FCE Bank plc
ANNUAL REPORT AND ACCOUNTS

for the year ended December 31, 2004

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www.fcebank.com

FCE Bank plc. Central Office, Eagle Way, Brentwood, Essex CM13 3AR United Kingdom
Registered no: 772784

FCE Bank plc

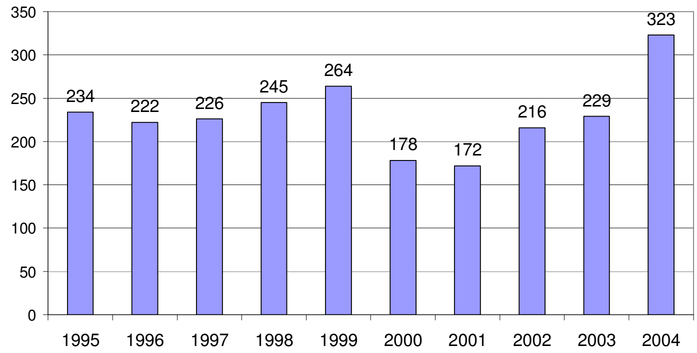
Annual report
for the year ended 31 December 2004

Directors

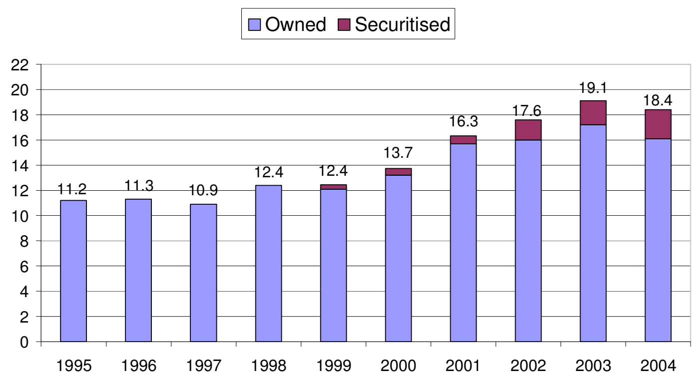
Chairman	R A Corbello
Executive Director, Global Operations and Technology	J Coffey
Managing Director, Britain	P de Rousset Hall
Executive Director, Finance, Planning and Risk	P R Jepson
Managing Director, Germany	R N Rothwell
Executive Director, European Sales Operations	B B Silverstone
Director	J Noone
Non-Executive Director	M F Robinson
Non-Executive Director	S Thomson, CBE
Non-Executive Director	C Toner
Secretary	C V Rogoff
Registered office	Central Office Eagle Way Brentwood Essex CM13 3AR United Kingdom
Auditors	Pricewaterhouse-Coopers LLP Chartered Accountants And Registered Auditors Southwark Towers 32 London Bridge Street London SE1 9SY

Ten year financial highlights

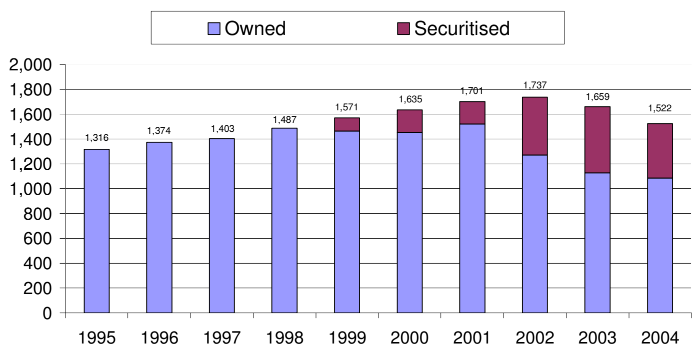
Profit before Tax £ Millions



Total Managed Assets £ Billions



Contracts Outstanding 000's



The Chairman's statement

FCE Bank (FCE or the Company) is the financial services arm of Ford Motor Company in Europe and is a wholly owned subsidiary of Ford Motor Credit Company (FMCC). We employ over 3,000 people providing local services in 20 countries in Europe. Our objective is to support the sales of our automotive partners while returning value to our shareholder.

I am delighted to report a very successful year in 2004. Ford, Jaguar, Mazda, and Volvo all increased their share of the European car market while Land Rover held level: the combined market share of our partners increased by half a percentage point to 13 per cent*. At the same time, FCE achieved record financial results.

FCE profits before taxes increased by £94 million to a record of £323 million. Exceptional items represented £72 million of this increase compared to the prior year and are detailed in note 3 to the accounts. The increase in underlying profits includes improvements in internal operating efficiency. Our cost/margin ratio was 38.5 percent and our cost/assets ratio was 1.4 percent. These are records for our operation and reflect a continued strategy of achieving economies of scale with common processes across markets.

As I noted in my statement last year, our credit ratings are consistent with those of our parent, FMCC. As this rating has declined we have diversified our funding sources to protect liquidity and mitigate funding costs. In 2004 we extended our Globaldrive securitisation programme to include wholesale financing and expanded our Continuously Available Retail Securities (CARS) programme. We continue to hold cash and cash equivalents to help pre-fund some of our larger debt maturities, and we continue to utilise public debt funding programmes as appropriate.

As a result of the lower credit rating we have focussed our business on our core products and automotive brands, leading to a reduced level of managed assets in 2004 after several years of growth. We have also sold our existing full-service lease portfolios in some markets as we have outsourced the servicing and funding of that business to new partners, while we continue to handle the marketing and sales functions.

