INTERIM REPORT AND FINANCIAL STATEMENTS

2014

Definitions

Definitions

For the purpose of this report the term:

i. '**2013 Annual Report and Accounts**' means FCE's consolidated annual financial statements as at and for the year ended 31 December 2013.

ii. '**Interim Report**' means FCE's consolidated interim report and financial statements as at and for the half year ended 30 June 2014.

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. '**FCSH**' means FCSH GmbH a limited liability company incorporated under the laws of Switzerland and a direct subsidiary of FCI.

vi. '**FCI**' means Ford Credit International, Inc., a company incorporated under the laws of Delaware USA and a direct subsidiary of Ford Credit.

vii. '**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.

viii. '**Ford**' means 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.

ix. '**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.

x. '**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.

xi. '**Special Purpose Entity**', or '**SPE**', means 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 the securities) and in which FCE usually has no legal ownership or management control.

xii. '**PRA**' is the Prudential Regulation Authority, an independent non-governmental body that is a subsidiary of the Bank of England. It is responsible for the 'Prudential' regulation (such as capital and liquidity requirements) of the systematically important firms, including banks (as well as insurers and certain investment firms) in the United Kingdom.

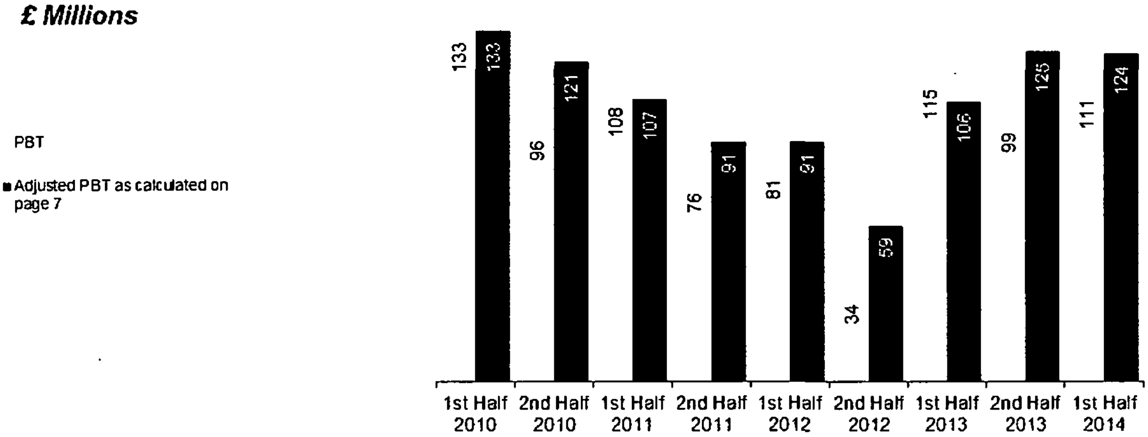
xiii. '**FCA**' is the Financial Conduct Authority and acts as the 'Conduct' regulator of firms regulated by the PRA, supervising how firms conduct their business. The FCA is looking to promote confidence and transparency in financial services and to give greater protection for consumers of financial services in the United Kingdom.

For a comprehensive list of definitions refer to the 'Glossary of defined terms' which commences on page 133 of FCE's 2013 Annual Report and Accounts.

Contents

Highlights

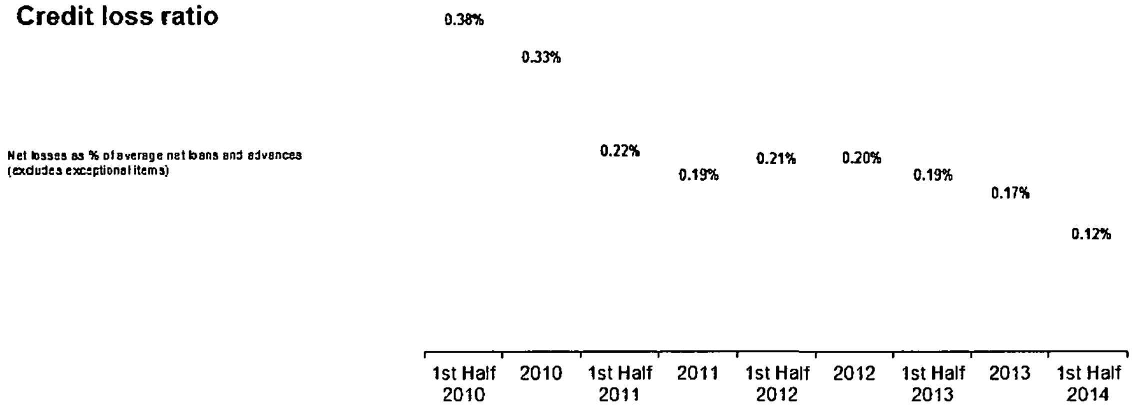
Profit before tax (PBT)
£ Millions



	1st Half 2010	2nd Half 2010	1st Half 2011	2nd Half 2011	1st Half 2012	2nd Half 2012	1st Half 2013	2nd Half 2013	1st Half 2014
Adjusted PBT as % of average net loans and advances	1.13%	1.08%	0.97%	0.86%	0.95%	0.65%	1.12%	1.32%	1.22%

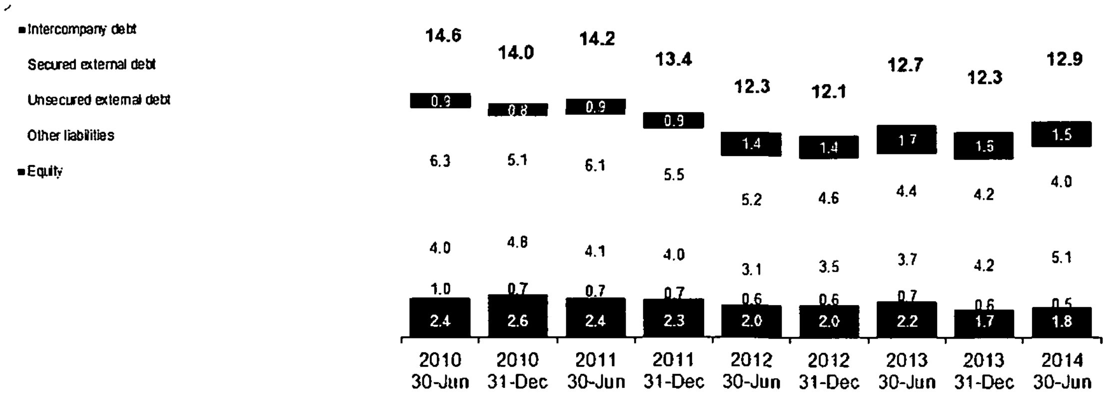
FCE has remained consistently profitable

Credit loss ratio



Credit losses as a percentage of average net loans and advances continuing to run at historical lows

Liabilities and shareholders' equity
£ Billions



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

Chairman's statement

During the first half of 2014, Ford Credit Europe's portfolio continued to grow, its losses remained low and its underlying profitability was stable. FCE's first half profits before tax were, at £111 million, slightly lower than in the same period last year.

Our half-year results represent a solid achievement and would not be possible without the efforts of the FCE team that serves our dealers and customers in 15 European countries. I take this chance to thank them for their hard work and dedication to our business.

Highlights of FCE's performance in the first half of the year include:

Profitability
FCE's first half profits were £4 million lower than for the same period last year. This reduction is more than explained by changes in fair value adjustments to financial instruments and foreign exchange effects.

Our adjusted profits (excluding the items highlighted in the preceding paragraph) were £124 million, which, driven by stronger income, represent an £18 million increase over the first half of 2013.

Consistent with the guidance provided previously, FCE does not plan to make a dividend payment in 2014. This is in line with our strategy to appropriately align our capital base with the scale of our business, taking into account our future growth plans, the funding environment and changing regulatory requirements.

Assets and portfolio
FCE's portfolio increased during the first half of 2014. This primarily reflects the growth of our wholesale business and our retail portfolio in the UK. As in previous periods, the majority of FCE's business is focussed in the UK and Germany, which represent 65% of our net loans and advances to customers. Reflecting the strength of FCE's risk management, the portfolio continues to perform strongly with credit losses remaining historically low.

Investment
A growing business such as FCE needs to invest to ensure it has the right facilities and people to serve its customers. In the first half of 2014, FCE signed a lease on new office space in Manchester which will, subject to consultation, become the base for its pan-European Dealer Credit and Wholesale Administration function. This office will serve all of FCE's European locations, excluding Germany.

FCE's Manchester Business Centre will open for new recruit training in August, becoming fully operational for the UK by the end of 2014. Other European locations will then be transitioned into the Centre, with a strong focus on continuing to provide a high quality of service to our dealers during and after the transitional stage.

Sales
During 2014, FCE increased its financing share of Ford's registrations to 36.3%, compared with 35.4% in the first half of last year. This continued improvement in our share represents the benefit of the One Ford approach in which our marketing activities are closely integrated with Ford Motor Company to make Ford's products more accessible to retail customers.

FCE continues to finance the retail sale of more than one in three new Ford vehicles in Europe with tailored financial products and outstanding customer service. Independent market research continues to confirm that retail customers who use our financing are more satisfied than those who use an alternative finance provider and are more loyal to both the Ford brand and the dealer.

Funding
Throughout the year FCE experienced improvements in the borrowing costs of its debt issuances, as well as the securitisation programmes that it renewed. Consistent with its funding plan, FCE raised £2.0 billion of new funding, renewed or added £0.8 billion of private committed securitisation capacity and replaced and upsized a three-year £720 million syndicated credit facility to a 3.5-year £760 million syndicated credit facility.

FCE is investment-grade rated by three major ratings agencies, is well capitalised and continues to have access to appropriate funding from diverse sources. 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.

Regulatory environment
As a UK regulated bank, FCE continues to adjust its processes to ensure it maintains the highest standards of compliance in an environment of significant regulatory change. In particular, the introduction of the European Union's Capital Requirements Directive IV (CRD IV), which is aimed at improving the banking sector's ability to absorb shocks arising from financial and/or economic stress, has introduced a number of changes and additional requirements.

Leadership
The Company's Non-Executive Directors are an integral part of the corporate governance structure that underpins FCE's strategies and operations. Following the resignation of Christine Bogdanowicz-Bindert at the end of 2013, the Board was delighted to welcome John Reed as a Non-Executive Director of FCE Bank. John's extensive and relevant business experience is already adding value to the governance of the company and, on behalf of the Board, I extend a warm welcome to him.

