FCE Bank plc

INTERIM REPORT AND FINANCIAL STATEMENTS

for the half year ended 30 June 2011

2011

Definitions

Definitions

For the purpose of this report (with exception of the 'Independent Auditors' Review Report to FCE Bank plc') the term

i. '**2010 Annual Report and Accounts**' means FCE's consolidated annual financial statements as at and for the year ended 31 December 2010.

ii. '**Balance sheet**' means condensed consolidated half-yearly balance sheet as presented on page 19.

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

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

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

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

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

viii. '**Interim Report**' means FCE's consolidated interim report and financial statements as at and for the half year ended 30 June 2011.

ix. '**Risk Based Equity**' or '**RBE**' – is a process which allocates equity based on an assessment of the inherent risk in each location. Borrowing costs are adjusted versus that reported under IFRS, to reflect the cost impact of changes in the level of debt that would be required to match the revised equity requirements. RBE enables the risk/return of individual locations to be evaluated from a total perspective.

x. '**SPE**' means a bankruptcy-remote special purpose entity whose operations are limited to the acquisition and financing of specific assets (which may include the issue of asset backed securities and making payments on the securities) and in which FCE usually has no legal ownership or management control.

xi. '**Retail**' is the part of FCE's business that offers vehicle financing and leasing products and services to individual consumers, sole traders and businesses introduced through a Dealer or Dealership that has an established relationship with FCE.

xii. **'Wholesale'** is the part of FCE's business that offers financing of a wholesaler's inventory stock of new and used vehicles, parts and accessories. May also be known as dealer floor-plan or stocking finance. May also include other forms of financing provided to a wholesaler by FCE such as capital or property loans, improvements in dealership facilities and working capital overdrafts.

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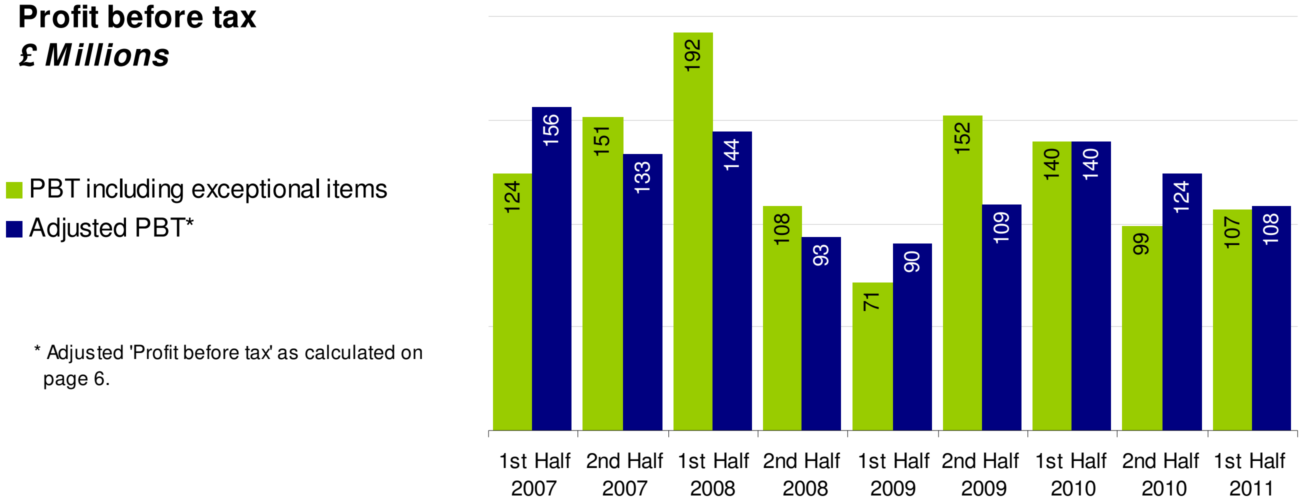
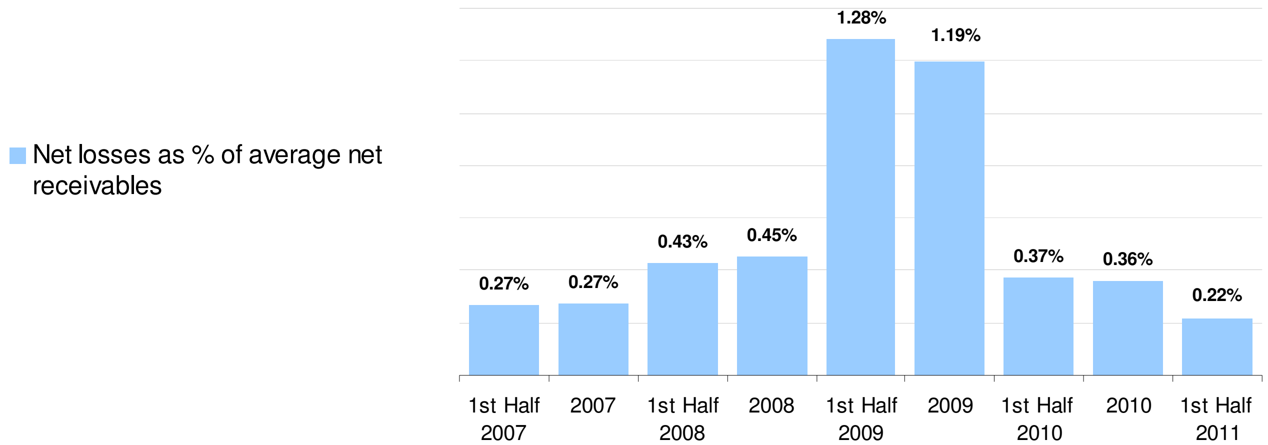
Profit before tax
£ Millions



* Adjusted 'Profit before tax' as calculated on page 6.

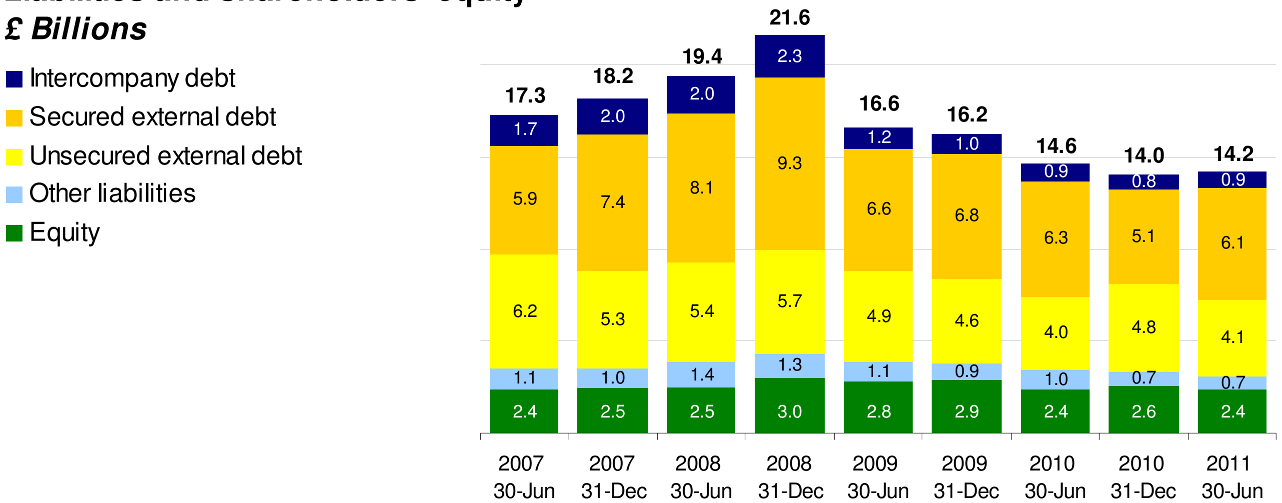
Lower underlying profitability primarily reflects the impact of the reduced average portfolio size

Credit loss ratio



Credit losses as a percentage of average receivables have continued to improve and remain low

Liabilities and shareholders' equity
£ Billions



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

Chairman's statement

FCE's pre-tax profits in the period were £107 million, down £33 million on the same period last year. This was mainly the result of FCE holding higher levels of liquidity and the impact of a lower average portfolio size. In addition, to reduce liquidity costs, FCE took the opportunity to repurchase a principal amount of £165 million of debt issued in 2008 and maturing in early 2012 which has had the effect of pulling ahead related costs from the second to the first half of the year.

At a time of uncertain economic outlook in Europe, FCE continues to maintain a balance sheet characterised by ample liquidity and robust capitalisation. FCE's core Tier 1 capital ratio was 18.8% at 30 June 2011. As indicated in the Future Prospects section of the 2010 Annual Report, FCE paid a dividend of £370 million to its parent company during the first half of 2011. This is part of FCE's plan to gradually align its capital base with the current scale of its business, while taking account of the funding and liquidity environment

Risk management remains a key focus for FCE, including the continuous monitoring of the loss performance of its receivables portfolio. FCE also maintains loan origination processes that will ensure a high-quality receivables base delivering predictable profitability. Accordingly, its credit losses as a percentage of average receivables have continued to improve and remain low.

Consistent with its specialised role as Ford Motor Company's captive finance operation, FCE has limited sovereign exposure which is comprised primarily of short-term UK, German, French and Dutch liquidity investments. FCE actively reviews its position against market volatility and manages its exposure accordingly.

Reference was made in FCE's 2010 Annual Report to the alignment of its sales and marketing activities with those of Ford of Europe. This initiative includes support of Ford's new vehicle launches, providing tailored finance and insurance solutions that help make the vehicles accessible to customers. Called 'take-to-market' actions, these programmes are fully integrated into Ford's sales plans, creating a joined-up approach to business that underlines the unique value FCE brings to Ford. Through the first half of 2011, FCE has played an important role in supporting the launch of the new Ford Focus and C-Max.

FCE's take-to-market actions are part of its plan for controlled growth. In addition, FCE has been investing in an enhanced, customer-facing, online presence with a number of different services. In 2011, FCE launched the Customer Finance Application in the UK, making it possible for customers to apply for Ford Credit vehicle financing from home. This functionality has been well received and will be next launched in Germany.

In line with its growth strategy, FCE's financing share of Ford of Europe's registrations increased to 28.7% in the first half of 2011, compared with 24.7% for the same period last year. This improvement in financing share will contribute to FCE's future profitability. It will also assist in offsetting the contraction of the company's balance sheet due to the liquidation of the last of the receivables from automotive brands formerly owned by Ford Motor Company.

In its funding activity, during the first half of 2011, FCE continued to benefit from the improving credit profile of Ford Motor Company and increased appetite from lenders and investors. FCE raised £1.8 billion of new funding, including a public unsecured debt issuance, and a public term securitisation. FCE also entered into a new £440 million 3-year syndicated unsecured credit facility. FCE has made solid progress on its full-year 2011 funding plan, leaving it well positioned as the capital markets have entered a period of heightened volatility.

