FCA CAPITAL Suisse

ANNUAL REPORT 2017

FCA CAPITAL SUISSE SA

Zürcherstrasse 111

8952 – Schlieren

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FCA CAPITAL Suisse

FCA Capital Suisse SA

Zürcherstrasse 111
8952 – SCHLIEREN
Share capital CHF 24,100,000
Identification number CH-106.002.558

DIRECTORS REPORT

The Directors present the audited Financial Statements of FCA Capital Suisse SA ("the Company") for the year ended 31 December 2017.

OVERVIEW

FCA Capital Suisse SA is a company incorporated in Switzerland with offices located in Zürcherstrasse 111, Schlieren (CH). The Company offers specialised financial services in Switzerland since 1991 providing:

- **Retail financing**: a wide range of financial and insurance services mainly for cars to private and commercial customers of the brands Fiat, Lancia, Alfa Romeo, Fiat Professional, Abarth, Jeep, Maserati and Erwin Hymer Group brands ("EHG"). The Company offers leasing or financing products and services mainly through dealers of FCA Switzerland SA ("FCAS"), Maserati (Schweiz) AG ("Maserati") and EHG. The Finplus Brand is mainly used by other dealers.
- **Dealer financing**: Stock financing for new, used and demo cars for the dealer networks of FCAS, Maserati, Ferrari S.p.A. ("Ferrari") and EHG.

The Company is a fully owned subsidiary of FCA Bank S.pA., the holding company of one of the largest car finance and leasing groups in Europe.

FCA Bank was granted a banking licence by the Bank of Italy in December 2014 and was enrolled in the register of banks and in the register of banking groups in January 2015.

The Parent company's shareholders are FCA Italy S.p.A., a Fiat Chrysler Automobiles Group company operating in the automotive sector and Crédit Agricole Consumer Finance SA, a wholly-owned subsidiary of Crédit Agricole SA operating in the consumer credit sector. FCA Italy and Crédit Agricole Consumer Finance each hold 50 per cent of the issued share capital of FCA Bank S.p.A. pursuant to a joint venture agreement signed in October 2006. The initial term of the joint venture agreement was most recently extended to 31 December 2021 with the possibility of subsequent automatic renewals for additional three year periods, unless a termination notice is served in the period from 1 January 2019 to 30 June 2019 to ensure the long term sustainability of FCA Bank Group, which will continue to benefit from the financial support of the Crédit Agricole Group.

FCA Bank operates in 17 European markets and in Morocco providing financial support for the sales of prime automotive manufacturers in Europe, such as the FCA Group (including the brands of Abarth, Alfa Romeo, Chrysler, Ferrari, Fiat, Fiat Professional, Jeep, Lancia and Maserati), Jaguar and Land Rover and for the manufacturer of motorhomes and caravans Erwin Hymer Group (EHG).

FCA Bank provides a full range of dedicated and flexible financial products and services, capable of meeting effectively all customer requirements, guaranteeing constant and careful attention to the dealer network, automobile owners and companies.

The most important activities of the FCA Bank Group in terms of size and profitability are located in Italy, Germany and the UK.

The FCA Bank Group currently has five main sources of funding: debt capital markets, credit facilities with banks, securitisations, funding from the Crédit Agricole Group and loans from the European Central Bank (ECB). The Group's Treasury department ensures liquidity and financial risk management at group level, in accordance with the FCA Bank Group's risk management policies maintaining a stable and diversified structure of sources of finance, pursuing the objective of a fully funded position in all maturity brackets and minimising exposure to counterparty, interest rate and foreign exchange risks.

The Group strategy is to:

- provide dealers with a `one-stop shop' for all their financing needs
- support incremental growth using the dealer network as a key element
- ensure an efficient commercial structure, closer to customers and the dealer network
- create a simplified organisation, with a reduction of structural costs.

ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

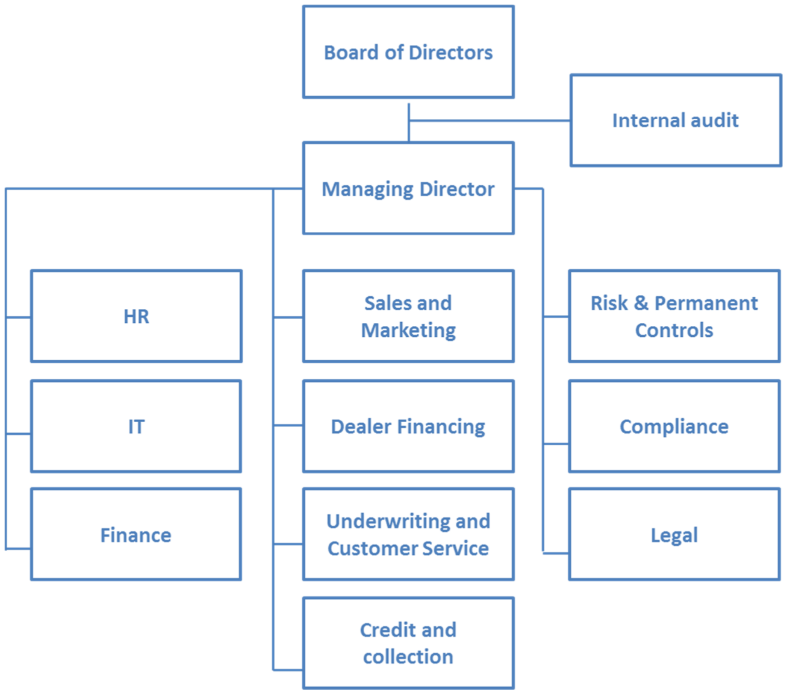
The composition of the Board of Directors of the Company at 31/12/2017 is described in the table below

