

FINANCIAL STATEMENTS

Fiat Chrysler Finance North America, Inc.
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)
Years Ended December 31, 2014 and 2013
With Report of Independent Auditors

Ernst & Young LLP



Building a better
working world

Fiat Chrysler Finance North America, Inc.
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)

Financial Statements

Years Ended December 31, 2014 and 2013

Contents

Report of Independent Auditors.....	1
Financial Statements	
Statements of Financial Position	3
Statements of Income	4
Statements of Comprehensive Income.....	5
Statements of Changes in Stockholder’s Equity	6
Statements of Cash Flows.....	7
Notes to Financial Statements	8



Ernst & Young LLP
5 Times Square
New York, NY 10036-6530

Tel: +1 212 773 3000
Fax: +1 212 773 6350
ey.com

Report of Independent Auditors

Board of Directors and Stockholders
Fiat Chrysler Finance North America, Ltd.

Report on the Financial Statements

We have audited the accompanying financial statements of Fiat Chrysler Finance North America, Ltd. (a subsidiary of Fiat Chrysler Finance Europe S.A., whose ultimate parent is Fiat Chrysler Automobiles NV) (the Company) which comprise the statement of financial position as of December 31, 2014 and 2013, and statements of comprehensive income, statement of changes in equity and statement of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with International Financial Reporting Standards; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in conformity with International Financial Reporting Standards.

Ernst + Young LLP

February 13, 2015

Fiat Chrysler Finance North America, Inc.
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)

Statements of Financial Position
(U.S. Dollars in Thousands, Except Share Information)

		December 31	
	Notes	2014	2013
Assets			
Cash and cash equivalents	3	\$ 274,091	\$ 653,699
Amounts owed by affiliated companies	13	1,736,574	1,238,620
Financial derivatives – at fair value	4	108,300	201,671
Deferred tax assets	11	5,251	5,070
Property, plant, and equipment	5	61	77
Prepaid expenses and other assets		975	585
Total assets		\$ 2,125,252	\$ 2,099,722
Liabilities and stockholder's equity			
Liabilities:			
Bank borrowings	6	\$ 195,054	\$ 195,027
Borrowings from affiliated companies	13	216,842	125,604
Notes payable	7	1,364,235	1,572,852
Financial derivatives – at fair value	4	141,371	1,840
Accrued expenses and other liabilities		184	196
Total liabilities		1,917,686	1,895,519
Stockholder's equity:			
Capital stock (no par value; authorized 5,000 shares; 380 shares outstanding at assigned value)		190,090	190,090
Retained earnings		23,046	19,372
Cash flow hedge reserve		(5,570)	(5,259)
Total stockholder's equity		207,566	204,203
Total liabilities and stockholder's equity		\$ 2,125,252	\$ 2,099,722

See accompanying notes.

Fiat Chrysler Finance North America, Inc.
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)

Statements of Income
(U.S. Dollars in Thousands)

		Year Ended December 31	
	Notes	2014	2013
Revenues:			
Interest income	15	\$ 81,612	\$ 80,179
Other financial income	16	93	71
Other income	17	881	870
Net result on hedging and trading activities	4	8,242	4,656
Total revenues		90,828	85,776
Expenses:			
Interest expense	15	78,191	77,912
General and administrative expenses		1,802	2,039
Other financial expenses	16	3,728	3,609
Total expenses		83,721	83,560
Income before provision for income taxes		7,107	2,216
Provision for income taxes	11	3,433	1,044
Net income		\$ 3,674	\$ 1,172

See accompanying notes.

Fiat Chrysler Finance North America, Inc.
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)

Statements of Comprehensive Income
(U.S. Dollars in Thousands)

	Year Ended December 31	
	2014	2013
Net income	\$ 3,674	\$ 1,172
Other comprehensive income (loss):		
(Losses)/gains recognized in the cash flow hedge reserve (net of tax)	(2,402)	2,804
Recognized portion of cash flow hedge reserve in the income statement (net of tax)	2,091	(841)
Total comprehensive income	<u>\$ 3,363</u>	<u>\$ 3,135</u>

See accompanying notes.

Fiat Chrysler Finance North America, Inc.
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)

Statements of Changes in Stockholder's Equity
(U.S. Dollars in Thousands, Except Share Information)

	Capital Stock		Retained Earnings	Cash Flow Hedge Reserve (Note 4)	Total Stockholder's Equity
	Shares	Amount			
Balance – January 1, 2013	380	\$ 190,090	\$ 18,200	\$ (7,222)	\$ 201,068
Gains recognized in the cash flow hedge reserve (net of tax)	–	–	–	2,804	2,804
Recognized portion of cash flow hedge reserve in the income statement (net of tax)	–	–	–	(841)	(841)
Net income	–	–	1,172	–	1,172
Balance – December 31, 2013	380	190,090	19,372	(5,259)	204,203
(Losses)/gains recognized in the cash flow hedge reserve (net of tax)	–	–	–	(2,402)	(2,402)
Recognized portion of cash flow hedge reserve in the income statement (net of tax)	–	–	–	2,091	2,091
Net income	–	–	3,674	–	3,674
Balance – December 31, 2014	380	\$ 190,090	\$ 23,046	\$ (5,570)	\$ 207,566

See accompanying notes.

