# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**WASHINGTON, D.C. 20549**

# FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended June 30, 2016**

**or**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from to**

**Commission File Number: 000-55510**

# CNH INDUSTRIAL CAPITAL LLC
(Exact name of registrant as specified in its charter)

| | | |
|---|---|---|
| **Delaware**<br>(State or other jurisdiction of incorporation or organization) | | **39-1937630**<br>(I.R.S. Employer Identification Number) |
| **5729 Washington Avenue**<br>**Racine, Wisconsin**<br>(Address of principal executive offices) | **(262) 636-6011**<br>(Registrant's telephone number, including area code) | **53406**<br>(Zip code) |

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐ Yes ☒ No

As of June 30, 2016, all of the limited liability company interests of the registrant were held by CNH Industrial America LLC, a wholly-owned subsidiary of CNH Industrial N.V.

The registrant meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this Form with certain reduced disclosures as permitted by those instructions.

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* This item has been omitted pursuant to the reduced disclosure format as set forth in General Instruction (H)(2) of Form 10-Q

## PART I. FINANCIAL INFORMATION

**Item 1. Financial Statements**

### CNH INDUSTRIAL CAPITAL LLC AND SUBSIDIARIES
### CONSOLIDATED STATEMENTS OF INCOME
### FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016 AND 2015
### (Dollars in thousands)
### (Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **REVENUES** | | | | |
| Interest income on retail notes and finance leases | $ 52,729 | $ 53,028 | $106,732 | $102,151 |
| Interest income on wholesale notes | 18,468 | 20,453 | 33,484 | 39,385 |
| Interest and other income from affiliates | 102,677 | 101,494 | 202,703 | 205,648 |
| Rental income on operating leases | 60,177 | 52,178 | 119,459 | 100,986 |
| Other income | 6,588 | 7,388 | 12,179 | 11,957 |
| Total revenues | 240,639 | 234,541 | 474,557 | 460,127 |
| **EXPENSES** | | | | |
| Interest expense: | | | | |
| Interest expense to third parties | 76,578 | 65,056 | 147,662 | 128,893 |
| Interest expense to affiliates | 2,481 | 6,456 | 3,368 | 17,313 |
| Total interest expense | 79,059 | 71,512 | 151,030 | 146,206 |
| Administrative and operating expenses: | | | | |
| Fees charged by affiliates | 11,119 | 12,006 | 22,836 | 24,879 |
| Provision for credit losses, net | 7,260 | 7,176 | 13,657 | 11,137 |
| Depreciation of equipment on operating leases | 60,100 | 46,099 | 117,384 | 90,672 |
| Other expenses | 12,529 | 9,157 | 15,513 | 16,656 |
| Total administrative and operating expenses | 91,008 | 74,438 | 169,390 | 143,344 |
| Total expenses | 170,067 | 145,950 | 320,420 | 289,550 |
| **INCOME BEFORE TAXES** | 70,572 | 88,591 | 154,137 | 170,577 |
| Income tax provision | 24,143 | 30,673 | 50,487 | 58,948 |
| **NET INCOME** | 46,429 | 57,918 | 103,650 | 111,629 |
| Net income attributed to noncontrolling interest | — | — | — | (259) |
| **NET INCOME ATTRIBUTABLE TO CNH INDUSTRIAL CAPITAL LLC** | $ 46,429 | $ 57,918 | $103,650 | $111,370 |

See the accompanying Condensed Notes to Consolidated Financial Statements (Unaudited).

**CNH INDUSTRIAL CAPITAL LLC AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016 AND 2015**

**(Dollars in thousands)**

**(Unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **NET INCOME** | $46,429 | $57,918 | $103,650 | $111,629 |
| Other comprehensive income (loss): | | | | |
| Foreign currency translation adjustment | (626) | 18,471 | 41,623 | (44,597) |
| Pension liability adjustment | 124 | 64 | 224 | 173 |
| Change in derivative financial instruments | 855 | 514 | 888 | (566) |
| Total other comprehensive income (loss) | 353 | 19,049 | 42,735 | (44,990) |
| **COMPREHENSIVE INCOME** | 46,782 | 76,967 | 146,385 | 66,639 |
| Less: comprehensive income attributable to noncontrolling interest | — | — | — | (259) |
| **COMPREHENSIVE INCOME ATTRIBUTABLE TO CNH INDUSTRIAL CAPITAL LLC** | $46,782 | $76,967 | $146,385 | $ 66,380 |

See the accompanying Condensed Notes to Consolidated Financial Statements (Unaudited).

**CNH INDUSTRIAL CAPITAL LLC AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**AS OF JUNE 30, 2016 AND DECEMBER 31, 2015**

**(Dollars in thousands)**

**(Unaudited)**

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 168,916 | $ 302,148 |
| Restricted cash | 795,601 | 795,721 |
| Receivables, less allowance for credit losses of $87,636 and $94,724, respectively | 11,432,740 | 11,637,025 |
| Affiliated accounts and notes receivable | 90,280 | 171,658 |
| Equipment on operating leases, net | 1,840,569 | 1,796,501 |
| Equipment held for sale | 173,464 | 161,340 |
| Goodwill | 109,708 | 107,935 |
| Other intangible assets, net | 7,694 | 8,476 |
| Other assets | 28,555 | 47,210 |
| **TOTAL** | $14,647,527 | $15,028,014 |
| **LIABILITIES AND STOCKHOLDER'S EQUITY** | | |
| Liabilities: | | |
| Short-term debt (including current maturities of long-term debt) | $ 5,133,417 | $ 5,031,218 |
| Accounts payable and other accrued liabilities | 783,439 | 754,678 |
| Affiliated debt | — | 22,642 |
| Long-term debt | 7,282,556 | 7,768,044 |
| Total liabilities | 13,199,412 | 13,576,582 |
| Commitments and contingent liabilities (Note 10) | | |
| Stockholder's equity: | | |
| Member's capital | — | — |
| Paid-in capital | 844,026 | 843,728 |
| Accumulated other comprehensive income (loss) | (118,803) | (161,538) |
| Retained earnings | 722,892 | 769,242 |
| Total CNH Industrial Capital LLC stockholder's equity | 1,448,115 | 1,451,432 |
| Noncontrolling interest | — | — |
| Total stockholder's equity | 1,448,115 | 1,451,432 |
| **TOTAL** | $14,647,527 | $15,028,014 |

See the accompanying Condensed Notes to Consolidated Financial Statements (Unaudited).

**CNH INDUSTRIAL CAPITAL LLC AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**AS OF JUNE 30, 2016 AND DECEMBER 31, 2015**

**(Dollars in thousands)**

**(Unaudited)**

The following table presents certain assets and liabilities of consolidated variable interest entities ("VIEs"), which are included in the consolidated balance sheets above. The assets in the table include only those assets that can be used to settle obligations of consolidated VIEs. The liabilities in the table include third-party liabilities of the consolidated VIEs, for which creditors do not have recourse to the general credit of CNH Industrial Capital LLC.