These solid results underline the fact that FCE has a highly effective business model, supported by dedicated and hard working employees, who I thank for their efforts. FCE will continue to maintain its focus on the fair treatment of its dealer, retail and other customers and the provision of superior service quality. This combination, along with the continued availability of affordable funding, will continue to underpin FCE's growth strategy and the value it brings to Ford as its dedicated finance supplier in Europe.

Todd Murphy
Chairman, FCE Bank plc
26 August 2011

Performance summary

Profitability

Adjusted PBT excluding exceptional items, fair value adjustments to financial instruments and gain or loss on foreign exchange	Notes	First Half 2011 £ mil	Second Half 2010 £ mil	First Half 2010 £ mil
PBT including exceptional items, fair value adjustments to financial instruments and gain or loss on foreign exchange		£ 107	£ 99	£ 140
Adjustment to exclude exceptional (gains)/losses	2	(3)	14	4
PBT excluding exceptional items		**£ 104**	**£ 113**	**£ 144**
Adjustment to exclude:				
- Fair value adjustments to financial instruments - (gains)		(37)	(1)	(33)
- Loss on foreign exchange		41	12	29
Fair value adjustments to financial instruments and gain or loss on foreign exchange		**£ 4**	**£ 11**	**£ (4)**
Adjusted PBT		**£ 108**	**£ 124**	**£ 140**

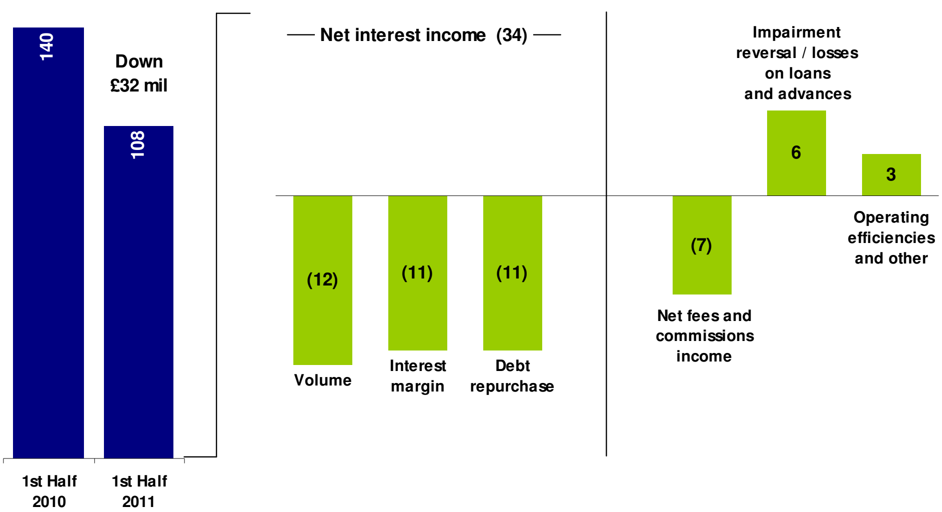
Profit before tax

FCE's total profit before tax (PBT) in the first half of 2011 reduced by £33 million from the same period a year ago. PBT includes a number of exceptional items (significant items which by virtue of their size or incidence are separately disclosed to aid the interpretation of performance compared to the prior year) and fair value adjustments to financial instruments and foreign exchange adjustments.

To provide guidance on FCE's underlying performance, these items are excluded in the calculation of adjusted PBT. Adjusted PBT has reduced £32 million from the same period a year ago as analysed in the following graph.

Adjusted PBT
£ Millions

- Reduced interest and fee and commissions income from lower average portfolio volume.
- Reduced interest margin from cost of carrying higher levels of liquidity in the first quarter of 2011.
- Repurchase of near maturity public debt has had the effect of pulling ahead related costs primarily from the second half of 2011.



Lower underlying profitability primarily reflects the impact of the reduced average portfolio size

Performance summary

Balance sheet

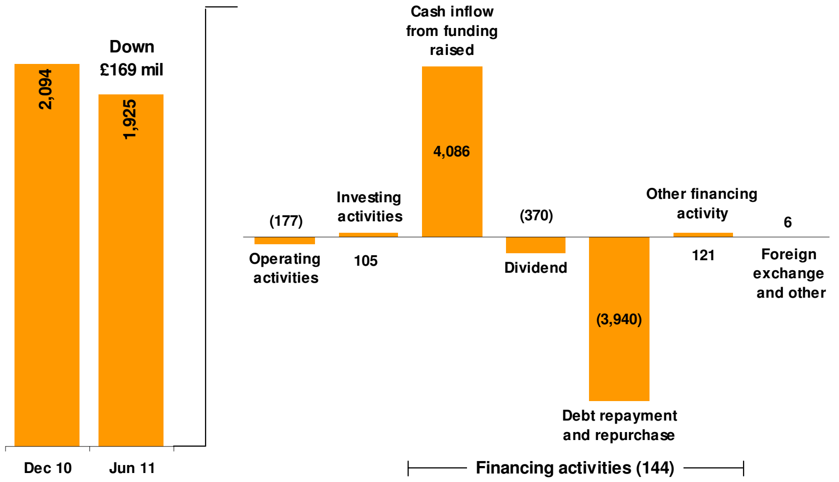
The following graphs show an analysis of the balance sheet movements between 31 December 2010 and 30 June 2011. The effect of foreign exchange revaluation is separately identified from the underlying movements.

Assets
£ Millions

- Increased wholesale loans and advances primarily reflect increased financing of dealer vehicle inventory in support of new Ford product launches.
- Reduced retail loans and advances reflect primarily the continued liquidation of the non-Ford brand portfolio.
- Increase in Property and Equipment relates to increased operating lease business in Germany.

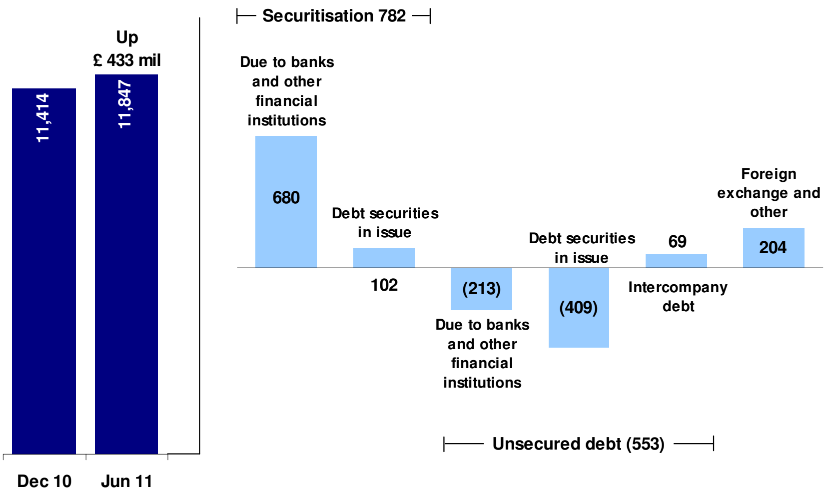
Cash and advances
£ Millions

- FCE paid a dividend and made substantial debt repayments during the period, however, maintained stable liquidity through continued execution of its funding plan.
- Funding raised includes the utilisation of existing available committed securitisation capacity and new public unsecured and securitisation issuances.
- Dept repayment includes scheduled public debt repayments and repurchases and the early settlement of EIB funding.



Liabilities
£ Millions

- Increased use of existing committed securitisation capacity, which was under utilised at year end to support liquidity requirements ahead of public debt maturity.
- Debt securities in issue not in respect of securitisation decreased following a £0.7 billion maturity in February, partially offset by a £0.4 billion public unsecured debt issuance in May.
- Increased intercompany debt represents new collateralised deposits received, offset by further repayment of subordinated debt.



Performance summary

Key financial ratios

	First Half 2011	First Half 2010
Return on equity	5.5%	7.2%
Total margin	3.7%	4.1%
Cost efficiency ratio	1.8%	1.7%
Cost affordability ratio	50%	43%
Credit loss ratio (Losses/Receivables)	22 bpts	37 bpts
Tier 1 capital / Risk weighted exposures	18.8%	18.5%
Total regulatory capital / Risk weighted exposures	20.8%	21.3%

Refer to page 44 for the 'Key Financial Ratio and Terms' definitions and for details of the calculation of key financial ratios.

FCE's return on equity decreased from the same period last year, reflecting the reduced profit before tax and a higher effective rate of tax during the period. This was partially offset by the reduced average equity level arising from dividend payments.

'Total margin' reduced compared to the same period in 2010 primarily reflecting the adverse impact of debt repurchases in the period and the costs associated with holding higher liquidity levels in the first quarter of 2011. As the repurchased debt was near maturity, the associated premium paid and carrying value adjustments will be offset in the second half of 2011.

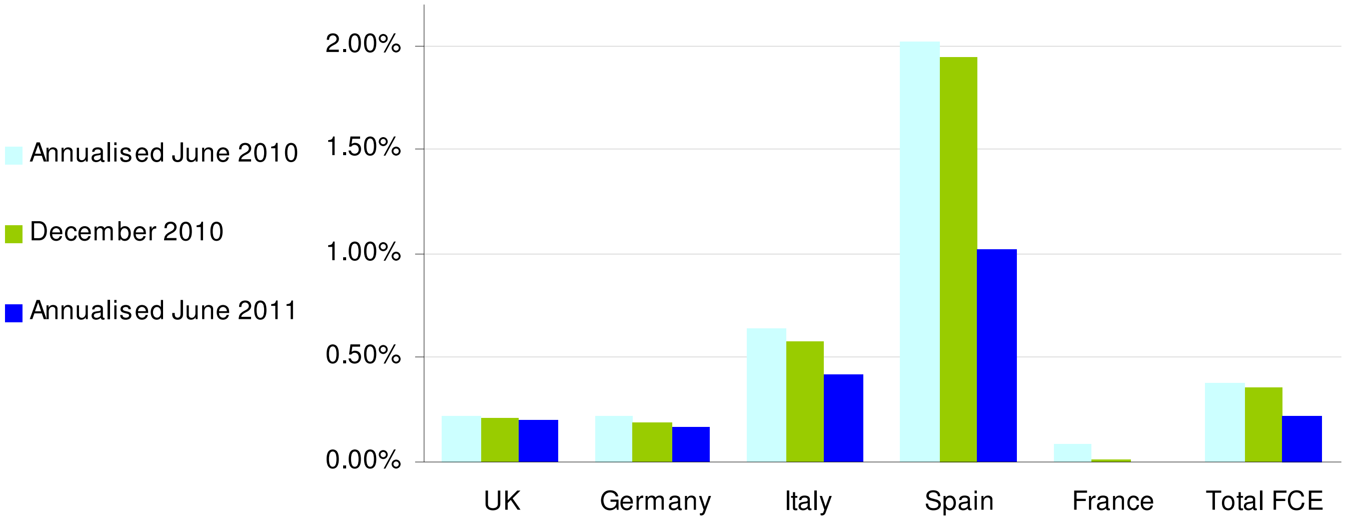
The increase in the 'cost efficiency ratio' primarily reflects the reduction in average loans and advances from prior period, partly offset by cost efficiency actions. The increased 'cost affordability' ratio also reflects the lower margin in the period.

