk Requirement (PRR) to be calculated.

FCE's derivatives policy as described on page 108 means that it does not have a trading book under CRD rules and is therefore only required to hold Pillar 1 capital for its currency risk under the market risk requirements. The value of the capital requirement can be seen in the unaudited 'Pillar 3 Disclosures' in Table 5 on page 138.

Other Risks

In addition to the risk types outlined on page 15, which are reflected in FCE's Pillar 1 capital requirements, FCE considers a number of other risk areas significant to its business. These are also integrated into FCE's risk management processes and are detailed below:

Concentration risk is the risk resulting from FCE's concentration of exposures within geographic regions, sectors, and large dealer groups and fleets. FCE is prepared to incur concentration risk, subject to the risk appetite established by the Board and regulatory requirements, where this is consistent with executing its mission as a captive automotive finance provider.

FCE's wholesale portfolio is the business segment most exposed to concentration risk. However, it is FCE's view that this risk is mitigated by a number of positive characteristics of its wholesale business model, such as retention of title, the short-term nature of the funding, the realisable value of the asset within a reasonable timeframe and the fact that the majority of wholesale funding is uncommitted.

Business Environment

The retail portfolio consists of a large number of individual loans to retail customers across multiple markets and FCE's analysis indicates sufficient granularity within the portfolio to not pose a significant concentration risk.

Pension risk arises from FCE's obligations as a result of participating in defined benefit pension schemes for its employees. The most significant retirement benefit obligations to FCE relate to the UK and German pension plans. These are principally Ford Group sponsored plans in which FCE is a participating employer. FCE recognises that there is inherent volatility in the investment markets that will affect the value of assets of the schemes at any point in time. The pension liabilities also change over time as longevity and other assumptions develop and the balance between the populations of the active workforce and retirees matures. For the UK and German plans, Ford is solely responsible for funding any deficit which may arise from time to time. Should Ford fail to meet its obligations, FCE retains residual legal risk for the UK plans as does Ford Bank GmbH for the German plans.

FCE, in conjunction with Ford, uses internal and external actuaries to review the pension liabilities; the results are taken into account in FCE's capital planning.

FCE, together with Ford, leverages in-house US-based pensions management expertise to assist with recommendations to the fiduciary bodies responsible for the UK and German pension funds on investment strategy and liability management.

Liquidity risk is the possibility of being unable to meet present and future financial obligations as they become due. FCE's strategy is to maintain a diverse range of funding sources to enable it to continue to fund its business in all market conditions. FCE is funded primarily through unsecured and intercompany debt, public and private securitisation, retail deposits and equity, ensures that liabilities on average, mature later than assets liquidate.

FCE holds liquidity in the form of cash, committed capacity and collateral eligible for central bank liquidity facilities. FCE's committed capacity is in the form of committed securitisation capacity (which is free of material adverse change clauses, restrictive financial covenants and credit rating triggers), and contractually committed unsecured credit facilities (which have similar terms with the exception of certain covenants). FCE also participates in the Bank of England Window Facility (DWF) scheme which can act as an additional source of liquidity.

For further details, refer to Note 22 'Securitisation and Related Financing' and Note 33 'Liquidity Risk'.

The Liquidity Coverage Ratio (LCR) requires banks to hold high-quality liquid assets (HQLA) to survive a 30-day liquidity stress. FCE has established processes to monitor its HQLA position in accordance with the LCR part of the PRA Rulebook. FCE also complies with the Net Stable Funding Ratio (NSFR) requirements, which are designed to ensure that banks maintain a stable, long-term funding profile to reduce structural liquidity risk, in accordance with the PRA Rulebook.

Processes embedded in FCE's governance include liquidity forecasting and reporting against risk tolerances, stress/scenario testing and contingency planning. FCE's Board of Directors recognises that liquidity may be affected by the following liquidity risk drivers, which are material to FCE. FCE has measured its risk appetite against each of these:

- Wholesale funding risk
- Funding concentration risk
- Off balance sheet risk
- Cross-currency liquidity risk
- Balance sheet growth
- Franchise-viability risk
- Non-marketable assets risk
- Retail funding
- Intraday liquidity
- Intra-group liquidity

Group risk is the risk of loss due to FCE's association with its parent company. As a captive automotive finance company, FCE has an inherent exposure to Ford. However, this is carefully controlled through FCE's Large Exposure monitoring process and minimised through strong adherence to internal policies which ensure an arm's-length approach to all transactions and services with FCE's parent and other Ford-owned entities. FCE leverages some services provided by other areas of the wider Ford Credit and Ford corporate organisation. However, these services are governed and regulated by service level agreements which typically provide for ring-fenced capabilities.

Conduct Risk is defined by FCE as: "The risk that FCE's culture, strategy, policies or procedures encourage its staff, individually or collectively, to act (or omit to act) in a way that delivers poor customer outcomes for FCE's customers or negatively impacts on the integrity of FCE Bank plc, the financial services market as a whole or competition there-in."

Business Environment

Conduct Risk is wide-ranging and FCE recognises that one of best ways to manage Conduct Risk, as well as instiling values of Treating Customers Fairly "TCF" (and like Family), is through the development and maintenance of a culture to which good conduct and TCF is central. FCE's approach to Conduct Risk is embedded by the Ford Truths, Values, Corporate Beliefs and Behaviours, a global approach intended to strengthen and entrench a culture of customer-centricity, reflecting on customer experience, satisfaction and outcomes.

FCE's objective is to demonstrate and ensure fair outcomes to consumers throughout the conduct risk lifecycle which includes product governance, consumers' retail experiences with FCE and post-sale processes. Conduct risk is managed within each of FCE's business operations with oversight from FCE's central compliance function.

FCE offers well established finance products, including retail deposit-taking to its customers and has comprehensive controls to ensure that its sales processes, including the introduction of new products, or changes to existing products, ensure fair customer outcomes as well as meeting all regulatory requirements. FCE monitors customers' retail experiences, including post sales processes, through the use of performance data such as complaints metrics as well as through periodic surveys.

Cyber Risk is the risk of a cyber-attack harming FCE's reputation and/or subjecting FCE to regulatory actions or litigation.

FCE continually employs capabilities, processes, and other security measures designed to reduce and mitigate the risk of cyber-attacks, although such preventative measures cannot provide absolute security and may not be sufficient in all circumstances or mitigate all potential risks. FCE participates in and benefits from Ford and Ford Credit's global tools and focus on Cyber Security.

Preventive measures in place include the use of tools for the integration of security scans within the software delivery pipeline, and the sharing of best practice and knowledge around remediation of security vulnerabilities; ensuring Ford Credit Application Programming Interfaces (APIs) are secure through tool driven analysis of conformance to design specifications, best practices and security requirements; executing Dynamic Security Testing (DAST) vulnerability scans across Ford Credit externally facing applications containing sensitive data; improving Ford Credit's cybersecurity posture through training and awareness initiatives such as secure coding and phishing identification skills; monitoring and limiting USB Device Control Exception requests globally, in between others.

Interest rate risk is the risk arising from fluctuating interest rates. FCE's asset base consists primarily of fixed-rate retail instalment sale, hire purchase, conditional sale and lease contracts, with an average life of approximately three years, and floating rate wholesale financing loans with an average life of approximately two months.

It is FCE's policy to execute interest rate derivatives to change the interest rate characteristics of its debt to match, within a tolerance range, the interest rate characteristics of its assets. This matching policy seeks to maintain margins and reduce profit volatility. Further details on FCE's interest risk and interest rate risk management can be found in Note 32b 'Interest Rate Risk'. FCE also utilises the Economic Value of Equity model to inform its capital requirement for interest rate risk.

Environmental, Social and Governance (ESG) Risk

ESG risk is divided into three elements:

- Environmental risk is the actual or potential threat of adverse effects on living organisms, businesses and the environment by effluents, emissions, wastes, resource depletion and climate change
- Social risk includes the impact of issues of inequality, inclusiveness, labour relations, investment in human capital and communities
- Governance risk is the internal system of practices and controls, required for governance effective decisions within legal and compliance in order to meet the needs of external stakeholders

FCE is continuing to develop its approach to ESG including minimising the potential future impact of financial risks created by climate change.

FCE is working on implementing plans consistent with the response of the industry and its regulators to this emerging risk. The Board has appointed the Chief Risk Officer, under the Senior Managers Regime, as the responsible person for climate change issues.

Business Environment

The financial risks from climate change present themselves via two main channels:

- Physical risks arising from increased severity and frequency of climate and weather related events which damage property and infrastructure disrupting business supply chains. These events may reduce asset values, profitability and impact the wider economy by reducing output and productivity;
- Transition risks, which arise from adjustments towards a carbon neutral economy, and require significant structural changes. These changes will require an adjustment to asset values, changes in energy pricing and may have a negative impact on the incomes and credit profile of some borrowers, leading to increased credit losses.

European jurisdictions are focusing on air quality, predominantly in cities as well as climate change in general. Various statements have been issued indicating a desire or even firm rules to restrict access to, or ban, vehicles with Internal Combustion engines ("ICE") from designated cities, or parts thereof as well as ban of new registrations on a national or regional level. There has also been a focus on legal claims against diesel vehicles and assume illegal defeat devices in the short to medium term and, there is a risk that residual values for diesel engine vehicles will depreciate at a greater rate than originally forecast. In the longer-term, with the development of electric powered vehicles, combined with legislative changes to the disadvantage of ICE vehicles, there could be an adverse impact on FCE's business.

Ford has recently announced its portfolio of vehicles will progressively move towards full electrification by investing around $30 billion by 2025. In Europe, by mid-2026, 100% of its passenger vehicle range will be zero-emissions capable, all-electric or plug-in hybrid; moving to all-electric by 2030. Ford's commercial vehicle range in Europe also will be 100% zero-emissions capable, all-electric or plug-in hybrid, by 2024; two-thirds of commercial vehicle sales are expected to be all-electric or plug-in hybrid by 2030. This will require FCE to adapt its strategies and products to ensure it is able to continue to support Ford sales, whilst protecting its portfolio and its exposure to residual value risk.

The effects of increased scrutiny and CO2 regulation for motor vehicles, including access restrictions for ICE vehicles in cities, has been assessed and the impact on vehicle values is monitored closely. FCE has processes to identify legislation changes and their future impacts are assessed as appropriate. For receivables where FCE takes the residual value risk, forward looking vehicle values are assessed in the light of such legislation changes and a shift towards vehicles with alternative propulsion types. FCE has relatively short dated receivables, which provides flexibility for it to react relatively quickly to changes, however, also acknowledges that these risks may affect investors' risk appetite and FCE's access to wholesale and retail deposits markets. FCE regularly meets with its investors to gain insight as to potential future changes.

FCE expect investor interest in ESG-related information and investment products will continue to intensify in the coming years. If interest in investments without ESG-related features declines and FCE are slow to ramp up our "green" portfolio of receivables, FCE could experience a decrease of investor interest in its notes, which could lead to funding constraints or higher interest rates. Further, there is no guarantee that investors will find the information FCE provide about ESG to be sufficient and FCE cannot know for sure how investors will use their ESG questionnaires to make investment decisions. Further, as broader society transitions away from ICE to electrified vehicles, investors may become increasingly concerned about the residual values of either vehicle type, potentially impacting their interest in holding FCE notes.

Further information on environmental and social matters can be found in the Non-Financial Statement on page 23.

FCE's Approach to Regulatory Compliance

FCE proactively monitors and implements relevant regulatory changes and regularly assesses and controls its exposure to regulatory risks through the time bound completion of a compliance monitoring programme. This programme assesses FCE's compliance with all applicable regulatory rules. All material changes to laws and regulations impacting FCE are overseen by Senior Management and where necessary are implemented and recognised within regularly revised policies and procedures.

Board declaration on adequacy of risk management

FCE's Directors are satisfied that the Enterprise Risk Management Framework adequately supports FCE'S profile and risk strategies in a way that meets the requirements of all key stakeholders.

Non-Financial Statement

Our People

FCE relies on the skills and talents of its dedicated European workforce of around 1,400 individuals for its ongoing success and risk management.

People Strategy

FCE's people policies and practices recognise fully the company's status as a regulated bank domiciled in the UK, and therefore the standards of conduct, behaviour and ethics it is required to meet. FCE aims to be an "Employer of Choice". It has a strong focus on developing employees, together with a retention strategy to ensure that the skills and experience required to support business objectives are retained. In accordance with the company succession planning policy, FCE's people strategy includes the use of Accelerated Development programme to support the recruitment and development of employees and ensure effective succession planning for key roles. FCE has a remuneration and benefits philosophy targeted at achieving overall competitiveness with the external market, rewarding contribution to FCE's performance and retaining key skills. FCE operates a robust training and competency framework to provide individuals with the skills, knowledge and expertise to discharge their responsibilities effectively. In line with the Company's performance management and development processes, regular partnership discussions are held with people leaders in order to align on the employee's goals and results, growth and development, career aspirations and wellbeing.

FCE is committed to diversity in the workplace. This approach values the differences provided by culture, ethnicity, race, gender, disability, nationality, age, religion, beliefs, education, experience and sexual orientation. FCE uses the views of employees to improve processes and to foster a culture based on honesty and respect.

Applications for employment by persons with a disability are always fully considered, with consideration to the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with FCE continues and that appropriate support is arranged. It is FCE's policy that the training, career development and promotion of persons with a disability should, as far as possible, be identical to that of other employees.

Consistent with the principle of diversity, FCE also operates a Dignity at Work policy which promotes a business environment where employees, customers and suppliers are valued for themselves and their contribution to the business. FCE is committed to conducting its business with integrity and utilising the talents of all employees through providing an environment free from discrimination, harassment, bullying and victimisation.

FCE requires all employees to act with integrity and demonstrate ethical behaviour, as set out in Employee Handbooks and related policies. This is supported by a culture where there is a strong focus on risk identification, control and governance as part of the Operational Risk Framework and a senior management team that demonstrates principled decision making through their actions and behaviours.

Employee Communication and Engagement

Employees are kept informed of its activities on a national, pan-European and global level by means of weekly e-bulletins , internal intranet, email updates and all-employee meetings. All-employee activities are supported by local location and onsite communications including team meetings, cascades, dedicated project websites.

During 2021, employee communication has continued to evolve and increase in response to the ongoing global pandemic and evolution of work to incorporate regular remote working. Aimed at helping colleagues feel informed, supported, included and a sense of belonging, specific actions included:

- Timely, digital communications designed to drive awareness and understanding of Ford and Ford Credit's strategic direction, accelerate momentum on FCE's culture journey and prepare the Ford Credit workforce for workplace changes such as hybrid working;
- Regular virtual employee meetings between directors, management and the entire workforce with open, honest and transparent two-way discussion including questions and answers. These have been welcomed by employees, with attendance remaining high;
- Ongoing LearnX webinar series providing a variety of support tools and training to help employees explore, experience and experiment with their personal and professional development, as well as the challenges of working remotely.
- Frequent communication to raise awareness on mental health and wellbeing issues with support available to employees through 'FCE's Mental Health First Aiders', 'Occupational Health Service' '24-hr Employee Assistance helpline' and online resources;
- Regular staff 'PULSE' surveys used to monitor employee satisfaction and culture.

Non-Financial Statement

Basic Working Conditions and Corporate Responsibility

FCE recognises that employees are its most important resource. In recognition of their contributions, FCE has policies and programmes designed to ensure that its employees enjoy the protection afforded by principles articulated in this report.

FCE also strives to be a good corporate citizen and works to implement policies and programmes to benefit the communities where it operates. Although these principles are not new to FCE, they are important to what it stands for as a company.

FCE has policies that set forth the Company's guiding principles for human rights, labour, and environmental standards throughout its operations.

FCE intends its policies to be an affirmation of basic guiding principles that should serve as the cornerstone of its relationship with employees and other stakeholders in the countries where it operates.

Human Rights

It is a goal of FCE to respect human rights in all of its activities. FCE personnel are required to follow the Company's corporate policies and comply with national laws and regulations related to human rights. FCE personnel should also work to reduce the risk of any potential human rights violations by identifying risks, monitoring those risks and remediating any non-compliance.

Bribery and Corruption

FCE does not tolerate the giving or receiving of money, gifts, or favours to influence in any way the behaviour of another individual, organisation, government employee, politician, or government body in furtherance of a commercial or personal advantage. Bribery is never permitted, even in countries or regions where it may appear to be tolerated or condoned.

Labour

FCE does not use forced labour in any form and does not tolerate physically abusive disciplinary practices. The Company does not use or tolerate human trafficking in its labour force.

Health and Safety

FCE provides and maintains for all personnel a safe and healthy work environment that meets or exceeds applicable legal standards for occupational safety and health.

FCE's overriding priority during the ongoing COVID-19 pandemic was to ensure it continued to protect the safety of its employees and the wider community. As the crisis broke in March 2020, FCE very quickly moved from an office environment to over 95% of employees working from home. A variety of tools and training were provided to assist employees including mental and physical health and safety, and effective remote working practices. Onsite health and safety protocols such as daily attestations, temperature checks, mandatory facemasks, increased cleaning regimes and social distancing were in place at various times throughout 2021.

Employment Practices

FCE complies fully with relevant legislation enacted by both European and national parliaments on Human Resources (HR) policy and process. FCE ensures that HR policies and procedures meet the aims of relevant PRA, FCA and other national regulatory requirements.

Work Hours

FCE complies with applicable laws regulating hours of work.

Non-Financial Statement

Environmental and Social Matters

FCE is an integral part of Ford's global effort towards a sustainable environment. Ford knows climate change is real and remains committed to doing its part to address it by delivering on CO2 reductions consistent with the Paris Climate Agreement. Ford has already charted its course for the future that includes investing more than $30 billion in electrified vehicles by 2025, as well as responsible development of self-driving technology.

With Ford+ the Company is accelerating its efforts to be a leader in mobility and making progress toward its vision of clean, safe, affordable and accessible transportation for all, with less congestion, better air quality, shorter journey times and fewer accidents. Ford foresees smart vehicles operating in a smart world, communicating with each other and the surrounding infrastructure through open-source platforms such as Ford's Transportation Mobility Cloud. To help fulfil the Company's vision, Ford has invested in strategic partnerships with Argo AI and Volkswagen to develop self-driving technology.

For more information on Ford's sustainability strategy refer to the corporate website.

FCE continues to evidence its long standing commitment to the communities across Europe in which it works with a number of projects and initiatives. This includes empowering all FCE employees to use up to sixteen normal paid work hours each year (equivalent to two paid workdays) to participate in community projects. This approach provided free of charge resources to support diverse projects in local communities across Europe. The company also enables employee fundraising for good causes during office hours.

Streamlined Energy and Carbon Reporting

	Energy Consumption kWh		**CO2 Emissions Location Based** tCO2		**CO2 Emissions Market Based** tCO2	
Scope 1 Energy/Emissions	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Natural Gas	907,871	758,205	167	139	167	139
Business Owned Transport	127,536	173,093	31	43	31	43
Total Scope 1 Energy/Emissions	**1,035,407**	**931,298**	**198**	**182**	**198**	**182**
Scope 2 Energy/Emissions						
Electricity	1,307,964	1,389,401	278	324	52	74
Total Scope 2 Energy/Emissions	**1,307,964**	**1,389,401**	**278**	**324**	**52**	**74**
Scope 3 Energy/Emissions						
Employee owned and leased vehicles	19,008	58,038	5	14	5	14
Total Scope 3 Energy/Emissions	**19,008**	**58,038**	**5**	14	5	14
Total Scope 1, 2 & 3	**2,362,379**	**2,378,737**	**480**	**520**	**255**	**270**

Intensity Metric	**2021**	**2020**
Revenue in mil £	**599**	**736**
tCO2 per mil £ revenue	**0.80**	**0.71**

Non-Financial Statement

Scope and Methodology

FCE reports greenhouse gas (GHG) emissions in accordance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. FCE follows the HM Government Environmental Reporting Guidelines (March 2019) and has defined the scope of the FCE SECR report as all energy use and carbon emissions from its operations in the United Kingdom, using the financial control boundary approach.

Scope 1 emissions are generated from the gas used in all buildings where FCE operates in the UK and emissions generated from company vehicles used for business travel in the UK.

Scope 2 emissions are generated from the use of electricity in all buildings FCE occupies in the UK.

Scope 3 emissions are generated from employees on company business using their own or leased vehicles.

The reporting period for GHG emissions ran from 1 January to 31 December 2021. Conversion factors were taken from the 2021 UK Government's Conversion Factors for Company Reporting document. Both location based and market based emissions are presented.

Where possible energy use was determined from sub meter readings. Where the landlord controls the supply via a service arrangement, estimates were made based on the floor space occupied. Transport emissions were determined from fuel expense and mileage claims, which include business travel in company owned or leased vehicles as well as employee vehicles on company business.

Energy Efficiency Actions Taken

At FCE's European headquarters electricity comes from renewable sources and the offices have been fitted with LED energy efficient lighting. To support the transition to low carbon transportation, electric vehicle charging points have been installed, which employees can use to charge their electric cars while at work.

In 2021 FCE continued the hot desk office and remote working arrangements and mid-year consolidated its head office operation into a smaller footprint, resulting in a significant energy saving for FCE. However, whereas in 2020 some offices were completely shut for part of the year, in 2021 the offices were open throughout the year. In addition as a COVID-19 prevention measure, air circulation was increased, with no air being recirculated, which resulted in higher gas use for heating. In the head office a project to replace the heating boilers with more efficient boilers has started and the units are awaiting commissioning.

Virtual meetings have been expanded, which greatly reduced business travel further during 2021.

Supply Chain

FCE encourages businesses throughout its supply chain to adopt and enforce similar policies to those articulated here for its own operations. Further, FCE seeks to identify and do business with organisations that conduct their businesses to standards that are consistent with its own policies including working to extend these principles within their own supply chain.

FCE, as appropriate, seeks the assistance of independent third parties to assess compliance with its policies. FCE's policies are not intended to benefit any third parties or to create or confer any third party rights.

FCE expects its personnel to report known or suspected violations of its policies through the established reporting channels. FCE prohibits retaliation against anyone who in good faith reports a violation.

Section 172 Report

Section 172(1) Companies Act 2006 Statement

This section 172(1) statement, which is required under section 414A of the Companies Act 2006, describes how the Board of Directors (hereafter referred to as the Board) have had regard to the matters set out in section 172(1)(a) to (f). Furthermore, the financial services regulatory requirements and expectations to which FCE is subject to requires the Company to demonstrate how the Directors act in ways they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its stakeholders as a whole. This means that as well as promoting the success of the Company for the benefit of its members, the Directors must have regard, amongst other matters, to the likely consequences of any decisions in the long-term, the interests of FCE's employees, the need to foster FCE's business relationships with suppliers, customers and other stakeholders, the impact of FCE's operations on the community and the environment, the desirability of the company maintaining a reputation for high standards of business conduct, the need to act fairly as between members of the company and how FCE complies with the requirements of section 172 of the Companies Act 2006.

The Board is committed to maintaining high standards of corporate governance to support the delivery of the business strategy, to maintain positive relations with all the Company's stakeholders and to create long-term value for its shareholder. FCE does not apply a single Corporate Governance Code but as required under the UK financial services regulatory regime complies with a number of different regulations relating to corporate governance matters. During the reporting year, FCE applied the Wates Corporate Governance Principles for Large Private Companies (the "Wates Principles").

During 2021, the Board held six scheduled Board meetings and a two-day Strategic session and the statement on corporate governance arrangements on page 28 provides details on how the Board have approached their responsibilities during the year and the work of the Board committees which, in turn, demonstrates how the Directors have acted in a way which is likely to promote the success of the company, as set out in section 172(1).

Board Composition, Experience and Expertise

FCE's Board comprises of three Executive Directors and six Non-Executive Directors of which four are considered independent. and are able to provide independent oversight and constructive challenge to the executive directors. Each director has been selected and appointed based on their breadth of experience and collectively the Board have the required skills to discharge the duties as set out in section 172 as well as identify and understand the needs of its stakeholders. The appointments of the three Executive Directors and the Non-Executive Directors holding prescribed Senior Manager functions under the Senior Managers and Certification Regime ('SM & CR') have been approved by both the PRA and FCA (the "regulators") who ensure that the Directors are suitable to carry on regulated activities.

Corporate Strategy and Purpose

Section 172 duties are at the fore when Directors deliberate and determine the corporate strategy and purpose, during decision making, during proactive stakeholder engagement and when implementing and complying with the corporate governance arrangements.

FCE's strategy is determined by the Board annually at a two-day Strategic meeting held during the first quarter of the reporting year. The process considers the many aspects of FCE's business and its stakeholders consistent with the Directors section 172 duties and has regard to the immediate, mid-term and long-term risks and opportunities faced by FCE.

This year, the Board considered how FCE needs to evolve to support Ford's accelerated electrification strategy; the increasing focus on the impact of climate change on the Company's activities; the need to deliver a best-in-class experience for its existing and new commercial and retail customers as well as reviewing horizon risks including but not limited to ongoing global pandemic, ongoing global inventory shortages; business performance and conduct risks with particular regard to the interests of its retail and wholesale borrowers, its retail deposit investors, its employees and the discharge of the company's regulatory expectations.

Section 172 Report

Stakeholder Engagement

FCE recognises the need to engage with key stakeholders to help inform the Board's strategy and decision-making. The following have been identified as FCE's key stakeholders in the context of discharging their section 172 duties, namely, retail customers, commercial customers, retail deposit holders and other investors, Ford dealership network, employees, suppliers, regulators, Ford, and the communities where FCE operates.

The Board keeps the interests of its stakeholders at the heart of its deliberations and decision-making alongside the need to maintain a reputation for high standards of business conduct. During the year, the Board has continued to provide oversight for the implementation of key strategic decisions that were made in the previous year including the deployment of Medallia – a software platform which provides customer feedback in real time, the roll out of the new eCommerce platform including e-contracting; maintained oversight of employee wellbeing in light of the continuing global pandemic resulting in employees working from home; kept abreast of all key developments in the employee space; maintained oversight of the development of the Company's culture framework to align the Company culture with the business strategy and its values to ensure that FCE is better placed to manage future opportunities and risks as well as unlock more value for customers and other stakeholders. Examples of how stakeholders' interests have influenced decision-making are included below.

Customers and Suppliers

FCE's primary purpose is to support the distribution and sale of Ford passenger and commercial vehicles. FCE and its ultimate parent Ford's goal is that every customer is treated like family through the development of customer-focused products and services that meet or exceed their expectations and in so doing enhance the loyalty model, increase client referrals and build trust. In this vein, FCE is continuing to enhance and simplify the customer engagement experience using technology. Furthermore, the FCE Board has considered Ford's European business plan including the accelerated electrification strategy to ensure that FCE's European business footprint and operations are in alignment with Ford's European business model. Consequently, FCE decided to organise it's Sales and Marketing functions into two organisational units to focus on Passenger Vehicles and Commercial Vehicles to better leverage resources and focus on delivering the strategic priorities for the benefit of its stakeholders. The Board has also continued to focus on the needs and expectations of retail deposit customers and the Ford dealership network particularly in the area of operational resilience.

In response to the ongoing global shortage of semi-conductors, FCE has deployed 0% APR re-financing as a bridging tool for those customers who are experiencing long delivery times for their new vehicles.

In response to the COVID-19 pandemic and the resulting adverse impact on businesses and individuals, the Board has also continued to focus on identifying and addressing the risks and requirements of the dealer network and retail customers ensuring that high standards of business conduct are maintained across the business. The Board also periodically reviews the areas of the business that have oversight for fostering relationships with retail and wholesale customers, dealers, retail depositors and suppliers. Furthermore, Board members now periodically listen in on customer calls to the Company's contact centre to ensure that the values delivered to the customers are satisfactory and in doing so enhance the customer experience and retention. The Board also supported the continued roll out of the Ford Money application to retail depositors.

The Board via delegation to the Chief Finance Officer also ensures that FCE's payment terms and practices in relation to its suppliers meet or exceed the statutory requirements.

Employees

FCE and the Board believe that people are critical to its business success and that it is vital to protect all employees and workers by providing a safe and healthy work environment. FCE's response to COVID-19 has required particular focus on the part of the Board through effective communication and engagement with staff throughout the year including discussion forums to understand employees' views and concerns around a number of topics such as culture, diversity and inclusion, bureaucracy, innovation and wellbeing. FCE has continued to support employees to work from home by providing an established range of flexible working options and provision for equipment. Furthermore, FCE has put in place workplace health and safety protocols which go beyond the government guidelines, to ensure place-dependent employees are able to work in the office as safely as practically possible. Further details on the increased engagement and communication with employees during the year as a result of COVID-19 can be found on page 21 as part of the Non-Financial Statement narrative. The Board has also supported the deployment of a range of wellbeing activities, as part of caring for each other, during what has been another challenging year due to the ongoing pandemic.

FCE values the diversity of its employees and encourages an inclusive culture so that everyone is free to contribute and develop in a safe working environment that is free from harassment or bullying. FCE has taken specific actions to improve gender and ethnicity representation initiaiting a new advocacy and mentoring scheme with a view to increasing female representation at senior levels. In addition, FCE has taken steps to ensure that its employees, particularly its senior leaders, model diversity and inclusion and recognise the connection between diversity and inclusion and better decision-making, innovation, and employee engagement. FCE has also put in place frameworks and policies that are accessible to all employees and workers covering anti-bribery, Corruption and Whistleblowing.

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FCE ensures that all its employees and workers are adequately trained in relation to their roles and responsibilities and encourages everyone to request any additional training or professional development which may be required. During the year, FCE sponsored a number of employees who are pursuing a postgraduate degree course in Business Administration. Employees also have 24/7 access to an online learning platform where they can access webinars, courses, tutorials and other high-quality online learning options. Further, the Board through its sub-committees ensures that the assessment of the fitness of prospective candidates to senior management and board positions are robust and the interests of all stakeholders are taken into consideration.

Regulators

The Board recognises the importance of open and transparent dialogue with FCE's regulators. The Directors are monitored and periodically assessed by the PRA to ensure that they satisfy their obligations under the SM & CR and the PRA's supervisory review and evaluation process.

During the year, the Board ensured that high standards of business conduct were maintained across the business particularly in light of staff continuing to work from home and the future hybrid working model.

Environmental Considerations and Community

In response to the regulatory expectations and planned legislation in relation to disclosures on climate change risks, the Board has kept under review the development of FCE's approach to addressing climate-related financial risks and opportunities.

FCE continues to encourage and engage with various local community initiatives, through employee participation, in the locations where it operates including charitable and project activities.

Governance

Statement of Corporate Governance Arrangements

The following section sets out FCE's corporate governance arrangements as required under Part 8 of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and satisfies the requirements set out by Section 172 (1) of the Companies Act 2006. Further details on section 172 can be found on page 25 of the Strategic Report.

FCE does not apply a single Corporate Governance Code but is required under the UK financial services regulatory regime to comply with a number of different regulations and standards of corporate governance including but not limited to the following: the Rulebook of the Prudential Regulation Authority (PRA), the Handbook of the Financial Conduct Authority (FCA), the Wates Corporate Governance Principles for Large Private Companies dated December 2018 (the Wates Principles) and other industry guidelines covering Internal Governance, Sound Remuneration Policies, Risk Management, Internal Control and Related Financial and Business Reporting, Audit Committees, Board Effectiveness and Board Responsibilities in the context of corporate governance. FCE publishes relevant corporate governance related disclosures on its website www.fcebank.com.

The Company has applied the Wates Corporate Governance principles during the financial year, as detailed in the table below. In practice these principles are embedded within, and supplemented by, FCE's existing governance practices as required by the PRA and the FCA (the Regulators). Furthermore, compliance with these matters is assured through the Company's Three Lines of Defence model as detailed on page 13 of the Strategic Report and by ongoing supervision by the Regulators.

Wates Principles	
Purpose An effective board promotes the purpose of a company and ensures that its values, strategy and culture align with that purpose.	FCE's corporate values are aligned with those of Ford (the 'Ford Truths'). A principal value is that employees act with integrity and demonstrate ethical behaviour, as set out in Employee Handbooks and related policies, approved by the Board. Furthermore, FCE's Business Model and Strategy to deliver the Company's purpose are set out on page 4.
Composition Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.	The Board composition for 2021 is detailed on page below. The size and composition of the Board reflects the requirements of the PRA's Rulebook with each director satisfying the fit and proper tests and regulatory requirements. The Board is satisfied that its composition includes individuals with a mix of skills and experience necessary to make informed decisions and provide effective oversight of the risks. The Board and its committees regularly receive briefings on pertinent thematic issues.
Responsibilities A board should have a clear understanding of its accountability and terms of reference. Its policies and procedures should support effective decision-making and independent challenge.	The Board periodically reviews its Board Charter relating to the internal corporate governance of the Company and its group. This Charter satisfies industry guidelines in defining the duties and accountabilities of directors and the accountability and terms of reference of each aspect of governance. Policies and procedures relating to all relevant governance and decision-making matters are approved by the Board and its committees, cascaded to employees, and monitored for compliance by the FCE's Three Lines of Defence. Examples of matters considered by Board and its committees are set out on page below.
Opportunity and risk A board should promote the long-term success of the company by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks.	The Board has adopted a sustainable business model and strategy. The Company has appointed a Chief Risk Officer in accordance with PRA requirements and the Board has established a Risk Committee with its terms of reference published on its website. The Company has put in place a robust risk appetite framework against which business performance is proactively assessed. FCE also has in place a risk horizon scanning framework which is reviewed by the Board on a quarterly basis.
Remuneration A board should promote executive remuneration structures aligned to the sustainable long-term success of a company, taking into account pay and conditions elsewhere in the company.	Details regarding FCE's remuneration polices are outlined its remuneration disclosures published annually on FCE's website www.fcebank.com.

Stakeholders A board has a responsibility to oversee meaningful engagement with material stakeholders, including the workforce, and have regard to that discussion when making decisions. The board has a responsibility to foster good stakeholder relationships based on the company's purpose.	Further details on the Company's stakeholder engagement can be found in the section 172 statement on page 26.

The Board is satisfied that it meets the desired outcomes from a regulatory perspective. Furthermore, it meets its regulatory obligations, is open and transparent with the regulators and has set a culture that supports prudent management.

As part of its continuing authorisation, FCE is periodically subject to the PRA's Supervisory Review and Evaluation Process, part of which includes the examination of FCE's business model, the fitness of FCE's governance arrangements and how risks are addressed.

The Board

The FCE Board has approved a written charter to establish systems of effective corporate governance. This charter establishes the Board's sub-committees, their terms of reference and composition, and matters reserved to the Board. In order to maintain oversight of these delegated activities, executive directors invariably attend most of the sub-committee meetings. The chairs of the Audit, Risk and Remuneration Committees, who are Independent Non-Executive Directors, provide reports of those committees' deliberations to the Board. Members of the Board engage with the business through an open working environment and attendance at the various sub-committees of the Board and team meetings.

FCE's Board comprises nine members, namely three Executive Directors and six Non-Executive Directors (NEDs) of whom four are deemed to be independent.

The Company has a Chair, responsible for leadership of the Board and a Chief Executive Officer, responsible for the Company's management. Executive Directors are accountable for the conduct and performance of their business function.

The Directors and Company Secretaries, who have served at any time between the beginning of the financial year and the date of this Directors report are stated on page 3 and the Directors biographies are detailed below on pages 29 and 30.

All Directors have access to the advice and services of the Company Secretary and can obtain independent professional advice at the Company's expense in furtherance of their duties, if required.

FCE's Articles of Association require that all Directors retire and stand for reappointment at each Annual General Meeting (AGM). Appointments are terminable on one month's notice by either party.

Directors' Interests

Directors disclose relevant external interests which might conflict with their role including the directorships that they hold. The directors formally reconfirm their external interest biannually and are expected to obtain the agreement of the Board Chair before accepting additional commitments that might impact time commitment and have an ongoing obligation to inform the Company as soon as they become aware of any potential or actual conflicts of interest. Furthermore, at each Board meeting, the Directors are required to disclose any conflict or potential conflict in relations to the matters being considered at the meeting.

Biographical Details of Directors

Marlene Martel, Non-Executive Director and Board Chairman. Her other key positions include General Counsel Ford Motor Credit Company LLC. She is also a Director of Alternatives for Girls Detroit, Michigan. Marlene was appointed to the Board on 16 September 2021.

Narpal Ahulwalia, Chief Risk Officer and China Ford Motor Credit Company LLC. His other key positions include Chairman of the Board and Director, Ford Automotive Finance (China) Limited; Chairman of the Board and Manager, FCA Holdings LLC; Chairman of the Board and Director, Ford Automotive Financial Leasing (Shanghai) Limited; Director, Ford ECO GmbH; and Manager, Fairlane Credit LLC. Narpal was appointed to the Board on 24 March 2019.

Charles Bilyeu, Charles was Chief Executive Officer until 31 October 2021 and retired from the Board on 26 November 2021.

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Natalie Ceeney, Independent Non-Executive Director and Chair of FCE's Remuneration Committee. Natalie is also currently a Non-Executive Director of Anglian Water Services Limited, Sports England and Liverpool Victoria. She also leads an independent strategy consultancy practice and is a Director of San Fairy Ann Cycling Club. Natalie who has a strategy consultancy background from McKinsey & Company has previously held senior executive roles with HM Courts & Tribunals Service, the Financial Ombudsman Service, the National Archives and HSBC UK. Natalie is a graduate of the University of Cambridge. Natalie was appointed to the Board on 17 October 2019.

Talita Ferreira, Independent Non-Executive Director and Chair of FCE's Audit Committee. Talita is also currently a Non-Executive Director at Tandem Bank Limited. She is also the CEO and Founder of Authentic Change Solutions Limited - a thought leadership firm which helps individuals and organisations transform culturally. Talita is a Chartered Accountant, Chartered Director and Fellow of the Institute of Chartered Accountants for England and Wales (ICAEW) and a Fellow of the Institute of Directors. Talita's career has been in the automotive and captive financial services industries. Previously, she was the Chief Financial Officer (CFO) of BMW UK Limited, CFO of BMW Automotive Ireland Limited, CFO of BMW Financial Services Limited (UK and Ireland) and the CFO of Alphabet (GB) Limited. Talita was appointed to the Board on 8 February 2019.

Paul Kiernan, Executive Director, Finance, a Chartered Accountant since 1992 and a member of the ICAEW. His other key role is Chair and Supervisory Board Member, Ford Bank GmbH. Prior to taking up his present role on the FCE Board, Paul was Finance Director for Ford of Britain. Paul was appointed to the Board on 1 November 2011.

Brendan O'Connor, Independent Non-Executive Director. Brendan is also currently a Non-Executive Director of Coventry Building Society. Prior to taking up his role on the FCE Board, Brendan was Chief Executive Officer of AIB Group (UK) plc. Brendan was appointed to the Board on 17 September 2020.

John Reed, Independent Non-Executive Director, Senior Independent Non-Executive Director and Chair of FCE's Board Risk Committee is an Associate of Chartered Institute of Bankers (ACIB). John is Chairman of EFG Private Bank and Chairman of Activtrades. He is also a Director of Silverback (UK) Limited. Previously, he has served on the boards of Hambros Bank, which later became a subsidiary of Société Générale when he became Group Chief Operation Officer, Arbuthnot Banking Group, Tesco Bank and Arbuthnot Latham where he was Chief Executive Officer, the Bank of the Philippine Islands (Europe), Innovation Finance Limited and the National Motor Museum Trust. John was appointed to the Board on 7 April 2014.