As a subsidiary of a US listed parent company full compliance with the Sarbanes-Oxley Act has also been a priority for FCE in 2004. We have been able to achieve this largely by using our existing control and corporate governance structures. The process of assuring compliance also indicated areas for potential improvement and we have taken appropriate action in response.

Ford Financial continues to foster a culture that spans linguistic and cultural boundaries. This has enabled us to combine the benefits of a highly successful multi-national organisation, with one which is responsive to local needs; providing a level of personal service that only comes with a close working relationship with our customers. The satisfaction of our dealer, retail and fleet customers remains our prime concern; research shows that retail customers who use our services are both more satisfied and loyal to the vehicle brand and the dealer. By continuing to provide outstanding customer service I am confident that FCE will continue to offer a competitive advantage to Ford Motor Company.

Richard A Corbello
Chairman, FCE Bank plc.
30 March 2005

* Passenger Car new registrations in Western Europe, source European Automobile Manufacturers' Association (ACEA)
Margin is defined as Operating income less depreciation and amortisation.

41st Annual Report of the Directors

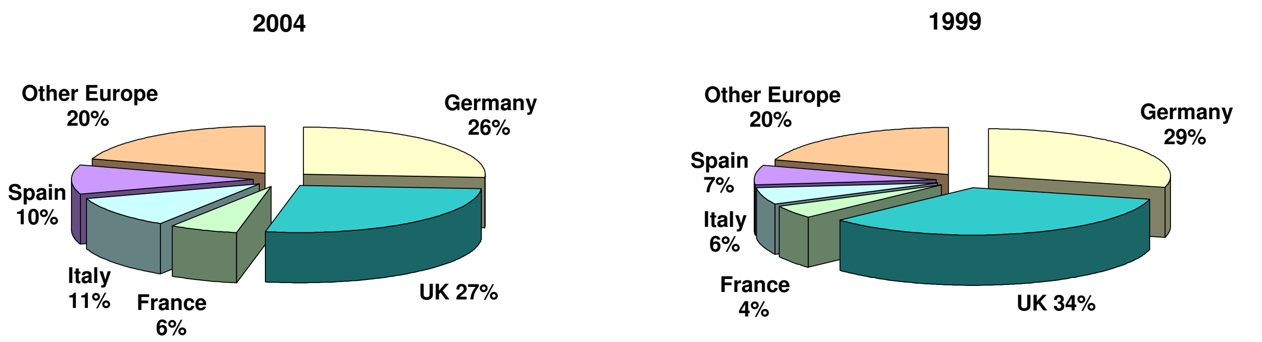
Review of business and operations

The Company is authorised as a deposit taking business and an insurance intermediary under the Financial Services and Markets Act 2000 and is regulated by the UK Financial Services Authority. The Company also holds a standard licence pursuant to the Consumer Credit Act 1974.

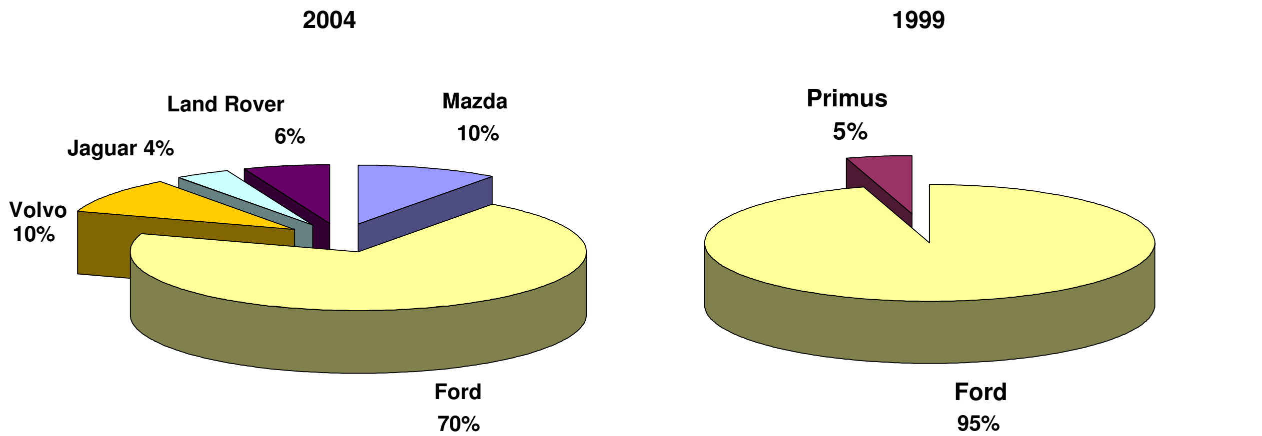
The Company's primary business is to support the sale of Ford and affiliated manufacturers' vehicles in Europe through the respective dealer networks.

The following charts show the net receivables by major market and brand at December 31, 1999 and December 2004. The market analysis demonstrates the growing diversity of our European portfolio. The brand analysis shows the increased contribution of Premier Automotive Group (Volvo, Land Rover and Jaguar) and Mazda financing.

Receivables by Market



Receivables by Brand



41st Annual Report of the Directors

Review of business and operations continued

A variety of retail, leasing and wholesale finance plans are provided in countries in which the Company and its subsidiaries operate. Retail financing is provided by means of a number of title retention plans, including conditional sale, hire purchase, instalment credit and personal loans. Operating and finance leases are provided to individual, corporate and other institutional customers, covering single vehicles plus large and small fleets. In some markets operating leases are provided by business partners to whom the Company has outsourced certain functions whilst retaining responsibility for marketing and sales in return for fee income (see below under Full Service Leasing). The Company provides loans to dealers for working capital and property acquisitions and for a variety of vehicle wholesale finance plans.

