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FCE Bank plc

INTERIM REPORT AND FINANCIAL STATEMENTS

for the half year ended 30 June 2012

2012

Definitions

Definitions

For the purpose of this report the term

i '**2011 Annual Report and Accounts**' means FCE's consolidated annual financial statements as at and for the year ended 31 December 2011

ii '**Interim Report**' means FCE's consolidated interim report and financial statements as at and for the half year ended 30 June 2012

iii. '**Company**' means FCE Bank plc including all its European branches, but excluding its subsidiaries and SPEs

iv '**Group**' or '**FCE**' means the Company and its subsidiaries and SPEs

v. '**FCI**' means Ford Credit International Inc , a company incorporated under the laws of Delaware, USA, a subsidiary of Ford Credit and the Company's immediate shareholder

vi '**Ford Credit**', or '**FMCC**', means Ford Motor Credit Company LLC, a limited liability company incorporated under the laws of Delaware, USA and an indirect wholly owned subsidiary of Ford

vii '**Ford**' means Ford Motor Company, a company incorporated under the laws of Delaware, USA and the Company's ultimate parent company In some cases, this term may mean Ford Motor Company and all or some of its affiliates

viii '**Forso**', or '**the Forso JV**', means a joint venture finance company established with CA Consumer Finance, a consumer credit subsidiary of Credit Agricole S A , in June 2008 which provides customer and dealer automotive financing in the Nordic markets

ix '**Risk Based Equity**' or '**RBE**', is a process which allocates equity based on an assessment of the inherent risk in each location 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 RBE enables the risk/return of individual locations to be evaluated from a total perspective

x '**SPE**' means a bankruptcy-remote special purpose 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 the securities) and in which FCE usually has no legal ownership or management control

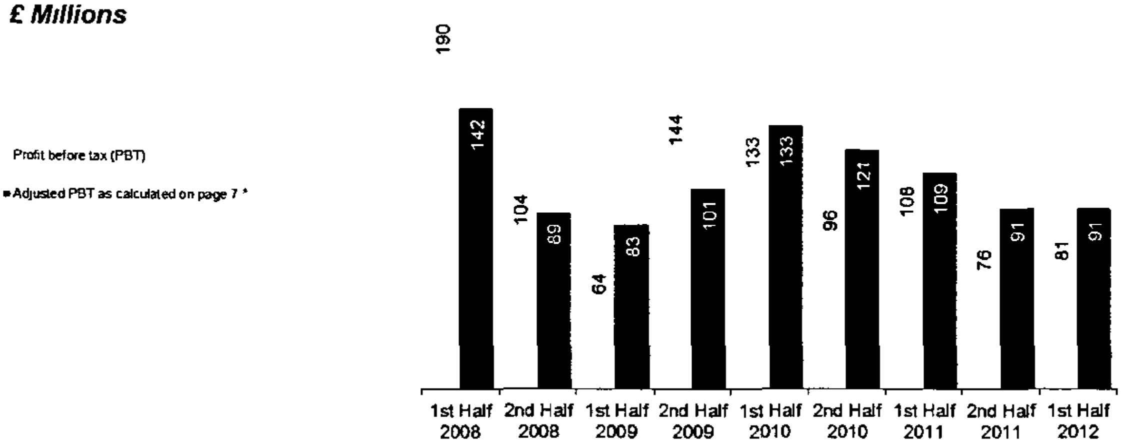
xi '**FSA**' is the UK Financial Services Authority - an independent non-governmental body, given statutory powers by the Financial Services and Markets Act 2000 The FSA is FCE's regulator in the UK

For a comprehensive list of definitions refer to the 'Glossary of defined terms' which commences on page 130 of FCE's 2011 Annual Report and Accounts

Contents

Highlights

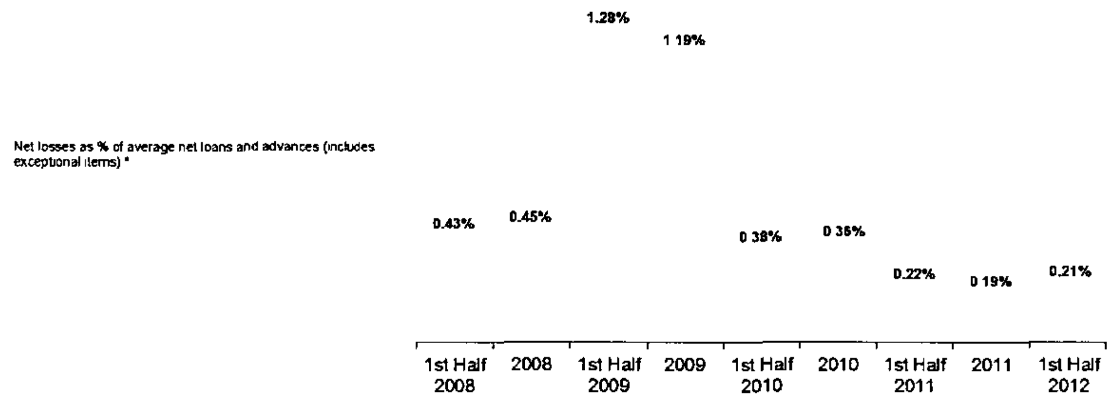
Profit before tax
£ Millions



	1st Half 2008	2nd Half 2008	1st Half 2009	2nd Half 2009	1st Half 2010	2nd Half 2010	1st Half 2011	2nd Half 2011	1st Half 2012
Adjusted PBT as % of average net loans and advances	0 86%	0 56%	0 63%	0 82%	1 19%	1 10%	0 98%	0 81%	0 95%

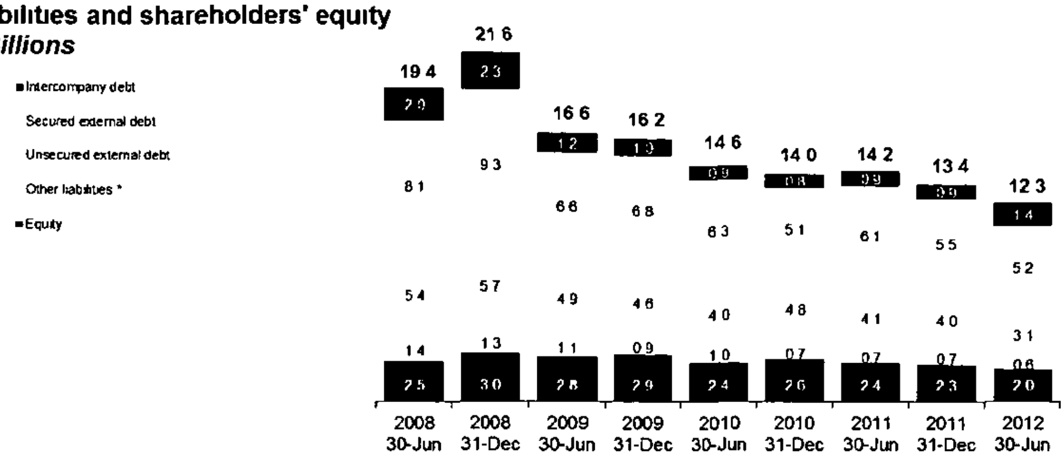
FCE has seen consistent profitability as a proportion of a smaller average portfolio size

Credit loss ratio



Credit losses as a percentage of average net loans and advances remain stable and are close to historical lows

Liabilities and shareholders' equity
£ Billions



FCE continues to maintain an adequate capital base for the scale of its business

* For details of restatement refer to Note 1 'Accounting policies'

Chairman's statement

FCE's operating results during the first half of 2012 provided continued evidence of the strength of its business model Despite Europe's economic turmoil, high unemployment and reduced vehicle industry sales, FCE has remained profitable, increased its financing share of Ford of Europe sales, capitalised on the availability of cost-effective parental funding, and continued to maintain strong capitalisation and liquidity

On an adjusted basis, FCE's pre-tax profits for the first half of 2012 were £91 million, this is lower than in the same period last year but in line with the guidance provided in FCE's 2011 Annual Report and Accounts The reduction in profitability of £18 million, compared with prior year, was more than accounted for by reduced revenue from lower average loans and advances, plus the net unfavourable results from FCE's short-term operating lease portfolio Providing a partial offset were higher net interest margins, reflecting the favourable contribution from reduced borrowing costs

During the first half of 2012, FCE continued to grow its share of Ford Motor Company's (Ford) European sales to 31 2 percent, compared with 29 8 percent a year ago This increase in FCE share reflects the continued success of joint marketing programmes with Ford

Consistent with prior reporting periods, the majority of FCE's business is generated in Germany and the UK The mix of FCE's business in these two markets has increased from the prior year as the decline in Southern European automotive industry sales has reduced FCE's loan portfolios in those markets, primarily in Spain and Italy

Despite the growth in FCE's share of Ford's sales, declining European industry volumes and lower dealer vehicle stocks led to an overall reduction in average loans and advances FCE's 'cost efficiency ratio' has increased, although actual operating costs remained flat compared to the same period last year

In today's challenging economic environment, managing business risk within its Board-approved risk appetite remains a key focus for FCE FCE applies strong, proactive risk mitigating actions and operational controls that have been developed during many decades of experience in the specialist field of automotive lending The effectiveness of FCE's management of credit risk is reflected in the historically low level of credit losses it is presently experiencing

As of May 2012, FCE was rated investment grade by Fitch, Moody's and Standard & Poor's This was a major milestone for the Group as FCE had been operating below investment grade since 2005 These ratings will provide access to a wider pool of investors in the capital markets, and will, over time, have a significantly favourable impact on the Group's cost of funding and overall competitiveness

Ford and Ford Motor Credit Company (Ford Credit) also returned to investment grade ratings as of May FCE leveraged the flexibility of being part of a profitable global company by accessing term funding of £0 8 billion through its parent, Ford Credit, enabling FCE to benefit from more favourable conditions in the US capital markets, in comparison to the European market In the first half of 2012, FCE raised a total of £1 5 billion of new funding, and renewed or added £2 6 billion of private securitisation capacity, including programmes to fund Italian and Spanish receivables

FCE continues to maintain an adequate capital base, reflecting both the scale of its business and the uncertainties that exist within the European business environment Based on the projection of future business activity and the ability to continue to meet its regulatory capital and liquidity requirements, the FCE Board approved a dividend of £315 million that was paid in June FCE continues to maintain a strong liquidity position and its balance sheet is inherently liquid due to the short-term nature of its lending and its longer-term debt portfolio

As it is predicted that vehicle industry volumes in Western Europe will not improve given the ongoing economic uncertainty, we expect that the opportunities for FCE's contract volume to grow will be limited However, FCE will seek to maintain high levels of finance penetration into Ford's sales, with actions including finance programmes to support the launch of Ford's new vehicles In addition, there will be a pan-European approach to providing well-constructed offers to eligible FCE customers as their previous finance contract expires

Producing these solid results in today's economic environment reflects the strong underlying performance of FCE's business and the hard work of FCE's employees, whom I thank for their continued dedication to serving our dealers and customers FCE will maintain its focus on the fair treatment of its dealers and customers, as this is the foundation of the unique strategic benefit it offers to Ford of Europe, as its dedicated finance supplier in Europe

Todd Murphy
Chairman, FCE Bank plc
23 August 2012

Business update

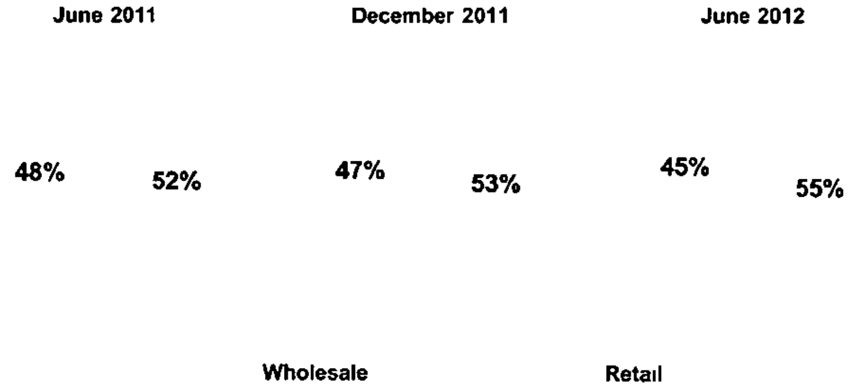
Description of the business

For a detailed description of FCE's ownership structure, aims and business operations, refer to pages 6 and 7 of the 2011 Annual Report and Accounts Updated information on the Group's business is detailed below