Keith Robinson, Executive Director and Chief Risk Officer, His other key roles are Director, FCLH Limited and Supervisory Board Member, Ford Bank GmbH. Prior to taking up his present role on the FCE Board, Keith has held other senior roles within the group. Keith was appointed to the Board on 1 April 2020.

Thomas ('Tom') Schneider, Tom was Board Chair until 16 September 2021 and retired from the Board on 2 December 2021. He was previously Executive Vice President and Chief Risk Officer, Ford Motor Credit Company.

Carlos Treadway, Carlos was appointed Chief Executive Officer on 1 November 2021. His other key roles are Supervisory Board Member, Ford Bank GmbH and Director, Ford Fleet Management B.V. Prior to taking up his present appointment as CEO, Carlos was FCE Executive Director, Sales and Marketing and prior to joining the FCE Board he was the Vice President, Business Center Operations, North America. He is also Director, Demons Unlimited Foundation, an Athletic Foundation at his Alumni University. Carlos was appointed to the Board on 14 January 2021.

Director Independence and Board Challenge

The appointment of an Independent Non-Executive Director is for an initial term of up to three years, renewable for a second term of up to three years on mutual agreement. In certain circumstances further terms may be agreed.

The Board considers four of the six current Non-Executive Directors to be independent because they have no material business relationship with FCE, (either directly or as a partner, shareholder or officer of an organisation that has a relationship with FCE), and they neither represent the shareholders nor have any involvement in the day-to-day management of FCE, its parent companies or its subsidiaries. As such they bring objectivity and independent judgement to the Board, which complements the Executive Directors' skills, experience and detailed knowledge of the business.

Moreover, they play a vital role in the governance of FCE through their membership of the Audit, Risk and Remuneration Committees to which they are each appointed. Each year the NEDs hold a meeting with the Chair to discuss Executive Director succession planning, corporate governance and any other relevant issues. The Board reviews the number of Executive Directors and NEDs periodically to maintain an appropriate balance for effective control and direction of the business.

A Senior Independent Director ('SID') has been appointed to provide a sounding board for the Chair and to serve as an intermediary for the other Directors when necessary. The role of the SID is to take a lead role with the other NEDs, representing collective views to the Chair, Board and to representatives of FCE's shareholders. John Reed is the SID.

The NEDs meet from time to time in the absence of FCE's management and the SID presides at such meetings.

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Selection of Directors and Executive Management

FCE recognises the value and competitive advantages of having a diverse Board and management team that make optimal use of different skills, experiences, perspectives, background, ethnicity, age, gender and other attributes. FCE's policies on equality of opportunity, diversity and inclusion ensure that these matters are considered fully when considering the composition of its Board and management team.

FCE has a strategic vision to achieve appropriate diversity representation across its management groups, including the Board. In selecting suitable candidates for executive and non-executive roles, whether from inside the broader Ford Group or externally, candidates are sought from as diverse a pool as possible. They are assessed on merit against objective criteria by the transparent application of fair policies and processes, which are free from any unfair barriers.

Specialist executive recruitment agencies may be employed to find suitable Directors. In addition, direct appointments are made where specific skills and experience are needed, and FCE may consult other professional advisers on appropriate candidates when specialist financial skills are required. Formal interviews are held with senior Company management before a preferred candidate meets other members of the Board including the SID and the other NEDs.

Matters Reserved and considered by the Board during the reporting period

During 2021, the Board held a total of six regular board meetings and a strategic meeting at which the strategy was reviewed, taking into consideration the external economic environment, Ford Motor Company's strategy, and the Company's need to create stakeholder value.

During the reporting period, the following matters were considered by the Board and demonstrate how the directors have complied with their statutory duties and in particular s.172 CA 2006 duty to promote the success of the Company:

- The Board updated the corporate strategy at a two-day Strategic meeting. As part of this, Ford Credit is working with Ford to deliver the accelerated electrification strategy and refocusing on the sale of commercial vehicles;
- The Board considered the progress against the corporate strategic objectives and plans by reviewing metrics and actions via the CEO's report at each board meeting;
- The Board reviewed the updated business plan and funding strategy in support of the acceleration of the electrification of the Ford of Europe product line-up. As part of this, the Board has also supported the modernisation of the Company's IT receivables platform to enable the increased penetration into commercial vehicle sales and continues to focus on cost efficiencies;
- The Board continued to monitor the long-term capital and liquidity issues considering the global pandemic and impact of the semi-conductor microchip shortage. Scenario planning tools have been developed to assess the impact of changes in the macro economic environment on the balance sheet;
- The Board considered its existing executive leadership team to determine how it could be more diverse with a view to introducing dynamic innovation within the team;
- The Board challenged Executive Management on the volume and quality of Management Information received;
- The Board received and reviewed information on employee wellbeing initiatives;
- The Board reviewed and deliberated on the activities carried out at the Manchester Business Centre Operations with a focus on delivering the group's goal of treating customers fairly as well as like family to enhance customer loyalty and optimising the centre's efficiency. Furthermore, the Board has considered the development of a new framework to measure performance against conduct risk;
- The Board ensured that the Company complied with its duties to treat customers fairly and received a report at each of its meetings focusing on the topic with metrics and monitors FOS adjudications to identify trends and lessons learnt to improve decision making;
- The Board reviewed the progress being made to enhance the Company's eCommerce marketplace capabilities as well as the digital customer interaction platform with a view to delivering an enhanced and better customer interaction and experience;
- The Board continued to review the support being provided to retail and wholesale customers who have been impacted by the pandemic;
- The Board continued to monitor the expansion of the retail deposits business as well as the roll out of Ford Money application;
- The Board reviewed the performance and governance of the Company's insurance product portfolio;
- The Board continued to focus on ensuring that the Company had a robust and resilient Cybersecurity Incident Plan.
- The Board had oversight of the completion of the Brexit Implementation Strategy. Following on from this, the Board is continuing to ensure that Ford Credit's European structure is streamlined and fit for purpose;

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- The Board is continuing to focus on further developing the Ford Credit Culture to be a product driven and customer organisation. As part of this, the Board is working with executive management to identify key metrics within a conduct and culture dashboard with a view to identifying early warning indicators which could jeopardise customer loyalty or potentially cause customer harm;
- The Board via delegation to the Chief Financial Officer continued to support the timely publication of the Company's payment practices report and support practices to ensure payments practices satisfy statutory requirements;
- The Board continued to support the timely publication of the Company's Modern Slavery Statement and supports practices within the group to prevent modern slavery practices;
- The Board fulfilled their obligations in respect of their transparent interactions with the regulators as well as the development and approval of key documents required by regulators including the ICAAP, ILAAP, RRP and Solvent Wind down Assessment;
- The Board has continued to monitor the development of the framework to underpin its key business services as part of the Operational Resilience Programme;
- The Board has continued to monitor the development of a robust ESG strategy and plan in line with the regulatory requirements;
- The Board receives periodic Compliance Controls reports (in relation to staff training, compliance metrics and AML) and periodic internal & external audit reports;
- The Board has continued to monitor the status of the delivery of the regulatory reporting automation project;
- The Board has continued to monitor the LIBOR transition programme;
- The Board has continued to proactively monitor the horizon risks that could impact the Company's operations;
- The Board reviewed and supported the timely publication of the Gender Pay Report covering gender pay and bonus gaps and the work that is being done to support women's advancement and development;
- The Board continued to receive a status update on staff matters covering morale, mental well being initiatives as well as the approach to implementing a hybrid work model;
- The Board received and deliberated a Health and Safety Report as well as updates on the Culture Sprint projects.
- The Board received SME briefings to enhance their knowledge on key thematic issues to ensure that they can collectively make sound decisions in respect of matters considered;
- The Board received periodic updates on significant legal matters and ensured that adequate provisions are made, where necessary;
- The Board received status updates on relevant strategic projects;
- The Board reviewed the performance of executive management and other senior managers to ensure that their delegated responsibilities were being performed. Furthermore, they have ensured that adequate succession plans are in place for key roles.

Committees of the Board

The Board has constituted five direct sub-committees, these are the Audit, Risk, Remuneration, Executive and Administration committees. The Board periodically reviews their composition to ensure an appropriate balance and good mix of skills and experience. It also periodically reviews the committees' activities and terms of reference, which contain their delegated authorities and risk responsibilities.

The Terms of Reference for the Audit, Risk and Remuneration Committees can be found on FCE's website https://www.fcebank.com/investor-center.html.

The report of the work of the Board Audit Committee can be found on pages 36 and 37.

Details on the risk functions and work of the Board Risk Committee can be found on page 13 of the Strategic Report.

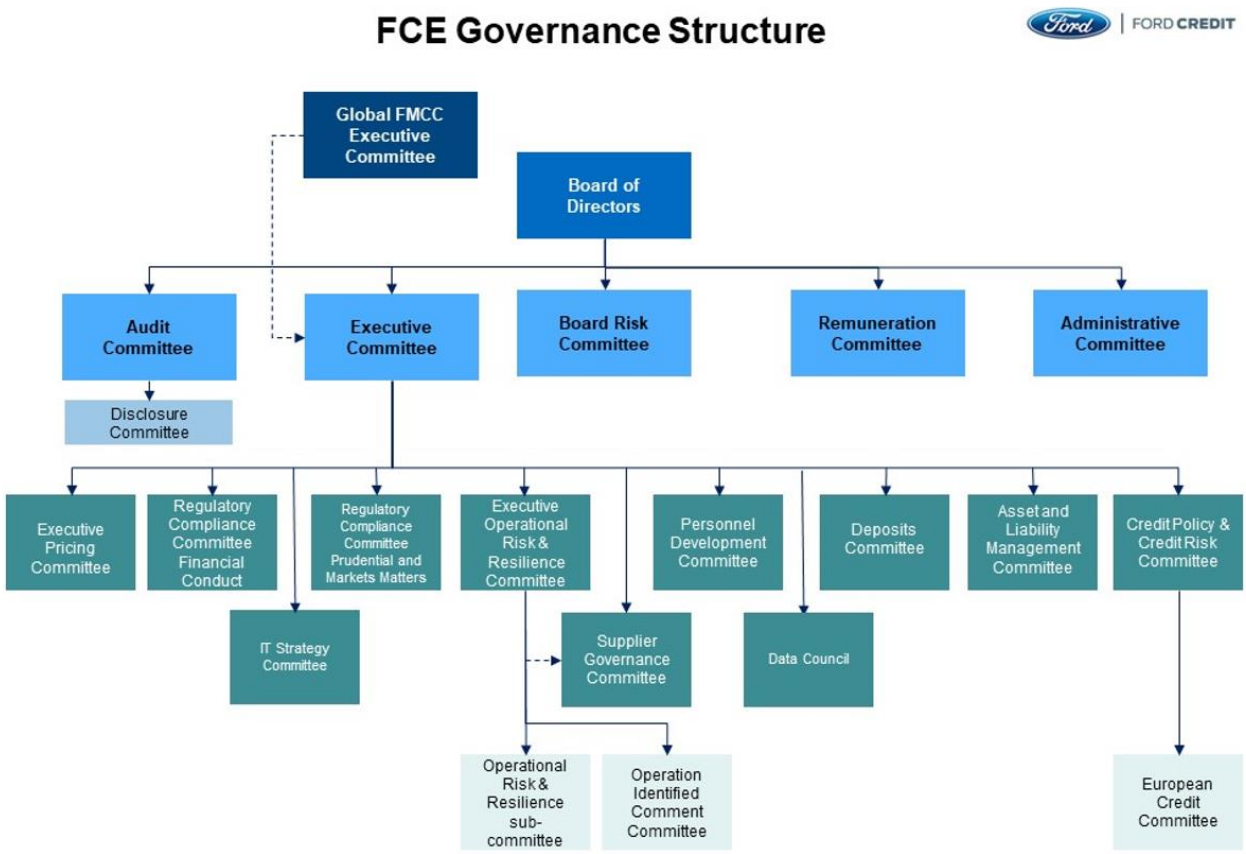
During the reporting period, the Remuneration Committee (RemCo) met six times. In the first quarter, the RemCo reviewed compensation awards made to the bank's Material Risk Takers to ensure alignment of pay and performance within the company's prescribed risk appetite framework, ensuring alignment with Proportionality Level Two pay-out requirements. During the reporting period the RemCo also reviewed succession plans for all senior roles, reviewed development plans for the new Board chair and new CEO, deliberated the leadership team diversity, reviewed and approved FCE's unaudited 'Pillar 3 Disclosures' regarding remuneration, reviewed remuneration related policies, reviewed the gender pay report, reviewed the culture framework and received updates on employee wellbeing initiatives.

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The Executive Committee (EC), chaired by FCE's CEO, provides direction, monitors performance and ensures FCE has the capabilities, resources and effective controls to deliver its Business Plan. The EC has sixteen members, three of whom are Executive Directors. The EC includes individuals responsible for Deposits, Sales and Marketing, Information Technology, Legal, Risk Management and Compliance, Strategy, Finance, Operations, Human Resources, Products, Markets and Communications. The EC held 12 meetings during 2021.

The Administrative Committee comprises any two Executive Directors and meets when required. It considers and approves operational matters delegated to it and the execution of contracts not otherwise the subject of general management delegated authorities.

The full sub-committee structure is set out below:



Governance

2021 Membership and Attendance

	Board	Board Audit Committee	Remuneration Committee	Board Risk Committee	Number of Directorships
Meetings held	**6**	**4**	**6**	**5**	
Attendance					
N K Ahluwalia	6/6				6
C A Bilyeu	5/6				4
N A Ceeney	6/6	4/4	6/6	5/5	9
T Ferreira	6/6	4/4	5/6	5/5	4
P R Kiernan	6/6				2
M M Martel	2/2				2
B O'Connor	6/6	4/4	6/6	5/5	2
J Reed	6/6	4/4	6/6	5/5	4
K Robinson	6/6				3
T C Schneider	6/6			5/5	3
C D Treadway	5/5				4

Other Governance

Risk Management and Internal Control

The Board ensures that FCE's systems of effective corporate governance are supported by effective internal controls that apply to both its strategies and operations.

Details of FCE's Three Lines of Defence model can be found on page 13 of the Strategic Report.

Financial Reporting

FCE has developed strong and defined internal controls, including controls over financial reporting.

The financial statements were prepared and reviewed by the entire executive team and subject matter experts within the business, prior to submission to the Audit Committee. The Audit Committee has considered the content, accuracy and tone of the disclosures in the Annual Report. The Board has reviewed and approved the Annual Report following the review by the Audit Committee. This governance process has ensured that both management and the Board were given enough opportunity to review and challenge the financial statements and other significant disclosures before they are made public.

The process is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and FCE's Group financial statements in accordance with the UK adoped international accounting standards.

Ford's Internal General Auditor's Office (GAO)

Ford's GAO is independent from FCE. Its coverage is based on the relative risk assessment of each 'audit entity', which is defined as a collection of processes and systems that are closely related. The Audit Committee reviews the GAO's audit plan and resources for appropriateness.

The GAO's mission, as the third line of defence, is to provide objective assurance and advisory services to management, in order to improve the efficiency and effectiveness of FCE operations and assist the Company in achieving its objectives through systemic and disciplined auditing.

Statutory auditor rotation

PwC, FCE's prior statutory auditor, reached the maximum permitted tenure for auditors of public interest entities in 2020. Following the conclusion of a competitive tender process by the Audit Committee and a comprehensive transition process, BDO were appointed as FCE's external auditor for the year ending 31 December 2021 on 8th April 2021 at the Company's Annual General Meeting.

External Audit

BDO LLP (BDO) conducts audits of FCE's Group financial statements prepared in accordance with UK adopted international accounting standards (IFRS), and Company financial statements prepared in accordance with UK adopted international accounting standards and the Companies Act 2006.

The Audit Committee reviews BDO's continued independence, performance, significant relationships and compliance with relevant ethical and professional guidance. The Audit Committee makes a recommendation to FCE's Directors on the appointment of the auditor who then propose the appointment to shareholders who appoint the auditors at the Annual General Meeting. In addition, the Audit Committee reviews BDO's audit plan, its scope and cost effectiveness and the audit fee. BDO's audit fees for 2021 are outlined in Note 5 'Operating Expenses'.

Independence

To help ensure that the auditors' independence and objectivity are not prejudiced by the provision of non-audit services, the Audit Committee has implemented procedures to ensure that:

- Non-audit work suggested to be performed by BDO is approved upfront to ensure only permissible non-audit services are performed;
- All non-audit work by BDO is pre-approved by the Audit Committee unless the amount involved is minimal. The annual remuneration for any non-audit work performed by the statutory auditor should not exceed 70% threshold of the audit fees for the year in line with the requirements.

Additionally, it has been agreed that the external auditors should generally be excluded from providing permitted advisory services and all other non-audit related services, unless the firm appointed as external auditor is:

- The only provider of the specific expertise/service required
- The clear leader in the provision of the service and is able to provide that service on a competitively priced basis

As auditors, BDO will undertake work that they must or are best placed to complete. This includes formalities related to borrowings or work in respect to regulatory reports. The appropriateness of proposed engagements are reviewed by the Audit Committee in the light of relevant Ethical Standards, Securities and Exchange Commission requirements and the considerations highlighted on pages 36 and 37.

Audit Committee Report

Composition, skills and experience

Under the chairmanship of Talita Ferreira, the other members of the Audit Committee ("the Committee") during the year were John Reed, Natalie Ceeney, and Brendan O'Connor. All members of the Committee are independent Non-Executive Directors.

The qualifications and experience of the members of the Committee are set out on pages 29 and 31. The Company is satisfied that the Committee members have recent and relevant experience in the sector that the Company operates. The Company is satisfied that Ms Ferreira has the necessary competence in accounting and auditing.

The Chief Executive Officer, Chief Finance Officer, Chief Risk Officer, Company Secretary, Legal Affairs Director, Head of Internal Control and Head of Internal Audit are invited to attend Committee meetings along with the External Auditors who are invited to attend and report at all meetings. The Committee also meets periodically with the internal and external auditors, without management being present. The Committee met four times during the year and the member attendance list can be found on page 34.

Terms of Reference

The terms of reference of the Committee, which are updated annually, can be found on the Company's website www.fcebank.com.

The responsibilities of the Committee include:

- Monitoring the financial reporting process and submit recommendations or proposals to ensure its integrity;
- Monitoring the effectiveness of the Company's internal quality control, risk management systems and processes, and, where applicable the internal audit function;
- Reviewing the arrangements and processes for developing the Recovery and Resolution Planning;
- Monitoring the performance of the statutory audit of the annual and consolidated financial statements;
- Reviewing and monitoring the independence of the statutory auditor, and in particular the appropriateness of the provision of non-audit services;
- Informing the Board of the outcome of the statutory audit and explaining how the statutory audit contributed to the integrity of financial reporting and what the role of the Audit Committee was in that process;
- Overseeing the selection process of the statutory auditor and making a recommendation to the Board in respect to the appointment of the statutory auditor;
- Reviewing the accuracy and quality of regulatory reporting including the implementation of new regulatory requirements, as applicable.

The Board Audit Committee's Work

In fulfilling its role and responsibilities, the Committee has carried out the following activities during the year:

- Kept under review the effectiveness of FCE's governance, risk and control frameworks, including the receipt of periodic reports on the integrity of financial reporting, the reliability of regulatory reporting, progress against internal audit plans and management's approach to self-identifying, managing and closing operational audit comments as well as the identification of any thematic trends and how the root causes have been addressed;
- Reviewed and approved the Internal Audit annual work plan. The annual work plan focused on key risks and key internal controls. The Committee also reviewed internal audit resources allocation required to meet the audit plan including the outsourcing of a portion of the internal audit work to a third party;
- Reviewed the content of the Annual Report and Accounts including the effectiveness of governance and quality assurance, management representations, going concern statements and the unaudited 'Pillar 3 Disclosures' in the context of the impact of COVID-19, the implementation of the Brexit strategy and the uncertain economic outlook;
- Reviewed the fact that the information presented in the Annual Report, when taken as a whole, is fair, balanced and understandable and contains the information necessary to assess FCE's position and performance, business model and strategy;
- Reviewed and approved the annual external audit plan ensuring it focused on significant audit risks, monitored the Company's response to audit findings and approved the audit fees;
- Reviewed the external auditor's performance including the audit and non-audit services provided by them during the year and considered the policy for non-audit services to ensure that auditor objectivity and independence was safeguarded. The Committee reviewed each area of non-audit work performed above the required threshold of 70% of the average audit fees for the previous three years and considered the relevant safeguards the auditors had put in place to address any potential threat to independence;

Audit Committee Report

The Board Audit Committee's Work continued

- Received status updates and monitored the implementation of the project to automate regulatory reporting;
- Reviewed FCE's going concern paper and challenged the ability of the Group to withstand severe but plausible downside scenarios;
- Scrutinised how the Company is responding to and is complying with significant accounting, regulatory and legal developments affecting it and considered how these matters have been reflected in the Annual Report, including both the accounting adopted and the disclosures made;
- Reviewed the Company's tax strategy and relevant policy statements;
- Continued to review its effectiveness against predetermined objectives defined by the committee and wider stakeholders as part of a wider board effectiveness review;
- Reviewed the Dividend Payment, Provisioning, Pillar 3 and Internal Management and Public Disclosure of Inside Information Policy Statements;
- Reviewed the Recovery Plan;
- Reviewed the Modern Slavery and Human Trafficking Statement and the framework underpinning the Statement
- Reviewed internal audit reports, including those in relation to: Ford Bank GmbH and its relocation, Robotic Process Automation, Models Reports, Business Continuity Planning, Treasury & Liquidity Management, Data Retention, Retail Deposits, Anti Money Laundering Continuous Monitoring, User Developed Applications, Internal Capital Adequacy Assessment Process (ICAAP) & Capital, Internal Liquidity Adequacy Assessment (ILAAP), eCommerce, Disaster Recovery, Data Privacy, Operational Risk Management, Supplier Risk Management, Worldwide Trade Finance, European Insurance, Compliance Function, Remuneration System, External Audit, Forbearance and Arrears Management Information, Provisioning Process, Business Managed IT, Residual Value Risk Management and Retail and Lease Credit, Regulatory Reporting;
- Continued to review the impact of the global pandemic on FCE's culture and control environment;
- Monitored the evolution of credit loss reserves and evaluation of management judgement overlays in relation to modelled losses;
- Reviewed the Audit Regulator's inspection report on BDO;
- Received briefings on key thematic issues, namely, Audit Culture, Climate Change Reporting, the proposed UK government Audit & Governance Reform, Regulatory Reporting and the proposed changes in relation to Consumer Duty;
- Selected a firm to undertake a Quality Assessment review of the Internal Audit function during 1H 2022.

ON BEHALF OF THE AUDIT COMMITTEE
Talita Ferreira
17 March 2022

Directors' Report

The Directors present their Annual Report, together with the Company and Group Financial Statements and Independent Auditors' Report, for the year ended 31 December 2021.

The Business Review and future developments are set out in the Strategic Report on pages 3 to 35.

The Group's risk management disclosures are set out in the Strategic Report on pages 12 to 20. FCE's Directors are satisfied that the Enterprise Risk Management Framework adequately supports the bank's profile and risk strategies in a way that meets the requirements of all key stakeholders.

The Group's policies for hedging each major type of transaction are discussed in Note 31 'Market Risk' to the financial statements.

Events occurring after the reporting date are discussed in Note 39 'Events After The Reporting Period' to the financial statements.

Details of branches outside the UK are disclosed on page 129.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group and company's position and performance, business model and strategy.

Particulars of the present Directors and Company Secretary, who have served throughout the year and up to the date of signing the financial statements are contained on pages 29 and 31. The content of the Non-Financial Statement on pages 21 to 24 are incorporated by reference into this report. Dividend payments and payment policy are referred to on page 10. Information concerning corporate governance arrangements is disclosed on pages 28 to 35.

All Directors have been issued a Qualifying Third-Party Indemnity. All Qualifying Third-Party Indemnities were in force at the date of approval of the financial statements.

Going concern

Directors are required to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the 'Group and parent company' will continue in business. The Directors have made an assessment of going concern, taking into account both current performance and the Group's outlook, including consideration of the ongoing global pandemic and global inventory shortages, projections for the Group's capital and funding position and the general economic outlook. As a result of this assessment, the Directors consider that it is appropriate to adopt the going concern basis of accounting in preparing the Company and Consolidated Financial Statements.

Disclosure of Relevant Audit Information

So far as each Director is aware at the date of approving this report, there is no relevant audit information, being information needed by the auditor in connection with preparing this report, of which the auditor is unaware. All of the Directors have taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditor is aware of such information.

Directors Responsibility Statement

The Directors are responsible for preparing the Annual Report and the Company and Group's financial statements in accordance with applicable law and regulations.

The Directors are required by law to prepare the Company and Group's financial statements for each financial year in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006. Additionally, the FCA's Disclosure Guidance and Transparency Rules require the Directors to prepare the Group's financial statements in accordance with IFRS (together the "applicable legal requirements"). IFRS has been followed for the Group and Company financial statements, subject to any material departures disclosed and explained in the financial statements notes.

The Directors are required to ensure that the Company and Group's financial statements give a true and fair view of the assets, liabilities and financial position of the Company and Group and of the profit or loss of the Group.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company and Group's transactions and which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the above requirements. They are also responsible for safeguarding the assets of the Company and the Group, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' Report

In preparing the Company and Group's financial statements for the year ended 31 December 2021, the Directors also are required to select suitable accounting policies and apply them consistently, make judgements and estimates that are reasonable and prudent, confirm that applicable accounting standards have been followed and confirm that the financial statements have been prepared on the going concern basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. Each of the Directors confirms that, to the best of their knowledge:

- The financial statements, which have been prepared in accordance with applicable accounting framework as above, give a true and fair view of the assets, liabilities, financial position and profit of the Group
- The Directors' Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces

The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that they have complied with the above requirements in preparing the financial statements for the year ended 31 December 2021.

Approved by the Board of Directors and signed on behalf of the Board

Carlos Treadway - Chief Executive Officer

17 March 2022

Independent Auditors' Report to the Members of FCE Bank plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of FCE Bank plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the Consolidated Statement of Profit or Loss and other Comprehensive Income, the Group and Company Statements of Financial Position, the Group and Company Statements of Cash Flows, and the Group and Company Statements of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and UK adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 8 April 2021 to audit the financial statements for the year ending 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement is one year as this is our first year as auditors of the Group and Parent Company. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the Directors' going concern assessment, including evaluating forecasts, considering the ongoing and expected impact of COVID 19, challenging the assumptions and predicted outcomes within the forecasts, including assessing their reasonableness against historic performance and our understanding of the business. We also considered the Directors' ability to forecast accurately, comparing historic forecasts to actual results.
- An evaluation of the availability of the different funding sources of the Group.
- Review of the latest Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) prepared by the entity.
- An assessment the ability of Ford Motor Credit Company, FCE Bank Plc's intermediate parent company, to provide funding to the Group to meet the terms of the agreement described in Note 25.
- A review of the Bank's regulatory correspondence, and discussion with the Prudential Regulation Authority (PRA), the Group's lead regulator, to understand their views of the Group and its ability to continue as a going concern.
- A review of the adequacy of the disclosures within the financial statements in relation to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	*93% of Group profit before tax* *94% of Group revenue* *87% of Group total assets*
Key audit matters	2021 Revenue recognition ✔ Loan Loss provisioning ✔
Materiality	*Group financial statements as a whole* £11.93m based on 5% of Profit before tax

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group is made up of the parent and its wholy owned subsidiaries, and operates in multiple European countries through its subsidiary and branch network. The Group's most financially significant markets are the UK and Germany, and the Parent Company and Ford Bank GmbH were identified as significant components for the audit. The Parent Company was subject to a full scope audit performed by the Group engagement team whilst the audit of Ford Bank GmbH was performed by a non-BDO member firm in Germany.

Other larger markets in which the Group operates are Italy, France and Spain, and whilst not individually significant components, testing was performed by BDO member firms on certain balances from the components in these markets to the extent necessary to obtain sufficient and appropriate audit evidence over relevant financial statement line items. In determining the work to be performed we considered the quantitative significance of balances, as well as any significant audit risks and any other qualitative factors that were relevant. The risk of material misstatement in the remaining balances and components not in scope was mitigated through audit procedures including testing of controls, including information technology general controls and analytical review procedures performed by the Group engagement team.

The Group also obtains operational and infrastructure support from related parties within the wider Ford Group, mainly in the US, Germany and India. Within our scoping process we identified audit work to be performed over selected business processes performed by the Ford Group on behalf of the Group and Parent Company. We determined whether audit procedures would be performed by the Group audit team, or by Ford Group non-BDO member firm auditors operating under our instruction, based on the location of the business processes within the wider Ford Group.

We also issued group reporting instructions to component auditors and instructions to the auditors of the selected business processes. Each of these instructions included the required nature, timing and extent of procedures to be performed, materiality levels to be used, compliance with the UK ethical standard, UK auditing standards and independence regulations. Our engagement with these teams included regular meetings to discuss the audit approach and any issues arising in their work, reviews of formal reporting documents and selected working papers, ensuring that the work performed was adequate for the purpose of our audit. In addition, we met with the local management of Ford Bank GmbH, the significant component.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report to the Members of FCE Bank plc

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue recognition *Refer to Note 2 (Net interest income), and Note 34 (Related party transations)*	The Group's interest income is recognised on an Effective Interest Rate (EIR) method in accordance with IFRS 9 *Financial Instruments*. The calculation of EIR is complex and relies on the completeness and accuracy of input data. Significant management judgement and assumptions are also required to determine the EIR. Error within the underlying input or bias in key assumptions applied could result in the material misstatement of revenue. Therefore revenue recognition was considered a key audit matter as it is a complex area, and is subject to significant assumptions and judgement by management.	Our procedures included the following: We tested the operating effectiveness of controls over the entry of interest rates, and entry of loan contracts into the relevant systems, including the identification of contracts that contained interest supplements from related parties, review and approval of manual adjustments, and the automated calculation of interest income for retail, wholesale and interest supplement from related parties. We assessed whether the Group's revenue recognition policies were appropriate and in compliance with the requirements of IFRS 9 including the treatment of integral fees included within the EIR. We challenged the assumptions used by management in the calculation of the EIR, including an assessment of the appropriatness of the expected life of loan contracts using the Bank's historic loan data. We used data auditing techniques to recalculate interest income for a sample of markets, covering retail, wholedsale and interest supplements earned from related parties. Where we did not use data auditing techniques we performed other substantive procedures to recalculate interest income recognised to ensure it was appropriately recorded. We verified a sample of interest income and loans recognised back to underlying contracts, agreeing the key contractual terms of the agreement into the systems in which the related interest income is calculated. **Key observations**: We did not identify any indicators that the data or management judgements included within the calculation of interest income were inappropriate, and no material exceptions were noted in the above testing.
Loan loss provisioning *Refer to Note 13 (Allowance for expected credit losses), and Note 29 (Credit risk)*	The provision for expected credit losses on Loans and Advances to Customers is £33m (2020: £46m). Of this provision, £12m (2020: £34m) was calculated by the provisioning model, and £21m (2020: £12m) was a judgemental management overlay.	Our procedures included the following: We tested the operating effectiveness of controls over the completeness and accuracy of data input into the model, management's validation of the output of the impairment model by running a

	Commensurate with the activities of the Group the Expected Credit Loss (ECL) provision is a material balance subject to management judgement and estimation. Key management judgements and estimates in respect of the timing and measurement of expected credit losses include: • Allocation of assets to stage 1, 2, or 3 using criteria in accordance with the requirements of the applicable accounting standard; • Accounting interpretations and modelling assumptions used to build the models that calculate the ECL; • Completeness and accuracy of data used to calculate the ECL; • Inputs and assumptions used to estimate the impact of multiple economic scenarios; and The accuracy and adequacy of the financial statement disclosures was also considered to be a significant area as they are expected to be a key area of interest for the users of the financial statements. Management also apply adjustments of a judgemental nature, based on their best estimate of the credit risk, in instances that they believe that the allowances calculated by the model are not appropriate. Included in the management judgement overlay is an adjustment arising from historical data used in the models not capturing conditions arising from COVID-19. Loan loss provisioning was determined to be a significant audit risk and key audit matter because it is a complex area which requires significant judgement.	separate challenger model, reviewing the approval of the key assumptions including macroeconomic factors and reviewing the governance and approval of post model adjustments. We assessed the overall characteristics of the Group's loan book and considered whether management's processes for the identification and treatment of underperforming loans was appropriate. We critically assessed the methodology for determining Significant Increase in Credit Risk criteria with reference to the requirements of the applicable accounting standard, including evaluating the impact of modifications to loan terms. We independently tested the staging allocation of loan assets. We evaluated the appropriateness of the source of the information used by the Group to determine Probability of Default, Loss Given Default and Exposure at Default. We made an assessment of the completeness and accuracy of the credit provision by reference to internal and external information to establish if provisioning was in accordance with requirements of accounting standards. With the support of our internal valuations experts, we assessed the appropriateness of the predictive model used and assessed the macro-economic scenarios, including challenging the probability weightings and comparing to other scenarios from external sources. This included assessing whether forecasted macro-economic variables such as unemployment rates were appropriate. We used our internal IT specialists to review the code within the challenger model which recalculates the ECL provision to check its compliance with Group policies and applicable accounting standards, and to assess the accuracy of the model. With the use of our internal valuation experts, we assessed the methodology used for calculating the post model adjustments to take account of COVID-19, and challenged management on the appropriateness of each of the significant inputs. We assessed the adequacy and appropriateness of disclosures included within the financial statements.

		Key observations: There were no material matters regarding the key management judgements and estimates or in respect of the completeness and measurement of Expected credit losses and related disclosures arising from performing these procedures.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.
In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group	Parent Company
	2021 £m	2021 £m
Materiality	£11.93	£7.34
Basis for determining materiality	5% of profit before tax	5% of profit before tax
Rationale for the benchmark applied	We determined that profit before tax represents the most useful benchmark for the users of the financial statements, as financial performance is considered the main driver of the Group at this time.	We determined that profit before tax represents the most useful benchmark for the users of the financial statements, as financial performance is considered the main driver of the Parent Company at this time.
Performance materiality	£7.75	£4.77
Basis for determining performance materiality	65% of materiality, determined on the basis of our risk assessment together with our assessment of the overall control environment and the fact that this is our first year as auditor.	65% of materiality, determined on the basis of our risk assessment together with our assessment of the overall control environment and the fact that this is our first year as auditor.

Component materiality

We set materiality for each component of the Group based on a percentage of between 62% and 83% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £7.34m to £9.96m. In the audit of each component, we further applied performance materiality levels of 65% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £0.6m. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Opinion on other matter prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013

In our opinion the information given in note 39 for the financial year ended 31 December 2021 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditors' Report to the Members of FCE Bank plc

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. This included, but was not limited to, compliance with laws and regulations that have a direct impact on the preparation of the financial statements, including the Companies Act 2006 and UK adopted International Accounting Standards. We also considered the Bank's compliance with licence conditions and supervisory requirements of the PRA, the Financial Conduct Authority (FCA), and relevant tax legislation. We assessed the susceptibility of the financial statements to material misstatement, including fraud and considered these areas to be Revenue recognition, Loan loss provisioning and Management override of controls.

Audit procedures performed by the engagement team included the following:

- Reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with the relevant laws and regulations discussed above;
- Reading minutes of meetings of those charged with governance and reviewing correspondence with the FCA and PRA;
- Enquiring of management, including Internal Audit and Compliance, in relation to known or suspected instances of fraud;
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries related to areas susceptible to fraud risk and other adjustments; and
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias, including those noted in our key audit matters section of our report.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. This including communicating relevant identified laws and regulations and potential fraud risks to the component auditor and reviewing their work performed in this regard.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Daniel Taylor (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London

17 March 2022
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Profit or Loss and other Comprehensive Income

		Group	
For the year ended 31 December	**Note**	**2021 £ mil**	**2020 £ mil**
Interest income		552	679
Interest expense		(162)	(217)
NET INTEREST INCOME	2	**390**	**462**
Fees and commissions income		53	61
Fees and commissions expense		(8)	(11)
NET FEES AND COMMISSIONS INCOME	3	**45**	**50**
Income from leasing & other operating income	4	164	224
TOTAL INCOME		**599**	**736**
Allowance for expected credit losses	13	5	(49)
Operating expenses	5	(239)	(275)
Depreciation of property and equipment	15	(147)	(190)
Depreciation of right-of-use assets	16	(8)	(6)
Gain/(Loss) on fair value adjustment - non designated derivatives	10	46	(3)
Gain/(Loss) on foreign exchange	7	(18)	(29)
PROFIT BEFORE TAX		**238**	**184**
Income tax expense	8	(84)	(56)
PROFIT AFTER TAX AND PROFIT FOR THE PERIOD		**154**	**128**
Translation differences on foreign currency net investments		(115)	94
ITEMS THAT CAN BE RECYCLED THROUGH PROFIT OR LOSS		**(115)**	**94**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**39**	**222**

The accompanying 'Notes to the consolidated financial statements' are an integral part of these financial statements.

Statements of Financial Position

As at 31 December	Note	Company 2021 £ mil	Company 2020 £ mil	Group 2021 £ mil	Group 2020 £ mil
ASSETS					
Cash and cash equivalents	9	776	1,143	1,822	2,048
Derivative financial instruments	10	47	90	63	93
Other assets	11	2,931	3,321	320	1,148
Loans and advances to customers	12	6,176	10,636	12,602	15,804
Property and equipment	15	2	4	162	316
Right-of-use assets	16	14	20	17	26
Intangible assets	17	38	33	38	33
Income taxes receivable	18	6	7	6	7
Deferred tax assets	19	35	57	35	59
Investment in other entities	20	1,104	842	-	-
TOTAL ASSETS		**11,129**	**16,153**	**15,065**	**19,534**
LIABILITIES					
Financial liabilities	21	5,154	9,386	6,987	12,466
Lease liabilities	16	14	21	17	27
Deposits	23	3,165	3,609	5,001	3,609
Derivative financial instruments	10	14	34	16	43
Other liabilities and provisions	24	130	188	235	334
Income taxes payable	18	18	14	40	28
Deferred tax liabilities	19	9	12	27	24
TOTAL LIABILITIES		**8,504**	**13,264**	**12,323**	**16,531**
SHAREHOLDERS' EQUITY					
Ordinary shares	25	614	614	614	614
Share premium	25	352	352	352	352
Retained earnings		1,659	1,923	1,776	2,037
TOTAL SHAREHOLDERS' EQUITY		**2,625**	**2,889**	**2,742**	**3,003**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**11,129**	**16,153**	**15,065**	**19,534**

The accompanying 'Notes to the consolidated financial statements' are an integral part of these financial statements.