FCE also offers distinctive branded insurance products in partnership with local insurance providers. It distributes them primarily through Ford, Jaguar, Land Rover, Mazda & Volvo dealerships in many European markets. Insurance is a fee-based, non-equity business for FCE driving shareholder value added. High loyalty rates mean that insurance continues to drive volume into the body shops, as all policies require original manufacturer parts for repairs. Payment protection policies are sold in most European markets providing additional security to customers.

The Company operates on a branch network in sixteen European countries. In addition, the Company has subsidiaries in the Czech Republic, Finland, Hungary and Poland providing wholesale, leasing and retail vehicle financing. FCE's European branches and subsidiaries have established additional finance facilities and associated trading styles primarily for Ford affiliated manufacturers in Europe which are detailed within the European operating locations listing on page 65.

The Company's Worldwide Trade Financing division provides finance to dealers in countries where typically there is no established local Ford presence. In addition other private label operations and outsourcing arrangements are in place in several markets in central and Eastern Europe.

Full service leasing

As part of a strategic portfolio review of full service leasing ("FSL") products the Company has sold various FSL portfolios during 2004 and outsourced the provision of FSL products in the future. Under the new business model the Company retains responsibility for marketing and sales, for which it receives a fee income, and has outsourced finance, leasing, maintenance and repair services for current and future portfolios of commercial operating leases to a preferred FSL partner identified on a market by market basis. The new business model ensures the outsourced operations will deliver a more competitive product and will continue marketing support for Ford trustmark manufacturers. Accordingly, during 2004 the following FSL portfolio sales and outsourcing arrangements were agreed and implemented:

Country	Implementation dates in 2004	Selected partner	Portfolio value	
			Currency amount mils	£ m
UK	February	Lex Vehicle Leasing	£ 130	130
Italy	May	ALD Automotive	EUR €53	35
Switzerland	September	ALD Automotive	CHF 22	9
Spain	November	ALD Automotive	EUR €71	49
			Total	223

41st Annual Report of the Directors

Funding programmes

In addition to local bank borrowing and private and public debt the Company securitises certain receivables from time to time as a further source of funding.

Through its Worldwide Trade Financing Division, the Company has completed two sales of receivables during the year with maximum aggregated values of US $250 million and US $110 million respectively. In both transactions, the consideration was the provision of a revolving multi currency facility of the same amount provided by the purchaser and subsequent sales of receivables will continue as existing receivables amortise.

During the year the company securitised a portfolio of wholesale automotive finance loans entered into with French and Spanish motor dealers. In November and December securities totalling EUR €771.2 million which backed this pool of assets were sold to two different purchasers. Subsequent monthly sales of receivables will continue as existing receivables amortise.

The Company continues to make further sales of receivables for those securitisation transactions which are in the revolving period as detailed within the Additional asset sales table contained in Note 9 Loans and advances to customers subject to securitisation. Further securitisation transactions are planned during 2005.

Post balance sheet events

Refer to note 40.

Results and dividends

The directors have not declared any dividends during 2004 (2003: none).

The retained profit of £262 million will be transferred to the Group's reserves.

Directors

The full list of present directors is shown on page 2. Mr. J Noone was appointed a director with effect from 1 January 2004 in place of Mr. M E Bannister who resigned effective the same date. Mr. Brady resigned with effect 28 February 2005.

With the exception of the three current Non-Executive directors, Mr. M Robinson, Mr. S Thomson and Mr. C Toner, all directors are Ford employees. Mr. Robinson is a former Regional Managing Director at National Westminster Bank Plc with whom previously he had held various other senior management posts including being Head of Streamline Merchant Services and Head of Card Services. Mr. Thomson, a former Director of Finance of Ford Motor Company Limited, is a former President of the Chartered Association of Certified Accountants, former Member of the Industrial Development Advisory Board and former member of the Financial Reporting Council. Mr. Toner has been Non Executive Chairman of Barratt Developments PLC since October 2002, having previously been Non Executive Vice Chairman, former Deputy Group Chief Executive of Abbey National plc and former Deputy Chairman of NHBC. All other directors, except Mr. Noone, who is employed elsewhere within the Ford Motor Company (U.S.) Group, are employed by the Company.

41st Annual Report of the Directors

Directors continued

All directors will seek re-appointment at the Annual General Meeting to be held on 30 March 2005. Mr. S Thomson was seventy-eight years of age on 23 June 2004. Further to section 293(5) of the Companies Act 1985, special notice has been given to shareholders of his intention to stand for re-appointment.

None of the directors have a beneficial interest in the share capital of the Company.

Going concern

The Directors are confident in making the formal going concern statement that they have a reasonable expectation that the Group has adequate resources to continue in existence for the foreseeable future. For this reason the directors believe it is appropriate to continue to adopt the going concern basis in preparing these accounts.

Payments to suppliers

The Company does not operate a single payment policy as each location is responsible for agreeing terms of payment in accordance with the conditions of the order. The Company seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

The ratio, expressed in days, between the amounts owed by the Company to trade creditors at the end of the year and the amounts invoiced by suppliers in the year ended 31 December 2004 is 45 days (2003:45 days).

Changes in fixed assets

Movements in fixed assets are as disclosed in Note 16 to the financial statements.

Donations

The Company and its subsidiaries made no charitable or political donations during the year under review.

Employee communication

The Company keeps all employees informed of Company activities on a national, pan-European and global level by means of in-house publications, Company intranet and the annual publication of its reports and financial statements. In addition the Company conducts an annual employee satisfaction survey ('Pulse') with a feedback and action-planning process aimed at continued dialogue between staffs to achieve appropriate levels of employee satisfaction.