Product Segment

FCE considers its lending under two main product segments, 'Retail' primarily represents automotive lending to individual customers while 'Wholesale' primarily represents commercial loans to Ford franchised automotive dealers to fund vehicle inventory

Analysis of net loans and advances by product segment

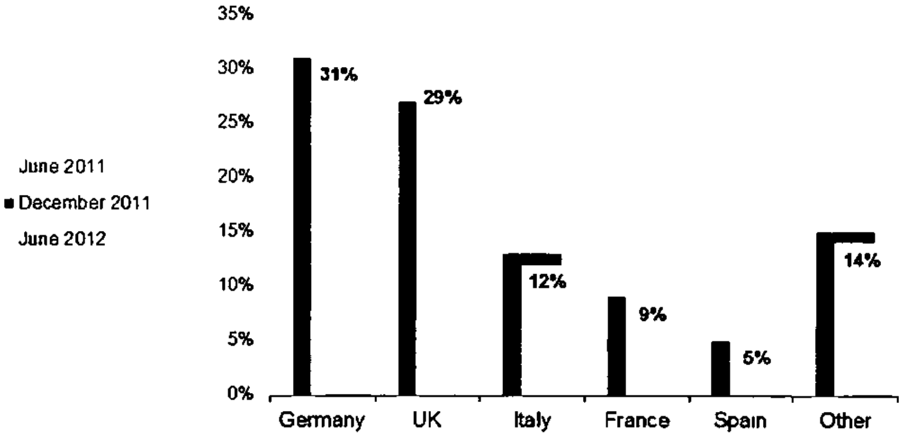


Business mix remains consistent with historical proportions

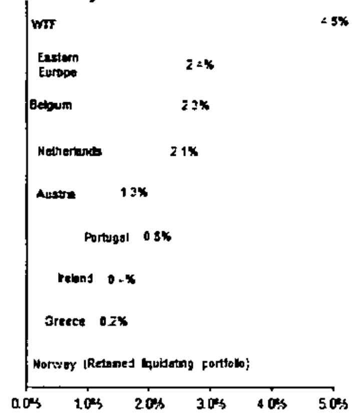
Major Markets

FCE operates directly in 15 European countries FCE also provides financing to distributors and importers in over 60 countries through its Worldwide Trade Financing division (WTF) In addition, FCE has a 50 percent less one share interest in Forso Nordic AB (Forso), which provides automotive financial services in Denmark, Finland, Sweden and Norway

Analysis of net loans and advances to customers by market



'Other' by market



The chart highlights the continued importance of the German and UK markets

Performance summary

Profitability

	Notes		First Half 2012 £ mil		Second Half 2011 £ mil		First Half 2011 £ mil
Profit before tax (PBT) *		£	81	£	76	£	108
Adjustment to exclude exceptional losses	2		-		-		(3)
PBT excluding exceptional items		**£**	**81**	**£**	**76**	**£**	**105**
Adjustment to exclude							
- Fair value adjustments to financial instruments - (gains) / losses			29		32		(37)
- (Gain) / loss on foreign exchange			(19)		(17)		41
Financial instruments fair value and foreign exchange adjustments		£	10	£	15	£	4
Adjusted PBT		**£**	**91**	**£**	**91**	**£**	**109**

Profit before tax

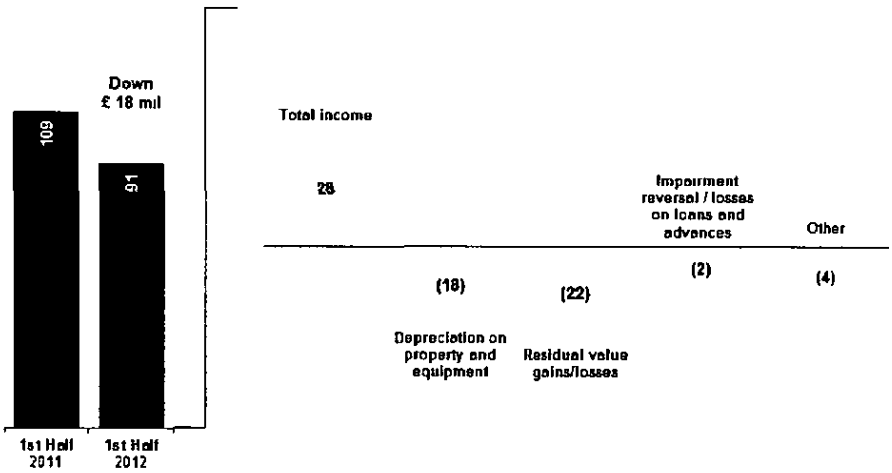
FCE's total PBT in the first half of 2012 was £81 million, a reduction of £27 million from the same period in the prior year PBT includes a number of exceptional items (significant items which by virtue of their size or incidence are separately disclosed to aid the interpretation of performance compared to the prior year) and fair value adjustments to financial instruments and foreign exchange adjustments

To provide guidance on FCE's underlying performance, these items are excluded in the calculation of adjusted PBT Adjusted PBT has reduced £18 million from the same period in the prior year as analysed in the following graph

* For details of restatement refer to Note 1 'Accounting policies'

Adjusted PBT
£ Millions

- Impact of lower receivables on total income, more than offset by reduced borrowing costs and increase in operating lease income
- Increased depreciation charges reflect growth of operating lease portfolio which also had lower than expected residual values
- Lower reserve releases partially offset by lower losses in Spain and the UK



FCE continues to see consistent underlying profitability maintained as a proportion of its portfolio Lower borrowing costs have been offset by increased depreciation and lower than expected residual values in the operating lease portfolio

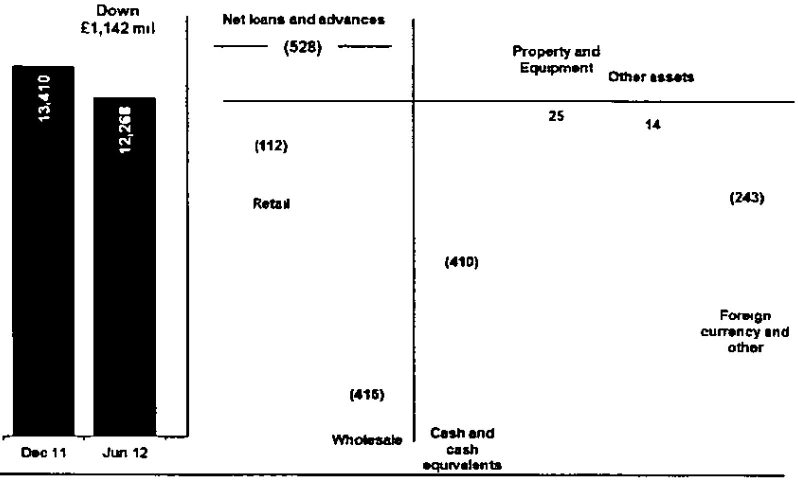
Performance summary

Balance sheet

The following graphs show an analysis of the balance sheet movements between 31 December 2011 and 30 June 2012 The effect of foreign exchange revaluation is separately identified from the underlying movements

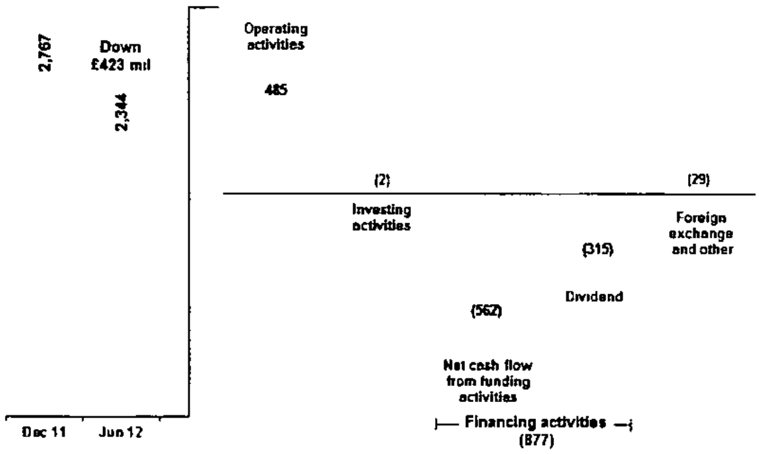
Assets
£ Millions

- Lower wholesale loans and advances primarily due to lower dealer wholesale stocks reflecting lower European vehicle industry volumes
- Reduced retail loans and advances reflect lower industry volumes and the continued liquidation of the non-Ford brand portfolio
- Cash and advances reduced following payment of a scheduled unsecured debt maturity in January



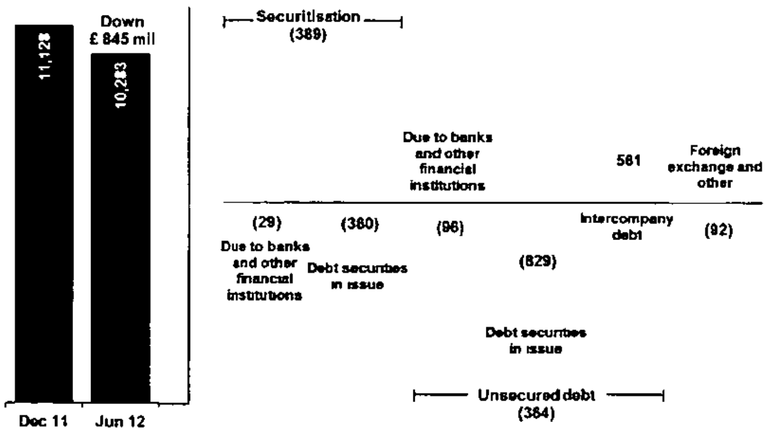
Cash and advances
£ Millions

- FCE paid a dividend and made substantial debt repayments during the period, however, maintained stable liquidity through continued execution of its funding plan
- Funding raised includes the utilisation of existing available committed securitisation capacity as well as new unsecured and securitisation issuances
- In addition to scheduled debt maturities, FCE also repurchased certain public debt as an efficient use of its liquidity



Liabilities
£ Millions

- Debt securities in issue not in respect of securitisation decreased primarily from a £1 0 billion maturity in January partially offset by a £0 3 billion issuance in February
- Increased intercompany debt represents primarily new term loans issued from Ford Credit and new collateralised deposits received
- Debt securities in issue with respect of securitisation decreased by £0 3 billion in line with the amortisation of the underlying portfolio



Performance summary

Key financial ratios

	First Half 2012	First Half 2011
Return on equity	5 7%	5 6%
Margin	4 0%	3 7%
Cost efficiency ratio	2 1%	1 8%
Cost affordability ratio	52%	50%
Credit loss ratio	0 21%	0 22%
Credit loss cover	0 6%	0 6%
Tier 1 capital / Risk weighted exposures Basel II basis	19 7%	18 8%
Total regulatory capital / Risk weighted exposures Basel II basis	22 1%	21 3%

Refer to page 43 for the 'Key financial ratio and terms' definitions and for details of the calculation of key financial ratios

FCE's 'return on equity' increased from the same period last year, reflecting the reduced average equity level arising from the declaration of the 2012 dividend as well as a lower effective rate of tax during the period This was partially offset by the reduction in profit before tax

'Total margin' increased compared to the same period in 2011 primarily reflecting the reduction in borrowing costs