FCE's 'credit loss ratio' is lower than experienced in the first half of 2010. This reflects the consistent quality of FCE's portfolio despite continued instability in Europe's economic conditions. FCE judges that its impairment allowance of £72 million (30 June 2010: £89 million) is appropriate for the current balance sheet size and economic outlook.

Tier 1 capital and total regulatory capital as a percentage of risk-weighted exposures remained at similar levels to last year. Reductions to regulatory capital relating to the payment of the dividend noted above, and repayments of subordinated debt, were offset by higher translation reserves and the inclusion of net profit. Reductions in underlying exposures from the smaller portfolio were offset by the impact of a higher mix of corporate counterparties on risk weightings.

Ratios continued

Net Credit Losses as percentage of Average Net Loans and Advances to Customers



FCE continues to see improving credit loss performance

The bar chart expresses annualised net credit losses for both wholesale and retail financing as a percentage of average net loans and advances to customers including exceptional losses. In the first half of 2011, FCE has seen continued strong credit loss performance in both Germany and UK, its two largest markets. The loss ratio in Spain is also improved, but remains higher than that experienced in other markets reflecting local economic factors. FCE's credit loss performance relates to both low loss emergence and strong recovery performance on previously impaired receivables.

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Performance summary

Future prospects

FCE anticipates vehicle industry volumes in Europe to be lower in the second half of 2011 comparative to the first, reflecting economic conditions across various markets. As a result, FCE expects Ford sales to be constrained, but anticipates that the placement of new retail finance contracts as a percentage of Ford sales will increase.

In 2011, FCE expects its 'Adjusted PBT' to be lower than in 2010, reflecting reduced average net receivables and the cost of holding higher liquidity. This reduction is expected to be part offset by continued favourable credit loss performance, continuing process efficiencies and improving borrowing costs, including the net benefit of debt repurchases.

At year end 2011 FCE anticipates net loans and advances to customers to be in the range of £10 billion to £11 billion.

FCE's 2011 funding plan includes public unsecured term debt issuance in the range of £0.4 - £0.9 billion and public term securitisation issuance of £0.4 billion. FCE expects its secured debt to be in the range of 54% to 60% of net loans and advances to customers at 31 December 2011. Thereafter, FCE expects that this ratio will fall over time due to its ability to source term funding from the unsecured markets on increasingly favourable terms.

FCE's plan is to gradually align its capital base with the current scale of its business while taking account of the funding and liquidity environment. Based on present assumptions and subject to meeting its regulatory requirements, FCE expects to pay a dividend in 2012 that is smaller than those paid in 2010 and 2011.

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 2011 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.

Business update

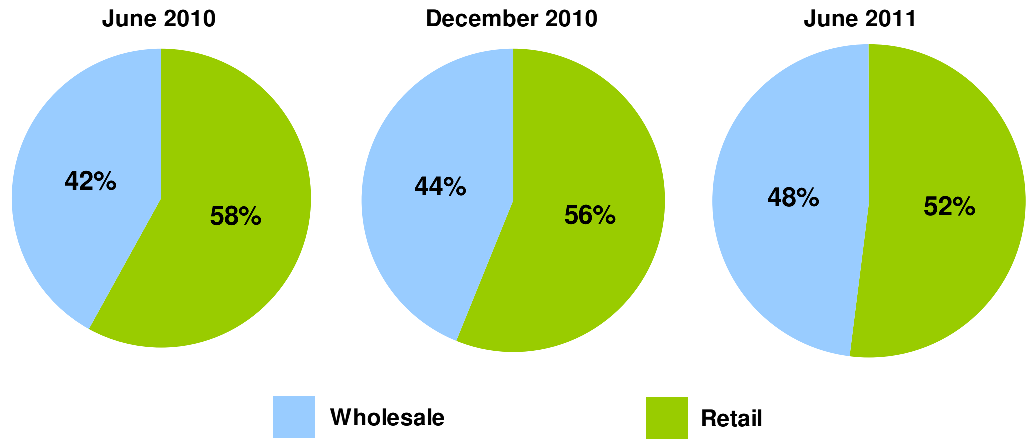
Description of the Business

For a detailed description of FCE's ownership structure, aims and business operations, refer to pages 12 and 13 of the 2010 Annual Report and Accounts. Updated information on the Company's business is detailed below.

Product Segment

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

Analysis of net loans and advances by product segment

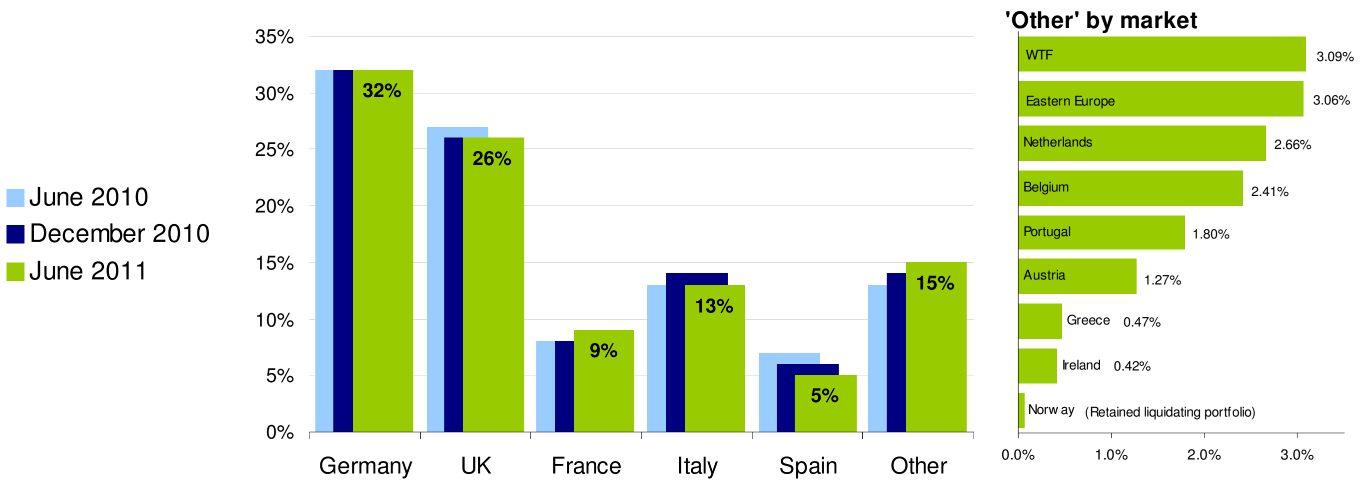


Increased proportional mix of wholesale reflects increased funding of dealer vehicle inventory in support of new product launches

Major Markets

FCE operates directly in 14 European countries. FCE also provides financing to distributors and importers in nearly 70 countries through its Worldwide Trade Financing division (WTF) and has a small liquidating portfolio in Norway. In addition, FCE has a 50 percent less one share interest in Forso Nordic AB, a joint venture that provides automotive financial services in Denmark, Finland, Sweden and Norway.

Analysis of net loans and advances to customers by market



The chart highlights the continued importance of the German and UK markets and the reduction in financing in the Spanish and Italian markets

Capital and funding

Capital

FCE's policy is to manage its capital base to targeted levels that exceed all regulatory requirements and support anticipated changes in assets and foreign currency exchange rates. FCE considers that it has fully complied with this policy for the half year ended 30 June 2011. FCE's core Tier 1 capital ratio was at 18.8% as of 30 June 2011 (30 June 2010: 18.5%).

Funding

FCE's funding strategy is to have sufficient liquidity to profitably support Ford, its dealers and customers in all economic environments. FCE maintains a substantial cash balance, committed funding capacity, and access to diverse funding sources. FCE's credit ratings improved significantly in 2010 and early 2011 although remain non-investment grade. As a result, securitisation continues to represent a substantial portion of its funding mix as this market remains more cost effective than unsecured funding and allows access to a broader base of investors and lenders.

During the first half of 2011, and consistent with its funding plan, FCE raised £1.8 billion of new funding, including a public unsecured debt issuance and a public term securitisation transaction. FCE also renewed or added £1.2 billion of private committed securitisation capacity.

At 30 June 2011, secured debt was 54% of net loans and advances.

Net cash Inflow from funding raised for the six months ending		**30 June 2011 Net Cash Inflow £ bil**		**30 June 2010 Net Cash Inflow £ bil**
New issuance:				
- Securitisation of retail and lease automotive receivables	£	1.0	£	0.5
- Securitisation of wholesale automotive receivables		-		0.2
- Unsecured debt		0.8		0.1
Total new issuance	**£**	**1.8**	**£**	**0.8**
Secondary sale of retained securitisation notes	£	-	£	0.8
Existing facilities:				
- Securitisation of retail and lease automotive receivables	£	0.6	£	0.1
- Securitisation of wholesale automotive receivables		1.7		0.2
Total existing facilities	**£**	**2.3**	**£**	**0.3**
Total	**£**	**4.1**	**£**	**1.9**

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

Capital and funding

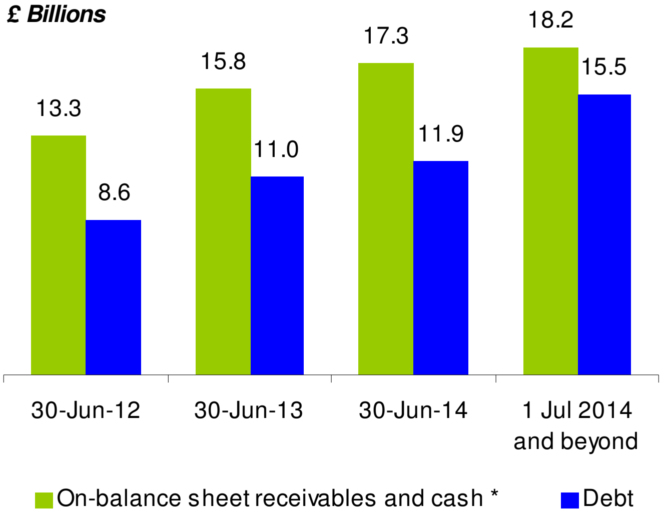
Credit Ratings

FCE's credit ratings are closely associated with the credit ratings of Ford, which have improved during the last year. The following chart summarises the long-term senior unsecured credit ratings, short-term credit ratings and the outlook assigned to FCE from January 2010 to February 2011. As at 26 August 2011, there have been no further rating changes.

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

Liquidity

Cumulative Contractual Maturities as at 30 June 2011
£ Billions



FCE's balance sheet as at 30 June 2011 continues to be inherently liquid because of the short term nature of FCE's loans and advances to customers and cash compared to debt (see 'Cumulative Contractual Maturities' bar chart opposite).

*Includes the cash flows arising from cash and advances, marketable securities, derivatives, 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 credit facilities available for use as noted below.

Cash inflows arising from assets exceed cash outflows arising from liabilities in all annual time bands

Capital and funding

Liquidity continued

In addition, FCE maintains liquidity through a variety of sources including cash and highly liquid investments, committed capacity in securitisation transactions, and unsecured contractual committed credit facilities.