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Restricted cash | $ 795,501 | $ 795,621 |
| Receivables, less allowance for credit losses of $70,000 and $75,909, respectively | 8,394,275 | 9,064,834 |
| **TOTAL** | $9,189,776 | $9,860,455 |
| Short-term debt (including current maturities of long-term debt) | $4,102,936 | $4,517,207 |
| Long-term debt | 4,325,487 | 4,782,808 |
| **TOTAL** | $8,428,423 | $9,300,015 |

See the accompanying Condensed Notes to Consolidated Financial Statements (Unaudited).

**CNH INDUSTRIAL CAPITAL LLC AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015**

**(Dollars in thousands)**

**(Unaudited)**

| | 2016 | 2015 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net income | $ 103,650 | $ 111,629 |
| Adjustments to reconcile net income to net cash from operating activities: | | |
| Depreciation on property and equipment and equipment on operating leases | 117,402 | 90,690 |
| Amortization of intangibles | 962 | 603 |
| Provision for credit losses, net | 13,657 | 11,137 |
| Deferred income tax expense | 11,939 | 42,198 |
| Stock compensation expense | 298 | 375 |
| Changes in components of working capital: | | |
| Change in affiliated accounts and notes receivables | 82,466 | 8,303 |
| Change in other assets and equipment held for sale | 18,687 | 73,791 |
| Change in accounts payable and other accrued liabilities | 2,326 | 26,204 |
| Net cash from (used in) operating activities | 351,387 | 364,930 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Cost of receivables acquired | (4,904,288) | (6,732,217) |
| Collections of receivables | 5,223,286 | 7,097,962 |
| Change in restricted cash | 6,417 | 236,291 |
| Purchase of equipment on operating leases | (322,704) | (498,693) |
| Proceeds from disposal of equipment on operating leases | 170,565 | 141,983 |
| Change in property and equipment and software, net | (182) | (49) |
| Net cash from (used in) investing activities | 173,094 | 245,277 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from issuance of affiliated debt | 655,911 | 1,017,264 |
| Payment of affiliated debt | (678,553) | (1,879,709) |
| Proceeds from issuance of long-term debt | 2,609,372 | 2,760,549 |
| Payment of long-term debt | (2,658,250) | (2,367,558) |
| Change in short-term borrowings, net | (436,193) | — |
| Dividend paid to CNH Industrial America LLC | (150,000) | (15,000) |
| Preferred dividend paid to CNH Industrial Canada Ltd. | — | (551) |
| Redemption of preferred stock of subsidiary | — | (60,416) |
| Net cash from (used in) financing activities | (657,713) | (545,421) |
| **INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | (133,232) | 64,786 |
| **CASH AND CASH EQUIVALENTS** | | |
| Beginning of period | 302,148 | 347,987 |
| End of period | $ 168,916 | $ 412,773 |
| **CASH PAID DURING THE PERIOD FOR INTEREST** | $ 145,764 | $ 147,125 |
| **CASH PAID (RECEIVED) DURING THE PERIOD FOR TAXES** | $ (45,830) | $ 11,527 |

See the accompanying Condensed Notes to Consolidated Financial Statements (Unaudited).

**CNH INDUSTRIAL CAPITAL LLC AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY**

**FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015**

**(Dollars in thousands)**

**(Unaudited)**

| | Company Stockholder | | | | | |
|---|---|---|---|---|---|---|
| | **Member's Capital** | **Paid-in Capital** | **Accumulated Other Comprehensive (Loss) Income** | **Retained Earnings** | **Non-Controlling Interest** | **Total** |
| **BALANCE—January 1, 2015** | $— | $843,250 | $ (49,928) | $ 746,758 | $ 35,852 | $1,575,932 |
| Net income | — | — | — | 111,370 | 259 | 111,629 |
| Dividend paid to CNH Industrial America LLC | — | — | — | (15,000) | — | (15,000) |
| Preferred dividend paid to CNH Industrial Canada Ltd | — | — | — | — | (551) | (551) |
| Redemption of preferred stock of subsidiary | — | — | — | (24,856) | (35,560) | (60,416) |
| Foreign currency translation adjustment | — | — | (44,597) | — | — | (44,597) |
| Stock compensation | — | 375 | — | — | — | 375 |
| Pension liability adjustment, net of tax | — | — | 173 | — | — | 173 |
| Change in derivative financial instruments, net of tax | — | — | (566) | — | — | (566) |
| **BALANCE—June 30, 2015** | $— | $843,625 | $ (94,918) | $ 818,272 | $ — | $1,566,979 |
| **BALANCE—January 1, 2016** | $— | $843,728 | $(161,538) | $ 769,242 | $ — | $1,451,432 |
| Net income | — | — | — | 103,650 | — | 103,650 |
| Dividend paid to CNH Industrial America LLC | — | — | — | (150,000) | — | (150,000) |
| Foreign currency translation adjustment | — | — | 41,623 | — | — | 41,623 |
| Stock compensation | — | 298 | — | — | — | 298 |
| Pension liability adjustment, net of tax | — | — | 224 | — | — | 224 |
| Change in derivative financial instruments, net of tax | — | — | 888 | — | — | 888 |
| **BALANCE—June 30, 2016** | $— | $844,026 | $(118,803) | $ 722,892 | $ — | $1,448,115 |

See the accompanying Condensed Notes to Consolidated Financial Statements (Unaudited).

## NOTE 1: BASIS OF PRESENTATION

CNH Industrial Capital LLC and its primary operating subsidiaries, including New Holland Credit Company, LLC ("New Holland Credit"), CNH Industrial Capital America LLC ("CNH Industrial Capital America"), and CNH Industrial Capital Canada Ltd. ("CNH Industrial Capital Canada") (collectively, "CNH Industrial Capital" or the "Company"), are each a subsidiary of CNH Industrial America LLC ("CNH Industrial America"), which is an indirect wholly-owned subsidiary of CNH Industrial N.V. ("CNHI" and, together with its consolidated subsidiaries, "CNH Industrial"). CNH Industrial America and CNH Industrial Canada Ltd. (collectively, "CNH Industrial North America") design, manufacture, and sell agricultural and construction equipment. CNH Industrial Capital provides financial services for CNH Industrial North America dealers and end-use customers primarily located in the United States and Canada.

CNHI is incorporated in and under the laws of The Netherlands. CNHI has its corporate seat in Amsterdam, The Netherlands, and its principal office in London, England. The common shares of CNHI are listed on the New York Stock Exchange under the symbol "CNHI," as well as on the Mercato Telematico Azionario managed by Borsa Italiana S.p.A.

The Company has prepared the accompanying consolidated financial statements in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information, which should be read in conjunction with the audited financial statements in its Annual Report on Form 10-K for the year ended December 31, 2015. Certain financial information that is normally included in annual financial statements prepared in conformity with U.S. GAAP, which is not required for interim reporting purposes, has been condensed or omitted. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of our interim unaudited financial statements have been reflected.