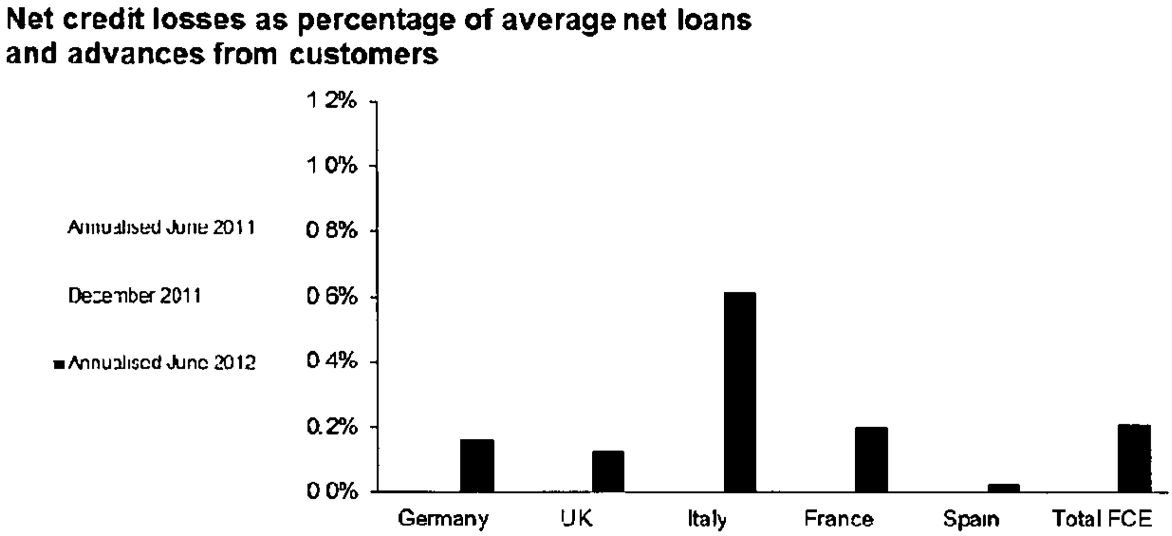
The increase in the 'cost efficiency ratio' primarily reflects the reduction in average loans and advances from the prior period Operating costs remained broadly flat from the same period last year

FCE's 'credit loss ratio' is lower than experienced in the first half of 2011 This reflects the consistent quality of FCE's portfolio despite continued instability in Europe's economic conditions FCE judges that its impairment allowance of £55 million (30 June 2011 £72 million) is appropriate for its average net loans and advances and economic outlook

Tier 1 capital and total regulatory capital as a percentage of risk weighted exposures have increased compared to the levels last year This is primarily due to reductions in underlying exposures from the smaller portfolio size, which have been partially offset by reductions to regulatory capital relating to the payment of the dividend noted above and lower translation reserves

Performance summary

Key financial ratios continued



Continued favourable credit losses are close to historical lows

The bar chart expresses annualised net credit losses for both wholesale and retail financing as a percentage of average net loans and advances to customers including exceptional losses

In the first half of 2012, FCE has seen a continued strong credit loss performance Spain has seen a noticeable improvement in net losses, and the UK and Germany have also shown strong performance These have been offset by an increase in France, which remains at low levels, and an increase in Italy reflecting the economic slowdown

FCE's credit loss performance relates to both low loss emergence and strong recovery performance on previously impaired receivables

Analysis of retail past due exposures

A financial asset is defined as 'past due' when a counterparty fails to make a payment when it is contractually due In the event of a past due instalment, the classification of past due applies to the full value of the loan outstanding

Retail past due tables

The tables below provide a geographical analysis of retail contracts which are past due but not impaired for the largest five locations plus all other locations which are reported under the caption 'Other' The retail past due contracts are analysed by payment due status and are shown against the net loans and advances in each location as at 30 June

Analysis of retail past due exposures continued

	UK 2012 £ mil	Germany 2012 £ mil	Italy 2012 £ mil	Spain 2012 £ mil	France 2012 £ mil	Other 2012 £ mil	Total 2012 £ mil
Past due exposures (as at 30 June 2012)							
Past due under 30 days	£ 15	£ 23	£ 25	£ 4	£ 3	£ 34	£ 104
Past due over 30 < 60 days	4	9	5	2	1	5	26
Past due over 60 < 90 days	2	4	3	2	0	3	14
Past due over 90 < 120 days	0	1	2	2	0	1	6
Total past due	£ 21	£ 37	£ 35	£ 10	£ 4	£ 43	£ 150
Retail net loans and advances	£ 1,470	£ 2,064	£ 584	£ 145	£ 294	£ 411	£ 4,968

	UK 2011 £ mil	Germany 2011 £ mil	Italy 2011 £ mil	Spain 2011 £ mil	France 2011 £ mil	Other 2011 £ mil	Total 2011 £ mil
Past due exposures (as at 30 June 2011)							
Past due under 30 days	£ 16	£ 46	£ 31	£ 9	£ 3	£ 39	£ 144
Past due over 30 < 60 days	5	14	7	6	1	7	40
Past due over 60 < 90 days	3	5	3	4	0	4	19
Past due over 90 < 120 days	1	2	2	3	0	2	10
Total past due	£ 25	£ 67	£ 43	£ 22	£ 4	£ 52	£ 213
Retail net loans and advances*	£ 1,440	£ 2,636	£ 740	£ 213	£ 323	£ 545	£ 5,897

The table shows the improvement in absolute value of past dues across all locations and across all ageing bands FCE has seen past dues, as a proportion of total retail net loans and advances, generally improve for the first half of 2012 compared to 2011 The improvements noted in Spain and Germany more than offsetting the slight deterioration in the Other markets with France and Italy stable Though it should be noted the improvement in Germany is partially due to the timing of a peak number of customer payments due at month end that, as a consequence of the month end falling on a non-working day, leads to the past dues being understated at June month end The underlying picture in Germany is stable or slightly improving versus 2011 on a proportional basis The overall picture on past dues is consistent with FCE's experience on net loss performance

*For details of restatement refer to Note 1 'Accounting policies'

Performance summary

Future prospects

Vehicle industry volumes in Western Europe are expected to decline in 2012 as economic momentum continues to slow across most markets and the effects of the Euro zone recession impact negatively on consumer confidence

FCE's contract volume growth is therefore likely to be constrained despite improving levels of penetration into Ford vehicle sales

As previously reported, Volvo, Mazda, Jaguar and Land Rover have transitioned their financial services to alternative providers As at 31 December 2011, non-Ford branded financing represented less than 1% of FCE's net loans and advances to customers

At year-end 2012, FCE anticipates 'Net loans and advances to customers' to be in the range of £9 billion to £10 billion

FCE's 2012 funding plan includes unsecured term funding (including inter-company term funding) in the range of £1 4 billion to £1 7 billion, of which public unsecured term debt issuance of between £0 6 billion to £0 9 billion, and a range of £0 3 billion to £0 5 billion in public term securitisation issuance

At 31 December 2012, FCE expects its secured debt as a percentage of net loans and advances to customers to be relatively consistent with the position as at June 30 2012 Thereafter, FCE expects that this ratio will decline

FCE will continue to invest in order to support growth in its share of Ford brand sales and in restructuring its operations to match its smaller scale

In 2012, FCE expects its 'Adjusted PBT' to be lower than that experienced in 2011, reflecting reduced revenue from lower average net loans and advances This will be partially offset by reduced borrowing costs due to the improved credit rating of FCE and its parent

FCE has taken actions to partially mitigate future volatility relating to its short-term operating lease portfolio in line with FCE's risk appetite

FCE's plan is to gradually align its capital base with the current scale and risk profile of its business while taking into account the funding and economic environment While this remains FCE's plan, no guidance on a 2013 dividend is being provided at this point, given the uncertainty in the external environment

This future prospects statement is based on current expectations, forecasts and assumptions and involves a number of risks, uncertainties, and other factors that could cause actual results to differ FCE cannot be certain that any expectations, forecasts and assumptions will prove accurate or that any projections will be realised The statement is based on the best available data at the time of issuance and will be updated upon publication of FCE's 2012 Annual Report and Accounts 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

Capital and funding

Capital

FCE's policy is to manage its capital base to targeted levels that exceed all regulatory requirements and support anticipated changes in assets and foreign currency exchange rates FCE considers that it has fully complied with this policy for the half year ended 30 June 2012 FCE's core Tier 1 capital ratio was at 19 7% as of 30 June 2012 (30 June 2011 18 8%)

Funding

FCE's funding strategy is to have sufficient liquidity to profitably support Ford, its dealers and customers in all economic environments FCE maintains a substantial cash balance, committed funding capacity, and access to diverse funding sources

During the first half of 2012, and consistent with its funding plan, FCE raised £1 5 billion of new funding, including a public unsecured debt issuance FCE also renewed or added £2 6 billion of private committed securitisation capacity

While it remains part of its funding strategy to raise public term unsecured funding in the European markets, FCE chose to complete in the second quarter two inter-company term loans from its parent Ford Credit totaling approximately £0 8 billion, both relating to previous term debt issuances completed by Ford Credit in the US market These were pursued as opportunistic actions made possible by the flexibility FCE has as part of a global company as well as prevailing market conditions at the time (including the favourable currency basis in USD/EUR swap markets)

Securitisation continues to represent a substantial portion of FCE's funding given the cost advantage over unsecured long-term funding

At 30 June 2012, secured debt was 57% of net loans and advances

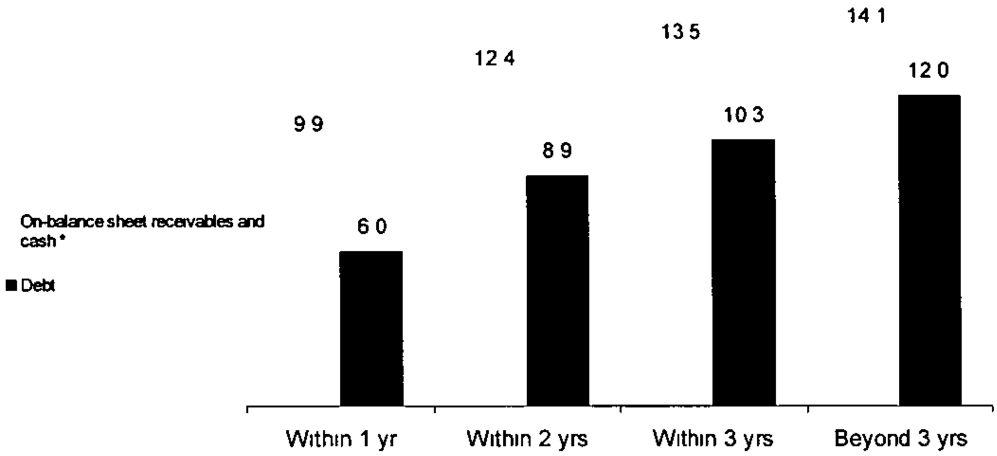
Net cash inflow from external funding raised for the six months ending	30 June 2012 Net Cash Inflow £ bil	30 June '2011 Net Cash Inflow £ bil
New issuance		
- Securitisation of retail and lease automotive receivables	£ -	£ 1 0
- Securitisation of wholesale automotive receivables	0 2	-
- Unsecured debt	1 3	0 8
Total new issuance	**£ 1 5**	**£ 1 8**
Existing facilities·		
- Securitisation of retail and lease automotive receivables	£ 0 5	£ 0 6
- Securitisation of wholesale automotive receivables	1 1	1 7
Total existing facilities	**£ 1 6**	**£ 2 3**
Total	**£ 3 1**	**£ 4 1**

Cash inflow from funding activity net of movements in revolving securitisation transactions

Capital and funding

Liquidity

Cumulative Contractual Maturities as at 30 June 2012



FCE's balance sheet as at 30 June 2012 continues to be inherently liquid because of the short-term nature of FCE's loans and advances to customers and cash compared to debt

*Includes the cash flows arising from cash and advances, marketable securities, gross loans and advances to customers, other assets and gross cash flows relating to operating leases reported on the balance sheet under property and equipment Excludes off-balance sheet available for use credit facilities

In addition, FCE maintains liquidity through a variety of sources including

- Cash and marketable securities as included in Note 11 'Cash and advances' and Note 12 'Marketable securities' of FCE's 2011 Annual Report and Accounts
- 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
- Unsecured contractually committed credit facilities

Liquidity Sources		**June 2012 £ bil**		**June 2011 £ bil**
Cash and advances and marketable securities	£	2 3	£	2 0
Committed securitisation capacity	£	4 5	£	4 4
Unsecured credit facilities		0 4		0 6
Committed capacity	**£**	**4 9**	**£**	**5 0**
Committed capacity and cash	**£**	**7 2**	**£**	**7 0**
Securitisation capacity in excess of eligible receivables		(1 2)		(0 8)
Cash not available for use in FCE's day to day operations		(0 8)		(0 9)
Liquidity	**£**	**5 2**	**£**	**5 3**
Utilisation		(2 7)		(3 3)
Liquidity available for use	**£**	**2 5**	**£**	**2 0**