Liquidity sources		30 June 2011 £ bil		30 June 2010 £ bil
Cash and advances and marketable securities	£	2.0	£	2.5
Committed securitisation capacity	£	4.4	£	4.8
Unsecured credit facilities*		0.6		0.7
Committed capacity	**£**	**5.0**	**£**	**5.5**
Committed capacity and cash	**£**	**7.0**	**£**	**8.0**
Securitisation capacity in excess of eligible receivables		(0.8)		(1.4)
Cash not available for use in FCE's day to day operations		(0.9)		(1.3)
Liquidity	**£**	**5.3**	**£**	**5.3**
Utilisation*		(3.3)		(3.7)
Liquidity available for use	**£**	**2.0**	**£**	**1.6**

* 30 June 2011 includes £155 million of utilised bi-lateral contractual committed credit facilities that were subsequently terminated on 13 July 2011.

In June 2011, FCE entered into a new £440 million three year syndicated unsecured credit facility. This facility contains certain covenants, including an obligation for FCE to maintain its ratio of regulatory capital to risk-weighted assets at no less than the applicable regulatory minimum, and for the support agreement between FCE and FMCC to remain in full force and effect (For more details of this support agreement, refer to Note 31 'Ordinary shares and share premium' in the 2010 Annual Report and Accounts). In addition to customary payment, representation, bankruptcy, and judgment defaults, the facility contains cross-payment and cross-acceleration defaults with respect to other debt.

In connection with entering into the new facility, FCE terminated the majority of its existing bi-lateral contractual committed credit facilities leaving £165 million as at 30 June 2011. On 13 July 2011, all but £10 million of this capacity was terminated.

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Risk

Principal risks and uncertainties

The nature of FCE's principal risks and uncertainties has not changed significantly since publication of the 2010 Annual Report and Accounts.

Additionally, no significant changes in FCE's principal risks and uncertainties are expected for the remaining six months of 2011.

For details of FCE's principal risks and uncertainties, refer to the Business Review section of FCE's 2010 Annual Report and Accounts.

Risk management

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

For details of FCE's policies and processes in relation to all types of risk management, which have not changed significantly from 31 December 2010, refer to the Business Review section of FCE's 2010 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') 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 2011' includes a fair review of the information required by the DTR 4.2.7, namely:

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

On behalf of the Board

Todd Murphy
Chairman

P R Jepson
Executive Director, Finance and Strategy

26 August 2011

Independent Auditors' Review Report to FCE Bank plc

Independent review report to FCE Bank plc

Introduction

We have been engaged by the company to review the condensed consolidated half-yearly financial statements in the interim report and financial Statements for the half year ended 30 June 2011, which comprise the Condensed Consolidated Half-yearly Statement of Comprehensive Income, the Condensed Consolidated Half-yearly Balance Sheet, the Condensed Consolidated Half-yearly Statement of Changes in Equity, the Condensed Consolidated Half-yearly Cash Flow Statement and the related notes. We have read the other information contained in the interim report and financial statements and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated half-yearly financial statements.

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated half-yearly financial statements in the interim report and financial statements for the six months ended 30 June 2011 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
26 August 2011
London

Notes:

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

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

Condensed consolidated half-yearly statement of comprehensive income

For the half year ended	Notes		30 June 2011 Unaudited £ mil		30 June 2010 Unaudited Restated* £ mil
Interest income		£	424	£	476
Interest expense			(268)		(286)
NET INTEREST INCOME		**£**	**156**	**£**	**190**
Fees and commissions income	2		47		42
Fees and commissions expense			(5)		(4)
NET FEES AND COMMISSIONS INCOME	2	**£**	**42**	**£**	**38**
Other operating income			74		62
TOTAL INCOME		**£**	**272**	**£**	**290**
Impairment reversal / (losses) on loans and advances	2/4		2		(2)
Operating expenses			(99)		(110)
Depreciation of property and equipment	14c		(67)		(46)
Fair value adjustments to financial instruments			37		33
Gain / (loss) on foreign exchange			(41)		(29)
Share of profit of a jointly controlled entity			3		4
PROFIT BEFORE TAX	2/14c	**£**	**107**	**£**	**140**
Income tax expense			(38)		(44)
PROFIT AFTER TAX AND PROFIT FOR THE PERIOD		**£**	**69**	**£**	**96**
Translation differences on foreign currency net investments			91		(151)
Translation differences on foreign currency investments in a jointy controlled entity			(5)		(3)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**£**	**155**	**£**	**(58)**

*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 2011' are an integral part of the financial statements.

Condensed consolidated half-yearly balance sheet

As at	Notes	30 June 2011 Unaudited £ mil	31 December 2010 £ mil	30 June 2010 Unaudited £ mil
ASSETS				
Cash and advances		£ 1,925	£ 2,094	£ 2,217
Marketable securities		113	223	258
Derivative financial instruments		162	276	310
Other assets		262	251	280
Net loans and advances not subject to securitisation		£ 2,649	£ 2,845	£ 2,397
Net loans and advances subject to securitisation	6	8,674	7,973	8,798
Total net loans and advances to customers	3/14c	**£ 11,323**	**£ 10,818**	**£ 11,195**
Property and equipment	14c	237	153	141
Income taxes receivable		63	52	40
Deferred tax assets		81	87	108
Goodwill and other intangible assets		13	13	15
Investment in a jointly controlled entity	14c	51	45	43
TOTAL ASSETS	14c	**£ 14,230**	**£ 14,012**	**£ 14,607**
LIABILITIES				
Due to banks and other financial institutions not in respect of securitisation	7	£ 194	£ 549	£ 658
Due to banks and other financial institutions in respect of securitisation	6/7	4,093	3,224	4,275
Total due to banks and other financial institutions		**£ 4,287**	**£ 3,773**	**£ 4,933**
Corporate deposits		48	49	22
Due to parent and related undertakings	8	874	540	765
Derivative financial instruments		40	158	209
Debt securities in issue not in respect of securitisation	9	£ 3,884	£ 4,187	£ 3,441
Debt securities in issue in respect of securitisation	6/9	2,010	1,872	1,928
Total debt securities in issue	9	**£ 5,894**	**£ 6,059**	**£ 5,369**
Other liabilities		423	506	342
Income taxes payable		27	12	40
Deferred tax liabilities		32	30	22
Subordinated loans	10	222	287	467
TOTAL LIABILITIES		**£ 11,847**	**£ 11,414**	**£ 12,169**
SHAREHOLDERS' EQUITY				
Ordinary shares		£ 614	£ 614	£ 614
Share premium		352	352	352
Retained earnings		1,417	1,632	1,472
TOTAL SHAREHOLDERS' EQUITY		**£ 2,383**	**£ 2,598**	**£ 2,438**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**£ 14,230**	**£ 14,012**	**£ 14,607**

The accompanying 'Notes to the condensed consolidated half-yearly financial Statements for the half year ended 30 June 2011' are an integral part of the financial statements.

The financial statements on pages 18 to 41 were approved by the Board of Directors on 26 August 2011 and were signed on its behalf by:

Todd Murphy
Chairman

P R Jepson
Executive Director, Finance and Strategy

Condensed consolidated half-yearly statement of changes in equity

		Profit and loss reserve £ mil		Transl-ation reserve £ mil		**Total retained earnings £ mil**		Share capital £ mil		Share premium £ mil		**Total Unaudited £ mil**
Balance at 1 January 2010	**£**	**1,473**	**£**	**447**	**£**	**1,920**	**£**	**614**	**£**	**352**	**£**	**2,886**
Profit for the period	£	96	£	-	£	96	£	-	£	-	£	96
Translation differences		-		(154)		(154)		-		-		(154)
Total comprehensive income for the half year ended 30 June 2010	**£**	**96**	**£**	**(154)**	**£**	**(58)**	**£**	**-**	**£**	**-**	**£**	**(58)**
Dividend Payment		(390)		-		(390)		-		-		(390)
Balance at 30 June 2010 / 1 July 2010	**£**	**1,179**	**£**	**293**	**£**	**1,472**	**£**	**614**	**£**	**352**	**£**	**2,438**
Profit for the period	£	65	£	-	£	65	£	-	£	-	£	65
Translation differences		-		95		95		-		-		95
Total comprehensive income for the half year ended 31 December 2010	**£**	**65**	**£**	**95**	**£**	**160**	**£**	**-**	**£**	**-**	**£**	**160**
Balance at 31 December 2010 / 1 January 2011	**£**	**1,244**	**£**	**388**	**£**	**1,632**	**£**	**614**	**£**	**352**	**£**	**2,598**
Profit for the period	£	69	£	-	£	69	£	-	£	-	£	69
Translation differences		-		86		86		-		-		86
Total comprehensive income for the half year ended 30 June 2011	**£**	**69**	**£**	**86**	**£**	**155**	**£**	**-**	**£**	**-**	**£**	**155**
Dividend Payment		(370)		-		(370)		-		-		(370)
Balance at 30 June 2011	**£**	**943**	**£**	**474**	**£**	**1,417**	**£**	**614**	**£**	**352**	**£**	**2,383**

An interim dividend of £370 million, equating to approximately 60.22 pence per ordinary share was declared and paid by the Company in the first half of 2011. The directors have not declared any dividends since the payment of this dividend on 26 May 2011.

The accompanying 'Notes to the condensed consolidated half-yearly financial Statements for the half year ended 30 June 2011' are an integral part of the financial statements.

Condensed consolidated half-yearly cash flow statement

For the half year ended	Notes		30 June 2011 Unaudited £ mil		30 June 2010 Unaudited restated* £ mil
Cash flows from operating activities					
Cash from operating activities	15	£	(185)	£	842
Interest paid			(397)		(396)
Interest received			427		477
Income taxes paid			(22)		(28)
Net cash (used in) / from operating activities		**£**	**(177)**	**£**	**895**
Cash flows from investing activities					
Investment in marketable securities		£	(115)	£	(292)
Maturity of marketable securities			222		21
Purchase of property and equipment (excluding operating leases)			(2)		(2)
Proceeds from sale of property and equipment (excluding operating leases)			2		2
Investment in internally and externally generated software			(2)		-
Net cash (used in) / from investing activities		**£**	**105**	**£**	**(271)**
Cash flows from financing activities					
Proceeds from the issue of debt securities and from loans provided by banks and other financial institutions		£	3,767	£	1,589
Repayments of debt securities and of loans provided by banks and other financial institutions			(3,731)		(2,208)
Proceeds of funds provided by parent and related undertakings			319		103
Repayment of funds provided by parent and related undertakings			(250)		(68)
Net increase in short term borrowings			69		46
Net (decrease) in corporate deposits			(1)		-
Net cash inflow on derivative financial instruments			40		45
(Increase) in central bank deposits and other deposits in support of European Investment Bank loans			(64)		(92)
Decrease in central bank deposits and other deposits in support of European Investment Bank loans			77		38
Dividend paid			(370)		(390)
Net cash (used in) financing activities		**£**	**(144)**	**£**	**(937)**
Net cash flows		**£**	**(216)**	**£**	**(313)**
Effect of exchange rate changes on cash and cash equivalents			41		(86)
Net (decrease) in cash and cash equivalents	15		**(175)**		**(399)**
Cash and cash equivalents at beginning of period	15		1,926		2,352
Cash and cash equivalents at end of period	15	**£**	**1,751**	**£**	**1,953**

*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 2011' are an integral part of the financial statements.