Fiat Chrysler Finance North America, Inc.
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)

Statements of Cash Flows
(U.S. Dollars in Thousands)

	Year Ended December 31	
	2014	2013
Operating activities		
Net income	\$ 3,674	\$ 1,172
Adjustments to reconcile net income to cash flows provided by (used in) operating activities:		
Depreciation	25	31
Accrued interests (net)	(26,406)	(5,287)
Taxes and duties to be settled	88	41
Change in other assets/liabilities and other adjustments	49,071	(111)
Cash flow provided by (used in) provided by operations	26,452	(4,154)
Net decrease in amounts owed by affiliated companies	(497,247)	(433,634)
Net increase in borrowings from affiliated companies	91,185	34,377
Net cash flow (used in) by operating activities	(379,610)	(403,411)
Investing activities		
Purchases of property, plant, and equipment	(9)	(43)
Net cash flow used in investing activities	(9)	(43)
Financing activities		
Net (decrease) increase in borrowings from bank	9	(2)
Net cash flow provided by (used in) financing activities	9	(2)
Net (decrease) in cash and cash equivalents	(379,610)	(403,456)
Cash and cash equivalents – beginning of the year	653,699	1,057,155
Cash and cash equivalents – end of the year	\$ 274,089	\$ 653,699
Cash paid in the period for:		
Interest, net of refunds	\$ 81,376	\$ 78,512
Income taxes	\$ 3,810	\$ 1,556

See accompanying notes.

Fiat Chrysler Finance North America, Inc.
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)

Notes to Financial Statements
(Expressed in U.S. Dollars in Thousands)

December 31, 2014

1. Business Description and Organization

Fiat Chrysler Finance North America, Inc. (the Company), a wholly owned subsidiary of Fiat Chrysler Finance Europe S.A., was incorporated on August 5, 1996, and began operations on September 15, 1996. The Company is ultimately controlled by Fiat Chrysler Automobiles N.V. (formerly known as Fiat S.p.A.), incorporated in the Netherlands. The Company's principal place of business is located at 7 Times Square Tower, Suite 4306, New York, NY 10036. On October 12, 2014, Fiat S.p.A. merged with and into Fiat Chrysler Automobiles N.V. which resulted in changes to the names of the group and its subsidiary companies. The company formerly known as Fiat Finance North America Inc. is now known as "Fiat Chrysler Finance North America Inc." as of November 14, 2014. The Company performs cash management, investment and corporate finance services and working capital financing for all Fiat Group companies in the North American region. On February 13, 2015, the Board of Directors authorized the issuance of the Company's financial statements.

2. Basis of Accounting and Summary of Significant Accounting Policies

The Company's financial statements are prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The Company's financial statements consist of the statements of financial position, statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows, with related notes. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. These estimates relate mainly to the fair value of financial derivatives and notes payable.

The accounting records of the Company are maintained in US dollars (USD), which represents the main functional currency of the Company; the financial statements are denominated in this currency.

Assets and liabilities denominated in currencies other than USD are converted into USD at the exchange rates prevailing at the balance sheet date. Income and expenses denominated in currencies other than USD are converted into USD at the average exchange rates prevailing on the transaction

Fiat Chrysler Finance North America, Inc.
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)

Notes to Financial Statements (continued)
(Expressed in U.S. Dollars in Thousands)

2. Basis of Accounting and Summary of Significant Accounting Policies (continued)

date. Both unrealized and realized foreign exchange differences are recognized in the statement of income in the other expenses line item.

For initial recognition of standardized purchases and sales of financial assets (contracts requiring delivery of an asset within a period of time determined by market regulation or convention), the Company uses the settlement date accounting.

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at fair value plus transaction costs.

Amounts owed by affiliated companies where they have a fixed term are measured at amortized cost using the effective interest rate method. Assets that do not have a fixed term are measured at cost. As an exception to the above policy, amortized cost is not used for short term current assets and liabilities (including cash and cash equivalents), given the immateriality of the impact of the effective interest rate method.

Borrowings are initially recognized at fair value adjusted for any income and expense directly attributable to the liability. Fair value of borrowings is normally equivalent to the total funds received. With the exception of on demand and short-term borrowings, subsequent measurement is at amortized cost using the effective interest rate method.

Property, plant, and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis to reduce the carrying value of the equipment over the useful expected economic life (5-7 years).