The financial statements on pages 47 to 128 were approved by the Board of Directors on 17 March 2022 and were signed on its behalf by:

Carlos Treadway
Chief Executive Officer

Paul Kiernan
Executive Director, Finance

Registered Number: 00772784

Statements of Cash Flow

For the year ended 31 December	Note	Company 2021 £ mil	Company 2020 £ mil	Group 2021 £ mil	Group 2020 £ mil
Cash flows from operating activities					
Cash from operating activities	36	1,391	2,315	2,574	2,252
Interest paid		(165)	(194)	(184)	(217)
Interest received		561	357	836	468
Other operating income received		0	5	109	238
Income taxes paid		(24)	(48)	(43)	(50)
Net cash generated (used in)/from operating activities		**1,763**	**2,435**	**3,292**	**2,691**
Cash flows from investing activities					
Purchase of property and equipment		-	(1)	(1)	(1)
Proceeds from sale of property and equipment		4	1	6	1
Investment in internally and externally generated software		(11)	(11)	(11)	(11)
Dividend from group undertakings		8	-	-	-
Investment in other entities		-	(2)	-	-
Net cash generated (used in)/from investing activities		**1**	**(13)**	**(6)**	**(11)**
Cash flows from financing activities					
Proceeds from the issue of debt securities and from loans provided by banks and other financial institutions		510	103	2,972	3,505
Repayments of debt securities and of loans provided by banks and other financial institutions		(2,822)	(3,872)	(6,212)	(7,357)
Proceeds of funds provided by parent and related undertakings		888	2,025	398	1,330
Repayment of funds provided by parent and related undertakings		(838)	(1,528)	(2,614)	(833)
Net increase/ (decrease) in short term borrowings		498	(118)	472	(102)
Net increase/ (decrease) in deposits		(444)	1637	1427	1637
Net cash inflow/ (outflow) on derivative financial instruments		49	63	44	58
Increase in restricted cash		(77)	(356)	(97)	(410)
Decrease in restricted cash		430	22	463	47
Dividend Paid		(300)	-	(300)	-
Net cash generated from/(used in) financing activities		(2,106)	(2,024)	(3,447)	(2,125)
Net (decrease)/increase in cash and cash equivalents	36	(342)	398	(161)	555
Cash and cash equivalents at beginning of year	36	1,143	741	2,048	1,453
Effect of exchange rate changes on cash and cash equivalents		(25)	4	(65)	40
Cash and cash equivalents at end of year	36	776	1,143	1,822	2,048

Statements of Changes in Equity

Company	Share capital £ mil	Share premium £ mil	Profit or loss reserve £ mil	Translation reserve £ mil	Total retained earnings £ mil	Total £ mil
Balance at 1 January 2020	614	352	1,420	375	1,795	2,761
Profit for the year	-	-	78	-	78	78
Translation differences	-	-	-	48	48	48
Total comprehensive income for the year ended 31 December 2020	**-**	**-**	**78**	**48**	**126**	**126**
Other equity adjustments	-	-	2	-	2	2
Balance at 31 December 2020 / 1 January 2021	614	352	1,500	423	1,923	2,889
Profit for the year	-	-	88	-	88	88
FCTA for year	-	-	-	(52)	(52)	(52)
Total comprehensive income for the year ended 31 December 2021	**-**	**-**	**88**	**(52)**	**36**	36
Dividend Paid	**-**	**-**	**(300)**	**-**	**(300)**	**(300)**
Other equity adjustments	-	-	-	-	-	-
Balance at 31 December 2021	**614**	**352**	**1,288**	**371**	**1,659**	**2,625**

Statements of Changes in Equity

Group	Share capital £ mil	Share premium £ mil	Profit or loss reserve £ mil	Translation reserve £ mil	Total retained earnings £ mil	Total £ mil
Balance at 1 January 2020	**614**	**352**	**1,447**	**366**	**1,813**	**2,779**
Profit for the year	-	-	128	-	128	128
Translation differences	-	-	-	94	94	94
Total comprehensive income for the year ended 31 December 2020	**-**	**-**	**128**	**94**	**222**	**222**
Other equity adjustments	-	-	2	-	2	2
Balance at 31 December 2020 / 1 January 2021	**614**	**352**	**1,577**	**460**	**2,037**	**3,003**
Profit for the year	-	-	154	-	154	154
Translation differences	-	-	-	(115)	(115)	(115)
Total comprehensive income for the year ended 31 December 2021	**-**	**-**	**154**	**(115)**	**39**	**39**
Dividend Paid	-	-	(300)	-	(300)	(300)
Other equity adjustments	-	-	-	-	-	-
Balance at 31 December 2021	**614**	**352**	**1,431**	**345**	**1,776**	**2,742**

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Notes to the Consolidated Financial Statements for the Year ended 31 December 2021

1 ACCOUNTING POLICIES

For each accounting topic that is addressed in its own note, the description of the accompanying accounting policy may be found in the related note. The remaining accounting policies are described below.

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A BASIS OF PRESENTATION

These financial statements are prepared on a going concern basis in accordance with UK adopted International Accounting Standards (IFRS) and with the requirements of the Companies Act 2006 as issued by the International Accounting Standards Board (IASB). In addition, the consolidated financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002.The consolidated financial statements are prepared under a historical cost convention with the exception of certain financial assets and liabilities which are stated at fair value.

As required by the Companies Act 2006, FCE files financial statements for both Company and Group accounts respectively:

- 'Company' accounts included within these consolidated financial statements comprises of FCE Bank plc. a UK registered company, and all of its 8 European branches
- 'Group' accounts include FCE Bank plc, a UK registered company, and all of its 8 European branches and 5 subsidiaries. Refer to Note 20 ‘Investments in Other Entities' for details of FCE's subsidiaries

Statement of profit or loss – As permitted by Section 408 of the Companies Act 2006, a separate statement of profit or loss has not been presented in respect of the Company. The profit after tax of the Company is reported within the Company disclosures contained in the 'Statements of changes in equity'.

Functional and presentation currency – FCE’s financial statements are presented in Sterling, being the functional currency of the Company. Assets and liabilities of each entity of the Group which are denominated in foreign currencies are translated into Sterling at the exchange rates published at the reporting date.

Statement of profit or loss and statement of cash flows of branches and subsidiaries outside of the UK are translated into the Company’s and the Group's presentation currency at average exchange rates. Exchange differences arising from the application of year end rates of exchange to opening net assets of foreign branches and subsidiaries are taken to shareholders’ equity, as are those differences resulting from the revaluation of the results of foreign operations from average to year end rates of exchange.

Statements of cash flows - FCE has elected to produce an indirect statement of cash flow and as such shows cash flows from operating activities by adjusting profit before tax for non-cash items and changes in operating assets and liabilities.

1 ACCOUNTING POLICIES CONTINUED

B BASIS OF CONSOLIDATION

(i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the company, subsidiaries and structured entities. Subsidiaries are those entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group, and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of acquisition is measured at the fair value of the assets given up, shares issued or liabilities incurred at the date of acquisition, plus costs directly attributable to the acquisition. Intercompany transactions, balances and income and expense on transactions between companies within the Group are eliminated.

For entities purchased which are under common control, the cost of acquisition is recognised as the Net book value.

The consolidated statement of profit or loss and statement of financial position include the financial statements of the Company and its subsidiary undertakings drawn up to the end of the financial year.

(ii) Structured Entities

The structured entities (SEs) utilised by the Company and which are listed within Note 20 ‘Investments in Other Entities', conduct their activities solely to meet securitisation requirements of the Company. Although the Company does not hold equity interest in the SEs, it is exposed, or has rights, to variable returns from its involvement and has the ability to affect those returns through its power over the SEs and therefore the SEs are consolidated under IFRS 10.

C CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The level of estimation uncertainty and judgement has increased as a result of the economic effects of COVID-19. Both PRA and IASB have issued guidance on how to consider provisions under IFRS 9 and management have made several judgements in the current uncertain economic environment. These are covered as a part of Note 13 ‘Allowance for Expected Credit Losses'.

An accounting estimate is considered to be critical if:

- The accounting estimate requires assumptions to be made about matters that were uncertain at the time the accounting estimate was made
- Changes in the estimate are reasonably likely to occur from period to period, or use of different estimates that reasonably could have been used in the current period
- The accounting estimate could have a material impact on the financial statements within the next financial period

The estimates that are critical to FCE's business are:

- Allowance for credit losses on loans and advances (refer to Note 13 ‘Allowance for Expected Credit Losses')
- Vehicle residual value provisions and depreciation rates applied for vehicles subject to operating leases (refer to Note 14 ‘Provision for Vehicle Residual Value Losses’ and Note 15 ‘Property and Equipment’)

Management has discussed the development and selection of these critical accounting estimates and reviewed with FCE’s Audit Committee.

In the course of preparing the financial statements, no significant judgements have been made in the process of applying the Group’s accounting policies, other than those involving estimations that have had a significant effect on the amounts recognised in the financial statement.

1 ACCOUNTING POLICIES CONTINUED

D CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

D1 Financial Assets

Financial assets are classified based on the business model within which they are held and their contractual cash flow characteristics, considering whether the cash flows are consistent with a basic financing/lending arrangement. The Group classifies its financial assets in the following categories:

- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI) and
- Amortised cost

Classification and subsequent measurement of financial assets depend on:

- The Group's business model for managing the financial assets and
- The contractual cash flow characteristics of the financial asset

The business model reflects how the Group manages its financial assets in order to generate cash flows and is determined by whether the Group's objective is solely to collect contractual cash flows from the assets or to collect both contractual cash flows and cash flows arising from the sale of assets. If neither of these models applies, the financial assets are classified at FVPL.

The Group considers past experience in collecting cash flows for a group of assets, how the performance of the assets are evaluated and reported to key management when determining the business model. The Group's business model as described on page 4 is to hold and to collect contractual cash flows arising from the loans to dealers and customers. The Group legally sells loans and advances to internally consolidated SEs for the purpose of collateralising notes issued to Investors with no resulting derecognition by the Group.

Where the business model is to hold financial assets to collect contractual cash flows or to collect contractual cash flows and sell the assets, the Group assesses whether the financial asset's cash flows represent solely payments of principal and interest (the SPPI test). When making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement.

Financial Assets at Amortised Cost

Assets held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated as FVPL, are classified and subsequently measured at amortised cost using the effective interest method. The carrying value of these financial assets is adjusted by any allowance for credit loss recognised and measured. Interest income from these assets is included in Note 2 'Net Interest Income'.

Financial assets at Fair Value through Other Comprehensive Income (FVOCI)

Financial assets that are held for collection of contractual flows and for selling the assets, where those cash flows represents solely payment of principal and interest, and that are not designated at FVPL, are classified and subsequently measured at FVOCI. The Group does not hold any debt instruments at FVOCI.

Financial assets at Fair Value through Profit or Loss (FVPL)

Financial assets that do not meet the criteria for recognition at amortised cost or at FVOCI are measured at FVPL.

1 ACCOUNTING POLICIES CONTINUED

D2 Financial liabilities

Financial liabilities are only derecognised when the obligation specified in the contract is discharged or cancelled or expires. Any difference between the carrying amount and the consideration paid, is recognised in profit or loss.

Financial liabilities at fair value through profit or loss

This consists of derivatives which are held at fair value, with changes in fair value recognised in the statement of profit or loss unless hedge accounting is applied.

Financial liabilities at amortised cost

These include borrowings, deposits, debt securities in issue and subordinated loans that are initially recognised at fair value. These are subsequently measured at amortised cost using the effective interest method.

E FAIR VALUE

Fair value is obtained by calculating the amount at which an asset or liability could be exchanged in an arm's length transaction between informed and willing parties other than in a forced liquidation.

Accordingly, the information as presented does not purport to represent, nor should it be construed to represent, the underlying value of the business as a going concern.

FCE measures the fair value of its assets and liabilities based on the fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following measurements:

- Level 1: inputs include quoted prices for identical instruments and are the most observable
- Level 2: inputs include quoted prices for similar assets and observable inputs such as interest rates, currency exchange rates and yield curves
- Level 3: inputs are not observable in the market and include management's judgements about the assumptions market participants would use in pricing the asset or liability

For additional information concerning recurring fair value measurements, refer to Note 10 'Derivative Financial Instruments and Hedging Activities' and Note 12 'Loans and Advances to Customers' for further details. There were no non-recurring items measured at fair value during the current period.

For certain assets and liabilities which are not measured at fair value, the Group has disclosed their relevant fair values.

F OFFSETTING

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when and only when, the Group has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Group has certain Interest rate derivatives that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in the statement of financial position. Refer to Note 10 'Derivative Financial Instruments and Hedging Activities' for further details.

1 ACCOUNTING POLICIES CONTINUED

G ACCOUNTING STANDARDS DEVELOPMENT - IFRS

Interest Rate benchmark (IBOR) reform - Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
Effective from 1 January 2021. The required disclosures are provided within Note 10 'Derivative Financial Instruments and Hedging Activities'.

Others
The following accounting standard amendments/interpretations are mandatory for the financial year beginning 1 January 2021 but are either not relevant or do not have a material impact on the Group's consolidated financial statements:

- Amendments to IFRS 16 'Leases' – COVID-19-Related Rent Concessions

The Group continues to monitor new accounting standard/amendments/interpretations that have been issued and become mandatory in subsequent accounting periods. The Group is assessing the potential impact of the following:

- IFRS 17 'Insurance Contracts'
- Annual improvements to IFRS Standards 2018-2020 cycle: IFRS1 'First-time Adoption of International Financial Reporting Standards', IFRS 9 'Financials Instruments'
- Amendments to IFRS 3 'Business Combinations' - Reference to the Conceptual Framework
- Amendments to IFRS 4 'Insurance Contracts' – Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'
- Amendments to IAS 1 'Presentation of Financial Statements' – Classification of liabilities and disclosure of accounting policies
- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' – definition of accounting estimates
- Amendments to IAS 12 'Income taxes' – deferred tax on lease and decommissioning obligations
- Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets - Onerous contracts

2 NET INTEREST INCOME

Policy

Interest earned on retail loans and finance leases is generally fixed at the time the contracts are originated.

On certain loans and advances, primarily wholesale financing, FCE charges interest at a floating rate that varies with changes in short-term interest rates.

Revenue from retail loans is calculated using the effective interest rate method. Revenue from finance leases is recognised to represent a constant periodic rate of return on the net investment in the lease. Both are recognised in the statement of profit or loss as interest income.

Interest supplements and other support payments from related parties are provided at the time of purchase or origination of eligible contracts. Payments received in relation to retail are deferred on the Statement of Financial Position within **'Loans and Advances to Customers'** and are recognised in **'Interest income'** using the effective interest method, over the expected term of the related receivable.

Certain loan origination fees (income) and costs (expenses) which can be directly associated to the origination of retail loans and finance leases are regarded as part of the economic return of the receivables and included in its carrying value and deferred. The amount deferred is recognised in interest income, using the effective interest method, over the expected term of the related receivable. The expected term is assessed at an individual contract level for retail loans and finance leases; and is the same as the contractual term, given this is the most likely outcome at the outset of the contract.

Based on an assessment of FCE's largest markets contractual term is the expected term of retail loans and finance leases.

		Group	
For the year ended 31 December		**2021**	**2020**
		£ mil	**£ mil**
Interest income	**Note**		
Loans and advances to external parties		203	275
Related parties	34	347	397
Adjustment relating to residual values	14	2	5
Cash and short-term deposit income from external parties and other miscellaneous income		-	2
Total interest income		**552**	**679**
Interest expense			
External parties		(89)	(129)
Related parties	34	(73)	(88)
Total interest expense		**(162)**	**(217)**
Net interest income		**390**	**462**

'Interest income from loans and advances to external parties' includes revenue from retail, finance lease and wholesale product segments, of which £4 million (2020: £11 million) relates to financial assets classified as FVPL. Income from operating lease vehicles is reported within Note 4 'Other Operating Income'.

'Interest income from related parties' primarily relates to interest supplements relating to loans and advances received from entities under common control, of which £9 million (2020: £14 million) relates to financial assets classified as FVPL.

'Interest income adjustment relating to residual values' relates to changes in vehicle residual value provisions on retail and finance lease contracts.

'Cash and short-term deposit income from external parties and other miscellaneous income' mainly relates to interest income from short term investments.

2 NET INTEREST INCOME CONTINUED

'Interest expense to external parties' includes expense relating to securitisation, local bank borrowings, public debt offering and deposits. It also includes commitment fees incurred on revolving debt facilities that are expected to be utilised.

'Interest expense to related parties' includes expense related to senior and subordinated debt. For further information see the section of Note 21 'Financial Liabilities'.

3 NET FEES AND COMMISSIONS INCOME

Fees and commissions income and expense are recognised when earned or incurred, net of any taxes payable.

	Group	
For the year ended 31 December	**2021 £ mil**	**2020 £ mil**
Fees and commissions income		
Finance related and other fee income	36	35
Insurance sales commission income	17	26
Total fees and commissions income	**53**	**61**
Fees and commissions expense		
Finance related and other fee expense	(8)	(11)
Total fees and commissions expense	**(8)**	**(11)**
Net fees and commissions income	**45**	**50**

Finance related and other fee income' relates to fees earned which cannot be directly associated with the origination of loans and advances to customers. This includes fee income earned by FCE for the provision of marketing and sales of commercial operating leases ('Full Service Leasing' or 'FSL') to a non-affiliated business partner, typically received monthly in arrears. This income is recognised once the performance obligation is satisfied which is either at a point in time or over time.The third party business partner in each market is responsible for financing, maintenance, repair services, the resale of vehicles at the end of the lease period and all associated risks.

'Insurance sales commission income' primarily relates to Ford branded insurance products offered throughout Europe. These insurance products, which are mainly related to vehicle insurance and payment protection plans, are underwritten by non-affiliated local insurance companies from which FCE earns both fixed and variable commission income, but the underwriting risk remains with the third-party insurance companies. FCE is therefore acting as agent, arranging for services to be provided by the third party to the end customer. Insurance sales commission income is earned at the time FCE has fulfilled its performance obligations to the customer which is typically at point of sale of the product or service. Insurance payments collected from the customer, from which FCE retains its commission quota, are typically received monthly in arrears. Where this income is rebateable upon cancellation, a cancellation reserve is established.

'Fees and commissions expense' includes commissions, fees and other bonuses payable to dealers which cannot be directly associated with the origination of loans and advances to customers and are recognised when incurred.

Notes to the Consolidated Financial Statements for the Year ended 31 December 2021

4 OTHER OPERATING INCOME

Rental income on operating leases is credited to income on a straight-line basis.

	Group	
For the year ended 31 December	**2021 £ mil**	**2020 £ mil**
Income from operating leases	163	218
Other operating income	1	6
Total other operating income	**164**	**224**

'Income from operating leases' represents rentals earned for operating lease vehicles leased to commercial customers including leasing companies, daily rental companies and fleet customers. The associated depreciation expense, sale proceeds of vehicles disposed are disclosed within Note 15 'Property and Equipment'.

'Other operating income' includes gains/losses from operating lease vehicles. For details on the sale proceeds of operating lease vehicles, please refer to Note 15 'Property and Equipment'.

5 OPERATING EXPENSES

		Group	
For the year ended 31 December	**Note**	**2021 £ mil**	**2020 £ mil**
Staff costs			
Wages and salaries		96	127
Social security costs		12	13
Retirement benefits	27	22	21
Total staff costs		**130**	**161**
Other expenses			
Software amortisation	17	6	4
Administrative expenses		97	102
Other expenses		6	8
Total other expenses		**109**	**114**
Total operating expenses		**239**	**275**

	Number of employees	
Monthly average number of permanent employees during the year	**1,375**	**1,497**

'Administrative expenses' includes amounts paid to Ford and its related companies for services received which are detailed within Note 34 'Related Party Transactions'. It also includes Auditor Remuneration, details of which are shown on the following page.

Notes to the Consolidated Financial Statements for the Year ended 31 December 2021

5 OPERATING EXPENSES CONTINUED

Auditor Remuneration

	Company		Group	
For the year ended 31 December	**2021 £ 000's**	**2020 £ 000's**	**2021 £ 000's**	**2020 £ 000's**
Nature of services:				
Audit services				
Audit of parent company and consolidated accounts	2,069	2,110	2,069	2,110
Audit of subsidiaries and SEs pursuant to legislation	-	-	171	677
Total audit services	**2,069**	**2,110**	**2,240**	**2,787**
Assurance services				
Audit related assurance services	-	153	-	153
Other assurance services	-	194	-	194
Total assurance services	**-**	**347**	**-**	**347**
Total fees	**2,069**	**2,457**	**2,240**	**3,134**

Definition of services:

In line with European regulation on auditor rotation, FCE appointed BDO LLP on 8th April 2021 as the new statutory auditor.

BDO did not perform non-audit services during the year. The fees included services provided to support ultimate parent (FMCC) consolidation group results.

For further details on the policies and procedures that govern the engagement of BDO, please refer to the Audit Committee report on page 36 and 37.

Notes to the Consolidated Financial Statements for the Year ended 31 December 2021

6 TRANSACTIONS WITH DIRECTORS AND OFFICERS

FCE's Directors and Officers, and persons connected with them, are also considered to be related parties for disclosure purposes. Details of the Directors can be found in the Directors report. There are 11 Officers defined as the members of FCE's Executive Committee who are not also statutory Directors of the Company. For more information on the Executive Committee please refer to 'Governance Report - Committees of the Board' on page 32.

Company	2021			2020		
	Directors £ 000's	Officers £ 000's	Total £ 000's	Directors £ 000's	Officers £ 000's	Total £ 000's
Loans						
Outstanding at 1 January	90	294	384	79	172	251
Issued in the year	87	267	354	174	682	856
Repayments during the year	(86)	(278)	(364)	(163)	(560)	(723)
Loans outstanding at 31 December	**91**	**283**	**374**	**90**	**294**	**384**
Maximum loans in period	116	300	416	109	313	422
Revenue						
Interest revenue from loans	2	5	7	2	6	8
Remuneration payments						
Salaries/other short-term benefits	1,618	1,748	3,366	1,522	1,476	2,998
Post-employment benefits	223	580	803	208	505	713
Share based payments	326	171	497	267	128	395
Total remuneration payments	**2,167**	**2,499**	**4,666**	**1,997**	**2,109**	**4,106**
Customer Deposits						
Deposits	101	321	422	448	163	611
Customer Deposits at 31 December	**101**	**321**	**422**	**448**	**163**	**611**

6 TRANSACTIONS WITH DIRECTORS' AND OFFICERS' CONTINUED

Loans

In the ordinary course of business, the Company makes loans available to certain management grade employees, Officers and Directors under a management car loan plan (Non-Executive Directors are not entitled to participate in this arrangement). Under the terms of the plan, certain Directors and Officers of the Company have been granted loans under their contract of employment to finance the purchase of vehicles from Ford Motor Company Limited (FMCL). The individual only pays the Company the interest on the loan which is set at a commercial rate. These payments are made monthly as incurred and no interest was outstanding at year-end. The terms of the loans are not intended to last for longer than twelve months. When the loans mature the employee may settle the loan directly with FCE or by returning the vehicle.

Salaries/other short-term benefits

There was one termination payment made in 2021 to one Officer of £113,850.22.

Post-employment benefits

Retirement benefits are accruing to two current Directors and six current Officers (2020: two Directors and six Officers) under various Ford retirement benefit schemes.

Share Based Payments

FCE is allocated an RSU expense by Ford relating to the FCE employee services received in exchange for the grant of RSU. This is allocated in line with the vesting period and is recognised by FCE as an expense.

Share based payments do not have a material impact on the financial statements of the Company or Group, for 2021 this is £497,000.

During the financial year ended 31 December 2021 no Director or Officer exercised their share options held over Ford Common Stock.

Shares were receivable under a Long Term Incentive scheme by four Directors and 11 Officers in 2021.

Directors Emoluments

Aggregate emoluments for the highest paid Director were £497,686 (2020: £518,483).

The highest paid Director in 2021 was a member of the Ford (US) General Retirement Plan (GRP) and comparison between the two pension schemes could be misleading due to their different features and structures. The GRP is a defined benefit plan and allows for an optional full lump sum payment upon termination of employment. No employer contributions or annual interest payment were made to the GRP in 2021 for the highest paid director. The projected accrued annual benefit at age 65 for the highest paid director in 2021 was £68,893.

The highest paid Director in 2020 was a member of the Ford (US) General Retirement Plan (GRP) and comparison between the two pension schemes could be misleading due to their different features and structures. The GRP is a defined benefit plan and allows for an optional full lump sum payment upon termination of employment. No employer contributions or annual interest payment were made to the GRP in 2020 for the highest paid director. The projected accrued annual benefit at age 65 for the highest paid director in 2020 was £86,534.

Notes to the Consolidated Financial Statements for the Year ended 31 December 2021

7 GAIN/(LOSS) ON FOREIGN EXCHANGE

The table below analyses the gains and losses recognised in the statement of profit or loss within 'Gain/(loss) on foreign exchange' arising primarily from the revaluation of foreign currency assets and liabilities into sterling at exchange rates ruling at the reporting date.

To meet funding objectives, FCE borrows in a variety of currencies. FCE's exposure to currency exchange rates occurs if a mismatch exists between the currency of the receivables and the currency of the debt funding those receivables.

Wherever possible, FCE funds receivables with debt in the same currency, minimising exposure to exchange rate movements. When a different currency is used, foreign currency derivatives are executed to convert foreign currency debt obligations to the local currency of the receivables and reduce the exposure to movements in foreign exchange rates.

Consequently, the losses on 'foreign currency debt obligations' of £18 million (2020: £29 million loss) is substantially offset by fair value gains on cross currency interest rate swaps and foreign exchange forwards as detailed in Note 10 ‘Derivative Financial Instruments and Hedging Activities’.

Refer to Note 31 ‘Market Risk' for further information on FCE's use of derivatives.

	Group	
For the year ended 31 December	**2021**	**2020**
	£ mil	**£ mil**
Foreign currency debt obligations	(18)	(29)
Total gain/(loss) on foreign exchange	**(18)**	**(29)**

8 INCOME TAX EXPENSE

Income tax payable on profits is based on the applicable tax law in each jurisdiction and is calculated at rates of tax substantially enacted at the reporting date. Income tax payable is recognised as an expense in the period in which the profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available which these losses can be utilised against.

		Group	
For the year ended 31 December	**Note**	**2021 £ mil**	**2020 £ mil**
Current tax:			
UK Corporation tax of 19% (2020: 19%)		22	17
Overseas taxation		39	23
Adjustment to prior year corporation tax		(3)	3
Income tax expense current		**58**	**43**
Deferred tax:			
Current year		19	13
Prior year		7	-
Income tax expense deferred	**19**	**26**	**13**
Income tax expense		**84**	**56**

The factors affecting the tax charge for the period are explained below.

	Group	
For the year ended 31 December	**2021 £ mil**	**2020 £ mil**
Profit before tax	**238**	**184**
Profit multiplied by standard rate of UK Corporation tax of 19% (2020: 19%)	45	35
Effects of:		
Foreign taxes higher / (lower) than UK taxes	14	14
Prior year current and deferred tax	4	3
Bank surcharge	5	4
Change in deferred tax rates (UK corporate tax rate to increase to 25% from 2023)	(3)	(1)
Charge for deferred tax asset no longer recognised	14	-
Expenses not deductible	5	1
Income tax expense	**84**	**56**

Notes to the Consolidated Financial Statements for the Year ended 31 December 2021

9 CASH AND CASH EQUIVALENTS

	Company		Group	
As at 31 December	**2021 £ mil**	**2020 £ mil**	**2021 £ mil**	**2020 £ mil**
Cash in bank (including cash at central banks)	776	785	1,580	1,360
Cash equivalents	-	358	-	358
Cash and cash equivalents	**776**	**1,143**	**1,580**	**1,718**
Other bank deposits	-	-	178	216
Collateralised deposits	-	-	64	114
Cash associated with securitisation transactions	**-**	**-**	**242**	**330**
Total cash and cash equivalents	**776**	**1,143**	**1,822**	**2,048**

'Cash and cash equivalents' include cash and highly liquid investments with a maturity of 90 days or less at date of acquisition. Cash in bank is primarily cash held at central banks.

The net book value of cash and cash equivalents approximates fair value due to the short maturities of these investments.

'Cash associated with securitisation transactions' represents balances held by and available to consolidated SEs. The amount included in the note is not available for use in FCE's day to day operations.

10 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Policy

In the normal course of business, the Group's operations are exposed to global market risks, including the effect of changes in interest rates and foreign currency exchange rates. To manage these risks, the Group enters into the following highly effective derivative contracts:

- Interest rate contracts, including swaps, that are used to manage the effects of interest rate fluctuations
- Foreign currency exchange contracts, including forwards, that are used to manage foreign exchange exposure
- Cross-currency interest rate swap contracts that are used to manage foreign currency and interest rate exposures on foreign-denominated debt

The Group reviews its hedging program, derivative positions, and overall risk management strategy on a regular basis.

The derivatives are over-the-counter (OTC) customised transactions and are not exchange traded. The majority of the Group's OTC derivatives are cleared centrally through a Qualified Central Counterparty (QCCP). Derivative transactions are entered into under International Swaps and Derivatives Association (ISDA) master netting agreements. The ISDA and similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create for the parties to the agreement a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties or following other predetermined events. In addition, the Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The fair value of these instruments are estimated using industry-standard valuation models such as a discounted cash flow. These models project future cash flows and discount the future amounts to a present value using market-based expectations for interest rates, foreign exchange rates, and the contractual terms of the derivative instruments. The discount rate used is the relevant benchmark interest rate (e.g., LIBOR, SONIA) plus an adjustment for non-performance risk as applicable. The adjustment reflects the full credit default swap (CDS) spread applied to a net exposure, by counterparty, considering the master netting agreements and any posted collateral. The counterparty's CDS spread is used when in a net asset position and the Group's CDS spread when in a net liability position. The Group posts initial margin collateral for all centrally cleared OTC interest rate swaps.

FCE have elected to apply hedge accounting to certain derivatives. Derivatives that are designated in hedging relationships are evaluated for effectiveness using regression analysis at the time they are designated and throughout the hedge period. Some derivatives do not qualify for hedge accounting; for others, the Group has elected not to apply hedge accounting.

'Fair Value Hedges'. All derivatives entered into by FCE are to reduce the risk of changes in the fair value of debt. The Group have designated certain receive-fixed, pay-float interest rate swaps as fair value hedges of fixed-rate debt. The risk being hedged is the risk of changes in the fair value of the hedged debt attributable to changes in the benchmark interest rate. It is FCE's policy to execute interest rate swaps to change the interest rate characteristics of the debt to match, within a tolerance range, the interest rate characteristics of FCE's assets. The Group considers whether the critical terms of the hedged item and the hedging instrument closely align when assessing the presence of an economic relationship. If the hedge relationship is deemed to be highly effective, the Group reports the changes in the fair value of the hedged debt related to the risk being hedged in Debt securities in issue and Interest expense. Net interest settlements and accruals, and the fair value changes on hedging instruments are reported in Interest expense. The cash flows associated with fair value hedges are reported in Net cash generated / (used in) from operating activities in the statement of cash flows. The ratio of the quantity of the item being hedged to the notional of the hedge will always be 1:1. The hedge continues to meet the effectiveness requirements when no change has occurred in the hedging relationship or hedge ratio, including no change in notional amount, timing change, or other source of ineffectiveness.

Hedge accounting is applied for derivatives only when the following criteria are met:

- Formal documentation of the hedging instrument, hedged item, hedge objective, strategy and relationship is prepared at or before inception of the hedge transaction
- The hedge is documented showing that it is expected to be highly effective in offsetting the risk in the hedged item throughout the reporting period
- The hedge is highly effective on an ongoing basis, as measured by re-performance of effectiveness testing by the way of regression analysis, on a minimum quarterly basis

When a fair value hedge is de-designated, or when the derivative is terminated before maturity, the fair value adjustment to the hedged debt continues to be reported as part of the carrying value of the debt and is recognised in Interest income/expense over its remaining life. In 2020, all previously designated interest rates swaps as fair value hedges were de-designated after our risk management hedging objective was met.

Notes to the Consolidated Financial Statements for the Year ended 31 December 2021

'**Derivatives Not Designated as Hedging Instruments'.** The Group reports net interest settlements and accruals in Interest income/expense. Changes in the fair value of interest rate swaps not designated as hedging instruments and foreign currency revaluation on accrued interest along with gains and losses on foreign exchange contracts and cross currency interest rate swaps are reported in Fair value changes on non-designated derivatives. Cash flows associated with non-designated or de-designated derivatives are reported in Net cash generated (used in)/ from financing activities in our statement of cash flows.

All interest rate swaps referencing LIBOR requiring conversion to an alternative interest rate have been transitioned.

Income Effect of Derivative Financial Instruments

The gains / (losses), by hedge designation, reported in income for the years ended December 31 were as follows (in millions):

	Group	
As at 31 December	**2021 £ mil**	**2020 £ mil**
Fair value hedges		
Interest rate contracts		
Net interest settlements and accruals on hedging instruments	-	1
Fair value changes on hedging instruments	-	3
Fair value changes on hedged debt	-	(3)
Total fair value hedges	**-**	**1**
Derivative not designated as hedging instruments		
Net interest settlements and accruals	(4)	3
Fair value changes on non-designated derivatives		
Interest rate contracts	29	(32)
Cross-currency interest rate contracts	(13)	23
Foreign exchange forwards	30	6
Total fair value changes on non-designated derivatives	*46*	*(3)*
Total non-designated derivatives	**42**	**-**
Total	**42**	**1**

Statement of Financial Position Effect of Derivative Financial Instruments

Derivative assets and liabilities are reported on the statement of financial position at fair value and are presented on a gross basis. The fair values are included in both assets and liabilities sections of the statement of financial position within Derivative financial instruments. The notional amounts of the derivative instruments do not necessarily represent amounts exchanged by the parties and are not a direct measure of our financial exposure. The Group also enters into master agreements with counterparties that may allow for netting of exposure in the event of default or breach of the counterparty agreement. Collateral represents cash received or paid under reciprocal arrangements entered into with derivative counterparties, which the Group does not use to offset derivative assets and liabilities.

10 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES CONTINUED

The fair value of the Company and the Group's derivative instruments and the associated notional amounts at December 31 were as follows (in millions):

Company

As at 31 December	2021			2020		
	£ mil	£ mil	£ mil	£ mil	£ mil	£ mil
		Fair value			Fair value	
	Notional	Assets	Liabilities	Notional	Assets	Liabilities
Non-designated derivatives						
Interest rate contracts	8,207	35	14	13,666	63	33
Cross currency interest rate contracts	-	-	-	193	26	-
Foreign currency exchange contracts	825	12	-	334	1	1
Total non-designated derivatives	**9,032**	**47**	**14**	**14,193**	**90**	**34**
Total derivative financial instruments	**9,032**	**47**	**14**	**14,193**	**90**	**34**
Derivatives centrally cleared	5,741	18	6	9,215	16	33
Derivatives bilateral collateralised	1,290	-	8	2,072	2	-
Derivatives not cleared	2,001	29	-	2,906	72	1
Total derivative financial instruments	**9,032**	**47**	**14**	**14,193**	**90**	**34**
Current portion	-	26	11	-	62	24
Non-current portion	-	21	3	-	28	10
Total derivative financial instruments	**-**	**47**	**14**	**-**	**90**	**34**

Group

As at 31 December	2021			2020		
	£ mil	£ mil	£ mil	£ mil	£ mil	£ mil
		Fair value			Fair value	
	Notional	Assets	Liabilities	Notional	Assets	Liabilities
Non-designated derivatives						
Interest rate contracts	14,411	51	16	22,143	66	42
Cross currency interest rate contracts	-	-	-	193	26	-
Foreign currency exchange contracts	825	12	-	334	1	1
Total non-designated derivatives	**15,236**	**63**	**16**	**22,670**	**93**	**43**
Total derivative financial instruments	**15,236**	**63**	**16**	**22,670**	**93**	**43**
Derivatives centrally cleared	8,135	25	6	11,451	18	36
Derivatives bilateral collateralised	2,479	-	10	3,832	3	-
Derivatives not cleared	4,622	38	-	7,387	72	7
Total derivative financial instruments	**15,236**	**63**	**16**	**22,670**	**93**	**43**
Current portion	-	29	10	-	64	30
Non-current portion	-	34	6	-	29	13
Total derivative financial instruments	**-**	**63**	**16**	**-**	**93**	**43**

All derivatives are categorised within Level 2 of the fair value hierarchy.

Notes to the Consolidated Financial Statements for the Year ended 31 December 2021

10 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES CONTINUED

The fair value of the Company and the Group's derivative instruments at December 31 were as follows (in millions):

	2021		2020 (restated)	
Company	**Assets £ mil**	**Liabilities £ mil**	**Assets £ mil**	**Liabilities £ mil**
Gross derivatives amount recognised in the statement of financial position	47	14	90	34
Related amounts not offset	**-**	**-**	**-**	**-**
Amounts subject to master netting agreements	-	-	(1)	(1)
Cash collateral posted/held	37	13	42	2
Net Amounts	**84**	**27**	**131**	**35**

	2021		2020 (restated)	
Group	**Assets £ mil**	**Liabilities £ mil**	**Assets £ mil**	**Liabilities £ mil**
Gross derivatives amount recognised in the statement of financial position	63	16	93	43
Related amounts not offset	-	-	-	-
Amounts subject to master netting agreements	-	-	(1)	(1)
Cash collateral posted/held	51	19	64	4
Net Amounts	**114**	**35**	**156**	**46**

Upon review, for both Company and Group, it was determined that the 2020 'Amounts subject to master Netting arrangements' under Assets and Liabilities should be corrected from £17m to £1m. These changes have been made in the comparative information in the above table. There was no impact on profit, total assets or total equity due to this correction.

11 OTHER ASSETS

Policy

The carrying value of 'Other assets' except vehicles awaiting resale is stated at amortised cost less any provision for expected credit losses. Vehicles returned to FCE from operating lease, retail and finance leases which are awaiting resale are recorded at the lower of their carrying amount or fair value less costs to sell.

Gains and losses on disposals of Operating lease vehicles are included in the statement of profit or loss within 'Depreciation of property and equipment' and for vehicles returned from retail and finance lease contracts within 'Interest income'.

Other assets at 31 December were as follows:

		Company		Group	
As at 31 December		**2021 £ mil**	**2020 £ mil**	**2021 £ mil**	**2020 £ mil**
Short-term receivables	**Note**				
Related parties	34	8	186	21	304
External		33	47	48	97
Subsidiary undertakings	34	24	28	-	-
Sub-total short-term receivable		**65**	**261**	**69**	**401**
Loans receivable					
Subsidiary undertakings	34	2,728	2,513	-	-
Sub-total loans receivable		**2,728**	**2,513**	**-**	**-**
Vehicles awaiting resale		8	41	85	192
Restricted cash		59	420	92	465
Prepayments and accrued income		47	48	49	50
Prepaid taxes and related interest		24	38	25	40
Total other assets		**2,931**	**3,321**	**320**	**1,148**
Current		1,178	1,100	192	950
Non-current		1,753	2,221	128	198
Total other assets		**2,931**	**3,321**	**320**	**1,148**

'Short term receivables and Loans receivable' the book value of short-term receivables and loans receivable approximates fair value due to the short maturities of these assets.