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2011

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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 2011

1 ACCOUNTING POLICIES

The condensed consolidated half-yearly financial statements have been prepared in accordance with IAS 34, 'Interim financial reporting' as adopted by the European Union and with the Disclosure and Transparency Rules of the Financial Services Authority. These condensed consolidated half-yearly financial statements do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2010 were approved by the Board of Directors on 24 March 2011 and delivered to the Registrar of Companies on 25 March 2011. 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 2010 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 2010 Annual Report and Accounts.

Accounting restatements

Accounting Restatement	**Impact of revision to condensed consolidated half yearly income statement**
As identified in the 2010 Annual Report and Accounts certain amounts relating to depreciation expense adjustments on returned vehicles were previously recorded in June 2010 within the 'Consolidated statement of comprehensive income' under 'Other operating income'. Adjustments have been made to correctly represent 'Income from operating leases' within 'Other operating income' and 'Depreciation of property and equipment'.	• 'Other operating income' as restated amounted to £62 million (previously reported as £68 million); • 'Depreciation of property and equipment' as restated amounted to £46 million (previously reported as £52 million). This restatement has no effect on the reported profit before tax for the half year ending 30 June 2010.

Accounting Restatement	**Impact of revision to condensed consolidated half yearly cash flow statement**
During the period it was identified that certain amounts relating to the net cash flow on derivative financial instruments were previously recorded within the 'Condensed consolidated half yearly cash flow statements' under 'Net increase/decrease in accrued liabilities and deferred income'. Adjustments have been made to correctly represent cash flows relating to derivative financial instruments.	• 'Net increase/decrease in accrued liabilities and deferred income' as restated amounted to £117 million (previously reported as £207 million); • ' Net cash inflow on derivative financial instruments ' as restated amounted to £45 million (previously reported as a net cash outflow of £45 million). This restatement has no effect on the reported net decrease in cash and cash equivalents for the half year ending 30 June 2010.

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2011

2 PROFIT BEFORE TAX

Profit before tax includes certain exceptional items. Exceptional items are those significant items which by virtue of their size or incidence are separately disclosed to aid the interpretation of performance compared to the prior year. Exceptional items have resulted in an increase to profit before tax (PBT) of £3 million for the first half of 2011 compared to a reduction of £4 million for the equivalent period last year and a reduction of £14 million in the second half of 2010.

Profit before tax (PBT) for the half years ended 30 June 2011, 31 December 2010 and 30 June 2010 is stated after crediting/(charging):		**First Half 2011 Unaudited £ mil**		**Second Half 2010 Unaudited £ mil**		**First Half 2010 Unaudited £ mil**
Fees and commission income:						
- Profit sharing income	£	11	£	-	£	-
- Commission income adjustment provision release		-		2		-
Total exceptional fees and commissions income	**£**	**11**	**£**	**2**	**£**	**-**
Other operating income:						
- Portfolio sale agreement provision	£	(6)	£	-	£	-
- Volvo insurance commission payment		-		-		5
Total exceptional other operating income	**£**	**(6)**	**£**	**-**	**£**	**5**
Impairment losses						
- Spanish rental car business	£	(2)	£	(3)	£	(1)
- Release of VAT reserve		-		-		1
Total exceptional impairment losses	**£**	**(2)**	**£**	**(3)**	**£**	**-**
Operating expenses:						
- Restructuring costs	£	-	£	(10)	£	(3)
- VAT recovery on service fees		-		2		-
- Voluntary pension contribution		-		(5)		(6)
Total exceptional operating expenses	**£**	**-**	**£**	**(13)**	**£**	**(9)**
Total exceptional items	**£**	**3**	**£**	**(14)**	**£**	**(4)**

'Profit sharing income' relates to a one-time gain on the settlement of amounts outstanding under a historical profit sharing agreement which previously did not meet revenue recognition criteria.

'Portfolio sale agreement provision' relates to the provision for liabilities incurred by FCE in the period under the terms of previous portfolio sales agreements.

'Spanish rental car business' relates to the updated loss assessment of a liquidating car rental portfolio in Spain. Actions continue to be taken to recover amounts due, however expected recovery timelines have been extended.

'Restructuring costs' relates to various business structure improvements and adjustments for which a voluntary separation programme was offered. The costs associated with the restructuring actions primarily related to employee separations and were charged to 'Operating expenses'. Such adjustments included actions to align operating costs to the current scale of its business.

Refer to Note 9 'Profit before tax' of the 2010 Annual Report and Accounts for further information on exceptional items from that period.

Tax rate

The applicable tax rate as at 30 June 2011 was 26% (31 December 2010: 28%, 30 June 2010: 28%).

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2011

3 LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers were as follows:

	Notes	30 June 2011 Unaudited £ mil	31 December 2010 £ mil	30 June 2010 Unaudited £ mil
Retail excluding finance lease		£ 5,684	£ 5,713	£ 6,062
Finance lease		905	1,038	1,244
Wholesale		5,372	£ 4,738	4,651
Other		30	30	30
Gross loans and advances to customers		**£ 11,991**	**£ 11,519**	**£ 11,987**
Unearned finance income		£ (425)	£ (439)	£ (498)
Provision for incurred losses	4	(72)	(82)	(89)
Provision for vehicle residual value losses	5	(4)	(7)	(12)
Interest supplements from related parties		(190)	(193)	(225)
Net deferred loan origination costs / (fees)		23	20	32
Net loans and advances to customers	**14c**	**£ 11,323**	**£ 10,818**	**£ 11,195**
Analysis of net loans and advances:				
Retail		£ 5,932	£ 6,061	£ 6,523
Wholesale		5,361	4,727	4,642
Other		30	30	30
Net loans and advances to customers	**14c**	**£ 11,323**	**£ 10,818**	**£ 11,195**
Net loans not subject to securitisation		£ 2,649	£ 2,845	£ 2,397
Net loans subject to securitisation	6	8,674	7,973	8,798
Net loans and advances to customers	**14c**	**£ 11,323**	**£ 10,818**	**£ 11,195**
Percentage analysis of net loans and advances:				
Percentage of retail financing loans		52%	56%	58%
Percentage of wholesale/other financing loans		48%	44%	42%
Percentage of net loans not subject to securitisation		23%	26%	21%
Percentage of net loans subject to securitisation		77%	74%	79%
Percentage of gross loans not subject to securitisation		25%	28%	24%
Percentage of gross loans subject to securitisation		75%	72%	76%

Refer to Note 15 'Loans and advances to customers' of the 2010 Annual Report and Accounts for further information.

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2011

4 PROVISION FOR INCURRED LOSSES

	Notes		Retail £ mil		Wholesale £ mil		Total £ mil
Balance at 1 January 2010		£	103	£	13	£	116
Impairment (reversal) / losses recognised in the income statement			6		(4)		2
Deductions							
- Losses written-off			(45)		(1)		(46)
- Recoveries			23		1		24
- Exceptional loss written-off	2		(1)		1		-
Net Losses		**£**	**(23)**	**£**	**1**	**£**	**(22)**
Other:							
- Exchange adjustments			(6)		(1)		(7)
Balance at 30 June 2010 / 1 July 2010 - Unaudited		**£**	**80**	**£**	**9**		**89**
Impairment losses charged to the income statement			5		2		7
Deductions							
- Losses written-off			(35)		(1)		(36)
- Recoveries			20		1		21
- Exceptional loss written-off	2		(3)		-		(3)
Net Losses		**£**	**(18)**		**-**	**£**	**(18)**
Other:							
- Exchange adjustments			4		-		4
Balance at 31 December 2010 / 1 January 2011		**£**	**71**	**£**	**11**	**£**	**82**
Impairment (reversal) recognised the income statement			-		(2)		(2)
Deductions							
- Losses written-off			(30)		0		(30)
- Recoveries			19		1		20
- Exceptional loss (written-off) / recovery	2		(2)		-		(2)
Net Losses		**£**	**(13)**	**£**	**1**	**£**	**(12)**
Other:							
- Exchange adjustments			3		1		4
Balance at 30 June 2011 - Unaudited		**£**	**61**	**£**	**11**	**£**	**72**
Analysis of provision for incurred losses:							
- Collective impairment allowance		£	80	£	8	£	88
- Specific impairment allowance			-		1		1
Balance at 30 June 2010 / 1 July 2010 - Unaudited		**£**	**80**	**£**	**9**	**£**	**89**
- Collective impairment allowance		£	71	£	10	£	81
- Specific impairment allowance			-		1		1
Balance at 31 December 2010 / 1 January 2011		**£**	**71**	**£**	**11**	**£**	**82**
- Collective impairment allowance		£	61	£	10	£	71
- Specific impairment allowance			-		1		1
Balance at 30 June 2011 - Unaudited		**£**	**61**	**£**	**11**	**£**	**72**

Refer to Note 16 'Provision for incurred losses' of the 2010 Annual Report and Accounts for further information.

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

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

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2011

5 PROVISION FOR VEHICLE RESIDUAL VALUE LOSSES

The movement in the provision for vehicle residual values for the half years ended 30 June 2011, 31 December 2010 and 30 June 2010 is as follows:

		Retail		Operating Lease		Total
		£ mil		£ mil		£ mil
Balance at 1 January 2010	£	14	£	5		19
Residual value adjustments (credited) to income statement		(2)		(11)		(13)
Residual value gains / (losses) incurred in the period		(4)		6		2
Other:						
- Reclassification to vehicle residual value provision		5		-		5
- Exchange adjustments		(1)		-		(1)
Balance at 30 June 2010 - Unaudited	**£**	**12**	**£**	**-**	**£**	**12**
Residual value adjustments charged/(credited) to income statement		(2)		(6)		(8)
Residual value gains / (losses) incurred in the period		(2)		12		10
Other:						
- Exchange adjustments		(1)		-		(1)
Balance at 31 December 2010 / 1 January 2011	**£**	**7**		**6**		**13**
Residual value adjustments charged/(credited) to income statement		(2)		8		6
Residual value (losses) incurred in the period		(1)		(10)		(11)
Other:						
- Exchange adjustments		-		1		1
Balance at 30 June 2011 - Unaudited	**£**	**4**	**£**	**5**	**£**	**9**

'Reclassification to vehicle residual value provision' represents a reclassification of impaired residual values previously reported within gross wholesale loans and advances to customers.

Refer to Note 17 'Provision for vehicle residual values' and Note 39 'Vehicle residual values' of the 2010 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 2011

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

The Company retains credit risk in securitisation transactions through its junior retained interests that provide various forms of credit enhancements. These include over-collateralisation, segregated cash reserve funds, subordinated securities and excess spread. The Company holds the right to any surplus cash flows generated by these junior retained interests. The Company's ability to realise the carrying amount of its retained interests depends on actual credit losses and prepayment rate on the securitised assets.