Name	**First Appointment to the Board of Directors**	**Other relevant positions**
G. Carelli (Chairman)	2014	FCA Bank S.p.A., Chief Executive Officer and General Manager
F. Berra (Managing Director)	2014	FCA Capital Suisse SA, Country Manager
G. Viale	2012	FCA Bank S.p.A., Country Manager Italy
M.G. Davino	2016	FCA Switzerland SA, Managing Director

The Board of Directors meets at least on an annual basis and have, among others, the following powers and duties:

- Oversight and control on Company’s management;
- Issuing the necessary directives;
- Determine the Company’s organisation and internal control system;
- Define the Company’s risk appetite.

The current Company’s structure is regarded as adequate for the management of the Company’s business and associated risks. The organisational chart is represented in the table below:



MARKET AND PERFORMANCE

The relevant car market in Switzerland decreased by 0.3% compared to 2016, as detailed in the table below:

	2015	2016	2017	'17 vs '16
LCV	34'989	34'488	36'736	+7%
Passenger cars	323'783	317'318	314'028	-1%
Total	**358'772**	**351'806**	**350'764**	**-0.3%**

The relevant FCA brands posted overall a 23% increase versus last year whit positive results on all brands thanks to the introduction of successful new models, excluding Lancia that will no more operate in the Swiss market. Details are provided in the table below:

	2015	2016	2017	17 vs '16
Fiat Professional	3'466	3'497	3'968	+13%
Alfa Romeo	1'249	1'509	3'288	+118%
Fiat	9'025	8'757	10'352	+18%
Jeep	3'705	3'269	3'456	+6%
Lancia	127	84	4	-95%
Total FCA	**17'572**	**17'116**	**21'068**	**+23%**
Maserati	705	783	917	+17%
Total	**18'277**	**17'899**	**21'985**	**23%**

The above market trend includes registrations performed by both the national sales company and the parallel importers of vehicles from other countries, thus negatively impacting on the national sales company's turnover.

Registrations by the importers are reported below:

	2015	2016	2017	% Import on Registrations 2017
Alfa Romeo	174	171	268	8%
Fiat	1'729	1'141	1'487	14%
Jeep	192	352	185	5%
Lancia	6	3	2	50%
Total FCA	**2'698**	**1667**	**1'942**	**11%**
Total CH Import (passenger cars)	**23'120**	**21'842**	**21'489**	**7%**

Whereas registrations by parallel importers represent 7% of the Swiss registrations overall, for the FCA Brands imported vehicles represented 11% of the total registrations which are not generally targeted by the Company, showing a reduction compared to prior year (12%).

The Company originated about 11'300 financing contracts in 2017, showing a 23% increase compared to the prior year. The number of contracts paid out by product in each year is detailed in Figure 1:

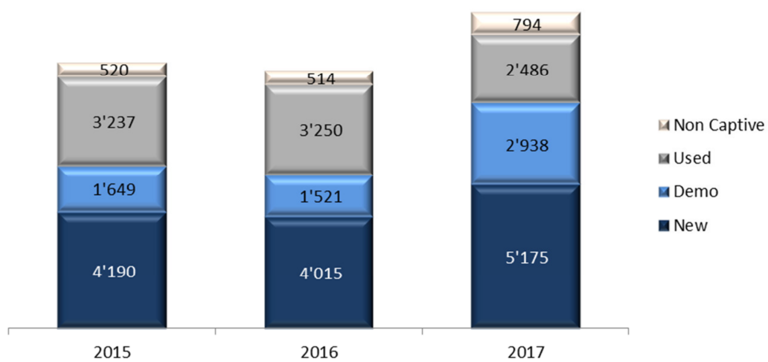


Figure 1 – New contracts

The Company financed in 2017 customers for an amount of CHF 179 million, excluding rent a car companies and dealers, increasing by 28% compared to 2016 (Figure 2).