The consolidated financial statements include the Company and its consolidated subsidiaries. The consolidated financial statements are expressed in U.S. dollars. The consolidated financial statements include the accounts of the Company's subsidiaries in which the Company has a controlling financial interest and reflect the noncontrolling interests of the minority owners of the subsidiaries that are not fully owned for the periods presented, as applicable. A controlling financial interest may exist based on ownership of a majority of the voting interest of a subsidiary, or based on the Company's determination that it is the primary beneficiary of a variable interest entity ("VIE"). The primary beneficiary of a VIE is the party that has the power to direct the activities that most significantly impact the economic performance of the entity and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the entity. The Company assesses whether it is the primary beneficiary on an ongoing basis, as prescribed by the accounting guidance on the consolidation of VIEs. The consolidated status of the VIEs with which the Company is involved may change as a result of such reassessments.

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and reported amounts of revenues and expenses. Significant estimates in these consolidated financial statements include the allowance for credit losses and residual values of equipment on operating leases. Actual results could differ from those estimates.

## NOTE 2: NEW ACCOUNTING PRONOUNCEMENTS

***New Accounting Pronouncements Adopted in 2016***

In February 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-02, *Consolidation* ("ASU 2015-02"). ASU 2015-02 is intended to improve targeted areas of consolidation guidance for legal entities such as limited partnerships, limited liability companies and securitized structures. The new standard eliminates the previous deferral in Accounting Standards Codification 810, which allowed reporting entities with interests in certain investment funds to follow previously issued consolidations guidance, and makes changes to both the variable interest model and the voting model. ASU 2015-02 has been adopted and did not have a material effect on the Company's consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"). ASU 2015-03 is intended to simplify the presentation of debt issuance costs. The new standard requires the debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying value of that debt liability, consistent with debt discounts. ASU 2015-03 was retrospectively adopted by the Company on January 1, 2016. As a result, $37,155 of debt issuance costs at December 31, 2015 was reclassified from other assets to long-term debt.

In August 2015, the FASB issued ASU No. 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements* ("ASU 2015-15"), which amends ASC 835-30, Interest-Imputation of Interest. ASU 2015-15 clarifies the presentation and subsequent measurement of debt issuance costs associated with lines of credit. These costs may be presented as an asset and amortized ratably over the term of the line of credit arrangement, regardless of whether there are outstanding borrowings on the arrangement. ASU 2015-15 has been adopted and did not have a material effect on the Company's consolidated financial statements.

***New Accounting Pronouncements Not Yet Adopted***

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 supersedes the revenue recognition requirements in Accounting Standards Codification 605—*Revenue Recognition* and most industry-specific guidance throughout the Codification. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 to fiscal years beginning after December 15, 2017, and for interim periods within those fiscal years. In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations*, which clarifies the principal versus agent guidance in ASU 2014-09. In April 2016, the FASB issued ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*, which clarifies guidance related to identifying performance obligations and the licensing implementation guidance in ASU 2014-09. In May 2016, the FASB issued ASU No. 2016-12, *Narrow Scope Improvements and Practical Expedients*, which amends ASU 2014-09. This ASU clarifies the requirement to assess collectability of contract consideration, clarifies the treatment of noncash consideration and provides a policy election to exclude from revenue amounts collected from customers for sales and similar taxes. These related ASU's have the same effective date and the same implementation requirements as ASU 2014-09. The Company is currently assessing the method of adoption it will elect and

**NOTE 2: NEW ACCOUNTING PRONOUNCEMENTS (Continued)**

the impact of the adoption of these revenue recognition updates on its financial position and results of operations.

In August 2014, the FASB issued ASU No. 2014-15, *Uncertainties About an Entity's Ability to Continue as a Going Concern* ("ASU 2014-15"). ASU 2014-15 provides guidance on determining when and how to disclose going-concern uncertainties in the financial statements. The new standard requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date of issuance of the entity's financial statements. An entity must also provide certain disclosures if there is "substantial doubt" about the entity's ability to continue as a going concern. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and interim periods thereafter. Early adoption is permitted. The Company does not believe the adoption of this standard will have a material impact on its financial position or results of operations.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"). The purpose of this update is to enhance the reporting model for financial instruments to provide users with more decision-useful information. Accordingly, ASU 2016-01 updates and revises various requirements, including measurement of equity investments at fair value with changes recognized in net income (except equity method or consolidated investees), which supersedes the current guidance to classify equity securities with readily determinable fair values into different categories (e.g., trading or available for sale). It also requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (e.g. securities or loans and receivables) on the balance sheet and in the accompanying notes. The update is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those fiscal years, and early adoption is not permitted. The Company is currently assessing the impact of the adoption of ASU 2016-01 on its financial position and results of operations.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* ("ASU 2016-02"), which relates to the accounting of leasing transactions. This standard requires lessees to recognize assets and liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than 12 months. ASU 2016-02 also will require disclosures designed to give financial statement users information on the amount, timing, and uncertainty of cash flows arising from leases. It is effective for fiscal years beginning after December 15, 2018 including interim periods within those fiscal years, but early adoption is permitted. ASU 2016-02 requires a modified retrospective transition approach and provides certain optional transition relief. The Company is currently assessing the impact of the adoption of ASU 2016-02 on its financial position and results of operations.

In March 2016, the FASB issued ASU No. 2016-05, *Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships* ("ASU 2016-05") and ASU No. 2016-06, *Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments* ("ASU 2016-06"). ASU 2016-05 clarifies that a change in the counterparty to a derivative instrument that has been designated as a hedging instrument does not, in and of itself, require designation of that hedging relationship if all other hedge accounting criteria continue to be met. ASU 2016-06 clarifies the steps required to determine bifurcation of an embedded derivative. These standards will be effective for fiscal

**(Dollars in thousands)**

**NOTE 2: NEW ACCOUNTING PRONOUNCEMENTS (Continued)**

years beginning after December 15, 2016, and interim periods within those fiscal years. The Company is currently assessing the impact of adoption of ASU 2016-05 and ASU 2016-06 on its financial position and results of operations.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)* ("ASU 2016-13"). The purpose of this standard is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. Entities will be required to utilize a forward-looking model based on expected losses rather than incurred losses under current guidance. ASU 2016-13 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019 on a modified-retrospective basis, and may be early adopted as of December 15, 2018. The Company is currently assessing the impact of the adoption of ASU 2016-13 on its financial position and results of operations.

**NOTE 3: ACCUMULATED OTHER COMPREHENSIVE INCOME**

Accumulated other comprehensive income ("AOCI") is comprised of net income and other adjustments, including foreign currency translation adjustments, pension plan adjustments, changes in fair value of the retained interests in the off-book retail transactions and changes in the fair value of certain derivative financial instruments qualifying as cash flow hedges. The Company does not provide income taxes on currency translation adjustments ("CTA"), as the historical earnings from the Company's foreign subsidiaries are considered to be permanently reinvested. If current year earnings are repatriated, the amount to be repatriated is determined in U.S. dollars and converted to the equivalent amount of foreign currency at the time of repatriation; therefore, the repatriation of current year earnings will not have an impact on the CTA component of the Company's AOCI balance.