41st Annual Report of the Directors

Employment practices

The Company fully complies with relevant legislation enacted by both European and national parliaments and any impact the requirements of the Financial Services Authority has on Human Resources policy and process. The Company is also committed to 'best practice' HR policies and processes in support of the business objectives and in line with its "Employer of Choice" strategy.

Diversity

The Company is committed to diversity in the workplace. This values differences provided by culture, ethnicity, race, gender, nationality, age, religion/beliefs, education, experience, sexual orientation, opinions and physical abilities. The Company uses the views of employees to improve business processes and to foster a culture based on honesty and respect.

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

International Financial Reporting Standards

FCE, along with other listed companies in the European Union, will prepare its consolidated financial statements under International Financial Reporting Standards (IFRS) for accounting periods beginning from 1 January 2005. A thorough review of the implications of the adoption of IFRS has been carried out and the required changes to ensure full compliance with IFRS in 2005 have been identified including amendments to reporting systems and accounting policies.

There are a number of areas where IFRS is significantly different to existing UK GAAP, including the reporting of securitised assets and related financing and recording financial instruments in the financial statements at fair values. Although FCE's derivative strategy is defensive (derivatives are not used for speculative purposes) the increased use of fair values under IFRS will create greater volatility in reported results.

Directors' responsibilities for financial statements

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group of which it forms a part as at the end of the financial year and of the profit or loss of the Group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2004. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Company and the Group, and to prevent and detect fraud and other irregularities.

Auditors

In accordance with Section 384 of the Companies Act 1985 and relevant European legislation, a resolution proposing the re-appointment of PricewaterhouseCoopers LLP as auditors will be submitted to the Annual General Meeting to be held on 30 March 2005.

BY ORDER OF THE BOARD
Carol V Rogoff
Company Secretary
30 March 2005

Risk management

In the normal course of business, FCE is exposed to several types of risk. These risks include primarily credit, vehicle residual value, financial market (including interest rate, currency, counterparty and liquidity risks) and operational risk. 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 consistent with these risks.

FCE continuously reviews and improves its risk management practices.

Credit risk management

Credit risk is the possibility of loss from a customer's failure to make payments according to contract terms. Whilst credit risk has a significant impact on our business, it is mitigated by the majority of FCE retail, leasing and wholesale financing being title retention plans. In the case of customer default the value of the re-possessed collateral provides an additional source of protection. FCE actively manages the credit risk on retail and commercial portfolios to balance the levels of risk and return.

Retail products (vehicle instalment sale and lease contracts) are classified by risk ranking, term and whether the vehicle financed is new or used. This segmented data is used to assist with product pricing to ensure risk factors are appropriately considered. In our largest markets, data segmentation is also used in contract servicing to ensure contracts receive attention appropriate to their risk level. In Germany and the UK centralised servicing in the respective Customer Service Centres includes the application of enhanced risk management techniques and controls, e.g. harmonised originations and collections practices plus the realisation of economies of scale through the introduction and use of the latest servicing technology.

Retail credit underwriting typically includes a credit bureau review of each applicant together with an internal review and verification process. Retail credit loss management strategy is based on historical experience of many thousands of contracts. Statistically-based retail credit risk rating models are used to determine the creditworthiness of applicants. The accuracy of these models is reviewed and revalidated regularly against actual performance and recalibrated as necessary.

FCE has developed retail behavioural models in the UK and Germany to assist in determining optimal collection strategies. Accounts are placed in risk categories for collection follow-up. Every reasonable effort is made to collect on delinquent accounts and keep accounts current. Repossession is considered a last resort. A repossessed vehicle is sold and proceeds are applied to the amount owing on the receivable. FCE endeavours to realise maximum vehicle sale proceeds by using various resale channels. Collection of the remaining balance continues after repossession until the account is paid in full or is deemed uncollectable by FCE.

FCE extends commercial credit primarily to franchised Ford trustmark vehicle dealers in the form of approved lines of credit to purchase inventories of new and used vehicles. In addition, FCE provides mortgages, working capital and other types of loans to dealers. FCE also provides automotive financing for leasing and daily rental companies, as well as other commercial entities.

Risk management

Credit risk management continued

Each commercial lending request is evaluated, taking into consideration the borrower's financial condition, supporting security, debt servicing capacity, and numerous other financial and qualitative factors.. All credit exposures are scheduled for review at least annually at the appropriate commercial credit committee

A risk evaluation rating is assigned to each dealer. Asset verification processes are in place and include the use of physical audits of vehicle inventory with increased audit frequency for higher risk dealers. In addition, inventory-financing payoffs are monitored to detect adverse deviations from typical payoff patterns, in which case appropriate actions are taken.

Residual risk management

Residual risk is the possibility that the actual proceeds realised by FCE upon the sale of returned vehicles at contract termination will be lower than that forecast at contract initiation.

FCE sets the expected residual values based on input from independent consultants (who forecast residual values), current trade guide valuations and our own proprietary knowledge of historical experience and forward-looking information available to FCE. This information includes new product plans, marketing programmes and quality metrics. Any unfavourable gap between FCE's forecast and expected residual values for existing contracts is reserved for on the balance sheet. Reserve adequacy is reviewed quarterly to reflect changes in the projected values. At contract end, FCE maximises residual value proceeds by using various resale channels including auctions, trade buyers and dealerships.

For further details see 'Residual Values', Note 11.

