FCE Bank plc

INTERIM REPORT AND FINANCIAL STATEMENTS

for the half year ended 30 June 2015

2015

Definitions

Definitions

For the purpose of this report the term

- **i.** '**2014 Annual Report and Accounts**' means FCE's consolidated annual financial statements as at and for the year ended 31 December 2014.
- **ii.** '**Interim Report**' means FCE's consolidated interim report and financial statements as at and for the half year ended 30 June 2015.
- **iii.** '**Company**' means FCE Bank plc including all its European branches, but excluding its subsidiaries and SEs.
- **iv.** **'Europe'** means the 19 markets where FCE provides financial services. These are: Austria, Belgium, Britain, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Spain, Sweden and Switzerland.
- **v.** '**Group**' or **'FCE'** means the Company and its subsidiaries and SEs.
- **vi.** **'FCSH'** means FCSH GmbH, a limited liability company incorporated under the laws of Switzerland and a direct subsidiary of FCI.
- **vii.** '**FCI**' means Ford Credit International Inc., a company incorporated under the laws of Delaware USA and a direct subsidiary of Ford Credit.
- **viii.** '**Ford Credit'** or '**FMCC**' 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.
- **ix.** '**Ford**' means Ford Motor Company, a company incorporated under the laws of Delaware USA and the Group's ultimate parent company. In some cases, this term may mean Ford Motor Company and all or some of its affiliates.
- **x.** '**Forso**' or '**the Forso JV**' means a joint venture finance company established with CA Consumer Finance, a consumer credit subsidiary of Credit Agricole S.A., in June 2008 which provides customer and dealer automotive financing in the Nordic markets.
- **xi.** '**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 those 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 an FCE perspective.
- **xii.** **'Structured Entities'** or '**SE**' means a bankruptcy-remote entity whose operations are limited to the acquisition and financing of specific assets (which may include the issue of asset backed securities and making payments on these securities) and in which FCE usually has no legal ownership or management control.
- **xiii.** **'PRA'** is the Prudential Regulation Authority, an independent non-governmental body that is a subsidiary of the Bank of England. It is responsible for the 'Prudential' regulation (such as capital and liquidity requirements) of the systemically important firms, including banks (as well as insurers and certain investment firms) in the United Kingdom.
- **xiv.** **'FCA'** is the Financial Conduct Authority and acts as the 'Conduct' regulator of firms regulated by the PRA, supervising how firms conduct their business. The FCA is looking to promote confidence and transparency in financial services and to give greater protection for consumers of financial services in the United Kingdom.
- **xv.** **'MBC'** is FCE's Manchester Business Centre.

For a comprehensive list of definitions refer to the 'Glossary of defined terms' on page 121 of FCE's 2014 Annual Report and Accounts.

Contents

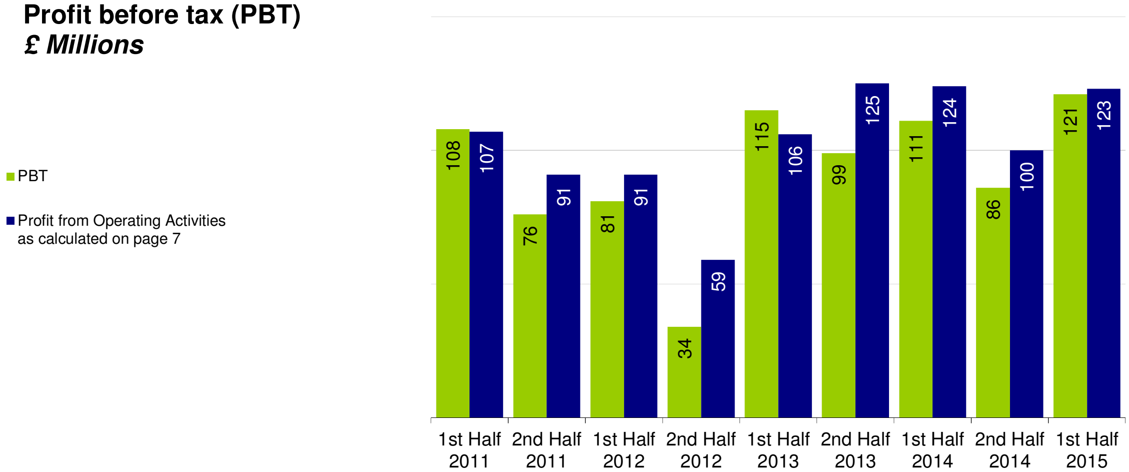
Review for the half year ended 30 June 2015

Financial statements

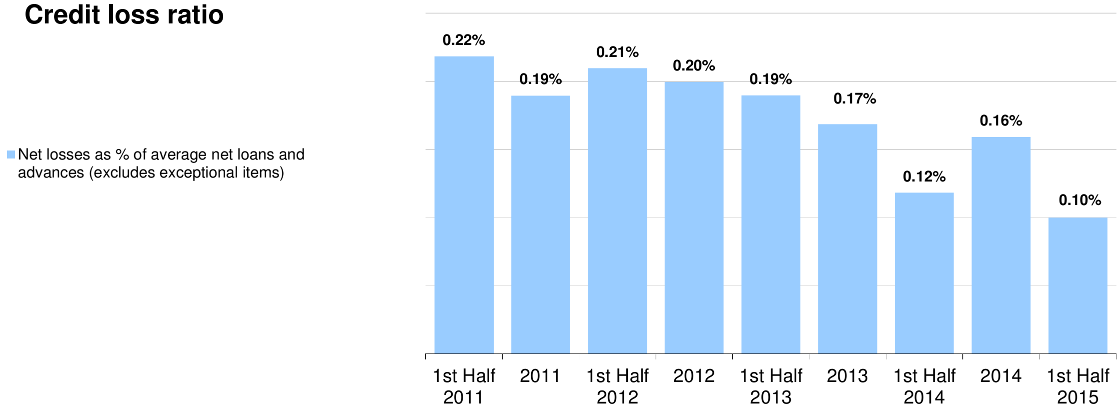
Other information

Highlights

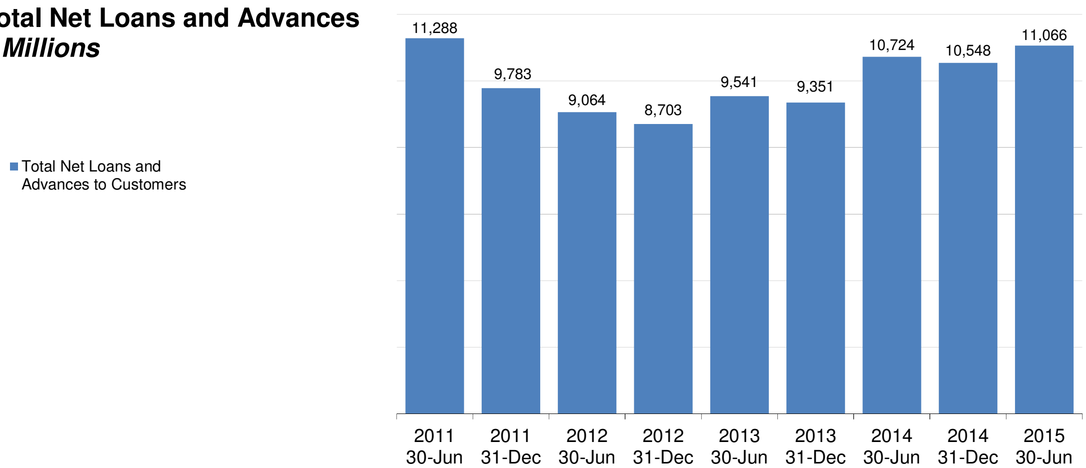
Profit before tax (PBT)
£ Millions



Credit loss ratio



Total Net Loans and Advances
£ Millions



Chief Executive Officer's statement

I am pleased to report that FCE Bank enjoyed a strong first half as it continues to successfully grow its business in a controlled manner. Total loans and advances have grown by about £2 billion since 2012 whilst our effective management of credit risk continues to deliver historically low credit losses. This performance is reflected in a solid first half profit of £121 million.

Our strong results would not have been possible without the expertise and the dedication of FCE's team in 15 European countries. I take this opportunity to record my thanks for their outstanding performance during the first half of the year.

Highlights of FCE's performance in the first half of 2015 include:

Profitability
FCE's first half profit before tax is £10 million higher than for the same period last year. The improvement reflects increased receivables and changes in the fair value adjustments to financial instruments and foreign exchange effects, partially offset by the impact of lower portfolio pricing on financing margin.

Consistent with FCE's capital plan and subject to Board review and approval, FCE expects to pay a dividend in the second half of 2015.

Assets and portfolio
During the first six months of 2015 FCE's net loans and advances increased, reflecting higher contract volumes and dealer stocks, partially offset by the impact of the relative strength of sterling on the value of FCE's Euro-denominated receivables. The majority of FCE's business continues to be focused in the UK and German markets, which represent 69% of its net loans and advances to customers.

Sales
FCE continued to increase its share of Ford's registrations during the first half of 2015, and now finances 39.0% compared with 36.5% in the first half of 2014. Our One Ford approach ensures close integration with Ford in each European location, which makes Ford's products more accessible to retail and fleet customers. In addition, we continue to work with a range of carefully selected partner organisations to deliver products including insurance and full service leasing. This approach ensures we have a full range of automotive financial services and allows us to deepen and strengthen relationships with our customers across our European network.

Operational effectiveness
In 2014 we opened our Manchester Business Centre (MBC) in the UK. This centre now provides services to Ford dealers in the UK, Belgium, Czech Republic and the Netherlands. Efforts continue regarding the transfer of wholesale operations to the MBC from other European markets.

In addition to consolidating wholesale operations within the MBC, we have also decided to relocate our UK Retail operation from our Customer Service Centre in St Albans, UK, to the MBC. Recruitment is now taking place internally and externally so that the MBC can begin servicing UK retail customers early next year.

Funding
FCE continues to hold investment-grade ratings from all three major ratings agencies, is well capitalised and has access to appropriate funding from diverse sources. For details of public funding raised during 2015, please see page 12. In addition, FCE now has retail receivables pre-positioned with the Bank of England which supports access to the Discount Window Facility.

Risk management
FCE continues to deliver a historically low credit loss ratio. This demonstrates the strength of our origination and servicing procedures together with our unique knowledge, acquired over many decades, of the European automotive financing business.