Capital and funding

Credit ratings

FCE's credit ratings are closely associated with the credit ratings of Ford, which have improved during the last year The following chart summarises the long-term senior unsecured credit ratings, short-term credit ratings and the outlook assigned to FCE from January 2010 to 10 August 2012 As at 23 August 2012, there have been no further rating changes

Credit ratings	**Fitch**			**Moody's**			**S&P**		
	Long Term	Short Term	Outlook	Long Term	Short Term	Outlook	Long Term	Short Term	Outlook
January 2010	B+	B	Positive	B3	NP	Stable	B	NR	Stable
March 2010	B+	B	Positive	B2	NP	Stable	B	NR	Stable
March 2010	B+	B	Positive	B1	NP	Review Positive	B	NR	Stable
April 2010	BB-	B	Positive	B1	NP	Review Stable	B	NR	Positive
May 2010	BB-	B	Positive	Ba3	NP	Stable	B	NR	Positive
August 2010	BB-	B	Stable	Ba3	NP	Stable	BB-	NR	Positive
October 2010	BB-	B	Stable	Ba2	NP	Stable	BB-	NR	Positive
January 2011	BB-	B	Positive	Ba2	NP	Positive	BB-	NR	Positive
February 2011	BB-	B	Positive	Ba2	NP	Positive	BB	NR	Positive
October 2011	BB+	B	Positive	Ba1	NP	Positive	BBB-	NR	Stable
April 2012	BBB-	F3	Stable	Ba1	NP	Positive	BBB-	NR	Stable
May 2012	BBB-	F3	Stable	Baa3	NP	Stable	BBB-	NR	Stable
August 2012	BBB-	F3	Stable	Baa3	NP	Stable	BBB-	NR	Positive

Risk

Principal risks and uncertainties

The nature of FCE's principal risks and uncertainties has not changed significantly since publication of the 2011 Annual Report and Accounts

Additionally, no significant changes in FCE's principal risks and uncertainties are expected for the remaining six months of 2012

For details of FCE's principal risks and uncertainties, refer to page 20 of the Business Review section of FCE's 2011 Annual Report and Accounts

Risk management

FCE maintains integrated risk management and governance practices Each form of risk is uniquely managed in the context of its contribution to overall risk Business decisions are evaluated on a risk-adjusted basis and products are priced to be consistent with these risks FCE continuously reviews and improves its risk management practices

For details of FCE's policies and processes in relation to all types of risk management, which have not changed significantly from 31 December 2011, refer to the Business Review section of FCE's 2011 Annual Report and Accounts

Please see Note 12 'Credit Risk' for an update to FCE's retail and wholesale credit risk position

Statement of Directors' responsibilities

Responsibility statement

The Directors confirm that the condensed consolidated half-yearly financial statements (the 'financial statements') of FCE have been prepared in accordance with IAS 34 as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and profit as required by Disclosure and Transparency Rules (DTR) 4 2 4 The Directors also confirm that the 'Review for the half year ended 30 June 2012' includes a fair review of the information required by the DTR 4 2 7, namely

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements,
- and a description of the principal risks and uncertainties for the remaining six months of the financial year

On behalf of the Board

Todd Murphy
Chairman

Paul Kiernan
Executive Director, Finance

23 August 2012

Independent auditors' review report to FCE Bank plc

Independent review report to FCE Bank plc

Introduction

We have been engaged by the company to review the condensed consolidated half-yearly financial statements in the interim report and financial statements for the half year ended 30 June 2012, which comprise the condensed consolidated half-yearly statement of comprehensive Income, the condensed consolidated half-yearly balance sheet, the condensed consolidated half-yearly statement of cash flows, the condensed consolidated half-yearly statement of changes in equity and the related notes We have read the other information contained in the interim report and financial statements and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated half-yearly financial statements

Directors' responsibilities

The interim report and financial statements are the responsibility of, and have been approved by, the directors The directors are responsible for preparing the interim report and financial statements in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union The condensed consolidated half-yearly financial statements included in the interim report and financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed consolidated half-yearly financial statements in the interim report and financial statements based on our review This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit Accordingly, we do not express an audit opinion

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated half-yearly financial statements in the interim report and financial statements for the six months ended 30 June 2012 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
23 August 2012
London

Notes

(a) The maintenance and integrity of the FCE Bank plc website is the responsibility of the directors, the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Condensed consolidated half-yearly statement of comprehensive income

For the half year ended	Notes		30 June 2012 Unaudited £ mil		30 June 2011 Unaudited Restated* £ mil
Interest income		£	374	£	425
Interest expense			(194)		(268)
NET INTEREST INCOME		**£**	**180**	**£**	**157**
Fees and commissions income	2	£	19	£	47
Fees and commissions expense			(6)		(5)
NET FEES AND COMMISSIONS INCOME	2	**£**	**13**	**£**	**42**
Other operating income	2		103		74
TOTAL INCOME		**£**	**296**	**£**	**273**
Impairment reversal / (losses) on loans and advances	2/4	£	(2)	£	2
Operating expenses			(99)		(99)
Depreciation of property and equipment	14c		(107)		(67)
Fair value adjustments to financial instruments			(29)		37
Gain / (loss) on foreign exchange			19		(41)
Share of profit of a jointly controlled entity			3		3
PROFIT BEFORE TAX	2/14c	**£**	**81**	**£**	**108**
Income tax expense			(20)		(38)
PROFIT AFTER TAX AND PROFIT FOR THE PERIOD		**£**	**61**	**£**	**70**
Translation differences on foreign currency net investments			(47)		90
Translation differences on foreign currency investments in a jointy controlled entity			4		(5)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**£**	**18**	**£**	**155**

*For details of restatement refer to Note 1 'Accounting policies'

The accompanying 'Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2012' are an integral part of these financial statements

Condensed consolidated half-yearly balance sheet

As at	Notes	30 June 2012 Unaudited £ mil	31 December 2011 Restated* £ mil	30 June 2011 Unaudited Restated* £ mil
ASSETS				
Cash and advances		£ 2,344	£ 2,767	£ 1,925
Marketable securities		-	-	113
Derivative financial instruments		143	163	162
Other assets		313	297	262
Net loans and advances not subject to securitisation		£ 1,700	£ 2,254	£ 2,614
Net loans and advances subject to securitisation	6	7,364	7,529	8,674
Total net loans and advances to customers	3/14c	**£ 9,064**	**£ 9,783**	**£ 11,288**
Property and equipment	14c	246	235	237
Income taxes receivable		13	22	70
Deferred tax assets		81	84	81
Goodwill and other intangible assets		12	13	13
Investment in a jointly controlled entity	14c	47	46	51
Investment in group entities		5	-	-
TOTAL ASSETS	14c	**£ 12,268**	**£ 13,410**	**£ 14,202**
LIABILITIES				
Due to banks and other financial institutions not in respect of securitisation	7	£ 242	£ 341	£ 194
Due to banks and other financial institutions in respect of securitisation	6/7	4,041	4,064	4,093
Total due to banks and other financial institutions		**£ 4,283**	**£ 4,405**	**£ 4,287**
Corporate deposits		49	50	48
Due to parent and related undertakings	8	1,403	821	874
Derivative financial instruments		86	85	40
Debt securities in issue not in respect of securitisation	9	£ 2,760	£ 3,657	£ 3,884
Debt securities in issue in respect of securitisation	6/9	1,122	1,442	2,010
Total debt securities in issue	9	**£ 3,882**	**£ 5,099**	**£ 5,894**
Other liabilities		306	409	423
Income taxes payable		46	18	23
Deferred tax liabilities		12	21	32
Subordinated loans	10	216	220	222
TOTAL LIABILITIES		**£ 10,283**	**£ 11,128**	**£ 11,843**
SHAREHOLDERS' EQUITY				
Ordinary shares		£ 614	£ 614	£ 614
Share premium		352	352	352
Retained earnings		1,019	1,316	1,393
TOTAL SHAREHOLDERS' EQUITY		**£ 1,985**	**£ 2,282**	**£ 2,359**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**£ 12,268**	**£ 13,410**	**£ 14,202**

The accompanying 'Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2012' are an integral part of the financial statements * For details of restatements refer to Note 1 'Accounting policies'

The financial statements on pages 19 to 42 were approved by the Board of Directors on 23 August 2012 and were signed on its behalf by

Todd Murphy
Chairman

Paul Kiernan
Executive Director, Finance

Condensed consolidated half-yearly statement of cash flows

For the half year ended	Notes		30 June 2012 Unaudited £ mil		30 June 2011 Unaudited restated* £ mil
Cash flows from operating activities					
Cash from operating activities	15	£	431	£	(185)
Interest paid			(311)		(397)
Interest received			356		427
Income taxes paid			(12)		(22)
Income taxes refunded			21		-
Net cash (used in) / from operating activities		**£**	**485**	**£**	**(177)**
Cash flows from investing activities					
Investment in marketable securities		£	-	£	(115)
Maturity of marketable securities			-		222
Purchase of property and equipment (excluding operating leases)			(4)		(2)
Proceeds from sale of property and equipment (excluding operating leases)			4		2
Investment in internally and externally generated software			(2)		(2)
Net cash (used in) / from investing activities		**£**	**(2)**	**£**	**105**
Cash flows from financing activities					
Proceeds from the issue of debt securities and from loans provided by banks and other financial institutions		£	2,088	£	3,767
Repayments of debt securities and of loans provided by banks and other financial institutions			(3,150)		(3,731)
Proceeds of funds provided by parent and related undertakings			1,132		319
Repayment of funds provided by parent and related undertakings			(584)		(250)
Net increase/(decrease) in short term borrowings			(54)		69
Net increase/(decrease) in corporate deposits			(1)		(1)
Net cash inflow on derivative financial instruments			2		40
(Increase) in central bank and other deposits			(24)		(64)
Decrease in central bank and other deposits			29		77
Dividend paid			(315)		(370)
Net cash (used in) financing activities		**£**	**(877)**	**£**	**(144)**
Net cash flows		**£**	**(394)**	**£**	**(216)**
Effect of exchange rate changes on cash and cash equivalents			(16)		41
Net (decrease) in cash and cash equivalents	15		**(410)**		**(175)**
Cash and cash equivalents at beginning of period	15		2,689		1,926
Cash and cash equivalents at end of period	15	**£**	**2,279**	**£**	**1,751**

*For details of restatement refer to Note 1 'Accounting policies'

The accompanying 'Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2012' are an integral part of the financial statements

Condensed consolidated half-yearly statement of changes in equity

	Share capital £ mil	Share premium £ mil	Profit and loss reserve Restated* £ mil	Translation reserve Restated* £ mil	Total retained earnings Restated* £ mil	Total Unaudited Restated* £ mil
Balance at 1 January 2011	**£ 614**	**£ 352**	**£ 1,222**	**£ 386**	**£ 1,608**	**£ 2,574**
Profit for the period	£ -	£ -	£ 70	£ -	£ 70	£ 70
Translation differences	-	-	-	85	85	85
Total comprehensive income for the half year ended 30 June 2011	**£ -**	**£ -**	**£ 70**	**£ 85**	**£ 155**	**£ 155**
Dividend payment	-	-	(370)	-	(370)	(370)
Balance at 30 June 2011 / 1 July 2011	**£ 614**	**£ 352**	**£ 922**	**£ 471**	**£ 1,393**	**£ 2,359**
Profit for the period	£ -	£ -	£ 58	£ -	£ 58	£ 58
Translation differences	-	-	-	(135)	(135)	(135)
Total comprehensive income for the half year ended 31 December 2011	**£ -**	**£ -**	**£ 58**	**£ (135)**	**£ (77)**	**£ (77)**
Balance at 31 December 2011 / 1 January 2012	**£ 614**	**£ 352**	**£ 980**	**£ 336**	**£ 1,316**	**£ 2,282**
Profit for the period	£ -	£ -	£ 61	£ -	£ 61	£ 61
Translation differences	-	-	-	(43)	(43)	(43)
Total comprehensive income for the half year ended 30 June 2012	**£ -**	**£ -**	**£ 61**	**£ (43)**	**£ 18**	**£ 18**
Dividend payment	-	-	(315)	-	(315)	(315)
Balance at 30 June 2012	**£ 614**	**£ 352**	**£ 726**	**£ 293**	**£ 1,019**	**£ 1,985**