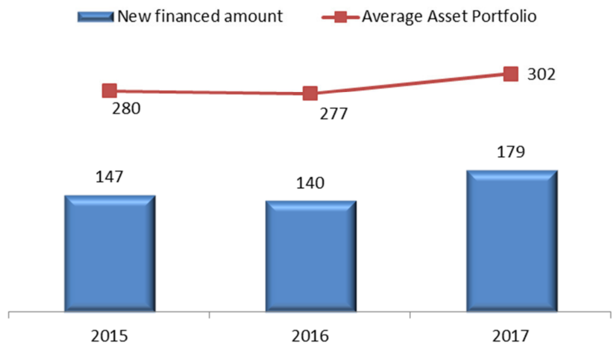


Figure 1 - Retail portfolio and new business (CHF/m)

The total average portfolio financed (as a result of a monthly average over the last year) increased. The Dealer Financing business line showed a significant increase compared to last year thanks to the increase volumes and more attractive conditions offered. The global Company's portfolio is detailed in Figure 3, showing an average loan portfolio in 2017 of CHF 417 million.

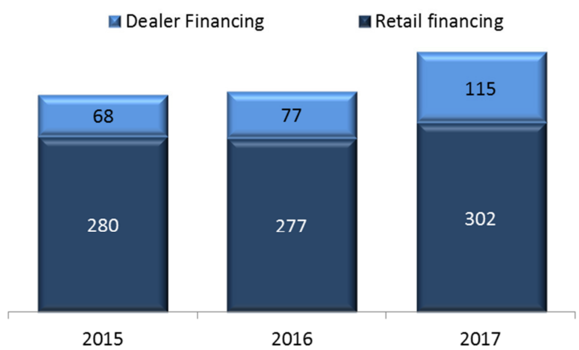


Figure 2 - Average portfolio trend

The graph in Figure 4 shows a breakdown of the Company's retail contracts in portfolio in terms of active Hire Purchase contracts (HP, payment by instalments to finance the purchase of a vehicle), , Personal Contract Plan (PCP financing repaid in instalments with a final balloon payment), personal loans (loans granted to customers for their financing needs, not necessarily linked to a vehicle) and Leasing contracts. Leasing confirms to be the most important line of business, representing at the end of 2017 above 90% of the total contracts in portfolio, which increased up to over 20,000.

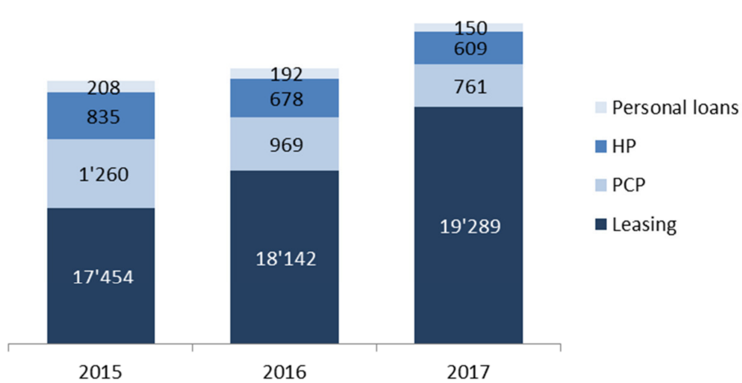


Figure 3 - Retail portfolio breakdown by contract type

In terms of volumes, at the end of 2017, the Company's net receivables from financial leases and retail and from financing to dealers totalled CHF 459 million, showing an increasing trend compared to the end of 2016, driven by an increase of both the dealer financing and retail portfolio (Figure 5).

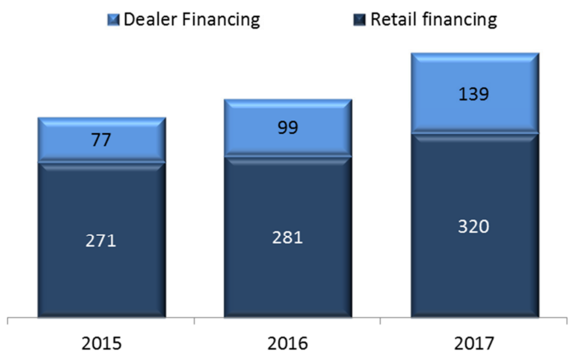


Figure 5 – Year end Portfolio

The Company's assets are funded by bilateral facilities amounting to CHF 65 million at 31/12/2017, extended by the parent company and capital market funds for CHF 275 million. The notes are listed at the SIX stock exchange and are due to mature in November 2021 for CHF 100 million and in July 2020 for CHF 175 million.
The Company is also part of a Pan-European cash pooling system in place among FCA Bank Group companies, where funds in excess can be deposited and an overdraft facility is available to finance the Company's short term funding needs. The company was borrowing CHF 43 million from the cash pooling facility at 31/12/2017.