Outlook
For the full year, FCE expects to report another strong year for adjusted profits due to controlled growth and continued strong performance of FCE's portfolio, provided economic conditions do not deteriorate significantly.

By continuing to provide world-class products and services our customers and dealers want and value, I am confident that FCE will remain a strategic asset to Ford Motor Company.

Nick Rothwell
Chairman, FCE Bank plc.
22 August 2014

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 2013 Annual Report and Accounts. Updated information on the Group's business is detailed below.

Product segments

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.

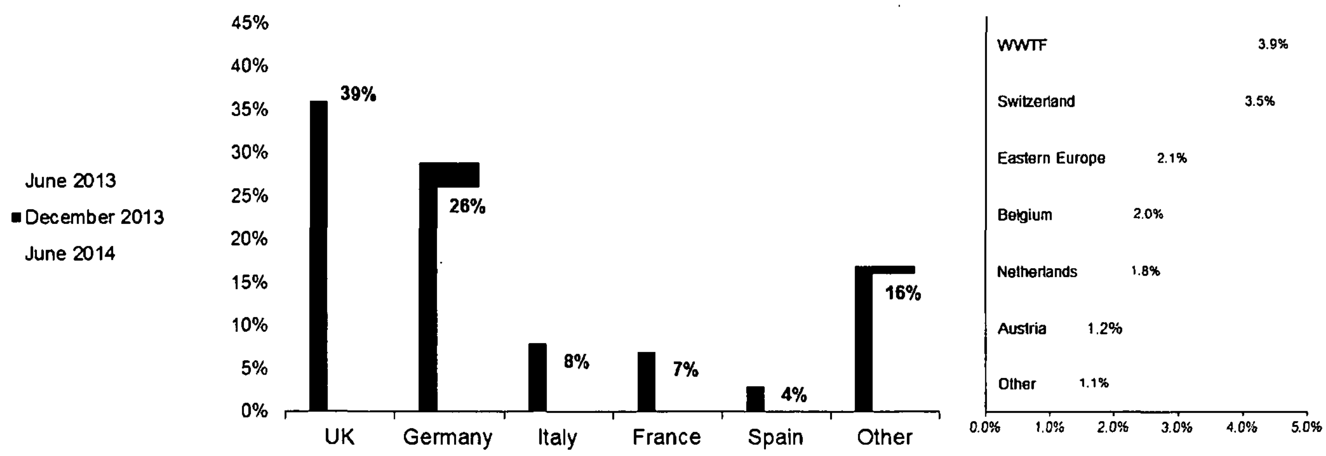
Analysis of net loans and advances by product segment

Business mix remains consistent with historical proportions

Major markets

FCE operates directly in 15 European countries. The Company also has a Worldwide Trade Finance division (WWTF), which provides financing to distributors and importers in about 60 countries. In addition, FCE has a 50% less one share interest in Forso Nordic AB (Forso) which provides automotive financial services in Denmark, Finland, Norway and Sweden.

Analysis of net loans and advances to customers by market



The chart highlights the continued importance of the UK and German markets as a proportion of FCE's total net loans and advances to customers

Performance summary

Profitability

	Notes		First Half 2014 £ mil		Second Half 2013 £ mil		First Half 2013 £ mil
Profit before tax (PBT)		£	111	£	99	£	115
Adjustment to exclude exceptional items	2		-		22		5
PBT excluding exceptional items		**£**	**111**	**£**	**121**	**£**	**120**
Adjustment to exclude:							
- Fair value adjustments to financial instruments - loss / (gain)			33		80		(79)
- Foreign exchange - loss / (gain)			(20)		(76)		65
Financial instruments fair value and foreign exchange adjustments		**£**	**13**	**£**	**4**	**£**	**(14)**
Adjusted PBT		**£**	**124**	**£**	**125**	**£**	**106**

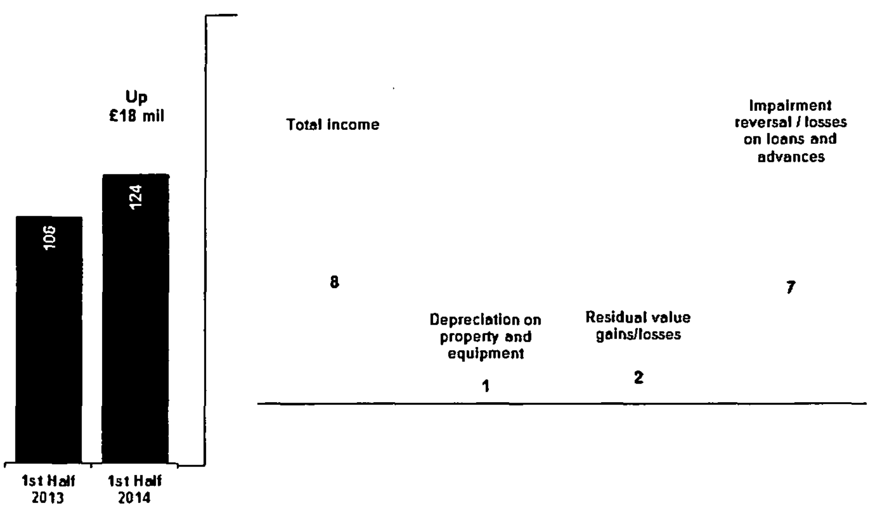
Profit before tax

FCE's PBT of £111 million in the first half of 2014 decreased by £4 million compared with the same period in the previous 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), 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 increased £18 million from the same period in the prior year as analysed in the following graph.

Adjusted PBT
£ Millions

- Adjusted PBT improved by £18 mil driven by higher income and reduced credit losses.
- Total income improvement reflects stronger net interest income and a pull ahead of insurance commission, partially offset by a reduction in income from operating leases.
- Credit losses remain at low levels with a further improvement in the credit loss ratio in the first half 2014.
- Depreciation and residual value gains and losses remain stable.



Improvement in profitability reflects higher income and strong credit loss performance

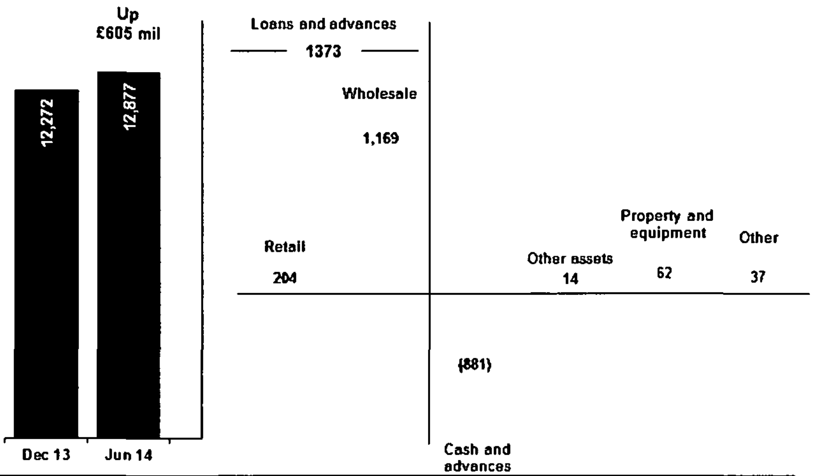
Performance summary

Balance sheet

The following graphs show an analysis of the balance sheet movements between 31 December 2013 and 30 June 2014.

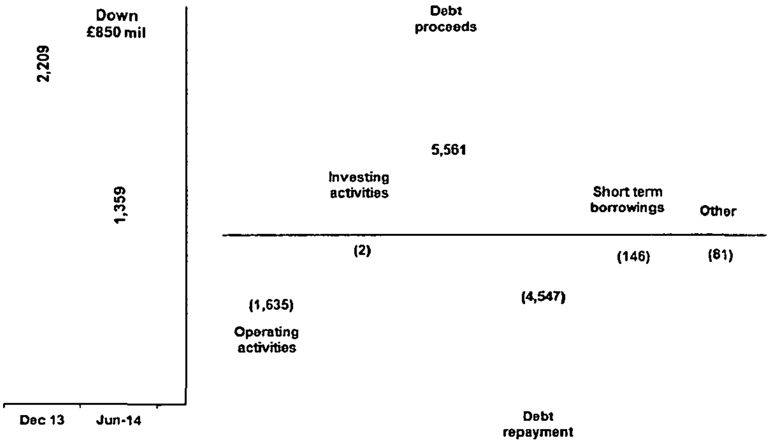
Assets
£ Millions

- Increase in loans and advances primarily due to higher dealer wholesale stocks and higher retail loans and advances, reflecting increased penetration into Ford sales.
- Decrease in cash and advances primarily reflects the seasonality in first quarter debt maturities.



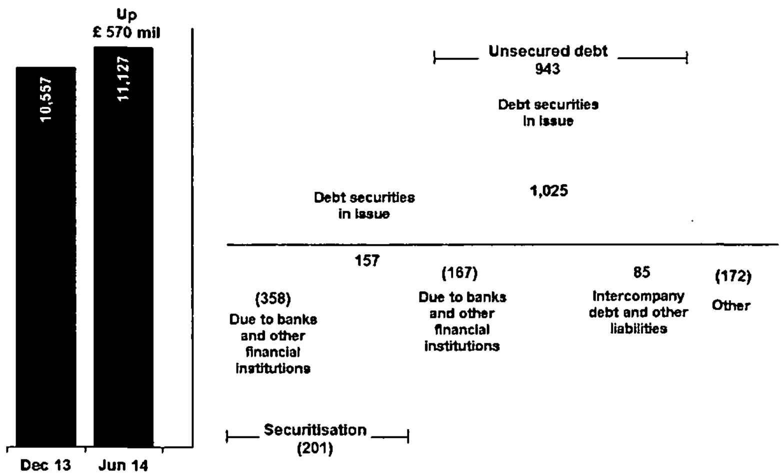
Cash and advances (net of overdrafts)
£ Millions

- Negative cash flows from operating activities due to portfolio growth.
- Debt proceeds includes the utilisation of committed securitisation capacity, unsecured credit facilities and the issuance of new public unsecured debt.
- Debt repayments include scheduled public debt repayments and repurchases.