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

		Wholesale		Retail		Total		Total
		Public	Private	Public	Private	Public	Private	Unaudited
	Note	£ mil	£ mil	£ mil	£ mil	£ mil	£ mil	£ mil
As at 30 June 2010								**Unaudited**
Loans and advances subject to securitisation	3	£ -	£ 3,400	£ 2,893	£ 2,505	£ 2,893	£ 5,905	£ 8,798
Due to other banks and other financial institutions	7	£ -	£ 2,080	£ 319	£ 1,876	£ 319	£ 3,956	£ 4,275
Debt securities in Issue	9	-	-	1,928	-	1,928	-	1,928
Related Debt		**£ -**	**£ 2,080**	**£ 2,247**	**£ 1,876**	**£ 2,247**	**£ 3,956**	**£ 6,203**
As at 31 December 2010								
Loans and advances subject to securitisation	3	£ -	£ 3,591	£ 2,250	£ 2,132	£ 2,250	£ 5,723	£ 7,973
Due to other banks and other financial institutions	7	£ -	£ 1,910	£ -	£ 1,314	£ -	£ 3,224	£ 3,224
Debt securities in Issue	9	-	-	1,872	-	1,872	-	1,872
Related Debt		**£ -**	**£ 1,910**	**£ 1,872**	**£ 1,314**	**£ 1,872**	**£ 3,224**	**£ 5,096**
As at 30 June 2011								
Loans and advances subject to securitisation	3	£ -	£ 3,916	£ 2,422	£ 2,335	£ 2,422	£ 6,251	£ 8,674
Due to other banks and other financial institutions	7	£ -	£ 2,244	£ -	£ 1,849	£ -	£ 4,093	£ 4,093
Debt securities in Issue	9	-	-	2,010	-	2,010	-	2,010
Related Debt		**£ -**	**£ 2,244**	**£ 2,010**	**£ 1,849**	**£ 2,010**	**£ 4,093**	**£ 6,103**

Cash available to support the obligations of the SPEs as at 30 June 2011 of £753 million (30 June 2010: £1,040 million) is included within FCE's balance sheet under the caption 'Cash and advances'.

6 SECURITISATION AND RELATED FINANCING continued

Transaction Structures

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

At 30 June 2011, the Company had entered into two flat revolving structures totalling £0.9 billion (December 2010: £0.4 billion), with revolving periods ending in January 2012 and March 2013. Variable funding revolving structures at 30 June 2011 totalled £4.4 billion of committed capacity (December 2010: £4.9 billion) of which £1.6 billion matures during the remainder of 2011 and the balance having various maturity dates between January 2012 and November 2012. At 30 June 2011, £3.1 billion (December 2010: £2.8 billion) of the variable funding committed capacity was utilised.

	Revolving structure capacity £ bil
Balance at 1 January 2011	£ 5.3
Committed capacity maturing in the first half of 2011	(0.8)
Committed capacity renewed and added in the first half of 2011	1.2
Capacity reduction actions in the first half of 2011	(0.6)
Exchange adjustments	0.2
Balance at 30 June 2011	**£ 5.3**
Variable funding committed capacity	£ 4.4
Flat revolving capacity	0.9
Balance at 30 June 2011	**£ 5.3**

Capacity reduction actions include resizing certain transactions to reflect reduced asset levels and the introduction of an additional capacity provider.

For further details on FCE's securitisation programme, refer to Note 18 'Securitisation and related financing' in the 2010 Annual Report and Accounts.

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2011

7 DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Due to banks and other financial institutions were as follows

		30 June 2011 Unaudited £ mil	31 December 2010 £ mil	30 June 2010 Unaudited £ mil
Due to banks and other financial institutions not in respect of securitisation	**Notes**			
Borrowings from banks and other financial institutions		£ 180	£ 182	£ 262
Loans from European Investment Bank		-	367	361
Bank overdrafts		14	-	35
Sub-total:		**£ 194**	**£ 549**	**£ 658**
Due to banks and other financial institutions in respect of securitisation				
Obligations arising from securitisation of receivables	6	£ 4,070	£ 3,181	£ 3,956
Loans from European Central Bank (ECB) secured with retained securitisation notes		-	-	319
Loans from ECB secured with wholesale receivables		23	43	-
Sub-total:		**£ 4,093**	**£ 3,224**	**£ 4,275**
Total due to banks and other financial institutions		**£ 4,287**	**£ 3,773**	**£ 4,933**

Refer to Note 25 'Due to banks and other financial institutions' of the 2010 Annual Report and Accounts for further information including details on reclassifications made during the second half of 2010.

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2011

8 DUE TO PARENT AND RELATED UNDERTAKINGS

Due to parent and related undertakings were as follows

		30 June 2011 Unaudited £ mil		31 December 2010 £ mil		30 June 2010 Unaudited £ mil
Senior Debt						
Deposits received from Ford Credit International (FCI)	£	305	£	125	£	125
Principal amounts due to parent undertakings	**£**	**305**	**£**	**125**	**£**	**125**
Deposits received from related undertakings	£	369	£	347	£	356
Total Senior Debt	**£**	**674**	**£**	**472**	**£**	**481**
Accounts payable to related undertakings	£	197	£	63	£	279
Accrued interest		3		5		5
Due to parent and related undertakings	**£**	**874**	**£**	**540**	**£**	**765**

'Deposits received from related undertakings' includes a Euro denominated deposit of £326 million (31 December 2010: £311 million, 30 June 2010: £315 million) from Blue Oval Holdings in support of guarantees provided by the Company as collateral in respect of obligations of Ford in Romania.

'Deposits received from FCI' includes a further Sterling denominated deposit of £180 million in support of guarantees provided by the Company also as collateral in respect of obligations of Ford in Romania.

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

Refer to Note 27 'Due to parent and related undertakings' of the 2010 Annual Report and Accounts for further information.

Other amounts due to FMCC and FCI are reported within Note 10 'Subordinated loans' on page 33.

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2011

9 DEBT SECURITIES IN ISSUE

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

	Notes	30 June 2011 Unaudited £ mil		31 December 2010 £ mil		30 June 2010 Unaudited £ mil	
PROGRAMME (YEAR LAUNCHED) – AMOUNT							
LISTED DEBT:							
Euro Medium Term Note (1993) - US$12 billion:							
- Other European Medium Term Notes							
(excludes Continuously Available Retail Securities)		£	3,884	£	4,144	£	3,339
Sub-total Euro Medium Term Notes		**£**	**3,884**	**£**	**4,144**	**£**	**3,339**
Obligations arising from securitisation	6		2,010		1,872		1,928
Sub-total listed debt		**£**	**5,894**	**£**	**6,016**	**£**	**5,267**
UNLISTED DEBT:							
Schuldschein			-		43		102
Debt securities in issue		**£**	**5,894**	**£**	**6,059**	**£**	**5,369**
Analysis of debt securities in issue							
Unsecured borrowings		£	3,884	£	4,187	£	3,441
Obligations arising from sales of receivables	6		2,010		1,872		1,928
Debt securities in issue		**£**	**5,894**	**£**	**6,059**	**£**	**5,369**

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 21 January 2011 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 43.

During the period the Company repurchased €186 million (approximately £165 million) of debt issued under the EMTN programme in August 2008 and due to mature in January 2012.

The Company also completed an EMTN issuance in May 2011 for €500 million (approximately £446 million) which matures January 2015. The remaining EMTN movement represents scheduled maturities offset by currency revaluation effects.

In June 2011, the Company completed a primary securitisation issuance for €508 million (approximately £440 million).

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2011

10 SUBORDINATED LOANS

Details of subordinated loans provided were as follows

	30 June 2011 Unaudited £ mil	31 December 2010 £ mil	30 June 2010 Unaudited £ mil
Perpetual Loans	£ 222	£ 222	£ 233
Dated qualifying loans	-	65	234
Total Loan Amounts	**£ 222**	**£ 287**	**£ 467**
Tier 2 Value of perpetual loans	£ 222	£ 222	£ 233
Tier 2 Value of dated qualifying loans	-	20	60
Total Tier 2 Value	**£ 222**	**£ 242**	**£ 293**
Analysis of subordinated loans			
Due to FCI (US$ denominated loans)	£ 136	£ 205	£ 380
Due to Ford Credit (EUR€ denominated loans)	86	82	87
Total subordinated loans	**£ 222**	**£ 287**	**£ 467**

The loans listed above satisfy the conditions for eligibility as tier two capital instruments as defined by the FSA and are included in the calculation of capital resources for regulatory reporting purposes. In the case of an instrument with a fixed maturity date, the principal amounts are amortised in the final five years to maturity on a straight line basis.

Loans from Ford Credit are denominated in Euro. The Company may terminate the agreement at any time by giving one month's written notice. Under the terms of the loan agreement, early repayment requires the prior written consent of the FSA.

US dollar denominated loans are drawn under a US$1 billion subordinated loan facility with FCI, the Company’s immediate parent undertaking. This facility enables the Company to respond quickly if additional capital support is required.

Under the agreed terms, the Company is able to take draw downs up to the maximum principal amount and any undrawn amount of the facility will be available until it is cancelled either by the Company or FCI. The Company may repay by giving one month's written notice. Cross currency swaps 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 2011

11 CONTINGENT LIABILITIES

	30 June 2011 Unaudited £ mil	31 December 2010 £ mil	30 June 2010 Unaudited £ mil
Total guarantees provided on behalf of Ford	£ 545	£ 382	£ 346
Indemnities issued to custom authorities and revenue commissioners	2	4	4
Other guarantees provided to third parties	6	10	6
Commission income contingent liabilities	14	13	12
Contingent liabilities prior to credit risk mitigation	**£ 567**	**£ 409**	**£ 368**
Credit risk mitigation actions:			
Cash collateral	£ (506)	£ (311)	£ (315)
Contingent liabilities after credit risk mitigation	**£ 61**	**£ 98**	**£ 53**

'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 charged for the guarantee.

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

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

Litigation and other claims

Certain legal actions and claims are pending or may be instituted or asserted in the future against FCE concerning finance and other contractual relationships. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not predictable with assurance. FCE has established provisions for certain of the legal actions and claims where losses are deemed probable and reasonably estimable. It is reasonably possible that certain claims for which accruals have not been established could be decided unfavourably to FCE and could require FCE to pay damages or make other expenditures in amounts or a range of amounts that cannot be estimated at 30 June 2011. 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.