Outlook
Looking to the rest of 2015 and beyond, FCE aims to help Ford sell more vehicles, more often, to more satisfied customers. Through efficient delivery of this strategy, I expect FCE's controlled growth to continue in support of the expansion of Ford of Europe's market share.

Nick Rothwell
Chief Executive Officer, FCE Bank plc.
27 August 2015

Business overview: Description of the business

Overview

FCE's primary focus is to profitably support the sale of Ford vehicles. FCE works with Ford to maximise customer and dealer satisfaction and loyalty, offering a wide variety of financing products and outstanding service. As a result, FCE is uniquely positioned to drive incremental sales, improve customer satisfaction and owner loyalty to Ford, and direct profits and distributions back to Ford to support its overall business, including vehicle development.

FCE continually improves processes with a focus on customer and dealer satisfaction whilst managing costs and ensuring the efficient use of capital.

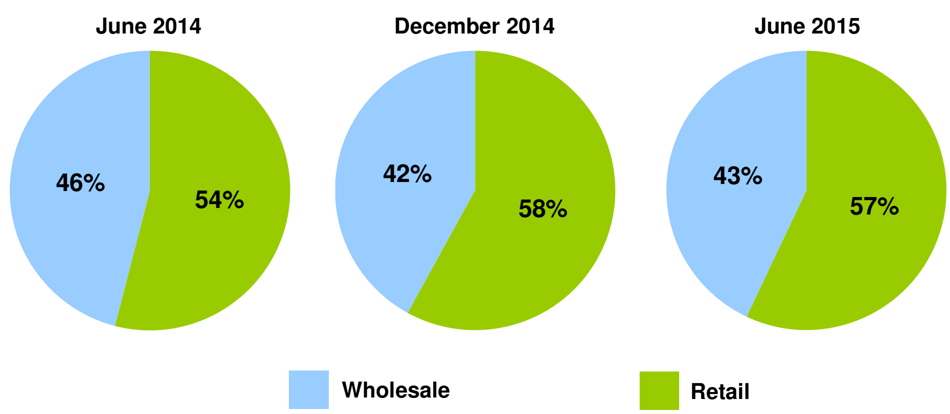
Organisational structure

For a detailed description of FCE's ownership structure and business operations, refer to pages 8 and 9 of the 2014 Annual Report and Accounts. Updated information on the Group's business is detailed below.

Product segments

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

Analysis of net loans and advances by product segment



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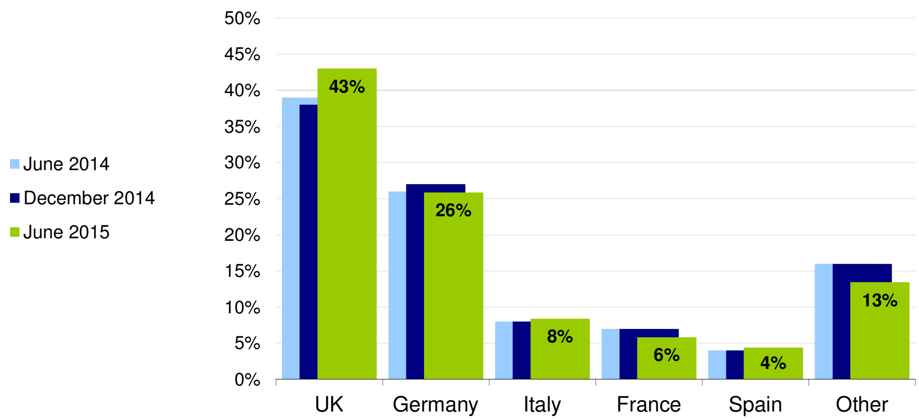
Business overview: Description of the business

Major markets

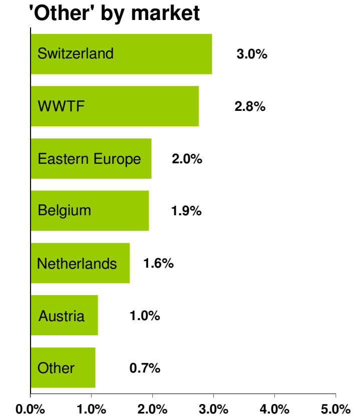
FCE operates directly in 15 European countries. The Company also has a Worldwide Trade Finance division (WWTF), which provides financing to distributors and importers in about 60 countries where Ford has no National Sales Company presence.

In addition, FCE has a 50% less one share interest in Forso Nordic AB (Forso) which provides automotive financial services in Denmark, Finland, Norway and Sweden.

Analysis of net loans and advances to customers by market



'Other' by market



Principal risks and uncertainties

The nature of FCE's principal risks and uncertainties has not changed significantly since publication of the 2014 Annual Report and Accounts.

Additionally, no significant changes in FCE's principal risks and uncertainties are expected for the remaining six months of 2015.

For details of FCE's principal risks and uncertainties, refer to page 11 of the Strategic Report section of FCE's 2014 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 2014, refer to the Strategic Report section of FCE's 2014 Annual Report and Accounts and the Business Overview section of FCE’s Pillar 3 Disclosures.

Business performance update

Business environment

During the period, FCE experienced improved economic conditions across Europe including stronger industry sales. In particular, FCE benefited from a strong performance in the UK, its largest market. With a significant proportion of FCE's assets and income being in Euros, FCE's results are also impacted by the relative weakening of the Euro against sterling.

Profit performance summary

FCE's profit before tax (PBT) of £121 million in the first half of 2015 increased by £10 million compared to the same period in the previous year. The profits from Operating Activities of £123 million in the first half of 2015 are broadly unchanged compared to the same period in the previous year.

To evaluate performance, FCE monitors a number of measures, such as sales volumes, margin, delinquencies and operating cost which are used to explain period-over-period changes in PBT. These measures are described in more detail on page 23 of the 2014 Annual Report and Accounts. The period-over-period variances detailed on page 9 are all impacted by movements in the exchange rates used to translate non-sterling transactions.

Sales results	**First Half 2015**	**Second Half 2014**	**First Half 2014**
Automotive sales in Western Europe (vehicles mils.)	8.3	6.9	7.6
Ford share of Western Europe car market	8.1%	8.0%	7.9%
FCE new contracts as a percentage of Ford sales	39.0%	39.8%	36.5%
FCE sales of new and used retail/lease contracts (000's)	294	255	257

Profitability	**First Half 2015**	**Second Half 2014**	**First Half 2014**
	£ mil	**£ mil**	**£ mil**
Profit from Operating Activities	£ 123	£ 100	£ 124
Fair value adjustment to financial instruments and gain/(loss) on foreign exchange	(2)	(14)	(13)
Profit before tax (PBT)	**£ 121**	**£ 86**	**£ 111**

Business performance update

Profit performance summary continued

'Volume' (Key Performance Indicator: FCE new contracts as a percentage of Ford sales).

The increase in PBT in the first half of 2015 resulting from higher volume is explained by increases in industry volume and retail instalment and lease financing share. The higher financing share was driven by changes in Ford's marketing programmes.

'Margin' (Key Performance Indicator: Margin Ratio) yield equals total income (including net fees and commissions income) less depreciation for the period divided by average net loans and advances to customers for the same period.

FCE's annualised margin reduced to 4.1% in the first half of 2015 from 4.5% in the same period of 2014 reflecting lower portfolio pricing. This reduced pre-tax profit by approximately £22 million.

The net volume and margin movements shown below represent the period-over-period total income less the period-over-period movement in depreciation of property and equipment. See the condensed consolidated half-yearly statement of profit and loss and other comprehensive income.

'**Credit losses**' (Key Performance Indicator: Credit Loss Ratio) is reflected as the Impairment losses on loans and advances on the income statement.

FCE's annualised credit loss ratio for the first half of 2015 was 0.10% (2014 first half: 0.12%).

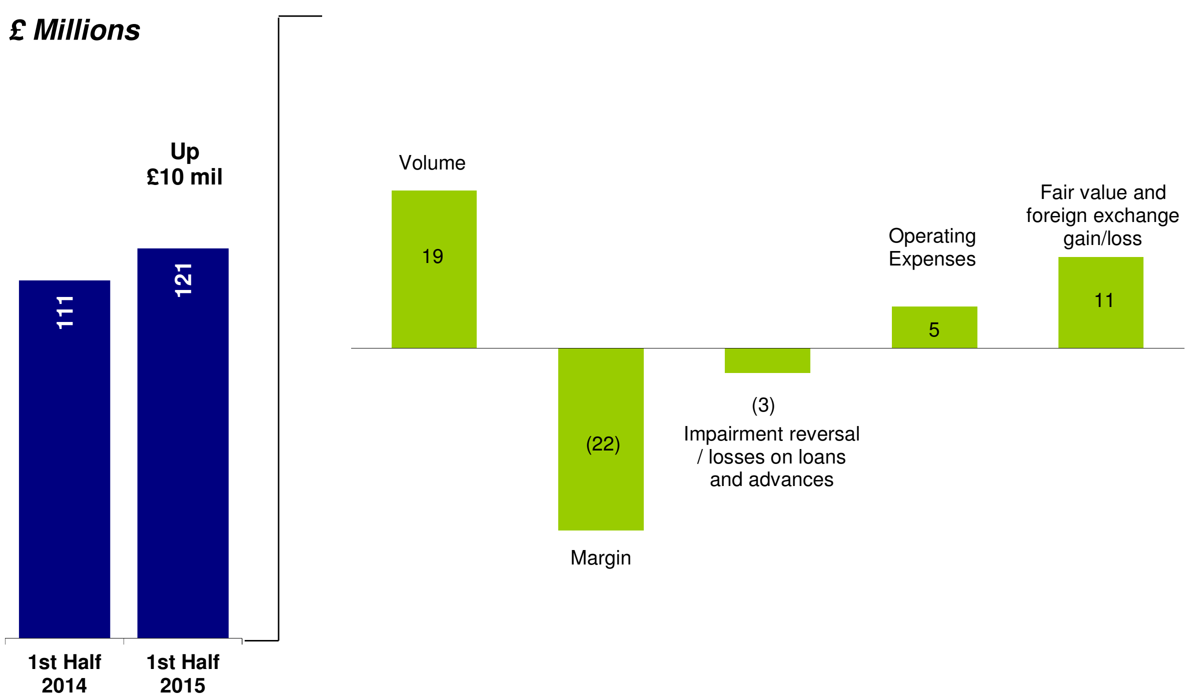
'Operating expenses' (Key Performance indicator: cost efficiency ratio) are reflected in Operating expenses on the income statement.