Liabilities
£ Millions

- Total liabilities have increased reflecting growth in loans and advances.
- The proportion of funding provided by unsecured debt has increased as FCE utilizes attractively priced unsecured funding.



Performance summary

Key financial ratios

Key financial ratios	First Half 2014	First Half 2013
Return on equity	9.0%	7.8%
Margin	4.5%	4.6%
Cost efficiency ratio	2.0%	2.1%
Cost affordability ratio	45%	47%
Credit loss ratio	0.12%	0.19%
Credit loss cover	0.3%	0.5%
Common equity tier (CET1) capital / Risk weighted exposures Basel III basis	14.9%	-
CRD IV fully loaded leverage ratio	12.2%	-

The ratios above exclude exceptional items in order to show underlying or 'normalised' performance. Refer to page 44 for the 'Key financial ratios and terms' definitions and for details of the calculation of key financial ratios.

FCE's return on equity increased from the same period in 2013, primarily reflecting a decrease in equity as a result of the dividend declaration in the second half of 2013.

Margin is stable compared to the same period last year.

The cost efficiency ratio has improved compared to the same period last year, reflecting stable operating costs and an increase in average loans and advances to customers from the prior period.

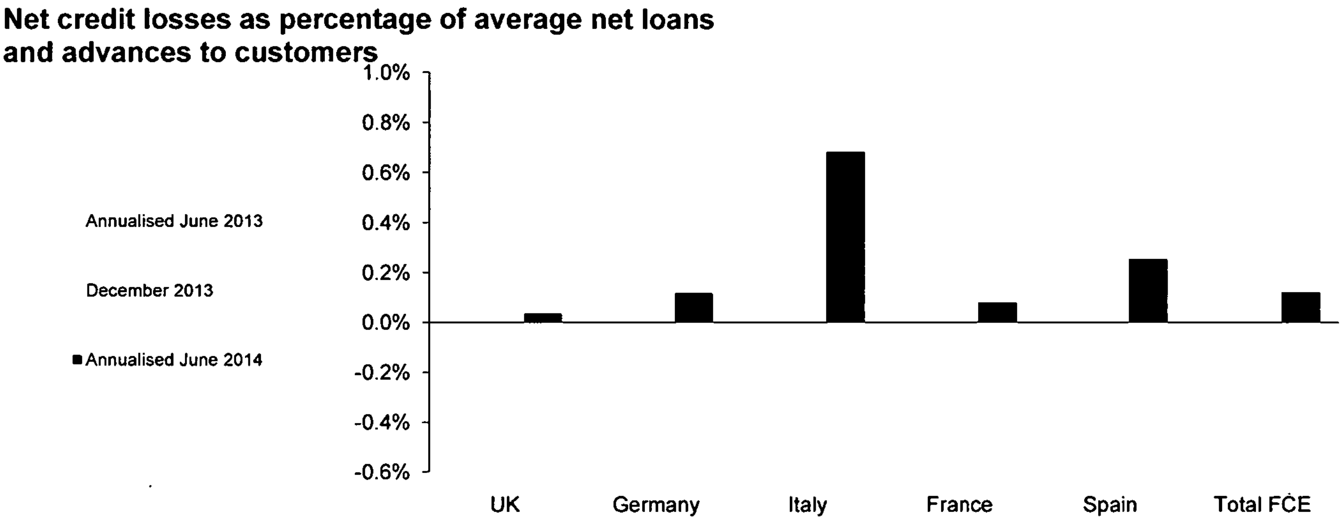
FCE's credit loss ratio is lower than experienced in the first half of 2013. This reflects the consistent quality of FCE's portfolio despite continued instability in Europe's economic environment. FCE judges that its impairment allowance of £36 million (30 June 2013: £44 million) is appropriate for its average net loans and advances to customers and economic outlook.

The Common Equity Tier 1 (CET1) capital ratio demonstrates that FCE is strongly capitalised.

The CRD IV fully loaded leverage ratio was introduced as part of the CRD IV implementation. The ratio is being tracked against a minimum requirement of 3%, which FCE is above at 12.2% as at 30 June 2014.

Performance summary

Key financial ratios continued



Credit loss performance continuing to run at 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 excluding exceptional items.

FCE continues to see strong credit loss performance, particularly in the UK, France and Germany, reflecting both low loss emergence and strong recovery performance on previously impaired loans and advances to customers.

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 following tables provide a geographical analysis of retail contracts which are past due but not impaired for the largest five locations; all other locations are reported within Other. The retail past due contracts are analysed by payment due status and are shown against the net loans and advances to customers in each location as at 30 June.

Performance summary

Analysis of retail past due exposures continued

	UK 2014 £ mil	Germany 2014 £ mil	Italy 2014 £ mil	Spain 2014 £ mil	France 2014 £ mil	Other 2014 £ mil	Total 2014 £ mil
Past due exposures (as at 30 June 2014)							
Past due under 30 days	£ 17	£ 25	£ 17	£ 2	£ 4	£ 34	£ 99
Past due over 30 < 60 days	5	7	4	1	-	3	20
Past due over 60 < 90 days	2	3	2	1	-	2	10
Past due over 90 < 120 days	1	1	1	-	-	1	4
Total past due	£ 25	£ 36	£ 24	£ 4	£ 4	£ 40	£ 133
Retail net loans and advances to customers	£ 2,274	£ 1,906	£ 504	£ 181	£ 255	£ 649	£ 5,769

	UK 2013 £ mil	Germany 2013 £ mil	Italy 2013 £ mil	Spain 2013 £ mil	France 2013 £ mil	Other 2013 £ mil	Total 2013 £ mil
Past due exposures (as at 30 June 2013)							
Past due under 30 days	£ 16	£ 26	£ 21	£ 2	£ 2	£ 37	£ 104
Past due over 30 < 60 days	4	7	5	1	1	5	23
Past due over 60 < 90 days	2	2	3	1	-	3	11
Past due over 90 < 120 days	1	1	2	1	-	1	6
Total past due	£ 23	£ 36	£ 31	£ 5	£ 3	£ 46	£ 144
Retail net loans and advances to customers	£ 1,798	£ 2,032	£ 562	£ 171	£ 299	£ 374	£ 5,236

The table shows a generally stable position in absolute value of past dues across most locations and across most ageing bands. FCE has seen past dues, as a proportion of total retail net loans and advances to customers, generally improve for the first half of 2014 compared to 2013 particularly in the UK, Spain and Italy.

The overall picture on past dues is consistent with FCE's experience on net loss performance.

Performance summary

Future prospects

While the economic environment remains challenging, vehicle industry volumes in Western Europe are expected to continue improving in the remainder of 2014. Ford sales as a proportion of vehicle industry are expected to remain stable.

In addition to benefiting from the improving economic environment, FCE plans to increase penetration in to Ford sales and expand participation in segments such as used and commercial vehicle financing.

As at 31 December 2014, FCE anticipates net loans and advances to customers to be in the range of £10.0 billion to £11.0 billion.

FCE's 2014 funding plan includes public term funding issuance in the range of £2.1 billion to £2.8 billion, including public unsecured term debt issuance of £1.5 billion to £1.9 billion and public term securitisation of £0.6 billion to £0.9 billion.

FCE expects its secured debt to be in the range of 31% to 37% of net loans and advances to customers as at 31 December 2014. FCE expects that this ratio will continue to decline over time.

FCE will continue to invest to support growth in its share of Ford brand sales and in restructuring its operations to increase efficiency.

In 2014, FCE expects to report another strong year for adjusted profits provided economic conditions do not deteriorate significantly.

FCE does not plan to make a dividend payment in 2014.

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 2014 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 complied with this policy for the half year ended 30 June 2014. FCE's common equity tier (CET1) capital ratio was 14.9% as at 30 June 2014.

Funding

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

During the first half of 2014, and consistent with its funding plan, FCE raised £2.0 billion of new funding, including four public unsecured debt issuances and a public term securitisation transaction. FCE also renewed or added £0.8 billion of private committed securitisation capacity and replaced a three year £720 million syndicated credit facility (maturing April 2016) with a 3.5 year £760 million syndicated credit facility (maturing October 2017).

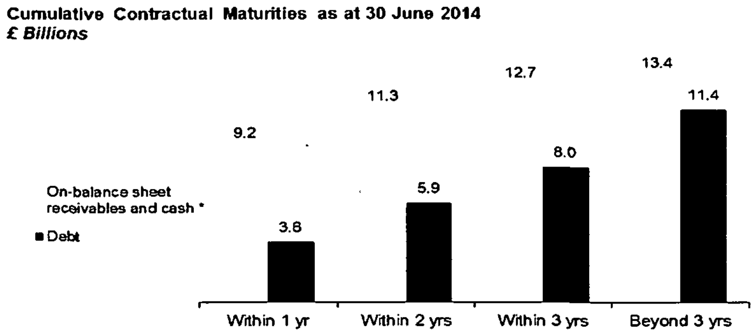
Securitisation continues to represent a substantial portion of FCE's funding due to cost and funding diversity benefits.

At 30 June 2014, secured debt was 37% of net loans and advances to customers.

Net cash inflow from external funding raised for the six months ending		**30 June 2014 Net cash inflow £ bil**		**30 June 2013 Net cash inflow £ bil**
New issuance:				
- Securitisation of retail and lease automotive receivables	£	0.4	£	0.1
- Securitisation of wholesale automotive receivables		-		-
- Unsecured debt		1.6		1.5
Total new issuance	**£**	**2.0**	**£**	**1.6**
Existing facilities:				
- Securitisation of retail and lease automotive receivables	£	0.6	£	0.9
- Securitisation of wholesale automotive receivables		2.7		1.9
- Unsecured debt		0.3		0.4
Total existing facilities	**£**	**3.6**	**£**	**3.2**
Total	**£**	**5.6**	**£**	**4.8**

Capital and funding

Liquidity



FCE's balance sheet as at 30 June 2014 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 2013 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. During the first half of 2014, FCE replaced a three year £720 million syndicated credit facility (maturing April 2016) with a 3.5 year £760 million syndicated credit facility (maturing October 2017).