Financial market risk management

The objective of financial market risk management is to maximise financing margin while limiting the impact of changes in interest rates and foreign exchange rates. Interest rate and currency exposures are monitored and managed by FCE as an integral part of its overall risk management programme, which recognises the unpredictability of financial markets and seeks to reduce potential adverse effects on FCE's operating results. Risk is reduced through the use of funding instruments that have interest and maturity profiles similar to the assets they are funding and through the use of interest rate and foreign exchange derivatives. FCE's derivatives strategy is defensive; derivatives are not used for speculative purposes.

For further details on the use of derivatives see Note 36, 'Derivative Financial Instruments', and Note 38 'Interest rate sensitivity gap analysis'.

Risk management

Financial market risk management continued

Interest rate risk

FCE's asset base consists primarily of fixed-rate retail instalment sale and lease contracts, with an average life of about three years, and floating rate wholesale financing receivables. Funding sources consist of short-term commercial paper, term debt and receivable sales. To ensure funding availability over a business cycle, FCE often borrows longer-term debt (three to five years). Interest rate swaps are used to change the interest characteristics of the debt to match the interest rate characteristics of FCE's assets. This matching maintains margins and reduces profit volatility. A portion of assets is funded with equity, and volatility can occur as changes in interest rates impact the market value of equity. This volatility is usually small.

The interest rate sensitivity of FCE's assets and liabilities, including hedges, is evaluated each month. The interest rate repricing gap information is shown in Note 38 to the financial statements.

Currency risk

FCE generally manages assets and liabilities in the location's local currency, thus minimising exposure to exchange rate movements. When a different currency is used, FCE typically uses foreign currency agreements to hedge specific debt instruments. FCE's currency exposure position is reported to the Financial Services Authority (FSA) on a quarterly basis.

Counterparty risk

Counterparty risk relates to the loss to FCE that could occur if the counterparty to an investment, interest rate or foreign currency hedging or retail, lease or wholesale finance plan with FCE defaults. Counterparty exposure limits are established in order to minimise risk and provide counterparty diversification. Exposures to counterparties, including the mark-to-market on derivatives, are monitored continually. FCE's exposure position is reported to the FSA on a quarterly basis.

Liquidity risk

Liquidity risk is the possibility of being unable to meet all present and future financial obligations as they become due. One of FCE's major objectives is to maintain funding availability through any economic or business cycle. FCE focuses on developing funding sources to support both growth and refinancing of maturing debt. FCE also issues debts which on average mature later than assets liquidate, further enhancing overall liquidity.

Management closely monitors the amount and mix of short-term funding to total debt, the overall composition of total debt and the availability of committed credit facilities in relation to the level of outstanding short-term debt.

Risk management

Financial market risk management continued

Liquidity risk continued

FCE has the ability to use committed lines of credit from major banks, providing additional levels of liquidity. About 70% of these facilities have five-year terms. These facilities do not contain restrictive financial covenants (e.g., debt-to-equity limitations) or material adverse change clauses that could preclude borrowing under these facilities. FCE's liquidity position is reported to the FSA on a quarterly basis.

In the normal course of funding transactions, FCE may generate more proceeds than are necessary for immediate funding needs. These excess amounts are maintained primarily as highly liquid investments, providing liquidity for our short-term funding obligations and flexibility in the use of other funding programs. We monitor our cash levels daily and adjust them as necessary to support our short-term liquidity needs.

Operational risk management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. This definition captures operational risk events such as IT problems, human error and shortcomings in the organisational structure, legal changes and lapses in internal controls, fraud or external threats.

FCE takes a pro-active approach to operational risk management, anticipating risks and minimising exposure through risk identification, assessment, monitoring, control and mitigation. FCE seeks to maintain a strong and open operational risk management culture throughout the organisation, embodied within a sound corporate governance structure and supported by company-wide operational risk management processes, policies and procedures.

The Operational Risk Committee ("ORC") has responsibility for reviewing and monitoring major operational risks and for promoting the use of sound operational risk management across FCE. Among some of the main areas of focus for the ORC are the implementation of appropriate policies, processes and procedures to control or mitigate material exposure to losses and the maintenance of suitable contingency arrangements for all areas to ensure that FCE can continue to function in the event of an unforeseen interruption.

The guiding principle is that management at all levels is responsible for managing operational risks. FCE also maintains a strong internal control culture across the organisation through the Operations Review Program, a self-assessment control process used by the locations, which is reinforced by central controls from the Internal Control Office (ICO) and Ford General Auditors Office (GAO).

Corporate governance

General. The Company considers effective corporate governance as a key factor underlying the strategies and operations of the Group. The Company has developed internal standards to ensure that the Group's business is conducted within a strong and defined control framework. These internal standards support the evolving demands of corporate governance in highly regulated, multi-national environments. The listing only of some of the Company's debt securities on the London Stock Exchange imposes significantly fewer reporting obligations on the Company compared with a company with listed equity.

Board of Directors. The composition of the Board is shown on page 2. The Board of Directors met three times during 2004 with all three Non-Executive Directors attending on each occasion. All directors are equally accountable under the law for the proper stewardship of the Company's affairs. Throughout the year under review, the Board and its Committees have been supplied with information and documentation to ensure that all aspects of the company's affairs are reviewed on an annual basis in accordance with a rolling agenda of work.

The Board of Directors has the ultimate responsibility for ensuring that the Company has systems of corporate governance and internal control appropriate to the various business environments in which it operates. The Board regularly evaluates all risks affecting the business and the processes put in place within the business to control them. The process is focused on the key risks, with formal risk mitigation, transfer or acceptance documented. FCE controls are based on Ford standards to safeguard assets, check the accuracy and reliability of financial and non-financial data, promote operational efficiency and encourage adherence to prescribed managerial policies.