The annualised cost efficiency ratio for FCE has improved to 1.8% in the first half of 2015 from 2.0% in the same period in 2014.

'Fair value and foreign exchange gain/loss' relates to market valuation adjustments to derivatives and revaluation due to exchange rate movements.

The increase in PBT resulting from fair value and foreign exchange is primarily due to larger gains on foreign exchange offset by greater losses from market valuation adjustments to derivatives. Volatile exchange rates in 2015 have resulted in both larger revaluation gains and greater losses on currency forwards and cross currency interest rate swaps.

First half 2015 profit before tax compared with the same period in the previous year (Better / (worse) than prior period)



Business performance update

Net loans and advances to customers

FCE's loans and advances by product type as at 30 June 2015, 31 December 2014 and 30 June 2014 were as set out in the table below

Net loans and advances increased in 2015 from the year end position. The growth in the portfolio reflects the increase in contract sales and higher dealer stocks which is partially offset by the impact of the relative strength of sterling on the value of Euro-denominated loans.

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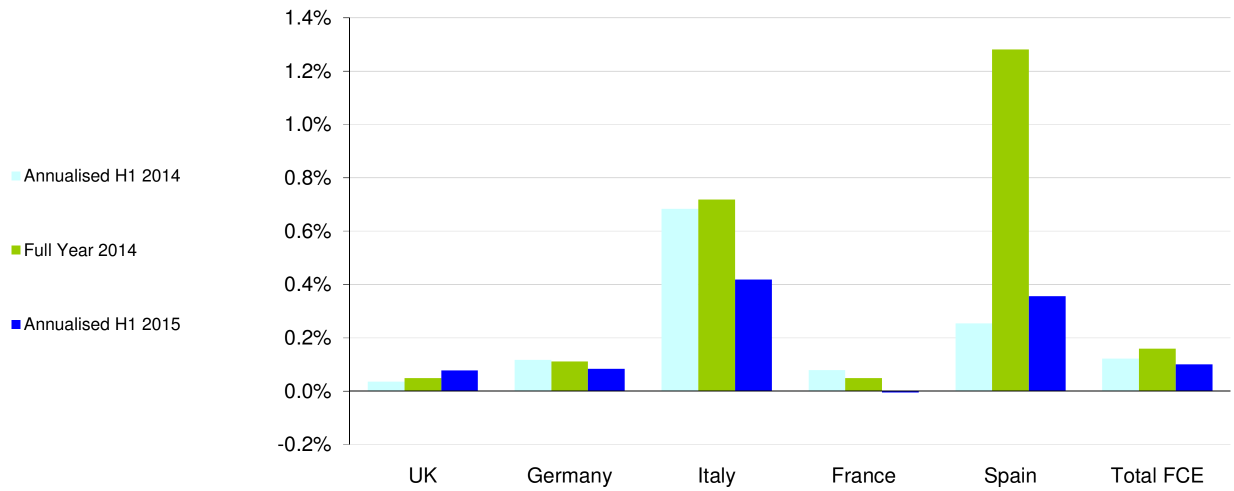
	Notes	30 June 2015 £ mil	31 December 2014 £ mil	30 June 2014 £ mil
Retail excluding finance lease		£ 5,475	£ 5,215	£ 4,890
Finance lease		861	855	879
Wholesale		4,730	4,478	4,955
Net loans and advances	**2**	**£ 11,066**	**£ 10,548**	**£ 10,724**

Net credit losses

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.

FCE continues to see strong credit loss performance, particularly in the UK, Germany and France, reflecting both low loss emergence and strong recovery performance on previously impaired loans and advances to customers. The Spain ratio for 2014 includes a £4.6 million incremental loss on previously impaired loans.

Net credit losses as percentage of average net loans and advances to customers



Business performance update

Retail past due exposures

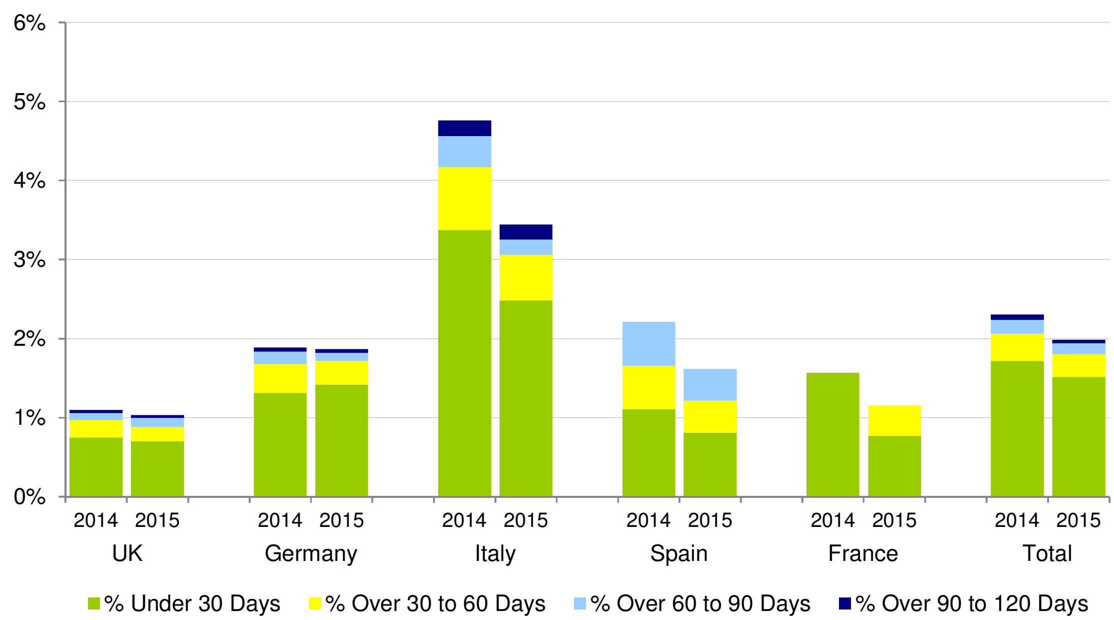
A financial asset is defined as 'past due' when a counterparty fails to make a payment when it is contractually due. In the event of a past due instalment, the classification of past due applies to the full value of the loan outstanding.

Analysis of retail past due exposures

FCE has seen past dues, as a proportion of total retail net loans and advances, improve at 30 June 2015 compared to 30 June 2014. In particular, notable improvements were seen in Italy, Spain and France.

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

Past due contracts as a % of retail loans and advances by location and year as at 30 June



Business performance update

Capital

FCE's policy is to manage its capital base to targeted levels that exceed all regulatory requirements and support anticipated changes in assets and foreign currency exchange rates. FCE complied with this policy for the half year ended 30 June 2015. FCE's Common Equity Tier 1 (CET1) capital ratio and total capital ratio were 15.5% and 17.7% respectively as at 30 June 2015.

Dividends

No dividend payments were made in the first half of 2015. This was in line with FCE's capital plan.

Funding

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

During the first half of 2015, and consistent with its funding plan and the Board's consideration, FCE raised £1.8 billion of public term funding consisting of about £1.4 billion of unsecured term debt and a £0.4 billion public securitisation transaction.

In June FCE also amended and extended a 3.5 year £760 million syndicated credit facility (maturing October 2017) to a 3.5 year £830 million syndicated credit facility (maturing October 2018).

Securitisation continues to represent an important portion of FCE's funding due to cost and funding diversity benefits. At 30 June 2015, secured debt was 32% of net loans and advances to customers.

During July and August 2015, FCE raised a further £0.2 billion in the public unsecured market.

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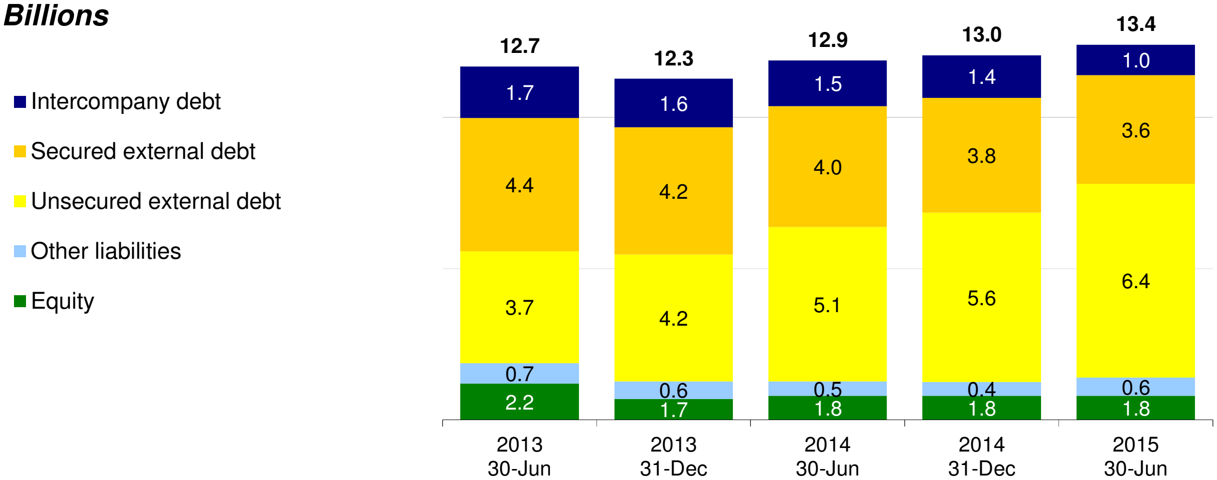
Net cash inflow from public funding raised for the six months ending	**30 June 2015 Net cash inflow £ bil**	**30 June 2014 Net cash inflow £ bil**
- Unsecured debt	£ 1.4	£ 1.5
- Securitisation	0.4	0.4
Total	**£ 1.8**	**£ 1.9**

Liabilities and shareholders' equity
£ Billions



Business performance update

Liquidity

FCE maintains liquidity through a variety of sources:

'Cash and cash equivalents' as included in Note 11 'Cash and Cash Equivalents' of FCE's 2014 Annual Report and Accounts

'Committed securitisation capacity' consisting of agreements with banks and asset-backed commercial paper conduits under which these parties are contractually obligated, at FCE's option, to purchase eligible receivables, or make advances under asset-backed securities. The liquidity sources below do not include FCE's pre-positioned retail receivables with the Bank of England which supports access to the Discount Window Facility. This became effective in June 2015.