Liquidity Sources		**June 2014 £ bil**		**June 2013 £ bil**
Cash and advances and marketable securities	£	1.4	£	2.4
Committed securitisation capacity	£	3.4	£	3.2
Unsecured credit facilities		0.8		0.8
Committed capacity	**£**	**4.2**	**£**	**4.0**
Committed capacity and cash	**£**	**5.6**	**£**	**6.4**
Securitisation capacity in excess of eligible receivables		(0.6)		(0.5)
Cash not available for use in FCE's day to day operations		(0.4)		(0.7)
Liquidity	**£**	**4.6**	**£**	**5.2**
Utilisation		(2.5)		(2.4)
Liquidity available for use	**£**	**2.1**	**£**	**2.8**

Capital and funding

Credit ratings

FCE's credit ratings are closely associated with the credit ratings of Ford and Ford Credit and are investment grade with all three major credit rating agencies. The following chart summarises the long-term senior unsecured credit ratings, short-term credit ratings and the outlook assigned to FCE from January 2011 to August 22 2014.

Credit ratings	**Fitch**			**Moody's**			**S&P**		
	Long Term	Short Term	Outlook	Long Term	Short Term	Outlook	Long Term	Short Term	Outlook
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	P-3	Stable	BBB-	NR	Stable
August 2012	BBB-	F3	Stable	Baa3	P-3	Stable	BBB-	NR	Positive
September 2013	BBB-	F3	Stable	Baa3	P-3	Stable	BBB	NR	Negative
April 2014	BBB-	F3	Positive	Baa3	P-3	Stable	BBB	NR	Negative
May 2014	BBB-	F3	Positive	Baa3	P-3	Stable	BBB	NR	Stable

Risk

Principal risks and uncertainties

The nature of FCE's principal risks and uncertainties has not changed significantly since publication of the 2013 Annual Report and Accounts.

Additionally, no significant changes in FCE's principal risks and uncertainties are expected for the remaining six months of 2014.

For details of FCE's principal risks and uncertainties, refer to page 21 of the Strategic report section of FCE's 2013 Annual Report and Accounts.

Risk management

FCE maintains integrated risk management and governance practices. FCE established a risk committee in 2014 which is chaired by a Non-Executive Director. 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 2013, refer to the Strategic report section of FCE's 2013 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 2014' 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

Nick Rothwell
Chairman

Paul Kiernan
Executive Director, Finance

22 August 2014

Independent review report to FCE Bank plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed the condensed consolidated half-yearly financial statements, defined below, in the interim report and financial statements of FCE Bank Plc for the six months ended 30 June 2014. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated half-yearly financial statements 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 Conduct Authority.

This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed

The condensed consolidated half-yearly financial statements, which are prepared by FCE Bank plc, comprise:

- the condensed consolidated half-yearly statement of financial position as at 30 June 2014;
- the condensed consolidated half-yearly statement of profit and loss and other comprehensive income for the period then ended;
- the condensed consolidated half-yearly statement of cash flows for the period then ended;
- the condensed consolidated half-yearly statement of changes in equity for the period then ended; and
- the related notes to the condensed consolidated half-yearly financial statements.

As disclosed in note 1, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and 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 and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
26 August 2014
London

What a review of condensed consolidated financial statements involves

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.
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.

Responsibilities for the condensed consolidated interim financial statements and the review

Our responsibilities and those of the directors[1,2]

The interim report and financial statements, including the condensed consolidated half-yearly financial statements, is the responsibility of, and has 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 Conduct Authority.

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 complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

Notes:

1. 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.
2. 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 profit and loss and other comprehensive income

For the half year ended	Notes		30 June 2014 Unaudited £ mil		30 June 2013 Unaudited £ mil
Interest income		£	310	£	331
Interest expense			(103)		(136)
NET INTEREST INCOME		**£**	**207**	**£**	**195**
Fees and commissions income		£	25	£	17
Fees and commissions expense			(7)		(7)
NET FEES AND COMMISSIONS INCOME		**£**	**18**	**£**	**10**
Other operating income			78		90
TOTAL INCOME		**£**	**303**	**£**	**295**
Impairment losses on loans and advances	2/4	£	(3)	£	(15)
Operating expenses	2		(102)		(101)
Depreciation of property and equipment			(76)		(79)
Fair value adjustments to financial instruments			(33)		79
Gain / (loss) on foreign exchange			20		(65)
Share of profit of a jointly controlled entity			2		1
PROFIT BEFORE TAX	2	**£**	**111**	**£**	**115**
Income tax expense			(33)		(33)
PROFIT AFTER TAX AND PROFIT FOR THE PERIOD		**£**	**78**	**£**	**82**
Translation differences on foreign currency net investments		£	(40)	£	65
Translation differences on foreign currency investments in a jointly controlled entity			(2)		2
ITEMS THAT CAN BE RECYCLED THROUGH THE PROFIT AND LOSS		**£**	**(42)**	**£**	**67**
Other equity adjustments		£	(1)	£	-
ITEMS THAT CANNOT BE RECYCLED THROUGH THE PROFIT AND LOSS		**£**	**(1)**	**£**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			**35**		**149**

The accompanying 'Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2014' are an integral part of these financial statements.

Condensed consolidated half-yearly statement of financial position

As at	Notes	30 June 2014 Unaudited £ mil	31 December 2013 £ mil	30 June 2013 Unaudited £ mil
ASSETS				
Cash and advances		£ 1,419	£ 2,300	£ 2,355
Derivative financial instruments		86	71	111
Other assets		275	261	294
Net loans and advances not subject to securitisation		£ 5,091	£ 3,140	£ 3,062
Net loans and advances subject to securitisation	6	5,633	6,211	6,479
Total net loans and advances to customers	3	**£ 10,724**	**£ 9,351**	**£ 9,541**
Property and equipment		217	155	249
Income taxes receivable		38	11	1
Deferred tax assets		63	67	72
Goodwill and other intangible assets		10	10	9
Investment in a jointly controlled entity		42	43	43
Investment in other entities		3	3	3
TOTAL ASSETS		**£ 12,877**	**£ 12,272**	**£ 12,678**
LIABILITIES				
Due to banks and other financial institutions not in respect of securitisation	7	£ 228	£ 395	£ 229
Due to banks and other financial institutions in respect of securitisation	6/7	2,842	3,200	3,426
Total due to banks and other financial institutions		**£ 3,070**	**£ 3,595**	**£ 3,655**
Deposits		£ 54	£ 51	£ 63
Due to parent and related undertakings	8	1,489	1,404	1,714
Derivative financial instruments		57	82	51
Debt securities in issue not in respect of securitisation	9	£ 4,779	£ 3,754	£ 3,402
Debt securities in issue in respect of securitisation	6/9	1,154	997	931
Total debt securities in issue	9	**£ 5,933**	**£ 4,751**	**£ 4,333**
Other liabilities		260	315	349
Income taxes payable		45	129	106
Deferred tax liabilities		15	19	8
Subordinated loans	10	204	211	225
TOTAL LIABILITIES		**£ 11,127**	**£ 10,557**	**£ 10,504**
SHAREHOLDERS' EQUITY				
Ordinary shares		£ 614	£ 614	£ 614
Share premium		352	352	352
Retained earnings		784	749	1,208
TOTAL SHAREHOLDERS' EQUITY		**£ 1,750**	**£ 1,715**	**£ 2,174**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**£ 12,877**	**£ 12,272**	**£ 12,678**

The accompanying 'Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2014' are an integral part of the financial statements.

The financial statements on pages 19 to 43 were approved by the Board of Directors on 22 August 2014 and were signed on its behalf by:

Nick Rothwell
Chairman

Paul Kiernan
Executive Director, Finance

Condensed consolidated half-yearly statement of cash flows

For the half year ended	Notes		30 June 2014 Unaudited £ mil		30 June 2013 Unaudited Restated* £ mil
Cash flows from operating activities					
Cash from operating activities	15	£	(1,708)	£	(530)
Interest paid			(168)		(204)
Interest received			294		354
Other operating income received			91		107
Income taxes paid			(144)		(10)
Income taxes refunded			-		74
Net cash from/(used in) operating activities		**£**	**(1,635)**	**£**	**(209)**
Cash flows from investing activities					
Maturity of marketable securities		£	-	£	1
Purchase of property and equipment			(2)		(2)
Proceeds from sale of property and equipment			1		2
Investment in internally and externally generated software			(1)		-
Dividend from jointly controlled entity			-		5
Net cash from/(used in) investing activities		**£**	**(2)**	**£**	**6**
Cash flows from financing activities					
Proceeds from the issue of debt securities and from loans provided by banks and other financial institutions		£	5,561	£	3,337
Repayments of debt securities and of loans provided by banks and other financial institutions			(4,547)		(3,579)
Proceeds of funds provided by parent and related undertakings			-		1,418
Repayment of funds provided by parent and related undertakings			(10)		(1,149)
Net increase/(decrease) in short term borrowings			(146)		(130)
Net increase/(decrease) in corporate deposits			3		10
Net cash inflow/(outflow) on derivative financial instruments			(32)		22
(Increase) in central bank and other deposits			(51)		(54)
Decrease in central bank and other deposits			61		42
Net cash from/(used in) financing activities		**£**	**839**	**£**	**(83)**
Net cash flows		**£**	**(798)**	**£**	**(286)**
Effect of exchange rate changes on cash and cash equivalents			(52)		81
Net increase/(decrease) in cash and cash equivalents	15		**(850)**		**(205)**
Cash and cash equivalents at beginning of period	15		2,209		2,475
Cash and cash equivalents at end of period	15	**£**	**1,359**	**£**	**2,270**

* 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 2014' are an integral part of the financial statements.