The cost of funding paid by the Company further decreased in 2017 compared to the previous year thanks to the funding diversification strategy already initiated in 2014 and driven by the improved market conditions in Switzerland and in Europe.

The following table summarises the Company's key performance indicators based on the Statutory accounts as at 31 December 2017 and a comparison with previous year's results.

In thousands of CHF

Statutory	2017	2016
Average portfolio	**417'261**	**353'473**
Net Financial Income	23'803	21'517
Other operating costs	(3'516)	(3'060)
Net operating expenses	(9'632)	(9'916)
Cost of risk	(362)	(708)
Non-operating income/expenses	73	60
Profit before tax	**10'366**	**7'892**
Direct taxes	(750)	(116)
Net profit	**9'616**	**7'776**

The increase in net income in 2017, compared to 2016, was originated by the increasing financed volumes and the good new business profitability.

Both costs structure and risk performance were maintained at very low levels, leading to a positive and sustainable performance.

The Directors regard the financial performance of the Company in the financial year as satisfactory.

During the year under review, FCA Capital Suisse employed 53 headcount employees on average.

The Company is subject to certain claims and is party to a number of legal proceedings relating to the ordinary course of its business. Although it is difficult to predict the outcome of such claims and proceedings with certainty, the Company believes that liabilities related to such claims and proceedings are unlikely to have, in the aggregate, material effects on its financial position or profitability.

The Company is involved in legal disputes in connection with a former business partner who is now bankrupt. Provisions and value adjustments were made for all expected losses and costs. As in every legal dispute there are uncertainties about the outcome.

On 15 July 2014, the Swiss Competition Commission (Wettbewerbskommission) publicly announced the initiation of an investigation proceeding related to car lease financing activities in Switzerland and involving certain automotive captive financing companies (nine in total). The Company is one of the companies subject to the investigation.

In case of a severe competition law infringement, the Competition Commission may, in accordance with the relevant antitrust law, impose sanctions. Such sanctions are dependent on the duration, the severity and the nature of the violation. The potential maximum fine may amount to up to 10% of the turnover achieved by the Company in the last three fiscal years on the relevant markets in Switzerland. On the basis of a legal assessment, the Company currently concludes that a payment of a fine (or payments referring to related charges such as administrative sanctions or procedural costs) is rather unlikely. It has therefore not recognized any provisions in the accounts.

RISK ASSESSMENT

Once a year, a risk assessment is being carried out by the management of the Company in order to identify significant risks to which the Company is exposed and assess their probability of occurrence and their potential impact. On the basis of appropriate measures adopted by the Board of Directors, the identified risks can be either taken, according to the Company's risk appetite, or avoided, reduced or transferred to third parties.

The Company's operating results, financial conditions and cash flows are primarily affected by several macroeconomic factors including changes in GDP, consumer and business confidence, interest-rate trends and unemployment.

Therefore, according to the nature of the Company's activities the Directors have identified the following risks:

TYPE OF RISK	Relevant
Credit	Yes
Operational	Yes
Concentration	Yes
Interest rate	Yes
Liquidity	Yes
Strategic	Yes
Reputational	Yes
Exchange rate	Yes
Compliance	Yes
Market	No

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation. The level of credit risk on the portfolio is influenced primarily by the following factors: the total number of contracts that might default and the amount of loss per occurrence, which in turn are influenced by various economic factors.

Credit risk management is organized on the basis of the model and procedures approved by FCA Bank S.p.A.'s Board of Directors and generally applicable to the subsidiaries.

Coherently, the Company manages the credit risk through a system of local Committees, credit policies, authority levels and operational limits according to the Group requirements.

Specifically, the following Committes have been established with the aim to monitor and control the credit risk:

- The Credit Committee, with governance on the credit risk policies, credit scorecards, credit approval limits, review and analysis of risk performance and credit approval requests, within its delegation of power.
- The Residual Value Committee, with the mission to determine the applicable Residual value for the financed vehicles' models.
- The Bad Debt Provisioning Internal Committee, approving the bad loans provisions and the resulting total cost of risk.

With reference to the tools implemented to mitigate the Credit risk, the Company adopts systems of Credit scoring both for the Dealer Financing business and for the Retail Financing, together with the management and monitoring of a watch list for critical counterparties.

Finally, the Local Credit Manual embodies the guidelines of the Central Credit Manual and specifies the definition of the criteria and standards concerning credit rules, customer requirements, credit analysis, documentation and disbursement, the administration and credit enhancements necessary to help decision-makers to select customers suited to the type of instalment loan offered by the Company.

Operational risk

The Company is exposed to the operational risk which is the risk of losses arising from the inadequacy or failure of procedures, resources and internal systems or external events. It includes legal risk but not strategic and reputation risk.