'Unsecured contractually committed credit facilities' includes a 3.5 year £830 million syndicated credit facility (maturing October 2018).

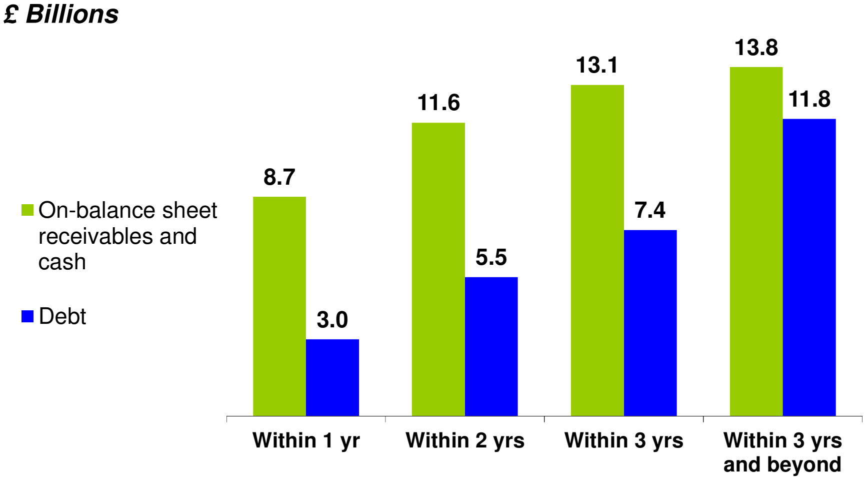
Liquidity Sources		**June 2015 £ bil**		**June 2014 £ bil**
Cash and cash equivalents	£	1.5	£	1.4
Committed securitisation capacity*	£	2.7	£	3.4
Unsecured credit facilities		0.9		0.8
Committed capacity	**£**	**3.6**	**£**	**4.2**
Committed capacity and cash	**£**	**5.1**	**£**	**5.6**
Securitisation capacity in excess of eligible receivables	£	(0.4)	£	(0.6)
Cash not available for use in FCE's day to day operations		(0.3)		(0.4)
Liquidity	**£**	**4.4**	**£**	**4.6**
Committed securitisation utilisation	£	(1.8)	£	(2.5)
Unsecured credit facilities utilisation		(0.3)		-
Utilisation	**£**	**(2.1)**	**£**	**(2.5)**
Liquidity available for use	**£**	**2.3**	**£**	**2.1**

*Committed securitisation capacity excludes FCE's access to the Bank of England's Discount Window Facility.

Balance sheet liquidity profile

FCE's balance sheet as at 30 June 2015 continues to be inherently liquid because of the short-term nature of FCE's loans and advances to customers and cash compared to debt.

Cumulative Contractual Maturities as at 30 June 2015
£ Billions



Business performance update

Credit ratings

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

On 20 July 2015, Fitch affirmed its rating of FCE at BBB- with a positive outlook. On 23 July 2015, S&P affirmed its ratings for FCE at BBB with a stable outlook.

Credit ratings	Fitch			Moody's			S&P		
	Long Term	Short Term	Outlook	Long Term	Short Term	Outlook	Long Term	Short Term	Outlook
July 2015	BBB-	F3	Positive	Baa3	P-3	Stable	BBB	NR	Stable

Future Prospects

FCE has benefited from improved economic conditions across Europe, including higher industry volumes, although further economic recovery is expected to be gradual.

FCE will continue to invest in restructuring its operations to increase efficiency as evidenced by our commitment to the MBC.

FCE aims to deliver controlled growth of its portfolio of net loans and advances to customers by continuing to increase penetration into Ford sales and expanding participation in commercial vehicle financing.

As at 31 December 2015, FCE anticipates net loans and advances to customers to be in the range of £11.5 billion to £12.5 billion.

FCE's 2015 funding plan includes full year public term funding issuance in the range of £2.5 billion to £3.3 billion, including public unsecured term debt issuance of £2.1 billion to £2.6 billion and public term securitisation of £0.4 billion to £0.7 billion.

FCE expects its secured debt to be in the range of 29% to 33% of net loans and advances to customers as at 31 December 2015. FCE expects that this ratio will continue to decline over time.

Providing economic conditions remain in line with expectations, FCE expects to report another strong year of profits from operating activities in 2015.

Subject to Board review and approval, FCE expects to make a dividend payment in 2015 (no dividends were paid in 2014).

This future prospects statement is based on current expectations, forecasts and assumptions and involves a number of risks, uncertainties, and other factors that could cause actual results to differ. FCE cannot be certain that any expectations, forecasts and assumptions will prove accurate or that any projections will be realised.

The statement is based on the best available data at the time of issuance and will be updated upon publication of FCE's 2015 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.

Statement of directors' responsibilities

Responsibility statement

The Directors confirm that the condensed consolidated half-yearly financial statements (the 'financial statements') of FCE have been prepared in accordance with IAS 34 as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and profit as required by Disclosure and Transparency Rules (DTR) 4.2.4. The Directors also confirm that the 'Review for the half year ended 30 June 2015' includes a fair review of the information required by the DTR 4.2.7, namely:

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

On behalf of the Board

Nick Rothwell
Chief Executive Officer

Paul Kiernan
Executive Director, Finance

27 August 2015

Independent review report to FCE Bank plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed the condensed consolidated half-yearly financial statements, defined below, in the interim report and financial statements of FCE Bank plc for the six months ended 30 June 2015. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated half-yearly financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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

What we have reviewed

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

- the condensed consolidated half-yearly statement of financial position as at 30 June 2015;
- the condensed consolidated half-yearly statement of profit and loss and other comprehensive income for the period then ended;
- the condensed consolidated half-yearly statement of cash flows for the period then ended;
- the condensed consolidated half-yearly statement of changes in equity for the period then ended; and
- the related notes to the condensed consolidated half-yearly financial statements.

As disclosed in note 1, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The condensed consolidated half-yearly financial statements included in the interim report and financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What a review of condensed consolidated financial statements involves

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

Responsibilities for the condensed consolidated interim financial statements and the review

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

The interim report and financial statements, including the condensed consolidated half-yearly financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report and financial statements in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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

PricewaterhouseCoopers LLP
Chartered Accountants
27 August 2015
London

Notes:

1. The maintenance and integrity of the FCE Bank plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Condensed consolidated half-yearly statement of profit and loss and other comprehensive income

For the half year ended	Notes		30 June 2015 Unaudited £ mil		30 June 2014 Unaudited £ mil
Interest income		£	285	£	310
Interest expense			(84)		(103)
NET INTEREST INCOME		**£**	**201**	**£**	**207**
Fees and commissions income		£	19	£	25
Fees and commissions expense			(5)		(7)
NET FEES AND COMMISSIONS INCOME		**£**	**14**	**£**	**18**
Other operating income		£	89	£	78
TOTAL INCOME		**£**	**304**	**£**	**303**
Impairment losses on loans and advances	3	£	(6)	£	(3)
Operating expenses			(97)		(102)
Depreciation of property and equipment			(80)		(76)
Fair value adjustments to financial instruments			(67)		(33)
Gain / (loss) on foreign exchange			65		20
Share of profit of a joint venture			2		2
PROFIT BEFORE TAX		**£**	**121**	**£**	**111**
Income tax expense		£	(30)	£	(33)
PROFIT AFTER TAX AND PROFIT FOR THE PERIOD		**£**	**91**	**£**	**78**
Translation differences on foreign currency net investments		£	(72)	£	(40)
Translation differences on foreign currency investments in a joint venture			(7)		(2)
ITEMS THAT CAN BE RECYCLED THROUGH THE PROFIT AND LOSS		**£**	**(79)**	**£**	**(42)**
Available for sale gains from changes in fair value		£	-	£	(1)
ITEMS THAT CANNOT BE RECYCLED THROUGH THE PROFIT AND LOSS		**£**	**-**	**£**	**(1)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**£**	**12**	**£**	**35**

The accompanying 'Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2015' are an integral part of these financial statements.

Condensed consolidated half-yearly statement of financial position

As at	Notes	30 June 2015 Unaudited £ mil	31 December 2014 £ mil	30 June 2014 Unaudited *Restated £ mil
ASSETS				
Cash and cash equivalents		£ 1,530	£ 1,628	£ 1,366
Derivative financial instruments		140	163	86
Other assets		250	288	328
Net loans and advances not subject to securitisation		£ 6,067	£ 5,519	£ 5,091
Net loans and advances subject to securitisation	5	4,999	5,029	5,633
Total net loans and advances to customers	2	**£ 11,066**	**£ 10,548**	**£ 10,724**
Property and equipment		£ 217	£ 207	£ 217
Income taxes receivable		83	93	38
Deferred tax assets		59	66	63
Goodwill and other intangible assets		11	10	10
Investment in a joint venture		40	43	42
Investment in other entities		3	3	3
TOTAL ASSETS		**£ 13,399**	**£ 13,049**	**£ 12,877**
LIABILITIES				
Due to banks and other financial institutions not in respect of securitisation	6	£ 442	£ 407	£ 228
Due to banks and other financial institutions in respect of securitisation	5/6	2,293	2,505	2,842
Total due to banks and other financial institutions		**£ 2,735**	**£ 2,912**	**£ 3,070**
Deposits		£ 44	£ 51	£ 54
Due to parent and related undertakings	7	917	1,231	1,489
Derivative financial instruments		151	61	57
Debt securities in issue not in respect of securitisation	8	£ 5,898	£ 5,121	£ 4,779
Debt securities in issue in respect of securitisation	5/8	1,296	1,272	1,154
Total debt securities in issue	8	**£ 7,194**	**£ 6,393**	**£ 5,933**
Provisions		£ 9	£ 35	£ 17
Other liabilities		222	245	243
Income taxes payable		104	101	45
Deferred tax liabilities		14	15	15
Subordinated loans	9	206	214	204
TOTAL LIABILITIES		**£ 11,596**	**£ 11,258**	**£ 11,127**
SHAREHOLDERS' EQUITY				
Ordinary shares		£ 614	£ 614	£ 614
Share premium		352	352	352
Retained earnings		837	825	784
TOTAL SHAREHOLDERS' EQUITY		**£ 1,803**	**£ 1,791**	**£ 1,750**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**£ 13,399**	**£ 13,049**	**£ 12,877**

*Presentational restatement only – please see accounting policies in the 2014 Annual Report and Accounts for further details.