Condensed consolidated half-yearly statement of changes in equity

		Share capital		Share premium		Profit and loss reserve		Translation reserve		Total retained earnings		Total Unaudited
		£ mil		£ mil		£ mil		£ mil		£ mil		£ mil
Balance at 1 January 2013	**£**	**614**	**£**	**352**	**£**	**753**	**£**	**306**	**£**	**1,059**	**£**	**2,025**
Profit for the period	£	-	£	-	£	82	£	-	£	82	£	82
Translation differences		-		-		-		67		67		67
Total comprehensive income for the half year ended 30 June 2013	**£**	**-**	**£**	**-**	**£**	**82**	**£**	**67**	**£**	**149**	**£**	**149**
Dividend payment	£	-	£	-	£	-	£	-	£	-	£	-
Other equity adjustments		-		-		-		-		-		-
Balance at 30 June 2013 / 1 July 2013	**£**	**614**	**£**	**352**	**£**	**835**	**£**	**373**	**£**	**1,208**	**£**	**2,174**
Profit for the period	£	-	£	-	£	70	£	-	£	70	£	70
Translation differences		-		-		-		(43)		(43)		(43)
Total comprehensive income for the half year ended 31 December 2013	**£**	**-**	**£**	**-**	**£**	**70**	**£**	**(43)**	**£**	**27**	**£**	**27**
Dividend payment	£	-	£	-	£	(485)	£	-	£	(485)	£	(485)
Other equity adjustments		-		-		(1)		-		(1)		(1)
Balance at 31 December 2013 / 1 January 2014	**£**	**614**	**£**	**352**	**£**	**419**	**£**	**330**	**£**	**749**	**£**	**1,715**
Profit for the period	£	-	£	-	£	78	£		£	78	£	78
Translation differences		-		-				(42)		(42)		(42)
Total comprehensive income for the half year ended 30 June 2014	**£**	**-**	**£**	**-**	**£**	**78**	**£**	**(42)**	**£**	**36**	**£**	**36**
Dividend payment	£	-	£	-	£	-	£	-	£	-	£	-
Other equity adjustments		-		-		(1)		-		(1)		(1)
Balance at 30 June 2014	**£**	**614**	**£**	**352**	**£**	**496**	**£**	**288**	**£**	**784**	**£**	**1,750**

The directors have not declared any dividends since the payment of the dividend on 2 December 2013.

The accompanying 'Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2014' are an integral part of the financial statements.

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2014

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Policy

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Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2014

1 ACCOUNTING POLICIES

The condensed consolidated half-yearly financial statements have been prepared on a going concern basis in accordance with IAS 34, 'Interim financial reporting' as adopted by the European Union and with the Disclosure and Transparency Rules of the Financial Conduct 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 2013 were approved by the Board of Directors on 19 March 2014 and delivered to the Registrar of Companies on 28 March 2014. 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 2013 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 2013 Annual Report and Accounts. All accounting standards that were effective and had to be applied from 1 January 2014 have been implemented by FCE. These do not have a material impact on FCE's condensed or consolidated financial statements.

Accounting restatements

Accounting restatement	Impacted by these changes are:
In 2013, certain amounts relating to items within 'cash flows from operating activities' and 'cash flows from financing activities' have been adjusted to correct an error made in calculating and allocating the impact of foreign exchange gains and losses. In 2013, certain amounts relating to '(increase)/decrease in central bank and other deposits' have been adjusted to correct an error made in determining the allocation of movements between the (increase) and decrease amounts.	Major lines impacted: • 30 June 2013 'Net cash from/(used in) operating activities' amounted to (£209) million (previously reported as (£251) million). • 30 June 2013 'Net cash from/(used in) financing activities' amounted to (£83) million (previously reported as (£32) million). • 30 June 2013 'Effect of exchange rate changes on cash and cash equivalents' amounted to £81 million (previously reported as £72 million). These restatements have no effect on the reported amount of cash and advances for 2013.

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2014

2 PROFIT BEFORE TAX

Profit before tax (PBT) may include 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.

There were no exceptional items in the first half of 2014. This is compared to a reduction in PBT of £5 million related to exceptional items for the equivalent period last year, and a reduction of £22 million in the second half of 2013.

PBT for the half years ended 30 June 2014, 31 December 2013 and 30 June 2013 is stated after crediting/(charging):	First Half 2014 Unaudited £ mil	Second Half 2013 Unaudited £ mil	First Half 2013 Unaudited £ mil
Impairment losses:			
- Spanish wholesale adjustment	£ -	£ -	£ (5)
Total exceptional impairment losses	**£ -**	**£ -**	**£ (5)**
Operating expenses:			
UK pension fund related contribution	£ -	£ (22)	£ -
Total exceptional operating expenses	**£ -**	**£ (22)**	**£ -**
Total exceptional items	**£ -**	**£ (22)**	**£ (5)**

'Spanish wholesale adjustment' relates to the retrospective write off in the period of wholesale loans and advances impaired in prior years.

The 'UK pension fund related contribution' represents agreement and payment in the period of past service deficits to the principal company of a defined benefit plan that shares the risks between entities under common control in which FCE participates.

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2014

3 LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers were as follows:

	Notes	30 June 2014 Unaudited £ mil	31 December 2013 £ mil	30 June 2013 Unaudited £ mil
Loans and advances to customers				
Retail excluding finance lease		£ 5,377	£ 5,149	£ 5,191
Finance lease		960	993	620
Wholesale		4,939	3,766	4,284
Other		23	26	27
Gross loans and advances to customers		**£ 11,299**	**£ 9,934**	**£ 10,122**
Unearned finance income		£ (454)	£ (442)	£ (418)
Provision for incurred losses	4	(37)	(42)	(46)
Provision for vehicle residual value losses	5	(3)	(2)	(3)
Interest supplements from related parties		(143)	(148)	(148)
Net deferred loan origination costs / (fees)		62	51	34
Net loans and advances to customers		**£ 10,724**	**£ 9,351**	**£ 9,541**
Analysis of net loans and advances:				
Retail		£ 5,769	£ 5,565	£ 5,236
Wholesale		4,955	3,786	4,305
Net loans and advances to customers		**£ 10,724**	**£ 9,351**	**£ 9,541**
Net loans not subject to securitisation		£ 5,091	£ 3,140	£ 3,062
Net loans subject to securitisation	6	5,633	6,211	6,479
Net loans and advances to customers		**£ 10,724**	**£ 9,351**	**£ 9,541**
Percentage analysis of net loans and advances:				
Percentage of retail financing loans		54%	60%	55%
Percentage of wholesale/other financing loans		46%	40%	45%
Percentage of net loans not subject to securitisation		47%	34%	32%
Percentage of net loans subject to securitisation		53%	66%	68%
Percentage of gross loans not subject to securitisation		48%	35%	33%
Percentage of gross loans subject to securitisation		52%	65%	67%

Refer to Note 15 'Loans and advances to customers' of the 2013 Annual Report and Accounts for further information.

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2014

4 PROVISION FOR INCURRED LOSSES

Statement of financial position	Notes		Jun-14 Unaudited £ mil		Dec-13 Unaudited £ mil	Jun-13 Unaudited £ mil
Retail						
Beginning of period balance		£	36	£	40	39
Additions to reserve		£	12		13	20
Use of reserve			(17)		(17)	(21)
Other			-		1	-
FX movement			(1)	£	(1)	2
End of period balance		£	30	£	36	40
Wholesale						
Beginning of period balance		£	6	£	6	4
Additions to reserve		£	4		3	8
Use of reserve			(3)		(3)	(6)
Other			-		-	-
FX movement			0	£	-	-
End of period balance		£	7	£	6	6
Total						
Beginning of period balance		£	42	£	46	43
Additions to reserve		£	16		16	28
Use of reserve			(20)		(20)	(27)
Other			-		1	-
FX movement			(1)	£	(1)	2
End of period balance	3	£	37	£	42	46
Analysis of provision for Incurred Losses:						
Specific impairment allowance		£	1	£	2	2
Collective impairment allowance			36		40	44
Total impairment allowance		£	37	£	42	46

Statement of profit and loss and other comprehensive income		Jun-14 Unaudited £ mil		Dec-13 Unaudited £ mil	Jun-13 Unaudited £ mil
Retail					
Additions to reserve in period	£	(12)	£	(13)	(20)
Recoveries		11		13	12
Net Impairment Losses	£	(1)	£	-	(8)
Wholesale					
Additions to reserve in period	£	(4)	£	(3)	(8)
Recoveries		2		-	1
Net Impairment Losses	£	(2)	£	(3)	(7)
Total					
Additions to reserve in period	£	(16)	£	(16)	(28)
Recoveries		13		13	13
Impairment Losses charged to SPLOCI	£	(3)	£	(3)	(15)

Refer to Note 16 'Provision for incurred losses' of the 2013 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'.

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2014

5 PROVISION FOR VEHICLE RESIDUAL VALUE LOSSES

The movement in the provision for retail vehicle residual values for the half years ended 30 June 2013, 31 December 2013 and 30 June 2014 is as follows:

	Notes		Retail £ mil
Balance at 1 January 2013		**£**	**3**
Residual value adjustments charged/(credited) to income statement		£	-
Residual value gains / (losses) incurred in the period			-
Balance at 30 June 2013 - Unaudited	3	**£**	**3**
Residual value adjustments charged/(credited) to income statement			(1)
Residual value gains / (losses) incurred in the period			
Balance at 31 December 2013 / 1 January 2014	3	**£**	**2**
Residual value adjustments charged/(credited) to income statement		£	1
Residual value gains / (losses) incurred in the period			-
Balance at 30 June 2014 - Unaudited	3	**£**	**3**

Refer to Note 17 'Provision for vehicle residual values' and Note 39 'Vehicle residual values' of the 2013 Annual Report and Accounts for further details of vehicle residual values and the related reserves.

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2014

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 the balances relating to the Group's securitisation transactions, which includes committed factoring programmes and other secured financing. The difference between 'Loans and advances subject to securitisation' and 'Related debt' reflects the Group's retained interests, not including cash associated with the securitisation transactions.

		Wholesale		Retail		Total		Total
		Public	Private	Public	Private	Public	Private	
	Notes	£ mil	£ mil	£ mil	£ mil	£ mil	£ mil	£ mil
As at 30 June 2013 unaudited								
Loans and advances subject to securitisation	3	£ -	£ 2,878	£ 1,029	£ 2,572	£ 1,029	£ 5,450	£ 6,479
Due to other banks and other financial institutions	7	£ -	£ 1,505	£ -	£ 1,921	£ -	£ 3,426	£ 3,426
Debt securities in issue	9	-	-	931	-	931		931
Related debt		**£ -**	**£ 1,505**	**£ 931**	**£ 1,921**	**£ 931**	**£ 3,426**	**£ 4,357**
As at 31 December 2013 audited								
Loans and advances subject to securitisation	3	£ -	£ 2,661	£ 1,112	£ 2,438	£ 1,112	£ 5,099	£ 6,211
Due to other banks and other financial institutions	7	£ -	£ 1,399	£ -	£ 1,801	£ -	£ 3,200	£ 3,200
Debt securities in issue	9		-	997	-	997	-	997
Related debt		**£ -**	**£ 1,399**	**£ 997**	**£ 1,801**	**£ 997**	**£ 3,200**	**£ 4,197**
As at 30 June 2014 unaudited								
Loans and advances subject to securitisation	3	£ -	£ 2,232	£ 1,250	£ 2,151	£ 1,250	£ 4,383	£ 5,633
Due to other banks and other financial institutions	7	£ -	£ 1,237	£ -	£ 1,605	£ -	£ 2,842	£ 2,842
Debt securities in issue	9	-	-	1,154	-	1,154	-	1,154
Related debt		**£ -**	**£ 1,237**	**£ 1,154**	**£ 1,605**	**£ 1,154**	**£ 2,842**	**£ 3,996**

Cash available to support the obligations of the SPEs as at 30 June 2014 of £354 million (31 December 2013: £480 million, 30 June 2013: £611 million) is included within FCE's balance sheet under the caption 'Cash and advances'.