The Non-Executive Directors fulfil a vital additional role in corporate and regulatory accountability. The Board considers that the Non-Executive Directors are independent in that they have no business relationship with the Company and that they neither represent the sole shareholder nor have any involvement in the day to day management of FCE Bank plc or its subsidiaries. As such they bring objectivity and independent judgement to the Board, complement the Executive Directors' skills, experience and detailed knowledge of the business and play a vital role in the governance of the Company through their membership of the Audit Committee. Mr. Thomson has served on the Board for eleven years and, as the longest serving Board director, contributes invaluable experience and continuity to its deliberations. Each year the Non-Executive Directors hold a meeting with the Chairman to discuss Executive Director succession planning, corporate governance and any other relevant issues. The Board reviews the number of Executive and Non-Executive Directors periodically to maintain an appropriate balance for effective control and direction of the business.

Within the financial and overall objectives for the Company, the management of the Company is delegated to the Chairman and the Directors. Each of the six Executive Directors is accountable for the conduct and performance of their particular business within the agreed business strategy. They have full authority to act subject to the reserved powers and sanctioning limits laid down by the Board and Company policies and procedures.

Corporate governance

Selection of Directors. Specialist executive recruitment agencies are employed to select suitable non executive directors benchmarked against formal competency criteria. Formal interviews are held with senior Company management before a preferred candidate meets other members of the Board including the existing Non-Executive Directors. Executive Directors (including the Chairman) are selected through a Ford Personnel Development Committee process. Succession plans for directors and other senior appointments are reviewed with senior representatives of the Company's parent and the Non-Executive directors. Proposals for all new Executive and Non-Executive Director appointments are then submitted for corporate approval both by senior Ford Financial Management in the U.S. and to the Ford U.S. Corporate Governance Committee before being submitted to the FCE Board of Directors for formal legal approval.

Training of Directors. Consideration is given to the training needs of directors on their appointment to the Board and Non-Executive Directors benefit from a comprehensive induction to the Company's business, risk management and regulatory environment. Also there is at least one off-site senior management financial review and strategy meeting held each year to which the Non-Executive Directors are invited and an annual training day for the Non-Executive Directors where topical issues and developments can be discussed.

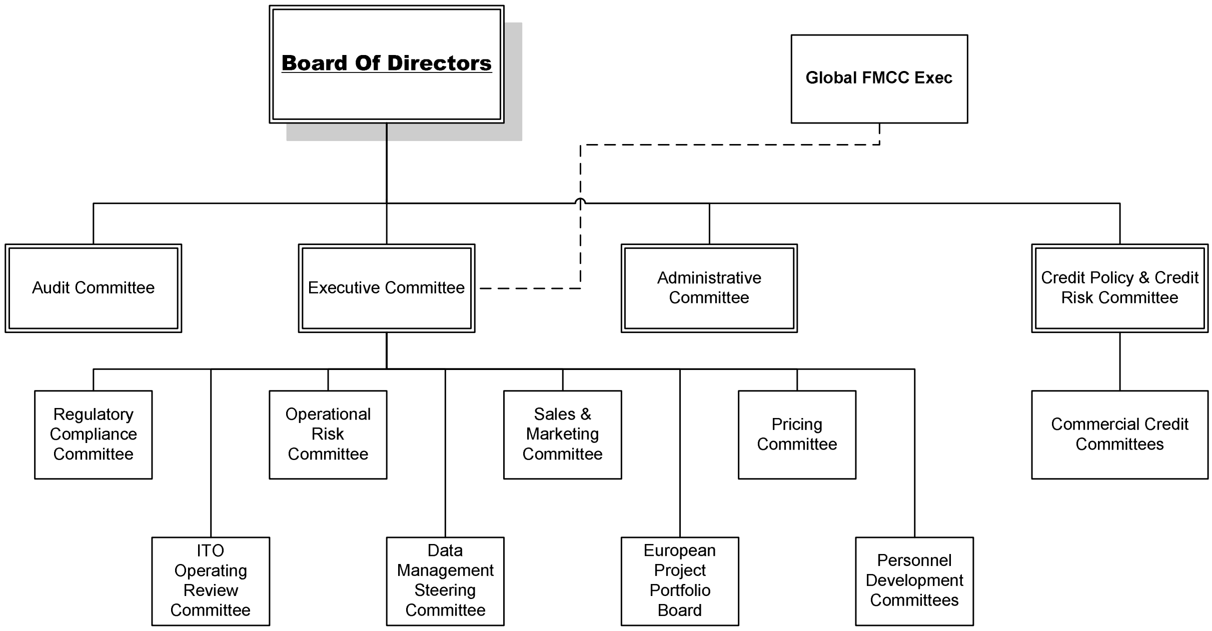
Evaluation and Compensation of Directors. Each Executive Director is evaluated by the Company's performance review process and remuneration is determined in line with the global compensation policy of Ford Financial and Ford Motor Company. Senior representatives of the Company's parent evaluate the performance of the Chairman.

Non-Executive Directors receive a fee related to time commitment. Non-Executive Directors do not receive any other remuneration or participate in any incentive arrangements. Mr Thomson is in receipt of a pension from Ford Motor Company Limited ("FMCL") accrued from completed service with FMCL prior to his appointment to the FCE Board of Directors. In addition, as a FMCL pensioner Mr Thomson is entitled to a loan from the Company to purchase a new vehicle from FMCL (see Note 7 Transactions and Balances with Related Parties).