The accompanying 'Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2015' are an integral part of the financial statements.

The financial statements on pages 17 to 42 were approved by the Board of Directors on 27 August 2015 and were signed on its behalf by:

Nick Rothwell
Chief Executive Officer

Paul Kiernan
Executive Director, Finance

Condensed consolidated half-yearly statement of cash flows

For the half year ended	Notes	30 June 2015 Unaudited £ mil	30 June 2014 Unaudited £ mil
Cash flows from operating activities			
Cash from operating activities	14	£ (1,041)	£ (1,708)
Interest paid		(104)	(168)
Interest received		258	294
Other operating income received		41	91
Income taxes paid		(12)	(144)
Income taxes refunded		-	-
Net cash from/(used in) operating activities		**£ (858)**	**£ (1,635)**
Cash flows from investing activities			
Purchase of property and equipment		(1)	(2)
Proceeds from sale of property and equipment		1	1
Investment in internally and externally generated software		(1)	(1)
Dividend from jointly controlled entity		-	-
Net cash from/(used in) investing activities		**£ (1)**	**£ (2)**
Cash flows from financing activities			
Proceeds from the issue of debt securities and from loans provided by banks and other financial institutions		£ 5,937	£ 5,561
Repayments of debt securities and of loans provided by banks and other financial institutions		(4,799)	(4,547)
Proceeds of funds provided by parent and related undertakings		339	-
Repayment of funds provided by parent and related undertakings		(732)	(10)
Net increase/(decrease) in short term borrowings		21	(146)
Net increase/(decrease) in corporate deposits		(8)	3
Net cash inflow/(outflow) on derivative financial instruments		26	(32)
(Increase) in central bank and other deposits		(27)	(51)
Decrease in central bank and other deposits		59	61
Net cash from/(used in) financing activities		**£ 816**	**£ 839**
Net cash flows		**£ (43)**	**£ (798)**
Effect of exchange rate changes on cash and cash equivalents		(58)	(52)
Net increase/(decrease) in cash and cash equivalents	14	**(101)**	**(850)**
Cash and cash equivalents at beginning of period	14	1,625	2,209
Cash and cash equivalents at end of period	14	**£ 1,524**	**£ 1,359**

The accompanying 'Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2015' are an integral part of the financial statements.

Condensed consolidated half-yearly statement of changes in equity

	Share capital £ mil	Share premium £ mil	Profit and loss reserve £ mil	Transl-ation reserve £ mil	Total retained earnings £ mil	Total Unaudited £ mil
Balance at 1 January 2014	**£ 614**	**£ 352**	**£ 419**	**£ 330**	**£ 749**	**£ 1,715**
Profit for the period	£ -	£ -	£ 78	£ -	£ 78	£ 78
Translation differences	-	-	-	(42)	(42)	(42)
Total comprehensive income for the half year ended 30 June 2014	**£ -**	**£ -**	**£ 78**	**£ (42)**	**£ 36**	**£ 36**
Dividend payment	£ -	£ -	£ -	£ -	£ -	£ -
Other equity adjustments	-	-	(1)	-	(1)	(1)
Balance at 30 June 2014 / 1 July 2014	**£ 614**	**£ 352**	**£ 496**	**£ 288**	**£ 784**	**£ 1,750**
Profit for the period	£ -	£ -	£ 69	£ -	£ 69	£ 69
Translation differences	-	-	-	(28)	(28)	(28)
Total comprehensive income for the half year ended 31 December 2014	**£ -**	**£ -**	**£ 69**	**£ (28)**	**£ 41**	**£ 41**
Dividend payment	£ -	£ -	£ -	£ -	£ -	£ -
Other equity adjustments	-	-	-	-	-	-
Balance at 31 December 2014 / 1 January 2015	**£ 614**	**£ 352**	**£ 565**	**£ 260**	**£ 825**	**£ 1,791**
Profit for the period	£ -	£ -	£ 91	£ -	£ 91	£ 91
Translation differences	-	-	-	(79)	(79)	(79)
Total comprehensive income for the half year ended 30 June 2015	**£ -**	**£ -**	**£ 91**	**£ (79)**	**£ 12**	**£ 12**
Dividend payment	£ -	£ -	£ -	£ -	£ -	£ -
Other equity adjustments	-	-	-	-	-	-
Balance at 30 June 2015	**£ 614**	**£ 352**	**£ 656**	**£ 181**	**£ 837**	**£ 1,803**

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

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2015

Index to the Notes to the financial statements

Policy

Balance sheet

Other

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2015

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 Conduct Authority. These condensed consolidated half-yearly financial statements do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2014 were approved by the Board of Directors on 19 March 2015 and delivered to the Registrar of Companies on 17 April 2015. 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 2014 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.

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 2014 Annual Report and Accounts. All accounting standards that were effective and had to be applied from 1 January 2015 have been implemented by FCE. These do not have a material impact on FCE's consolidated financial statements.

2 LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers were as follows:

	Notes	30 June 2015 Unaudited £ mil	31 December 2014 £ mil	30 June 2014 Unaudited £ mil
Loans and advances to customers				
Retail excluding finance lease		£ 5,942	£ 5,691	£ 5,377
Finance lease		933	933	960
Wholesale		4,712	4,457	4,939
Other		21	25	23
Gross loans and advances to customers		**£ 11,608**	**£ 11,106**	**£ 11,299**
Unearned finance income		£ (460)	£ (457)	£ (454)
Provision for incurred losses	3	(31)	(33)	(37)
Provision for vehicle residual value losses	4	(8)	(3)	(3)
Interest supplements from related parties		(130)	(138)	(143)
Net deferred loan origination costs / (fees)		87	73	62
Net loans and advances to customers		**£ 11,066**	**£ 10,548**	**£ 10,724**
Analysis of net loans and advances:				
Retail		£ 6,336	£ 6,070	£ 5,769
Wholesale		4,730	4,478	4,955
Net loans and advances to customers		**£ 11,066**	**£ 10,548**	**£ 10,724**
Net loans not subject to securitisation		£ 6,067	£ 5,519	£ 5,091
Net loans subject to securitisation	5	4,999	5,029	5,633
Net loans and advances to customers		**£ 11,066**	**£ 10,548**	**£ 10,724**
Percentage analysis of net loans and advances:				
Percentage of retail financing loans		57%	58%	54%
Percentage of wholesale/other financing loans		43%	42%	46%
Percentage of net loans not subject to securitisation		55%	52%	47%
Percentage of net loans subject to securitisation		45%	48%	53%
Percentage of gross loans not subject to securitisation		56%	53%	48%
Percentage of gross loans subject to securitisation		44%	47%	52%

Refer to Note 14 'Loans and advances to customers' of the 2014 Annual Report and Accounts for further information.

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2015

3 PROVISION FOR INCURRED LOSSES

	Notes	30 June 2015 Unaudited £ mil	31 December 2014 £ mil	30 June 2014 Unaudited £ mil
Retail				
Beginning of period balance		**£ 29**	**£ 30**	**£ 36**
Write Offs		(13)	(19)	(17)
Recoveries		7	10	11
Provision for credit losses		7	9	1
FX movement		(2)	(1)	(1)
End of period balance		**£ 28**	**£ 29**	**£ 30**
Wholesale				
Beginning of period balance		**£ 4**	**£ 7**	**£ 6**
Write Offs		(1)	(1)	(3)
Recoveries		1	1	2
Provision for credit losses		(1)	(3)	2
FX movement		(0)	-	(0)
End of period balance		**£ 3**	**£ 4**	**£ 7**
Total				
Beginning of period balance		**£ 33**	**£ 37**	**£ 42**
Write Offs		(14)	(20)	(20)
Recoveries		8	11	13
Provision for credit losses		6	6	3
FX movement		(2)	(1)	(1)
End of period balance	**2**	**£ 31**	**£ 33**	**£ 37**
Analysis of provision for Incurred Losses:				
Specific impairment allowance		£ 0	£ -	£ 1
Collective impairment allowance		31	33	36
Total impairment allowance		**£ 31**	**£ 33**	**£ 37**

Refer to Note 15 'Provision for incurred losses' of the 2014 Annual Report and Accounts for further information.

The total provision for credit losses, as detailed above is taken to the statement of profit and loss and other comprehensive income and is reported as impairment losses on loans and advances.

For further details of retail delinquency trends and wholesale risk ratings refer to Note 11 'Credit risk'.

4 PROVISION FOR VEHICLE RESIDUAL VALUE LOSSES

The movement in the provision for vehicle residual values for the half years ended 30 June 2015, 31 December 2014 and 30 June 2014 is as follows:

	Notes	30 June 2015 Unaudited £ mil	31 December 2014 £ mil	30 June 2014 Unaudited £ mil
Beginning of period balance		£ 3	£ **3**	£ **2**
Residual value adjustments charged/(credited) to income statement		5	-	1
End of period balance	**2**	**£** 8	**£ 3**	**£ 3**

Refer to Note 16 ‘Provision for vehicle residual values’ and Note 39 ‘Vehicle residual values’ of the 2014 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 2015

5 SECURITISATION AND RELATED FINANCING

	Notes	Wholesale Public £ mil	Wholesale Private £ mil	Retail Public £ mil	Retail Private £ mil	Total Public £ mil	Total Private £ mil	Total £ mil
As at 30 June 2014 unaudited								
Loans and advances subject to securitisation	2	£ -	£ 2,232	£ 1,250	£ 2,151	£ 1,250	£ 4,383	£ 5,633
Due to banks and other financial institutions	6	-	1,237	-	1,605	-	2,842	2,842
Debt securities in issue	8	-	-	1,154	-	1,154	-	1,154
Related debt		**£ -**	**£ 1,237**	**£ 1,154**	**£ 1,605**	**£ 1,154**	**£ 2,842**	**£ 3,996**
As at 31 December 2014 audited								
Loans and advances subject to securitisation	2	£ -	£ 1,997	£ 1,387	£ 1,645	£ 1,387	£ 3,642	£ 5,029
Due to banks and other financial institutions	6	-	1,275	-	1,230	-	2,505	2,505
Debt securities in issue	8		-	1,272	-	1,272	-	1,272
Related debt		**£ -**	**£ 1,275**	**£ 1,272**	**£ 1,230**	**£ 1,272**	**£ 2,505**	**£ 3,777**
As at 30 June 2015 unaudited								
Loans and advances subject to securitisation	2	£ -	£ 2,093	£ 1,411	£ 1,495	£ 1,411	£ 3,588	£ 4,999
Due to banks and other financial institutions	6	-	1,186	-	1,107	-	2,293	2,293
Debt securities in issue	8	-	-	1,296	-	1,296	-	1,296
Related debt		**£ -**	**£ 1,186**	**£ 1,296**	**£ 1,107**	**£ 1,296**	**£ 2,293**	**£ 3,589**

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

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

Cash available to support the obligations of the SEs as at 30 June 2015 of £282 million (31 December 2014: £322 million, 30 June 2014: £354 million) is included within FCE's balance sheet within 'Cash and cash equivalents'.