*For details of restatement refer to Note 1 'Accounting policies'

An interim dividend of £315 million, equating to approximately 51 27 pence per ordinary share was declared by the Company in the first half of 2012 The directors have not declared any dividends since the payment of this dividend on 25 June 2012

The accompanying 'Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2012' are an integral part of the financial statements

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2012

Index to the Notes to the financial statements

Policy

Income Statement

Balance Sheet

Other

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2012

1 ACCOUNTING POLICIES

The condensed consolidated half-yearly financial statements have been prepared in accordance with IAS 34, 'Interim financial reporting' as adopted by the European Union and with the Disclosure and Transparency Rules of the Financial Services Authority These condensed consolidated half-yearly financial statements do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 Statutory accounts for the year ended 31 December 2011 were approved by the Board of Directors on 22 March 2012 and delivered to the Registrar of Companies on 28 March 2012 The independent auditors' report on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 (2) and 498 (3) of the Companies Act 2006

The financial information contained in this document does not include all of the information required for full annual financial statements, and should be read in conjunction with the Group's consolidated financial statements in the 2011 Annual Report and Accounts which are prepared in accordance with International Financial Reporting Standards as adopted by the European Union Results for an interim period should not be considered indicative of results for a full-year

In order to assist the interpretation of financial performance compared to the prior period a disclosure of unusual or exceptional items which are non-recurring events is provided in Note 2 'Profit before tax'

The principal accounting policies adopted in the preparation of these interim consolidated financial statements are consistent with the accounting policies as presented in the FCE 2011 Annual Report and Accounts

Accounting restatements

Accounting Restatement	Impacted by these changes are·
In the periods 2007-2011 certain amounts relating to 'Interest supplements from related parties' have been adjusted to reflect a correction to the timing of income recognition in our Germany branch The cumulative impact of the adjustment as at 31 December 2011 on 'Profit before tax' was a reduction of £28 6 million, which is comprised of an increase of £4 7 million for the year ended 31 December 2011, a reduction of £10 2 million for the year ended 31 December 2010, a reduction of £15 0 million for the year ended 31 December 2009, a reduction of £6 3 million for the year ended 31 December 2008, and a reduction of £1 8 million for the year ended 31 December 2007 Adjustments have been made to correctly represent 'Retained earnings', 'Net loans and advances not subject to securitisation', 'Income taxes receivable', 'Income taxes payable', 'Interest income', and 'Income tax expense' in the balance sheet and income statements of the prior periods Management has concluded that these adjustments are not material to any individual prior period but that a cumulative adjustment to the current period would have been material to the current period	• 30 June 2011 'Retained earnings' as restated amounted to £1,393 million (previously reported as £1,417 million) 31 December 2011 'Retained earnings' as restated amounted to £1,316 million (previously reported as £1,335 million), • 30 June 2011 'Net loans and advances not subject to securitisation' as restated amounted to £2,614 million (previously reported as £2,649 million) 31 December 2011 'Net loans and advances not subject to securitisation' as restated amounted to £2,254 million (previously reported as £2,282 million), • 30 June 2011 'Income taxes receivable' as restated amounted to £70 million (previously reported as £63 million) 31 December 2011 'Income taxes receivable" as restated amounted to £22 million (previously reported as £16 million), • 30 June 2011 'Income taxes payable' as restated amounted to £23 million (previously reported as £27 million) 31 December 2011 'Income taxes payable' as restated amounted to £18 million (previously reported as £21 million), • 'Interest income' as restated amounted to £425 million (previously reported as £424 million), resulting in a restated 'Profit before tax' of £108 million (previously reported as £107 million), • 'Income tax expense' was restated by £0 1 million which did not alter the reported value of £38 million, • 'Translation differences on foreign currency net investments' as restated amounted to £90 million (previously reported as £91 million)

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2012

2 PROFIT BEFORE TAX

Profit before tax (PBT) includes certain exceptional items Exceptional items are those significant items which by virtue of their size or incidence are separately disclosed to aid the interpretation of performance compared to the prior year

FCE has not considered any items to be exceptional for the first half of 2012 resulting in no impact to PBT, compared to an increase of £3 million for the equivalent period last year and no change from the second half of 2011

Profit before tax (PBT) for the half years ended 30 June 2012, 31 December 2011 and 30 June 2011 is stated after crediting/(charging)	First Half 2012 Unaudited £ mil	Second Half 2011 Unaudited £ mil	First Half 2011 Unaudited £ mil
Fees and commission income			
- Profit sharing income	£ -	£ -	£ 11
Total exceptional fees and commissions income	**£ -**	**£ -**	**£ 11**
Other operating income:			
- Portfolio sale agreement provision	£ -	£ -	£ (6)
Total exceptional other operating income	**£ -**	**£ -**	**£ (6)**
Impairment losses			
- Spanish rental car business	£ -	£ -	£ (2)
Total exceptional impairment losses	**£ -**	**£ -**	**£ (2)**
Total exceptional items	**£ -**	**£ -**	**£ 3**

Refer to Note 9 'Profit before tax' of the 2011 Annual Report and Accounts for further information on exceptional items from that period

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2012

3 LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers were as follows

	Notes	30 June 2012 Unaudited £ mil	31 December 2011 Restated* £ mil	30 June 2011 Unaudited Restated* £ mil
Retail excluding finance lease		£ 4,883	£ 5,065	£ 5,684
Finance lease		643	720	905
Wholesale		4,078	4,573	5,372
Other		25	27	30
Gross loans and advances to customers		**£ 9,629**	**£ 10,385**	**£ 11,991**
Unearned finance income		£ (367)	£ (364)	£ (425)
Provision for incurred losses	4	(55)	(64)	(72)
Provision for vehicle residual value losses	5	(4)	(4)	(4)
Interest supplements from related parties		(154)	(179)	(225)
Net deferred loan origination costs / (fees)		15	9	23
Net loans and advances to customers	14c	**£ 9,064**	**£ 9,783**	**£ 11,288**
Analysis of net loans and advances:				
Retail		£ 4,968	£ 5,194	£ 5,897
Wholesale		4,096	4,589	5,391
Net loans and advances to customers	14c	**£ 9,064**	**£ 9,783**	**£ 11,288**
Net loans not subject to securitisation		£ 1,700	£ 2,254	£ 2,614
Net loans subject to securitisation	6	7,364	7,529	8,674
Net loans and advances to customers	14c	**£ 9,064**	**£ 9,783**	**£ 11,288**
Percentage analysis of net loans and advances				
Percentage of retail financing loans		55%	53%	52%
Percentage of wholesale/other financing loans		45%	47%	48%
Percentage of net loans not subject to securitisation		19%	23%	23%
Percentage of net loans subject to securitisation		81%	77%	77%
Percentage of gross loans not subject to securitisation		21%	25%	25%
Percentage of gross loans subject to securitisation		79%	75%	75%

Refer to Note 15 'Loans and advances to customers' of the 2011 Annual Report and Accounts for further information

*For details of restatement refer to Note 1 'Accounting policies'

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2012

4 PROVISION FOR INCURRED LOSSES

	Notes		Retail £ mil		Wholesale £ mil		Total £ mil
Balance at 1 January 2011		£	71	£	11	£	82
Impairment (reversal) / losses recognised in the income statement			-		(2)		(2)
Deductions							
- Losses written-off			(30)		-		(30)
- Recoveries			19		1		20
- Exceptional loss written-off	2		(2)		-		(2)
Net Losses		£	**(13)**	£	**1**	£	**(12)**
Other							
- Exchange adjustments			3		1		4
Balance at 30 June 2011 / 1 July 2011 - Unaudited		£	**61**	£	**11**	£	**72**
Impairment losses charged to the income statement			4		1		5
Deductions							
- Losses written-off			(26)		(1)		(27)
- Recoveries			18		1		19
Net Losses		£	**(8)**	£	**-**	£	**(8)**
Other							
- Exchange adjustments			(4)		(1)		(5)
Balance at 31 December 2011 / 1 January 2012		£	**53**	£	**11**	£	**64**
Impairment (reversal) recognised the income statement			4		(2)		2
Deductions							
- Losses written-off			(23)		(4)		(27)
- Recoveries			15		2		17
Net Losses		£	**(8)**	£	**(2)**	£	**(10)**
Other							
- Exchange adjustments			(1)		-		(1)
Balance at 30 June 2012 - Unaudited		£	**48**	£	**7**	£	**55**
Analysis of provision for incurred losses:							
- Collective impairment allowance		£	61	£	10	£	71
- Specific impairment allowance			-		1		1
Balance at 30 June 2011 / 1 July 2011 - Unaudited		£	**61**	£	**11**	£	**72**
- Collective impairment allowance		£	53	£	9	£	62
- Specific impairment allowance			-		2		2
Balance at 31 December 2011 / 1 January 2012		£	**53**	£	**11**	£	**64**
- Collective impairment allowance		£	48	£	6	£	54
- Specific impairment allowance			-		1		1
Balance at 30 June 2012 - Unaudited		£	**48**	£	**7**	£	**55**

Refer to Note 16 'Provision for incurred losses' of the 2011 Annual Report and Accounts for further information

The 'Provision for incurred losses' as detailed above represents incurred losses in relation to both the retail and wholesale portfolios For further details of retail delinquency trends and wholesale risk ratings refer to Note 12 'Credit risk'

For further details of exceptional losses written off refer to Note 2 'Profit before tax'

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2012

5 PROVISION FOR VEHICLE RESIDUAL VALUE LOSSES

The movement in the provision for vehicle residual values for the half years ended 30 June 2012, 31 December 2011 and 30 June 2011 is as follows

		Retail		Operating Lease		Total
		£ mil		£ mil		£ mil
Balance at 1 January 2011	£	7	£	6	£	13
Residual value adjustments charged/(credited) to income statement		(2)		8		6
Residual value gains / (losses) incurred in the period		(1)		(10)		(11)
Other						
- Exchange adjustments		-		1		1
Balance at 30 June 2011 - Unaudited	**£**	**4**	**£**	**5**	**£**	**9**
Residual value adjustments charged/(credited) to income statement		1		22		23
Residual value gains / (losses) incurred in the period		(1)		(14)		(15)
Other						
- Exchange adjustments		-		(1)		(1)
Balance at 31 December 2011 / 1 January 2012	**£**	**4**	**£**	**12**	**£**	**16**
Residual value adjustments charged/(credited) to income statement		1		26		27
Residual value gains / (losses) incurred in the period		(1)		(32)		(33)
Balance at 30 June 2012 - Unaudited	**£**	**4**	**£**	**6**	**£**	**10**

Refer to Note 17 'Provision for vehicle residual values' and Note 39 'Vehicle residual values' of the 2011 Annual Report and Accounts for further details of vehicle residual values and the related reserves

6 SECURITISATION AND RELATED FINANCING

FCE's funding sources include securitisation programmes as well as other committed factoring transactions that generally include the transfer of loans and advances through a variety of programmes and structures

The table below summarises FCE's balances relating to the Company's securitisation transactions The difference between 'Loans and advances subject to securitisation' and 'Related debt' reflects the Company's retained interests, not including cash associated with the securitisation transactions