6 SECURITISATION AND RELATED FINANCING continued

Transaction structures

The Group'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 Group 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 Group uses both flat and variable funding structures.

At 30 June 2014, outstanding flat revolving capacity totalled £0.2 billion (December 2013: £0.6 billion, June 2013: £0.5 billion), with revolving periods ending October 2015.

Variable funding revolving structures at 30 June 2014 totalled £3.4 billion of committed capacity (December 2013: £3.3 billion, June 2013: £3.2 billion) of which £2.4 billion matures during the remainder of 2014 and the balance having various maturity dates between February 2015 and December 2015. At 30 June 2014, £2.5 billion (December 2013: £2.3 billion, June 2013: £2.4 billion) of the variable funding committed capacity was utilised.

		Revolving structure capacity £ bil
Balance at 1 January 2014	**£**	**3.9**
Committed capacity maturing in the first half of 2014	£	(1.0)
Committed capacity renewed in the first half of 2014		0.8
Other net capacity increase/(reduction) actions		0.0
Exchange adjustments		(0.1)
Balance at 30 June 2014	**£**	**3.6**
Variable funding committed capacity	£	3.4
Flat revolving capacity		0.2
Balance at 30 June 2014	**£**	**3.6**

For further details on FCE's securitisation programme, refer to Note 18 'Securitisation and related financing' in the 2013 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 2014 Unaudited £ mil	31 December 2013 £ mil	30 June 2013 Unaudited £ mil
Due to banks and other financial institutions not in respect of securitisation				
Borrowings from banks and other financial institutions		£ 221	£ 383	£ 227
Bank overdrafts		7	12	2
Sub-total:		**£ 228**	**£ 395**	**£ 229**
Due to banks and other financial institutions in respect of securitisation	6	**£ 2,842**	**£ 3,200**	**£ 3,426**
Total due to banks and other financial institutions		**£ 3,070**	**£ 3,595**	**£ 3,655**

Refer to Note 25 'Due to banks and other financial institutions' of the 2013 Annual Report and Accounts for further information.

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2014

8 DUE TO PARENT AND RELATED UNDERTAKINGS

Due to parent and related undertakings were as follows:

	30 June 2014 Unaudited £ mil	31 December 2013 £ mil	30 June 2013 Unaudited £ mil
Senior debt			
Deposits received from FCI	£ -	£ -	£ 249
Loans from FCSH	470	485	-
Principal amounts due to parent undertakings	**£ 470**	**£ 485**	**£ 249**
Loans from Ford Credit	£ 799	£ 831	£ 1,190
Deposits received from related undertakings	28	24	52
Total senior debt	**£ 1,297**	**£ 1,340**	**£ 1,491**
Accounts payable to related undertakings	£ 189	£ 61	£ 219
Accrued interest	3	3	4
Due to parent and related undertakings	**£ 1,489**	**£ 1,404**	**£ 1,714**

'Deposits received from FCI' includes amounts utilised to mitigate certain exposure concentrations from related counterparties. In the event of default by these counterparties the deposits received can be offset against the amounts due to the Company. The deposits were repaid in 2013.

'Loans from FCSH' consists of two Sterling denominated loans from FCSH to FCE, a £40 million loan due to mature in December 2014 and £430 million loan due to mature in December 2018.

'Loans from Ford Credit' consists of two Euro denominated loans from Ford Credit to FCE, a £478 million (€597 million) loan due to mature in June 2017 and a £321 million (€400 million) loan due to mature in May 2015.

All deposits received are available for use in the Company's day to day operations and have therefore not been separately reported within the 'Cash and advances' figure on the balance sheet.

Refer to Note 27 'Due to parent and related undertakings' of the 2013 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.

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2014

9 DEBT SECURITIES IN ISSUE

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

	Notes	30 June 2014 Unaudited £ mil	31 December 2013 £ mil	30 June 2013 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)		£ 4,443	£ 3,465	£ 3,210
Sub-total Euro Medium Term Notes		**£ 4,443**	**£ 3,465**	**£ 3,210**
Obligations arising from securitisation	6	£ 1,154	£ 997	£ 931
Sub-total listed debt		**£ 5,597**	**£ 4,462**	**£ 4,141**
UNLISTED DEBT:				
Private Issuance under the Euro Medium Term Note Program		£ 280	£ 231	£ 132
Schuldschein		56	58	60
Debt securities in issue		**£ 5,933**	**£ 4,751**	**£ 4,333**
Analysis of debt securities in issue				
Unsecured borrowings		£ 4,779	£ 3,754	£ 3,402
Obligations arising from sales of receivables	6	1,154	997	931
Debt securities in issue		**£ 5,933**	**£ 4,751**	**£ 4,333**

The Company's EMTN programme has an issuance limit of US $12 billion (or the equivalent in other currencies). The EMTN Base Prospectus is dated 31 January 2014 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 45.

The Company repaid €500 million (approximately £401 million) of EMTN debt that matured in January 2014.

The Company completed public EMTN issuances in February 2014 for €650 million (approximately £521million), which matures in 2019, €200 million (approximately £160 million) in April 2014 which matures in 2016, £250 million in May 2014 which matures in 2018, and €650 million (approximately £521 million) in June 2014 which matures in 2021. The remaining movement of the EMTN's from December 2013 represents primarily private issuance and currency revaluation.

The Company also completed one public term securitisation transaction in May 2014 for €517 million (approximately £414 million).

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2014

10 SUBORDINATED LOANS

Details of subordinated loans provided were as follows:

	30 June 2014 Unaudited £ mil	31 December 2013 £ mil	30 June 2013 Unaudited £ mil
Perpetual loans	£ 204	£ 211	£ 225
Total loan amounts	**£ 204**	**£ 211**	**£ 225**
Tier 2 value of perpetual loans	£ 204	£ 211	£ 225
Total tier 2 value	**£ 204**	**£ 211**	**£ 225**
Analysis of subordinated loans			
Due to FCI	£ 128	£ 132	£ 143
Due to Ford Credit	76	79	82
Total subordinated loans	**£ 204**	**£ 211**	**£ 225**

The loans listed above satisfy the conditions for eligibility as tier two capital instruments as defined by the PRA 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 2014

11 CONTINGENT LIABILITIES

	30 June 2014 Unaudited £ mil	31 December 2013 £ mil	30 June 2013 Unaudited £ mil
Guarantees provided on behalf of Ford:			
Spanish Ministry of Industry and regional authorities	£ 40	£ 42	£ 30
Customs authorities, revenue commissioners and agencies	14	14	16
Belgium revenue commissioner	20	-	-
Other guarantees	5	5	-
Total guarantees provided on behalf of Ford	£ 79	£ 61	£ 46
Other guarantees provided to third parties	1	1	2
Total guarantees	**£ 80**	**£ 62**	**£ 48**

'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 Group can be found in the 2013 Annual Report.

'Belgium revenue commissioner' relates to a new guarantee provided to the Belgium tax authorities in connection with the Ford Genk plant.

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. After the balance sheet date a settlement was reached with the local tax authorities in relation to the transfer pricing items consistent with the provision held.

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 2014. 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 a court ruling in the German courts in May 2014 regarding the legality of administration fees charged to retail finance customers, the Company has established a reserve within 'Other liabilities' based on the estimated number of claims within an assumed statute of limitation period of three years, starting in 2011. The German High Court is scheduled to hear a case in October of this year resulting in a ruling on the period of statute of limitations. The Company does not reasonably expect, based on internal analysis, that this matter will have a material effect on the future financial statements, although such an outcome is possible. The Company will continue to analyse the future impact based on expected claims volumes and resulting statute of limitation period and will adjust the reserve accordingly.

12 CREDIT RISK

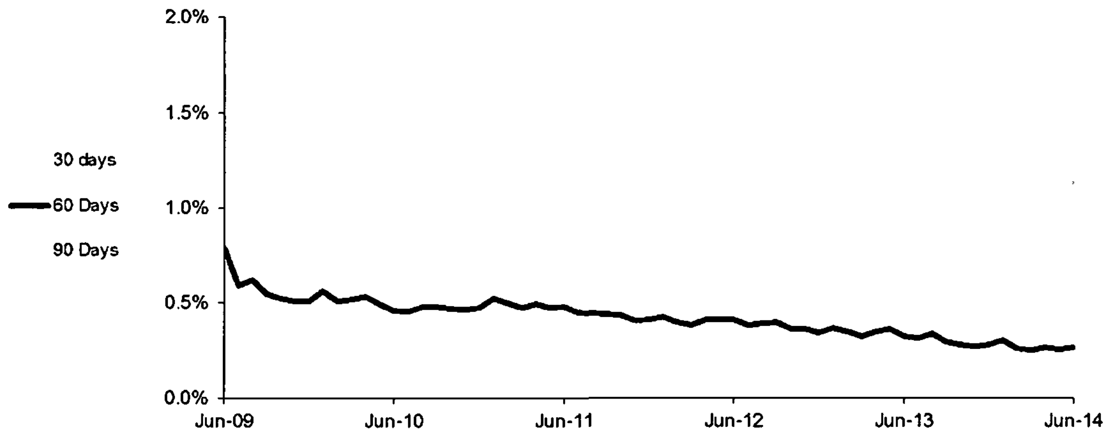
As a provider of automotive financial products, FCE's primary source of credit risk is the possibility of loss from a retail customer's or dealer's failure to make payments according to contractual terms. These products are classified as 'loans and advances to customers' under IAS 39. Updated information on the Group'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 2013 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 despite economic difficulties in a number of markets.