Derivative financial instruments used to manage currency and interest rate risks arising from the Company's financial assets and liabilities are recorded at fair value. The Company follows IAS 39, *Financial Instruments: Recognition and Measurement*, which provides that all derivative instruments should be recognized as either assets or liabilities depending on the rights and obligations under the contract and that all derivative instruments be measured at fair value. Fair value is defined as the amounts for which an asset could be exchanged, or liability settled between knowledgeable, willing parties in an arm's length transaction. For fair value hedges, in which derivatives hedge the fair value of assets and liabilities, changes in the fair value of derivatives will be reflected in current earnings, together with changes in the fair value of the

Fiat Chrysler Finance North America, Inc.
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)

Notes to Financial Statements (continued)
(Expressed in U.S. Dollars in Thousands)

2. Basis of Accounting and Summary of Significant Accounting Policies (continued)

related hedged item with reference to the hedged risk. The fair value hedges in which the Company engages includes hedges of medium-term loans to affiliates and notes issued. On these fair value hedges, the Company specifically hedges interest-rate and/or currency risk. These hedges have been deemed highly effective. For cash flow hedges, in which derivatives hedge the variability of cash flows related to floating-rate assets, liabilities, or forecasted transactions, the accounting treatment will depend on the effectiveness of the hedge. To the extent these derivatives are effective in offsetting the variability of the hedged cash flow, changes in the derivatives' fair value will not be included in current earnings but will be reported as cash flow hedge reserve (net of tax) in the statement of changes in stockholder's equity. These changes in fair value will be included in earnings of future periods when earnings are also affected by the variability of the hedged cash flows. On these cash flow hedges, the Company currently hedges the change in the dollar value of bond flows due to change in foreign exchange rates. These hedges have been deemed highly effective. The Company from time to time may enter into derivative contracts that do not meet the criteria for hedge accounting; therefore, even though these contracts are substantially hedging exchange rate risks, these are considered trading. Realized and unrealized foreign exchange gains and losses in the trading derivative's fair value, as well as the interest accruals associated with the trading derivatives are reported in net result on hedging and trading activities.

The Company follows the provisions of IFRS 13 – *Fair Value Measurement*, which clarifies the determination of fair value for the purpose of the financial statements and is applicable to all IFRSs permitting or requiring a fair value measurement or the presentation of disclosures based on fair value.

The Company follows the provisions of IAS 12 (Revised), *Income Taxes*, which requires the recognition of deferred tax assets and liabilities attributable to temporary differences as determined using the asset and liability method. Current taxes represent a prudent estimate of taxes owed to tax authorities for the financial year and are determined by applying the applicable tax rate to taxable income, which is pre-tax profit adjusted in accordance with the tax regulations governing the taxability/deductibility of income and expenses. Income taxes are recognized in the statement of income, except where they relate to items charged or credited directly to equity or other comprehensive income, in which case the tax effect is also recognized in the statement of comprehensive income.

Fiat Chrysler Finance North America, Inc.
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)

Notes to Financial Statements (continued)
(Expressed in U.S. Dollars in Thousands)

3. Cash and Cash Equivalents

Cash and cash equivalents are highly liquid investments that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of change in value due to interest rate, quoted price, or penalty on withdrawal. Amounts on deposit, available upon demand, or negotiated to provide for daily liquidity without penalty, are classified as cash and cash equivalent. Time deposits, current accounts and money market accounts that meet the above criteria are reported at par value on our balance sheet, which also represents their fair value.

4. Financial Derivatives

Financial derivatives consist of interest rate swap, cross currency swap and forward foreign exchange swap agreements entered into by the Company in order to hedge exposure to interest rate and cross currency movements, in connection with (i) fixed rate lending to affiliates funded by floating-rate liabilities, (ii) notes issued in currencies other than USD or bearing interest at a fixed rate and (iii) lending to affiliates in currencies other than USD. Specific policy guidelines are established to ensure that asset and liability interest rate and currency positions are matched. Therefore, the Company believes that the fair value of the derivative financial instruments at year-end was or will be offset by similar and opposite unrealized gains and losses on its existing short or medium term loans to affiliates and on the notes issued. The following indicates the type of swaps and hedges used and their fair values. These swap contracts will mature within the next three years. The swaps primarily hedge the risks on the notes payable, in some cases the risk is hedged by more than one derivative simultaneously.

	Notional Amount	Fair Value
December 31, 2014		
Fair value hedge:		
Interest rate swaps	\$ 789,165	\$ 99,810
Cross currency swaps	574,030	(50,104)
<hr/>		
Cash flow hedge:		
Forward foreign exchange swaps	35,083	(3,675)
Trading:		
Forward foreign exchange swaps	1,184,630	(79,102)
Total derivative instruments	\$ 2,582,908	\$ (33,071)

Fiat Chrysler Finance North America, Inc.
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)

Notes to Financial Statements (continued)
(Expressed in U.S. Dollars in Thousands)