	Notes	Wholesale Public £ mil	Wholesale Private £ mil	Retail Public £ mil	Retail Private £ mil	Total Public £ mil	Total Private £ mil	Total £ mil
As at 30 June 2011 unaudited								
Loans and advances subject to securitisation	3	£ -	£ 3,916	£ 2,422	£ 2,336	£ 2,422	£ 6,252	£ 8,674
Due to other banks and other financial institutions	7	£ -	£ 2,244	£ -	£ 1,849	£ -	£ 4,093	£ 4,093
Debt securities in issue	9	-	-	2,010	-	2,010	-	2,010
Related debt		**£ -**	**£ 2,244**	**£ 2,010**	**£ 1,849**	**£ 2,010**	**£ 4,093**	**£ 6,103**
As at 31 December 2011 audited								
Loans and advances subject to securitisation	3	£ -	£ 3,298	£ 1,644	£ 2,587	£ 1,644	£ 5,885	£ 7,529
Due to other banks and other financial institutions	7	£ -	£ 2,033	£ -	£ 2,031	£ -	£ 4,064	£ 4,064
Debt securities in issue	9	-	-	1,442	-	1,442	-	1,442
Related debt		**£ -**	**£ 2,033**	**£ 1,442**	**£ 2,031**	**£ 1,442**	**£ 4,064**	**£ 5,506**
As at 30 June 2012 unaudited								
Loans and advances subject to securitisation	3	£ -	£ 3,228	£ 1,260	£ 2,876	£ 1,260	£ 6,104	£ 7,364
Due to other banks and other financial institutions	7	£ -	£ 1,970	£ -	£ 2,071	£ -	£ 4,041	£ 4,041
Debt securities in issue	9	-	-	1,122	-	1,122	-	1,122
Related debt		**£ -**	**£ 1,970**	**£ 1,122**	**£ 2,071**	**£ 1,122**	**£ 4,041**	**£ 5,163**

Cash available to support the obligations of the SPEs as at 30 June 2012 of £721 million (31 December 2011 £680 million, 30 June 2011 £753 million) is included within FCE's balance sheet under the caption 'Cash and advances'

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2012

6 SECURITISATION AND RELATED FINANCING continued

Transaction structures

The Company's securitisation programmes continue to utilise both amortising and revolving structures, and in all cases programmes provide for matched funding of the receivables, with securitisation debt having a maturity profile similar to the related receivables Amortising structures involve the sale of a static pool of assets, the associated funding is repaid to investors as the underlying assets liquidate Revolving structures allow the Company to continue to sell new eligible assets originated, over an agreed period of time called the revolving period, and obtain funding from the transaction investors At the end of the revolving period no further assets are sold into the transactions and the funding amount is repaid as the underlying assets liquidate Within revolving structures the Company uses both flat and variable funding structures

At 30 June 2012, outstanding flat revolving capacity totalled £1 2 billion (December 2011 £0 9 billion, June 2011 £0 9 billion), with revolving periods ending between January 2013 and January 2014 Variable funding revolving capacity at 30 June 2012 totalled £4 5 billion (December 2011 £4 5 billion, June 2011 £4 4 billion) of which £2 4 billion matures during the remainder of 2012 and the balance having various maturity dates between February 2013 and August 2014 At 30 June 2012, £2 8 billion (December 2011 £3 0 billion, June 2011 £3 1 billion) of the variable funding committed capacity was utilised

		Revolving structure capacity £ bil
Balance at 1 January 2012	£	5 4
Committed capacity maturing in the first half of 2012		(2 2)
Committed capacity renewed and added in the first half of 2012		2 6
Exchange adjustments		(0 1)
Balance at 30 June 2012	**£**	**5 7**
Variable funding committed capacity	£	4 5
Flat revolving capacity		1 2
Balance at 30 June 2012	**£**	**5 7**

For further details on FCE's securitisation programme, refer to Note 18 'Securitisation and related financing' in the 2011 Annual Report and Accounts

7 DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Due to banks and other financial institutions were as follows

	Notes	30 June 2012 Unaudited £ mil	31 December 2011 £ mil	30 June 2011 Unaudited £ mil
Due to banks and other financial institutions not in respect of securitisation				
Borrowings from banks and other financial institutions		£ 239	£ 332	£ 180
Bank overdrafts		3	9	14
Sub-total		**£ 242**	**£ 341**	**£ 194**
Due to banks and other financial institutions in respect of securitisation				
Obligations arising from securitisation of receivables		£ 4,009	£ 4,031	£ 4,070
Loans from ECB secured with wholesale receivables		32	33	23
Sub-total	6	**£ 4,041**	**£ 4,064**	**£ 4,093**
Total due to banks and other financial institutions		**£ 4,283**	**£ 4,405**	**£ 4,287**

Refer to Note 25 'Due to banks and other financial institutions' of the 2011 Annual Report and Accounts for further information

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2012

8 DUE TO PARENT AND RELATED UNDERTAKINGS

Due to parent and related undertakings were as follows

	30 June 2012 Unaudited £ mil	31 December 2011 £ mil	30 June 2011 Unaudited £ mil
Senior debt			
Deposits received from Ford Credit International (FCI)	£ 324	£ 325	£ 305
Principal amounts due to parent undertakings	**£ 324**	**£ 325**	**£ 305**
Loans from Ford Credit	£ 807	£ -	£ -
Deposits received from related undertakings	75	330	369
Total senior debt	**£ 1,206**	**£ 655**	**£ 674**
Accounts payable to related undertakings	£ 193	£ 162	£ 197
Accrued interest	4	4	3
Due to parent and related undertakings	**£ 1,403**	**£ 821**	**£ 874**

'Deposits received from FCI' includes a Sterling denominated deposit of £174 million (December 2011 £200 million, June 2011 £180 million) in support of guarantees provided by the Company as collateral in respect of obligations of Ford in Romania

'Loans from Ford Credit' consists of two Euro denominated loans from Ford Credit to FCE, a £482 million loan due to mature in June 2017 and a £324 million loan due to mature in May 2015

'Deposits received from related undertakings' includes a Euro denominated deposit of £46 million (31 December 2011 £300 million, 30 June 2011 £326 million) from Blue Oval Holdings also in support of guarantees provided by the Company as collateral in respect of obligations of Ford in Romania

For further details on the guarantees refer to Note 13 'Related party transactions'

Refer to Note 27 'Due to parent and related undertakings' of the 2011 Annual Report and Accounts for further information

Other amounts due to Ford Credit and FCI are reported within Note 10 'Subordinated loans' on page 34

9 DEBT SECURITIES IN ISSUE

Details of the Company's public debt funding programmes were as follows

	Notes	30 June 2012 Unaudited £ mil	31 December 2011 £ mil	30 June 2011 Unaudited £ mil
PROGRAMME (YEAR LAUNCHED)				
LISTED DEBT				
Euro Medium Term Note (1993) - US$12 billion				
- Other European Medium Term Notes (excludes Continuously Available Retail Securities)		£ 2,720	£ 3,635	£ 3,884
Sub-total Euro Medium Term Notes		**£ 2,720**	**£ 3,635**	**£ 3,884**
Commercial paper		-	9	-
Obligations arising from securitisation	6	1,122	1,442	2,010
Sub-total listed debt		**£ 3,842**	**£ 5,086**	**£ 5,894**
UNLISTED DEBT				
Schuldschein		40	13	-
Debt securities in issue		**£ 3,882**	**£ 5,099**	**£ 5,894**
Analysis of debt securities in issue				
Unsecured borrowings		£ 2,760	£ 3,657	£ 3,884
Obligations arising from sales of receivables	6	1,122	1,442	2,010
Debt securities in issue		**£ 3,882**	**£ 5,099**	**£ 5,894**

The Company's Euro Medium Term Note (EMTN) programme has an issuance limit of US $12 billion (or the equivalent in other currencies) The EMTN Base Prospectus is dated 13 January 2012 and contains information relating to all notes, including Retail Securities Notes issued under the EMTN programme are listed on the Official List of the Luxembourg Stock Exchange and are admitted for trading on the Luxembourg Stock Exchange's regulated market The Luxembourg's Stock Exchange website address is provided on page 44

The Company repaid €1 2 billion (approximately £1 0 billion) of the EMTN debt that matured in January 2012

During the period the Company repurchased €130 million (approximately £105 million) of certain debt issued under the EMTN programme

The Company completed an EMTN issuance in February 2012 for £250 million which matures February 2017 The remaining movement of the EMTN balance from December 2011 represents primarily currency revaluation

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2012

10 SUBORDINATED LOANS

Details of subordinated loans provided were as follows

	30 June 2012 Unaudited £ mil	31 December 2011 £ mil	30 June 2011 Unaudited £ mil
Perpetual loans	£ 216	£ 220	£ 222
Total loan amounts	**£ 216**	**£ 220**	**£ 222**
Tier 2 value of perpetual loans	£ 216	£ 220	£ 222
Total tier 2 value	**£ 216**	**£ 220**	**£ 222**
Analysis of subordinated loans			
Due to FCI	£ 139	£ 141	£ 136
Due to Ford Credit	77	79	86
Total subordinated loans	**£ 216**	**£ 220**	**£ 222**

The loans listed above satisfy the conditions for eligibility as tier two capital instruments as defined by the FSA and are included in the calculation of capital resources for regulatory reporting purposes

The loans from Ford Credit are denominated in Euro The loans from FCI are denominated in US dollars and are drawn under a US$1 billion subordinated loan facility This facility enables the Company to respond quickly if additional capital support is required Under the agreed terms, the Company is able to request drawdowns up to the maximum principal amount and any undrawn amount of the facility will be available, subject to the lender consenting to drawdown request, until it is cancelled either by the Company or FCI Foreign currency derivatives are used to minimise currency risks on US dollar denominated funding

The rights of FCI and Ford Credit 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

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2012

11 CONTINGENT LIABILITIES

	30 June 2012 Unaudited £ mil	31 December 2011 £ mil	30 June 2011 Unaudited £ mil
Guarantees provided on behalf of Ford			
Romania	£ 178	£ 457	£ 496
Spanish ministry of industry and regional authorities	31	33	35
Customs authorities, revenue commissioners and agencies	20	20	14
Total guarantees provided on behalf of Ford	£ 229	£ 510	£ 545
Indemnities issued to custom authorities and revenue commissioners	£ -	£ -	£ 2
Other guarantees provided to third parties	2	2	6
Guarantees prior to credit risk mitigation	£ 231	£ 512	£ 553
Credit risk mitigation actions			
Cash collateral	£ (178)	£ (457)	£ (506)
Guarantees after credit risk mitigation	£ 53	£ 55	£ 47

'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 Further details of the guarantees provided by the Company can be found in the 2011 Annual Report

The fair values of guarantees are recorded in the financial statements where material

Tax

During the period, tax authorities in Germany continued audits relating to various aspects of prior period operations of FCE's German branch, particularly relating to transfer pricing and VAT Discussions with the tax authorities are ongoing FCE has considered the information currently available and believes that provisions made are adequate

Litigation and other claims

Certain legal actions and claims are pending or may be instituted or asserted in the future against FCE concerning finance and other contractual relationships Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not predictable with assurance FCE 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 accruals have not been established could be decided unfavourably to FCE and could require FCE to pay damages or make other expenditures in amounts or a range of amounts that cannot be estimated at 30 June 2012 FCE 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

Following rulings in a handful of German regional courts regarding the potential legality of administration fees charged to retail finance customers, FCE continues to monitor the probability of any potential liability to the Company which may arise

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2012

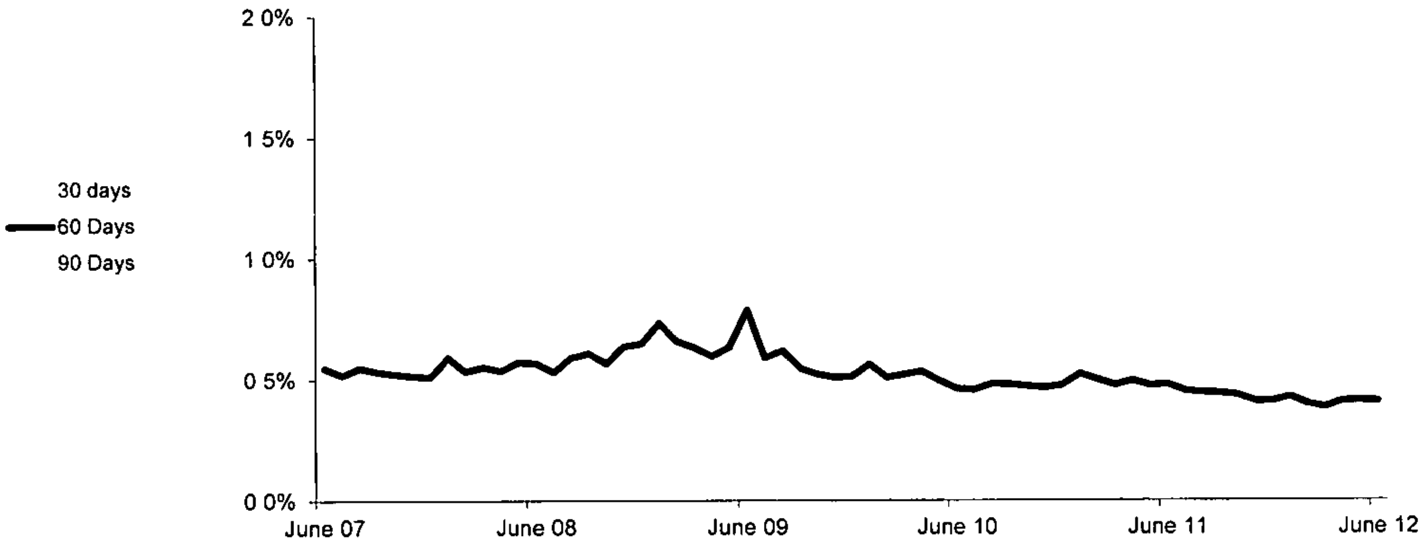
12 CREDIT RISK

As a provider of automotive financial products, FCE's primary source of credit risk is the possibility of loss from a retail customer's or dealer's failure to make payments according to contractual terms These products are classified as 'loans and receivables' under IAS 39 Updated information on the Company's credit risk in these products is detailed below