Retail delinquency 5 year monthly trend



Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2014

12 CREDIT RISK continued

Wholesale

	Notes	30 June 2014 Unaudited £ mil	30 June 2013 Unaudited £ mil
Group I (risk rating 0-3)		£ 2,299	£ 2,727
Group II (risk rating 4-5)		1,717	865
Group III (risk rating 6-7)		889	711
Group IV (risk rating 8-9)		57	8
Total gross wholesale and other loans and advances	**3**	**£ 4,962**	**£ 4,311**
Percentage analysis			
Group I (risk rating 0-3)		46.33%	63.26%
Group II (risk rating 4-5)		34.60%	20.06%
Group III (risk rating 6-7)		17.93%	16.49%
Group IV (risk rating 8-9)		1.14%	0.19%

Following a detailed review across all of our markets, we have implemented some refinements to the process relating to dealer risk ratings. This has resulted in a consistent application of the treatment of account rating across all markets, which is aligned with our internal dealer risk monitoring and control processes.

The table above reflects the refinements made to the process and FCE's prudent approach to managing risk, which is reflected in the cost of risk as described in these accounts.

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2014

13 RELATED PARTY TRANSACTIONS

Refer to Note 43 'Related party transactions' of the 2013 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 2013 are detailed below:

Transactions with parent undertakings

- The Company has two loans from FCSH, a £430 million loan due to mature in December 2018 and a £40 million loan due to mature in December 2014. Interest expense for the 6 month period to the 30 June 2014 totalled £4 million (30 June 2013: nil).
- The Company has two Euro denominated loans from Ford Credit, a £478 million (€597 million) loan due to mature in June 2017 and a £321 million (€400 million) loan due to mature in May 2015. Interest expense for the six month period to the 30 June 2014 totalled £7 million (30 June 2013: £8 million).
- A €1.5 billion short-term revolving facility has been provided by Ford Credit to the Company which matures on 1 December 2014 or earlier upon 45 days' notice from Ford Credit. As at 30 June 2014, no amounts were drawn under this facility (31 December 2013: nil, 30 June 2013: nil) and no such notice was given. Interest expense for the six month period to 30 June 2014 was nil (30 June 2013: nil).
- The Company has a $1 billion subordinated loan facility with FCI. As at 30 June 2014, the amount drawn under this facility totalled £128 million (31 December 2013: £132 million, 30 June 2013: £143 million). In addition Euro denominated subordinated loans provided by Ford Credit to the Company as at 30 June 2014 totalled £76 million (31 December 2013: £79 million, 30 June 2013: £82 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 2014 totalled £2 million (30 June 2013: £3 million).
- 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 2014 there were no such deposits (31 December 2013: nil, 30 June 2013: £249 million) and are detailed in Note 8 'Due to parent and related undertakings'. Interest expense for the six month period to 30 June 2014 totalled nil (30 June 2013: £3 million).
- Service fees charged to FCE by Ford Credit relate to technical and administrative advice and services provided by Ford Credit. The amount of service fees charged for the six month period to 30 June 2014 totalled £5 million (30 June 2013: £6 million).
- During the first half of 2014 no dividends were declared or paid by the Company.

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 2013. Refer to page 60 of FCE's 2013 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 2014, unearned interest supplements reported in Note 3 'Loans and advances to customers' totalled £143 million (31 December 2013: £148 million, 30 June 2013: £148 million). As at 30 June 2014, 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 £41 million (31 December 2013: £27 million, 30 June 2013: £52 million). Associated interest and income supplements earned and recorded in the income statement for the six months ended 30 June 2014 totalled £219 million (30 June 2013: £245 million).

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, payments totalling £4 million were made to Ford for the six month period to 30 June 2014 (30 June 2013: £2 million).

14 SEGMENT REPORTING

Segment reporting includes income, expenses and other financial information for the six months ended 30 June 2014 and asset information as at 30 June 2014. Refer to Note 44 'Segment reporting' of the 2013 Annual Report and Accounts for further information.

14a) Performance measurement figures	**UK 2014 $ mil**	**Germany 2014 $ mil**	**Italy 2014 $ mil**	**Spain 2014 $ mil**	**France 2014 $ mil**	**Central / Other 2014 $ mil**	**Total 2014 $ mil**
Market income	$ 189	$ 167	$ 53	$ 23	$ 38	$ 94	$ **564**
Borrowing costs	(72)	(48)	(16)	(5)	(13)	(33)	**(187)**
Operating expenses	(41)	(45)	(18)	(14)	(12)	(32)	**(162)**
Impairment losses	-	(4)	(2)	2	-	(1)	**(5)**
Other revenue / (expenses)	(2)	(20)	-	(1)	(1)	3	**(21)**
Profit before tax (PBT)	**$ 74**	**$ 50**	**$ 17**	**$ 5**	**$ 12**	**$ 31**	**$ 189**
Net receivables	$ 7,180	$ 5,324	$ 1,482	$ 741	$ 1,332	$ 2,899	$ **18,958**

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	$ 470	$ (154)	$ (130)	$ (4)	$ 158	$ 16,059
Central operations / other	94	(33)	(32)	(1)	31	2,899
Total	**$ 564**	**$ (187)**	**$ (162)**	**$ (5)**	**$ 189**	**$ 18,958**
Converted to GBP	£ 339	£ (112)	£ (97)	£ (3)	£ 114	£ 11,124
IFRS vs US GAAP	4	6	(9)	-	-	(6)
Presentational differences						
Operating leases	63	-	-	-	-	(212)
Unearned interest supplements	-	-	-	-	-	(143)
Provision for incurred losses	-	-	-	-	-	(37)
Fees and commission expense	7	-	-	-	-	-
Residual gains / losses / reserve	1	-	-	-	-	(3)
Other presentational differences	-	(7)	4	-	(1)	1
Adjustments						
Risk based equity adjustment	-	8	-	-	8	-
Other performance adjustments	-	2	-	-	(10)	-
Timing adjustments	-	-	-	-	-	-
Total reconciliation to IFRS	**£ 414**	**£ (103)**	**£ (102)**	**£ (3)**	**£ 111**	**£ 10,724**
IFRS basis						
Total revenue (See 14c)	£ 414					
Interest expense		£ (103)				
Operating expenses			£ (102)			
Impairment reversal on loans and advances				£ (3)		
Profit before tax (See 14c)					£ 111	
Net loans and advances to customers (See 14c)						£ 10,724

14c) Additional information - IFRS basis	Notes	**UK 2014 £ mil**	**Germany 2014 £ mil**	**Italy 2014 £ mil**	**Spain 2014 £ mil**	**France 2014 £ mil**	**Central / Other 2014 £ mil**	**Total 2014 £ mil**
INCOME STATEMENT								
Retail revenue		£ 71	£ 57	£ 17	£ 6	£ 8	£ 20	£ **179**
Wholesale revenue		40	25	11	8	13	31	**128**
Other interest income		-	-	-	1	-	2	**3**
Fee and commission income		4	9	3	-	3	6	**25**
Income from operating leases		-	77	-	-	-	2	**79**
Total external revenue		£ 115	£ 168	£ 31	£ 15	£ 24	£ 61	£ **414**
Inter-segment revenue		-	-	-	-	-	-	-
Total Revenue		£ 115	£ 168	£ 31	£ 15	£ 24	£ 61	£ **414**
Depreciation of property and equipment		-	(74)	-	-	-	(2)	**(76)**
Amortisation of other intangibles		-	-	-	-	-	(1)	**(1)**
Profit before tax		£ 20	£ 8	£ 7	£ 2	£ 7	£ 67	£ **111**
Memo - including exceptional items	2	-	-	-	-	-	-	-
ASSETS								
Net loans and advances to customers	3	£ 4,167	£ 2,822	£ 855	£ 431	£ 771	£ 1,678	£ **10,724**
Property and equipment		1	210	-	1	-	5	**217**
Investment in jointly controlled entity		-	-	-	-	-	42	**42**
Total assets		£ 4,383	£ 3,783	£ 936	£ 466	£ 820	£ 2,489	£ **12,877**

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2014

14 SEGMENT REPORTING continued

Segment reporting includes income, expenses and other financial information for the six months ended 30 June 2013 and asset information as at 30 June 2013 and as at 31 December 2013.

14a) Performance measurement figures	UK	Germany	Italy	Spain	France	Central / Other	Total
	2013	2013	2013	2013	2013	2013	2013
	$ mil	$ mil	$ mil	$ mil	$ mil	$ mil	$ mil
Market income	$ 171	$ 194	$ 62	$ 25	$ 44	$ 82	$ **578**
Borrowing costs	(82)	(73)	(30)	(10)	(20)	(35)	**(260)**
Operating expenses	(35)	(50)	(16)	(16)	(12)	(27)	**(156)**
Impairment losses	(2)	(4)	(7)	(7)	-	(2)	**(22)**
Other revenue / (expenses)	(3)	(22)	(2)	(0)	1	1	**(25)**
Profit before tax (PBT)	**$ 49**	**$ 45**	**$ 7**	**$ (8)**	**$ 13**	**$ 19**	**$ 125**
Net receivables	$ 5,270	$ 4,846	$ 1,444	$ 576	$ 1,133	$ 1,974	**$ 15,243**

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	$ 496	$ (215)	$ (129)	$ (20)	$ 106	$ 13,269
Central operations / other	82	(35)	(27)	(2)	19	1,974
Total	**$ 578**	**$ (260)**	**$ (156)**	**$ (22)**	**$ 125**	**$ 15,243**
Converted to GBP	£ 376	£ (163)	£ (102)	£ (14)	£ 81	£ 9,996
IFRS vs US GAAP	6	6	(12)	-	-	(13)
Presentational differences						
Operating leases	64	-	-	-	-	(245)
Unearned interest supplements	-	-	-	-	-	(148)
Provision for incurred losses	-	-	-	-	-	(46)
Fees and commission expense	7	-	-	-	-	-
Residual gains / losses / reserve	1	-	-	-	-	(4)
Other presentational differences	(18)	4	11	(1)	(1)	(2)
Adjustments						
Risk based equity adjustment	-	18	-	-	18	-
Other performance adjustments	-	-	-	-	14	-
Timing adjustments	1	(1)	2	-	3	3
Total reconciliation to IFRS	**£ 437**	**£ (136)**	**£ (101)**	**£ (15)**	**£ 115**	**£ 9,541**