Corporate governance

Three Committees reporting directly into the Board were established in 1998 and a fourth, the Administrative Committee, was established on 30 November 2004. Each of the Board Committees has specific delegated authority and detailed terms of reference which are reviewed annually with a report on the activities of each Committee presented to each meeting of the full Board of Directors.

The following chart shows the interrelationship of the Group's Board and committees that deal with corporate governance:



The **Administrative Committee** on behalf of the Board is responsible for:

- The review and approval of the terms and conditions of securitisation and debt issuance transactions to meet the timing of the financial markets in line with applicable policy statements and debt and funding limitations established by the FCE Board of Directors from time to time.
- Consideration and approval of other day to day business matters delegated to it which legally require formal deliberation and/or documentation to evidence approval rather than being approved under general management delegated authorities.

The membership of the Administrative Committee comprises all statutory directors of the Company excluding Non-Executive Directors, with any two directors constituting a quorum. The Administrative Committee has no formal meeting schedule and meets as required.

The **Audit Committee**, on behalf of the Board, has responsibilities which include:

- the review of financial statements
- overseeing the effectiveness of internal control over reporting and operations
- overseeing the process of monitoring compliance and regulatory matters

Corporate governance

The Audit Committee is composed of three non-executive directors, chaired by Stanley Thomson, and met three times in 2004 with all three Non Executive Directors attending on each occasion. The quorum for the Audit Committee is any two members. The Audit Committee's main duties include the review of FCE Annual Accounts and audit reports from PricewaterhouseCoopers LLP (PwC), General Auditors Office (GAO) and the Internal Control Office (ICO). The Audit Committee often requires Directors, managers, staff, external and internal auditors to attend and agree audit/review actions in response to the Audit Committee's recommendations.

The **Credit Policy and Credit Risk Committee** ("Credit Policy Committee"), usually Chaired by the FCE Chairman, determines on behalf of the Board, the general credit policy of the Group on a pan-European basis and oversees and reviews commercial, residual and retail risks and reports to each full Board meeting held during the year. Six of the eleven members of the Credit Policy Committee are members of the Board of Directors. The Credit Policy Committee consists of individuals responsible for the key components of the business; British, German and other European markets, brand directors, and pan-European and cross-brand functions such as credit policy and credit risk, marketing, sales, and finance. The quorum for the Credit Policy Committee is five members to include two from either the Chairman, the Executive Director Finance Planning and Risk, the Executive Director, Marketing, Sales and Strategy and the Director Credit Policy and Risk Management provided one is either the Executive Director Finance Planning and Risk or the Director Credit Policy and Risk Management. In addition a Business Unit Head is required for the quorum. The Credit Policy Committee is scheduled to meet monthly. During 2004 it held 11 meetings.

The **Commercial Credit Committees** have been established as sub-committees of the Credit Policy Committee to review and approve commercial lending requests across Europe. The Commercial Credit Committees are constituted and operate at district, country, European and International levels according to delegated approval authorities and risk assessment.

The **Executive Committee**, usually chaired by the FCE Chairman, reviews, on behalf of the Board, the Group's strategic direction and policy and the enhancement of shareholder and customer value whilst improving growth, efficiency and profitability. The Executive Committee meets monthly and reports to the Board at each of the full Board meetings held during the year. The Executive Committee has fourteen members of whom six are members of the Board of Directors. The Executive Committee consists of individuals responsible for the key components of the business; British, German and other European markets and brand directors, as well as pan European and cross brand functions such as credit policy and credit risk, information technology, marketing, sales, strategy and finance. Either the Chairman or the Executive Director Finance Planning and Risk are required in attendance as one of seven members needed to constitute a quorum.

Corporate governance

Several sub-committees have been established and meet regularly and cover all areas of the business. These report into the Executive Committee:

- The **Regulatory Compliance Committee** informs senior management and the Audit Committee on regulatory compliance issues. Its responsibilities include monitoring and evaluating regulatory changes and determining FCE's response or changes needed. The Committee also reviews some of the returns submitted to the FSA.
- The **Information Technology Office Operating Review Committee** monitors, aligns and resolves plans and priorities across FCE Bank plc to support key information technology related projects and initiatives.
- The **Operational Risk Committee** has the overall responsibility for reviewing and monitoring major operational risks and for promoting the use of sound operational risk management across FCE.
- The **Data Management Steering Committee** provides a co-ordinated input to process and IT application development to meet business requirements through data solutions that are consistent with strategic priorities.
- The **Sales and Marketing Committee** facilitates regular and timely information exchanges between business units and functional areas covering sales, marketing and operational matters.
- The **European Project Portfolio Board** oversees the management of FCE's strategic projects. This Committee meets on a monthly basis to review, approve and prioritise large / strategic projects.
- The **Pricing Committee** reviews and approves pricing strategies and policies on a national, regional and European basis.
- The **Personnel Development Committees** drive personnel development and career and vacancies planning. The Committees are comprised of members of management, who are assisted by Human Resources representatives.

In addition, the Executive Committee may from time-to-time appoint working groups or steering committees to address specific business risks and opportunities.

Audit and internal control

PricewaterhouseCoopers LLP (PwC) conducts audits of FCE's financial statements in accordance with generally accepted auditing standards, including consideration of FCE's internal control structure. PwC provides external audit opinions on FCE's financial statements.

To help ensure that the auditors' independence and objectivity are not prejudiced by the provision of non-audit services, the Audit Committee has agreed that the external auditors should be excluded from providing management, strategic or IT consultancy services and all other non-audit related services, unless the firm appointed as external auditor is:

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

Corporate governance

Audit and internal control continued

As auditors, PwC will undertake work that they must or are best placed to complete. This includes tax-related work, formalities relating to borrowings, regulatory reports or work in respect of acquisitions and disposals.