5 SECURITISATION AND RELATED FINANCING continued

Transaction structures

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

In amortising structures, which involve the sale of a static pool of assets, the associated funding is repaid only through the liquidation of the securitised loan and therefore its maturity profile is similar to the related assets. In revolving structures, the Company may continue to sell new eligible assets originated over an agreed period of time called the revolving period, and obtain funding from the transaction investors. In the event that a contractual commitment is not renewed at the end of the revolving period, all loans securitised at the point of non-renewal remain funded, and the related debt is repaid as the loans liquidate.

Within revolving structures the Company uses both flat and variable funding structures. In flat revolving structures during the revolving period new assets are sold into the transaction to maintain a constant level of funding. In variable funding structures, utilisation levels are at the discretion of FCE.

For further details on FCE's securitisation programme, refer to Note 17 'Securitisation and related financing' in the 2014 Annual Report and Accounts.

At 30 June 2015, outstanding flat revolving capacity totalled £0.2 billion (December 2014: £0.2 billion, June 2014: £0.2 billion), with the revolving period ending October 2015.

Variable funding revolving structures at 30 June 2015 totalled £2.7 billion of committed capacity (December 2014: £3.2 billion, June 2014: £3.4 billion) of which £1.0 billion matures during the remainder of 2015 and the balance having various maturity dates between October 2015 and August 2017. At 30 June 2015, £1.8 billion (December 2014: £2.2 billion, June 2014: £2.5 billion) of the variable funding committed capacity was utilised.

		Revolving structure capacity £ bil
Balance at 1 January 2015	**£**	**3.4**
Committed capacity maturing in the first half of 2015	£	(1.5)
Committed capacity renewed in the first half of 2015		1.0
Other net capacity increase/(reduction) actions		0.1
Exchange adjustments		(0.1)
Balance at 30 June 2015	**£**	**2.9**
Variable funding committed capacity	£	2.7
Flat revolving capacity		0.2
Balance at 30 June 2015	**£**	**2.9**

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2015

6 DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

			30 June 2015 Unaudited £ mil		31 December 2014 £ mil		30 June 2014 Unaudited £ mil
Due to banks and other financial institutions not in respect of securitisation	**Notes**						
Borrowings from banks and other financial institutions		£	436	£	404	£	221
Bank overdrafts			6		3		7
Sub-total:		**£**	**442**	**£**	**407**	**£**	**228**
Due to banks and other financial institutions in respect of securitisation	**5**	**£**	**2,293**	**£**	**2,505**	**£**	**2,842**
Total due to banks and other financial institutions		**£**	**2,735**	**£**	**2,912**	**£**	**3,070**

Refer to Note 24 'Due to banks and other financial institutions' of the 2014 Annual Report and Accounts for further information.

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2015

7 DUE TO PARENT AND RELATED UNDERTAKINGS

		30 June 2015 Unaudited £ mil		31 December 2014 £ mil		30 June 2014 Unaudited £ mil
Loans from FCSH GmbH	£	520	£	370	£	470
Loan from Ford Credit		198		777		799
Deposits received from related undertakings		38		31		28
Total senior debt	**£**	**756**	**£**	**1,178**	**£**	**1,297**
Accounts payable to related undertakings	£	158	£	51	£	189
Accrued interest		3		2		3
Due to parent and related undertakings	**£**	**917**	**£**	**1,231**	**£**	**1,489**

'Loans from FCSH GmbH' consists of three sterling denominated loans from FCSH to FCE, a £75 million loan due to mature in December 2015, a £300 million loan due to mature in December 2018 and a £145 million loan due to mature in January 2020.

'Loan from Ford Credit' consists of one Euro denominated loan from Ford Credit to FCE, a €278 million (£198 million) loan due to mature in June 2017.

'Accounts payable to related undertakings' includes balances generated in the ordinary course of business. Such balances are typically settled on a daily or monthly basis.

'Accrued interest' relates to interest due on 'Total senior debt'.

Other amounts due to Ford Credit and FCI are reported within Note 9 'Subordinated loans'.

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2015

8 DEBT SECURITIES IN ISSUE

	Notes		30 June 2015 Unaudited £ mil		31 December 2014 £ mil		30 June 2014 Unaudited £ mil
Listed debt:							
Public issuance Euro Medium Term Notes		£	5,598	£	4,806	£	4,443
Sub-total listed Euro Medium Term Notes		**£**	**5,598**	**£**	**4,806**	**£**	**4,443**
Obligations arising from securitisation of loans and advances	5	£	1,296	£	1,272	£	1,154
Sub-total listed debt		**£**	**6,894**	**£**	**6,078**	**£**	**5,597**
Unlisted debt:							
Private issuance Euro Medium Term Notes		£	264	£	276	£	280
Schuldschein (refer to definition below)			36		39		56
Debt securities in issue		**£**	**7,194**	**£**	**6,393**	**£**	**5,933**
Analysis of debt securities in issue:							
Unsecured borrowings		£	5,898	£	5,121	£	4,779
Obligations arising from securitisation of loans and advances	5		1,296		1,272		1,154
Debt securities in issue		**£**	**7,194**	**£**	**6,393**	**£**	**5,933**

The Group’s EMTN programme has an issuance limit of US $15 billion (or the equivalent in other currencies) as at 30 June 2015. The EMTN Base Prospectus is dated 22 January 2015 and contains information relating to all notes. Public notes issued under the EMTN programme are listed on the Official List of the Luxembourg Stock Exchange and are admitted for trading on the Luxembourg Stock Exchange’s regulated market. The Luxembourg's Stock Exchange website address is provided on page 44.

The Group completed public EMTN issuances of €2.1billion (£1.4 billion) and repaid €0.5 billion of EMTN debt (£0.4 billion) during the first half of the year.

'Obligations arising from securitisation of loans and advances' reflects sales of loans completed under externally placed public transactions.

The Group completed a public term securitisation transaction of €0.5 billion (£0.4 billion) during the first half of the year.

'Schuldschein' are certificates of indebtedness governed under German law.

9 SUBORDINATED LOANS

	30 June 2015 Unaudited £ mil	31 December 2014 £ mil	30 June 2014 Unaudited £ mil
Perpetual loans	£ 206	£ 214	£ 204
Total loan amounts	**£ 206**	**£ 214**	**£ 204**
Tier 2 Value of perpetual loans	£ 206	£ 214	£ 204
Total tier 2 value	**£ 206**	**£ 214**	**£ 204**
Analysis of subordinated loans			
Due to FCI	£ 139	£ 140	£ 128
Due to Ford Credit	67	74	76
Total subordinated loans	**£ 206**	**£ 214**	**£ 204**

The loans listed above satisfy the conditions for eligibility as Tier 2 capital instruments, and are included in the calculation of regulatory capital (Own Funds).

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

The rights of FCI and Ford Credit to payment and interest in respect of all subordinated loans will, in the event of winding up of the Company, be subordinated to the rights of all unsubordinated creditors of the Company with respect to their senior claims.

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2015

10 CONTINGENT LIABILITIES

	30 June 2015 Unaudited £ mil	31 December 2014 £ mil	30 June 2014 Unaudited £ mil
Guarantees provided on behalf of Ford	£ 50	£ 65	£ 79
Other guarantees provided to third parties	1	1	1
Total guarantees	**£ 51**	**£ 66**	**£ 80**

'Total guarantees provided on behalf of Ford' includes debt and other financial obligations of Ford. Such arrangements are counter-indemnified by Ford and a fee is payable by Ford for the guarantee. Further details of the guarantees provided by the Group can be found in the 2014 Annual Report and Accounts.

The categories of guarantees provided on behalf of Ford and the approximate distribution of guarantees between them are unchanged from the 2014 Annual Report and Accounts.

Litigation and other claims

Certain legal actions and claims are pending or may be instituted or asserted in the future against the group concerning finance and other contractual relationships. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not predictable with assurance. The group has established provisions for certain of the legal actions and claims where losses are deemed probable and reasonably estimable. It is reasonably possible that some of the matters for which accruals have not been established could be decided unfavourably to the group and could require the group to pay damages or make other expenditures. The group does not reasonably expect, based on internal analysis, that such matters would have a material effect on future financial statements for a particular year, although such an outcome is possible.

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2015

11 CREDIT RISK

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

The carrying value of loans and advances to customers best represents our maximum exposure to credit risk without taking into account any collateral or other credit risk mitigations.

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

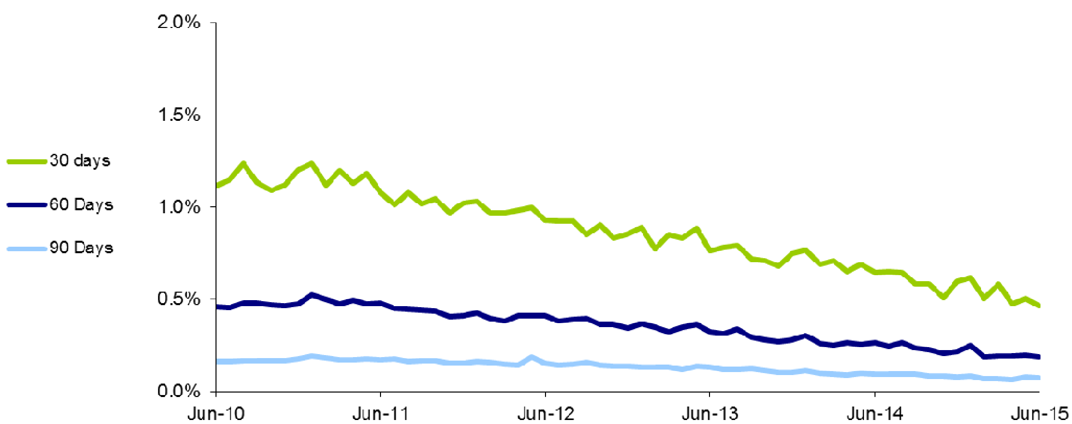
For further information on the nature of FCE's credit risk management and exposures, refer to Note 38 'Credit Risk' within the 2014 Annual Report and Accounts.