IFRS basis						
Total revenue (See 14c)	£ 437					
Interest expense		£ (136)				
Operating expenses			£ (101)			
Impairment reversal on loans and advances				£ (15)		
Profit before tax (See 14c)					£ 115	
Net loans and advances to customers (See 14c)						£ 9,541

14c) Additional information - IFRS basis	Notes	UK	Germany	Italy	Spain	France	Central / Other	Total
		2013	2013	2013	2013	2013	2013	2013
		£ mil	£ mil	£ mil	£ mil	£ mil	£ mil	£ mil
INCOME STATEMENT								
Retail revenue		£ 62	£ 68	£ 20	£ 6	£ 11	£ 13	£ **180**
Wholesale revenue		45	27	17	9	15	35	**148**
Other interest income		-	1	-	1	-	1	**3**
Fee and commission income		3	5	2	1	4	2	**17**
Income from operating leases		-	86	-	-	-	3	**89**
Total external revenue		£ 110	£ 187	£ 39	£ 17	£ 30	£ 54	£ **437**
Inter-segment revenue		-	-	-	-	-	-	-
Total Revenue		£ 110	£ 187	£ 39	£ 17	£ 30	£ 54	£ **437**
Depreciation of property and equipment		-	(76)	-	-	-	(3)	**(79)**
Amortisation of other intangibles		-	-	-	-	-	(1)	**(1)**
Profit before tax		£ 47	£ 11	£ 7	£ 2	£ 4	£ 44	£ **115**
Memo - including exceptional items	2	-	-	-	(5)	-	-	**(5)**
ASSETS as at 30 June 2013								
Net loans and advances to customers	3	£ 3,413	£ 2,825	£ 926	£ 371	£ 728	£ 1,278	£ **9,541**
Property and equipment		1	243	-	1	-	4	**249**
Investment in jointly controlled entity		-	-	-	-	-	43	**43**
Total assets		£ 3,579	£ 4,544	£ 1,017	£ 418	£ 829	£ 2,291	£ **12,678**

ASSETS as at 31 December 2013	UK	Germany	Italy	Spain	France	Central / Other	Total
Net loans and advances to customers	£ 3,368	£ 2,692	£ 762	£ 306	£ 655	£ 1,568	£ **9,351**
Property and equipment	1	149	-	1	-	4	**155**
Investment in jointly controlled entity	-	-	-	-	-	43	**43**
Total assets	£ 3,406	£ 3,930	£ 840	£ 344	£ 749	£ 3,003	£ **12,272**

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2014

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 2014 and 30 June 2013:

	30 June 2014 Unaudited £ mil	30 June 2013 Unaudited Restated* £ mil
Cash from operating activities		
Profit before tax	£ 111	£ 115
Adjustments for:		
Depreciation expense on property and equipment	1	1
Depreciation expense on operating lease vehicles	75	78
Effects of foreign currency translation	(20)	65
Gross impairment losses on loans and advances	15	28
Share of net income in a jointly controlled entity	(2)	(1)
Amortisation of other intangibles	1	1
Fair value adjustments to financial instruments	33	(79)
Interest expense	103	136
Interest income	(310)	(331)
Other operating income	(78)	(90)
Changes in operating assets and liabilities:		
Net increase/(decrease) in accrued liabilities and deferred income	(7)	(8)
Net (increase)/decrease in deferred charges and prepaid expenses	16	(3)
Net (increase)/decrease in finance receivables	(1,608)	(565)
Purchase of vehicles for operating leases	(264)	(293)
Proceeds from sale of operating leases	118	159
Net (increase)/decrease in vehicles awaiting sale	41	53
Net (increase)/decrease in accounts receivables	(20)	(9)
Net increase/(decrease) in accounts payables	4	27
Net (increase)/decrease in accounts receivables from related undertakings	(49)	46
Net increase/(decrease) in accounts payables to related undertakings	132	140
Cash from/(used in) operating activities	**£ (1,708)**	**£ (530)**

* 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 2014

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 2014.

	Note		30 June 2014 Unaudited £ mil		30 June 2013 Unaudited £ mil
At beginning of period:					
Cash and advances		£	2,300	£	2,545
Less:					
- Central bank and other deposits			(79)		(68)
- Bank overdrafts	7		(12)		(2)
Balance at 1 January 2014 and 2013		**£**	**2,209**	**£**	**2,475**
At end of period:					
Cash and advances		£	1,419	£	2,355
Less:					
- Central bank and other deposits			(53)		(83)
- Bank overdrafts	7		(7)		(2)
Balance at 30 June 2014 and 2013		**£**	**1,359**	**£**	**2,270**
Net increase/(decrease) in cash and cash equivalents					
Cash and cash equivalents at beginning of period		£	2,209	£	2,475
Cash and cash equivalents at end of period			1,359		2,270
Net increase / (decrease) in cash and cash equivalents		**£**	**(850)**	**£**	**(205)**

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 hence are excluded from 'Cash and cash equivalents' for the purposes of the statement of cash flows.

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2014

16 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Detailed below is a comparison by category of the carrying values and fair values of FCE's financial assets and financial liabilities. Categories are only disclosed where there is a difference between the carrying amount and fair values. The fair value hierarchy levels and the approach to fair value measurement remain consistent with FCE's 2013 Annual Report and Accounts. Refer to Note 42 'Financial assets and financial liabilities' of the 2013 Annual Report and Accounts for further information.

		Carrying Value			Fair Value		
As at 30 June	Notes	30 June 2014 Unaudited £ mil	31 December 2013 £ mil	30 June 2013 Unaudited £ mil *Restated	30 June 2014 Unaudited £ mil	31 December 2013 £ mil	30 June 2013 Unaudited £ mil *Restated
GROUP FINANCIAL ASSETS							
Loans and advances to customers							
Retail		£ 4,890	£ 4,662	£ 4,681	£ 4,971	£ 4,757	£ 4,852
GROUP FINANCIAL LIABILITIES							
-Listed Debt:							
Debt securities in issue	9	£ 5,567	£ 4,462	£ 4,141	£ 5,675	£ 4,566	4,318
Fair value adjustments (a)		30	-	-	-	-	-
-Unlisted Debt:							
Due to banks & other financial institutions	7	3,070	3,595	3,655	3,059	3,594	3,649
Debt securities in issue	9	336	289	192	340	292	195
Subordinated loans	10	204	211	225	210	211	209

(a) Adjustments related to designated fair value hedges of unsecured debt.

'Retail loans and advances to customers' for June 2013 has been restated to exclude finance lease receivables. This is in line with changes to IFRS 13 'Fair value measurement' from 1 January 2013, as documented on Page 47 of FCE's 2013 Annual Report and Accounts. The impact is a restated 30 June 2013 carrying value of 'Retail loans and advances to customers', amounting to £4,681 million (previously reported as £5,236 million) and a restated 30 June 2013 fair value of 'Retail loans and advances to customers' amounting to £4,852 million (previously reported as £5,418 million).

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 2014'. 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 2014 Unaudited £ mil	Half year ended 30 June 2013 Unaudited £ mil
ADDITIONAL DATA:				
A [i]	Average net loans and advances to customers		£ 10,149	£ 9,491
A [ii]	Net loans and advances to customers	3	10,724	9,541
A [iii]	Risk weighted exposures*		10,954	-
A [iv]	Leverage exposure		13,359	-
A [v]	Collective impairment allowance	4	36	44
B [i]	Average period equity		1,733	2,100
B [ii]	Common equity tier (CET1) capital		1,635	-
INCOME:				
	- Total income		303	295
	- Depreciation of operating lease vehicles		(76)	(79)
C	Normalised income (margin)		227	216
OPERATING COSTS:				
	- Operating expenses		(102)	(101)
	- Office equipment and leasehold amortisation		-	-
D	Normalised operating costs		(102)	(101)
CREDIT LOSS:				
	Net losses	4	6	14
	Exceptional loss / recovery	2	-	(5)
E	Normalised net losses		6	9
F	Profit after tax		78	82
KEY FINANCIAL RATIOS				
Return on equity (Fx2/B[i])			9.0%	7.8%
Margin (Cx2/A [i])			4.5%	4.6%
Cost efficiency ratio (Dx2/A [i])			2.0%	2.1%
Cost affordability ratio (Dx2/Cx2)			45%	47%
Credit loss ratio excluding exceptional loss (Ex2/A [i])			0.12%	0.19%
Credit loss ratio including exceptional loss (Ex2/A [i])			0.12%	0.29%
Credit loss cover (A [v]/A [ii])			0.3%	0.5%
Common equity tier (CET1) capital / Risk weighted exposures (B [ii]/A [iii])			14.9%	-
CRD IV fully loaded leverage ratio (B [ii]/A [iv])			12.2%	-

* 2014 calculated on a Basel III basis
x2 indicates annualised ratios

Regulatory Capital reported above does not include interim 'Profit before tax'.

Financial terms	Meaning
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.
Exceptional items	Typically non-recurring events or transactions for which disclosure aids the interpretation of performance compared to previous years.
Gross loans and advances to customers	Total payments remaining to be collected on loans and advances to customers (refer to Note 3 Loans and advances to customers).
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 (refer to Note 3 Loans and advances to customers).
Normalised	Excluding exceptional items (refer to Note 2 Profit before tax) and also the depreciation of operating lease vehicles within Margin.
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.
Common equity tier (CET1) capital	Share capital, share premium, audited retained earnings, net of intangible assets, goodwill and certain other adjustments to comply with regulatory requirements.
Leverage exposure	Total assets adjusted for the following; potential future exposure on derivatives, undrawn commitments, other off balance sheet items and some regulatory deductions.

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.	http://www.fcebank.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: • 'Company Reports' Footnote 2 • 'Press Releases' • 'Ford Credit public asset-backed securities transactions' Footnote 3	http://credit.ford.com/investor-center To access from the above link click on 'Company Reports' and then required item. FORD CREDIT
Luxembourg's Stock Exchange which includes: • Euro Medium Term Note Base Prospectus (refer to Note 9 'Debt securities in issue').	www.bourse.lu 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 10-K Annual report, SEC Form 10-Q Quarterly reports and SEC Form 8-K 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