The following table summarizes the change in the components of the Company's AOCI balance and related tax effects for the three months ended June 30, 2016:

| | Currency Translation Adjustment | Pension Liability | Unrealized Losses on Derivatives | Total |
|---|---|---|---|---|
| Beginning balance, gross | $(113,092) | $(5,917) | $(3,139) | $(122,148) |
| Tax asset (liability) | — | 2,159 | 833 | 2,992 |
| Beginning balance, net of tax | (113,092) | (3,758) | (2,306) | (119,156) |
| Other comprehensive income (loss) before reclassifications | (626) | (56) | 1,000 | 318 |
| Amounts reclassified from accumulated other comprehensive income (loss) | — | 254 | 163 | 417 |
| Tax effects | — | (74) | (308) | (382) |
| Net current-period other comprehensive income (loss) | (626) | 124 | 855 | 353 |
| Ending balance | $(113,718) | $(3,634) | $(1,451) | $(118,803) |

(Dollars in thousands)

**NOTE 3: ACCUMULATED OTHER COMPREHENSIVE INCOME (Continued)**

The following table summarizes the change in the components of the Company's AOCI balance and related tax effects for the six months ended June 30, 2016:

| | Currency Translation Adjustment | Pension Liability | Unrealized Losses on Derivatives | Total |
|---|---|---|---|---|
| Beginning balance, gross | $(155,341) | $(6,084) | $(3,184) | $(164,609) |
| Tax asset (liability) | — | 2,226 | 845 | 3,071 |
| Beginning balance, net of tax | (155,341) | (3,858) | (2,339) | (161,538) |
| Other comprehensive income (loss) before reclassifications | 41,623 | (141) | 881 | 42,363 |
| Amounts reclassified from accumulated other comprehensive income (loss) | — | 506 | 327 | 833 |
| Tax effects | — | (141) | (320) | (461) |
| Net current-period other comprehensive income (loss) | 41,623 | 224 | 888 | 42,735 |
| Ending balance | $(113,718) | $(3,634) | $(1,451) | $(118,803) |

The following table summarizes the change in the components of the Company's AOCI balance and related tax effects for the three months ended June 30, 2015:

| | Currency Translation Adjustment | Pension Liability | Unrealized Losses on Derivatives | Total |
|---|---|---|---|---|
| Beginning balance, gross | $(106,128) | $(6,261) | $(5,438) | $(117,827) |
| Tax asset (liability) | — | 2,286 | 1,574 | 3,860 |
| Beginning balance, net of tax | (106,128) | (3,975) | (3,864) | (113,967) |
| Other comprehensive income (loss) before reclassifications | 18,471 | (81) | 276 | 18,666 |
| Amounts reclassified from accumulated other comprehensive income (loss) | — | 183 | 469 | 652 |
| Tax effects | — | (38) | (231) | (269) |
| Net current-period other comprehensive income (loss) | 18,471 | 64 | 514 | 19,049 |
| Ending balance | $ (87,657) | $(3,911) | $(3,350) | $ (94,918) |

(Dollars in thousands)

**NOTE 3: ACCUMULATED OTHER COMPREHENSIVE INCOME (Continued)**

The following table summarizes the change in the components of the Company's AOCI balance and related tax effects for the six months ended June 30, 2015:

| | Currency Translation Adjustment | Pension Liability | Unrealized Losses on Derivatives | Total |
|---|---|---|---|---|
| Beginning balance, gross | $(43,060) | $(6,425) | $(4,099) | $(53,584) |
| Tax asset (liability) | — | 2,341 | 1,315 | 3,656 |
| Beginning balance, net of tax | (43,060) | (4,084) | (2,784) | (49,928) |
| Other comprehensive income (loss) before reclassifications | (44,597) | (100) | (2,518) | (47,215) |
| Amounts reclassified from accumulated other comprehensive income (loss) | — | 366 | 1,924 | 2,290 |
| Tax effects | — | (93) | 28 | (65) |
| Net current-period other comprehensive income (loss) | (44,597) | 173 | (566) | (44,990) |
| Ending balance | $(87,657) | $(3,911) | $(3,350) | $(94,918) |

The reclassifications out of AOCI and the location on the consolidated statements of income for the three and six months ended June 30, 2016 and 2015 are as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | | |
|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | Affected Line Item |
| **Amortization of defined benefit pension items:** | | | | | |
| | $(254) | $(183) | $(506) | $ (366) | Insignificant items |
| | (254) | (183) | (506) | (366) | Income before taxes |
| | 94 | 67 | 195 | 128 | Income tax benefit |
| | $(160) | $(116) | $(311) | $ (238) | Net of tax |
| **Unrealized losses on derivatives:** | | | | | |
| | $(163) | $(469) | $(327) | $(1,924) | Interest expense to third parties |
| | (163) | (469) | (327) | (1,924) | Income before taxes |
| | 43 | 156 | 87 | 639 | Income tax benefit |
| | $(120) | $(313) | $(240) | $(1,285) | Net of tax |

(Dollars in thousands)

## NOTE 4: RECEIVABLES

A summary of receivables included in the consolidated balance sheets as of June 30, 2016 and December 31, 2015 is as follows:

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Retail note receivables | $ 763,285 | $ 829,392 |
| Wholesale receivables | 798,242 | 761,128 |
| Finance lease receivables | 38,378 | 36,498 |
| Restricted receivables | 9,920,471 | 10,104,731 |
| Gross receivables | 11,520,376 | 11,731,749 |
| Less | | |
| Allowance for credit losses | (87,636) | (94,724) |
| Total receivables, net | $11,432,740 | $11,637,025 |

*Restricted Receivables and Securitization*

As part of its overall funding strategy, the Company periodically transfers certain receivables into VIEs that are special purpose entities ("SPEs") as part of its asset-backed securitization programs.

SPEs utilized in the securitization programs differ from other entities included in the Company's consolidated financial statements because the assets they hold are legally isolated from the Company's assets. For bankruptcy analysis purposes, the Company has sold the receivables to the SPEs in a true sale and the SPEs are separate legal entities. Upon transfer of the receivables to the SPEs, the receivables and certain cash flows derived from them become restricted for use in meeting obligations to the SPEs' creditors. The SPEs have ownership of cash balances that also have restrictions for the benefit of the SPEs' investors. The Company's interests in the SPEs' receivables are subordinate to the interests of third-party investors. None of the receivables that are directly or indirectly sold or transferred in any of these transactions are available to pay the Company's creditors until all obligations of the SPE have been fulfilled or the receivables are removed from the SPE.

The secured borrowings related to the restricted receivables are obligations that are payable as the receivables are collected. The following table summarizes the restricted receivables as of June 30, 2016 and December 31, 2015:

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Retail note receivables | $6,938,136 | $ 7,215,976 |
| Wholesale receivables | 2,982,335 | 2,888,755 |
| Total | $9,920,471 | $10,104,731 |

**NOTE 4: RECEIVABLES (Continued)**

Within the U.S. retail receivables securitization programs, qualifying retail receivables are sold to limited purpose, bankruptcy remote SPEs. In turn, these SPEs establish separate trusts to which the receivables are transferred in exchange for proceeds from asset backed securities issued by the trusts. In Canada, the receivables are transferred directly to the trusts. These trusts were determined to be VIEs. In its role as servicer, CNH Industrial Capital has the power to direct the trusts' activities. Through its retained interests, the Company has an obligation to absorb certain losses, or the right to receive certain benefits, that could potentially be significant to the trusts. Consequently, the Company has consolidated these retail trusts.