4. Financial Derivatives (continued)

	Notional Amount	Fair Value
December 31, 2013		
Fair value hedge:		
Interest rate swaps	\$ 898,415	\$ 127,516
Cross currency swaps	574,030	21,164
	1,472,445	148,680
Cash flow hedge:		
Forward foreign exchange swaps	25,535	1,622
Trading:		
Forward foreign exchange swaps	835,271	49,529
Total derivative instruments	\$ 2,333,251	\$ 199,831

The amount recorded in the cash flow hedge reserve for a total of \$(5.6) million and \$(5.3) million (net of tax) as of December 31, 2014 and 2013, respectively, is expected to be reversed according to the duration of the underlying notes payable (final maturity 2017). With reference to the above cash flow hedge reserve, deferred tax asset of \$4.8 million and \$4.5 million have been recognized directly in equity in the cash flow hedge reserve as of December 31, 2014 and 2013, respectively. In 2014 and 2013, the ineffectiveness of cash flow hedges, recognized in the statement of income in net result on hedging and trading activities, was a loss of \$60 thousand and a gain of \$309 thousand, respectively.

In 2014 and 2013, a loss of \$3.5 million and a loss of \$3.1 million, respectively, were recognized in the statement of income in net result on hedging activities related to the discontinuation of cash flow hedges.

Fiat Chrysler Finance North America, Inc.
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)

Notes to Financial Statements (continued)
(Expressed in U.S. Dollars in Thousands)

4. Financial Derivatives (continued)

For fair value hedges, the gains and losses arising from the valuation of interest rate and cross currency swaps and interest rate swaps to be recognized in accordance with fair value hedge accounting and the gains and losses arising from the respective hedged items are set out in the following table:

	Year Ended December 31	
	2014	2013
Currency risk:		
Net gains on qualifying hedges	\$ (70,916)	\$ 25,659
Fair value changes in hedged items (notes payable)	70,916	(25,659)
Net gains	\$ —	\$ —
Interest rate risk:		
Net losses on qualifying hedges	\$ (26,898)	\$ (37,495)
Fair value changes in hedged items	27,016	38,300
Net gains	\$ 118	\$ 805

For the years ended December 31, 2014 and 2013, a gain of \$14 million and \$13 million respectively was recognized in the statement of income in net result on hedging and trading activities related to the discontinuation of fair value hedges, respectively.

As of December 31, 2014 and 2013, the ineffectiveness arising from transactions treated as fair value hedges referring to the hedging relationships related to the notes payable was a gain of \$118 thousand and a gain of \$805 thousand, respectively. The ineffectiveness arising from fair value hedges related to fixed rate lending to affiliates was not material. The net result of gains and losses on foreign currency exchange and hedging transactions was a loss of \$1.9 million and a loss of \$5.9 million in 2014 and 2013, respectively.

Fiat Chrysler Finance North America, Inc.
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)

Notes to Financial Statements (continued)
(Expressed in U.S. Dollars in Thousands)

5. Property, Plant, and Equipment

Property, plant, and equipment consist of the following: office machinery, computer equipment and furniture.

The changes in 2014 and 2013 of property, plant, and equipment are represented below:

	Year Ended December 31	
	2014	2013
Beginning balance	\$ 77	\$ 65
Additions	9	43
Depreciation	(25)	(31)
Ending balance	\$ 61	\$ 77
Gross carrying amount	\$ 260	\$ 251
Accumulated depreciation	(199)	(174)
Net carrying amount	\$ 61	\$ 77

6. Bank Borrowings

The Company had bank borrowings based on various benchmark rates plus a spread of \$195 million as of December 31, 2014 and 2013, respectively. At December 31, 2014 and 2013, the Company had fully drawn its lines of credit. Information on the expiry dates of such borrowings are presented in Note 10 Information on Financial Risks below. Interest expenses are recorded on the accrual basis of accounting.

Fiat Chrysler Finance North America, Inc.
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)

Notes to Financial Statements (continued)
(Expressed in U.S. Dollars in Thousands)

7. Notes Payable

The Company participates as an issuer in a EUR 20 billion Global Medium-Term Notes Program, together with Fiat Chrysler Finance Canada, Ltd., Fiat Chrysler Finance Europe S.A., and Fiat Chrysler Automobiles N.V. The notes are unconditionally and irrevocably guaranteed by the ultimate Parent Company (Fiat Chrysler Automobiles N.V.). As of December 31, 2014 and 2013, the Company had one note outstanding with a notional value of EUR 1 billion bearing an interest rate of 5.625% which matures on June 12, 2017. As the note is issued in a currency other than US Dollars and with a fixed interest rate, the Company entered into cross currency and interest rate swaps in order to hedge such exposure (see Note 4).

8. Commitments and Contingencies

The Company had outstanding standby letters of credit issued on behalf of affiliated companies of \$11.2 million and \$7.2 million at December 31, 2014 and 2013, respectively. These contract amounts represent the amounts at risk should the contracts be fully drawn upon and the affiliate defaults.