For further information on the nature of FCE's credit risk management and exposures, refer to Note 38 'Credit Risk' within the 2011 Annual Report and Accounts

Retail

Detailed below is a retail delinquency monthly trend graph for the last five years that highlights the percentage of retail contracts which are 30, 60 and 90 days overdue The graph highlights that the upward trend in delinquencies peaked in the first half of 2009, since that time the delinquency trend has gradually declined FCE's management considers that this decline is in line with actions taken by FCE Management believe FCE's responsive approach to underwriting and servicing practices has enabled its portfolio to perform well in an extremely difficult market



Source Internal management information for all FCE markets

12 CREDIT RISK continued

Wholesale

	Notes	30 June 2012 Unaudited £ mil	30 June 2011 Unaudited £ mil
Group I (risk rating 0-3)		£ 2,489	£ 3,183
Group II (risk rating 4-5)		930	1,338
Group III (risk rating 6-7)		680	880
Group IV (risk rating 8-9)		4	1
Total gross wholesale and other loans and advances	3	**£ 4,103**	**£ 5,402**
Percentage analysis			
Group I (risk rating 0-3)		60 66%	58 92%
Group II (risk rating 4-5)		22 67%	24 77%
Group III (risk rating 6-7)		16 58%	16 29%
Group IV (risk rating 8-9)		0 09%	0 02%

Between June 2011 and June 2012 the number of dealers classed in the lower risk Groups I and II have reduced while the number of dealers classed in the higher risk Groups III & IV has increased However, the table illustrates that the percentage of wholesale exposure of Group I category dealers has increased since June 2011, which management believes primarily reflects the actions taken to reduce exposure to the higher risk Group III and IV categories of dealers The Group II category has evidenced a decrease since June 2011 reflecting a reduction in the number of dealers within this category which have transferred primarily into the Group III category

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2012

13 RELATED PARTY TRANSACTIONS

Refer to Note 43 'Related party transactions' of the 2011 Annual Report and Accounts for information on parties related to FCE and details of associated transactions

Updates to transactions from the year ended 31 December 2011 are detailed below

Transactions with parent undertakings

- 'Deposits received from FCI' are utilised to mitigate certain exposure concentrations from external and related counterparties In the event of default by these counterparties, the deposits received from FCI can be offset against the amounts due to the Company As at 30 June 2012, such deposits totalled £324 million (31 December 2011 325 million, 30 June 2011 £305 million) and are detailed in Note 8 'Due to parent and related undertakings' Interest expense for the six month period to 30 June 2012 totalled £6 million (30 June 2011 £5 million)

- A €2 billion short-term revolving facility has been provided by Ford Credit to the Company which matures on 14 December 2012 or earlier upon 45 days' notice from Ford Credit As at 30 June 2012, no amounts were drawn under this facility (31 December 2011 nil, 30 June 2011 nil) Interest expense for the six month period to 30 June 2012 was nil (30 June 2011 nil)

- The Company has a $1 billion subordinated loan facility with FCI This facility enables the Company to respond quickly if additional capital support is required Under the terms of the facility, the Company is able to draw up to the maximum principal amount of the facility As at 30 June 2012, the amount drawn under this facility totalled £139 million (31 December 2011 £141 million, 30 June 2011 £136 million) In addition Euro denominated subordinated loans provided by Ford Credit to the Company as at 30 June 2012 totalled £77 million (31 December 2011 £79 million, 30 June 2011 £86 million) For further details refer to Note 10 'Subordinated loans' Interest expense relating to the subordinated loans received from FCI and Ford Credit for the six month period to 30 June 2012 totalled £4 million (30 June 2011 £2 million)

- During the first half of 2012, a dividend to FCI of £315 million equating to approximately 51 27 pence per ordinary share was declared and paid by the Company

- Service fees charged to FCE by Ford Credit relate to technical and administrative advice and services provide by Ford Credit The amount of service fees charged for the six month period to 30 June 2012 totalled £6 million (30 June 2011 £5 million)

Transactions with directors and officers

Loan arrangements exist for certain directors and officers of FCE, whereby directors or officers purchase vehicles from Ford Motor Company Limited (FMCL), and FCE provides the loan to finance the purchase The individual pays FCE the interest on the loan No significant changes in such loans have occurred since 31 December 2011 Refer to page 58 of FCE's 2011 Annual Report and Accounts for further details of the terms of the loans made to directors and officers

Transactions with entities under common control

As at 30 June 2012, unearned interest supplements reported in Note 3 'Loans and advances to customers' totalled £154 million (31 December 2011 £179 million, 30 June 2011 £225 million)* As at 30 June 2012, unearned income supplements and other support payments received from related parties for motor vehicles held for use by FCE as the lessor under operating leases as reported in 'Other liabilities' totalled £49 million (31 December 2011 £42 million, 30 June 2011 £41 million) Associated interest and income supplements earned and recorded in the income statement for the six months ended 30 June 2012 totalled £277 million (30 June 2011 £290 million)

The Company has guaranteed obligations of Ford in Romania of which the maximum potential payment of £178 million has been fully collateralised by deposits from Blue Oval Holdings Limited and FCI totalling £221 million For further information please refer to Note 8 'Due to parent and related undertakings' and Note 11 'Contingent liabilities' Interest expense on the Blue Oval Holdings deposit for the six months ended 30 June 2012 totalled £2 million (30 June 2011 £3 million)

*For details of restatement refer to note 1 'Accounting Policies'

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2012

14 SEGMENT REPORTING

Segment reporting includes income, expenses and other financial information for the six months ended 30 June 2012 and asset information as at 30 June 2012 Refer to Note 44 of the 2011 Annual Report and Accounts for further information

14a) Performance measurement figures	UK 2012 $ mil	Germany 2012 $ mil	Italy 2012 $ mil	Spain 2012 $ mil	France 2012 $ mil	Central / Other 2012 $ mil	Total 2012 $ mil
Market income	$ 178	$ 183	$ 76	$ 33	$ 57	$ 86	$ 613
Borrowing costs	(101)	(114)	(44)	(17)	(35)	(36)	(347)
Operating expenses	(37)	(50)	(16)	(13)	(12)	(28)	(156)
Impairment losses	(3)	2	(5)	4	(1)	(1)	(4)
Other revenue / (expenses)	(2)	(41)	-	-	-	-	(43)
Profit before tax (PBT)*	$ 35	$ (20)	$ 11	$ 7	$ 9	$ 21	$ 63
Net receivables	$ 4 172	$ 4 971	$ 1 716	$ 703	$ 1 317	$ 2 068	$ 14,947

14b) Reconciliation between certain performance measurement figures 14a) and additional information 14c)

Performance measurement figures	Market Income mil	Borrowing Costs mil	Operating Expenses mil	Impairment Losses mil	PBT mil	Net Receivables mil
Reportable segments	$ 527	$ (311)	$ (128)	$ (3)	$ 42	$ 12 879
Central operations / other	86	(36)	(28)	(1)	21	2 068
Total	$ 613	$ (347)	$ (156)	$ (4)	$ 63	$ 14,947
Converted to GBP	£ 387	£ (219)	£ (99)	£ (3)	£ 40	£ 9 536
IFRS vs US GAAP	7	6	(8)	-	9	(11)
Presentational differences						
Operating leases	75	-	-	-	-	(241)
Unearned interest supplements	-	-	-	-	-	(154)
Provision for incurred losses	-	-	-	-	-	(55)
Fees and commission expense	6	-	-	-	-	-
Residual gains / losses / reserve	7	-	-	-	-	(4)
Other presentational differences	(5)	(5)	8	1	2	(7)
Adjustments						
Risk based equity adjustment	-	26	-	-	26	-
Other performance adjustments	-	(2)	-	-	(16)	-
Germany income recognition (see note 1)	27	-	-	-	27	
Timing adjustments	(7)	-	-	-	(7)	-
Total reconciliation to IFRS	£ 497	£ (194)	£ (99)	£ (2)	£ 81	£ 9,064
IFRS basis						
Total revenue (See 14c)	£ 497					
Interest expense		£ (194)				
Operating expenses			£ (99)			
Impairment reversal on loans and advances				£ (2)		
Profit before tax (See 14c)					£ 81	
Net loans and advances to customers (See 14c)						£ 9 064

14c) Additional information - IFRS basis	Notes	UK 2012 £ mil	Germany 2012 £ mil	Italy 2012 £ mil	Spain 2012 £ mil	France 2012 £ mil	Central / Other 2012 £ mil	Total 2012 £ mil
INCOME STATEMENT								
Retail revenue		£ 62	£ 79	£ 23	£ 7	£ 13	£ 15	£ 199
Wholesale revenue		48	30	22	13	20	36	169
Other interest income		1	1	-	-	-	4	6
Fee and commission income		3	6	3	1	4	2	19
Income from operating leases		-	100	-	-	-	2	102
Total external revenue		£ 114	£ 216	£ 48	£ 21	£ 37	£ 59	£ 495
Inter-segment revenue		-	1	-	1	-	-	2
Total Revenue		£ 114	£ 217	£ 48	£ 22	£ 37	£ 59	£ 497
Depreciation of property and equipment		-	(105)	-	-	-	(2)	(107)
Amortisation of other intangibles		-	-	-	-	-	(2)	(2)
Profit before tax		£ 12	£ (10)	£ 8	£ 3	£ 2	£ 66	£ 81
Memo - including exceptional items	2	-	-	-	-	-	-	-
ASSETS								
Net loans and advances to customers	3	£ 2 621	£ 2 805	£ 1 077	£ 438	£ 822	£ 1 301	£ 9,064
Property and equipment		1	240	-	1	-	4	246
Investment in jointly controlled entity		-	-	-	-	-	47	47
Total assets		£ 2 728	£ 4 510	£ 1,239	£ 497	£ 948	£ 2 346	£ 12,268

* A £27m negative impact is included in this figure relating to the restatement disclosed in note 1 Accounting policies' for the income recognition adjustment in FCE s Germany branch recognised as a current period adjustment for performance management reporting

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2012

14 SEGMENT REPORTING continued

Segment reporting includes income, expenses and other financial information for the six months ended 30 June 2011 and asset information as at 30 June 2011 and as at 31 December 2011

14a) Performance measurement figures	UK	Germany	Italy	Spain	France	Central / Other	Total
	2011	2011	2011	2011	2011	2011	2011
	$ mil	$ mil	$ mil	$ mil	$ mil	$ mil	$ mil
Market income	$ 209	$ 243	$ 97	$ 44	$ 64	$ 95	$ 752
Borrowing costs	(120)	(149)	(69)	(28)	(42)	(44)	(452)
Operating expenses	(34)	(62)	(18)	(17)	(12)	(23)	(166)
Impairment losses	(4)	4	(3)	4	-	2	3
Other revenue / (expenses)	-	(13)	1	1	-	-	(11)
Profit before tax (PBT)	$ 51	$ 23	$ 8	$ 4	$ 10	$ 30	$ 126
Net receivables	$ 4 812	$ 6 375	$ 2 441	$ 919	$ 1 632	$ 2 795	$ 18,974