'Loans receivable' these loans are usually revolving in nature allowing subsidiaries to repay in line with receivable levels.

'Restricted cash' includes cash in central banks to be held as minimum reserves and cash required as initial margin collateral.

'Prepayments and accrued income' include sundry prepaid expenses (insurance, rent & property related services, postage, etc.), capitalised commitment fees, and deferred charges.

Notes to the Consolidated Financial Statements for the Year ended 31 December 2021

12 LOANS AND ADVANCES TO CUSTOMERS

Policy

Loans and advances to customers are initially recognised at fair value including direct and incremental transaction fees (including interest supplements and other support payments from related parties) and costs. They are subsequently measured at amortised cost using the effective interest method. Refer to Note 2 'Net Interest Income' for further details.

The majority of our Finance Leases consist of Hire Purchase contracts and Trade Cycle Management products as described in the Business Environment section.

		Company		Group	
As at 31 December		**2021**	**2020**	**2021**	**2020**
		£ mil	**£ mil**	**£ mil**	**£ mil**
Loans and advances to customers	**Note**				
Retail loans and receivables		647	3,067	4,861	5,720
Finance lease		3,522	4,188	4,538	5,207
Wholesale (a)		2,025	3,416	3,236	4,923
Gross loans and advances to customers		**6,194**	**10,671**	**12,635**	**15,850**
Allowance for expected credit losses	**13**	(18)	(35)	(33)	(46)
Net loans and advances to customers		**6,176**	**10,636**	**12,602**	**15,804**
Current		3,550	6,135	6,594	8,676
Non-current		2,626	4,501	6,008	7,128
Net Loans and advances to customers		**6,176**	**10,636**	**12,602**	**15,804**
Fair value					
Retail loans and receivables		657	3,131	4,997	5,873
Finance Lease		3,577	4,332	4,635	5,389
Wholesale		2,021	3,409	3,233	4,911
Total fair value		**6,255**	**10,872**	**12,865**	**16,173**

a) During 2020, FCE conducted a review of terms of its wholesale lending products and concluded that the lending terms in one market did not meet the 'solely payments of principal and interest' requirement of IFRS 9. As a result, the wholesale receivables line now includes £309 million (2020 : £560 million) treated as financial assets at fair value through profit or loss (FVPL). The fair value of these assets approximates their book value given the short-term nature of the lending. The related interest received of £14m (2020: £25m) continues to be reported within net interest income given this represents the substance of the lending arrangement. FCE provides IFRS 7 disclosures in relation to Loans and Advances to Customers on a total basis including assets measured at FVPL. This approach is considered to present more relevant information to users than IFRS 13 disclosures on fair value given this aligns with how these assets are managed and given book value approximated fair value throughout the current and prior periods.

'Loans and advances to customers' are measured at fair value for purposes of disclosure using internal valuation models. These models project future cash flows of financing contracts based on scheduled contract payments (including principle and interest). The projected cash flows are discounted to present value based on assumptions regarding credit losses, average maturity profile, applicable spreads and operating costs. The fair value is categorised within Level 3 of the hierarchy.

12 LOANS AND ADVANCES TO CUSTOMERS CONTINUED

Finance Leases

As at 31 December	Company		Group	
Finance Lease	**2021 £ mil**	**2020 £ mil**	**2021 £ mil**	**2020 £ mil**
Within 1 year	627	789	840	1,161
After 1 year and within 2 years	575	729	883	1,057
After 2 year and within 3 years	427	575	685	828
After 3 year and within 4 years	130	193	300	325
After 4 year and within 5 years	5	6	136	13
After 5 years	-	-	4	-
Total finance lease payments receivable	**1,764**	**2,292**	**2,848**	**3,384**
Unguaranteed residual value	1,964	2,151	1,964	2,151
Unearned finance income	(67)	(90)	(116)	(139)
Unearned interest supplements from related parties	(175)	(213)	(199)	(242)
Allowance for expected credit losses	(13)	(16)	(16)	(19)
Provision for vehicle residual value losses	-	(1)	-	(1)
Deferred origination costs	36	49	41	54
Net investment in finance leases	**3,509**	**4,172**	**4,522**	**5,188**

13 ALLOWANCE FOR EXPECTED CREDIT LOSSES

The allowance for credit losses represents FCE's estimate of the expected credit loss on retail, finance leases and wholesale receivables at the date of the statement of financial position. The adequacy of the allowance for credit losses is assessed quarterly and the assumptions and models used in establishing the allowance are evaluated regularly. Credit losses can vary substantially over time and, estimating credit losses requires a number of assumptions about matters that are uncertain. The majority of credit losses are attributable to FCE's retail and finance lease portfolios.

Impairment

Under IFRS 9, credit loss allowances are measured on each reporting date according to a three-stage expected credit loss (ECL) impairment model:

- Stage 1 (12 month ECL) – From initial recognition of a financial asset until the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the next 12 months
- Stage 2 (Lifetime ECL not credit impaired) – Following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is recognised equal to the credit losses expected over the remaining lifetime of the asset
- Stage 3 (Lifetime ECL credit impaired) – When a financial asset is considered to be credit impaired, a loss allowance equal to full lifetime expected credit losses is recognised. Interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount (GCA)

Retail and Finance Leases

FCE estimates the allowance for credit losses on retail and lease receivables using a combination of measurement models and management judgment. The models consider factors such as historical trends in credit losses and recoveries, the composition and recent performance of FCE's present portfolio, risk evaluation at the time of origination, and a forecast of future economic conditions. If management does not believe these models reflect expected losses for the portfolio, an adjustment is made to reflect management judgement regarding observable changes in recent or expected economic trends and conditions, portfolio composition, and other relevant factors.

FCE calculates the allowance for credit losses on retail and finance leases using Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The probability of default models are developed from internally developed risk scoring models taking into account the expected probability of payment and time to default adjusted for macroeconomic outlook and recent performance. The exposure at default is the expected principal and interest balance due at default. The loss given default is the percentage of the expected balance due at default that is not recoverable, taking account the expected collateral value. The monthly expected credit loss is calculated for each month by applying the expected probability of default to the expected exposure at default and the loss given default. The 12-month and lifetime expected credit losses is calculated by summing these monthly expected credit losses over the next 12 months and remaining lifetime of the receivable, respectively. The expected credit losses are discounted to the reporting date using the original effective interest rate or the current effective interest rate for variable rate.

The loss models incorporate forward-looking macroeconomic conditions for baseline, upturn, and downturn scenarios. Three separate credit loss allowances are calculated from these scenarios. They are then probability-weighted to determine the credit loss allowance recognised in the financial statements. FCE identified that the key macro-economic variables that impact its expected losses, both in Probability of Default and in Loss Given Default include: GDP Growth, CPI, Housing Price Index, and Import of Goods, however the main one is Unemployment. The forecast for these variables is sourced from an external vendor for all three scenarios and is used to estimate FCE's expected losses. The period is specific to the particular macroeconomic variable. FCE updates the forecasts quarterly and on an annual basis, FCE evaluates the selection of scenarios and the scenario weighting to ensure they reflect the risk of the portfolio. In the current and prior years the base scenario has been weighted 60%, with the upturn and downturn scenarios both assigned 20% probabilities.

As the retail and finance lease models were not able to reflect appropriately the particular circumstances of COVID-19, including the unprecedented actions taken by Governments to contain and combat the impact, the reserves include post-model adjustments and management overlays.

13 ALLOWANCE FOR EXPECTED CREDIT LOSSES CONTINUED

The following table details the unemployment macro-economic factors applied in the retail and finance lease model for the large FCE markets:

Macro Economics – Average Unemployment Rate

	2021						2020					
	Upturn		Business As Usual		Downturn		Upturn		Business As Usual		Downturn	
Country	Next 12 Months %	Next 5 Years %	Next 12 Months %	Next 5 Years %	Next 12 Months %	Next 5 Years %	Next 12 Months %	Next 5 Years %	Next 12 Months %	Next 5 Years %	Next 12 Months %	Next 5 Years %
UK	4.9	4.1	5.4	4.8	6.3	6.6	7.2	6.1	7.7	6.9	8.7	8.9
Italy	9.3	8.8	9.5	9.1	10.9	10.9	11.6	10.6	11.9	10.9	13.3	12.7
Germany	5.4	5.0	5.3	5.2	6.4	6.9	5.7	5.1	6.3	5.6	7.4	7.3
France	7.5	7.5	7.9	7.9	8.8	8.9	9.5	8.3	10.1	8.6	11.0	9.6
Spain	13.6	12.6	14.5	13.5	17.0	16.4	16.0	13.8	17.0	14.4	20.6	17.8

Wholesale Portfolio

Ford Credit estimates the expected allowance for credit losses for wholesale receivables based on historical experience, expected future cash flows, and the fair value of collateral.

Given the immaterial level of wholesale losses over many years, FCE uses loss-to-receivable (LTR) ratios as a proxy for the base modelled ECL allowance. A 20-quarter historical average LTR for Wholesale is calculated by dividing credit losses by average net finance receivables, excluding unearned interest supplements and allowance for credit losses . The average LTR that is calculated is multiplied by the end-of-period receivable balance.

After establishing the allowance for expected credit losses, if management believes the allowance does not reflect expected losses for the portfolio due to changes in recent or expected economic trends and conditions, or other relevant factors, an adjustment is made based on management judgement. As the applied methodology was not able to reflect appropriately the particular circumstances of COVID-19, including the unprecedented actions taken by Governments to contain and combat the impact, the reserve includes a management overlay.

Significant Increase in Credit Risk

In every reporting period, FCE assesses whether the credit risk on a financial asset has increased significantly on an individual or collective basis. When evaluating assets on a collective basis FCE group the assets on the basis of shared risk characteristics taking into account product type such as consumer/commercial loans and new/used vehicles, initial credit risk category, term, vintage, geography, and other relevant factors.

For retail and finance leases, FCE measure the allowance for credit loss at 12-month expected credit losses. If FCE determine the credit risk of a receivable/group of receivables has increased significantly since origination, FCE increase the measurement of credit loss to an amount equal to the lifetime expected credit loss.

When determining whether credit risk of the retail and finance leases has increased significantly since initial recognition, FCE considers the significant change in actual default experience of the pooled receivables relative to the expectation to date from the original PD, significant changes in macro-economic conditions, past due status, payment performance, and other relevant factors. FCE assume the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Retail and finance lease receivables are considered credit impaired or non-performing (stage 3) when it is probable that FCE will be unable to collect all amounts due. Credit impaired receivables can be reclassified to stage 2 once they have cured and when payments are up to date for a period of 12 months, however they cannot be reclassified to stage 1.

13 ALLOWANCE FOR EXPECTED CREDIT LOSSES CONTINUED

FCE measure the allowance for credit loss for wholesale receivables, independent of their contractual maturities, at an amount equal to lifetime expected credit loss. Wholesale receivables with contractual lives of about one year typically have a behavioural life of less than 90 days and payment is required when the dealer has sold the vehicle.

Wholesale receivables are regarded as having had a significant increase in credit risk and are subsequently reported in stage 2 if the loans pertain to a dealer who moved from Group II to Group III (as defined in Note 29 'Credit Risks') after origination, or if the dealer is otherwise regarded as having had a significant increase in credit risk since loan origination, e.g. due to deteriorating cash flow metrics.

Wholesale receivables that have been modified (i.e. forborne exposures) and receivables from dealers classified as Group IV are generally considered credit-impaired. Refer to the Wholesale Credit Risk Management section on page 16 which details the actions taken in response to COVID-19. These receivables can be reclassified to stage 1 once they have cured and are up to date for a period of 12 months.

Retail, Finance Leases and Wholesale Write Off

Initial write-off typically occurs when a customer is assessed as unlikely to pay its credit obligations or when an account reaches 120 days delinquent, whichever is earlier. This initial write-off is based on historic modelled expectations of recoveries, taking consideration of the financial condition of the customer, borrower, or lessee, the value of the collateral, recourse to guarantors, and other factors. A final write-off is performed once all collection avenues have been exhausted. This point varies depending on the product and country, though is typically a number of years after the initial delinquency. Consequently, the amounts written off during any particular year primarily reflect accounts subject to enforcement. The amount written off in 2021 was £38 million (2020: £54 million) and recoveries in 2021 were £31 million (2020: £28 million).

The value of the FCE's loans and advances considered to be credit impaired at the reporting date is £127 million (2020 £262 million).

13 ALLOWANCE FOR EXPECTED CREDIT LOSSES CONTINUED

The changes in the Company allowance for expected credit losses for retail, finance leases and wholesale receivables for the year ended December 31, 2021 and 2020 were as follows:

	Company 2021							
	Stage 1		Stage 2		Stage 3		Total	
	GCA £ mil	ECL £ mil	GCA £ mil	ECL £ mil	GCA £ mil	ECL £ mil	GCA £ mil	ECL £ mil
Opening Balance January 2021	**9,528**	**(27)**	**948**	**(7)**	**195**	**(1)**	**10,671**	**(35)**
New receivables originated	2,200	(2)	-	-	-	-	2,200	(2)
Transfers Between Stages								
Transfers out of Stage 1	(51)	0	43	(0)	8	(0)	-	-
Transfers out of Stage 2	317	(0)	(320)	0	3	(0)	-	-
Transfers out of Stage 3	8	(0)	7	(0)	(15)	0	-	-
Total Transfers Between Stages	**274**	**(0)**	**(270)**	**0**	**(4)**	**0**	**-**	**-**
Increases/(Decreases)								
Change in Credit Risk (a)	(1,718)	2	(498)	6	38	(21)	(2,178)	(13)
Receivables derecognised during period	(1,501)	1	(115)	-	(60)	-	(1,676)	1
Restructuring actions (b)	(2,548)	10	(8)	0	(120)	0	(2,676)	10
Write off	-	-	-	-	(20)	20	(20)	20
Total Increases/(Decreases)	**(5,767)**	**13**	**(621)**	**6**	**(162)**	**(1)**	**(6,550)**	**18**
Exchange rate movements (FX)	(127)	1	-	-	-	-	(127)	1
Closing Balance December 2021	**6,108**	**(15)**	**57**	**(1)**	**29**	**(2)**	**6,194**	**(18)**
Prior Year:								
Opening Balance January 2020	**12,263**	**(16)**	**176**	**(1)**	**132**	**(0)**	**12,571**	**(17)**
Movement	(2,735)	(11)	772	(6)	63	(1)	(1,900)	(18)
Closing Balance December 2020	**9,528**	**(27)**	**948**	**(7)**	**195**	**(1)**	**10,671**	**(35)**
Memo:								
Retail and Finance Leases	4,088	(14)	56	(1)	26	(0)	4,170	(15)
Wholesale	2,020	(1)	1	(0)	3	(2)	2,024	(3)
Closing Balance December 2021	**6,108**	**(15)**	**57**	**(1)**	**29**	**(2)**	**6,194**	**(18)**
Retail and Finance Leases	6,351	(22)	856	(5)	48	(1)	7,255	(28)
Wholesale	3,177	(5)	92	(2)	147	(0)	3,416	(7)
Closing Balance December 2020	**9,528**	**(27)**	**948**	**(7)**	**195**	**(1)**	**10,671**	**(35)**

(a) The change in credit risk line contains the general incremental movements within each stage (e.g. on a regular basis the provision allowances are recalculated using reporting date PD's, LGD's and macro economic factors and a contract will naturally experience an increase or decrease in ECL without changing stage). Changes in the GCA is primarily related to customer payments.

(b) Restructuring actions is the launch of a finance company in Italy and an Austrian branch of its German banking subsidiary. The company results in 2021 exclude these two entities that are now included in the 'Group' only.

Notes to the Consolidated Financial Statements for the Year ended 31 December 2021

13 ALLOWANCE FOR EXPECTED CREDIT LOSSES CONTINUED

The changes in the Group allowance for expected credit losses for retail, finance leases and wholesale receivables for the year ended December 31, 2021 and 2020 were as follows:

	Group 2021							
	Stage 1		Stage 2		Stage 3		Total	
	GCA £ mil	ECL £ mil	GCA £ mil	ECL £ mil	GCA £ mil	ECL £ mil	GCA £ mil	ECL £ mil
Opening Balance January 2021	**14,504**	**(34)**	**1,084**	**(9)**	**262**	**(3)**	**15,850**	**(46)**
New receivables originated	3,542	(4)	-	-	-	-	3,542	(4)
Transfers Between Stages								
Transfers out of Stage 1	(143)	0	67	(0)	76	(0)	-	-
Transfers out of Stage 2	324	(0)	(328)	0	4	(0)	-	-
Transfers out of Stage 3	19	(0)	40	(0)	(59)	0	-	-
Total Transfers Between Stages	**200**	**(0)**	**(221)**	**0**	**21**	**(0)**	**-**	-
Increases/Decreases								
Change in Credit Risk (a)	(3,025)	5	(570)	8	(18)	(37)	(3,613)	(24)
Receivables derecognised during period	(2,324)	2	(140)	-	(100)	-	(2,564)	2
Write off	-	-	-	-	(38)	38	(38)	38
Total Increases/Decreases	**(5,349)**	**7**	**(710)**	**8**	**(156)**	**1**	**(6,215)**	**16**
Exchange rate movements (FX)	(542)	1	-	-	-	-	(542)	1
Closing Balance December 2021	**12,355**	**(30)**	**153**	**(1)**	**127**	**(2)**	**12,635**	**(33)**
Prior Year:								
Opening Balance January 2020	**17,426**	**(20)**	**273**	**(1)**	**188**	**(0)**	**17,887**	**(21)**
Movement	(2,922)	(14)	811	(8)	74	(3)	(2,037)	(25)
Closing Balance December 2020	**14,504**	**(34)**	**1,084**	**(9)**	**262**	**(3)**	**15,850**	**(46)**
Memo:								
Retail and Finance Leases	9,175	(28)	148	(1)	75	(0)	9,328	(29)
Wholesale	3,180	(2)	5	(0)	52	(2)	3,237	(4)
Closing Balance December 2021	**12,355**	**(30)**	**153**	**(1)**	**127**	**(2)**	**12,635**	**(33)**
Retail and Finance Leases	9,843	(27)	990	(6)	94	(1)	10,927	(34)
Wholesale	4,661	(7)	94	(3)	168	(2)	4,923	(12)
Closing Balance December 2020	**14,504**	**(34)**	**1,084**	**(9)**	**262**	**(3)**	**15,850**	**(46)**

(a) The change in credit risk line contains the general incremental movements within each stage (e.g. on a regular basis the provision allowances are recalculated using reporting date PD's, LGD's and macro economic factors and a contract will naturally experience an increase or decrease in ECL without changing stage). Changes in the GCA is primarily related to customer payments.

13 ALLOWANCE FOR EXPECTED CREDIT LOSSES CONTINUED

Total net profit or (loss) charge for the year ended December 31, 2021 and 2020 were as follows:

	Company						Group					
	2021			2020			2021			2020		
	Retail £ mil	Wholesale £ mil	Total £ mil	Retail £ mil	Wholesale £ mil	Total £ mil	Retail £ mil	Wholesale £ mil	Total £ mil	Retail £ mil	Wholesale £ mil	Total £ mil
Charges – (Increase) / Decrease	(19)	4	(15)	(50)	(13)	(63)	(34)	8	(26)	(17)	(60)	(77)
Recoveries	18	2	20	22	3	25	28	3	31	3	25	28
P&L	**(1)**	**6**	**5**	**(28)**	**(10)**	**(38)**	**(6)**	**11**	**5**	**(14)**	**(35)**	**(49)**

Sensitivity Analysis

Changes in the probability of default and loss given default assumptions could be driven by actual default performance, as well as changes in the macroeconomic outlook and these would affect the allowance for credit losses. Compared to the year end reserve level, the credit loss value would have increased by 30% if downturn was weighted at 100% (assuming no changes in staging). In an extreme scenario, if the downturn scenario given 100% weighting and all contracts moved from 12 month to lifetime ECL, then the ECL would increase by about 130% from £27 million to £62 million.

The analysis below assumes no additional provisions are required for wholesale exposures in a downturn given FCE's experience of mitigating loss primarily through enforcing the collateral held.

As at 31 December
Retail and Lease

	2021 Expected Credit Losses			2020 Expected Credit Losses		
Country	**Probability Weighted Current Staging**	**100% Downturn Scenario Current Staging**	**100% Downturn Scenario All contracts at Lifetime**	**Probability Weighted Current Staging**	**100% Downturn Scenario Current Staging**	**100% Downturn Scenario All contracts at Lifetime**
	£ mil	**£ mil**	**£ mil**	**£ mil**	**£ mil**	**£ mil**
UK	9	12	20	10	13	17
Italy	8	11	20	10	13	18
Germany	5	6	12	5	6	11
France	2	2	4	2	2	3
Spain	2	3	5	3	3	6
FCE Other	1	1	1	1	2	1
Total FCE	**27**	**35**	**62**	**31**	**39**	**56**

Notes to the Consolidated Financial Statements for the Year ended 31 December 2021

14 PROVISION FOR VEHICLE RESIDUAL VALUE LOSSES

Policy

Residual values represent the estimated value of the vehicle at the end of the retail and lease financing plan. Residual values are calculated after analysing published residual values and FCE's own historical experience in the used vehicle market. Vehicle residual value provisions are reviewed at least quarterly and are accounted for as an adjustment to the carrying value of the assets. The amount of any impairment to residual values is accounted for as a deduction from 'Loans and advances to customers' for retail and lease contracts. These assumptions and the related reserves may change based on market conditions.

Changes to residual value provisions for retail and finance lease contracts are included in the consolidated statement of profit or loss and other comprehensive income within Interest Income.

		Company		Group	
	Note	2021 £ mil	2020 £ mil	2021 £ mil	2020 £ mil
Beginning of period balance		**1**	**5**	**1**	**5**
Residual value adjustments charged/(credited) to Income Statement	2	(2)	(5)	(2)	(5)
Residual value losses incurred in the period		1	1	1	1
End of period balance		**0**	**1**	**0**	**1**

Notes to the Consolidated Financial Statements for the Year ended 31 December 2021

15 PROPERTY AND EQUIPMENT

	Company				Group			
	Leasehold improve-ments £ mil	Office Equip-ment £ mil	Motor Vehicles £ mil	Total £ mil	Leasehold improve-ments £ mil	Office Equip-ment £ mil	Motor Vehicles £ mil	Total £ mil
Cost								
At 1 January 2020	1	4	-	5	2	5	377	384
Additions	-	-	1	1	-	-	641	641
Disposals (a)	-	-	-	-	-	-	(691)	(691)
Translation adjustment	-	-	-	-	-	-	36	36
At 31 December 2020/ 1 January 2021	**1**	**4**	**1**	**6**	**2**	**5**	**363**	**370**
Additions	-	-	1	1	-	1	312	313
Disposals (a)	-	(1)	(2)	(3)	(1)	(2)	(443)	(446)
Translation adjustment	-	-	1	1	-	-	(32)	(32)
At 31 December 2021	**1**	**3**	**1**	**5**	**1**	**4**	**200**	**205**
Accumulated Depreciation								
At 1 January 2020	1	1	-	2	2	3	74	79
Charge for the year	-	-	1	1	-	-	190	190
Gains/Losses on disposals	-	-	-	-	-	-	(27)	(27)
Disposal	-	-	(1)	(1)	-	-	(201)	(201)
Translation adjustment	-	-	-	-	-	-	13	13
At 31 December 2020/ 1 January 2021	**1**	**1**	**-**	**2**	**2**	**3**	**49**	**54**
Charge for the year	-	-	-	-	-	-	147	147
Gains/Losses on disposals	-	-	-	-	-	-	(16)	(16)
Disposal	-	-	-	-	(1)	(1)	(129)	(131)
Translation adjustment	-	1	-	1	-	-	(11)	(11)
At 31 December 2021	**1**	**2**	**-**	**3**	**1**	**2**	**40**	**43**
Net book value at 31 December 2020	-	3	1	4	-	2	314	316
Net book value at 31 December 2021	**-**	**1**	**1**	**2**	**-**	**2**	**160**	**162**

a) The gross sales proceed from operating lease vehicles is £417m (2020: £555m), of which £441m (2020: £691m) relates to cost of sales.

15 PROPERTY AND EQUIPMENT CONTINUED

Policy

All property and equipment is stated at historical cost less accumulated depreciation. Depreciation is calculated on a straight line method to write down the cost of such assets to their residual values at the following rates:

Asset Type	Annual Depreciation Rate
Computer equipment	16.67%
Other office equipment	8.0%
Company motor vehicles	25.0%

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are included in 'Operating expenses' in the statement of profit or loss.

Operating lease assets over which FCE has entered into operating lease agreements as the lessor are included in Property and equipment. Depreciation is charged on Operating Lease assets over the period of the lease to the lower of its net book value or guaranteed residual value on a straight line basis.

The depreciation policy for leased vehicles (including vehicles subject to operating leases) is reviewed on a regular basis taking into consideration various assumptions, such as expected values at lease termination and the estimated number of vehicles that will be returned.

Adjustments are made to depreciation expense to reflect revised estimates of expected values at the end of the lease terms. Upon return of the vehicle, depreciation expense is adjusted for the difference between net book value and expected resale value and the vehicle is transferred to 'Other assets'.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised in the period in which the obligation arises.

	Company		Group	
As at 31 December	**2021 £ mil**	**2020 £ mil**	**2021 £ mil**	**2020 £ mil**
Analysis of property and equipment				
Current	-	-	159	312
Non-current	2	4	3	4
Total	**2**	**4**	**162**	**316**

	Company		Group	
As at 31 December	**2021 £ mil**	**2020 £ mil**	**2021 £ mil**	**2020 £ mil**
Operating Leases				
Cost	-	-	199	360
Accumulated depreciation	-	-	(41)	(49)
Total	**-**	**-**	**158**	**311**

16 RIGHT OF USE ASSETS AND LEASE COMMITMENTS

Policy

The group lease offices and office equipment under agreements with contractual periods ranging from less than one year to ten years. Some leases contain one or more options to extend and include options that are reasonably certain to be exercised in the group's evaluation of the lease term after considering all relevant economic and financial factors.

Leases are recognised as a right-of-use asset and a corresponding liability at the date in which the leased asset is available for use. The right-of-use assets and lease liabilities are reported separately on the statement of financial position.

The right-of-use asset is initially measured at cost and is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life or the end of the lease term.

The group does not separate the non-lease components (e.g., maintenance and operating services) from the lease components to which they relate. Instead, non-lease components are included in the measurement of the lease liabilities. The initial lease liability is calculated as the present value of fixed payments not yet paid and variable payments that are based on a market rate or an index (e.g. CPI), measured at commencement. The majority of the leases are discounted using internal incremental borrowing rate because the rate implicit in the lease is not readily determinable. All other variable payments are expensed as incurred.

The lease liability is measured at amortised cost using the effect interest method. It is remeasured when there is a change in future lease payments arising from changes in rates or assessments of options.

Notes to the Consolidated Financial Statements for the Year ended 31 December 2021

16 RIGHT OF USE ASSETS AND LEASE COMMITMENTS CONTINUED

Lease right-of-use assets at December 31 were as follows (in thousands):

	Company			Group		
	Land and Buildings £ 000's	**Office Equipment £ 000's**	**Total £ 000's**	**Land and Buildings £ 000's**	**Office Equipment £ 000's**	**Total £ 000's**
Cost						
At 1 January 2020	31,517	254	31,771	39,430	459	39,889
Modification to the original cost	(3,569)	4	(3,565)	(2,707)	4	(2,703)
Lease termination	(47)	(15)	(62)	(69)	(15)	(84)
New Leases	-	-	-	31	-	31
Translation Adjustment	129	7	136	165	18	183
At 31 December 2020/ 1 January 2021	**28,030**	**250**	**28,280**	**36,850**	**466**	**37,316**
Modification to the original cost	(7)	60	53	(261)	144	(117)
Lease termination[1]	(1,589)	(21)	(1,610)	(9,773)	(70)	(9,843)
New Leases	39	-	39	1,502	-	1,502
Restructuring actions[2]	(1,915)	(90)	(2,005)	-	-	-
Translation Adjustment	(131)	-	(131)	(138)	(2)	(140)
At 31 December 2021	**24,427**	**199**	**24,626**	**28,180**	**538**	**28,718**
Accumulated Depreciation						
At 1 January 2020	(3,209)	(113)	(3,322)	(4,486)	(190)	(4,676)
Depreciation during the year	(4,444)	(105)	(4,549)	(6,003)	(189)	(6,192)
Lease Termination	-	15	15	5	16	21
Translation Adjustment	-	-	-	-	-	-
At 31 December 2020/ 1 January 2021	**(7,653)**	**(203)**	**(7,856)**	**(10,484)**	**(363)**	**(10,847)**
Depreciation during the year	(3,959)	(66)	(4,025)	(7,205)	(141)	(7,346)
Lease Termination	620	51	671	5,594	64	5,658
Restructuring actions	581	41	622	-	-	-
Translation Adjustment	145	9	154	306	17	323
At 31 December 2021	**(10,266)**	**(168)**	**(10,434)**	**(11,789)**	**(423)**	**(12,212)**
Net carrying amount at 31 December 2020	20,377	47	20,424	26,366	103	26,469
Net carrying value at 31 December 2021	**14,161**	**31**	**14,192**	**16,391**	**115**	**16,506**

[1] During the year Germany and France terminated leases for £8m and £1.4m respectively.
[2] This is with regards to the transfer of the Austrian branch to the Germany subsidiary and Italy to the finance company.

16 RIGHT OF USE ASSETS AND LEASE COMMITMENTS CONTINUED

Minimum non-cancellable lease commitments at December 31 were as follows (in thousands):

	Company		Group	
As at 31 December	**2021 £ 000's**	**2020 £ 000's**	**2021 £ 000's**	**2020 £ 000's**
Within 1 year	3,829	4,404	4,431	5,795
After 1 year and within 2 years	3,353	4,227	3,809	5,376
After 2 year and within 3 years	3,352	3,699	3,766	4,847
After 3 year and within 4 years	2,525	3,670	2,939	4,818
After 4 year and within 5 years	1,131	2,802	1,448	3,950
After 5 years	2	1,622	113	1,683
Total	**14,192**	**20,424**	**16,506**	**26,469**

The amounts contractually due on lease liabilities as of December 31, 2021 were as follows (in thousands):

	Company		Group	
As at 31 December	**2021 £ 000's**	**2020 £ 000's**	**2021 £ 000's**	**2020 £ 000's**
Lease Commitments:				
Within 1 year	4,137	4,858	4,790	6,264
After 1 year and within 2 years	3,658	4,667	4,161	5,834
After 2 year and within 3 years	3,657	4,138	4,118	5,305
After 3 year and within 4 years	2,690	4,109	3,151	5,275
After 4 year and within 5 years	1,169	3,098	1,526	4,265
After 5 years	-	1,701	169	1,807
Total	**15,311**	**22,571**	**17,915**	**28,750**
Less: Present value discount	(1,045)	(1,895)	(1,337)	(1,995)
Total lease liabilities	**14,266**	**20,676**	**16,578**	**26,755**

Supplemental cash flow information related to leases for the year ended December 31 was as follows (in thousands):

	Company		Group	
As at 31 December	**2021 £ 000's**	**2020 £ 000's**	**2021 £ 000's**	**2020 £ 000's**
Cash paid for amounts included in the measurement of lease liabilities	4,267	5,060	4,899	6,567

Notes to the Consolidated Financial Statements for the Year ended 31 December 2021

16 RIGHT OF USE ASSETS AND LEASE COMMITMENTS CONTINUED

The components of lease expense for the year ended December 31, 2021 and 2020 were as follows (in thousands):

	Group	
As at 31 December	**2021**	**2020**
	£ 000's	**£ 000's**
Depreciation		
Land and buildings	7,205	6,003
Machinery, equipment, and other	141	189
Total depreciation	**7,346**	**6,192**
Other Expenses		
Interest expense	413	1,177
Variable lease expense	**-**	**-**
Sublease income	(312)	(312)
Net lease expense	**7,447**	**7,057**

Notes to the Consolidated Financial Statements for the Year ended 31 December 2021

17 INTANGIBLE ASSETS

Policy

Intangible assets relate to computer software development costs. Such costs typically are expensed as incurred. Costs that are directly associated with identifiable and unique software products controlled by FCE and which are anticipated to generate future economic benefits exceeding costs are recognised as intangible assets. Direct costs include staff costs of the software development team.

Expenditure which significantly enhances or extends the performance of computer software programmes beyond their original specifications is recognised as capital improvements and added to the original costs of the software. Computer software development costs recognised as assets are amortised using a straight line method over their useful lives of six or eight years for PC/network and mainframe applications respectively. Intangible assets are carried at cost less accumulated amortisation and any impairment charges. Impairment is tested at each reporting date. The amortisation of intangible assets is recorded in the statement of profit or loss within 'operating expenses'.

	Company			Group		
	Software		Total	Software		Total
	Internally generated £ mil	Externally acquired £ mil	£ mil	Internally generated £ mil	Externally acquired £ mil	£ mil
Cost						
At 1 January 2020	51	17	68	51	17	68
Additions	24	1	25	25	1	26
Transfer/Disposals	(22)	-	(22)	(23)	-	(23)
At 31 December 2020 / 1 January 2021	**53**	**18**	**71**	**53**	**18**	**71**
Additions	18	-	18	18	-	18
Transfer/Disposals	(2)	(5)	(7)	(2)	(5)	(7)
At 31 December 2021	**69**	**13**	**82**	**69**	**13**	**82**
Accumulated amortisation and impairment						
At 1 January 2020	(26)	(16)	(42)	(26)	(16)	(42)
Amortisation charge for the year	(2)	(2)	(4)	(2)	(2)	(4)
Transfer/Disposals	8	-	8	8	-	8
At 31 December 2020 / 1 January 2021	**(20)**	**(18)**	**(38)**	**(20)**	**(18)**	**(38)**
Amortisation charge for the year	(6)	-	(6)	(6)	-	(6)
Transfer/Disposals	(5)	5	-	(5)	5	-
At 31 December 2021	**(31)**	**(13)**	**(44)**	**(31)**	**(13)**	**(44)**
Net book value at 31 December 2020	**33**	**-**	**33**	**33**	**-**	**33**
Net book value at 31 December 2021	**38**	**-**	**38**	**38**	**-**	**38**

Notes to the Consolidated Financial Statements for the Year ended 31 December 2021

18 INCOME TAXES RECEIVABLE AND PAYABLE

	Company		Group	
As at 31 December	**2021 £ mil**	**2020 £ mil**	**2021 £ mil**	**2020 £ mil**
Overseas taxation	6	7	6	7
Income taxes receivable	**6**	**7**	**6**	**7**
UK taxation	(12)	(9)	(12)	(9)
Overseas taxation	(6)	(5)	(28)	(19)
Income taxes payable	**(18)**	**(14)**	**(40)**	**(28)**
Net income taxes receivable / payable	**(12)**	**(7)**	**(34)**	**(21)**
Current	(12)	(7)	(34)	(21)
Non-current	-	-	-	-
Total	**(12)**	**(7)**	**(34)**	**(21)**

19 DEFERRED TAX ASSETS AND LIABILITIES

	Company		Group	
	2021 £ mil	**2020 £ mil**	**2021 £ mil**	**2020 £ mil**
At 1 January asset	45	41	35	46
Adoption of IFRS 9/Pension OCI	0	0	0	1
Income statement (charge)/credit	(17)	3	(26)	(13)
Transfers	-	-	-	-
Foreign currency translation adjustment	(2)	1	(1)	1
At 31 December asset	**26**	**45**	**8**	**35**

19 DEFERRED TAX ASSETS AND LIABILITIES CONTINUED

	Company		Group	
As at 31 December	**2021 £ mil**	**2020 £ mil**	**2021 £ mil**	**2020 £ mil**
Deferred income tax asset				
Accelerated tax depreciation	16	19	16	19
Tax losses	20	22	20	22
Loss reserves and other temporary differences	(1)	16	(1)	18
Deferred income tax asset	**35**	**57**	**35**	**59**
Deferred income tax liability				
Accelerated tax depreciation	-	-	(19)	(13)
Loss reserves and other temporary differences	(9)	(12)	(8)	(11)
Deferred income tax liability	**(9)**	**(12)**	**(27)**	**(24)**
At 31 December asset	**26**	**45**	**8**	**35**

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in the statement of changes in equity.

Deferred tax is determined using tax rates and laws that have been substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

		Company		Group	
	Note	**2021 £ mil**	**2020 £ mil**	**2021 £ mil**	**2020 £ mil**
Accelerated tax depreciation		(2)	(2)	(9)	(15)
Tax losses		0	(1)	(1)	(7)
Loss reserves and other temporary differences		(15)	6	(16)	9
Income statement (charge) / Credit	**8**	**(17)**	**3**	**(26)**	**(13)**

Finance Act 2021 increased the main rate of UK Corporation Tax from 19% to 25%, effective from April 2023. This has been reflected in deferred taxes as at 31 December 2021. In addition, it was announced that the rate of the Bank Surcharge would reduce from 8% to 3% and the surcharge allowance would be increased from £25m to £100m, both from April 2023. The changes to the Bank Surcharge have not been enacted and are not reflected as at 31 December 2021.

Notes to the Consolidated Financial Statements for the Year ended 31 December 2021

20 INVESTMENTS IN OTHER ENTITIES

Investments in Subsidiaries and Group undertakings at 31 December were as follows:

	Company	
As at 31 December	**2021 £ mil**	**2020 £ mil**
Net book value at 1 January	842	840
Additional investment in group undertakings	262	2
Net book value at 31 December	**1,104**	**842**
Non-current	1,104	842
Net book value at 31 December	**1,104**	**842**

'Additional Investments in Group undertakings' relates to the increased share capital in Ford Credit Italia S.p.A (£241m) and Ford Bank Germany (£21m).