Fiat Chrysler Finance North America, Inc.
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)

Notes to Financial Statements (continued)
(Expressed in U.S. Dollars in Thousands)

9. Estimated Fair Value of Financial Instruments

The below fair values have been determined by reference to available market information and the following methodologies:

	Nominal Value	Carrying Value	Fair Value	Difference
December 31, 2014				
Assets:				
Cash and cash equivalents	\$ 274,087	\$ 274,091	\$ 274,091	\$ –
Amounts owed by affiliated companies	1,725,973	1,736,574	1,746,434	9,860
Total assets	<u>\$ 2,000,060</u>	<u>\$ 2,010,665</u>	<u>\$ 2,020,525</u>	<u>\$ 9,860</u>
Liabilities:				
Bank borrowings	\$ 195,022	\$ 195,054	\$ 205,621	\$ 10,567
Borrowings from affiliated companies	216,777	216,842	216,842	–
Notes payable	1,214,100	1,364,235	1,333,592	(30,643)
Total liabilities	<u>\$ 1,625,899</u>	<u>\$ 1,776,131</u>	<u>\$ 1,756,055</u>	<u>\$ (20,076)</u>
Derivatives:				
Interest rate swaps	\$ 789,165	\$ 99,810	\$ 99,810	\$ –
Cross currency swaps	574,030	(50,104)	(50,104)	–
Forward foreign exchange swaps	1,219,713	(82,777)	(82,777)	–
Total derivatives	<u>\$ 2,582,908</u>	<u>\$ (33,071)</u>	<u>\$ (33,071)</u>	<u>\$ –</u>
	Nominal Value	Carrying Value	Fair Value	Difference
December 31, 2013				
Assets:				
Cash and cash equivalents	\$ 653,504	\$ 653,699	\$ 653,699	\$ –
Amounts owed by affiliated companies	1,227,937	1,238,620	1,246,495	7,875
Total assets	<u>\$ 1,881,441</u>	<u>\$ 1,892,319</u>	<u>\$ 1,900,194</u>	<u>\$ 7,875</u>
Liabilities:				
Bank borrowings	\$ 195,011	\$ 195,027	\$ 212,172	\$ 17,145
Borrowings from affiliated companies	125,571	125,604	125,604	–
Notes payable	1,379,100	1,572,852	1,509,191	(63,661)
Total liabilities	<u>\$ 1,699,682</u>	<u>\$ 1,893,483</u>	<u>\$ 1,846,967</u>	<u>\$ (46,516)</u>
Derivatives:				
Interest rate swaps	\$ 898,415	\$ 127,516	\$ 127,516	\$ –
Cross currency swaps	574,030	21,164	21,164	–
Forward foreign exchange swaps	860,806	51,151	51,151	–
Total derivatives	<u>\$ 2,333,251</u>	<u>\$ 199,831</u>	<u>\$ 199,831</u>	<u>\$ –</u>

Fiat Chrysler Finance North America, Inc.
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)

Notes to Financial Statements (continued)
(Expressed in U.S. Dollars in Thousands)

9. Estimated Fair Value of Financial Instruments (continued)

IFRS 7 requires financial instruments recognized in the statement of financial position at fair value to be classified on the basis of a hierarchy that reflects the significance of the inputs used in determining fair value.

The fair value of financial instruments is determined by taking into consideration market parameters at the balance sheet date and using valuation techniques widely accepted in the financial business environment and that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

IFRS 13 requires all assets and liabilities for which fair value is measured or disclosed in the financial statements to be categorized within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole:

Level 1 – Unadjusted quoted prices in the active market for identical assets or liabilities;

Level 2 – Inputs other than quoted prices, included within Level 1, that are observable for the asset or the liability either directly (i.e., prices) or indirectly (i.e., derived from prices);

Level 3 – Inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Fiat Chrysler Finance North America, Inc.
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)

Notes to Financial Statements (continued)
(Expressed in U.S. Dollars in Thousands)

9. Estimated Fair Value of Financial Instruments (continued)

The following table provides an analysis under this hierarchy of the financial instruments measured or disclosed at fair value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2014				
Assets measured at fair value				
Interest rate swaps	\$	\$ 99,810	\$	\$ 99,810
Cross currency swaps				
Forward foreign exchange swaps		8,490		8,490
Liabilities measured at fair value				
Interest rate swaps				
Cross currency swaps		50,104		50,104
Forward foreign exchange swaps		91,267		91,267
Assets for which fair value is disclosed				
Amounts owed by affiliated companies		1,746,434		1,746,434
Liabilities for which fair value is disclosed				
Bank borrowings		205,621		205,621
Borrowings from affiliated companies		216,842		216,842
Notes payable	1,333,592			

Fiat Chrysler Finance North America, Inc.
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)

Notes to Financial Statements (continued)
(Expressed in U.S. Dollars in Thousands)