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 trend in delinquency continues to show a steady improvement.

FCE's management considers that this improvement is a consequence of FCE's responsive approach to underwriting and servicing practices that has enabled its portfolio to perform well despite varying economic pressures.

Retail delinquency 5 year monthly trend



Source: Internal management information for all FCE markets

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2015

11 CREDIT RISK continued

Wholesale

	Notes	30 June 2015 Unaudited £ mil	30 June 2014 Unaudited £ mil
Group I (risk rating 0-3)		£ 2,484	£ 2,299
Group II (risk rating 4-5)		1,503	1,717
Group III (risk rating 6-7)		687	889
Group IV (risk rating 8-9)		59	57
Total gross wholesale and other loans and advances	**2**	**£ 4,733**	**£ 4,962**
Percentage analysis			
Group I (risk rating 0-3)		52.48%	46.33%
Group II (risk rating 4-5)		31.76%	34.60%
Group III (risk rating 6-7)		14.52%	17.93%
Group IV (risk rating 8-9)		1.25%	1.14%

There has been a general improvement in dealer risk mix compared to prior year. This change reflects the underlying strengthening of dealer profitability, resulting from economic recovery, automotive sales growth and dealer restructuring actions to improve their cost base.

The reduction in percentage exposure to higher risk dealers (groups III and IV) demonstrates FCE's responsive approach to managing risk. Exposure to dealers in these categories is tightly controlled and monitored to ensure adequate risk mitigation.

12 RELATED PARTY TRANSACTIONS

Refer to Note 43 'Related party transactions' of the 2014 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 2014 are detailed below:

Transactions with parent undertakings

Refer to Note 7 for details of transactions with the Company's parent and related undertakings and Note 9 for the details of the Company's subordinated debt.

Service fees charged to FCE by parent undertakings relate to technical and administrative advice and services provided by Ford Credit. The amount of service fees charged for the six month period to 30 June 2015 totalled £5 million (30 June 2014: £5 million).

Transactions with directors and officers

Refer to page 57 of FCE's 2014 Annual Report and Accounts for details of the terms of the loans made to directors and officers.

Transactions with entities under common control

As at 30 June 2015, unearned interest supplements reported in Note 2 'Loans and advances to customers' totalled £130 million (30 June 2014: £143 million). As at 30 June 2015, 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 £34 million (30 June 2014: £41 million). Associated interest and income supplements earned and recorded in the income statement for the six months ended 30 June 2015 totalled £200 million (30 June 2014: £219 million).

Due to an arrangement with Ford relating to FCE's operating lease portfolio, under which Ford indemnifies FCE for the majority of residual value losses and receives the benefit of the majority of residual value gains, payments totalling £4 million were made to Ford for the six month period to 30 June 2015 (30 June 2014 £4 million).

Certain amounts in relation to UK taxes are payable to Ford Motor Company UK under group relief arrangements. Refer to Note 19 and Note 43 of the 2014 Annual Report and Accounts for further details.

FCE participates in defined benefit pension plans operated by Ford in the UK and Germany. FCE accounts for such plans by recognising a cost equal to any contributions payable for the period. Refer to Note 34 'Retirement benefit obligations' of the 2014 Annual Report and Accounts for further details.

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2015

13 SEGMENT REPORTING

Segment reporting includes income, expenses and other financial information for the six months ended 30 June 2015 and asset information as at 30 June 2015. Refer to Note 44 'Segment reporting' of the 2014 Annual Report and Accounts for further information.

13a) Performance measurement figures	UK 2015 $ mil	Germany 2015 $ mil	Italy 2015 $ mil	Spain 2015 $ mil	France 2015 $ mil	Central / Other 2015 $ mil	Total 2015 $ mil
Market income	$ 182	$ 140	$ 40	$ 22	$ 27	$ 73	$ **484**
Borrowing costs	(69)	(31)	(10)	(6)	(8)	(21)	**(145)**
Operating expenses	(41)	(43)	(13)	(11)	(11)	(28)	**(147)**
Impairment losses	(2)	(2)	(3)	(3)	-	1	**(9)**
Other revenue / (expenses)	(9)	(12)	(1)	1	1	-	**(20)**
Profit before tax (PBT)	**$ 61**	**$ 52**	**$ 13**	**$ 3**	**$ 9**	**$ 25**	**$ 163**
Net receivables	$ 7,563	$ 4,963	$ 1,313	$ 777	$ 1,035	$ 2,377	$ **18,028**

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

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2015

13 SEGMENT REPORTING continued

13b) IFRS basis	Notes		UK		Germany		Italy		Spain		France		Central / Other		Total
			2015		2015		2015		2015		2015		2015		2015
			£ mil		£ mil		£ mil		£ mil		£ mil		£ mil		£ mil
INCOME STATEMENT															
Retail revenue		£	72	£	55	£	14	£	6	£	7	£	18	£	**172**
Wholesale revenue			38		19		8		8		9		26		**108**
Other interest income			-		-		-		-		-		5		**5**
Fee and commission income			5		2		4		1		3		4		**19**
Income from operating leases			-		85		-		-		-		3		**88**
Total external revenue		£	115	£	161	£	26	£	15	£	19	£	56	£	**392**
Inter-segment revenue			-		-		-		-		-		-		**-**
Total Revenue		£	115	£	161	£	26	£	15	£	19	£	56	£	**392**
Depreciation of property and equipment			-		(77)		-		-		-		(3)		**(80)**
Amortisation of other intangibles			-		-		-		-		-		(1)		**(1)**
Profit before tax		£	48	£	23	£	6	£	1	£	5	£	38	£	**121**
ASSETS as at 30 June 2015															
Net loans and advances to customers	**2**	£	4,757	£	2,861	£	821	£	490	£	647	£	1,490	£	**11,066**
Property and equipment			1		211		-		-		-		5		**217**
Investment in jointly controlled entity			-		-		-		-		-		40		**40**
Total assets		£	4,965	£	3,785	£	894	£	535	£	690	£	2,530	£	**13,399**

13b) IFRS basis	Notes		UK		Germany		Italy		Spain		France		Central / Other		Total
			2014		2014		2014		2014		2014		2014		2014
			£ mil		£ mil		£ mil		£ mil		£ mil		£ mil		£ mil
INCOME STATEMENT															
Retail revenue		£	71	£	57	£	17	£	6	£	8	£	20	£	**179**
Wholesale revenue			40		25		11		8		13		31		**128**
Other interest income			-		-		-		1		-		2		**3**
Fee and commission income			4		9		3		-		3		6		**25**
Income from operating leases			-		77		-		-		-		2		**79**
Total external revenue		£	115	£	168	£	31	£	15	£	24	£	61	£	**414**
Inter-segment revenue			-		-		-		-		-		-		**-**
Total Revenue		£	115	£	168	£	31	£	15	£	24	£	61	£	**414**
Depreciation of property and equipment			-		(74)		-		-		-		(2)		**(76)**
Amortisation of other intangibles			-		-		-		-		-		(1)		**(1)**
Profit before tax		£	20	£	8	£	7	£	2	£	7	£	67	£	**111**
ASSETS as at 30 June 2014															
Net loans and advances to customers	**2**	£	4,167	£	2,822	£	855	£	431	£	771	£	1,678	£	**10,724**
Property and equipment			1		210		-		1		-		5		**217**
Investment in jointly controlled entity			-		-		-		-		-		42		**42**
Total assets		£	4,383	£	3,783	£	936	£	466	£	820	£	2,489	£	**12,877**

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2015

13 SEGMENT REPORTING continued

13c) Reconciliation between certain performance measurement figures 13a) and IFRS figures 13b)

Performance measurement figures	Market Income 2015 mil	Borrowing Costs 2015 mil	Operating Expenses 2015 mil	Impairment Losses 2015 mil	PBT 2015 mil	Net Receivables 2015 mil
Reportable segments	$ 411	$ (124)	$ (119)	$ (10)	$ 138	$ 15,651
Central operations / other	73	(21)	(28)	1	25	2,377
Total	**$ 484**	**$ (145)**	**$ (147)**	**$ (9)**	**$ 163**	**$ 18,028**
Converted to GBP	£ 317	£ (95)	£ (96)	£ (6)	£ 107	£ 11,449
IFRS vs US GAAP	2	5	(4)	-	3	(2)
Presentational differences						
Operating leases	72	-	-	-	-	(213)
Unearned interest supplements	-	-	-	-	-	(130)
Provision for incurred losses	-	-	-	-	-	(31)
Fees and commission expense	5	-	-	-	-	-
Residual gains / losses / reserve	(3)	-	-	-	-	(8)
Other presentational differences	(1)	(4)	3	-	2	1
Adjustments						
Risk based equity adjustment	-	6	-	-	6	-
Other performance adjustments	-	4	-	-	3	-
Timing adjustments	-	-	-	-	-	-
Total reconciliation to IFRS	**£ 392**	**£ (84)**	**£ (97)**	**£ (6)**	**£ 121**	**£ 11,066**

13c) Reconciliation between certain performance measurement figures 13a) and IFRS figures13b)