20 INVESTMENTS IN OTHER ENTITIES CONTINUED

List of Consolidated Companies

Subsidiary Undertakings

Entity	Country of Incorporation	Principal Activity	Accounting Reference Date	Ownership
FCE Credit s.r.o.	Czech Republic	Finance company	31 December	100%
Ford Bank GmbH	Germany	Bank	31 December	100%
FCE Credit Hungaria Zrt	Hungary	Finance company	31 December	100%
FCE Services Kft *	Hungary	Finance company	31 December	100%
Ford Credit (Switzerland) GmbH	Switzerland	Finance company	31 December	100%
Globaldrive (Switzerland) GmbH *	Switzerland	Structured entity	31 December	100%
Ford Credit Italia S.p.A	Italy	Finance company	31 December	100%

*subsidiaries indirectly owned by the Company

Structured Entities (SE)*

Entity	Country of Incorporation	Assets Securitised or SE type	Accounting Reference Date	Ownership
Active Retail SE's				
Globaldrive Auto Receivables UK VFN 2017 plc	England	UK Retail	31 December	0%
Globaldrive Auto Receivables UK 2019-A plc	England	UK Retail	31 December	0%
Globaldrive Auto Receivables UK 2020-A plc	England	UK Retail	31 December	0%
Globaldrive Auto Receivables UK 2020-B plc	England	UK Retail	31 December	0%
Globaldrive Germany Retail VFN 2018 B.V.	Netherlands	Germany Retail	31 December	0%
Globaldrive Auto Receivables 2018-A B.V.	Netherlands	Germany Retail	31 December	0%
Globaldrive Auto Receivables 2019-A B.V.	Netherlands	Germany Retail	31 December	0%
Globaldrive Auto Receivables 2020-A B.V.	Netherlands	Germany Retail	31 December	0%
Globaldrive Auto Receivables 2021-A B.V.	Netherlands	Germany Retail	31 December	0%
Active Wholesale SE's				
Globaldrive Dealer Floorplan Germany 2018 B.V.	Netherlands	Germany Wholesale	31 December	0%
Globaldrive Dealer Floorplan UK 2021 plc	England	UK Wholesale	31 December	0%
Inactive Retail SE's (pending liquidation):				
Globaldrive Auto Receivables UK 2018-A plc	England	UK Retail	In the process of being liquidated	
Inactive Wholesale SE's (pending liquidation):				
Globaldrive UK Dealer Floorplan Funding I Limited	Jersey	UK Wholesale - Funding	In the process of being liquidated	
Globaldrive UK Dealer Floorplan Receivables Trustee I Ltd	Jersey	UK Wholesale - Receivables Trustee	In the process of being liquidated	

*Quasi-subsidiaries of the Company as recognised under IFRS 10 and included within the consolidation of the Group accounts.

Notes to the Consolidated Financial Statements for the Year ended 31 December 2021

21 FINANCIAL LIABILITIES

Policy

Financial liabilities, which primarily comprises amounts due to banks and other financial institutions, deposits, debt securities in issue and subordinated loans, are initially stated at fair value net of transaction costs incurred.

Financial liabilities, which are not designated as part of a hedging relationship, are subsequently stated at amortised cost and any differences between net proceeds and the redemption value are recognised in the statement of profit or loss over the life of the underlying debt.

Certain transaction costs, which can be directly associated to the issuance of financial liabilities, are included in the initial measurement of the debt and amortised to 'interest expense' over the term of the related debt using the effective interest method. Transaction costs which cannot be directly associated to debt issuance are expensed to 'Operating expenses'. Where commitment fees are incurred in relation to revolving credit facilities and there is an expectation that the facility will be utilised, the fees will be initially recorded as an asset and amortised on a straight line basis to 'interest expense' over the total commitment period.

Foreign currency debt obligations are translated into sterling at the exchange rates ruling at the reporting date and gains and losses are recorded within 'Gain/(Loss) on foreign exchange' on the statement of profit or loss. The table below provides a summary of the total financial liabilities. Due to banks and financial Institutions, in the table below, is primarily made up of private securitisation transactions and an ECB loan. Further details on the 'Debt securities in issue' and 'Due to parent and related undertakings' are provided in subsequent tables:

	Company		Group	
As at 31 December	**2021 £ mil**	**2020 £ mil**	**2021 £ mil**	**2020 £ mil**
Due to banks and financial institutions	645	113	1,096	1,798
Debt securities in issue	1,582	3,576	2,486	4,814
Due to parent and related undertakings	2,927	5,697	3,405	5,854
Total financial liabilities	**5,154**	**9,386**	**6,987**	**12,466**
Current	1,876	3,421	2,617	4,818
Non-current	3,278	5,965	4,370	7,648
Total financial liabilities	**5,154**	**9,386**	**6,987**	**12,466**
Total fair value	**5,227**	**9,349**	**7,063**	**12,413**

'Debt' is measured at fair value for the purposes of disclosure, using quoted prices for our own debt with approximately the same remaining maturities, where possible. Where quoted prices are not available, FCE estimates fair value using discounted cash flows and market-based expectations for interest rates, credit risk, and the contractual terms of the debt instruments. For certain short-term debt with an original maturity date of one year or less, it assumes the carrying value is a reasonable approximation of fair value. The fair value of debt is categorised within Level 2 of the hierarchy.

Notes to the Consolidated Financial Statements for the Year ended 31 December 2021

21 FINANCIAL LIABILITIES CONTINUED

Debt securities in issue

	Company		Group	
As at 31 December	**2021 £ mil**	**2020 £ mil**	**2021 £ mil**	**2020 £ mil**
Listed debt:				
Euro Medium Term Notes issued				
Non-hedged items	1,576	3,450	1,576	3,450
Asset backed securities	-	-	904	1,238
Sub-total listed debt:	**1,576**	**3,450**	**2,480**	**4,688**
Unlisted debt:				
Euro Medium Term Notes issued				
Non-hedged items	-	107	-	107
Sub-total unlisted debt:	**-**	**107**	**-**	**107**
Fair value adjustment on hedged notes (a)	6	19	6	19
Total securities issued a/	**1,582**	**3,576**	**2,486**	**4,814**
Note a/ of which de-designated	6	19	6	19

(a) At December 31, 2021 and 2020, the balance includes an unfavourable adjustment related to discontinued hedging relationships of £6 million and £19 million, respectively.

FCE allowed its existing Euro Medium Term Notes (EMTN) programme on the Luxembourg Stock Exchange to expire in September 2019. The Group repaid the equivalent of £1.9 billion (2020: £2 billion) of primarily Euro denominated EMTN loans that matured during the year.

The remaining movement of the EMTN's in 2021 represents currency revaluation.

FCE launched its new EMTN programme in December 2021. The EMTN programme has an issuance limit of €10 billion and is listed on the Irish Stock Exchange. The EMTN Base Prospectus contains information relating to all notes and is dated 9 December 2021. Although, FCE has not issued any debt under the new programme, future listed notes will be available to view on the Official List of the Irish Stock Exchange and be admitted for trading on the Irish Stock Exchange's regulated market.

The Irish Stock Exchange's website address is provided on page 166.

'Asset backed securities' for more information, please see Note 22 'Securitisation and Related Financing'.

Notes to the Consolidated Financial Statements for the Year ended 31 December 2021

21 FINANCIAL LIABILITIES CONTINUED

Due to parent and related undertakings

	Company		Group	
As at 31 December	**2021**	**2020**	**2021**	**2020**
	£ mil	**£ mil**	**£ mil**	**£ mil**
Sub loans:				
Loans from FCSH GmbH	**-**	**250**	**-**	**375**
Loans from Ford ECO	**248**	**-**	**364**	**-**
Senior debt:				
Loans from FCSH GmbH	-	395	-	395
Loans from Ford ECO	390	-	390	-
Loans from Ford Credit	2,124	4,395	2,462	4,933
Deposits received from related undertakings	16	16	16	16
Sub-total senior debt:	**2,530**	**4,806**	**2,868**	**5,344**
Net cash proceeds from structured financing	**23**	**529**	**-**	**-**
Trade and other payables:				
Accounts payable to related undertakings	123	108	170	130
Accrued interest	3	4	3	5
Sub-total trade and other payables	**126**	**112**	**173**	**135**
Total due to parent and related undertakings	**2,927**	**5,697**	**3,405**	**5,854**

'Sub loans' listed above are subordinated loans, which satisfy the conditions for eligibility as Tier 2 capital instruments, and are included in the calculation of 'Own Funds', as shown in Table 14 on page 151. For further details refer to the unaudited Pillar 3 disclosure in Table 14 on page 151. The rights to payment and interest in respect of all subordinated loans will, in the event of winding up of the Company, be subordinated to the rights of all unsubordinated creditors of the Company with respect to their senior claims. For further details refer to Table 15 in the unaudited 'Pillar 3 Disclosures' on page 152.

'Senior debt' comprises various loans with related parties, which include two (2020: two Sterling denominated from FCSH to FCE) Euro denominated loans from Ford ECO to FCE, as well as five (2020: nine) Euro denominated loans from Ford Credit to FCE, one (2020: one) Swiss Franc denominated loan from Ford Credit to FCE and one (2020: two) Euro denominated loan from Ford Credit to the Ford Bank GmbH.

'Net cash proceeds' from structured financing' represents proceeds received from the transfer of loans to SEs. This liability is reported net of retained interests and is not the legal obligation of the Company. It is repayable only out of collections on the underlying loans transferred to the finance provider or retained interests.

22 SECURITISATION AND RELATED FINANCING

FCE's funding sources include securitisation programmes as well as other secured financing transactions that generally include the transfer of 'Loans and advances to customers' (Asset backed securities) through a variety of programmes and structures.

These asset backed securities are encumbered through the use of these programmes and are therefore restricted from being assigned, pledged or transferred within the group again whilst part of these programmes.

Retained interests

The Company retains junior note interests in all of its securitisation transactions. For private securitisation programs, the Company also holds senior retained interests in several of its programmes to provide greater flexibility in the use of its committed securitisation capacity. Under these programmes funding counterparties are legally obligated, at FCE's option, to make advances under asset-backed securities, thereby reducing FCE's senior interest and generating funding proceeds.

The Company also holds senior interest in some of its public term securitisation structure as eligible collateral to access central bank liquidity facilities. For regulatory reporting, the underlying assets in these transactions are considered unencumbered if they are not being used as security for central bank funding.

The Company retains credit risk in securitisation transactions through its junior retained interests which provide various forms of credit enhancements. These include over-collateralisation, segregated cash reserve funds, subordinated securities, and excess spread. By providing these enhancements, FCE has entered into transfers (as described in IFRS 9 'Financial Instruments') that do not qualify for de-recognition of the underlying assets. FCE therefore continues to recognise the carrying value of all securitised assets within its statements of financial position.

For regulatory reporting, with the exception of the underlying assets in transactions involving central bank liquidity facilities noted above, these assets are also reported as encumbered. Further details on FCE's asset encumbrance can be seen in the unaudited 'Pillar 3 Disclosures', which starts on page 130.

The Company holds the right to any surplus cash flows generated by these retained interests. The Company's ability to realise the value of its retained interests depends on the actual credit losses and the prepayment rate on the securitised assets.

Cash available to support the obligations of the SEs as at 31 December 2021 of £242 million (31 December 2020: £330 million) is included in FCE's statement of financial position within Note 9 'Cash and Cash Equivalents'.

Continuing obligations

The Company generally has no obligation to repurchase or replace any securitised asset that subsequently becomes delinquent in payment or otherwise is in default. Generally, securitisation investors have no recourse to the Company or the Company's other assets for credit losses on the securitised assets and have no right to require the Company to repurchase their investments. The Company does not guarantee any asset-backed securities and has no obligation to provide liquidity or make monetary contributions or contributions of additional assets to the SEs either due to the performance of the securitised assets or the credit rating of the Company's short-term or long-term debt. However, as the seller and servicer of the securitised assets, the Company is expected to provide support to securitisation transactions, which is customary in the securitisation industry.

These obligations include indemnifications, repurchase obligations on assets that do not meet eligibility criteria or that have been materially modified, and, in some cases, servicer advances of certain amounts.

22 SECURITISATION AND RELATED FINANCING CONTINUED

The table below provides details of the fair value of both the transferred assets that are not derecognised and the associated liabilities:

	Group							
	2021				2020			
As at 31 December	Public £ mil	Private £ mil	Carrying Value £ mil	Fair Value £ mil	Public £ mil	Private £ mil	Carrying Value £ mil	Fair Value £ mil
Financial assets	2,764	2,230	4,994	5,107	3,535	3,013	6,548	6,727
Financial liabilities	(904)	(534)	(1,438)	(1,435)	(1,238)	(1,654)	(2,892)	(2,885)
Retained interest	**1,860**	**1,696**	**3,556**	**3,672**	**2,297**	**1,359**	**3,656**	**3,842**

Transaction structures

The Company utilises both amortising and revolving structures, and in all cases programmes provide for matched funding of the loans and advances, with securitisation debt having a maturity profile similar to the related loan. The majority of its programmes also include a contractual commitment to fund existing and future loans and advances subject to conditions described more fully below.

Revolving structure capacity	£ mil
Balance at 1 January 2021	2,035
Committed capacity matured in 2021	(1,685)
Committed capacity renewed and added in 2021	1,645
Capacity net increase action	-
Exchange differences	(70)
Balance at 31 December 2021	**1,925**

In amortising structures, which involve the sale of a static pool of assets, the associated funding is repaid only through the liquidation of the securitised loan and therefore its maturity profile is similar to the related assets.

In revolving structures, the Company may continue to sell new eligible assets originated over an agreed period of time called the revolving period, and obtain funding from the transaction investors. In the event that a contractual commitment is not renewed at the end of the revolving period, all loans securitised at the point of non-renewal remain funded, and the related debt is repaid as the loans liquidate.

Private revolving structures at 31 December 2021 totalled £1.9 billion of committed capacity (2020: £2.0 billion) of which £0.8 billion matures during 2022 and the remaining balance having a maturity date of 2023. At 31 December 2021 £0.4 billion (2020: £1.1 billion) of the private revolving committed capacity was utilised.

Revolving transactions each contain certain features that could prevent the Company from selling additional pools of assets, and cause any existing funding to amortise. These include, among others, insolvency of FCE or Ford, credit losses or delinquency levels on the pool of retail assets exceeding specified limits, payment rates on the wholesale assets falling below agreed thresholds, and credit enhancements not maintained at required levels. None of these securitisation transactions included cross default provisions.

Notes to the Consolidated Financial Statements for the Year ended 31 December 2021

23 DEPOSITS

	Company		Group	
As at 31 December	**2021 £ mil**	**2020 £ mil**	**2021 £ mil**	**2020 £ mil**
Customer deposits	3,150	3,592	4,986	3,592
Dealer deposits	15	17	15	17
Total deposits	**3,165**	**3,609**	**5,001**	**3,609**
Current	2,749	2,869	4,127	2,869
Non-current	416	740	874	740
Total deposits	**3,165**	**3,609**	**5,001**	**3,609**
Total fair value	**3,164**	**3,609**	**4,999**	**3,609**

'Customer deposits' A range of flexible and fixed term savings products and ISAs (UK) are offered. In line with FCE funding requirements, retail deposits were grown in a controlled manner to £5.0 billion by the 2021 year end. The growth is reflecting the retail deposits launch to German customers by Ford Bank GmbH in December 2020.

'Dealer deposits' include amounts utilised to mitigate exposure concentrations. In the event of default by the counterparty, some of the deposits may be offset against the amounts due to the Company.

All deposits are available for use in day to day operations.

24 OTHER LIABILITIES AND PROVISIONS

Policy

Provisions are recognised when FCE has a present and legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the effect of the time value of money is material, the provision is discounted.

A provision is made for the anticipated cost of restructuring including employee separation costs, when an obligation exists. An obligation exists when FCE has a detailed formal plan for restructuring an operation and has raised valid expectations in those affected by the restructuring by starting to implement the plan or announcing its main features.

For the purposes of measurement of uncertain tax positions, FCE's unit of measure is by tax authority. Reserves for uncertain income tax positions are established where they are considered "more likely than not" to materialise. Where a range of outcomes is possible, FCE applies a single best estimate on a 'more likely than not' basis from the range of possible outcomes. More likely than not in this context means a greater than fifty per cent probability assessment that a position taken in a tax return may not ultimately be sustained.

	Company		Group	
As at 31 December	**2021 £ mil**	**2020 £ mil**	**2021 £ mil**	**2020 £ mil**
Other Liabilities and Provisions				
Accrued interest on debt	30	55	31	55
Trade payables	49	46	80	82
Accrued liabilities and deferred income	48	84	96	113
Operating lease subvention	-	-	16	71
Provisions (see table below)	3	3	12	13
Total other liabilities	**130**	**188**	**235**	**334**
Current	130	188	235	334
Non-current	-	-	-	-
Total other liabilities	**130**	**188**	**235**	**334**

	Company Restructuring	Group Restructuring
	2021 £ mil	**2021 £ mil**
Provisions Movement		
At 1 January 2021	3	13
Additions	8	10
Used	(6)	(9)
Unused	(2)	(2)
At 31 December 2021	**3**	**12**

'Operating lease subvention' relates to supplements and other support payments from related parties provided for operating leases on vehicles where FCE is the lessor. The amount deferred is recognised in 'Other operating income' over the term of the lease.

'Provisions' relates to restructuring, resulting from various business structure improvements and adjustments announced by the company for which a separation programme was offered. The associated costs were charged 'Operating expenses'.

Notes to the Consolidated Financial Statements for the Year ended 31 December 2021

25 ORDINARY SHARES AND SHARE PREMIUM

	Company and Group	
As at 31 December	**2021 £ mil**	**2020 £ mil**
Allotted, called up and fully paid at 1 January and 31 December		
614,384,050 Ordinary shares of £1 each (2020: 614,384,050)	614	614
Share premium at 1 January and 31 December	352	352

Share Capital

There was no change to the issued share capital of FCE during the year. The share premium account is regarded as permanent capital of FCE and is not available for distribution. No Director, officer or employee owns or holds shares or owns or holds options over shares in the Company or its subsidiaries.

The Group's total capital for regulatory purposes is £3.0 billion (2020: £3.3 billion) as described further in the strategic report on page 6 and 10 and in the unaudited 'Pillar 3 Disclosures' on page 130.

Since 1 January 2003 the total issued share capital of FCE has been £614 million comprising of 614,384,050 Ordinary £1 shares. On the 13 October 2021, 100% of FCSH GmbH's assets and liabilities were distributed to Ford ECO GmbH, an indirectly wholly-owned subsidiary of FMCC.

Support agreement

Pursuant to a support agreement between FMCC and FCE dated 20 September 2004. FMCC has agreed with FCE to maintain, directly or indirectly, a controlling interest of not less than 75% of the issued share capital of FCE and to maintain or procure the maintenance of FCE's net worth of not less than $500 million.

The 5 year agreement provides for the termination date to be extended automatically on 1 February of each year for an additional one-year period ending on 31 January of the following year. Either party can give a one-month notice to terminate the agreement, in which case it will terminate as of the termination date set on the last preceding extension date. Neither party has provided written notice; therefore, the termination date has been automatically extended by one year to 31 January 2028.

26 DIVIDEND PER SHARE

FCE declared an interim dividend of £300m (2020: Nil) from available distributable reserves, to its shareholder FCSH in April 2021. The shares equated to approximately 48.8 pence per ordinary share.

Notes to the Consolidated Financial Statements for the Year ended 31 December 2021

27 RETIREMENT BENEFIT OBLIGATIONS

Employees in all of FCE's locations except Hungary and Poland participate in defined benefit and defined contribution pension plans. The most significant defined benefit arrangements in which FCE participates relate to Ford UK and German pension plans which are accounted for under IAS 19 'Employee Benefits' as defined benefit plans that share risks between entities under common control. These plans are final salary pension plans operated by Ford and FCE's contribution related to its participation in these plans is determined based on an allocation of current service cost; in no case is the contribution payable determined based on an allocation of the total net defined benefit cost as measured under IAS19. There is no contractual agreement or stated policy for charging the net defined benefit cost for the plan to FCE. Therefore, in accordance with IAS 19, FCE accounts for such plans as defined contribution plans by recognising a cost equal to any contributions payable for the period. FCE does not recognise the net liabilities or assets associated with the plans in the company or consolidated statement of financial position. Refer to page X for additional details on pension risk.

The plans in which FCE participates are subject to the regulatory frameworks of the relevant country, which generally require minimum funding levels. Ford's policy is to contribute annually, at a minimum, amounts required by applicable laws and regulations. All plans in which FCE participates had satisfied the minimum funding requirements at 31 December 2021. Each plan is administered by trustees and pension boards, which have the responsibility for the investment of plan assets.

As at 31 December 2021, for the UK plans, Ford recognised further curtailments as a result of restructuring programmes (gain of £0.34 million) and an amendment as a result of improvement to funeral benefits (expense of £1.29 million), otherwise there were no material amendments or settlements recognised by Ford. For FCE, there are no unusual entity-specific or plan-specific risks associated with the UK and German pension plans.

(i) UK and German Pension Plans Operated by Ford in which the Company's employees participate

Details of the UK and German plans are set out below, with the information presented for the plans as a whole.

	2021				2020			
	Level 1 £ mil	Level 2 £ mil	Level 3 £ mil	Total £ mil	Level 1 £ mil	Level 2 £ mil	Level 3 £ mil	Total £ mil
Asset category								
Equity								
U.S. Companies	1,195	-	-	1,195	1,084	-	-	1,084
International companies	814	29	-	843	799	85	-	884
Total equity	**2,009**	**29**	**-**	**2,038**	**1,883**	**85**	**-**	**1,968**
Fixed income								
U.S. Government	19	4	-	23	-	26	-	26
Non-U.S. Government	-	7,321	50	7,371	-	6,897	-	6,897
Corporate bonds	-	821	28	849	-	884	21	905
Mortgage/other asset-backed	-	130	6	136	-	194	6	200
Commingled funds	-	35	-	35	-		-	-
Derivative financial instruments	-	10	11	21	1	29	(46)	(16)
Total fixed income	**19**	**8,321**	**95**	**8,435**	**1**	**8,030**	**(19)**	**8,012**
Alternatives								
Hedge funds (a)	-	-	374	374	-	-	351	351
Private equity (b)	-	-	188	188	-	-	184	184
Real estate (c)	-	-	101	101	-	-	79	79
Total alternatives	**-**	**-**	**663**	**663**	**-**	**-**	**614**	**614**
Cash and cash equivalents and repurchase agreements (d)	(905)	-	-	(905)	(1,037)	-	-	(1,037)
Other (e)	(141)	-	2,991	2,850	(127)		3,634	3,507
Total assets at fair value	**982**	**8,350**	**3,749**	**13,081**	**720**	**8,115**	**4,229**	**13,064**

(a) Diversified portfolio of hedge funds pursuing strategies broadly classified as equity long/short, event driven, global macro, relative value and multi-strategy.
(b) Investments in private investment funds (funds of funds) pursuing strategies broadly classified as venture capital and buyouts.
(c) Investment in private property funds.
(d) Primarily short-term investment funds to provide liquidity to plan investment managers and cash held to pay benefits.
(e) Primarily Ford-Werke GmbH ("Ford-Werke") plan assets with insurance contract valued at £2,991 million (2020: £3,634 million) and cash related to net pending security (purchases)/sales and net pending foreign currency purchases/(sales).

27 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

The total obligations for the UK and German plans for 2021 were £16 billion (2020: £18 billion).

Assumptions

The significant actuarial assumptions used by Ford to determine the present value of the defined benefit obligation for the most significant pension plans operated by Ford in which FCE's employees participate are set out below. These are based upon the weighted average of the plans' obligations.

		2021	2020
Principal actuarial assumptions at the reporting date		**%**	**%**
Discount rate		1.5	1.0
Future salary increases		2.9	3.0
Future pension increases		1.9	1.8
Future pension increases (discretionary)		NIL	NIL
The average life expectancy in years of a		**Years**	**Years**
member retiring at age 65 on the reporting	Male	21.2	21.4
date is as follows	Female	23.7	24.0
The average life expectancy in years of a			
member retiring at age 65, 20 years after	Male	23.2	23.4
the reporting date is as follows	Female	25.5	25.8

(i) Retirement plan costs

FCE's total retirement plan, including contributions to Ford-sponsored plans, expense incurred for FCE's defined benefit plans and contributions to defined contribution plans was £22 million (2020: £21 million). Contributions are expected to stay at similar levels in 2022.

(ii) Defined benefit plans operated by the Company

FCE operates defined benefit plans in Austria, France, and Spain. The total expenses in 2021 was £0.2 million, (2020: £0.5 million), and there was a total deficit of obligations to assets of £1.4 million (2020: £0.9 million).

(iii) Defined contributions plans

	Company		Group	
As at 31 December	**2021 £ mil**	**2020 £ mil**	**2021 £ mil**	**2020 £ mil**
Total contributions recognised in year	**2**	**3**	**3**	**3**

28 CONTINGENT LIABILITIES, FINANCIAL GUARANTEES AND COMMITMENTS

Policy

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless they are remote.

Litigation and other claims

Certain legal actions and claims are pending or may be instituted or asserted in the future against the Group concerning finance and other contractual relationships. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not predictable with assurance. The Group has established provisions for certain of the legal actions and claims where losses are deemed probable and reasonably estimable. It is reasonably possible that certain claims for which provisions have not been established could be decided unfavourably to the Group and could require the Group to pay damages or make other expenditures in amounts or a range of amounts that cannot be estimated at 31 December 2021.

The Group does not reasonably expect, based on internal analysis, that such matters would have a material effect on future financial statements for a particular year, although such an outcome is possible.

On October 5, 2018, FCE received a notice from the Italian Competition Authority (the “ICA”) concerning an alleged violation of Article 101 of the Treaty on the Functioning of the European Union. The ICA alleges that FCE and other parties engaged in anti-competitive practices in relation to the automotive finance market in Italy. On January 9, 2019, FCE received a decision from the ICA, which included an assessment of a fine against FCE in the amount of about €42 million (£35 million). On March 8, 2019, FCE appealed the decision and the fine to the Italian administrative court, and on November 24, 2020, the Italian administrative court ruled in favour of FCE. On December 23, 2020, the ICA filed an appeal of the Italian administrative court’s decision to the Italian Council of State, and a hearing on the appeal was held on January 13, 2022. On February 1, 2022, the Italian Council of State dismissed the ICA’s appeal.

Guarantees

Financial guarantee contracts require the issuer of the guarantee to make specified payments under the contract to reimburse the beneficiary of the guarantee for a loss the beneficiary incurs because a specified party fails to fulfil stipulated obligations when due, in accordance with the terms of the original agreement.

	Company		Group	
As at 31 December	**2021 £ mil**	**2020 £ mil**	**2021 £ mil**	**2020 £ mil**
Guarantees provided on behalf of Ford:				
Spanish Ministry of Industry and regional authorities	1	17	1	17
Customs authorities, revenue commissioners and agencies	13	25	13	25
Other guarantees	-	1	-	1
Total guarantees provided on behalf of Ford	**14**	**43**	**14**	**43**
FBG Deposit Protection Fund	**548**	-	-	-
Other guarantees provided to third parties	1	1	-	-
Total guarantees	**563**	**44**	**14**	**43**

'Total guarantees provided on behalf of Ford' include debt and other financial obligations of Ford. Such arrangements are counter-indemnified by Ford and a fee is payable by Ford for the guarantee.

'Spanish Ministry of Industry and regional authorities' relates to loans and grants provided for investment in the Ford Valencia plant. These guarantees have been provided on behalf of Ford Espana SL to the Spanish Ministry of Industry and regional authorities.

'Customs authorities revenue commissioners and agencies' relates to duties and registration taxes on imported vehicles and components and other taxes provided to various European customs and tax authorities.

28 CONTINGENT LIABILITIES, FINANCIAL GUARANTEES AND COMMITMENTS CONTINUED

'FBG Deposit Protection Fund' relates to guarantees to Ford Bank Germany (FBG)'s contribution to the Deposit Protection Fund (DPF) to support FBG's deposit taking program. The DPF protects depositors for amounts they deposit above €100,000. FCE would reimburse the DPF in the event of DPF compensating FBG's depositors.

Commitments

FCE makes offers to lend to retail customers to purchase new and used vehicles and in a limited number of markets, these may not be cancelled unconditionally. As at 31 December 2021, these non-cancellable offers totalled £495 million (2020 totalled £387 million).

29 CREDIT RISK

As a provider of automotive financial products. FCE's primary source of credit risk is the possibility of loss from a customer's or dealer's failure to make payments according to contractual terms. FCE could incur a credit loss if the counterparty to an interest rate or foreign currency derivative with FCE defaults. This is known as counterparty credit risk and, in the case of interest rate derivatives, is mitigated by the cash collateral that FCE exchanges with most of its counterparties under margin arrangements.

29a) LOANS AND ADVANCES

Management information on the credit quality of FCE's loans and advances is provided by product segment in the following sections.

Retail

When originating retail and finance leases, FCE uses a proprietary scoring system that measures the credit quality of the related loan using several factors such as credit bureau information, consumer credit risk scores, customer characteristics, and contract characteristics.

As explained in Note 13 'Allowance for Expected Credit Losses', under IFRS9 credit loss allowances are measured on each reporting date according to a three-stage expected credit loss (ECL) impairment model. The ECL model calculates the expected credit loss for every expected forward period (monthly) in its portfolio's lifetime. The sum of the expected credit losses for the first 12 forward periods represents the 12 Month expected loss (Stage1); the sum of the expected credit losses for all forward periods represents the lifetime expected loss (Stage 2 and 3).

Wholesale

FCE uses a proprietary model to assign each dealer a risk rating. The Financial model considers financial information, including profitability, capital and liquidity at a point in time, as well as other performance factors. This is supplemented by the Judgmental methodology which provides a structured framework within which additional financial information along with other qualitative and non-financial key factors are assessed. These other factors, that are considered significant in predicting a dealer's ability to meet its current and future obligations, include such elements as financial trends, management quality, business/sector risk and contingent liabilities. The model and methodology are subject to review to confirm the continued business significance and statistical predictability of the factors and updated to incorporate new factors or other information that improves their predictability.

FCE has a wholesale counterparty limit policy based on levels of exposure and risk ratings. The largest concentrations are monitored daily and reports by values are prepared monthly and are regularly reviewed at the Credit Policy and Credit Risk Committee and at the Risk Committee of the Board.

For monitoring and control purposes, each dealer is assigned a Treatment of Account (TOA) rating based on the worse of the Financial and Judgmental Ratings. These have been grouped in the table below to provide an overview of FCE's dealer portfolio risk mix. Dealers are assigned to one of four Groups according to risk ratings as follows:

- Group I - strong to superior financial metrics
- Group II - fair to favourable financial metrics
- Group III - marginal to weak financial metrics
- Group IV - poor financial metrics including dealers classified as uncollectible

Notes to the Consolidated Financial Statements for the Year ended 31 December 2021

29 CREDIT RISK CONTINUED

The credit quality analysis of our dealer financing receivables for the year ended December 31, 2021 and 2020 were as follows:

As at 31 December	2021 Total £ mil	2020 Total £ mil
Group I	1,399	1,856
Group II	1,480	2,166
Group III	326	837
Group IV	31	64
Total Dealer Financing Receivables	**3,236**	**4,923**

Performing and Non-performing Exposures

Performing exposures are receivables which are not considered to be non-performing and these are reported under IFRS9 Stage 1 and Stage 2 for credit loss provisioning.

Non-performing exposures are reported under IFRS9 stage 3 and are those that satisfy any of the following criteria:

(i) material exposures which are more than 90 days past due
(ii) when the customer is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past due amount or of the number of days past due
(iii) exposures that are flagged as forborne and which have not been performing i.e. not all payments have been received in full and on time for more than 12 months from the date that the exposure was flagged as forborne

The aging analysis of FCE's retail, finance leases and wholesale receivables for the year ended December 31, 2021 and 2020 were as follows:

	Company		Group	
As at 31 December	**2021 £ mil**	**2020 £ mil**	**2021 £ mil**	**2020 £ mil**
Performing Exposures				
Less than or equal to 30 days past due	6,154	10,451	12,485	15,557
31-90 days past due	11	25	23	31
Total Performing Exposures	**6,165**	**10,476**	**12,508**	**15,588**
Non-performing Exposures				
Less than or equal to 90 days past due	20	129	79	190
91-180 days past due	3	13	5	15
Greater than 180 days past due	6	53	43	57
Total Non-performing Exposures	**29**	**195**	**127**	**262**
Total Exposures	**6,194**	**10,671**	**12,635**	**15,850**
Non-performing Loan Ratio a)	*0.5%*	*1.8%*	*1.0%*	*1.7%*

a) Non-performing Loan Ratio = Total Non-performing Exposures / Total Exposures

29 CREDIT RISK CONTINUED

Collateral

The amount which best represents the maximum exposure to credit risk within loans and advances without taking account of any collateral held or other credit enhancements as at 31 December 2021 is £12,602 million (2020: £15,804 million) being the value of loans and advances to customers as disclosed in Note 12 'Loans and Advances to Customers'.

The maximum credit risk is reduced through the collateral held which for the majority of retail, leasing and wholesale financing plans, comprises title retention plans or a similar security interest in the underlying vehicle.

Collateral figures are estimated based on the current market valuation of the underlying assets for the UK and Germany, utilising reputable external trade guide data and then taking the lower of either the outstanding balance or the trade guide value to calculate a collateral percentage that is applied to the respective portfolio. For the other markets, historical recovery experience is used which takes into account the characteristics of each market and the collections strategies employed. The internal measure of past recovery experience relates predominantly to loss accounts which is, by definition, a conservative approach with the recovery percentage being applied to the whole portfolio for each market. The only exception to the above approaches is where the market characteristics mean that retention of title or similar interest is not typically retained by FCE, in these cases, a nil collateral value is assumed. As at 31 December 2021, the value of collateral is £5,627 million (2020: £6,046 million) in relation to retail and finance lease and £3,089 million for wholesale (2020: £4,685 million).

The value of the FCE's retail, finance lease and wholesale receivables considered to be credit impaired at the reporting date is £127 million (2020 £262 million) and the amount of collateral held on credit impaired receivables at the 31st December 2021 is £84 million (2020: £223 million).

Forbearance and Loan Modifications

Forbearance measures consist of concessions towards a borrower (customer or dealer) who is facing or is about to face difficulties in meeting their financial commitments. Examples of such concessions include payment holidays and reduced payments for an agreed term, with the expectation that the customer will settle the loan in full. Days past due for forborne retail and finance lease customers are determined based on the revised concession terms.

The total net modification gain (or loss) for the years ended December 31, 2021 and 2020 were as follows:

As at 31 December	2021 £ mil	2020 £ mil
Retail		
Performing Exposures	37	41
Non-performing Exposures	57	78
Total Retail Forborne Exposures	**94**	**119**
Wholesale		
Performing Exposures	34	23
Non-performing Exposures	52	157
Total Wholesale Forborne Exposures	**86**	**180**
Total Forborne Exposures	**180**	**299**

29b) FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

Derivative financial instruments

The majority of FCE's derivative related activities are transacted with financial institutions that have an investment grade rating. Also, FCE transacts with certain Ford related parties, which are non-rated entities. FCE sets limits for its exposures to financial institutions that are based on the credit ratings of the institutions.

The aggregate fair value of non-cleared derivative instruments in asset positions at 31 December 2021 is £38 million (2020: £72 million), representing the maximum potential loss at that date if all counterparties failed to perform as contracted. The maximum potential loss is reduced through master agreements, which would generally allow for netting of certain exposures. ‘Derivative Financial Instruments and Hedging Activities' for further details.

For details on the valuation of financial assets and liabilities at fair value, refer to Note 10 ‘Derivative Financial Instruments and Hedging Activities’.

30 VEHICLE RESIDUAL VALUES

The following table considers FCE's existing existing retail and finance lease portfolio, as at 31 December 2021, for which FCE holds the primary residual value risk. These values are included in 'Loans and advances to customers' and 'Property and equipment' respectively in the statement of financial position. The table below presents Group and Company combined figures.

Group and Company As at 31 December Year in which the residual value will be recovered	Retail/Finance Lease residual values £ mil	Operating leases residual values £ mil	2021 £ mil	2020 £ mil
Within 1 year	571	132	703	789
Between 1-2 years	733	-	733	809
Between 2-5 years	961	-	961	1,130
More than 5 years	-	-	-	-
Total residual values	**2,265**	**132**	**2,397**	**2,728**

Vehicle residual value risk is the possibility that the amount FCE obtains from returned vehicles will be less than the estimate of the expected residual value for the vehicle.

Residual value provisions are maintained to reflect the level of vehicle residual value risk within the financial statements. For further details refer to Note 14 ‘Provision for Vehicle Residual Value Losses’.

Retail and Finance Lease residual values

The retail and finance lease residual value figures included in the table above assume that all vehicles where FCE is subject to vehicle residual value risk will be returned. FCE is subject to vehicle residual value risk on certain retail or finance lease balloon payment products where the customer may choose to return the financed vehicle to FCE at the end of the contract. Residual values are established by reference to various sources of independent and proprietary knowledge. Guaranteed Minimum Future Values ('GMFV's) on retail plans are set below the future market value to protect customer equity and promote Trade Cycle Management products. In the UK market, the GMFV is referred to as the ‘Optional Final Payment’. FCE’s normal policy is that the GMFV must be below the future market value and this buffer is increased for terms less than 24 months. This policy is a key factor behind the annual rate of return (for vehicles financed under retail finance plans where FCE is subject to residual value risk) being 0.26% (2020: 0.35%) of the maturing portfolio.

Operating lease residual values

All operating lease vehicles are subject to return at the end of the lease period unlike retail plans. The most significant operating lease portfolio remains in Germany which is the main source of FCE’s operating lease residual value risk. Due to an arrangement with Ford, under which Ford receives the majority of residual value gains and losses arising, vehicle residual value risk from FCE’s operating lease portfolio is significantly reduced.

Sensitivity analysis

If the residual values of FCE's existing portfolio of retail and finance lease contracts, as at 31 December 2021, due to mature in 2022, were to reduce by 1% of original list price below the current forecast values under a stressed scenario, it is estimated that the return rate could increase to 3.3% and have an adverse profit impact to the Company of approximately £1.3 million (2020: £3.1 million under the equivalent stressed scenario). In the event of a 5% reduction, this would increase the forecast return rate to 6.2% and have an incremental adverse profit impact of £6.6 million (total £7.9 million). Assuming a sustained downturn, the 5% reduction to list price below current forecast values applied to existing retail and finance leases due to mature in 2023, would have an additional estimated impact of £7.8 million.

31 MARKET RISK

The objective of FCE's market risk management is to limit the impact of changes in interest rates and foreign exchange rates on FCE's margin and profitability. Interest rate and currency exposures are monitored and managed by FCE as an integral part of its overall risk management programme, which recognises the unpredictability of financial markets and seeks to reduce potential adverse effects on operating results.

Derivatives Policy

Exposure to market risk is reduced through the use of interest rate and foreign exchange derivatives. FCE's derivatives strategy is designed to mitigate risk; derivatives are not used for speculative purposes.

The key derivative policies are:

- Prohibition of use for speculative purposes
- Prohibition of use of leveraged positions
- Requirement for regular in-depth exposure analysis
- Establish and document accounting treatment at onset of trade
- Clearing of certain derivatives with central clearing counterparties as required through the EMIR regulations
- Posting of collateral with counterparty where derivatives are not centrally cleared
- Established exposure limits (including cash deposits) with counterparties for non-centrally cleared derivatives
- Treasury employees' remuneration not being linked to individuals' trading performance

Derivatives Control

Company policies and controls are in place to manage these risks, including derivative effectiveness testing for derivatives designated in a hedging relationship.

The key derivative controls are:

- Regular management reviews of policies, positions and planned actions
- Transactional controls including segregation of duties, approval authorities, competitive quotes and confirmation procedures
- Regular review of portfolio mark to market valuations and potential future exposures
- Monitoring of counterparty creditworthiness
- Internal audits to evaluate controls and adherence to policies
- Reporting all derivatives to ESMA approved repository
- Regular portfolio reconciliations with all counterparties
- Timely confirmation of all Over The Counter (OTC) derivatives

The following table provides examples of certain activities undertaken, the related risks associated with such activities and the types of derivatives used in managing such risks.