The Company manages its operational risks with processes and procedures to identify, monitor and mitigate such risks: operational risks are mapped and specific actions are taken to minimize them.

In particular, the operational risk management model consists of the following processes:

- mapping of operational risks by process,
- recording of loss events with quarterly frequency
- analysis and classification of risk and loss events and definition, where necessary, of risk control and mitigation actions.

Concentration risk

The Concentration risk is the risk associated with the exposure to counterparties, groups of related counterparties and counterparties operating in the same industry or carry out the same activity or belonging to the same geographical area.

The Company measures its concentration risk to counterparties or groups of related counterparties for its loan portfolio by monitoring on a monthly basis its largest exposures.

Furthermore, within the yearly risk assessment process, the so-called Granularity Adjustment (GA) method is applied to measure the portfolio concentration.

Interest rate risk

The interest rate risk is defined as the risk associated with potential changes in interest rates.

More specifically, it arises from any mismatch between the re-pricing dates of assets and liabilities (the date on which interest rates are reset is the maturity date for fixed-rate loans and the end of the interest period for floating-rate loans).

To manage interest rate risk, the Company operates in coordination to Central Treasury to neutralize/minimize the impact of interest rate volatility on the Company's assets and liabilities.

Interest rate risk is monitored through the duration gap analysis – by comparing the duration of the Company's asset portfolio with that of its financial liabilities – to ensure that the difference between the two is kept within pre-established limits.

Liquidity risk

Liquidity risk refers to the Company's inability to meet its financial obligations as they come due and payable.

The Company identifies and manages the liquidity risk in coordination with Central Treasury which is responsible for all of the Group companies' cash management activities and funding transactions.

Coherently, the Company covers the liquidity risk by matching the maturities of its assets and its liabilities by amounts and tenor, according to the Group Policy and guidance.

Exchange rate risk

The exchange rate risk is defined as the risk associated with potential changes in cross currency exchange rates to the extent that part of the Company's economic results is recognized in currencies other than Swiss Francs.

The Company manages its foreign exchange risk exposures aligning assets and liabilities denominated in currencies other than Swiss Francs or through the use of financial hedging instruments.

Strategic risk

The strategic risk is the risk related to the capacity of the Company to accomplish its goals.

The Company's business is substantially and mainly dependent upon the sales of vehicles produced by FCA and Maserati and upon its ability to offer competitive financing in its market place.

The Company monitors the Strategic risk with a set of qualitative scorecards in order to assess and mitigate such risks.

The management Committee reviews regularly the commercial, risk and financial results and the status of significant projects.

Reputational risk

The reputational risk is defined as the risk related to potential losses resulting from damages to the Company's image by customers, counterparties, shareholders, investors or supervision authorities.

The Company feels that reputation risk might be considered a "subordinated" risk, i.e. a consequence that might result from different types of risk with an impact also on its image.

In setting out its operating procedures, the Company takes into account possible reputational consequences.

Non-compliance risk

Non-compliance risk refers to the risk of incurring into judicial or administrative sanctions, significant financial losses or reputational damages following a breach of imperative norms (laws, rules, regulations) or self-regulation (e.g. bylaws, codes of conduct, codes of ethics).

The Compliance function of the Company oversees the compliance risk management of the whole company's rules and regulations according to a risk based approach and taking into account any expected regulatory evolution, best practices and shareholders' guidelines. It establishes second level controls in order to verify that rules and regulations are properly implemented in the company.

Market risk

Market risk refers to the risk that fair value of investments in the company's books changes due to the performance of financial markets, generating unexpected income or losses on the Company's results. As the Company does not hold investments in securities or derivatives for trading purposes, it is not exposed to such risk.

POST BALANCE SHEET EVENTS

No relevant events occurred since the closing of accounts for 2017 which might have material impact on 2017 financial position.

FUTURE PROSPECTS

The Directors expect a satisfactory profitability also in 2018, notwithstanding the risks above to which the Company is exposed, mainly the trend of demand in the relevant automotive car market; the competition from other players on the Swiss Car financing market and the credit risk performance.
The Directors regard the current organization as appropriate to sustain the business organic growth.

FCA CAPITAL Suisse

RESULTS AND DIVIDENDS

The results for the year are set out in the Statement of Comprehensive Income. No dividend was paid during the year (2016: CHF Nil).

DIRECTORS' AND OFFICERS' INTERESTS

None of the Directors nor the Company secretary has any interests in the share capital of the Company at the beginning or end of the year ended 31 December 2017.