14b) Reconciliation between certain performance measurement figures 14a) and additional information 14c)

Performance measurement figures	Market Income mil	Borrowing Costs mil	Operating Expenses mil	Impairment Losses mil	PBT mil	Net Receivables mil
Reportable segments	$ 657	$ (408)	$ (143)	$ 1	$ 96	$ 16 179
Central operations / other	95	(44)	(23)	2	30	2 795
Total	$ 752	$ (452)	$ (166)	$ 3	$ 126	$ 18,974
Converted to GBP	£ 466	£ (280)	£ (103)	£ 2	£ 78	£ 11 841
IFRS Vs US GAAP	9	-	(4)	-	3	(13)
Presentational differences						
Operating leases	57	-	-	-	-	(233)
Unearned interest supplements *	-	-	-	-	-	(225)
Provision for incurred losses	-	-	-	-	-	(72)
Fees and commission expense	5	-	-	-	-	-
Residual gains / losses / reserve	(6)	-	-	-	-	(5)
Other presentational differences	3	(20)	8	-	(2)	(5)
Adjustments						
Risk based equity adjustment	-	34	-	-	34	-
Other performance adjustments	-	(2)	-	-	(6)	-
Timing differences	-	-	-	-	1	-
Total Reconciliation to IFRS *	£ 534	£ (268)	£ (99)	£ 2	£ 108	£ 11,288
IFRS basis						
Total revenue (See 14c)	£ 534					
Interest expense		£ (268)				
Operating expenses			£ (99)			
Impairment losses on loans and advances				£ 2		
Profit before tax (See 14c) *					£ 108	
Net loans and advances to customers (See 14c) *						£ 11,288

14c) Additional information - IFRS basis		UK	Germany	Italy	Spain	France	Central / Other	Total
		2011	2011	2011	2011	2011	2011	2011
INCOME STATEMENT	Notes	£ mil	£ mil	£ mil	£ mil	£ mil	£ mil	£ mil
Retail revenue *		£ 65	£ 90	£ 29	£ 11	£ 14	£ 21	£ 230
Wholesale revenue		48	31	27	16	23	46	191
Other interest income		1	1	-	-	-	2	4
Fee and commission income		16	20	4	1	3	3	47
Income from operating leases		-	71	-	-	-	2	73
Total external revenue *		£ 130	£ 213	£ 60	£ 28	£ 40	£ 74	£ 545
Inter-segment revenue		-	1	-	1	-	(2)	-
Total Revenue *		£ 130	£ 214	£ 60	£ 29	£ 40	£ 72	£ 545
Depreciation of property and equipment		-	(65)	-	-	-	(2)	(67)
Amortisation of other intangibles		-	-	-	-	-	(2)	(2)
Profit before tax *		£ 17	£ 19	£ 37	£ 2	£ 3	£ 30	£ 108
Memo - including exceptional items	2	11	-	-	(2)	-	(6)	3
ASSETS as at 30 June 2011								
Net loans and advances to customers *	3	£ 2 959	£ 3 554	£ 1 498	£ 555	£ 996	£ 1 726	£ 11,288
Property and equipment		1	231	-	1	-	4	237
Investment in jointly controlled entity		-	-	-	-	-	51	51
Total assets *		£ 2 938	£ 4 334	£ 1 731	£ 640	£ 1 129	£ 3,430	£ 14,202
ASSETS as at 31 December 2011								
Net loans and advances to customers *	3	£ 2 618	£ 3 118	£ 1,282	£ 459	£ 854	£ 1 452	£ 9,783
Property and equipment		1	229	-	1	-	4	235
Investment in jointly controlled entity		-	-	-	-	-	46	46
Total assets *		£ 2 624	£ 4 379	£ 1 470	£ 537	£ 954	£ 3 446	£ 13,410

* For details of restatement refer to Note 1'Accounting policies'

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2012

15 NOTE TO THE CONSOLIDATED HALF-YEARLY STATEMENT OF CASH FLOWS

Reconciliation of profit before tax to cash from operating activities for the six months ended 30 June 2012 and 30 June 2011

	30 June 2012 Unaudited £ mil	30 June 2011 Unaudited Restated* £ mil
Cash from operating activities		
Profit before tax	£ 81	£ 108
Adjustments for		
Depreciation expense on property and equipment	-	1
Depreciation expense on operating lease vehicles	107	66
Effects of foreign currency translation	(19)	41
Share of net income in a jointly controlled entity	(3)	(3)
Gross impaired losses on loans and advances	20	18
Amortisation of other intangibles	2	2
Fair value adjustments to financial instruments	29	(37)
Interest expense	194	268
Interest income	(374)	(425)
Changes in operating assets and liabilities		
Net increase/(decrease) in accrued liabilities and deferred income	1	(92)
Net (increase)/decrease in deferred charges and prepaid expenses	(17)	(6)
Net (increase)/decrease in finance receivables	545	(138)
Purchase of vehicles for operating leases (property and equipment)	(300)	(280)
Proceeds from sale of operating leases (property and equipment)	169	139
Net decrease in vehicles awaiting sale	29	20
Net (increase)/decrease in accounts receivables	(15)	(16)
Net increase/(decrease) in accounts payables	13	25
Net (increase)/decrease in accounts receivables from related undertakings	(31)	(4)
Net increase in accounts payables to related undertakings	-	128
Cash from/(used in) operating activities	**£ 431**	**£ (185)**

* For details of restatement refer to Note 1 'Accounting policies'

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2012

15 NOTE TO THE CONSOLIDATED HALF-YEARLY STATEMENT OF CASH FLOWS continued

Reconciliation of cash and cash equivalents at beginning and end of period and of movements for the six months ended 30 June 2012

	Note		30 June 2012 Unaudited £ mil		30 June 2011 Unaudited £ mil
At beginning of period					
Cash and advances		£	2,767	£	2,094
Less					
- Central bank and other deposits			(69)		(168)
- Bank overdrafts	7		(9)		-
Balance at 31 December 2011 and 2010		**£**	**2,689**	**£**	**1,926**
At end of period					
Cash and advances		£	2,344	£	1,925
Less					
- Central bank and other deposits			(62)		(160)
- Bank overdrafts	7		(3)		(14)
Balance at 30 June 2012 and 2011		**£**	**2,279**	**£**	**1,751**
Net increase/(decrease) in cash and cash equivalents					
Cash and cash equivalents at beginning of period		£	2,689	£	1,926
Cash and cash equivalents at end of period			2,279		1,751
Net increase / (decrease) in cash and cash equivalents		**£**	**(410)**	**£**	**(175)**

For the purposes of the statement of cash flows, cash and cash equivalents comprise of balances held with less than 90 days to maturity from the date of acquisition including treasury and other eligible bills and amounts due from banks net of bank overdrafts In the balance sheet, bank overdrafts are included within liabilities within the caption 'Due to banks and other financial institutions'

'Central bank and other deposits' which are included in 'Cash and advances' are not available for use in FCE's day to day operations and hence are excluded from 'Cash and cash equivalents' for the purposes of the statement of cash flows

Key financial ratios and terms

The table below details the calculation of the key financial ratios referred to in the 'Performance summary' section of the 'Review for the half year ended 30 June 2012' The cost, margin and credit loss ratios exclude exceptional items in order to show underlying or 'normalised' performance Exceptional items are detailed in Note 2 'Profit before tax'

		Notes	Half year ended 30 June 2012 Unaudited £ mil	Half year ended 30 June 2011 Unaudited Restated* £ mil
ADDITIONAL DATA.				
A [i]	Average net receivables		£ 9 539	£ 10 995 *
A [ii]	Net loans and advances to customers		9 064	11 288 *
A [iii]	Risk weighted exposures		9 504	11 941
A [iv]	Collective impairment allowance	4	54	71
B [i]	Average period equity		2 134	2 492
B [ii]	Tier 1 capital		1 876	2 246
B [iii]	Total regulatory capital		2 096	2 489
INCOME.				
	- Total income		296	273 *
	- Deduct exceptional items	2	-	(5)
	- Depreciation of operating lease vehicles		(107)	(66)
C	Normalised income (margin)		189	202
OPERATING COSTS				
	- Operating expenses		(99)	(99)
	- Office equipment and leasehold amortisation		-	(1)
	- Exceptional expense/(income)	2	-	-
D	Normalised operating costs		(99)	(100)
CREDIT LOSS				
	Net losses	4	10	12
	Exceptional loss / recovery	2	-	(2)
E	Normalised net losses		10	10
F	Profit after tax		61	70 *
KEY FINANCIAL RATIOS				
Return on equity (Fx2/B[i])			5 7%	5 6% *
Margin (Cx2/A [i])			4 0%	3 7% *
Cost efficiency ratio (Dx2/A [i])			2 1%	1 8% *
Cost affordability ratio (Dx2/Cx2)			52%	50%
Credit loss ratio excluding exceptional loss (Ex2/A [i])			0 21%	0 18% *
Credit loss ratio including exceptional loss (Ex2/A [i])			0 21%	0 22% *
Credit loss cover (A [iv]/A [ii])			0 6%	0 6% *
Tier 1 capital/risk weighted exposures (B [ii]/A [iii])			19 7%	18 8%
Total regulatory capital/risk weighted exposures (B [iii]/A [iii])			22 1%	21 3%

x2 indicates annualised ratios

*For details of restatement refer to Note 1 'Accounting policies'

Regulatory capital reported above does not include interim 'Profit before tax'

Financial terms	Meaning
Average net loans and advances	The balance of net loans and advances at the end of each month divided by the number of months within the reporting period
Exceptional items	Typically non-recurring events or transactions for which disclosure aids the interpretation of performance compared to previous years
Gross loans and advances	Total payments remaining to be collected on loans and advances to customers (refer to Note 3 Loans and advances to customers)
Net receivables	Loans and advances to customers as reported in the balance sheet representing 'Gross receivables' including any deferred costs/fees and less provisions and unearned finance income and unearned interest supplements from related parties (refer to Note 3 Loans and advances to customers)
Normalised	Excluding exceptional items (refer to Note 2 Profit before tax)
Risk Weighted exposures	Exposures multiplied by the appropriate percentage risk weighting required for Basel capital adequacy purposes plus notional asset values for operational and market risk
Tier 1 Capital	Share capital, share premium, audited retained earnings, net of intangible assets, goodwill and certain other adjustments to comply with regulatory requirements
Tier 2 Capital	FCE's Tier 2 capital comprises of subordinated debt and collective impairment reserves
Total Regulatory Capital	'Tier 1 Capital' plus qualifying subordinated loans and collective impairment allowances

Website addresses

Additional data and web resources, including those listed below, can be obtained from the following web addresses

Additional data	Web site addresses
FCE Bank plc	http //www fcebank com or http //www fordfinancialeurope com
• 'Annual Report' • 'Interim Report' • 'Basel Pillar 3 Report' • 'Management Statement'	To access from the above link click on 'Investor Information'
Ford Motor Company (Ultimate Parent Company) including	http //www ford com/about-ford/investor-relations
• 'Financial Results' • 'Annual Reports' • 'US SEC EDGAR filings' Footnote 1 and 2	To access from the above link click on 'Company Reports'
Ford Motor Credit Company including	http //www fordcredit com/investorcenter
• 'Company Reports' Footnote 2 • 'Press Releases' • 'Ford Credit public asset-backed securities transactions' Footnote 3	To access from the above link click on 'Company Reports' and then required item FORD CREDIT
Luxembourg's Stock Exchange which includes	www bourse lu
• Euro Medium Term Note Base Prospectus (refer to Note 9 'Debt securities in issue')	To access search for 'FCE'
Financial Reporting Council	
• The Combined Code on Corporate Governance	http //www frc org uk

Additional information

Footnote 1 Securities and Exchange Commission (SEC) Electronic Data Gathering and Retrieval (EDGAR)

Footnote 2 SEC filings include both SEC Form 10K Annual report, SEC Form 10Q Quarterly reports and SEC Form 8K current reports

Footnote 3 'Ford Credit public asset-backed securities transactions' Incorporates European retail public securitisation data including the following report types

- Offering Circulars
- Monthly Rating Agencies Report
- Monthly Payments Notification
- Monthly Note holders' Statement

FCE Bank plc
Interim Report and Financial Statements

For the half year ended 30 June 2012