With regard to the wholesale receivable securitization programs, the Company sells eligible receivables on a revolving basis to structured master trust facilities, which are limited-purpose, bankruptcy-remote SPEs. These trusts were determined to be VIEs. In its role as servicer, CNH Industrial Capital has the power to direct the trusts' activities. Through its retained interests, the Company provides security to investors in the event that cash collections from the receivables are not sufficient to make principal and interest payments on the securities. Consequently, CNH Industrial Capital has consolidated these wholesale trusts.

*Allowance for Credit Losses*

The allowance for credit losses is the Company's estimate of losses for receivables owned by the Company and consists of two components, depending on whether the receivable has been individually identified as being impaired. The first component of the allowance for credit losses covers the receivables specifically reviewed by management for which the Company has determined it is probable that it will not collect all the principal and interest payments as per the terms of the contract. Receivables are individually reviewed for impairment based on, among other items, amounts outstanding, days past due and prior collection history. These receivables are subject to impairment measurement at the loan level based either on the fair value of the collateral for collateral-dependent receivables or on the present value of expected future cash flows discounted at the receivables' effective interest rate.

The second component of the allowance for credit losses covers all receivables that have not been individually reviewed for impairment. The allowance for these receivables is based on aggregated portfolio evaluations, generally by financial product. The allowance for retail and wholesale credit losses is based on loss forecast models that consider a variety of factors that include, but are not limited to, historical loss experience, collateral value, portfolio balance and delinquency. The loss forecast models are updated on a quarterly basis. In addition, qualitative factors that are not fully captured in the loss forecast models, including industry trends, and macroeconomic factors are considered in the evaluation of the adequacy of the allowance for credit losses. These qualitative factors are subjective and require a degree of management judgment.

Charge-offs of principal amounts of receivables outstanding are deducted from the allowance at the point when it is determined to be probable that all amounts due will not be collected

The Company's allowance for credit losses is segregated into two portfolio segments: retail and wholesale. A portfolio segment is the level at which the Company develops a systematic methodology for determining its allowance for credit losses. The retail segment includes retail notes and finance lease

(Dollars in thousands)

**NOTE 4: RECEIVABLES (Continued)**

receivables. The wholesale segment includes wholesale financing to CNH Industrial North America dealers.

Further, the Company evaluates its portfolio segments by class of receivable: United States and Canada. Typically, the Company's receivables within a geographic area have similar risk profiles and methods for assessing and monitoring risk. These classes align with management reporting.

Allowance for credit losses activity for the three months ended June 30, 2016 is as follows:

| | Retail | Wholesale | Total |
|---|---|---|---|
| **Allowance for credit losses:** | | | |
| Beginning balance | $ 86,667 | $6,569 | $ 93,236 |
| Charge-offs | (13,513) | — | (13,513) |
| Recoveries | 568 | 513 | 1,081 |
| Provision (benefit) | 7,424 | (164) | 7,260 |
| Foreign currency translation and other | (460) | 32 | (428) |
| Ending balance | $ 80,686 | $6,950 | $ 87,636 |

Allowance for credit losses activity for the six months ended June 30, 2016 is as follows:

| | Retail | Wholesale | Total |
|---|---|---|---|
| **Allowance for credit losses:** | | | |
| Beginning balance | $ 88,405 | $ 6,319 | $ 94,724 |
| Charge-offs | (22,897) | (1) | (22,898) |
| Recoveries | 1,518 | 517 | 2,035 |
| Provision | 13,641 | 16 | 13,657 |
| Foreign currency translation and other | 19 | 99 | 118 |
| Ending balance | $ 80,686 | $ 6,950 | $ 87,636 |
| Ending balance: individually evaluated for impairment | $ 17,812 | $ 3,728 | $ 21,540 |
| Ending balance: collectively evaluated for impairment | $ 62,874 | $ 3,222 | $ 66,096 |
| **Receivables:** | | | |
| Ending balance | $7,739,799 | $3,780,577 | $11,520,376 |
| Ending balance: individually evaluated for impairment | $ 61,724 | $ 60,801 | $ 122,525 |
| Ending balance: collectively evaluated for impairment | $7,678,075 | $3,719,776 | $11,397,851 |

(Dollars in thousands)

**NOTE 4: RECEIVABLES (Continued)**

Allowance for credit losses activity for the three months ended June 30, 2015 is as follows:

| | Retail | Wholesale | Total |
|---|---|---|---|
| **Allowance for credit losses:** | | | |
| Beginning balance | $86,472 | $6,605 | $93,077 |
| Charge-offs | (4,045) | (135) | (4,180) |
| Recoveries | 698 | 7 | 705 |
| Provision (benefit) | 7,432 | (256) | 7,176 |
| Foreign currency translation and other | 122 | 53 | 175 |
| Ending balance | $90,679 | $6,274 | $96,953 |

Allowance for credit losses activity for the six months ended June 30, 2015 is as follows:

| | Retail | Wholesale | Total |
|---|---|---|---|
| **Allowance for credit losses:** | | | |
| Beginning balance | $ 88,697 | $ 6,845 | $ 95,542 |
| Charge-offs | (9,714) | (256) | (9,970) |
| Recoveries | 1,130 | 14 | 1,144 |
| Provision (benefit) | 11,377 | (240) | 11,137 |
| Foreign currency translation and other | (811) | (89) | (900) |
| Ending balance | $ 90,679 | $ 6,274 | $ 96,953 |
| Ending balance: individually evaluated for impairment | $ 17,591 | $ 2,533 | $ 20,124 |
| Ending balance: collectively evaluated for impairment | $ 73,088 | $ 3,741 | $ 76,829 |
| **Receivables:** | | | |
| Ending balance | $8,422,464 | $3,950,685 | $12,373,149 |
| Ending balance: individually evaluated for impairment | $ 116,547 | $ 48,427 | $ 164,974 |
| Ending balance: collectively evaluated for impairment | $8,305,917 | $3,902,258 | $12,208,175 |

(Dollars in thousands)

**NOTE 4: RECEIVABLES (Continued)**

Allowance for credit losses activity for the year ended December 31, 2015 is as follows:

| | Retail | Wholesale | Total |
|---|---|---|---|
| **Allowance for credit losses:** | | | |
| Beginning balance | $ 88,697 | $ 6,845 | $ 95,542 |
| Charge-offs | (22,250) | (356) | (22,606) |
| Recoveries | 2,555 | 27 | 2,582 |
| Provision | 21,812 | 83 | 21,895 |
| Foreign currency translation and other | (2,409) | (280) | (2,689) |
| Ending balance | $ 88,405 | $ 6,319 | $ 94,724 |
| Ending balance: individually evaluated for impairment | $ 18,220 | $ 3,185 | $ 21,405 |
| Ending balance: collectively evaluated for impairment | $ 70,185 | $ 3,134 | $ 73,319 |
| **Receivables:** | | | |
| Ending balance | $8,081,866 | $3,649,883 | $11,731,749 |
| Ending balance: individually evaluated for impairment | $ 94,584 | $ 82,015 | $ 176,599 |
| Ending balance: collectively evaluated for impairment | $7,987,282 | $3,567,868 | $11,555,150 |

Utilizing an internal credit scoring model, which considers customers' attributes, prior credit history and each retail transaction's attributes, the Company assigns a credit quality rating to each retail customer, by specific transaction, as part of the retail underwriting process. This rating is used in setting the terms on the transaction, including the interest rate. A description of the general characteristics of the customers' risk grades is as follows:

*Titanium*—Customers from whom the Company expects no collection or loss activity.