Note	Activity	Risk	Type of Derivative
32a)	Investment and funding in foreign currencies	Sensitivity to change in foreign currency exchange Rates	- Cross currency interest rate swaps - Foreign currency forward contracts
32b)	Funding of shorter dated or floating rate assets with longer dated fixed rate debt	Sensitivity to changes in interest rates arising from the repricing characteristics of assets not matching repricing of liabilities	- Pay floating rate and receive fixed rate interest rate swaps
	Funding of longer dated, fixed rate assets with shorter dated or floating rate debt	Sensitivity to changes in interest rates arising from the repricing characteristics of assets not matching repricing of liabilities	- Pay fixed rate and receive floating rate interest rate swaps
	Funding of assets at indices different from liabilities	Sensitivity of assets being priced on indices with different tenors to liabilities	- Basis Swaps

32 a) CURRENCY RISK

In addition to the UK the Company operates branches in 8 other European countries and has operating subsidiaries in Czech Republic, Germany, Hungary, Italy and Switzerland which provide a variety of wholesale and retail financing (see Note 20 'Investments in Other Entities'). The functional currency of the Group's and Company's operations outside of the UK is the Euro, with the exception of the Company's branch in Poland and subsidiaries in the Czech Republic, Hungary and Switzerland.

The main operating currencies are therefore Euro and Sterling. As FCE presents its Group and Company financial statements in Sterling, these will be affected by foreign currency exchange rate movements between the Euro and Sterling. The Company does not hedge structural foreign currency investments in overseas operations as each investment is considered to be of a long-term nature. The effect of foreign currency changes on such investments is recognised in equity through the translation reserve. FCE's policy is to hold equity in its overseas branches and subsidiaries in order to hedge its capital ratios against movements in exchange rates.

FCE uses Sterling as its presentation currency in its statements because it is primarily registered and regulated as a bank in the United Kingdom and has its head office operations in the same country.

FCE's policy is to minimise exposure to operating results from changes in currency exchange rates. Controls are in place to limit the size of transactional currency exposures. To meet funding objectives, the Company borrows in a variety of currencies. Exposure to currency exchange rates occurs if a mismatch exists between the currency of the receivables and the currency of the debt funding those receivables.

Wherever possible, FCE funds loans and advances with debt in the same currency, minimising exposure to exchange rate movements. When a different currency is used, it is the Company's policy that foreign currency derivatives are executed to convert substantially all of the foreign currency debt obligations to the local country currency of the loan.

Due to the low levels of net transactional currency exposure, FCE's sensitivity to changes in currency exchange rates is not significant in terms of gains and losses recognised in the statement of profit or loss within Other Comprehensive Income.

The net assets of foreign operations which give rise to the unrealised gain or losses recognised in FCE's foreign currency translation reserves are detailed below with the associated reserves. The significant reduction in Company euro-denominated net assets is primarily due to the transfer of FCE's Italian business from its Italian branch to new Italian subsidiary in 2021.

	Company		Group	
As at 31 December	**2021 £ mil**	**2020 £ mil**	**2021 £ mil**	**2020 £ mil**
Net assets of foreign operations				
Euro	417	1,032	1,539	1,892
Other non-Euro currencies	4	1	97	100
Total	**421**	**1,033**	**1,636**	**1,992**

	Company		Group	
As at 31 December	**2021 £ mil**	**2020 £ mil**	**2021 £ mil**	**2020 £ mil**
Foreign currency translation reserve				
Euro	113	391	291	402
Other non-Euro currencies	32	32	54	58
Total	**145**	**423**	**345**	**460**

32 b) INTEREST RATE RISK

FCE's asset base consists primarily of fixed-rate retail instalment sale agreements with an average life of approximately 3 years, and floating rate wholesale financing loans with an average life of approximately 2 months. Funding sources consist primarily of unsecured and intercompany debt, public and private securitisation and retail deposits. It is FCE's policy to execute interest rate swaps to change the interest rate characteristics of the debt to match, within a tolerance range, the interest rate characteristics of FCE's assets. This matching policy seeks to maintain margins and reduce profit volatility.

As a result of FCE's interest rate risk management processes (utilising hedging derivatives), and as a proportion of assets are funded by equity, the total level of assets re-pricing is greater than the level of debt re-pricing. Other things being equal, this means that during a period of rising interest rates, the interest income received on FCE's assets will increase more rapidly than the interest expense paid on its debt, thereby increasing pre-tax net interest income. Correspondingly, during a period of falling interest rates, FCE would expect its pre-tax net interest income to initially decrease.

The FCE Asset and Liability Management Committee (ALCO) reviews re-pricing gaps and basis gaps monthly and the interest rate swaps entered into each month to maintain exposure within the approved thresholds.

To provide a quantitative measure of the sensitivity of pre-tax net interest income to changes in interest rates, FCE uses interest rate scenarios. These scenarios assume a hypothetical, instantaneous increase or decrease in interest rates of one hundred basis points across all maturities (a 'parallel shift'), impacting both assets and liabilities, as well as a base case that assumes that interest rates remain constant at existing levels. These interest rate scenarios do not represent an expectation of future interest rate movements. The differences in pre-tax net interest income between these scenarios and the base case over a twelve-month period represent an estimate of the sensitivity of FCE's pre-tax net interest income. The sensitivity of interest income to changes in interest rates in the 12 months following the year ended 31 December 2021 and 2020 is detailed below.

The sensitivity analysis presented below assumes a one hundred basis point rate change to the year-end yield curve that is both instantaneous and parallel and impacts the re-pricing of assets and liabilities. In reality, interest rate changes are rarely instantaneous or parallel and rates could move more or less than the one percentage point assumed. In addition, management has discretion over the pricing of its new assets, and may re-price assets to a greater or lesser degree than its liabilities re-price. As a result, the actual impact to pre-tax net interest income could be higher or lower than the results detailed below.

	Group	
	2021	**2020**
	£ mil	**£ mil**
Net interest income impact of 100 basis point rate change		
Euro	11	6
Sterling	10	9
Other	1	1
Increase	**22**	**16**
Euro	(11)	(6)
Sterling	(10)	(9)
Other	(1)	(1)
Decrease	**(22)**	**(16)**

While the sensitivity analysis presented is FCE's best estimate of the impacts of the specified assumed interest rate scenarios, actual results could differ from those projected. The model used to conduct this analysis is heavily dependent on assumptions. Embedded in the model are assumptions regarding the reinvestment of maturing asset principal, refinancing of maturing debt, and predicted repayment of retail instalment sale and lease contracts ahead of the contract end date. Repayment projections ahead of contractual maturity are based on historical experience. If interest rates or other factors change, the actual prepayment experience could be different than projected. FCE has presented its sensitivity analysis on a pre-tax rather than an after-tax basis, to exclude the potentially distorting impact of assumed tax rates.

33 LIQUIDITY RISK

Liquidity risk is the risk associated with the possibility of being unable to meet present and future financial obligations as they become due.

For further details on FCE's strategy and process to mitigate liquidity risk, please refer to the strategic report on page 18.

Basis of liquidity risk analysis

The tables within this note analyses gross undiscounted contractual cash flows from assets and liabilities, with the exception of derivative financial instruments which are settled net, into relevant maturity groupings based on the criteria detailed in the table below.

The 'Net liquidity gap excluding unrecognised items' is reported excluding behavioural adjustments for customer early settlements.

'Unrecognised items' include available for use unsecured credit facilities, available for use committed securitisation capacity and callable guarantees. Refer to Note 28 'Contingent liabilities' for further details on guarantees.

The figures assume that the inflows related to retail, leasing and wholesale financing plans and the outflows related to the repayment of debt each occur on the contractual due dates. Outflows relating to Retail Deposits are based on their earliest possible contractual due dates. Moreover, balances from fixed-term ISA accounts are reported as on demand according to the earliest date that FCE could be required to transfer the balance to another provider. However, in practice, their behavioural maturity is usually in line with their term. Accordingly, FCE's expected liquidity position based on cash inflows and outflows is more favourable than as presented within this note.

Notes to the Consolidated Financial Statements for the Year ended 31 December 2021

33 LIQUIDITY RISK CONTINUED

Group As at 31 December 2021	Note	0-3 Months £ mil	4-12 Months £ mil	1-5 Years £ mil	5+ Years £ mil	Total £ mil
Assets						
Cash and cash equivalents	A	1,822	-	-	-	1,822
Derivative financial instruments	E	5	28	33	-	66
- Retail/Lease		883	2,762	6,302	3	9,950
- Wholesale		480	2,800	-	-	3,280
Loans and advances to customers	B	1,363	5,562	6,302	3	13,230
Operating leases		76	83	-	-	159
Other assets	D	76	25	37	55	193
Total asset inflows		**3,342**	**5,698**	**6,372**	**58**	**15,470**
Liabilities						
Financial Liabilities	C	1,629	1,017	4,239	364	7,249
Deposits	C	3,656	648	723	-	5,027
Derivative financial instruments	E	3	8	5	-	16
Other liabilities	D	94	14	12	-	120
Total liability outflows		**5,382**	**1,687**	**4,979**	**364**	**12,412**
Net liquidity gap excluding unrecognised items		**(2,040)**	**4,011**	**1,393**	**(306)**	**3,058**
Cumulative net liquidity gap excluding unrecognised items		**(2,040)**	**1,971**	**3,364**	**3,058**	

Group As at 31 December 2020	Note	0-3 Months £ mil	4-12 Months £ mil	1-5 Years £ mil	5+ Years £ mil	Total £ mil
Assets						
Cash and cash equivalents	A	2,048	-	-	-	2,048
Derivative financial instruments	E	11	53	31	-	95
- Retail/Lease		985	3,156	7,453	4	11,598
- Wholesale		684	4,251	55	-	4,990
Loans and advances to customers	B	1,669	7,407	7,508	4	16,588
Operating leases	B	105	206	-	-	311
Other assets	D	713	40	45	115	913
Total asset inflows		**4,546**	**7,706**	**7,584**	**119**	**19,955**
Liabilities						
Financial Liabilities	C	1,288	3,707	7,497	375	12,867
Deposits	C	2,589	621	444	-	3,654
Derivative financial instruments	E	8	23	14	-	45
Other liabilities	D	86	4	20	-	110
Total liability outflows		3,971	4,355	7,975	**375**	16,676
Net liquidity gap excluding unrecognised items		**575**	**3,351**	**(391)**	**(256)**	**3,279**
Cumulative net liquidity gap excluding unrecognised items		**575**	**3,926**	**3,535**	**3,279**	

33 LIQUIDITY RISK CONTINUED

Company As at 31 December 2021		0-3 Months £ mil	4-12 Months £ mil	1-5 Years £ mil	5+ Years £ mil	Total £ mil
Assets	**Note**					
Cash and cash equivalents	A	776	-	-	-	776
Derivative financial instruments	E	5	25	21	-	51
- Retail/Lease		375	1,270	2,766	-	4,411
- Wholesale		303	1,748	0	-	2,051
Loans and advances to customers	B	678	3,018	2,766	0	6,462
Operating leases	B					0
Other assets	D	521	643	1,683	35	2,882
Total asset inflows		**1,980**	**3,686**	**4,470**	**35**	**10,171**
Liabilities						
Financial Liabilities	C	1,336	614	3,195	248	5,393
Deposits	C	2,318	559	313	-	3,190
Derivative financial instruments	E	3	8	3	-	14
Other liabilities	D	52	3	12	-	67
Total liability outflows		**3,709**	**1,184**	**3,523**	**248**	**8,664**
Net liquidity gap excluding unrecognised items		**(1,729)**	**2,502**	**947**	**(213)**	**1,507**
Cumulative net liquidity gap excluding unrecognised items		**(1,729)**	**773**	**1,720**	**1,507**	

Company As at 31 December 2020		0-3 Months £ mil	4-12 Months £ mil	1-5 Years £ mil	5+ Years £ mil	Total £ mil
Assets	**Note**					
Cash and cash equivalents	A	1,143	-	-	-	1,143
Derivative financial instruments	E	10	52	28	-	90
- Retail/Lease		701	2,260	4,719	0	7,680
- Wholesale		690	2,711	62	-	3,463
Loans and advances to customers	B	1,391	4,971	4,781	0	11,143
Other assets*	D	716	340	2,094	89	3,239
Total asset inflows		**3,260**	**5,363**	**6,903**	**89**	**15,615**
Liabilities						
Financial Liabilities	C	958	2,634	5,907	250	9,749
Deposits	C	2,589	621	444	-	3654
Derivative financial instruments	E	6	18	10	-	34
Other liabilities	D	42	(3)	20	-	59
Total liability outflows		3,595	3,270	6,381	250	13,496
Net liquidity gap excluding unrecognised items		**(335)**	**2,093**	**522**	**(161)**	**2,119**
Cumulative net liquidity gap excluding unrecognised items		**(335)**	**1,758**	**2,280**	**2,119**	

33 LIQUIDITY RISK CONTINUED

Available for use credit facilities

Unsecured credit facilities granted by financial institutions to the Group and Company
At 31 December 2021 the Group had £965 million (2020: £1,074 million) contractually committed unsecured credit facilities with financial institutions, of which £525 million (2020: £64.1 million) was utilised. The remaining undrawn amounts totaling £439 million (2020: £1,010.2 million) are available for use. The Company had £690 million (2020: £780 million) contractually committed unsecured credit facilities with financial institutions, of which £500 million (2020: nil) was utilised leaving £190m available for use (2020: £780 million).

Unsecured credit facilities granted by FMCC to the Group and Company
A €1.5 billion (2020: €1.5 billion) short term revolving facility has been provided by FMCC to the Group which matures on 30 November 2022 or earlier upon 45 days' notice from FMCC. As at 31 December 2021 no amounts had been drawn under this facility (2020: nil).

Available committed securitisation capacity to the Group
FCE maintains committed securitisation capacity consisting of agreements with banks and asset backed commercial paper conduits under which these parties are contractually obligated, at FCE's option, to purchase eligible receivables, or make advances under asset backed securities. At 31 December 2021, Group had £1,072 million (2020: £549 million) of private revolving committed securitisation capacity was available. For Company £608 million (2020: £485million) of private revolving committed securitisation capacity was available.

Central Bank Funding to the Group
FCE holds senior interest in some of its public term securitisation structure as eligible collateral to access Central Bank Liquidity. As at 31 December 2021 the Group recognised £175 million (2020: £93 mllion) of available liquidity from the ECB and £174 million available liquidity (2020: nil) from the BoE. The Company only recognises BoE available liquidity. In addition the company holds additional eligible collateral for participates in the BoE Discount Window Facility (DWF) scheme which can act as an additional source of liquidity.

Liquid assets of the Group and Company

'Cash and cash equivalents' held by Group is primarily deposits eligible under the Regulatory definition of High Quality Liquid Assets, £1,499 million (2020: £1,554). The Company holds deposits eligible under the Regulatory definition of High Quality Liquid Assets of £746 million (2020: 1,068 million) and Ford Bank GmbH holds £753 million (2020: £486 million). This cash is held to meet both regulatory requirements and to provide liquidity for short-term funding needs and flexibility in the use of other funding programmes.

Other assets of the Group and Company

Included within Other Assets for the Company are £2,728 million (2020: £2,513 million) notes receivable from affiliates. These eliminate in Group view.

Note	Cash flows from assets and liabilities are allocated to the appropriate time bands as follows:
A	Based on availability of 'cash and cash equivalents' as follows (Note 9): • 'Cash and cash equivalents' classified by contractual maturity date.
B	Customer payments are assumed to occur on the latest contractual date and no behavioural adjustments are made for customer early settlements: • Retail finance and lease contracts and operating lease vehicles (reported within Note 15 'Property and equipment') generally require customers to pay equal monthly instalments over the life of the contract. • Wholesale financing for new and used vehicles held in dealers' inventory - A bullet repayment schedule is utilised as the principal is typically repaid in one lump sum at the end of the financing period.
C	Classified based on the earliest possible contractual due date.
D	Classified according to the remaining period to maturity, including 'Restricted Cash' which are assumed to be amounts typically not available for use in day to day operations classified based on the latest possible repayment date.
E	Forward foreign exchange contracts, cross currency interest rate swaps and interest rate swaps are presented as settled on a net basis.

34 RELATED PARTY TRANSACTIONS

Parties are considered to be related if they are under common control and if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

A number of transactions are entered into with related parties in the normal course of business. The Company and its subsidiaries are separate, legally distinct companies from Ford and Ford's automotive affiliates and transactions are carried out on commercial terms and at market rates and enforced by FCE in a commercially reasonable manner. In addition to participating in retirement benefit plans sponsored by Ford subsidiaries (discussed in Note 27 'Retirement Benefit Obligations'); the Company has a support agreement with Ford Credit in regard to Shareholders' funds (detailed in Note 25 'Ordinary Shares and Share Premium').

There have been no significant changes in transactions with related parties in the period to 31 December 2021. For further details refer to the following Company and Group disclosures.

Related parties

FCE has related party transactions with the following categories, described below:

Parent undertakings - this includes FCSH, Ford ECO, FMCC, Ford Credit International (FCI) and Ford. For further information refer to Note 37 'FCE and Other Related Party Information'.

Directors and officers - reported in Note 6 'Transactions with Directors' and Officers'.

Entities under common control – which includes all subsidiaries of Ford except for those entities already reported within 'Subsidiaries of the company' and 'Parent undertakings'. Transactions reported in this category include:

- Provision of approved lines of credit, mortgages, working capital and other types of loans to dealers in which Ford maintains a controlling interest
- The receipt of interest income from Ford and its related companies arising from loans, interest supplements and other support costs in regard to a variety of retail, lease and wholesale finance plans
- Guarantees provided on behalf of other related parties of which further details can be found within Note 28 'Contingent liabilities and financial guarantees'
- Guarantees received from other related parties includes primarily guarantees for future residual value gain or losses relating to certain operating lease vehicles and also includes guarantees for certain wholesale vehicle finance plans

Due to an arrangement with Ford relating to FCE's operating lease portfolio, under which Ford indemnifies FCE for the majority of residual value losses and receives the benefit of the majority of residual value gains, a net payment of £41 million was made to Ford in the period (2020: £9 million net receipt from Ford).

Certain amounts in relation to UK taxes, including interest where applicable, are payable to Ford Motor Company UK under group relief arrangements. Amounts payable are recorded within 'Accounts payable to related undertakings'. For further information, see Note 21 'Financial Liabilities' and Note 28 'Contingent Liabilities, Financial Guarantees and Commitments'.

Notes to the Consolidated Financial Statements for the Year ended 31 December 2021

34 RELATED PARTY TRANSACTIONS CONTINUED

The value of related party transactions, outstanding balances at 31 December, and relating expense and income for the year are as follows:

Company	Subsidiaries of the Company		Parent undertakings		Entities under common control	
	2021 £ mil	2020 £ mil	2021 £ mil	2020 £ mil	2021 £ mil	2020 £ mil
Accounts receivable						
Accounts receivable at 1 January	28	30	1	9	185	46
Additions to accounts receivable during the year	7,280	7,707	14	11	1,370	2,711
Repayments during the year (Footnote 2)	(7,284)	(7,709)	(14)	(19)	(1,548)	(2,572)
Accounts receivable at 31 December	**24**	**28**	**1**	**1**	**7**	**185**
Loans						
Loans outstanding at 1 January	2,513	2,639	-	-	425	645
Loans issued during the year	4,903	2,599	-	-	4,459	3,762
Loan repayments during the year (Footnote 2)	(4,688)	(2,725)	-	-	(4,461)	(3,982)
Loans outstanding at 31 December	**2,728**	**2,513**	**-**	**-**	**423**	**425**
Investment in Group undertakings (Note 20)						
Cost at 1 January	842	840	-	-	-	-
Additional investments during the year	262	2	-	-	-	-
Cost at 31 December	**1,104**	**842**	**-**	**-**	**-**	**-**
Accounts payable and accrued interest						
Accounts payable at 1 January	18	19	7	12	87	88
Additions to accounts payable during the year	2,068	2,129	75	120	20,102	28,176
Repayments during the year (Footnote 2)	(2,074)	(2,130)	(76)	(125)	(20,081)	(28,177)
Accounts payable at 31 December	**12**	**18**	**6**	**7**	**108**	**87**
Senior debt and subordinated loans						
Senior debt and subordinated loans at 1 January	-	-	5,040	4,344	16	15
Received during the year	-	-	27	1,364	16	16
Repayments during the year (Footnote 2)	-	-	(2,305)	(668)	(16)	(15)
Senior debt and subordinated loans at 31 December	**-**	**-**	**2,762**	**5,040**	**16**	**16**
Net cash proceeds from the sale of receivables						
Net cash proceeds from the sale of receivables at 1 January	529	2,042	-	-	-	-
Additions during the year	16,229	4,263	-	-	-	-
Repayments during the year	(16,735)	(5,776)	-	-	-	-
Net cash proceeds from the sale of receivables at 31 December	**23**	**529**	**-**	**-**	**-**	**-**

Notes to the Consolidated Financial Statements for the Year ended 31 December 2021

34 RELATED PARTY TRANSACTIONS CONTINUED

Company	Subsidiaries of the Company		Parent undertakings		Entities under common control	
	2021 £ mil	2020 £ mil	2021 £ mil	2020 £ mil	2021 £ mil	2020 £ mil
Revenue						
Interest supplements earned on loans and advances	-	-	-	-	228	272
Interest income related parties	35	26	-	-	3	10
Supplements relating to operating leases	-	-	-	-	-	2
Expense						
Interest expense	-	-	63	75	-	-
Service fees paid/(received) (Footnote 1)	(25)	(17)	16	21	5	4
Guarantees						
Guarantees provided (Note 28)	-	-	-	-	14	43
Guarantees received	-	-	-	-	-	-
Dividends received	**8**	**7**	**-**	**-**	**-**	**-**
Derivatives						
Derivatives year end positive fair value	-	-	-	-	-	-
Derivatives year end negative fair value	-	-	-	-	1	1

Group	Parent undertakings		Entities under common control	
	2021 £ mil	2020 £ mil	2021 £ mil	2020 £ mil
Accounts receivable				
Accounts receivable at 1 January	1	9	303	88
Additions to accounts receivable during the year	14	11	2,087	4,238
Repayments during the year (Footnote 2)	(14)	(19)	(2,370)	(4,023)
Accounts receivable at 31 December	**1**	**1**	**20**	**303**
Loans receivable				
Loans receivable at 1 January	-	-	425	645
Issued during the year	-	-	4,409	3,762
Repayments during the year (Footnote 2)	-	-	(4,411)	(3,982)
Loans receivable at 31 December	**-**	**-**	**423**	**425**
Investment in jointly controlled entity				
Investment at 1 January	-	-	-	-
Reduction of investments during the year	-	-	-	-
Investment at 31 December	**-**	**-**	**-**	**-**
Accounts payable and accrued interest				
Accounts payable at 1 January	13	12	122	124
Additions during the year	100	124	31,339	37,015
Repayments during the year (Footnote 2)	(106)	(123)	(31,295)	(37,017)
Accounts payable at 31 December	**7**	**13**	**166**	**122**

Notes to the Consolidated Financial Statements for the Year ended 31 December 2021

34 RELATED PARTY TRANSACTIONS CONTINUED

Group	Parent undertakings		Entities under common control	
	2021 £ mil	2020 £ mil	2021 £ mil	2020 £ mil
Senior debt and subordinated loans				
Senior debt and subordinated loans at 1 January	5,703	4,973	16	15
Received during the year	143	1,363	16	16
Repaid during the year (Footnote 2)	(2,630)	(633)	(16)	(15)
Senior debt and subordinated loans at 31 December	**3,216**	**5,703**	**16**	**16**
Revenue				
Interest supplements earned on loans and advances	-	-	344	387
Interest income related parties	-	-	3	10
Supplements relating to operating leases	-	-	139	195
Expense				
Interest expense	73	88	-	-
Service fees paid/(received) (Footnote 1)	16	21	6	4
Guarantees				
Guarantees provided (Note 28)	-	-	14	43
Guarantees received	-	-	-	-
Derivatives				
Derivatives year end positive fair value	-	-	-	-
Derivatives year end negative fair value	-	-	1	1

Footnotes:

1) **Service fees received or paid** - FCE receives technical and administrative advice and services from Ford and its related companies, occupies office space furnished and provided by them and its related companies and utilises data processing facilities maintained by them. The costs of these services are charged to 'Operating expenses'.
2) **Repayments** include both repayments and the effect of exchange rate changes during the year.

35 SEGMENT REPORTING

Policy

Operating segments are the components of an entity that management uses to make decisions about operating matters. These are identified on the basis of the internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess performance. An operating segment engages in business activities from which it may earn revenues and incur expenses for which discrete financial information is available.

For the purpose of these financial statements and in accordance with IFRS 8 'Operating segments' FCE's reportable operating segments are based around a business unit structure grouped into the various geographic locations of its operations.

Allocation of costs: The main costs which are required to be allocated between operating segments and the basis of allocation are as follows:

- Central staff costs are analysed by department and type of cost and allocated to the location benefiting from the service. Various allocation methods are used that ensure an equitable allocation between locations of central staff costs
- In certain of FCE's European branches and subsidiaries funding is obtained by a mixture of local and centrally allocated funding. The costs of central funding, including derivative costs are, where possible, directly allocated to locations where transactions can be specifically identified

Income and expense from the allocation of intra and inter-company transactions are eliminated on consolidation.

35A) PERFORMANCE MEASUREMENT FIGURES

	UK 2021 $ mil	Germany 2021 $ mil	Italy 2021 $ mil	Spain 2021 $ mil	France 2021 $ mil	Other 2021 $ mil	Total 2021 $ mil
Market income	290	279	154	39	54	49	**865**
Borrowing costs	(104)	(55)	(38)	(14)	(17)	(30)	**(258)**
Operating expenses	(92)	(134)	(59)	(20)	(23)	(19)	**(347)**
Expected credit losses (a)	4	6	(1)	(3)	(1)	3	**8**
All other	3	(23)	-	-	-	-	**(20)**
Profit before tax (PBT)	**101**	**73**	**56**	**2**	**13**	**3**	**248**
Net receivables	6,077	5,448	3,269	825	1,139	885	**17,643**

	UK 2020 $ mil	Germany 2020 $ mil	Italy 2020 $ mil	Spain 2020 $ mil	France 2020 $ mil	Other 2020 $ mil	Total 2020 $ mil
Market income	324	343	153	56	55	84	**1,015**
Borrowing costs	(149)	(72)	(51)	(17)	(19)	(18)	**(326)**
Operating expenses	(89)	(119)	(50)	(29)	(33)	(49)	**(369)**
Impairment losses (a)	(15)	(13)	(21)	(6)	(3)	(2)	**(60)**
All other	6	(34)	-	-	1	(1)	**(28)**
Profit before tax (PBT)	**77**	**105**	**31**	**4**	**1**	**14**	**232**
Net receivables	7,272	7,336	3,842	1,167	1,422	1,560	**22,599**

(a) In 2020, under US Generally Accepted Accounting Practice (GAAP), implementation of Current Expected Credit Loss (CECL) standard

In line with the focus of management review and the requirements of IFRS 8 'Operating Segments', the performance of the five major geographical markets (UK, Germany, Italy, Spain and France) is separately reported. The performance of the five major markets ('Reportable Segments') constitute 95% of external revenues, with all other markets and operations combined under 'Other' as detailed below.

'Other' represents operations not considered as a major geographical market and individually contributing less than 10% of external revenue. It includes Central, WWTF, FCE's branches and subsidiaries in Austria, Czech Republic, Hungary, Ireland, Poland, Portugal and Switzerland.

Notes to the Consolidated Financial Statements for the Year ended 31 December 2021

35 SEGMENT REPORTING CONTINUED

Segmental data is based on the consolidated statement of profit and loss and other comprehensive income and statement of financial position as reported to the Executive Committee ('EC') in US dollars under US Generally Accepted Accounting Practice (GAAP) on a Risk Based Equity (RBE) basis excluding fair value adjustments to financial instruments and foreign exchange adjustments (refer to 'Definitions' as detailed on page 165 for a definition of RBE).

The EC assesses performance of FCE's branches and subsidiaries from a geographical perspective and allocates resources based on this information. Performance measurement figures include the following:

'Market income' represents interest income from retail and wholesale finance receivables, rentals received for operating lease vehicles less depreciation of motor vehicles held for use under operating leases and net fees and commissions income.

'Borrowing costs' represents the costs associated with locally and centrally sourced funding (both unsecured and securitisation) and is presented on an RBE basis. Central funding and derivative costs, including the costs of holding a liquidity buffer, are allocated to locations.

'Operating expenses' are typically the same as reported for performance measurement and IFRS.

'Expected credit losses' are reported under USGAAP, based on lifetime current expected credit loss (CECL) on the finance receivables.

'All other' represents any gains or losses on residual values and residual value reserve adjustments. This includes operating leases in Germany, where Ford indemnifies the majority of any residual value loss. Income received from this arrangement is included in Market income.

'Profit before tax (PBT)' is reported under US GAAP on an RBE basis excluding fair value adjustments to financial instruments and foreign exchange adjustments.

'Net receivables' are managed on a US GAAP basis excluding the 'provision for expected losses' and 'unearned interest supplements from related parties' and including FCE's net investment in motor vehicles held for use by FCE as the lessor under operating leases.

Notes to the Consolidated Financial Statements for the Year ended 31 December 2021

35 SEGMENT REPORTING CONTINUED

35b) IFRS BASIS

		UK	Germany	Italy	Spain	France	Central / Other	Total
		2021	2021	2021	2021	2021	2021	2021
		£ mil	£ mil	£ mil	£ mil	£ mil	£ mil	£ mil
INCOME STATEMENT	**Note**							
Retail revenue		152	122	92	18	15	16	**415**
Wholesale revenue		42	34	14	9	15	22	**136**
Other income		1	2	-	0	-	(1)	**2**
Fee and commission income	3	17	11	6	2	16	1	**53**
Income from operating leases	4	-	163	-	-	-	-	**163**
Total external revenue		212	332	112	29	46	38	**769**
Inter-segment revenue		(0)	(0)	-	(0)	-	(0)	**(0)**
Total Revenue		**212**	**332**	**112**	**29**	**46**	**38**	**769**
Depreciation of property and equipment	15/16	-	(149)	(0)	(1)	-	(5)	**(155)**
Amortisation of other intangibles	17	-	-	-	-	-	(6)	**(6)**
Profit before tax		122	66	42	4	10	(6)	**238**
ASSETS								
Net loans and advances to customers	12	4,337	3,735	2,408	608	824	690	**12,602**
Property and equipment	15/16	-	162	-	-	-	17	**179**
Total assets		**4,767**	**5,333**	**2,478**	**695**	**845**	**947**	**15,065**

Notes to the Consolidated Financial Statements for the Year ended 31 December 2021

35 SEGMENT REPORTING CONTINUED

35b) IFRS BASIS

		UK	Germany	Italy	Spain	France	Central / Other	Total
		2020	2020	2020	2020	2020	2020	2020
		£ mil	£ mil	£ mil	£ mil	£ mil	£ mil	£ mil
INCOME STATEMENT	**Note**							
Retail revenue		165	136	87	20	14	27	**449**
Wholesale revenue		77	60	25	20	19	26	**227**
Other income		1	(0)	-	-	-	8	**9**
Fee and commission income	3	15	16	9	1	17	3	**61**
Income from operating leases	4	-	218	-	-	-	-	**218**
Total external revenue		258	430	121	41	57	57	**964**
Inter-segment revenue		0	0	-	-	-	(1)	**(1)**
Total Revenue		**258**	**430**	**121**	**41**	**57**	**56**	**963**
Depreciation of property and equipment	15/16	(3)	(191)	-	(1)	-	(1)	**(196)**
Amortisation of other intangibles	17	-	-	-	-	-	(4)	**(4)**
Profit before tax		71	74	14	2	14	9	**184**
ASSETS								
Net loans and advances to customers	12	5,113	4,899	2,794	850	1,016	1,132	**15,804**
Property and equipment	15/16	1	318	1	1	1	20	**342**
Total assets		**5,663**	**6,603**	**3,240**	**959**	**1,057**	**2,012**	**19,534**

IFRS Basis

The table above provides additional segmental information on an IFRS basis which includes fair value adjustments to financial instruments and foreign exchange adjustments and excludes RBE analytical adjustments. The information produced in 35b is produced on the basis described as it is deemed impracticable to produce additional IFRS 8 supplementary information on a basis consistent with the performance measurement results disclosed to the EC.

Transfer Pricing

The Company utilises the transfer pricing methodology in line with the Organisation for Economic Co-operation and Development (OECD) guidelines. This does not affect the Company's overall profit before tax and is excluded from performance measurement results. The profit before tax of individual operating segments as reported on an IFRS basis in 35b reflects the transfer pricing method.

Notes to the Consolidated Financial Statements for the Year ended 31 December 2021

35 SEGMENT REPORTING CONTINUED

35c) RECONCILIATION BETWEEN PERFORMANCE MEASUREMENT AND IFRS FIGURES

Performance measurement figures		Market Income 2021 Mil	Borrowing Costs 2021 mil	Operating Expenses 2021 mil	Expected Credit Losses 2021 mil	PBT 2021 mil	Net Receivables 2021 Mil
Reportable segments	$	816	(228)	(328)	5	245	16,758
Central operations/other	$	49	(30)	(19)	3	3	885
Total	**$**	**865**	**(258)**	**(347)**	**8**	**248**	**17,643**
Converted to GBP	£	628	(187)	(252)	6	180	13,088
Presentational differences							
Operating leases	£	130	-	-	-	-	(158)
Unearned interest supplements	£	-	-	-	-	-	(294)
Provision for expected losses	£	-	-	-	-	-	(33)
IFRS 16 leases	£	-	-	-	-	-	-
Fees and commission expense	£	8	-	4	-	(1)	-
Residual gains/losses/reserve	£	-	-	-	-	-	-
Other differences and presentational differences	£	3	6	8	(1)	0	(1)
Adjustments	£	-	-	-	-	-	-
Risk based equity adjustment	£	-	20	-	-	20	-
Other performance adjustments	£	-	(1)	-	-	39	-
Total reconciliation to IFRS	**£**	**769**	**(162)**	**(240)**	**5**	**238**	**12,602**

Performance measurement figures		Market Income 2020 Mil	Borrowing Costs 2020 mil	Operating Expenses 2020 mil	Expected Credit Losses 2020 mil	PBT 2020 mil	Net Receivables 2020 Mil
Reportable segments	$	931	(308)	(320)	(58)	218	21,039
Central operations / other	$	84	(18)	(49)	(2)	14	1,560
Total	**$**	**1,015**	**(326)**	**(369)**	**(60)**	**232**	**22,599**
Converted to GBP	£	787	(253)	(287)	(48)	178	16,539
Presentational differences							
Operating leases	£	161	-	-	-	-	(311)
Unearned interest supplements	£	-	-	-	-	-	(377)
Provision for incurred losses	£	-	-	-	-	-	(46)
IFRS 16 leases	£	-	-	-	-	(3)	-
Fees and commission expense	£	10	-	4	-	-	-
Residual gains/losses/reserve	£	5	-	-	-	-	-
Other differences	£	1	(4)	8	(1)	(2)	(1)
Adjustments	£	-	-	-	-	-	-
Risk based equity adjustment	£	-	20	-	-	20	-
Other performance adjustments	£	-	20	-	-	(9)	-
Total reconciliation to IFRS	**£**	**964**	**(217)**	**(275)**	**(49)**	**184**	**15,804**

35 SEGMENT REPORTING CONTINUED

35c) RECONCILIATION BETWEEN PERFORMANCE MEASUREMENT AND IFRS FIGURES CONTINUED

This section commences with the performance measurement figures for FCE's Reportable Segments plus 'Central/Other' operations detailed in 35a and converts the US dollar amounts to Sterling based on the exchange rates as incurred and 'Net receivables' at the exchange rate prevailing on the reporting date. It then provides a reconciliation from the performance measurement figures to IFRS Statement view, shown in 35b.

Summary of key differences

'Market Income' represents total revenue including interest income, fee and commission income, and income from operating leases.

'Net receivables' represent loans and advances to customers.

'Borrowing costs' represents interest expense under IFRS.

'Expected credit losses' represent expected credit loss (ECL) on the finance receivables.

'Presentational differences' represent the differences in reporting within the IFRS financial statements versus the performance measurement view.

'Adjustments' RBE performance adjustment allocates equity based on an assessment of the inherent risk in each location's portfolio. Borrowing costs are adjusted versus that reported under IFRS, to reflect the cost impact of changes in the level of debt that would be required to match the revised equity requirements. The RBE adjustment enables the evaluation of the risk/return of individual locations.

'Other Performance Adjustments' includes the impact to earnings of fair value adjustments to financial instruments and foreign exchange adjustments. Primarily related to movements in market rates, these are excluded from EC performance measurement as FCE's risk management activities are administered on a centralised basis.