9. Estimated Fair Value of Financial Instruments (continued)

	Level 1	Level 2	Level 3	Total
December 31, 2013				
Assets measured at fair value				
Interest rate swaps	\$ –	\$ 127,563	\$ –	\$ 127,563
Cross currency swaps	–	21,164	–	21,164
Forward foreign exchange swaps	–	52,944	–	52,944
Liabilities measured at fair value				
Interest rate swaps	–	47	–	47
Cross currency swaps	–	–	–	–
Forward foreign exchange swaps	–	1,793	–	1,793
Assets for which fair value is disclosed				
Amounts owed by affiliated companies	–	1,246,495	–	1,246,495
Liabilities for which fair value is disclosed				
Bank borrowings	–	212,172	–	212,172
Borrowings from affiliated companies	–	125,604	–	125,604
Notes payable	1,509,191	–	–	1,509,191

Financial Instrument	Fair Value Method
Amounts owed by affiliated companies	Carrying value for short term and variable interest instruments. Discounted cash flows for long term, fixed and variable interest instruments.
Bank borrowings	Carrying value for short term and variable interest instruments. Discounted cash flows for long term, fixed and variable interest instruments.
Borrowings from affiliated companies	Carrying value for short term and variable interest instruments. Discounted cash flows for long term, fixed and variable interest instruments.
Notes payable	Market prices (if available) or discounted cash flow for long term financial instruments.

Fiat Chrysler Finance North America, Inc.
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)

Notes to Financial Statements (continued)
(Expressed in U.S. Dollars in Thousands)

9. Estimated Fair Value of Financial Instruments (continued)

Financial Instrument	Fair Value Method
Interest rate swaps	Discounted cash flow of expected interest streams.
Cross currency swaps	Discounted cash flow of interest and principal streams.
Forward foreign exchange swaps	Forward exchange rate estimated on the basis of the prevailing exchange rate and interest rates in the two currencies at the balance sheet date.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics, and the risks of asset or liability and the level of the fair value hierarchy as above.

In 2014 and 2013, there were no transfers among the levels of fair value.

Due to the management judgment required in interpreting market information, the estimates presented above approximate the amounts that the Company could realize in a current market transaction.

In applying discounted cash flow techniques, a discount rate commensurate with market conditions at December 31, 2014, the relevant currency and the risk of the underlying instrument were used. In all cases, fair values were translated into USD using the exchange rates ruling at the balance sheet date.

The estimated fair value of both amounts owed by affiliates and borrowings from affiliates reflects the “spreads” at which the debt was traded on the market at year-end.

Fiat Chrysler Finance North America, Inc.
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)

Notes to Financial Statements (continued)
(Expressed in U.S. Dollars in Thousands)

10. Information on Financial Risks

The Company is exposed to various financial risks in the course of its operations. The Company regularly monitors and manages its exposure in a conservative and prudent manner, as required by the Fiat Chrysler Automobiles Group's financial risk management policy.

The quantitative data reported in the following does not have any value of a prospective nature, in particular the sensitivity analysis on market risks, and the Company is unable to reflect the complexity of the market and its related reaction which may result from every change which may occur.

Credit Risk – The credit risk of the Company is represented by loans granted to affiliated companies and by the investments of excess cash in the market.

Management believes the credit risk to be extremely low. The majority of the assets consist of loans to affiliated companies and cash and cash equivalents.

Market investments are made according to strict regulations and policies which define minimum counterparty rating requirements and limits to amounts invested in single counterparties in order to avoid concentration of risk.

Loans to affiliated companies are granted at arms' length rates and their terms are regulated by standard Inter-company Agreements. None of the outstanding loans to affiliates as of December 31, 2014 and 2013, were delinquent or written off.

Exchange Rate Risk – The notes payable and specific loan receivables from an affiliated party are denominated in a currency other than USD and as a result, the Company is exposed to risk resulting from changes in the currency exchange rate versus USD. It is the Company's policy to use derivative financial instruments to fully hedge its exchange risk exposure.

Sensitivity Analysis

The potential loss in fair value of derivative financial instruments held by the Company at December 31, 2014 and 2013, for managing exchange risk, which would arise in the case of a hypothetical, unfavorable and instantaneous change of 10% in the exchange rates, amount to approximately \$138 million and \$136 million, respectively. These amounts will be potentially offset by the change of the underlying instruments (mainly the notes payable).