Performance measurement figures	Market Income 2014 mil	Borrowing Costs 2014 mil	Operating Expenses 2014 mil	Impairment Losses 2014 mil	PBT 2014 mil	Net Receivables 2014 mil
Reportable segments	$ 470	$ (154)	$ (130)	$ (4)	$ 158	$ 16,059
Central operations / other	94	(33)	(32)	(1)	31	2,899
Total	**$ 564**	**$ (187)**	**$ (162)**	**$ (5)**	**$ 189**	**$ 18,958**
Converted to GBP	£ 339	£ (112)	£ (97)	£ (3)	£ 114	£ 11,124
IFRS vs US GAAP	4	6	(9)	-	-	(6)
Presentational differences						
Operating leases	63	-	-	-	-	(212)
Unearned interest supplements	-	-	-	-	-	(143)
Provision for incurred losses	-	-	-	-	-	(37)
Fees and commission expense	7	-	-	-	-	-
Residual gains / losses / reserve	1	-	-	-	-	(3)
Other presentational differences	-	(7)	4	-	(1)	1
Adjustments						
Risk based equity adjustment	-	8	-	-	8	-
Other performance adjustments	-	2	-	-	(10)	-
Timing adjustments	-	-	-	-	-	-
Total reconciliation to IFRS	**£ 414**	**£ (103)**	**£ (102)**	**£ (3)**	**£ 111**	**£ 10,724**

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2015

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

Reconciliation of profit before tax to cash from operating activities for the six months ended 30 June 2015 and 30 June 2014:

	30 June 2015 Unaudited £ mil	30 June 2014 Unaudited £ mil
Cash flows from operating activities		
Profit before tax	£ 121	£ 111
Adjustments for:		
Depreciation expense on property and equipment	1	1
Depreciation expense on operating lease vehicles	79	75
Effects of foreign currency translation	(65)	(20)
Gross impaired losses on loans and advances	14	15
Share of net income in a jointly controlled entity	(2)	(2)
Amortisation of other intangibles	1	1
Fair value adjustments to financial instruments	67	33
Interest expense	84	103
Interest income	(285)	(310)
Other operating income	(89)	(78)
Changes in operating assets and liabilities:		
Net increase/(decrease) in accrued liabilities and deferred income	22	(7)
Net (increase)/decrease in deferred charges and prepaid expenses	25	16
Net (increase)/decrease in finance receivables	(1,018)	(1,608)
Purchase of vehicles for operating leases	(189)	(264)
Proceeds from sale of operating lease vehicles	71	118
Net (increase)/decrease in vehicles awaiting sale	22	41
Net (increase)/decrease in accounts receivables	(10)	(20)
Net increase/(decrease) in accounts payables	-	4
Net (increase)/decrease in accounts receivables from related undertakings	(2)	(49)
Net increase/(decrease) in accounts payables to related undertakings	112	132
Cash from/(used in) operating activities	**£ (1,041)**	**£ (1,708)**

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2015

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

Reconciliation of cash and cash equivalents at beginning and end of period and of movements for the six months ended 30 June 2015.

	Note		30 June 2015 Unaudited £ mil		30 June 2014 Unaudited *Restated £ mil
At beginning of period:					
Cash and cash equivalents		£	1,628	£	2,221
Less: Bank overdrafts	6		(3)		(12)
Balance at 1 January 2015 and 2014		**£**	**1,625**	**£**	**2,209**
At end of period:					
Cash and cash equivalents		£	1,530	£	1,366
Less: Bank overdrafts	6		(6)		(7)
Balance at 30 June 2015 and 2014		**£**	**1,524**	**£**	**1,359**
Net increase/(decrease) in cash and cash equivalents					
Cash and cash equivalents at beginning of period		£	1,625	£	2,209
Cash and cash equivalents at end of period			1,524		1,359
Net increase / (decrease) in cash and cash equivalents		**£**	**(101)**	**£**	**(850)**

* Presentational restatement only – please see accounting policies in the 2014 Annual Report and Accounts for further details.

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

Notes to the condensed consolidated half-yearly financial statements for the half year ended 30 June 2015

15 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Detailed below is a comparison by category of the carrying values and fair values of FCE's financial assets and financial liabilities. Categories are only disclosed where there is a difference between the carrying amount and fair values. The fair value hierarchy levels and the approach to fair value measurement remain consistent with FCE's 2014 Annual Report and Accounts. Refer to Note 42 'Financial assets and financial liabilities' of the 2014 Annual Report and Accounts for further information.

		Carrying Value			Fair Value		
As at 30 June	Notes	30 June 2015 Unaudited £ mil	31 December 2014 £ mil	30 June 2014 Unaudited £ mil	30 June 2015 Unaudited £ mil	31 December 2014 £ mil	30 June 2014 Unaudited £ mil
GROUP FINANCIAL ASSETS							
Loans and advances to customers							
Retail		£ 5,475	£ 5,215	£ 4,890	£ 5,697	£ 5,280	£ 4,971
GROUP FINANCIAL LIABILITIES							
-Listed Debt:							
Debt securities in issue (a)	8	£ 6,894	£ 6,078	£ 5,597	£ 6,890	£ 6,193	£ 5,675
-Unlisted Debt:							
Due to banks & other financial institutions	6	£ 2,735	£ 2,912	£ 3,070	£ 2,738	£ 2,913	£ 3,059
Debt securities in issue	8	300	315	336	302	318	340
Subordinated loans	9	206	214	204	200	204	210
Total unlisted debt		**£ 3,241**	**£ 3,441**	**£ 3,610**	**£ 3,240**	**£ 3,435**	**£ 3,609**

(a) Amount includes an adjustment of £46 million (31 December 2014: £79 million and 30 June 2014: £30 million) on designated fair value hedges on unsecured debt.

Key financial ratios and terms

The table below details the calculation of the key financial ratios referred to in the 'Performance Summary' section. 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 2015 Unaudited £ mil	Half year ended 30 June 2014 Unaudited £ mil
ADDITIONAL DATA:				
A [i]	Average net loans and advances to customers		£ 10,978	£ 10,149
A [ii]	Net loans and advances to customers	**2**	11,066	10,724
A [iii]	Risk exposure amounts (including credit RWA)		10,821	10,954
A [iv]	Collective impairment allowance	**3**	31	36
B [i]	Average period equity		1,797	1,733
B [ii]	Common equity tier (CET1) capital		1,678	1,635
B [iii]	Tier 2 Capital		239	241
B [iv]	Own funds / Total capital		1,917	1,876
INCOME:				
	- Total income		304	303
	- Depreciation of operating lease vehicles		(80)	(76)
C	Normalised income (margin)		224	227
OPERATING COSTS:				
	- Operating expenses		(97)	(102)
D	Total operating costs		(97)	(102)
CREDIT LOSS:				
E	Net losses		6	6
F	Profit after tax		91	78
KEY FINANCIAL RATIOS				
Return on equity (Fx2/B[i])			10.1%	9.0%
Margin (Cx2/A [i])			4.1%	4.5%
Cost efficiency ratio (Dx2/A [i])			1.8%	2.0%
Cost affordability ratio (Dx2/Cx2)			43%	45%
Credit loss ratio (Ex2/A [i])			0.10%	0.12%
Credit loss cover (A [iv]/A [ii])			0.3%	0.3%
Common equity tier 1 (CET1) capital ratio (B [ii]/A [iii])			15.5%	14.9%
Total capital ratio (B [iv]/A [iii])			17.7%	17.1%

x2 indicates annualised ratios

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

Key financial ratios and terms

Financial terms	Meaning
Average net loans and advances to customers	The balance of net loans and advances to customers at the end of each month divided by the number of months within the reporting period.
Gross loans and advances to customers	Total payments remaining to be collected on loans and advances to customers (refer to Note 2 Loans and advances to customers).
Net loans and advances to customers	Loans and advances to customers as reported in the balance sheet representing 'Gross loans and advances to customers' including any deferred costs/fees and less provisions and unearned finance income and unearned interest supplements from related parties (refer to Note 2 Loans and advances to customers).
Normalised income	Includes the depreciation of operating lease vehicles within Margin.
Risk exposure amount	For credit risk (including counterparty credit risk) the risk exposure amount is the risk weighted exposure value. For credit valuation adjustment, market risk and operational risk, the Pillar 1 capital requirement is calculated initially according to the rules contained in the CRR, and the risk exposure amount derived from that by applying a factor of 12.5.
Risk weighted exposures / Risk weighted assets	For credit risk (including counterparty credit risk) the risk weighted exposure amount is the value of the exposures multiplied by the appropriate percentage risk weighting of the relevant exposure class as defined in the CRR. These are also referred to as Risk Weighted assets (RWA).
CET 1 capital / Tier 1 capital	Tier 1 capital is an element of Own Funds. As FCE has no additional Tier 1 capital, its Tier 1 capital is the same as its Common Equity Tier 1(CET1) capital and comprises shareholder funds, net of certain deductions.
CET 1 capital ratio	Common Equity Tier 1 Capital divided by the end of period Risk Exposure Amount.
Tier 2 capital	Tier 2 capital is an element of Own Funds. FCE’s Tier 2 capital comprises of subordinated debt and collective impairment losses.
Own funds / Total capital	The own funds of an institution is the sum of its Tier 1 and Tier 2 capital.
Total capital ratio	FCE's Own Funds divided by the end of period Risk Exposure Amount.
CRD IV	The 4th iteration of the Capital Requirements Directive formally published in the Official Journal of the EU on 27 June 2013. This is made up of the Capital Requirements Directive (2013/36/EU), (CRD), which must be implemented through national law, and the Capital Requirements Regulation (575/2013), (CRR), which is directly applicable to firms across the EU. CRDIV is intended to implement the Basel III agreement in the EU.
CRR	The Capital Requirement Regulation, (575/2013) part of CRDIV

Website addresses

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

Additional data	Website addresses
FCE Bank plc.	http://www.fcebank.com/investor-center
• 'Annual Report' • 'Interim Report' • 'Pillar 3 Disclosures' • 'Management Statement'	To access from the above link click on 'Investor Information'
Ford Motor Company (Ultimate Parent Company) including:	http://corporate.ford.com/investors.html
• 'Quarterly Reports' • 'Annual Reports' • 'SEC Filings'	To access from the above link click on 'Reports and Filings'.
Ford Motor Credit Company including: • 'Company Reports' • 'Company Events' • 'Fixed-Rate Notes • Asset-Backed Securitization	http://credit.ford.com/investor-center To access from the above link click on 'Company Reports' and then required item.
Luxembourg's Stock Exchange which includes: • Euro Medium Term Note Base Prospectus (refer to Note 8 'Debt securities in issue').	www.bourse.lu To access search for 'FCE'
Financial Reporting Council • The Combined Code on Corporate Governance	http://www.frc.org.uk

Additional information

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

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

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

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

FCE Bank plc

Interim Report and Financial Statements

For the half year ended 30 June 2015