36 NOTES TO THE STATEMENT OF CASH FLOWS

	Company		Group	
	2021 £ mil	2020 £ mil	2021 £ mil	2020 £ mil
Cash flows from operating activities				
Profit before tax	136	109	238	184
Adjustments for:				
Depreciation expense on property and equipment	1	-	1	-
Depreciation expense on operating lease vehicles	-	1	146	190
Depreciation expense on right-of-use assets	4	5	8	6
Effects of foreign currency translation	17	30	18	29
Gross impaired losses on loans and advances	15	63	27	77
Amortisation of other intangibles	6	4	6	4
Fair value adjustments to financial instruments	(25)	(4)	(45)	3
Interest expense	137	193	162	217
Interest income	(339)	(505)	(552)	(679)
Income from leasing and other operating income	(8)	(7)	(164)	(218)
Other non-cash movements	(3)	-	(3)	-
Changes in operating assets and liabilities:				
Net increase/(decrease) in accrued liabilities and deferred income	(62)	43	25	33
Net decrease/(increase) in deferred charges and prepaid expenses	(70)	(20)	(35)	(21)
Net (increase)/decrease in finance receivables	1,556	2,160	2,649	2,557
Purchase of vehicles for operating leases	-	-	(284)	(640)
Proceeds/(Losses) from sale of operating lease vehicles	-	(1)	268	467
Net (increase)/decrease in vehicles awaiting resale	32	(4)	110	71
Net (increase)/decrease in accounts receivables	(39)	(76)	(31)	(77)
Net increase/(decrease) in accounts payables	12	(19)	(2)	(18)
Net (increase)/decrease in accounts receivables from related undertakings	(1)	363	6	82
Net increase/(decrease) in accounts payables to related undertakings	22	(20)	26	(15)
Cash generated/(used) in operating activities	**1,391**	**2,315**	**2,574**	**2,252**

Notes to the Consolidated Financial Statements for the Year ended 31 December 2021

36 NOTES TO THE STATEMENT OF CASH FLOWS CONTINUED

	Company		Group	
	2021 £ mil	2020 £ mil	2021 £ mil	2020 £ mil
At beginning of period:				
Cash and cash equivalents	1,143	741	2,048	1,453
Balance at 1 January 2021 and 2020	**1,143**	**741**	**2,048**	**1,453**
At end of period:				
Cash and cash equivalents	776	1,143	1,822	2,048
Balance at 31 December 2021 and 2020	**776**	**1,143**	**1,822**	**2,048**
Net (decrease)/increase in cash and cash equivalents				
Cash and cash equivalents at beginning of period	1,143	741	2,048	1,453
Cash and cash equivalents at end of period	776	1,143	1,822	2,048
Net decrease in cash and cash equivalents	**(367)**	**402**	**(226)**	**595**

Reconciliation of Liabilities Arising from Financing Activities

Company							
For the year ended 31 December	**2020**	**Cash flow**	**Non-Cash Changes**				**2021**
			Foreign exchange movement	**Fair value changes**	**Gain / Loss**	**Other**	
	£ mil	**£ mil**	**£ mil**	**£ mil**	**£ mil**	**£ mil**	**£ mil**
Debt securities and loans provided by banks and other financial institutions	4,235	(2,312)	(167)	(13)	-	(9)	1,734
Funds provided by parent and related undertakings	5,112	50	(89)	122	-	2,275	7,470
Short-term borrowings	2	498	-	-	-	-	500
Deposits	3,609	(444)	-	(32)	-	-	3,133
Derivative financial instruments	(56)	49	1	(3)	2	(26)	(33)
Total liabilities from financing activities	**12,902**	**(2,159)**	**(255)**	**74**	**2**	**2,240**	**12,804**

Group							
For the year ended 31 December	**2020**	**Cash flow**	**Non-Cash Changes**				**2021**
			Foreign exchange movement	**Fair value changes**	**Gain / Loss**	**Other**	
	£ mil	**£ mil**	**£ mil**	**£ mil**	**£ mil**	**£ mil**	**£ mil**
Debt securities and loans provided by banks and other financial institutions	6,571	(3,240)	(273)	(48)	-	13	3,023
Funds provided by parent and related undertakings	5,791	(2,216)	(272)	137	-	38	3,478
Short-term borrowings	50	472	(1)	-	-	-	521
Deposits	3,609	1,427	(35)	(189)	-	-	4,812
Derivative financial instruments	(50)	44	1	(3)	2	(41)	(47)
Total liabilities from financing activities	**15,971**	**(3,513)**	**(580)**	**(103)**	**2**	**10**	**11,787**

(a) Upon review, restricted cash is not considered liabilities arising from financing activities.

37 FCE AND OTHER RELATED PARTY INFORMATION

Domicile: United Kingdom (UK).

Legal form: The Company is a regulated bank, authorised as a deposit taking, consumer credit and insurance intermediary business under the Financial Services and Markets Act 2000 and in accordance with the Financial Services Act 2012 and is authorised by the PRA and regulated by the FCA and PRA.

Country of registration: The Company is a public limited company incorporated and registered in England and Wales.

Registered office: Central Office – Arterial Road, Laindon, Essex, SS15 6EE. Registered in England and Wales no 00772784.

The Company has subsidiaries in Czech Republic, Germany, Hungary, Italy and Switzerland (see Note 20 'Investments in Other Entities').

Nature of operations and principal activities: FCE's primary business is to support the sale of Ford vehicles in Europe through the respective dealer networks. A variety of retail, leasing and wholesale finance plans are provided in the markets which FCE operates.

In European markets, FCE offers most of its products and services under the Ford Credit or Ford Bank brands, refer to 'European operating locations' page 129 for further details. The Company, through its Worldwide Trade Finance (WWTF) division, provides financing to importers and distributors in countries where typically there is no established local Ford presence. WWTF currently provides finance in about 70 countries. In addition, there are private label operations in some European markets.

Immediate parent undertaking: All of the 614,384,050 Ordinary £1 shares of FCE are owned by Ford ECO. Ford ECO does not produce consolidated accounts it being wholly owned by, and consolidated into the accounts of FMCC. For further details refer to Note 25 'Ordinary Shares and Share Premium'.

Ultimate parent undertaking: The ultimate parent undertaking and controlling party is Ford Motor Company (Ford). Ford, FCI and FMCC are all incorporated in the United States of America. Ford ECO is incorporated in Switzerland.

Copies of the consolidated accounts for FMCC and Ford may be obtained from Ford Motor Company (US), One American Road, Dearborn, Michigan 48126, United States of America.

Notes to the Consolidated Financial Statements for the Year ended 31 December 2021

38 COUNTRY-BY-COUNTRY

The following table is disclosed according to the Capital Requirements (Country-by-Country) Reporting Regulations 2013 (Statutory Instrument 2013 No. 3118). The regulation requires disclosure of Public Subsidies received (2021: nil).

For prior year comparators please see page 135 of FCE's 2020 Annual Reports and Accounts.

Name of Branch or Subsidiary	Principal Activity	Average Number of Full Time Employees	Total Income [a] £ mil	Profit or (loss) before tax [b] £ mil	Corporation tax paid £ mil
FCE Bank plc Austria	Bank	-	4	2	0.8
FCE Bank plc France	Bank	57	27	10	2.2
FCE Bank plc Germany	Bank	-	3	3	2.6
FCE Bank plc Ireland	Bank	3	2	1	0.1
FCE Bank plc Italy	Bank	-	20	11	0.0
FCE Bank plc Portugal	Bank	7	2	0	0.3
FCE Bank plc Spain	Bank	70	20	4	(0.3)
FCE Bank plc UK	Bank	792	163	105	6.4
FCE Bank SA Oddzial w Polsce	Bank	10	0	(0)	-
Ford Bank GmbH	Bank	327	288	59	15.1
Ford Bank GmbH Austria Branch	Bank	10	1	0	0.1
FCE Credit s.r.o	Finance company	10	1	(0)	0.0
FCE Credit Hungary Zrt	Finance company	4	1	(0)	0.1
FCE Services Kft	Finance company		0	(0)	0.0
Ford Credit Switzerland GmbH	Finance company	15	9	4	3.8
Ford Credit Italia Spa	Finance company	70	64	31	0.1

(a) Total income is reported above on an IFRS basis at company level and does not include total income of the Structured Entities. It comprises net interest income plus net fees and commission income plus other operating income.

(b) Profit or (loss) before tax is reported above on an IFRS basis at company level and does not include the profits or losses of the Structured Entities.

FCE Bank plc UK includes both central office and UK market as per Note 35 'Segment Reporting'. For further details on the country of incorporation for the banks and finance companies, refer to European Operating Locations.

For further details on events after reporting period, refer to Note 39 'Events After The Reporting Period'.

39 EVENTS AFTER THE REPORTING PERIOD

There are no subsequent events recognised during the period.

European Operating Locations

The following table details the countries in which FCE operates through a branch or a subsidiary.

Location	Address
The Company's Branch locations	
AUSTRIA	Ford Bank Austria Zweigniederlassung der FCE Bank plc, Fuerbergstrasse 51, Postfach 2, A -5020 Salzburg
BRITAIN	FCE Bank plc, Arterial Road, Laindon, Essex SS15 6EE
FRANCE	FCE Bank plc, Succursale France, Immeuble Axe Seine, 1 rue du 1er Mai, CS 90209, 92752 Nanterre
GERMANY	Ford Bank Niederlassung der FCE Bank plc, Henry-Ford-Str. 1, 50735 Köln
IRELAND	FCE Bank plc, Elm Court, Boreenmanna Road, Cork 999937 IE
ITALY	FCE Bank plc, Via del Serafico 89 palazzina D, II piano (second floor) 00142 Roma
POLAND	FCE Bank SA Oddzial w Polsce, Marynarska Business Park, Tasmowa 7, 02-677 Warsaw
PORTUGAL	FCE Bank plc, Estrada Nacional 10, Km 131.200 - Parque Tejo, concelho de Vila Franca de Xira, União de Freguesias de Póvoa de Santa Iria e Forte da Casa, Portugal
SPAIN	FCE Bank plc Sucursal en España, Calle Caléndula, 13, 28109 Alcobendas, Madrid
The Group: FCE's European subsidiaries	
CZECH REPUBLIC	FCE Credit, s.r.o., Nile House, Karolinská 654/2, 186 00 Prague 8
GERMANY (a)	Ford Bank GmbH, Henry-Ford-Str. 1, 50735 Köln
HUNGARY	FCE Credit Hungária Zrt/FCE Services Szolgáltató Kft, 1138 Budapest, Népfürdő utca 22., Hungary
ITALY	Ford Credit Italia S.p.A, Via del Serafico 89 palazzina D, II piano (second floor) 00142 Roma
SWITZERLAND	Ford Credit (Switzerland) GmbH, Geerenstrasse 10, 8304 Wallisellen

(a) The newly launched Austria Branch consolidates into Ford Bank Germany.

Pillar 3 Disclosures

Unaudited

Pillar 3 Disclosures

Index of Pillar 3 Disclosure Requirements by subject area and CRR Article

The following table provides an overview of where information on each Pillar 3 requirement can be found in the Annual Report. Any disclosure requirement not listed in the table is detailed in the Non applicability statement on page 134.

Pillar 3 disclosure requirement	Brief description of requirement	Reference
Scope of consolidation: Article 436	- Any differences in the basis of consolidation for accounting & prudential purposes - Disclose if made use of provision allowing individual consolidation	- 'Pillar 3 Disclosures' - Basis of disclosure; page 134 - N/A. FCE only reports on a Solo & Consolidated basis
Risk management objectives and policies: Article 435	- Risk management & objectives for each risk category - An approved declaration on risk management adequacy - An approved risk statement on the risk profile of the business strategy - Governance arrangements	- 'Business Environment'; pages 12 - 20 - 'Business Environment'; page 20 - 'Business Environment'; page 12 - 'Governance'; pages 28– 35
Own funds: Article 437	- Reconciliation to financial statements - Calculation of Own funds - Terms & conditions of capital instruments	- 'Pillar 3 Disclosures' – Tables 1 & 2; page 135 - 'Pillar 3 Disclosures' – Table 14; page 151 - 'Pillar 3 Disclosures' – Table 15; pages 152 – 153
Capital requirements: Article 438	- Approach to assessing internal capital adequacy - 8% of the risk weighted exposure amounts for each exposure class of credit risk - Own funds requirement for foreign exchange risk and operational risk	- 'Business Performance'; page 9 - 'Pillar 3 Disclosures' – Table 6; pages 139 - 'Pillar 3 Disclosures' – Table 5; page 138
Exposure to counterparty credit risk: Article 439	- Method used to assign credit limits for counterparty credit exposures - Policies for the use of collateral and netting for counterparty credit exposures - Measures for counterparty credit risk exposure amounts - Notional value of credit derivatives and credit derivative hedges	- Note 29 – Credit risk; page 105 - Note 10 – Derivative Financial Instruments and Hedging Activities; pages 66 - 67 and Note 31 – Market risk; page 107 - 'Pillar 3 Disclosures' – Table 11; page 145 - N/A. FCE does not use credit derivatives
Capital buffers: Article 440	- Information in relation to compliance with the counter-cyclical buffer requirement	- 'Pillar 3 Disclosures' – Table 16 & Table 17; pages 154
Analysis of credit risk exposures: Article 442 c) – f) & Article 444	Each broken down by exposure class: - Total exposures & average exposures over the period, both after accounting offsets - Geographic distribution of exposures - Exposures split by industry or counterparty type (showing SMEs separately) - Exposures split by residual maturity	 - 'Pillar 3 Disclosures' – Table 6; page 139 - 'Pillar 3 Disclosures' – Table 9; page 143 - 'Pillar 3 Disclosures' – Table 8; page 142 - 'Pillar 3 Disclosures' – Table 10; page 144
Credit risk adjustments: Article 442 a), b), g), h) & i)	- Accounting definitions used for 'past due' & 'impaired' - Description of approach for determining specific & general credit risk adjustments - Reconciliation of changes in the specific & general credit risk adjustments - Impaired & past due exposures, specific & general credit risk adjustments, and charges to those adjustments during the period, broken down by counterparty type - Impaired & past due exposures split by geographical area	- Past Due in 'Glossary of Defined Terms'; page 165 & Impaired in 'Pillar 3 Disclosures' – Table 13a; page 147 - 'Note 13 – Allowance for Expected Credit Losses; page 74 and 'Pillar 3 Disclosures' – Table 12; page 146 - 'Pillar 3 Disclosures' – Table 12; page 146 - 'Pillar 3 Disclosures' – Table 13a)-d); pages 147 - 150 - 'Pillar 3 Disclosures' – Table 13e); page 150

Pillar 3 Disclosures

Unencumbered assets: Article 443	- Total amount of the balance sheet that is encumbered	- 'Pillar 3 Disclosures' – Tables 3 & 4; pages 136 & 137
Use of External Credit Assessment Institutions (ECAIs): Article 444	- Names of nominated ECAIs - The exposure classes for which each ECAI is used - The exposure amounts, including those after credit risk mitigation, associated with each credit quality step - The exposure amounts deducted from own funds	- 'Pillar 3 Disclosures' – Table 7; page 141 - 'Pillar 3 Disclosures' – Table 7; page 141 - 'Pillar 3 Disclosures' – Table 7; page 141 - 'Pillar 3 Disclosures' – Table 7; page 141
Exposure to market risk: Article 445	- Own funds requirement for each risk within market risk	- 'Pillar 3 Disclosures' – Table 5; page 138
Operational risk: Article 446	- Approaches for assessing own funds requirement that institution qualifies for - Description of factors considered in measurement approach	- 'Business Environment'; page 17 - 'Business Environment'; page 17
Exposure to interest rate risk on positions not included in the trading book: Article 448	- Nature of interest rate risk & frequency of its measurement - Relevant measure used by management for upward/downward shocks, broken down by currency	- 'Business Environment'; page 19 - Note 32b) – Interest rate risk; page 110
Remuneration Article 450	- Qualitative information on the remuneration for staff who have been assessed to have a material impact on FCE's risk profile - Quantitative remuneration information (split by Fixed and Variable elements)	 - 'Pillar 3 Disclosures' – Table 22; page 157
Leverage: Article 451	- The leverage ratio (LR) and how any transitional provisions have been applied - A breakdown of the total exposure measure and its reconciliation to the published financial statements - Description of the processes used to manage the risk of excessive leverage - The factors that had an impact on the LR during the period to which the ratio refers	- 'Pillar 3 Disclosures' – Table 19; page 155 - 'Pillar 3 Disclosures' – Table 19 & 20; page 155 & 156 - 'Pillar 3 Disclosures' – Table 21; page 156 - 'Pillar 3 Disclosures' – Table 21; page 156
Use of credit risk mitigation (CRM) techniques: Article 453	- Policies & processes for, and the extent to which, on and off-balance sheet netting is used - Description of the main types of collateral taken & the main types of guarantor - Total exposure amount covered by eligible collateral	- 'Pillar 3 Disclosures' – Table 1; page 135 - N/A. FCE currently only uses on balance sheet netting for its CRM

Overview

The Basel Committee of Banking Supervision (BCBS) first introduced consistent capital adequacy standards for internationally active financial institutions in its framework "Basel II" in 2004. This framework is structured around three pillars, which complement each other and are designed to promote market discipline, ultimately to ensure the safety and soundness of the financial sector.

Pillar 3 specifically aims at enhancing market discipline by requiring financial institutions to disclose the scope of application, capital adequacy, the capital risk exposures and risk assessment processes, and consequently by making this information accessible for other market participants. Pillar 3 is supplemented by Pillars 1 and 2, which set out the minimum capital requirements that firms are required to meet for credit, market and operational risk, and the supervisory review process respectively.

This chapter contains the remaining Pillar 3 disclosures required by Part Eight of the Capital Requirements Regulation (CRR) not already disclosed elsewhere in this Annual Report. All of the disclosures are subject to a thorough internal governance process and those that appear in the Financial Statements have been audited.

Pillar 3 Disclosures

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Pillar 3 Disclosures

Pillar 3 disclosure policy

FCE publishes its Pillar 3 disclosures at least annually, and has a policy in place to assess on a regular basis through the year the need to publish some or all of the disclosures more frequently if there is a significant change in the relevant characteristics of the business. It has also set a Materiality waiver which has been used in some of these disclosures where the mandatory templates specified by the EBA contain rows and columns for items that are not applicable to FCE's business model. Where these have been removed it is stated in the words accompanying the relevant table. Further waivers regarding the disclosure of non-material, proprietary or confidential information according to CRR Article 432 have not been applied.

Basis of disclosure

FCE reports on two prudential consolidation bases.

1) Consolidated: There is no difference between the accounting consolidation referred to as 'Group' in this report and 'FCE Consolidated'.
2) Solo: FCE is also required to report to the regulator on a Solo basis, which is materially similar to the accounting consolidation referred to as 'Company' in this report. Solo excludes FCE's subsidiaries but includes FCE's structured entities . Please see Note 20 'Investments in Other Entities' on page 91 for a full list of FCE's entities which are required for the purposes of Solo reporting.

The Pillar 3 disclosures in the Annual Report are shown only on a consolidated group basis. All of FCE's supervisory reports are based on UK adopted IFRS.

Non applicability and negative declarations

In principle, FCE observes all requirements stipulated in Part Eight, Titles II and III of the CRR. However certain requirements are not applicable to FCE and therefore are not disclosed in this report. In the interest of the clarity and transparency of this report, all requirements which are not applicable to FCE and the underlying reasoning are specified below along with negative declarations (in order of occurrence in the CRR):

- At FCE there is currently no material impediment to transfer own funds or liabilities between parent & subsidiaries, therefore Article 436 (c) does not apply
- All of FCE's subsidiaries are included in the consolidation, therefore Article 436 (d) does not apply
- At FCE there are currently no restrictions to the calculation of own funds, therefore Article 437 (1e) does not apply
- All capital ratios are calculated by FCE using own funds determined only on the basis laid down in the CRR, therefore Article 437 (1f) does not apply
- FCE calculates all of its capital ratios based on the standardised methods, therefore all Articles of the CRR referencing Internal Methods do not apply to FCE. This refers to, amongst others, the Internal Rating Based Method (IRB) for Credit Risk, the Internal Models Approach (IMA) for Market Risk and the Advanced Measurements Approach (AMA) for Operational Risk, and respectively Articles 438, 449, 452, 454-455 of the CRR
- FCE does not have any exposure to wrong way risk, therefore Article 439 (c) does not apply
- FCE's portfolio does not include any credit derivative exposures, therefore Article 439 (g-i) do not apply
- FCE has not been classified as a globally systemically important institution, therefore Article 441 does not apply
- FCE does not calculate its risk weighted exposure amounts in accordance with Articles 243, 337 & 338, because there is no significant risk transfer on securitisation transactions and FCE does not hold a trading book. Therefore Articles 444(c), 445 and 449 do not apply for the same reasoning.
- FCE only uses the standard associations regarding external ratings as published by the EBA, hence Article 444 (d) does not apply
- FCE has no derecognised fiduciary items in accordance with Article 429 (11), hence Article. 451 (1c) does not apply
- FCE applies credit risk mitigation techniques as described on page 135. This does not result in market or credit risk concentrations, therefore Article 453 (e) does not apply

Pillar 3 Disclosures

1 RECONCILIATION TO STATEMENT OF FINANCIAL POSITION - ASSETS

GROUP / CONSOLIDATED As at 31 December 2021 ASSETS	Own funds elements Statement of financial position £ mil	Deductions from CET1 £ mil	Tier 2 (T2) Items £ mil	Credit Risk Mitigation (On Balance Sheet Netting) £ mil	Subject to Credit Risk £ mil
Cash and cash equivalents	1,822	-	-	-	1,822
Derivative financial instruments	63	-	-	-	63
Other assets	320	-	-	-	320
Loans and advances to customers	12,602	-	-	(640)	11,962
Property and equipment	162	-	-	-	162
Right-of-use assets	17	-	-	-	17
Intangible assets	38	(38)	-	-	-
Income taxes receivable	6	-	-	-	6
Deferred tax assets	35	(20)	-	-	15
Investment in other entities	-	-	-	-	-
TOTAL ASSETS	**15,065**	**(58)**	**-**	**(640)**	**14,367**

The table above provides a reconciliation of the assets in FCE's Statement of Financial Position on page 48, to assets subject to credit risk prior to risk weighting. FCE's only form of Credit Risk Mitigation (CRM) is the use of on balance sheet netting where loans from parent entities are used to mitigate the exposures to Ford Motor Company and to some dealers.

2 RECONCILIATION TO STATEMENT OF FINANCIAL POSITION – LIABILITIES AND SHAREHOLDERS'EQUITY

GROUP / CONSOLIDATED As at 31 December 2021 LIABILITIES	Own funds elements Statement of financial position £ mil	Common Equity Tier 1 (CET1) Items £ mil	Tier 2 (T2) Items £ mil
Financial liabilities	6,987	-	310
Lease liabilities	17	-	-
Deposits	5,001	-	-
Derivative financial instruments	16	-	-
Other liabilities and provisions	235	-	-
Income taxes payable	40	-	-
Deferred tax liabilities	27	-	-
TOTAL LIABILITIES	**12,323**	**-**	**310**
SHAREHOLDERS' EQUITY			
Ordinary shares	614	614	-
Share premium	352	352	-
Retained earnings	1,776	1,776	-
TOTAL SHAREHOLDERS' EQUITY	**2,742**	**2,742**	**-**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**15,065**	**2,742**	**310**

Pillar 3 Disclosures

3 a) ENCUMBERED AND UNENCUMBERED ASSETS

Template A CONSOLIDATED For the year ended 31 December 2021		Carrying amount of encumbered assets Column 010 £ mil	Fair value of encumbered assets Column 040 £ mil	Carrying amount of unencumbered assets Column 060 £ mil	Fair value of unencumbered assets Column 090 £ mil
010	**Assets of the reporting institution**	**4,757**	**Not Required**	**10,730**	**Not Required**
020	Loans on demand	37	Not Required	1,551	Not Required
100	Loans and advances other than loans on demand	4,720	Not Required	8,533	Not Required
120	Other assets	-	Not Required	646	Not Required

3 b) ASSET ENCUMBRANCE – COLLATERAL RECEIVED

Template B CONSOLIDATED For the year ended 31 December 2021		Fair value of encumbered collateral received or own debt securities issued Column 010 £ mil	Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance Column 040 £ mil
250	**TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT**	**4,757**	**Not Required**

3 c) ASSET ENCUMBRANCE – SOURCES OF ENCUMBRANCE

Template C CONSOLIDATED For the year ended 31 December 2021		Matching liabilities, contingent liabilities or securities lent Column 010 £ mil	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered Column 030 £ mil
010	**Carrying amount of selected financial liabilities**	**1,753**	**4,757**
120	**Other sources of encumbrance**	**-**	**-**
170	**TOTAL SOURCES OF ENCUMBRANCE**	**1,753**	**4,757**

The tables above have been prepared according to the EBA's technical standards on asset encumbrance disclosure using their published templates, but with certain rows and columns omitted to reflect FCE's Materiality waiver. The amounts shown are the median of the values reported as at each quarter end during the year.

Pillar 3 Disclosures

4 ASSET ENCUMBRANCE – NARRATIVE INFORMATION

Template D

CONSOLIDATED

As at 31 December 2021

Asset encumbrance arises from securitisation programmes that generally include the transfer of loans and advances through a variety of programmes and structured entities. Such receivables have typically been sold for legal purposes to consolidated structured entities. Securities issued by the structured entity are, from time to time, purchased by FCE and used as collateral for financing received from central banks. The underlying assets in these transaction are considered unencumbered if they are not being used as security for central bank funding. Securitisation continues to represent an important portion of FCE's funding structure and it monitors the mix of its secured and unsecured funding sources within its funding plan seeking the benefits of diverse funding sources. As FCE is not fully isolated from the risks and benefits of securitisation transactions, it continues to recognise the carrying value of the transferred assets.

Pillar 3 Disclosures

5 PILLAR 1 CAPITAL REQUIREMENT SPLIT BY RISK TYPE

As at 31 December		2021		2020	
CONSOLIDATED		Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
Risk type	Approach	£ mil	£ mil	£ mil	£ mil
Credit risk (excl. Counterparty credit risk)	Standardised	10,238	819	13,491	1,079
Counterparty credit risk	Mark to Market	56	5	92	7
Total credit risk		**10,294**	**824**	**13,583**	**1,086**
Credit valuation adjustment (CVA) risk	Standardised	33	3	82	7
Market risk (Foreign exchange risk)	Standardised	170	14	491	39
Operational risk	Standardised	930	74	933	75
Total all risk types		**11,427**	**915**	**15,089**	**1,207**

The table above uses the following terms.

'Risk exposure amount' for credit risk and counterparty credit risk is the risk weighted exposure amount.

'Capital requirement' for credit risk and counterparty credit risk is 8% of the risk weighted exposure amount.

For the remaining Pillar 1 risk types, the capital requirement value is calculated directly by the method prescribed in the CRR.

Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

FCE has a Total Capital Requirement (TCR) that covers both Pillar 1 and Pillar 2 risk types. FCE's TCR as at 31 December 2021 was 11.1% (2020: 11.2%).

FCE is under the Bank of England's Special Resolution Regime and as such the Bank of England has set FCE's preferred resolution strategy as a modified form of insolvency procedure, taking into account the scale of its operations, business model and strategy. The Bank of England has set FCE's MREL as equal to its TCR.

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6 CREDIT RISK – TOTAL EXPOSURE AMOUNT AND AVERAGE EXPOSURE AMOUNT BEFORE AND AFTER CREDIT RISK MITIGATION (CRM)

CONSOLIDATED As at 31 December	Exposure amount after credit conversion factors		Capital Requirements		Exposure amount after credit conversion factors		Capital Requirements	
Exposure class	2021				2020			
On balance sheet exposures	Year end	Average	RWEA	Capital required	Year end	Average	RWEA	Capital required
	£ mil	£ mil	£ mil	£ mil	£ mil	£ mil	£ mil	£ mil
Corporates	3,656	4,155	3,656	292	5,704	6,652	5,704	456
Retail	8,522	9,051	6,075	486	9,824	9,806	7,018	562
of which: SME	1,777	1,834	1,016	81	1,961	1,981	1,121	90
Public sector entities	35	38	35	3	40	39	40	3
Central governments or central banks	1,599	1,216	-	-	2,046	1,627	-	-
Institutions	326	447	71	6	490	494	99	8
Exposures in default	96	118	144	11	216	261	324	26
Other items	21	23	21	2	32	35	31	2
Items below threshold for capital deduction	-	-	-	-	-	-	-	-
Central governments or central banks (DTA)	15	20	37	3	37	35	93	7
Institutions: (Investments)	-	-	-	-	-	-	-	-
Total on balance sheet	**14,270**	**15,068**	**10,039**	**803**	**18,389**	**18,949**	**13,309**	**1,064**
Off balance sheet exposures								
Corporates	13	25	13	1	38	38	38	3
Retail	247	213	186	15	193	145	144	12
Total off balance sheet	**260**	**238**	**199**	**16**	**231**	**183**	**182**	**15**
Total credit risk (excl. counterparty credit risk)	**14,530**	**15,306**	**10,238**	**819**	**18,620**	**19,132**	**13,491**	**1,079**
Derivatives								
Corporates	20	18	20	2	4	7	4	-
Institutions	154	171	36	3	270	310	88	7
Total counterparty credit risk	**174**	**189**	**56**	**5**	**274**	**317**	**92**	**7**
Total credit risk	**14,704**	**15,495**	**10,294**	**824**	**18,894**	**19,449**	**13,583**	**1,086**

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6 CREDIT RISK – TOTAL EXPOSURE AMOUNT AND AVERAGE EXPOSURE AMOUNT BEFORE AND AFTER CREDIT RISK MITIGATION (CRM) Continued

The Credit Risk exposures depicted in Table 6 on page 139 have all been calculated according to the standardised method.

The table uses the following terms:

'Corporates' relates to exposures to corporates where no credit assessment is available.

'SME' relates to exposures to small or medium sized enterprises within the Retail exposure class as defined in the CRR.

'Central governments or central banks' relates to exposures to EU member states and the UK, denominated and funded in Euros and Sterling respectively and are risk weighted at 0%.

'Institutions' relates to exposures of varying residual maturities.

'Items below threshold for capital deduction' relates to the items 'Deferred tax assets that arise from temporary differences' and 'Significant investments' which fall below the threshold for deduction from capital and are therefore risk weighted at 250%.

'Averages' are the mean of the amounts reported as at each quarter end during the year being reported.

'Risk Weighted Exposure Amount (RWEA)' is calculated by multiplying the exposure amount by the appropriate risk weight percentage. For exposure to SMEs, the SME supporting factor is applied.

'Capital required' is 8% of the risk weighted exposure amounts for each exposure class.

Additional information: In addition to the exposure classes shown in tables 6-10, FCE also has an exposure in the "Equities" exposure class but only when reporting on a Solo basis. As all of the Pillar 3 disclosures are provided only on an FCE Consolidated basis, that class is not shown and Article 447 (a-e) is therefore not applicable.

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7 CREDIT RISK – EXPOSURE AMOUNT AFTER CRM ANALYSED BY CREDIT QUALITY STEP

CONSOLIDATED **Exposure amount- After credit conversion factors**

As at 31 December	**2021**				**2020**			
Credit Quality Step	Public Sector Entities	Institutions	All other Exposure Classes	**Total**	Public Sector Entities	Institutions	All other Exposure Classes	Total
On balance sheet exposures	£ mil	£ mil	£ mil	**£ mil**	£ mil	£ mil	£ mil	£ mil
Credit Quality Step (CQS) 1	-	1	-	1	-	2	-	2
Credit Quality Step (CQS) 2	-	263	-	263	-	387	-	387
Credit Quality Step (CQS) 3	35	47	-	82	40	80	-	120
Credit Quality Step (CQS) 4	-	-	-	-	-	2	-	2
Uniform regulatory treatment	-	15	13,909	13,924	-	19	17,859	17,878
Total on balance sheet	**35**	**326**	**13,909**	**14,270**	**40**	**490**	**17,859**	**18,389**
Off balance sheet exposures								
Uniform regulatory treatment	-	-	260	260	-	-	231	231
Total off balance sheet	**-**	**-**	**260**	**260**	**-**	**-**	**231**	231
Total credit risk (excl. counterparty credit risk)	**35**	**326**	**14,169**	**14,530**	**40**	**490**	**18,090**	**18,620**
Derivatives								
Credit Quality Step (CQS) 1	-	-	-	-	-	-	-	-
Credit Quality Step (CQS) 2	-	52	-	52	-	91	-	91
Credit Quality Step (CQS) 3	-	17	-	17	-	80	-	80
Uniform regulatory treatment	-	85	20	105	-	99	4	103
Total counterparty credit risk	**-**	**154**	**20**	**174**	**-**	**270**	**4**	274
Total credit risk	**35**	**480**	**14,189**	**14,704**	**40**	**760**	**18,094**	**18,894**

Under the Standardised approach, defined exposure classes are risk weighted by first defining the relevant Credit Quality Step (CQS) of the counterparty. Where the counterparty is known to be rated by an External Credit Assessment Institution (ECAI), FCE uses the rating of Standard & Poor's (S&P) to determine which CQS to apply and then calculates the subsequent risk weighting**.**

The risk weightings for all other exposure classes are calculated without applying the credit quality step. These are shown in the rows labelled 'Uniform regulatory treatment' in the tables.

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8 CREDIT RISK – EXPOSURE AMOUNT AND RISK WEIGHTED EXPOSURE AMOUNT BY INDUSTRY TYPE

CONSOLIDATED

As at 31 December 2021 Exposure class	Ford dealers £ mil	Other corporates (incl. FMC owned) £ mil	SMEs £ mil	Private customers £ mil	Credit institutions £ mil	Central governments or central banks £ mil	Other £ mil	Total £ mil
Corporate	2,754	935	-	-	-	-	-	**3,689**
Retail	-	-	1,777	6,992	-	-	-	**8,769**
Public sector entities	-	-	-	-	-	-	35	**35**
Central governments or central banks	-	-	-	-	-	1,614	-	**1,614**
Institutions	-	-	-	-	480	-	-	**480**
Exposures in default	50	-	34	12	-	-	-	**96**
Other items	-	-	-	-	-	-	21	**21**
Total credit risk	**2,804**	**935**	**1,811**	**7,004**	**480**	**1,614**	**56**	**14,704**
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**
RWEA	**2,829**	**935**	**1,066**	**5,264**	**107**	**37**	**56**	**10,294**

As at 31 December 2020 Exposure class	Ford dealers £ mil	Other corporates (incl. FMC owned) £ mil	SMEs £ mil	Private customers £ mil	Credit institutions £ mil	Central governments or central banks £ mil	Other £ mil	Total £ mil
Corporate	4,282	1,464	-	-	-	-	-	**5,746**
Retail	-	-	1,961	8,056	-	-	-	**10,017**
Public sector entities	-	-	-	-	-	-	40	**40**
Central governments or central banks	-	-	-	-	-	2,083	-	**2,083**
Institutions	-	-	-	-	760	-	-	**760**
Exposures in default	156	-	17	43	-	-	-	**216**
Other items	-	-	-	-	-	-	32	**32**
Total credit risk	**4,438**	**1,464**	**1,978**	**8,099**	**760**	**2,083**	**72**	**18,894**
RWEA	**4,515**	**1,464**	**1,146**	**6,107**	**187**	**93**	**71**	**13,583**

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9 CREDIT RISK – EXPOSURE AMOUNT AND RISK WEIGHTED EXPOSURE AMOUNT BY GEOGRAPHICAL AREA

CONSOLIDATED **Exposure amount**

As at 31 December 2021 Exposure class	UK £ mil	Germany £ mil	Italy £ mil	Spain £ mil	France £ mil	Other £ mil	Total FCE £ mil
Corporate	844	1,305	337	158	459	586	**3,689**
Retail	3,140	2,646	2,011	459	384	129	**8,769**
Public sector entities	-	-	35	-	-	-	**35**
Central governments or central banks	323	1,194	23	64	-	10	**1,614**
Institutions	221	15	5	18	19	202	**480**
Exposures in default	5	15	66	1	4	5	**96**
Other items	16	3	-	-	-	2	**21**
Total credit risk	**4,549**	**5,178**	**2,477**	**700**	**866**	**934**	**14,704**
RWEA	**3,219**	**3,214**	**1,884**	**503**	**750**	**724**	**10,294**

CONSOLIDATED **Exposure amount**

As at 31 December 2020 Exposure class	UK £ mil	Germany £ mil	Italy £ mil	Spain £ mil	France £ mil	Other £ mil	Total FCE £ mil
Corporate	1,357	2,028	557	310	624	870	**5,746**
Retail	3,441	3,167	2,148	561	431	269	**10,017**
Public sector entities	-	-	40	-	-	-	**40**
Central governments or central banks	691	900	373	69	-	50	**2,083**
Institutions	273	23	18	28	83	335	**760**
Exposures in default	10	52	130	6	-	18	**216**
Other items	20	7	1	1	3	-	**32**
Total credit risk	**5,792**	**6,177**	**3,267**	**975**	**1,141**	**1,542**	**18,894**
RWEA	**4,006**	**4,370**	**2,345**	**744**	**960**	**1,158**	**13,583**

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10 CREDIT RISK – ASSETS BY RESIDUAL MATURITY

The tables within this note present the gross undiscounted contractual cash flows by FCE asset class with the equivalent exposure classes shown in brackets.

CONSOLIDATED As at 31 December 2021 Assets	Note	0-3 Months £ mil	4-12 Months £ mil	1-5 Years £ mil	5+ Years £ mil	Total £ mil
Cash and cash equivalents (institutions, central banks)	A	1,822	-	-	-	**1,822**
Derivative financial instruments (institutions, corporates)	C	5	28	33	-	**66**
- Retail/Lease (retail)	B	883	2,762	6,302	3	**9,950**
- Wholesale (corporates)	B	480	2,800	-	-	**3,280**
Loans and advances to customers	**B**	**1,363**	**5,562**	**6,302**	**3**	**13,230**
Operating leases (corporates)	B	76	83	-	-	**159**
Other assets (corporates, central governments, other items)	D	76	25	37	55	**193**
Total asset inflows		**3,342**	**5,698**	**6,372**	**58**	**15,470**

CONSOLIDATED As at 31 December 2020 Assets	Note	0-3 Months £ mil	4-12 Months £ mil	1-5 Years £ mil	5+ Years £ mil	Total £ mil
Cash and cash equivalents (institutions, central banks)	A	2,048	-	-	-	**2,048**
Derivative financial instruments (institutions, corporates)	C	11	53	31	-	**95**
- Retail/Lease (retail)	B	985	3,156	7,453	4	**11,598**
- Wholesale (corporates)	B	684	4,251	55	-	**4,990**
Loans and advances to customers	**B**	**1,669**	**7,407**	**7,508**	**4**	**16,588**
Operating leases (corporates)	B	105	206	-	-	**311**
Other assets (corporates, central governments, other items)	D	713	40	45	115	**913**
Total asset inflows		**4,546**	**7,706**	**7,584**	**119**	**19,955**

Note	Cash flows from assets are allocated to the appropriate time bands as follows:
A	Based on availability of 'cash and cash equivalents' as follows (Note 9 'Cash and Cash Equivalents' in the Financial Statements): • 'Cash and cash equivalents' classified by contractual maturity date.
B	Customer payments are assumed to occur on the latest contractual date and no behavioural adjustments are made for customer early settlements: • Retail finance and lease contracts and operating lease vehicles (reported within Note 15 'Property and equipment') generally require customers to pay equal monthly instalments over the life of the contract. • Wholesale financing for new and used vehicles held in dealers' inventory - A bullet repayment schedule is utilised as the principal is typically repaid in one lump sum at the end of the financing period.
C	Forward foreign exchange contracts, cross currency interest rate swaps and interest rate swaps are presented as settled on a net basis.
D	Classified according to the remaining period to maturity, including 'Restricted Cash' which are assumed to be amounts typically not available for use in day to day operations classified based on the latest possible repayment date.

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11 COUNTERPARTY CREDIT RISK - EXPOSURE AMOUNTAND NOTIONAL AMOUNT

As at 31 December CONSOLIDATED	2021				2020			
	MTM	Potential future exposure	Total exposure at default	Notional amount	MTM	Potential future exposure	Total exposure at default	Notional amount
	£ mil	£ mil	£ mil	£ mil	£ mil	£ mil	£ mil	£ mil
Interest rate contracts	51	66	117	14,411	66	131	197	22,143
Foreign exchange contracts	12	8	20	825	27	5	32	527
Total contracts	**63**	**74**	**137**	**15,236**	**93**	**136**	**229**	**22,670**

Memo:	2021	2020
	£ mil	£ mil
Collateral held / (posted)	(5)	14
Initial margin posted	37	45

FCE's exposure to counterparty credit risk is through interest rate and foreign exchange derivatives. The exposure amounts in the table above are calculated in line with the CRR mark-to-market (MTM) method.

With regards to Art. 439 (d), there would be no material impact to collateral requirements of existing contracts in the event of a deterioration of FCE's credit rating.

Please refer to Note 31 'Market Risk' for further details of FCE's Derivatives policies and controls.

The table above uses the following terms.

'Initial margin posted' is the value of Initial Margin cash collateral FCE has posted to a Qualifying Central Counterparty (CCP) in respect of clearing arrangements.