12 CREDIT RISK

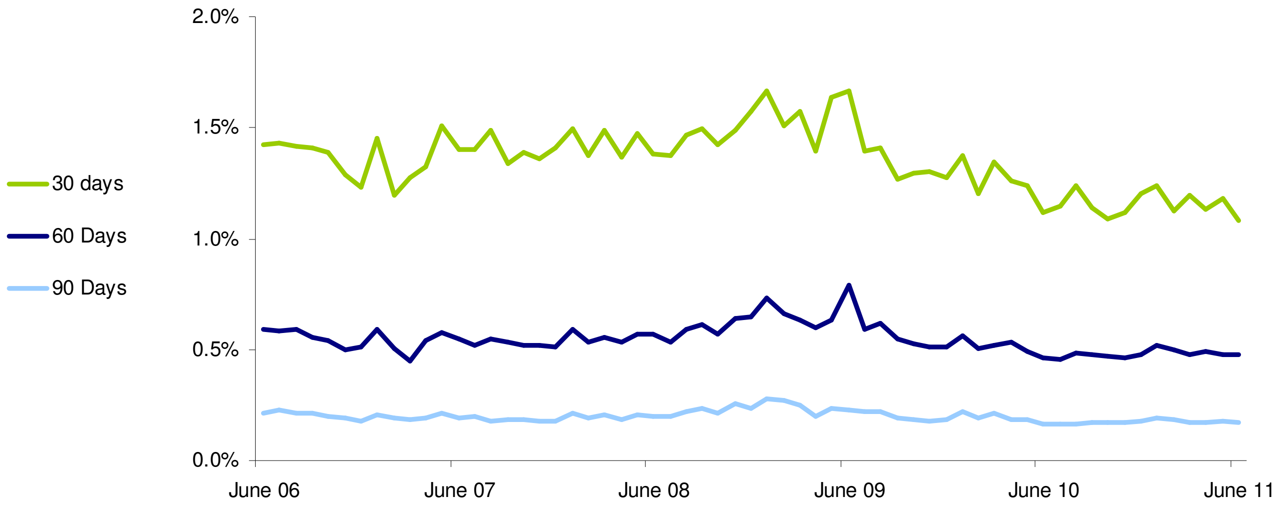
As a provider of automotive financial products, FCE's primary source of credit risk is the possibility of loss from a retail customer's or dealer's failure to make payments according to contractual terms. These products are classified as 'loans and receivables' under IAS 39. Updated information on the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

For further information on the nature of FCE's credit risk management and exposures, refer to Note 38 'Credit Risk' within the 2010 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 and the underlying economic environment. Management believe FCE's responsive approach to underwriting and servicing practices has enabled its portfolio to perform well in an extremely difficult market.

Retail delinquency 5 year monthly trend



Source: Internal managment information for all FCE markets.

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2011

12 CREDIT RISK continued

Wholesale

	Notes	30 June 2011 Unaudited £ mil	30 June 2010 Unaudited £ mil
Group I (risk rating 0-3)		£ 3,183	£ 2,601
Group II (risk rating 4-5)		1,338	1,234
Group III (risk rating 6-7)		880	845
Group IV (risk rating 8-9)		1	1
Total gross wholesale and other loans and advances	**3**	**£ 5,402**	**£ 4,681**
Percentage analysis			
Group I (risk rating 0-3)		58.92%	55.57%
Group II (risk rating 4-5)		24.77%	26.36%
Group III (risk rating 6-7)		16.29%	18.05%
Group IV (risk rating 8-9)		0.02%	0.02%

The table illustrates that the percentage of the strongest Group I category dealers has increased since June 2010, primarily within UK, Spain, Germany and Italy. This reflects dealer operating results from 2009 onwards that management consider have improved. Consequently the Group II and III categories have evidenced a decrease during the same period.

13 RELATED PARTY TRANSACTIONS

Refer to Note 43 'Related party transactions' of the 2010 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 2010 are detailed below.

Transactions with parent undertakings

- 'Deposits received from FCI' are utilised to mitigate certain exposure concentrations from external and related counterparties. In the event of default by these counterparties, the deposits received from FCI can be offset against the amounts due to the Company. As at 30 June 2011, such deposits totalled £305 million (30 June 2010: £125 million) and are detailed in Note 8 'Due to parent and related undertakings'. Interest expense for the six month period to 30 June 2011 totalled £5 million (30 June 2010: £6 million).

- A €2 billion short term revolving facility has been provided by FMCC to the Company which matures on 15 December 2011 or earlier upon 45 days notice from FMCC. As at 30 June 2011, no amounts were drawn under this facility (30 June 2010: nil). Interest expense for the six month period to 30 June 2011 was nil (30 June 2010: nil).

- The Company has a $1 billion subordinated loan facility with FCI. This facility enables the Company to respond quickly if additional capital support is required. Under the terms of the facility, the Company is able to take draw downs up to the maximum principal amount of the facility. As at 30 June 2011, the amount drawn under this facility totalled £136 million (30 June 2010: £380 million). In addition Euro denominated subordinated loans provided by FMCC to the Company as at 30 June 2011 totalled £86 million (30 June 2010: £87 million). For further details refer to Note 10 'Subordinated loans'. Interest expense relating to the subordinated loans received from FCI and FMCC for the six month period to 30 June 2011 totalled £2 million (30 June 2010: £12 million).

- During the first half of 2011, a dividend to FCI of £370 million equating to approximately 60.22 pence per ordinary share, was declared and paid by the Company.

- Service fees charged to FCE by FMCC relate to technical and administrative advice and services provide by FMCC. The amount of service fees charged for the six month period to 30 June 2011 totalled £5 million (30 June 2010: £7 million).

Transactions with directors and officers

Loan arrangements exist for certain directors and officers of FCE, whereby directors or officers purchase vehicles from Ford Motor Company Limited (FMCL), and FCE provides the loan to finance the purchase. The individual pays FCE the interest on the loan. No significant changes in such loans have occurred since 31 December 2010. Refer to page 56 of FCE's 2010 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 2011, unearned interest supplements reported in Note 3 'Loans and advances to customers' totalled £190 million (30 June 2010: £225 million). As at 30 June 2011, 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 (30 June 2010: £37 million). Associated interest supplements earned and recorded in the income statement for the six months ended 30 June 2011 totalled £290 million (30 June 2010: £242 million).

The Company has guaranteed obligations of Ford in Romania of which the maximum potential payment of £496 million has been fully collateralised by deposits from Blue Oval Holdings Limited and FCI totalling £506 million. For further information please refer to Note 8 'Due to parent and related undertakings' and Note 11 'Contingent liabilities'. Interest expense on the Blue Oval Holdings deposit for the six months ended 30 June 2011 totalled £3 million (30 June 2010: £2 million).

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2011

14 SEGMENT REPORTING

Segment reporting includes income, expenses and other financial information for the six months ended 30 June 2011 and asset information as at 30 June 2011. Refer to Note 44 of the 2010 Annual Report and Accounts for further information.

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

14b) Reconciliation between certain performance measurement figures 14a) and Additional Information 14c)

Performance measurement figures	Market Income mil	Borrowing Costs mil	Operating Expenses mil	Impairment Losses mil	PBT mil	Net Receivables mil
Reportable segments	$ 657	$ (408)	$ (143)	$ 1	$ 96	$ 16,179
Central operations / other	95	(44)	(23)	2	30	2,795
Total	**$ 752**	**$ (452)**	**$ (166)**	**$ 3**	**$ 126**	**$ 18,974**
Converted to GBP	£ 466	£ (280)	£ (103)	2	£ 78	£ 11,841
IFRS vs US GAAP	9	-	(4)	-	3	(13)
Presentational differences						
Operating leases	57	-	-	-	-	(233)
Unearned interest supplements	-	-	-	-	-	(190)
Provision for incurred losses	-	-	-	-	-	(72)
Fees and commission expense	5	-	-	-	-	-
Residual gains / losses / reserve	(6)	-	-	-	-	(5)
Other presentational differences	3	(20)	8	-	(2)	(5)
Adjustments						
Risk based equity adjustment	-	34	-	-	34	-
Other performance adjustments	-	(2)	-	-	(6)	-
Timing adjustments	-	-	-	-	-	-
Total Reconciliation to IFRS	**£ 534**	**£ (268)**	**£ (99)**	**£ 2**	**£ 107**	**£ 11,323**
IFRS basis						
Total revenue (See 14c)	£ 534					
Interest expense		£ (268)				
Operating expenses			£ (99)			
Impairment reversal on loans and advances				£ 2		
Profit before tax (See 14c)					£ 107	
Net loans and advances to customers (See 14c)						£ 11,323

14c) Additional Information - IFRS basis	Note	UK 2011 £ mil	Germany 2011 £ mil	Italy 2011 £ mil	Spain 2011 £ mil	France 2011 £ mil	Central / Other 2011 £ mil	Total 2011 £ mil
INCOME STATEMENT								
Retail revenue		£ 65	£ 89	£ 29	£ 11	£ 14	£ 21	£ **229**
Wholesale revenue		48	31	27	16	23	46	**191**
Other interest income		1	1	-	-	-	2	**4**
Fee and commission income		16	20	4	1	3	3	**47**
Income from operating leases		-	71	-	-	-	2	**73**
Total external revenue		£ 130	£ 212	£ 60	£ 28	£ 40	£ 74	£ **544**
Inter-segment revenue		-	1	-	1	-	(2)	**-**
Total Revenue		£ 130	£ 213	£ 60	£ 29	£ 40	£ 72	£ **544**
Depreciation of property and equipment		-	(65)	-	-	-	(2)	**(67)**
Amortisation of other intangibles		-	-	-	-	-	(2)	**(2)**
Profit before tax		£ 17	£ 18	£ 37	£ 2	£ 3	£ 30	£ **107**
Memo - Including Exceptional Items	**2**	11	-	-	(2)	-	(6)	**3**
ASSETS								
Net loans and advances to customers	**3**	£ 2,959	£ 3,589	£ 1,498	£ 555	£ 996	£ 1,726	£ **11,323**
Property and equipment		1	231	-	1	-	4	**237**
Investment in jointly controlled entity		-	-	-	-	-	51	**51**
Total assets		£ 2,938	£ 4,362	£ 1,731	£ 640	£ 1,129	£ 3,430	£ **14,230**

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2011

14 SEGMENT REPORTING continued

Segment reporting includes income, expenses and other financial information for the six months ended 30 June 2010 and asset information as at 30 June 2010 and as at 31 December 2010.