Fiat Chrysler Finance North America, Inc.
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)

Notes to Financial Statements (continued)
(Expressed in U.S. Dollars in Thousands)

10. Information on Financial Risks (continued)

Liquidity Risk – The table below summarises the maturity profile of the undiscounted cash flows of the Company’s financial assets and liabilities as at December 31, 2014 and December 31, 2013, respectively. Liquidity risk arises if the Company is unable to obtain under acceptable economic conditions the funds needed to carry out its operations. The Company’s liquidity position for December 31, 2014 and December 31, 2013 are as follows (in nominal value):

	On Demand	Less Than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
December 31, 2014						
Assets:						
Cash and cash equivalents	\$ 149,087	\$ 125,000	\$ –	\$ –	\$ –	\$ 274,087
Amounts owed by affiliated companies	1,045,748	280,225	–	400,000	–	1,725,973
	<u>1,194,835</u>	<u>405,225</u>	<u>–</u>	<u>400,000</u>	<u>–</u>	<u>2,000,060</u>
Liabilities:						
Bank borrowings	22	45,000	–	150,000	–	195,022
Borrowings from affiliated companies	216,777	–	–	–	–	216,777
Notes payable	–	–	–	1,214,100	–	1,214,100
	<u>216,799</u>	<u>45,000</u>	<u>–</u>	<u>1,364,100</u>	<u>–</u>	<u>1,625,899</u>
Net	<u>\$ 978,036</u>	<u>\$ 360,225</u>	<u>\$ –</u>	<u>\$ (964,100)</u>	<u>\$ –</u>	<u>\$ 374,161</u>
December 31, 2013						
Assets:						
Cash and cash equivalents	\$ 101,211	\$ 552,294	\$ –	\$ –	\$ –	\$ 653,505
Amounts owed by affiliated companies	505,602	230,335	92,000	400,000	–	1,227,937
	<u>606,813</u>	<u>782,629</u>	<u>92,000</u>	<u>400,000</u>	<u>–</u>	<u>1,881,442</u>
Liabilities:						
Bank borrowings	11	–	95,000	100,000	–	195,011
Borrowings from affiliated companies	124,881	–	–	690	–	125,571
Notes payable	–	–	–	1,379,100	–	1,379,100
	<u>124,892</u>	<u>–</u>	<u>95,000</u>	<u>1,479,790</u>	<u>–</u>	<u>1,699,682</u>
Net	<u>\$ 481,921</u>	<u>\$ 782,629</u>	<u>\$ (3,000)</u>	<u>\$ (1,079,790)</u>	<u>\$ –</u>	<u>\$ 181,760</u>

Fiat Chrysler Finance North America, Inc.
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)

Notes to Financial Statements (continued)
(Expressed in U.S. Dollars in Thousands)

10. Information on Financial Risks (continued)

The derivatives reflected for liquidity risk below are stated in nominal amount and do not imply exchange of notional amounts. Their maturity profile is as follows:

	On Demand	Less Than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
December 31, 2014						
Interest Rate Swaps	\$ -	\$ -	\$ -	\$ 789,165	\$ -	\$ 789,165
Cross Currency Swaps	-	-	-	574,030	-	574,030
Forward Foreign Exchange Swaps	-	1,071,790	147,923	-	-	1,219,713
Total Derivatives	\$ -	\$ 1,071,790	\$ 147,923	\$ 1,363,195	\$ -	\$ 2,582,908

	On Demand	Less Than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
December 31, 2013						
Interest Rate Swaps	\$ -	\$ -	\$ 2,000	\$ 896,415	\$ -	\$ 898,415
Cross Currency Swaps	-	-	-	574,030	-	574,030
Forward Foreign Exchange Swaps	-	344,198	516,608	-	-	860,806
Total Derivatives	\$ -	\$ 344,198	\$ 518,608	\$ 1,470,445	\$ -	\$ 2,333,251

The Company's financial guarantees are counter guaranteed by Fiat Chrysler Automobiles Group Affiliates on behalf of which the financial guarantees have been issued. Their maturity profile is as follows:

	On Demand	Less Than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
December 31, 2014						
Financial guarantees	\$ -	\$ 6,725	\$ 4,509	\$ -	\$ -	\$ 11,234

	On Demand	Less Than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
December 31, 2013						
Financial guarantees	\$ -	\$ 3,393	\$ 3,847	\$ -	\$ -	\$ 7,240

Fiat Chrysler Finance North America, Inc.
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)

Notes to Financial Statements (continued)
(Expressed in U.S. Dollars in Thousands)

10. Information on Financial Risks (continued)

Interest Rate Risk – The Company provides fixed rate medium and long term financing to certain affiliated companies. The interest rate profile of our liabilities may not necessarily match that of these specific assets. In order to manage these risks, the Company uses interest rate swaps with the object of mitigating, under economically acceptable conditions, the potential variability of interest rates.

Sensitivity Analysis

In assessing the potential impact of changes in interest rates, the Company separates fixed rate financial instruments (for which the impact is assessed in terms of fair value) from floating rate financial instruments (for which the impact is assessed in terms of cash flows).

The fixed rate financial instruments consist of loans granted to affiliated companies and notes payable.

The potential loss in fair value of fixed rate financial instruments (including the effect of interest rate derivative financial instruments) resulting from a hypothetical, unfavorable and instantaneous change of 10% in market interest rates, would have resulted in a charge to income of approximately \$551 thousand and \$3.1 million at December 31, 2014 and 2013, respectively. The increase of the impact is due to the change in the fix/floating mix of the funding.