*Platinum*—Customers from whom the Company expects minimal, if any, collection or loss activity.

*Gold, Silver, Bronze*—Customers defined as those with the potential for collection or loss activity.

A breakdown of the retail portfolio by the customer's risk grade at the time of origination as of June 30, 2016 and December 31, 2015 is as follows:

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Titanium | $4,313,317 | $4,526,459 |
| Platinum | 2,137,607 | 2,196,628 |
| Gold | 1,084,769 | 1,139,255 |
| Silver | 167,685 | 184,281 |
| Bronze | 36,421 | 35,243 |
| Total | $7,739,799 | $8,081,866 |

(Dollars in thousands)

**NOTE 4: RECEIVABLES (Continued)**

As part of the ongoing monitoring of the credit quality of the wholesale portfolio, the Company utilizes an internal credit-scoring model that assigns a risk grade for each dealer. The scoring model considers the strength of the dealer's financial condition and payment history. The Company considers the dealers' ratings in the quarterly credit allowance analysis. A description of the general characteristics of the dealer risk grades is as follows:

*Grades A and B*—Includes receivables due from dealers that have significant capital strength, moderate leverage, stable earnings and growth, and excellent payment performance.

*Grade C*—Includes receivables due from dealers with moderate credit risk. Dealers of this grade are differentiated from higher grades on a basis of leverage or payment performance.

*Grade D*—Includes receivables due from dealers with additional credit risk. These dealers require additional monitoring due to their weaker financial condition or payment performance.

A breakdown of the wholesale portfolio by its credit quality indicators as of June 30, 2016 and December 31, 2015 is as follows:

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| A | $1,513,870 | $1,482,570 |
| B | 1,657,267 | 1,650,643 |
| C | 357,470 | 343,409 |
| D | 251,970 | 173,261 |
| Total | $3,780,577 | $3,649,883 |

The following tables present information at the level at which management assesses and monitors its credit risk. Receivables are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Delinquency is reported on receivables greater than 30 days past due.

(Dollars in thousands)

## NOTE 4: RECEIVABLES (Continued)

The aging of receivables as of June 30, 2016 and December 31, 2015 is as follows:

| | June 30, 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 31 - 60 Days Past Due | 61 - 90 Days Past Due | Greater Than 90 Days | Total Past Due | Current | Total Receivables | Recorded Investment > 90 Days and Accruing |
| **Retail** | | | | | | | |
| United States | $27,569 | $11,608 | $33,303 | $72,480 | $6,455,113 | $6,527,593 | $4,725 |
| Canada | $ 2,525 | $ 590 | $ 479 | $ 3,594 | $1,208,612 | $1,212,206 | $ 183 |
| **Wholesale** | | | | | | | |
| United States | $ 744 | $ 268 | $ 293 | $ 1,305 | $3,064,944 | $3,066,249 | $ — |
| Canada | $ 78 | $ 64 | $ 2 | $ 144 | $ 714,184 | $ 714,328 | $ — |
| **Total** | | | | | | | |
| Retail | $30,094 | $12,198 | $33,782 | $76,074 | $7,663,725 | $7,739,799 | $4,908 |
| Wholesale | $ 822 | $ 332 | $ 295 | $ 1,449 | $3,779,128 | $3,780,577 | $ — |

| | December 31, 2015 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 31 - 60 Days Past Due | 61 - 90 Days Past Due | Greater Than 90 Days | Total Past Due | Current | Total Receivables | Recorded Investment > 90 Days and Accruing |
| **Retail** | | | | | | | |
| United States | $32,484 | $10,438 | $25,815 | $68,737 | $6,846,967 | $6,915,704 | $8,251 |
| Canada | $ 1,438 | $ 279 | $ 793 | $ 2,510 | $1,163,652 | $1,166,162 | $ 339 |
| **Wholesale** | | | | | | | |
| United States | $ 283 | $ 2 | $ 372 | $ 657 | $3,033,004 | $3,033,661 | $ 298 |
| Canada | $ 2 | $ — | $ 21 | $ 23 | $ 616,199 | $ 616,222 | $ — |
| **Total** | | | | | | | |
| Retail | $33,922 | $10,717 | $26,608 | $71,247 | $8,010,619 | $8,081,866 | $8,590 |
| Wholesale | $ 285 | $ 2 | $ 393 | $ 680 | $3,649,203 | $3,649,883 | $ 298 |

(Dollars in thousands)

**NOTE 4: RECEIVABLES (Continued)**

Impaired receivables are receivables for which the Company has determined it will not collect all the principal and interest payments as per the terms of the contract. As of June 30, 2016 and December 31, 2015, the Company's recorded investment in impaired receivables individually evaluated for impairment and the related unpaid principal balances and allowances are as follows:

| | June 30, 2016 | | | December 31, 2015 | | |
|---|---|---|---|---|---|---|
| | Recorded Investment | Unpaid Principal Balance | Related Allowance | Recorded Investment | Unpaid Principal Balance | Related Allowance |
| **With no related allowance recorded** | | | | | | |
| Retail | | | | | | |
| United States | $23,037 | $22,700 | $ — | $39,862 | $39,514 | $ — |
| Canada | $ 1,933 | $ 1,912 | $ — | $ 408 | $ 407 | $ — |
| Wholesale | | | | | | |
| United States | $10,071 | $ 9,931 | $ — | $ — | $ — | $ — |
| Canada | $ — | $ — | $ — | $ — | $ — | $ — |
| **With an allowance recorded** | | | | | | |
| Retail | | | | | | |
| United States | $36,622 | $35,284 | $17,763 | $53,499 | $52,224 | $17,951 |
| Canada | $ 132 | $ 129 | $ 49 | $ 815 | $ 813 | $ 269 |
| Wholesale | | | | | | |
| United States | $42,535 | $42,374 | $ 3,265 | $57,017 | $56,741 | $ 2,530 |
| Canada | $ 8,195 | $ 8,179 | $ 463 | $24,998 | $24,932 | $ 655 |
| **Total** | | | | | | |
| Retail | $61,724 | $60,025 | $17,812 | $94,584 | $92,958 | $18,220 |
| Wholesale | $60,801 | $60,484 | $ 3,728 | $82,015 | $81,673 | $ 3,185 |

(Dollars in thousands)