Signed on behalf of the Board:

) DIRECTORS

)

Date: 13 February 2018

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FINANCIAL STATEMENTS

FCA CAPITAL SUISSE SA

Zürcherstrasse 111

8952 – Schlieren

31/12/2017

FCA CAPITAL SUISSE SA, SCHLIEREN

BALANCE SHEET AS OF 31 DECEMBER 2017

(in Swiss francs)

ASSETS	Note	31.12.2017	31.12.2016
Current assets			
Cash		2'361'419	541'864
Trade receivables		225'919'530	195'827'308
due from third parties		220'477'188	189'951'138
from financial leases & retail	5.	79'124'578	89'185'365
from financing to dealers	4.	139'317'072	99'492'663
other trade receivables		2'035'538	1'273'110
due from group companies & shareholders		5'442'342	5'876'170
from financial leases & retail	5.	2'708'967	2'409'647
from financing to dealers	4.	2'009'774	2'948'604
other trade receivables		723'601	517'919
Accrued income and prepaid expenses		5'414'174	4'120'639
Total current assets		**233'695'123**	**200'489'812**
Non-current assets			
Financial assets		9'329	244'542
Receivables from financial leases & retail	5.	238'123'558	189'621'748
due from third parties		236'171'580	188'047'125
due from group companies & shareholders		1'951'978	1'574'624
Property, plant and equipment		736'516	523'754
Intangible assets		449'919	521'976
Total non-current assets		**239'319'323**	**190'912'021**
TOTAL ASSETS		**473'014'446**	**391'401'833**

FCA CAPITAL Suisse

FCA CAPITAL SUISSE SA, SCHLIEREN

BALANCE SHEET AS OF 31 DECEMBER 2017

(in Swiss francs)

LIABILITIES AND SHAREHOLDERS' EQUITY	**Note**	**31.12.2017**	**31.12.2016**
Short-term liabilities			
Trade payables		15'909'569	6'989'109
due to third parties		14'298'397	5'492'377
due to group companies, shareholders and members of the governing bodies		1'611'171	1'496'732
Short-term interest-bearing liabilities		108'345'264	221'418'498
due to third parties		1'774	125'000'000
Bank overdraft to third parties		1'774	0
Short term loans to third parties	7.	0	125'000'000
due to group companies and shareholders		108'343'490	96'418'498
Bank overdraft		43'343'490	36'418'498
Short term loans		65'000'000	60'000'000
Other short-term liabilities third parties		247'374	186'753
Accrued expenses and deferred income		4'960'373	3'814'340
Total current liabilities		**129'462'580**	**232'408'699**
Long-term liabilities			
Long-term interest-bearing liabilities	10.	275'000'000	100'000'000
due to third parties	8.	275'000'000	100'000'000
due to group companies and shareholders		0	0
Long-term provisions		290'000	346'859
Total non-current liabilities		**275'290'000**	**100'346'859**
Total liabilities		**404'752'580**	**332'755'558**
Shareholders' equity			
Share capital		24'100'000	24'100'000
General statutory reserves		8'484'414	8'484'414
Voluntary retained earnings		35'677'452	26'061'861
Balance brought forward		26'061'861	18'285'829
Profit for the year		9'615'591	7'776'032
Total shareholders' equity		**68'261'866**	**58'646'275**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**473'014'446**	**391'401'833**

FCA CAPITAL Suisse

FCA CAPITAL SUISSE SA, SCHLIEREN

PROFIT & LOSS STATEMENT 2017

(in Swiss francs)

Profit & Loss Statement	**Note**	**2017**	**2016**
Financial income from leasing		20'190'765	20'052'210
Financial income from dealer financing		5'608'141	3'829'393
Other income from leasing & retail		588'910	769'974
Financial income		**26'387'816**	**24'651'577**
Financial costs		-2'584'356	-3'133'997
Net financial income		**23'803'460**	**21'517'581**
Commission expenses		-2'938'485	-2'648'528
Losses and provision for bad debts, net		-362'451	-708'174
Other operating costs		-577'965	-412'212
Gross Profit		**19'924'559**	**17'748'667**
Personnel expenses		-6'108'019	-6'066'251
General and administration		-3'073'288	-3'476'403
Depreciation & valuation adjustment of fixed assets		-450'979	-373'688
Earnings before taxes		**10'292'274**	**7'832'325**
Non-operating income		84'750	63'906
Non-operating expenses		-11'151	-3'887
PROFIT/LOSS BEFORE TAXES		**10'365'873**	**7'892'344**
Direct taxes		-750'282	-116'312
PROFIT FOR THE YEAR		**9'615'591**	**7'776'032**

FCA CAPITAL Suisse

FCA CAPITAL SUISSE SA, SCHLIEREN

CASH FLOW STATEMENT 2017

(in Swiss francs)