Floating rate financial instruments mainly include loans granted to affiliated companies.

A hypothetical, unfavorable and instantaneous change of 10% in short-term interest rates applied to floating rate financial assets and liabilities and derivatives financial instruments, would have resulted in a charge to income of approximately \$431 thousand and \$85 thousand at December 31, 2014 and 2013, respectively.

Fiat Chrysler Finance North America, Inc.
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)

Notes to Financial Statements (continued)
(Expressed in U.S. Dollars in Thousands)

11. Income Taxes

The components of income tax expense for the years ended December 31, 2014 and 2013 are as follows:

	Year Ended December 31	
	2014	2013
	<i>(USD in Thousands)</i>	
Current tax expense:		
Federal	\$ 1,926	\$ 608
State and local	1,420	395
Deferred tax expense	87	41
Total income tax expense	\$ 3,433	\$ 1,044

The differences between the theoretical rate and the Company's effective tax rate are mainly attributable to non-deductible permanent differences. This resulted in a theoretical tax rate of 46.36% as opposed to an effective tax rate of 48.31% and 47.12% at December 31, 2014 and 2013, respectively. As a result of differences between book and tax basis, the Company has recorded a deferred tax asset of \$4.8 million and \$4.5 million related to certain derivative contracts and a deferred tax asset of \$437 thousand and \$525 thousand related to other items at December 31, 2014 and 2013, respectively.

Tax effect on income recognized in the cash flow hedge reserve had a positive impact of \$1.8 million versus a negative impact of \$727 thousand in 2014 and 2013, respectively.

12. Stockholder's Equity

The share capital of the Company amounts to USD 190,090 represented by 380 shares fully subscribed and paid up with no nominal value. As of December 31, 2014 and 2013, a cash flow hedge reserve of \$(5.6) million and \$(5.3) million (net of tax) was recorded to be released upon the maturing interest portions of the notes payable, respectively. The Company is not subject to any specific constraints on equity within its course of business. Management believes that the capital structure of the Company is fully adequate to its operations.

Fiat Chrysler Finance North America, Inc.
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)

Notes to Financial Statements (continued)
(Expressed in U.S. Dollars in Thousands)

13. Transactions With Affiliated Parties

Cash management services provided by the Company are funded primarily from the receipt of excess cash from affiliated companies, capital market transactions, and revolving credit lines from third parties; such balances are used for investment and for the financing of the working capital needs of other affiliated companies. Amounts owed by affiliated companies consist of short term loans maturing within one year and medium term loans maturing over one to two years. Borrowings from affiliated companies consist of short term loans maturing within one year. For transactions having a duration of less than or equal to one year it is believed that the carrying value approximates the fair value. For transactions having duration of more than one year they are reported at fair value. They are carried out at arm's length, considering the services rendered.

Fiat Chrysler Finance North America, Inc.
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)

Notes to Financial Statements (continued)
(Expressed in U.S. Dollars in Thousands)

13. Transactions With Affiliated Parties (continued)

The impact on the financial statements of transactions with affiliates appears below:

	Year Ended December 31	
	2014	2013
Interest income	\$ 46,530	\$ 43,813
Other income	880	870
Interest expense	581	309
Other expenses	444	453
Net result on hedging and trading activities	1,487	19,405
Amounts owed by affiliated companies	1,736,574	1,238,620
Financial derivatives – at positive fair value	6,583	47,487
Borrowings from affiliated companies	216,842	125,604
Financial derivatives – at negative fair value	241	–

14. Operating Lease

The Company has entered into a lease agreement for office space commencing on June 1, 2011 expiring July 31, 2016. The Company does not have the option to automatically renew at the end of the initial lease term. Management expects that in the normal course of business, the operating lease will be renewed or replaced.

In 2014, the minimum rental commitments are as follows:

2015	227
2016	132
Total minimum lease payments	\$ 359

In 2013, the minimum rental commitments are as follows:

2014	\$ 225
2015	227
2016	132
Total minimum lease payments	\$ 584

Fiat Chrysler Finance North America, Inc.
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)

Notes to Financial Statements (continued)
(Expressed in U.S. Dollars in Thousands)

15. Interest Income and Interest Expense

Interest income is comprised of interest on cash and cash equivalents, loans with affiliated parties and derivatives. Interest expense is comprised of loans with affiliated parties, loans with banks and derivatives.

16. Other Financial Income and Other Financial Expenses

Other financial income is comprised of letter of credit fees. Other financial expenses are comprised of letter of credit fees, commitment fees with banks, guarantee with affiliated companies and withholding taxes.

17. Other Income

In 2014 and 2013, other income includes an annual service fee of \$815,000 charged to CNH Industrial Finance North America, Inc. in exchange for services provided by the Company.

18. Subsequent Events

Management has evaluated subsequent events through February 13, 2015, the date these financial statements were available to be issued.

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2013 Ernst & Young LLP.
All Rights Reserved.

ey.com