**NOTE 4: RECEIVABLES (Continued)**

For the three months ended June 30, 2016 and 2015, the Company's average recorded investment in impaired receivables individually evaluated for impairment (based on a four-month average) and the related interest income recognized are as follows:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Average Recorded Investment | Interest Income Recognized | Average Recorded Investment | Interest Income Recognized |
| **With no related allowance recorded** | | | | |
| Retail | | | | |
| United States | $22,567 | $182 | $ 58,704 | $ 839 |
| Canada | $ 1,959 | $ 15 | $ 4,832 | $ 95 |
| Wholesale | | | | |
| United States | $14,465 | $ 35 | $ 23,018 | $ 372 |
| Canada | $ — | $ — | $ — | $ — |
| **With an allowance recorded** | | | | |
| Retail | | | | |
| United States | $36,808 | $ — | $ 48,889 | $ 153 |
| Canada | $ 134 | $ — | $ 1,034 | $ — |
| Wholesale | | | | |
| United States | $44,850 | $373 | $ 10,379 | $ 169 |
| Canada | $ 6,987 | $ 38 | $ 14,130 | $ 153 |
| **Total** | | | | |
| Retail | $61,468 | $197 | $113,459 | $1,087 |
| Wholesale | $66,302 | $446 | $ 47,527 | $ 694 |

(Dollars in thousands)

**NOTE 4: RECEIVABLES (Continued)**

For the six months ended June 30, 2016 and 2015, the Company's average recorded investment in impaired receivables individually evaluated for impairment (based on a seven-month average) and the related interest income recognized are as follows:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Average Recorded Investment | Interest Income Recognized | Average Recorded Investment | Interest Income Recognized |
| **With no related allowance recorded** | | | | |
| Retail | | | | |
| United States | $22,536 | $356 | $ 58,457 | $1,609 |
| Canada | $ 1,914 | $ 31 | $ 4,884 | $ 190 |
| Wholesale | | | | |
| United States | $15,158 | $ 79 | $ 25,039 | $ 369 |
| Canada | $ — | $ — | $ — | $ — |
| **With an allowance recorded** | | | | |
| Retail | | | | |
| United States | $35,402 | $ — | $ 46,829 | $ 191 |
| Canada | $ 131 | $ — | $ 1,042 | $ 3 |
| Wholesale | | | | |
| United States | $43,422 | $760 | $ 9,940 | $ 323 |
| Canada | $ 6,270 | $ 76 | $ 14,036 | $ 269 |
| **Total** | | | | |
| Retail | $59,983 | $387 | $111,212 | $1,993 |
| Wholesale | $64,850 | $915 | $ 49,015 | $ 961 |

Recognition of income is generally suspended when management determines that collection of future finance income is not probable or when an account becomes 120 days delinquent, whichever occurs first. Interest accrual is resumed if the receivable becomes contractually current and collection becomes probable. Previously suspended income is recognized at that time. The receivables on nonaccrual status as of June 30, 2016 and December 31, 2015 are as follows:

| | June 30, 2016 | | | December 31, 2015 | | |
|---|---|---|---|---|---|---|
| | Retail | Wholesale | Total | Retail | Wholesale | Total |
| United States | $46,448 | $42,374 | $88,822 | $52,787 | $56,741 | $109,528 |
| Canada | $ 413 | $ 8,179 | $ 8,592 | $ 1,247 | $24,933 | $ 26,180 |

*Troubled Debt Restructurings*

A restructuring of a receivable constitutes a troubled debt restructuring ("TDR") when the lender grants a concession it would not otherwise consider to a borrower experiencing financial difficulties. As a collateral-based lender, the Company typically will repossess collateral in lieu of restructuring receivables. As such, for retail receivables, concessions are typically provided based on bankruptcy court proceedings.

**NOTE 4: RECEIVABLES (Continued)**

For wholesale receivables, concessions granted may include extended contract maturities, inclusion of interest-only periods, modification of a contractual interest rate to a below market interest rate and waiving of interest and principal.

TDRs are reviewed along with other receivables as part of management's ongoing evaluation of the adequacy of the allowance for credit losses. The allowance for credit losses attributable to TDRs is based on the most probable source of repayment, which is normally the liquidation of collateral. In determining collateral value, the Company estimates the current fair market value of the equipment collateral and considers credit enhancements such as additional collateral and third-party guarantees.

Before removing a receivable from TDR classification, a review of the borrower is conducted. If concerns exist about the future ability of the borrower to meet its obligations based on a credit review, the TDR classification is not removed from the receivable.

As of June 30, 2016, the Company had approximately 748 retail and finance lease receivable contracts classified as TDRs, of which the pre-modification value was $37,810 and the post-modification value was $36,755. A court has determined the concession in 256 of these cases. The pre-modification value of these contracts was $3,897 and the post-modification value was $3,212. As of June 30, 2015, the Company had approximately 622 retail and finance lease receivable contracts classified as TDRs, of which the pre-modification value was $18,149 and the post-modification value was $16,773. A court has determined the concession in 344 of these cases. The pre-modification value of these contracts was $5,857 and the post-modification value was $4,826. As the outcome of the bankruptcy cases is determined by a court based on available assets, subsequent re-defaults are unusual and were not material for retail and finance lease contracts that were modified in a TDR during the previous 12 months ended June 30, 2016 and 2015.

As of June 30, 2016 and 2015, the Company's wholesale TDRs were immaterial.

**NOTE 5: DEBT**

On May 19, 2016, the Company renewed a $500,000 U.S. wholesale committed asset-backed facility, with a maturity date of May 18, 2017.

On May 31, 2016, the Company, through a bankruptcy-remote trust, issued $861,880 of amortizing asset-backed notes secured by U.S. retail loan receivables.

On June 17, 2016, the Company renewed, and increased to $300,000, an unsecured, revolving credit facility, with a maturity date of June 17, 2019.

On June 22, 2016, the Company, through a bankruptcy-remote trust, issued C$515,000 ($397,492) of amortizing asset-backed notes secured by Canadian retail loan receivables.

**NOTE 6: INCOME TAXES**

The effective tax rates for the three months ended June 30, 2016 and 2015 were 34.2% and 34.6%, respectively. The effective tax rate was 32.8% for the six-month period ended June 30, 2016, compared to 34.6% for the same period in 2015. The Company's provision for income taxes is based on an estimated tax rate for the year applied to the year-to-date federal, state and foreign income. The 2016 estimated annual

**NOTE 6: INCOME TAXES (Continued)**

tax rate is expected to be lower than the U.S. federal corporate income tax rate of 35% primarily due to profits in tax jurisdictions with lower rates, including Canada.

**NOTE 7: FINANCIAL INSTRUMENTS**

The Company may elect to measure many financial instruments and certain other items at fair value. This fair value option must be applied on an instrument-by-instrument basis with changes in fair value reported in earnings. The election can be made at the acquisition of an eligible financial asset, financial liability, or firm commitment or when certain specified reconsideration events occur. The fair value election may not be revoked once made. The Company did not elect the fair value measurement option for eligible items.

***Fair-Value Hierarchy***

U.S. GAAP specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's internally-developed market assumptions. These two types of inputs have created the following fair-value hierarchy:

*Level 1*—Quoted prices for identical instruments in active markets.

*Level 2*—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

*Level 3*—Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires the use of observable market data when available.