Cash flow statement	**2017**	**2016**
Profit for the year (loss)	**9'615'591**	**7'776'032**
Depreciation and valuation adjustments to fixed assets	450'979	373'688
Net increase/decrease in long-term provisions	-56'859	-738'789
Net increase/decrease in receivables from financial leases &retail	-38'740'343	-9'256'527
Net increase/decrease in receivables from financing to dealers	-38'885'580	-25'199'081
Net increase/decrease in other trade receivables	-968'109	-88'108
Net increase/decrease in financial assets	235'213	-22
Net increase/decrease in inventories and uninvoiced services	0	0
Net increase/decrease in accrued income and prepaid expenses	-1'293'535	-182'503
Net increase/decrease in accounts payable trade	8'920'460	1'373'411
Net increase/decrease in other current liabilities (excluding financial liabilities)	60'622	-1'209'010
Net increase/decrease in accrued expenses and deferred income	1'146'033	179'955
Profit / loss on sale of property, plant and equipment	-73'142	-58'137
Other non-cash income and expenses	0	0
Cash flow from operating activities	**-59'588'670**	**-27'029'092**
Purchases of property, plant and equipment	-664'162	-760'257
Proceeds from property, plant and equipment	209'918	154'514
Purchases of financial assets	0	0
Proceeds from financial assets	0	0
Purchases of intangible assets	-64'297	0
Proceeds from intangible assets	0	0
Cash flow from investing activities	**-518'541**	**-605'743**
Net increase/decrease in short-term financial liabilities	11'926'766	-72'181'529
Net increase/decrease in long-term financial liabilities - third parties	0	0
Net increase/decrease in long-term financial liabilities - shareholders	0	0
Decrease in long-term financial liabilities - bond	-125'000'000	100'000'000
Increase in long-term financial liabilities - bond	175'000'000	0
Repayment of debt principal/payment of dividends	0	0
Proceeds from capital increase	0	0
Purchase of treasury shares	0	0
Sale of treasury shares	0	0
Cash flow from financing activities	**61'926'766**	**27'818'471**
Net increase/decrease in cash and cash equivalents	**1'819'555**	**183'635**
Statement of net increase/decrease in cash and cash equivalents		
As at January 1	541'864	358'229
As at December 31	2'361'419	541'864
Net increase/decrease in cash and cash equivalents	**1'819'555**	**183'635**

FCA CAPITAL Suisse

FCA CAPITAL SUISSE SA, SCHLIEREN

NOTES AS OF 31 DECEMBER 2017

1. General

FCA Capital Suisse SA, located in Zurcherstrasse 111, Schlieren (CH), is a wholly owned subsidiary of FCA Bank S.p.A., Italy, which is a 50-50 joint-venture between FCA Italy S.p.A. and Crédit Agricole Consumer Finance SA. The Company provides specialised financial services to customers and dealers (mainly Fiat, Alfa Romeo, Lancia, Jeep, Maserati and Ferrari) and its principal activities are leasing and stock financing of cars.

2. Accounting principles

The financial statements are prepared in accordance with the provisions of the Swiss Code of Obligations.

3. Changes in the accounting principle

In the prior years certain commissions related to the sale of insurance products were directly recognised as an income. Since 1 October 2016, they are capitalized and amortized over the duration of the financing.

4. Receivables from financing to dealers

	31.12.2017	31.12.2016
Gross receivables	142'584'782	102'750'743
Less: Allowance for doubtful debtors	-3'267'710	-3'258'080
Trade receivables from financing to dealers	139'317'072	99'492'663

5. Receivables from financial leases & retail

	31.12.2017	31.12.2016
Leasing contract	226'036'671	201'694'745
Residual value of leased vehicle	137'071'515	117'396'617
Leasing deposit	-147'075	-150'709
Unearned income	-33'836'550	-28'445'883
Less: Allowance for doubtful debtors	-9'167'457	-9'278'010
Receivables from financial leases & retail, net	319'957'104	281'216'760
thereof:		
- current financial lease assets	81'833'545	91'595'012
- non-current financial lease assets	238'123'558	189'621'748

6. Liabilities to pension fund

	31.12.2017	31.12.2016
	0	0

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NOTES AS OF 31 DECEMBER 2017

7. Bond matured	**31.12.2017**	**31.12.2016**
Interest rate: p.a. 1.50% Issue date: 25.07.2014 Maturity date: 25.07.2017	0	125'000'000

8. Bonds issued	**31.12.2017**	**31.12.2016**
Interest rate: p.a. 0.20% Issue date: 25.07.2017 Maturity date: 24.07.2020	175'000'000	0
Interest rate: p.a. 0.75% Issue date: 29.06.2016 Maturity date: 29.11.2021	100'000'000	100'000'000
Total bonds issued	275'000'000	100'000'000

9. Net release of hidden reserves	**31.12.2017**	**31.12.2016**
	0	0

10. Maturity structure of the interest bearing liabilities	**31.12.2017**	**31.12.2016**
Long-term loans (maturity < 5 year)	-275'000'000	-100'000'000

11. Fees paid to the auditor	**31.12.2017**	**31.12.2016**
Audit services	140'000	142'800
Other services	0	0

12. Full time positions

The number of full-time equivalents was higher than 50 and did not exceed 250 on an annual average basis both in 2016 and 2017.