Ford's **General Auditors Office** ("GAO") is fully independent from FCE; its coverage is based on the relative risk assessment of each 'audit entity', which is defined as a collection of processes and systems that are closely related. The GAO covers every audit entity at least once within a five year cycle, with high risk audit entities being reviewed every one to two years. The GAO's mission is to provide objective assurance and advisory services to Management and the Board of Ford Motor Company and to the FCE Audit Committee in order to improve the efficiency and effectiveness of Company operations and assist the Company in achieving its objectives through systematic and disciplined auditing.

Internal Control Office ("ICO") is based within FCE to offer control consultancy, audits, process reviews, advice on systems controls and control training across all brands. ICO uses the synergies from access to internal data, reports, operational experience and control expertise to advise on the development of procedures, policies and projects. Operational audits are used as a detection tool to assist management in early identification of potential control risks as well as for training and feedback. This process also is an essential element of the process to ensure compliance with the Sarbanes-Oxley Act.

The Operations Review Programme ("ORP") has been designed, implemented and revised for the last several years to embed the assessment of risk and opportunity across the vast majority of the Group's offices. The ORP provides the means for the management of each location or activity to continually monitor control integrity throughout their operation by the performance of regular and appropriate checks and embeds sound governance principles in key processes. The ORP facilitates high levels of control self-assessment as part of good business practice. It also embodies the principles established by the UK's Turnbull Committee on achieving the standards in the Combined Code of Corporate Governance.

Independent auditors' report to the members of FCE Bank plc

We have audited the financial statements which comprise the Group profit and loss account, the balance sheets, the statement of total recognised gains and losses and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom auditing standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report, the Chairman's statement, Risk management and Corporate governance.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the members of FCE Bank plc

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 2004 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
30 March 2005

Notes:
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.

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

Group profit and loss account

for the year ended 31 December 2004

	Notes	**2004 £ m**	2003 £ m
Interest receivable and similar income		**1,298**	1,220
Interest payable		**(670)**	(650)
NET INTEREST INCOME		**628**	570
Fees and commissions receivable		**58**	53
Fees and commissions payable		**(93)**	(95)
Other operating income		**314**	402
OPERATING INCOME		**907**	930
Administrative expenses	2	**(256)**	(287)
Depreciation and amortisation	3	**(242)**	(318)
Provisions for bad and doubtful debts	12	**(86)**	(96)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	3	**323**	229
Tax on profit on ordinary activities	5	**(61)**	(42)
PROFIT ON ORDINARY ACTIVITIES AFTER TAX AND RETAINED PROFIT FOR THE YEAR	28	**262**	187

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

All results are from continuing operations.

Statement of total recognised gains and losses

	Group	
	2004 £ m	2003 £ m
Profit for the financial year	**262**	187
Currency translation differences on foreign currency net investments	**3**	69
TOTAL RECOGNISED GAINS RELATING TO THE YEAR SINCE LAST ANNUAL REPORT	**265**	256

Balance sheets

as at 31 December 2004

	Notes	Company 2004 £ m	Company 2003 £ m	Group 2004 £ m	Group 2003 £ m
ASSETS					
Loans and advances to banks	8	**959**	1,040	**972**	1,077
Loans and advances to customers		**13,568**	14,815	**13,692**	14,523
Loans and advances subject to securitisation	9	**2,297**	1,945	**2,297**	1,945
Non returnable finance	9	**(1,298)**	(1,720)	**(1,298)**	(1,720)
Total loans and advances to customers	10	**14,567**	15,040	**14,691**	14,748
Debt securities	13	**299**	21	**299**	21
Shares in group undertakings	14	**72**	70	**-**	-
Intangible fixed assets	15	**144**	160	**7**	12
Tangible fixed assets	16	**651**	814	**739**	1,107
Other assets	17	**339**	401	**352**	395
Prepayments and accrued income	18	**26**	43	**28**	48
TOTAL ASSETS		**17,057**	17,589	**17,088**	17,408
LIABILITIES					
Deposits by banks	19	**1,514**	401	**1,620**	499
Customer accounts – parent undertakings	20	**5,844**	6,638	**5,856**	6,652
Customer accounts - other	20	**82**	242	**-**	17
Total customer accounts	20	**5,926**	6,880	**5,856**	6,669
Debt securities in issue	21	**6,477**	7,367	**6,530**	7,416
Other liabilities	22	**182**	158	**185**	173
Accruals and deferred income	23	**375**	388	**392**	412
Provisions for liabilities and charges	24	**47**	73	**82**	80
Subordinated liabilities	25	**602**	603	**602**	603
TOTAL LIABILITIES		**15,123**	15,870	**15,267**	15,852
CAPITAL AND RESERVES					
Called up share capital	26	**614**	614	**614**	614
Share premium account	27	**352**	352	**352**	352
Profit and loss account	27	**968**	753	**855**	590
Equity shareholders' funds	28	**1,934**	1,719	**1,821**	1,556
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		**17,057**	17,589	**17,088**	17,408
MEMORANDUM ITEMS					
Contingent liabilities - guarantees	29	**55**	24	**55**	24
Commitments – credit lines	30	**91**	112	**110**	126

The financial statements on pages 22 to 63 were approved by the Board of Directors on 30 March 2005 and were signed on its behalf by:

R A Corbello
Chairman

P R Jepson
Executive Director, Finance, Planning and Risk