14a) Performance measurement figures	**UK**	**Germany**	**Italy**	**Spain**	**France**	**Central / Other**	**Total**
	2010 $ mil	**2010 $ mil**	**2010 $ mil**	**2010 $ mil**	**2010 $ mil**	**2010 $ mil**	**2010 $ mil**
Market income	$ 193	$ 243	$ 122	$ 57	$ 62	$ 121	$ **798**
Borrowing costs	(120)	(162)	(81)	(29)	(37)	(62)	**(491)**
Operating expenses	(30)	(56)	(16)	(20)	(13)	(40)	**(175)**
Impairment losses	(4)	4	(7)	1	-	(1)	**(7)**
Other revenue / (expenses)	1	17	(1)	2	-	-	**19**
Profit before tax (PBT)	**$ 40**	**$ 46**	**$ 17**	**$ 11**	**$ 12**	**$ 18**	**$ 144**
Net receivables	$ 4,690	$ 5,800	$ 2,211	$ 1,161	$ 1,408	$ 2,224	$ **17,494**

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	$ 677	$ (429)	$ (135)	$ (6)	$ 126	$ 15,270
Central operations / other	121	(62)	(40)	(1)	18	2,224
Total	**$ 798**	**$ (491)**	**$ (175)**	**$ (7)**	**$ 144**	**$ 17,494**
Converted to GBP	£ 518	£ (318)	£ (114)	£ (3)	£ 94	£ 11,674
IFRS Vs US GAAP	10	-	(4)	-	6	(22)
Presentational differences						
Operating leases	51	-	-	-	-	(106)
Unearned interest supplements	-	-	-	-	-	(258)
Provision for incurred losses	-	-	-	-	-	(117)
Fees and commission expense	4	-	-	-	-	-
Residual gains / losses / reserve	15	-	-	-	-	(14)
Other presentational differences	(14)	(4)	8	1	-	38
Adjustments						
Risk based equity adjustment	-	40	-	-	40	-
Other performance adjustments	-	(4)	-	-	-	-
Timing differences	-	-	-	-	-	-
Total Reconciliation to IFRS	**£ 584**	**£ (286)**	**£ (110)**	**£ (2)**	**£ 140**	**£ 11,195**
IFRS basis						
Total revenue (See 14c)	£ 584					
Interest expense		£ (286)				
Operating expenses			£ (110)			
Impairment losses on loans and advances				£ (2)		
Profit before tax (See 14c)					£ 140	
Net loans and advances to customers (See 14c)						£ 11,195

14c) Additional Information - IFRS basis		**UK**	**Germany**	**Italy**	**Spain**	**France**	**Central / Other**	**Total**
INCOME STATEMENT	**Note**	**2010 £ mil**	**2010 £ mil**	**2010 £ mil**	**2010 £ mil**	**2010 £ mil**	**2010 £ mil**	**2010 £ mil**
Retail revenue		£ 75	£ 115	£ 35	£ 23	£ 17	£ 26	£ **291**
Wholesale revenue		45	23	38	15	20	37	**178**
Other interest income		3	-	-	-	-	4	**7**
Fee and commission income		4	18	6	1	4	9	**42**
Income from operating leases		-	65	-	-	-	1	**66**
Total external revenue		£ 127	£ 221	£ 79	£ 39	£ 41	£ 77	£ **584**
Inter-segment revenue		-	1	-	-	-	(1)	**-**
Total Revenue		**£ 127**	**£ 222**	**£ 79**	**£ 39**	**£ 41**	**£ 76**	**£ 584**
Depreciation of property and equipment		-	(50)	-	-	-	(2)	**(52)**
Amortisation of other intangibles		-	-	-	-	-	(2)	**(2)**
Profit before tax		£ 14	£ 19	£ 14	£ 14	£ 4	£ 75	£ **140**
Memo - Including Exceptional Items	**2**	(1)	-	-	(1)	(1)	(1)	**(4)**
ASSETS as at 30 June 2010								
Net loans and advances to customers	**3**	£ 3,078	£ 3,539	£ 1,447	£ 747	£ 917	£ 1,467	£ **11,195**
Property and equipment		1	136	-	-	-	4	**141**
Investment in jointly controlled entity		-	-	-	-	-	43	**43**
Total assets		£ 3,259	£ 4,406	£ 1,844	£ 852	£ 1,090	£ 3,156	£ **14,607**
ASSETS as at 31 December 2010								
Net loans and advances to customers	**3**	£ 2,793	£ 3,588	£ 1,466	£ 596	£ 835	£ 1,540	£ **10,818**
Property and equipment		1	146	-	1	-	5	**153**
Investment in jointly controlled entity		-	-	-	-	-	45	**45**
Total assets		£ 2,835	£ 4,246	£ 1,847	£ 698	£ 1,013	£ 3,373	£ **14,012**

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2011

15 NOTES TO THE CONSOLIDATED HALF-YEARLY CASH FLOW STATEMENT

Reconciliation of profit before tax to cash from operating activities for the six months ended 30 June 2011 and 30 June 2010.

	30 June 2011 Unaudited £ mil	30 June 2010 Unaudited Restated* £ mil
Cash from operating activities		
Profit before tax	£ 107	£ 140
Adjustments for:		
Depreciation expense on property and equipment	1	1
Depreciation expense on operating lease vehicles	66	45
Effects of foreign currency translation	41	29
Share of net income in a jointly controlled entity	(3)	(4)
Gross impaired losses on loans and advances	18	27
Amortisation of other intangibles	2	2
Fair value adjustments to financial instruments	(37)	(33)
Interest expense	268	286
Interest income	(424)	(476)
Changes in operating assets and liabilities:		
Net increase/(decrease) in accrued liabilities and deferred income	(92)	117
Net (increase)/decrease in deferred charges and prepaid expenses	(6)	4
Net (increase)/decrease in finance receivables	(138)	587
Purchase of vehicles for operating leases (property and equipment)	(280)	(252)
Proceeds from sale of operating leases (property and equipment)	139	165
Net decrease in vehicles awaiting sale	20	64
Net (increase)/decrease in accounts receivables	(16)	49
Net increase/(decrease) in accounts payables	25	(28)
Net (increase)/decrease in accounts receivables from related undertakings	(4)	25
Net increase in accounts payables to related undertakings	128	94
Cash from/(used in) operating activities	**£ (185)**	**£ 842**

*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 2011

15 NOTES TO CONSOLIDATED HALF-YEARLY CASH FLOW STATEMENT continued

Reconciliation of cash and cash equivalents at beginning and end of period and of movements for the six months ended 30 June 2011.

	Note		30 June 2011 Unaudited £ mil		30 June 2010 Unaudited £ mil
At beginning of period:					
Cash and advances		£	2,094		2,586
Less:					
- Central bank deposits and other deposits in support of European Investment Bank loans			(168)		(181)
- Bank overdrafts	7		-		(53)
Balance at 31 December 2010 and 2009		**£**	**1,926**	**£**	**2,352**
At end of period:					
Cash and advances		£	1,925		2,217
Less:					
- Central bank deposits and other deposits in support of European Investment Bank loans			(160)		(229)
- Bank overdrafts	7		(14)		(35)
Balance at 30 June 2010 and 2009		**£**	**1,751**	**£**	**1,953**
Net increase/(decrease) in cash and cash equivalents					
Cash and cash equivalents at beginning of period		£	1,926	£	2,352
Cash and cash equivalents at end of period			1,751		1,953
Net increase / (decrease) in cash and cash equivalents		**£**	**(175)**	**£**	**(399)**

For the purposes of the cash flow statement, 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 deposits and other deposits in support of European Investment Bank loans' which are included in 'Cash and advances to banks' are not available for use in FCE's day to day operations and hence are excluded from 'Cash and cash equivalents' for the purposes of the cash flow statement.

Accounting policy changes

'Cash associated with securitisation transactions' previously excluded in the reconciliation of cash and cash equivalents are now included within 'Net increase / (decrease) in cash and cash equivalents'.

'Net decrease in cash and cash equivalents' as reported amounted to £399 million (previously reported as 'Net decrease in cash and cash equivalents' of £330 million).

'Proceeds from sale of operating lease vehicles' and 'Purchase of operating lease vehicles' previously reported within 'Cash flows from investing activities' are now reported within 'Cash flows from operating activities'.

'Cash flows used in investing activities' as reported amounted to £271 million (previously reported as 'Cash flows used in investing activities' of £358 million) and 'Cash flows from operating activities' amounted to £842 million (previously reported as £1,019 million).

This policy is consistent with the accounting policies as presented in the FCE 2010 Annual Report and Accounts and are made to better present how FCE generates and uses cash and cash equivalents. The change has no impact on the overall change in Cash and Advances as reported in 2010.

Website addresses

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

Additional data	Web site addresses
FCE Bank plc.	http://www.fcebank.com
• 'Annual Report' • 'Quarterly Management Statement' • 'Basel Pillar 3 Report'	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 select and click on 'Company Reports'.
Ford Motor Credit Company including:	http://www.fordcredit.com/investorcenter
• 'Company Reports' Footnote 2 • 'Press Releases' • 'Ford Credit public asset-backed securities transactions' Footnote 3	To access from the above link click on 'Company Reports' and then required item. FordCredit
Luxembourg's Stock Exchange which includes	www.bourse.lu
• Euro Medium Term Note Base Prospectus (refer to Note 9 'Debt securities in issue').	To access search for 'FCE'
Financial Reporting Council	
• The Combined Code on Corporate Governance	http://www.frc.org.uk

Additional information
Footnote 1: Securities and Exchange Commission (SEC) Electronic Data Gathering and Retrieval (EDGAR).
Footnote 2: SEC filings include both SEC Form 10K Annual report, SEC Form 10Q Quarterly reports and SEC Form 8K current reports.
Footnote 3: 'Ford Credit public asset-backed securities transactions'. Incorporates European retail public securitisation data including the following report types: • Offering Circulars • Monthly Rating Agencies Report • Monthly Payments Notification • Monthly Note holders' Statement

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 2011'. 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 2011 Unaudited £ mil	Half year ended 30 June 2010 Unaudited Restated* £ mil	
ADDITIONAL DATA:					
A [i]	Average net receivables		£ 10,995	£ 11,742	
A [ii]	Net loans and advances to customers		11,323	11,195	
A [iii]	Risk weighted exposures		11,941	12,135	
A [iv]	Collective impairment allowance	4	71	88	
B [i]	Average Year Equity		2,492	2,661	
B [ii]	Tier 1 Capital		2,246	2,250	
B [iii]	Total Regulatory Capital		2,489	2,590	
INCOME:					
	- Total income		272	290	*
	- Deduct exceptional items	2	(5)	(5)	
	- Depreciation of Operating lease vehicles		(66)	(45)	*
C	Normalised Income (Margin)		201	240	
OPERATING COSTS:					
	- Operating expenses		(99)	(110)	
	- Office equipment and leasehold amortisation		(1)	(1)	
	- Exceptional expense/(income)	2	-	9	
D	Normalised Operating costs		(100)	(102)	
CREDIT LOSS:					
E [i]	Net losses	4	12	22	
	Exceptional loss / recovery	2	(2)	-	
E [ii]	Normalised Net Losses		10	22	
F	Profit after tax		69	96	
KEY FINANCIAL RATIOS					
Return on Equity (Fx2/B[i])			5.5%	7.2%	
Margin (Cx2/A [i])			3.7%	4.1%	
Cost Efficiency Ratio (Dx2/A [i])			1.8%	1.7%	
Cost Affordability Ratio (Dx2/Cx2)			50%	43%	
Credit Loss Ratio excluding exceptional loss (E [i]x2/A [i])			0.18%	0.37%	
Credit Loss Ratio including exceptional loss (E [ii]x2/A [i])			0.22%	0.37%	
Credit Loss Cover (A [iv]/A [ii])			0.6%	0.8%	
Tier 1 Capital/Risk weighted exposures (B [ii]/A [iii])			18.8%	18.5%	
Total Regulatory Capital/Risk weighted exposures (B [iii]/A [iii])			20.8%	21.3%	

x2 indicates annualised ratios

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

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

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

FCE Bank plc

Interim Report and Financial Statements

For the half year ended 30 June 2011