13. Long term obligations	**31.12.2017**	**31.12.2016**
Rent	648'213	883'830

14. Legal disputes

The Company is involved in a number of legal disputes in connection with a former business partner who is now bankrupt. Provisions and value adjustments have been made for all expected losses and costs.
As in every legal dispute there are uncertainties about the outcome.

On 15 July 2014, the Swiss Competition Commission (Wettbewerbskommission) publicly announced the initiation of an investigation proceeding related to car lease financing activities in Switzerland and involving certain automotive captive financing companies. FCA Capital Suisse SA is one of the companies subject to the investigation.
In case of a severe competition law infringement, the Competition Commission may, in accordance with the relevant antitrust law, impose sanctions. Such sanctions are dependent on the duration, the severity and the nature of the violation. The potential maximum fine may amount to up to 10% of the turnover achieved by the Company in the last three fiscal years on the relevant markets in Switzerland. On the basis of a legal assessment, the Company currently concludes that a payment of a fine (or payments referring to related charges such as administrative sanctions or procedural costs) is rather unlikely. It has therefore not recognized any provisions in the accounts.

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APPROPRIATION OF AVAILABLE EARNINGS

(Proposal by the Board of Directors)

APPROPRIATION OF AVAILABLE EARNINGS

	31.12.2017	31.12.2016
Balance brought forward	26'061'861	18'285'829
Profit for the year	9'615'591	7'776'032
Available earnings	**35'677'452**	**26'061'861**
Dividend	0	0
Allocation to general legal reserves	0	0
Balance to be carried forward	**35'677'452**	**26'061'861**

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To the General Meeting of
FCA Capital Suisse SA, Schlieren

Berne, 15 March 2018

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of FCA Capital Suisse SA, which comprise the balance sheet, profit & loss statement, cash flow statement and notes (pages 15 to 21 of this annual report), for the year ended 31 December 2017.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from 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 the internal control system relevant to the entity's preparation 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 system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, 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 for the year ended 31 December 2017 comply with Swiss law and the company's articles of incorporation.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Recoverability and valuation of trade receivables and receivables from financial leases & retail and trade receivables from financing to dealers

Area of focus	As of 31 December 2017, trade receivables and receivables from financial leases & retail and trade receivables from financing to dealers accounted for the most material portion to the assets of FCA Capital Suisse SA with CHF 461.3 million (97.5%). The respective valuation of the allowance for doubtful debtors includes estimations by FCA Capital Suisse SA. The recoverability and valuation of trade receivables and receivables from financial leases & retail and trade receivables from financing to dealers therefore represented an area of focus for our audit. Trade receivables and receivables from financial leases & retail are initially recognized at cost. Subsequently, they are measured at cost less amortization payments received. On the maturity date, the receivable is valued at the residual value as determined in the lease contract. A Group wide used tool calculates an appropriate allowance for doubtful debtors for each contract based on Group wide empirical data. Additionally, the allowance for doubtful debtors for trade receivables and receivables from financial leases & retail includes a discretionary amount estimated by FCA Capital Suisse SA. As of 31 December 2017, the allowance for doubtful debtors for trade receivables and receivables from financial leases & retail amounted to CHF 9.2 million. Trade receivables from financing to dealers are initially recognized at cost. Dealer financing mainly comprises financing of cars presented at the showroom of the dealers. FCA Capital Suisse SA monitors dealers' exposures on a monthly basis. It applies a rating methodology predefined on Group level to calculate a rating for each dealer. The Credit Committee of FCA Capital Suisse SA applies this rating, among other information such as overdue payments, to determine the valuation of respective allowance for doubtful debtors. As of 31 December 2017, the allowance for doubtful debtors for trade receivables from financing to dealers amounted to CHF 3.3 million. We refer to note 4 and to note 5 of the financial statements as of 31 December 2017.

Our audit response

We assessed the design and we tested on a sample basis the operating effectiveness of the controls over the granting and the monitoring processes for trade receivables and receivables from financial leases & retail as well as for trade receivables from financing to dealers. We tested the input data to the Group wide used tool and to the rating calculation on a sample basis and we assessed the estimation made by FCA Capital Suisse SA in determining the discretionary amount for the allowance for doubtful debtors. We tested the valuation of allowance for doubtful debtors with regard to trade receivables and receivables from financial leases & retail and with regard to trade receivables from financing to dealers on a sample basis.
Additionally, we assessed the applied accounting and valuation principles and the disclosures in the notes to the financial statements.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Roland Huwiler	Dominic Huser
Licensed audit expert	Licensed audit expert
(Auditor in charge)	