'Collateral held / (posted)' is the total net value of variation margin cash collateral received by FCE from the margining of derivative contracts.

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12 CREDIT RISK ADJUSTMENTS – RECONCILIATION OF MOVEMENTS

As at 31 December **CONSOLIDATED** **Reconciliation of movements**	**2021** **Total** **£ mil**	**2020** **Total** **£ mil**
Opening balance	**46**	**21**
Write Offs	(38)	(54)
Recoveries	31	28
Allowance for expected credit losses	(5)	49
FX movement	(1)	2
Closing balance	**33**	**46**
Income statement		
Charges - (Increase) / decrease	(26)	(77)
Recoveries	31	28
Total charged to income statement	**5**	**(49)**

The credit risk adjustments shown in the table all meet the regulatory definition of 'Specific credit risk adjustments' and equate to the value of FCE's allowance for expected credit losses at 31 December. See Note 13 'Allowance for Expected Credit losses' for further information.

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13 a) CREDIT QUALITY OF FORBORNE EXPOSURES

Tables 13a) – 13d) use the standard 4 templates issued by the EBA to show the values of forborne and non-performing exposures for banks who have an NPL ratio below the 5% threshold. FCE's Materiality waiver has then been used to omit certain rows and columns in those standard templates.

		A	b	c	d	e	f	g	h
	CONSOLIDATED **As at 31 December 2021**	**Gross carrying amount/nominal amount of exposures with forbearance measures**				**Accumulated impairment, accumulated negative changes in fair value due to credit risk and provision**		**Collateral received and financial guarantees received on forborne exposures**	
		Performing forborne	**Non-performing forborne**			**On performing forborne exposures**	**On non-performing forborne exposures**		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
		£ mil	**£ mil**	**£ mil**	**£ mil**	**£ mil**	**£ mil**	**£ mil**	**£ mil**
1	**Loans and Advances**	**71**	**109**	**109**	**109**	**-**	**(2)**	**131**	**74**
6	Non-financial corporations	42	77	77	77	-	(2)	84	49
7	Households	29	32	32	32	-	-	47	25
8	**Debt securities**	**-**	-	-	-	-	**-**	-	-
9	**Loan commitments given**	**-**	-	-	-	-	**-**	-	-
10	**Total**	**71**	**109**	**109**	**109**	**-**	**(2)**	**131**	**74**

	CONSOLIDATED **As at 31 December 2020**								
1	**Loans and Advances**	**64**	**235**	**48**	**235**	**-**	**(2)**	**252**	**202**
6	Non-financial corporations	32	169	46	169	-	(2)	183	156
7	Households	32	66	2	66	-	-	69	46
8	**Debt securities**	**-**	-	-	-	-	**-**	-	-
9	**Loan commitments given**	**-**	-	-	-	-	**-**	-	-
10	**Total**	**64**	**235**	**48**	**235**	**-**	**(2)**	**252**	**202**

'Impaired' for accounting purposes is a loan where, based on current information and events, it is probable that FCE will be unable to collect all amounts due (i.e. principal, interest and other related income) according to the contractual terms of the loan agreement.

FCE defines a **default** to have occurred in respect of any borrower (consumer and non-consumer) when the borrower satisfies **at least one** of the following default criteria in respect of the amount owed by the borrower to FCE:

- Primary Criterion: **Unlikely to pay** the total amount owed
- Secondary Criterion: **More than 90 days past due** in respect of a material amount owed, if not already meeting the primary criterion

Please also refer to Note 29 'Credit Risk' for more details on FCE's forborne exposures.

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13 b) CREDIT QUALITY OF PERFORMING AND NON-PERFORMING EXPOSURES BY PAST DUE DAYS

		a	b	c	d	e	f	g	h	i	j	k	l
	CONSOLIDATED	**Gross carrying amount/nominal amount**											
	As at 31 December 2021	**Performing exposures**			**Non-performing exposures**								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which de-faulted
		£ mil	**£ mil**	**£ mil**	**£ mil**	**£ mil**	**£ mil**	**£ mil**	**£ mil**	**£ mil**	**£ mil**	**£ mil**	**£ mil**
1	**Loans and Advances**	**12,508**	**12,485**	**23**	**127**	**79**	**5**	**14**	**29**	**-**	**-**	**-**	**127**
6	Non-financial corporations	4,863	4,858	5	86	47	2	8	29	-	-	-	86
7	Of which SMEs	1,678	1,673	5	34	25	1	8	-	-	-	-	34
8	Households	7,645	7,627	18	41	32	3	6	-	-	-	-	41
9	**Debt securities**	-	-	-	-	-	-	-	-	-	-	-	-
15	**Off-balance-sheet exposures**	**262**	Not Required		**-**	Not Required							**-**
20	Non-financial corporations	46			**-**								**-**
21	Households	216			-								-
22	**Total**	**12,770**	**12,485**	**23**	**127**	**79**	**5**	**14**	**29**	**-**	**-**	**-**	**127**
	CONSOLIDATED												
	As at 31 December 2020												
1	**Loans and Advances**	**15,588**	**15,557**	**31**	**262**	**190**	**15**	**50**	**4**	**3**	**-**	**-**	**72**
6	Non-financial corporations	6,595	6,588	7	185	126	9	43	4	3	-	-	59
7	Of which SMEs	1,839	1,832	7	17	14	2	1	-	-	-	-	3
8	Households	8,993	8,969	24	77	64	6	7	-	-	-	-	13
9	**Debt securities**	-	-	-	-	-	-	-	-	-	-	-	-
15	**Off-balance-sheet exposures**	**244**	Not Required		**-**	Not Required							**-**
20	Non-financial corporations	42			**-**								**-**
21	Households	201			**-**								**-**
22	**Total**	**15,832**	**15,557**	**31**	**262**	**190**	**15**	**50**	**4**	**3**	**-**	**-**	**72**

The gross Non-performing Loan ratio (NPL) as calculated from the values shown in the table above is 1.0% (2020: 1.7%). The non-performing exposure is £127 million as at 31st December 2021 (2020: £262 million) with the decrease primarily due to higher rescheduled dealers.

Please also refer to Note 13 'Allowance for Expected Credit losses' and Note 29 'Credit Risk' for more details on FCE's definitions of Performing and Non-performing. Please refer to the Glossary of Defined Terms for FCE's definition for accounting purposes of 'past due'.

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13 c) PERFORMING AND NON-PERFORMING EXPOSURES AND RELATED PROVISIONS

		a	b	c	d	e	f	g	h	i	j	m	n	o
	CONSOLIDATED	**Gross carrying amount/nominal amount**					**Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**					**Accumu-lated partial write-off**	**Collateral and financial guarantees received**	
	As at 31 December 2021	**Performing Exposures**			**Non-performing exposures**		**Performing exposures - accumulated impairment and provisions**			**Non-performing exposures - accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**			**On perform-ming expo-sures**	**On non-perfor-ming expo-sures**
			Of which			Of which		Of which						
			Stage 1	Stage 2		Stage 2	Stage 3		Stage 1	Stage 2				
		£ mil	**£ mil**	**£ mil**	**£ mil**	**£ mil**	**£ mil**	**£ mil**	**£ mil**	**£ mil**	**£ mil**	**£ mil**	**£ mil**	**£ mil**
1	**Loans and Advances**	**12,508**	**12,355**	**153**	**127**	**-**	**127**	**(31)**	**(30)**	**(1)**	**(2)**	**(38)**	**8,632**	**84**
6	Non-financial corporations	4,863	4,782	81	86	-	86	(10)	(9)	(1)	**(2)**	(18)	3,939	54
7	Of which SMEs	1,678	1,802	76	34	-	34	(8)	(7)	(1)	-	(18)	900	4
8	Households	7,645	7,573	72	41	-	41	(21)	(21)	-	-	(20)	4,693	30
9	**Debt securities**	**-**	-	-	-	-	-	-	-	-	**-**	-	-	-
15	**Off-balance-sheet exposures**	**262**	**262**	**-**	-	-	-	-	-	-	**-**	Not Required	-	-
20	Non-financial corporations	46	46	-	-	-	-	-	-	-	**-**		-	-
21	Households	216	216	-	-	-	-	-	-	-	**-**		-	-
22	**Total**	**12,770**	**12,617**	**153**	**127**	-	**127**	**(31)**	**(30)**	**(1)**	**(2)**	**(38)**	**8,632**	**84**

	CONSOLIDATED													
	As at 31 December 2020													
1	**Loans and Advances**	**15,588**	**14,504**	**1,084**	**262**	**-**	**262**	**(43)**	**(34)**	**(9)**	**(3)**	**(54)**	**10,508**	**223**
6	Non-financial corporations	6,595	6,231	364	185	-	185	(20)	(15)	(5)	**(3)**	(24)	5,422	171
7	Of which SMEs	1,839	1,569	270	17	-	17	(10)	(8)	(2)	-	(19)	896	11
8	Households	8,993	8,273	720	77	-	77	(23)	(19)	(4)	-	(30)	5,086	52
9	**Debt securities**	**-**	-	-	-	-	-	-	-	-	**-**	-	-	-
15	**Off-balance-sheet exposures**	**244**	**244**	**-**	-	-	-	-	-	-	**-**	Not Required	-	-
20	Non-financial corporations	42	42	-	-	-	-	-	-	-	**-**		-	-
21	Households	201	201	-	-	-	-	-	-	-	**-**		-	-
22	**Total**	**15,832**	**14,748**	**1,084**	**262**	-	**262**	**(43)**	**(34)**	**(9)**	**(3)**	**(54)**	**10,508**	**223**

The collateral and financial guarantees received is £8,716 as at 31st December 2021 (2020: £10,731m). The decrease is due to the reduction in Wholesale Receivables whereby lower collateral is held against a lower receivable base. Refer to the footnotes in Table 13b) for further details.

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13 d) COLLATERAL OBTAINED BY TAKING POSSESSION AND EXECUTION PROCESSES

		2021		2020	
		a	b	a	b
		Collateral obtained by taking possession		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
		£ mil	£ mil	£ mil	£ mil
1	**Property, plant and equipment (PP&E)**	-	-	-	-
2	**Other than PP&E**	**3**	-	**4**	-
	Movable property (auto)	3	**-**	4	**-**
8	**Total**	**3**	-	**4**	-

Table 13d) shows the value of the repossessions that FCE has undertaken.

13 e) GEOGRAPHICAL DISTRIBUTION OF IMPAIRED AND PAST DUE EXPOSURES

The tables below show amounts by geographical area based on the location of the FCE branches and subsidiaries.

		a	b	c	d	e	f	g	h	i	j	k	l
	CONSOLI-DATED As at 31 December 2021	Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which impaired
		£ mil	£ mil	£ mil	£ mil	£ mil	£ mil	£ mil	£ mil	£ mil	£ mil	£ mil	£ mil
1	UK	4,331	4,325	6	16	13	1	2	-	-	-	-	16
2	Germany	3,719	3,714	5	21	18	1	2	-	-	-	-	21
3	Italy	2,342	2,335	7	75	38	1	7	29	-	-	-	75
4	Spain	607	605	2	4	3	1	-	-	-	-	-	4
5	France	821	819	2	6	3	-	3	-	-	-	-	6
6	Other	688	687	1	5	4	1	-	-	-	-	-	5
7	**Total**	**12,508**	**12,485**	**23**	**127**	**79**	**5**	**14**	**29**	**-**	**-**	**-**	**127**
	As at 31 December 2020												
1	UK	5,098	5,086	12	29	20	4	5	-	-	-	-	29
2	Germany	4,847	4,842	5	62	60	1	1	-	-	-	-	62
3	Italy	2,671	2,663	8	134	85	8	41	-	-	-	-	134
4	Spain	843	840	3	10	9	1	-	-	-	-	-	10
5	France	1,014	1,013	1	5	2	-	3	-	-	-	-	5
6	Other	1,115	1,113	2	22	14	1	-	4	3	-	-	22
7	**Total**	**15,588**	**15,557**	**31**	**262**	**190**	**15**	**50**	**4**	**3**	**-**	**-**	**262**

Pillar 3 Disclosures

14 CALCULATION OF OWN FUNDS

The table below uses the standard template issued by the EBA to show the composition of FCE's own funds but with certain rows and columns omitted to reflect FCE's Materiality waiver.

CONSOLIDATED As at 31 December		2021	2020
Common Equity Tier 1 (CET1) capital: instruments and reserves		**£ mil**	**£ mil**
1	Capital instruments and the related share premium accounts	966	966
	of which: share capital and share premium	966	966
2	Retained earnings	1,559	1,706
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	217	331
6	**Common Equity Tier 1 (CET 1) capital before regulatory adjustments**	**2,742**	**3,003**
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
8	Intangible assets (net of related tax liability) (-)	(38)	(33)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3)	(20)	(22)
28	**Total regulatory adjustments applied to Common Equity Tier 1 (CET1)**	**(58)**	**(55)**
29	**Common Equity Tier 1 (CET1) capital**	**2,684**	**2,948**
45	**Tier 1 capital (T1= CET1 + Additional Tier 1 (AT1) capital)**	**2,684**	**2,948**
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	248	250
48	Qualifying own funds instruments included in consolidated T2 capital issued by subsidiaries and held by third parties	62	89
58	**Tier 2 (T2) capital**	**310**	**339**
59	**Total capital (TC = T1 + T2)**	**2,994**	**3,287**
60	**Total risk weighted assets**	**11,427**	**15,089**
Capital ratio and buffers		**2021 %**	**2020 %**
61	**Common Equity Tier 1 (as a percentage of total risk exposure amount)**	**23.49**	**19.54**
62	**Tier 1 (as a percentage of total risk exposure amount)**	**23.49**	**19.54**
63	**Total capital (as a percentage of total risk exposure amount)**	**26.20**	**21.79**
64	**Institution specific buffer requirement (as a percentage of total risk exposure amount)**	**2.50**	**2.50**
65	of which: capital conservation buffer requirement	2.50	2.50
66	of which: countercyclical buffer requirement	0.00	0.00
68	**Common Equity Tier 1 available to meet buffers (as a percentage of total risk exposure amount)**	**15.15**	**10.63***
Amounts below the thresholds for deductions		**2021 £ mil**	**2020 £ mil**
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	-
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	15	37

* Restated

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15 CAPITAL INSTRUMENTS' MAIN FEATURES

As at 31 December 2021	Capital Instruments: Main features					
Main features	**Tier 1**	**Tier 2**				
Issuer	FCE Bank Plc	FCE Bank Plc	FCE Bank Plc	FCE Bank Plc	Ford Bank GmbH	Ford Bank GmbH
Unique Identifier (e.g. CUSP, ISIN, or Bloomberg identifier for private placement)	N/A	N/A	N/A	N/A	N/A	N/A
Governing law(s) of the instrument	England and Wales	England and Wales	England and Wales	England and Wales	Germany	Germany
Regulatory treatment						
Transitional CRR rules	Common-Equity Tier 1	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
Post-transitional CRR rules	Common-Equity Tier 1	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
Eligible at solo/(sub-) consolidated /solo & (sub-) consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Consolidated	Consolidated
Instrument type (types to be specified by each jurisdiction)	Ordinary Shares	Subordinated Debt	Subordinated Debt	Subordinated Debt	Subordinated Debt	Subordinated Debt
Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	£966m (includes £352m share premium)	£165m	£50m	£33m	£79m	£37m
Nominal amount of instrument	£1 per share	£165m	£50m	€40m / £33m	€95m / £79m	€44m / £37m
Issue price	100%	100%	100%	100%	100%	100%
Redemption price	N/A	100%	100%	100%	100%	100%
Accounting classification	Shareholder's Equity	Liabilty	Liabilty	Liabilty	Liabilty	Liabilty
Original date of issuance	11th October 1963	6th October 2000	30th December 2016	22nd December 2017	1st July 2018	26th February 2019
Perpetual or dated	Perpetual	Dated	Dated	Dated	Dated	Dated
Original maturity date	N/A	18th March 2030	18th March 2030	18th March 2030	1st July 2028	26th February 2029
Issuer call subject to prior supervisory approval	No	No	No	No	No	No
Optional call date, contingent call dates and redemption amount	No	No	No	No	No	No
Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A	N/A
Coupons / dividends						
Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating	Floating	Floating
Coupon rate and any related index	N/A	Sonia Compounded over 3 mo + 3.91%	Sonia Compounded over 3 mo + 3.91%	3 m Euribor + 3.33%	3 m Euribor + 3.33%	3 m Euribor + 3.33%
Existence of a dividend stopper	N/A	No	No	No	No	No
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
Existence of step up or other incentive to redeem	No	No	No	No	No	No
Noncumulative or cumulative	Noncumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A
If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A
If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A
If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A

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15 CAPITAL INSTRUMENTS' MAIN FEATURES CONTINUED

As at 31 December 2021	Capital Instruments: Main features					
Main features	**Tier 1**	**Tier 2**				
Convertible or non-convertible						
If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A
Write-down features	No	No	N/A	N/A	No	No
If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A
If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A
If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A
If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated debt	Unsecured debt	Unsecured debt	Unsecured debt	Unsecured debt	Unsecured debt
Non-compliant transitioned features	No	No	No	No	No	No
If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A

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16 GEOGRAPHICAL DISTRIBUTION OF CREDIT EXPOSURES RELEVANT FOR THE CALCULATION OF THE COUNTERCYCLICAL CAPITAL BUFFER

CONSOLIDATED	Credit Exposures		Own Funds Requirements	
As at 31 December 2021 010 Breakdown by Country	Exposure amount for SA Column 010	Own funds requirements Column 070 & 100	Own funds weights Column 110	Countercyclical capital rate Column 120
	£ 000	£ 000		
Bulgaria	445	36	0.000	0.500%
Czech Republic	48,142	3,351	0.004	0.500%
Hong Kong	8,500	680	0.001	1.000%
Luxembourg	146	8	0.000	0.500%
Slovakia	3,021	242	0.000	1.000%
All other countries	12,515,647	804,787	99.995	0.000%
020 Total	12,575,901	809,104	100.000	0.003%

CONSOLIDATED	Credit Exposures		Own Funds Requirements	
As at 31 December 2020 010 Breakdown by Country	Exposure amount for SA Column 010	Own funds requirements Column 070 & 100	Own funds weights Column 110	Countercyclical capital rate Column 120
	£ 000	£ 000		
Bulgaria	9	1	0.000	0.500%
Czech Republic	64,230	5,138	0.005	0.500%
Hong Kong	4.383	351	0.000	1.000%
Luxembourg	85	7	0.000	0.250%
Norway	1	-	0.000	1.000%
Slovakia	2.153	172	0.000	1.000%
All other countries	13,192,564	1,055,405	99.995	0.000%
020 Total	**13,263,425**	**1,061,074**	**100.000**	**0.003%**

The tables above use the standard template issued by the EBA to show the distribution of relevant credit exposures for the calculation of an institution's countercyclical capital buffer (CCyB), with certain rows and columns omitted to reflect FCE's Materiality waiver.

The tables show only the countries that had CCyB rates recognised by the Financial Policy Committee (FPC) in the UK at above zero, and FCE had exposures to those countries as at the reporting date of each table.

17 AMOUNT OF INSTITUTION-SPECIFIC COUNTERCYCLICAL CAPITAL BUFFER

CONSOLIDATED	2021	2020
As at 31 December	£ mil	£ mil
010 Total risk exposure amount	11,427	15,089
020 Institution specific countercyclical capital buffer rate	0.00%	0.00%
030 Institution specific countercyclical capital buffer requirement	-	-

The table above uses the standard template issued by the EBA to show the value and rate of a firm's institution-specific countercyclical capital buffer requirement and shows FCE's value and rate as at 31 December 2021 and 2020.

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18 RECONCILIATION OF THE LEVERAGE EXPOSURE MEASURE TO STATEMENT OF FINANCIAL POSITION – ASSETS

The leverage tables on the pages which follow show the values as calculated under the leverage ratio delegated regulation, adopted by the European Commission in January 2015 and subsequently onshored into UK legislation following the UK's exit from the EU.

All tables have been prepared using the standard templates issued by the EBA with certain rows and columns omitted to reflect FCE's Materiality waiver.

The table below provides a reconciliation of FCE's assets as shown in the Statement of Financial Position on page 47 to the exposure measure used in the calculation of the leverage ratio.

		Applicable Amounts	
LRSum			
CONSOLIDATED		**2021**	**2020**
As at 31 December		**£ mil**	**£ mil**
1	**Total assets as per published financial statements**	**15,065**	**19,534**
4	Adjustments for derivative financial instruments	74	136
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	753	589
7	Other adjustments	(58)	(55)
8	**Total leverage ratio exposure**	**15,834**	**20,204**

19 BREAKDOWN OF LEVERAGE EXPOSURE MEASURE AND CALCULATION OF LEVERAGE RATIO

		CRR leverage ratio exposures	
LRCom			
CONSOLIDATED		**2021**	**2020**
As at 31 December		**£ mil**	**£ mil**
	On balance sheet exposures (excluding derivatives & SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	15,002	19,441
2	(Asset amounts deducted in determining Tier 1 capital)	(58)	(55)
3	**Total on balance sheet exposures (excluding derivatives & SFTs)**	**14,944**	**19,386**
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	63	93
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	74	136
11	**Total derivative exposures**	**137**	**229**
	Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	5,423	3987
18	(Adjustments for conversion to credit equivalent amounts)	(4,670)	(3398)
19	**Other off-balance sheet exposures**	**753**	**589**
	Capital and total exposures		
20	**Tier 1 capital**	**2,684**	**2,948**
21	**Total leverage ratio exposures**	**15,834**	**20,204**
22	**Leverage ratio**	**16.95%**	**14.59%**

FCE's leverage ratio as at 31st December 2021 is 16.95% (2020: 14.59%), well above the regulatory expectation of 3.25% applicable to Banks of FCE's size and business model for periods after 1st January 2022.

Pillar 3 Disclosures

20 BREAKDOWN OF LEVERAGE EXPOSURE MEASURE BY EXPOSURE CLASS

LRSpl CONSOLIDATED As at 31 December		CRR leverage ratio exposures 2021 £ mil	 2020 £ mil
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures), of which:**	**15,002**	**19,441**
EU-2	Trading book exposures		-
EU-3	**Banking book exposures, of which:**	**15,002**	**19,441**
EU-5	Exposures treated as sovereigns	1,634	2,105
EU-6	Exposures to regional governments, MDB, international organisations & PSE NOT treated as sovereigns	35	40
EU-7	Institutions	362	535
EU-9	Retail exposures	8,522	9,824
EU-10	Corporate	4,296	6,656
EU-11	Exposure in default	94	216
EU-12	Other exposures (e.g. equity, securitisations and other non-credit obligation assets)	59	65

The table above gives a breakdown by exposure class of the on balance sheet element of the leverage exposure measure as shown in Table 19.

21 QUALITATIVE DISCLOSURE ON MANAGEMENT OF LEVERAGE RATIO

LRQua CONSOLIDATED As at 31 December 2021		
1	Description of the process used to manage the risk of excessive leverage	The capital position and leverage ratio are managed within FCE's Risk Appetite Framework and monitored by the Asset and Liability Management Committee (ALCO). This committee monitors the compliance and performance of the Leverage ratio to the long-term plan on a monthly basis. Management actions are recommended to the ALCO to prevent the Group from being excessively leveraged and to seek to ensure that capital ratios remain in excess of minimum capital requirements in normal circumstances and in stress. If the leverage ratio declines beneath internal minimum thresholds, then plans to return the leverage ratio to minimum thresholds would be implemented immediately.
2	Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers	The leverage ratio is primarily affected by the level of Tier 1 capital and exposures. In 2021 the semi-conductor shortage has led to a reduction in exposures.

Pillar 3 Disclosures

22 REMUNERATION DISCLOSURE

Introduction

This section includes information which is required to be disclosed in accordance with Pillar 3, as defined by the Capital Requirements Regulation Article 450. It relates to those staff whose professional activities have a material impact on the firm's risk profile (Material Risk Takers). A total of 58 individuals were categorised as being Material Risk Takers in 2021. FCE (the Bank) confirms that it meets the requirements of the regulators Remuneration Code in all its aspects.

Background

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 Remuneration Committee (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

Pillar 3 Disclosures

22 REMUNERATION DISCLOSURE CONTINUED

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 is reviewed annually and most recently was approved at the Bank's Remuneration Committee meeting on 8th June 2021.

As detailed above, 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, (as defined in the PRA Rulebook and applicable as a UK Bank), are employees whose professional activities could have a material impact on the risk profile of the firm. 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
- J Reed: Senior Independent Non-Executive Director
- T Ferreira: Independent Non-Executive Director
- B O'Connor: Independent Non-Executive Director

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.

Pillar 3 Disclosures

22 REMUNERATION DISCLOSURE CONTINUED

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)

Awards for Material Risk Takers include malus and clawback 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 Regulator's 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 for UK employees), as approved by the shareholder on 1st January 2014.

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.

Pillar 3 Disclosures

22 REMUNERATION DISCLOSURE CONTINUED

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.

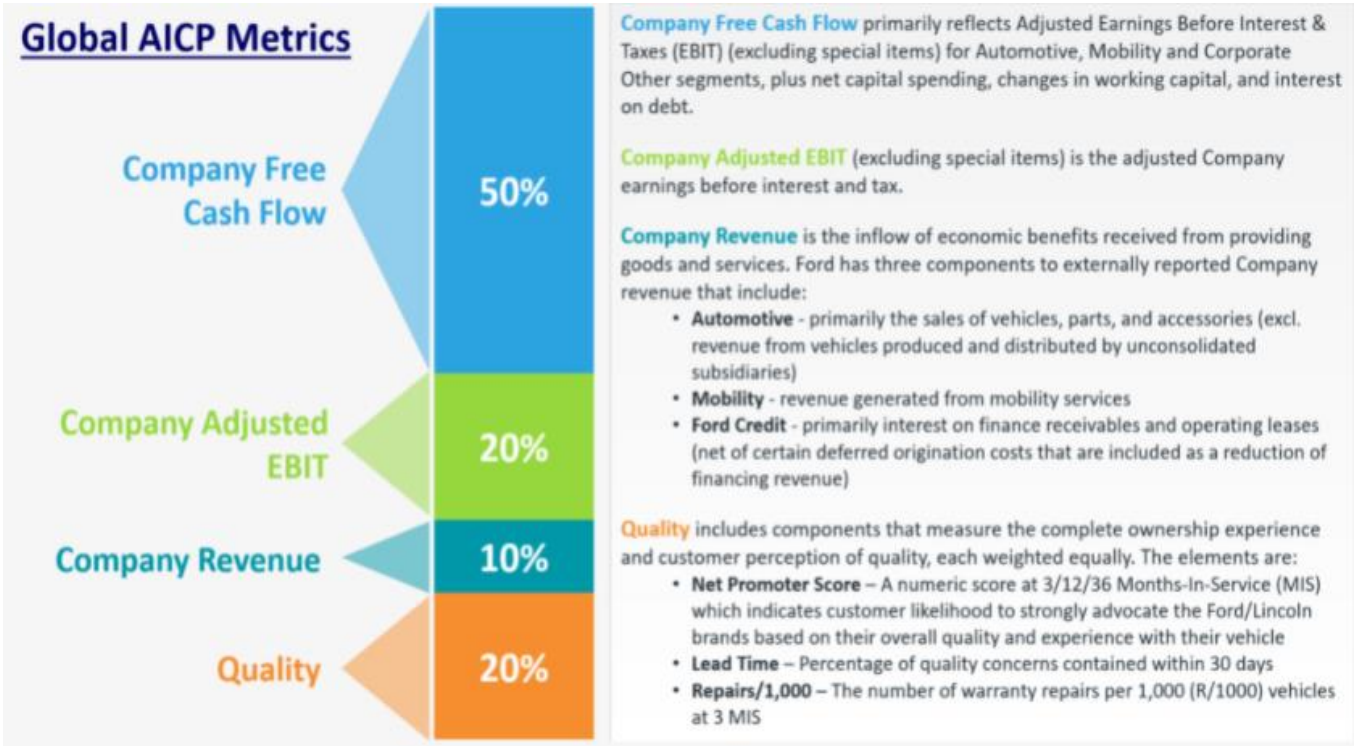
Managers at mid-level and above participate in the Annual Incentive Compensation Plan (AICP) of the Ford Motor Company. The awards are made on a discretionary basis and based upon performance of the business. The awards are made for performance across a calendar year, and pay-out is made the following 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 5% (December 2021) of the Bank's total employees.

Under AICP, the Shareholder sets annual monetary target awards based on assumed 100% pay-out 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 pay-out percentage, represents the overall cost of the programme.

The AICP pay-out 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 section. For 2021 performance year, the following Ford Global performance metrics and respective weightings are used as the basis for determining FCE incentive award pay-outs.



Pillar 3 Disclosures

22 REMUNERATION DISCLOSURE CONTINUED

The actual pay-out 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”).

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 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 programme comprising time-based and performance-based restricted stock units. This is known as the LTI Plan. As above, participating employees amount to 5% (December 2021) of the Bank’s total employees.

The Plan is designed to reward and incentivise 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 initial awards for each management level. The number of Restricted Stock Units (RSUs) awarded to an employee is determined based on the Fair Market value 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.

Pillar 3 Disclosure

22 REMUNERATION DISCLOSURE CONTINUED

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

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.

Key Remuneration Data

The following data reflects base pay delivered in the performance year of 2021, and variable pay relating to performance in 2021, (delivered in 2022). The bank is not structured in such a way to breakdown the data by business area.

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.

	2021 Performance (2022 Pay-out) £ mil				2020 Performance (2021 Pay-out) £ mil			
Remuneration	**Number of staff**	**Fixed (Base)**	**Variable (AICP)**	**Variable (LTIP)**	**Number of staff**	**Fixed (Base)**	**Variable (AICP)**	**Variable (LTIP)**
Total Aggregate Remuneration	58	5.0	0.8	0.6	98	8.4	0.5	0.7
Senior Managers	4	0.7	0.4	0.4	4	0.6	0.2	0.2
Material Risk Takers	54	4.3	0.5	0.2	94	7.8	0.3	0.5

Other Information

Glossary of Defined Terms

2021 Annual Report-FCE's consolidated annual financial statements as at and for the year ended 31 December 2021.

Average net loans and advances to customers-The balance of net loans and advances to customers at the end of each month divided by the number of months within the reporting period.

CET1 Capital-Common Equity Tier 1 capital as defined in the Capital Requirements Regulation. This is the top quality capital tier within Own Funds.

CET1 Capital Ratio-Common Equity Tier 1 capital divided by the end of period risk exposure amount.

Company-Means FCE Bank plc including all its European Branches, but excluding its subsidiaries and SEs.

CRR-The Capital Requirements Regulation (EU/575/2013).

Dealer or Dealership-A wholesaler franchised directly by Ford, to provide vehicle sales, service, repair and financing.

EMTN European Medium Term Note Programme launched by FCE for the issue of Notes, including retail securities, to both institutional and retail investors listed. FCE has 2 EMTN Programmes, one listed on the Luxembourg's Stock Exchange (launched in 1993, with issuance limit of €15 billion) and one on the Irish Stock Exchange (launched in 2021, with issuance limit of €10 billion).

Europe-The 12 markets where FCE provided financial services. These were: Austria, Britain, Czech Republic, France, Germany, Hungary, Ireland, Italy, Poland, Portugal, Spain, and Switzerland.

FCA-The Financial Conduct Authority is the statutory body responsible for conduct regulation and supervision of UK authorised firms (from 1 April 2013), also the prudential regulator for financial services firms not prudentially regulated by the PRA.

FCI-Ford Credit International LLC, a company incorporated under the laws of Delaware USA and a direct subsidiary of Ford Credit.

FCSH-FCSH GmbH a limited liability company incorporated under the laws of Switzerland and a direct subsidiary of FCI.

Ford ECO-Ford ECO GmbH a limited liability company incorporated under the laws of Switzerland and a direct subsidiary of FCI.

Ford Credit or FMCC-Ford Motor Credit Company LLC, a limited liability company organised under the laws of Delaware USA and an indirect wholly owned subsidiary of Ford.

Ford-Ford Motor Company, a company incorporated under the laws of Delaware USA and the Group's ultimate parent company. In some cases, this term may mean Ford Motor Company and all or some of its affiliates.

Full Service Leasing or FSL-Fixed monthly vehicle rental for customers, including ongoing maintenance and disposal of vehicle at the end of the hire period. Typically FCE retains responsibility for marketing and sales, for which it receives a fee income, and externalises the finance, leasing, maintenance and repair services for current and future portfolios of commercial operating leases to a preferred third party under the 'Ford Lease' or 'Ford Business Partner' brand.

Guaranteed residual value - refers to the 10% residual value guarantee by Ford Werke.

Gross loans and advances to customers-Total payments remaining to be collected on loans and advances to customers (refer to Note 12 'Loans and advances to customers').

Group or FCE-Means the Company and its subsidiaries and SEs.

IAS-International Accounting Standards.

ICAAP-Internal Capital Adequacy Assessment Process. FCE's annual process, as defined in PRA regulation, by which is assesses the level of capital that is adequate to cover the risks to which it is or might be exposed, incorporating stress testing, scenario analysis and consistent with its risk appetite.

IFRS-International Financial Reporting Standards.

ILAAP-Internal Liquidity Adequacy Assessment Process. FCE's annual process, as defined in PRA regulation, by which it identifies, measures, manages and monitors liquidity and funding risks under stress scenarios and across different time horizons, consistent with its risk appetite.

Glossary of Defined Terms

Net loans and advances to customers-Loans and advances to customers as reported in the balance sheet representing 'Gross loans and advances to customers' including any deferred costs/fees and less provisions and unearned finance income and unearned interest supplements from related parties.

Operating lease-Contracts where the assets are not wholly amortised during the primary period and where the lessor may not rely on rentals for his profit but may look for recovery of the balance of his costs and of his profits from the sale of the recovered asset at the lease end. Contract hire is a variation of operating lease.

Own Funds-The own funds of an institution is the sum of its Tier 1 and Tier 2 capital.

Past Due- Is where any amount of principal, interest or fee has not been paid at the date it was due. The exposure value is the whole carrying amount.

Pillar 1-The part of the Basel framework which sets the minimum capital requirements for institutions to hold.

Pillar 2-Supervisory Review Process where regulators evaluate the activities and risk profiles of individual institutions to determine whether they should hold higher levels of capital than the minimum capital requirements of Pillar 1.

Pillar 3-The pillar of the Basel framework which focuses on the public disclosures of institutions with the aim of enhancing transparency for all stakeholders.

PRA-The Prudential Regulation Authority is the statutory body responsible for the prudential regulation of banks, building societies, credit unions, insurers and major investment firms in the UK (from 1 April 2013). The PRA is a subsidiary of the Bank of England.

Public / Private securitisation-Public transactions relate to the asset-backed securities which are publicly traded and private transactions relate to sales directly to an individual, or small number of, investor(s).

Retail-The part of FCE's business that offers vehicle financing and leasing products and services to individual consumers, sole traders and businesses introduced through a Dealer or Dealership that has an established relationship with FCE.

Risk Based Equity or RBE- For segment performance measurement, FCE assigns RBE based on an assessment of the inherent risk in each location's portfolio. Aligned with this, location borrowing cost is adjusted versus that reported under IFRS, to reflect the cost impact of changes in the level of debt that would be required to match the revised equity requirements.

Risk Exposure Amount-For credit risk, (including counterparty credit risk), the risk exposure amount is the risk weighted exposure amount. For Credit Valuation Adjustment, (CVA risk), market risk and operational risk, the Pillar 1 capital requirement is calculated initially according to the rules contained in the CRR and the risk exposure amount derived from that (by applying a factor of 12.5).

Risk Weighted Exposure Amount or RWEA-For credit risk, (including counterparty credit risk), the risk weighted exposure amount is the value of the exposures multiplied by the appropriate percentage risk weighting of the relevant exposure class as defined in the CRR.

Securitisation-A technique for raising finance from income-generating assets such as loans by redirecting their cash flow to support payments on securities backed by those underlying assets. Legally the securitised assets generally are transferred to and held by a bankruptcy-remote SE. FCE normally would be engaged as a servicer to continue to collect and service the securitised assets. FCE also engages in other structural financing and factoring transactions that have similar features to securitisation and also are referred to as 'securitisation' in this report.

Structured Entities or SE-a bankruptcy-remote entity whose operations are limited to the acquisition and financing of specific assets (which may include the issue of asset backed securities and making payments on these securities) and in which FCE usually has no legal ownership or management control.

Tier 1 Capital-As FCE has no additional Tier 1 capital, its Tier 1 capital is the same as its CET1 capital and comprises shareholder funds net of certain deductions.

Tier 2 Capital-FCE's Tier 2 capital comprises of subordinated debt.

Total Capital Ratio-FCE's Own Funds divided by the end of period risk exposure amount.

Wholesale-The part of FCE's business that offers financing of a wholesaler's inventory stock of new and used vehicles, parts and accessories. May also be known as dealer floor-plan or stocking finance. May also include other forms of financing provided to a wholesaler by FCE such as capital or property loans, improvements in dealership facilities and working capital overdrafts.

Website addresses

Additional data and web resources, including those listed below, can be obtained from the following web addresses:

Additional data	Website addresses
FCE Bank plc.	
• 'Annual Report' • 'Pillar 3 Disclosures (remuneration)' Footnote 1 • 'Pillar 3 Disclosures (excl. Remuneration)' Footnote 1 • Management Statement	http://www.fcebank.com/investor-center
Ford Motor Company (Ultimate Parent Company) including:	
• 'Quarterly Reports' • 'Annual Reports' • 'SEC Filings' Footnotes 2 and 3	http://corporate.ford.com/investors.html To access from the above link click on 'Reports and Filings' within the 'Investors' menu.
Ford Motor Credit Company including:	
• 'Company Reports' Footnote 3 • 'Company Events' • 'Asset-Backed Securitisation' Footnote 4	http://credit.ford.com/investor-center
Luxembourg's Stock Exchange which includes	
• Euro Medium Term Note Base Prospectus (refer to Note 21 'Financial Liabilities')	https://www.bourse.lu To access search for 'FCE'
Irish Stock Exchange which includes	
• 2021 Euro Medium Term Note Base Prospectus (refer to Note 21 'Financial Liabilities')	https://www.centralbank.ie/regulation/industry-market-sectors/securities-markets/prospectus-regulation/prospectuses To access search for 'FCE'
Financial Reporting Council	
• The UK Corporate Governance Code	https://www.frc.org.uk/Our-Work/Codes-Standards/Corporate-governance.aspx

Additional information

Footnote 1: From 2015, FCE's Pillar 3 disclosures (excluding Remuneration) are included in the Annual Report. From 2020, FCE's Pillar 3 disclosures (remuneration) are included in the Annual Report. For prior years, separate documents were produced.

Footnote 2: Securities and Exchange Commission (SEC)

Footnote 3: SEC filings include both SEC Form 10-K Annual Report and SEC Form 10-Q Quarterly Reports

Footnote 4: 'Asset-Backed Securitisation' incorporates European retail public securitisation data including the following report types:

- Prospectuses
- Monthly Investor Reports