***Determination of Fair Value***

When available, the Company uses quoted market prices to determine fair value and classifies such items in Level 1. In some cases where a market price is not available, the Company will make use of observable market-based inputs to calculate fair value, in which case the items are classified in Level 2.

If quoted or observable market prices are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based or independently sourced market parameters such as interest rates, currency rates, or yield curves. Items valued using such internally generated valuation techniques are classified according to the lowest level input or value driver that is significant to the valuation. Thus, an item may be classified in Level 3 even though there may be some significant inputs that are readily observable.

The following section describes the valuation methodologies used by the Company to measure various financial instruments at fair value, including an indication of the level in the fair value hierarchy in which each instrument is generally classified. Where appropriate, the description includes details of the valuation models and the key inputs to those models, as well as any significant assumptions.

**NOTE 7: FINANCIAL INSTRUMENTS (Continued)**

***Derivatives***

The Company utilizes derivative instruments to mitigate its exposure to interest rate and foreign currency exposures. Derivatives used as hedges are effective at reducing the risk associated with the exposure being hedged and are designated as a hedge at the inception of the derivative contract. The Company does not hold or issue derivative or other financial instruments for speculative purposes. The credit risk for the interest rate hedges is reduced through diversification among counterparties, utilizing mandatory termination clauses and/or collateral support agreements. Derivative instruments are generally classified in Level 2 or 3 of the fair value hierarchy. The cash flows underlying all derivative contracts were recorded in operating activities in the consolidated statements of cash flows.

***Interest Rate Derivatives***

The Company has entered into interest rate derivatives in order to manage interest rate exposures arising in the normal course of business. Interest rate derivatives that have been designated in cash flow hedging relationships are being used by the Company to mitigate the risk of rising interest rates related to debt and anticipated issuance of fixed-rate debt in future periods. Gains and losses on these instruments, to the extent that the hedge relationship has been effective, are deferred in accumulated other comprehensive income (loss) and recognized in interest expense over the period in which the Company recognizes interest expense on the related debt. Ineffectiveness recognized related to these hedging relationships was not significant for the three and six months ended June 30, 2016 and 2015. These amounts are recorded in "Other expenses" in the consolidated statements of income. The maximum length of time over which the Company is hedging its interest rate exposure through the use of derivative instruments designated in cash flow hedge relationships is 48 months. The after-tax losses deferred in accumulated other comprehensive income (loss) that will be recognized in interest expense over the next 12 months are approximately $517.

The Company also enters into interest rate derivatives with substantially similar economic terms that are not designated as hedging instruments to mitigate interest rate risk related to the Company's committed asset-backed facilities. These facilities require the Company to enter into interest rate derivatives. To ensure that these transactions do not result in the Company being exposed to this risk, the Company enters into an offsetting position. Unrealized and realized gains and losses resulting from fair value changes in these instruments are recognized directly in income and were insignificant for the three and six months ended June 30, 2016 and 2015.

Most of the Company's interest rate derivatives are considered Level 2. The fair market value of these derivatives is calculated using market data input for forecasted benchmark interest rates and can be compared to actively traded derivatives. If the future notional amount of the Company's interest rate derivatives is not known in advance, the derivatives are considered Level 3 derivatives. The fair market value of these derivatives is calculated using market data input and a forecasted future notional balance. The total notional amount of the Company's interest rate derivatives was approximately $3,004,901 and $2,840,821 at June 30, 2016 and December 31, 2015, respectively. The seven-month average notional amounts as of June 30, 2016 and 2015 were $3,168,190 and $3,117,683, respectively.

(Dollars in thousands)

**NOTE 7: FINANCIAL INSTRUMENTS (Continued)**

***Foreign Exchange Contracts***

The Company uses forward contracts to hedge certain assets and liabilities denominated in foreign currencies. Such derivatives are considered economic hedges and are not designated as hedging instruments. The changes in the fair value of these instruments are recognized directly as income in "Other expenses" and are expected to offset the foreign exchange gains or losses on the exposures being managed.

All of the Company's foreign exchange derivatives are considered Level 2 as the fair value is calculated using market data input and can be compared to actively traded derivatives.

***Financial Statement Impact of the Company's Derivatives***

The fair values of the Company's derivatives as of June 30, 2016 and December 31, 2015 in the consolidated balance sheets are recorded as follows:

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| **Derivatives Designated as Hedging Instruments:** | | |
| Other assets: | | |
| Interest rate derivatives | $2,309 | $1,188 |
| Accounts payable and other accrued liabilities: | | |
| Interest rate derivatives | $ — | $1,027 |
| **Derivatives Not Designated as Hedging Instruments:** | | |
| Other assets: | | |
| Interest rate derivatives | $1,885 | $3,863 |
| Foreign exchange contracts | — | 91 |
| Total | $1,885 | $3,954 |
| Accounts payable and other accrued liabilities: | | |
| Interest rate derivatives | $1,885 | $3,863 |
| Foreign exchange contracts | 1,721 | — |
| Total | $3,606 | $3,863 |

(Dollars in thousands)

**NOTE 7: FINANCIAL INSTRUMENTS (Continued)**

Pre-tax gains (losses) on the consolidated statements of income related to the Company's derivatives for the three and six months ended June 30, 2016 and 2015 are recorded in the following accounts:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **Cash Flow Hedges** | | | | |
| Recognized in accumulated other comprehensive income (loss) (effective portion) | | | | |
| Interest rate derivatives | $1,000 | $ 276 | $ 881 | $(2,518) |
| Reclassified from accumulated other comprehensive income (loss) (effective portion) | | | | |
| Interest rate derivatives—Interest expense to third parties | $ (163) | $(469) | $ (327) | $(1,924) |
| **Not Designated as Hedges** | | | | |
| Foreign exchange contracts—Other expenses | $1,721 | $ 5 | $1,877 | $ (234) |

***Items Measured at Fair Value on a Recurring Basis***

The following table presents the Company's assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2016 and December 31, 2015, all of which are classified as Level 2:

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| **Assets** | | |
| Interest rate derivatives | $4,194 | $5,051 |
| Foreign exchange contracts | — | 91 |
| Total assets | $4,194 | $5,142 |
| **Liabilities** | | |
| Interest rate derivatives | $1,885 | $4,890 |
| Foreign exchange contracts | 1,721 | — |
| Total liabilities | $3,606 | $4,890 |

There were no transfers between Level 1, Level 2 and Level 3 hierarchy levels during the periods presented.

***Fair Value of Other Financial Instruments***

The carrying amount of cash and cash equivalents, restricted cash, floating-rate affiliated accounts and notes receivable, floating-rate short-term debt, interest payable and short-term affiliated debt was assumed to approximate its fair value. Under the fair value hierarchy, cash and cash equivalents and restricted cash are classified as Level 1 and the remainder of the financial instruments listed are classified as Level 2.

(Dollars in thousands)

## NOTE 7: FINANCIAL INSTRUMENTS (Continued)

***Financial Instruments Not Carried at Fair Value***

The carrying amount and estimated fair value of assets and liabilities considered financial instruments as of June 30, 2016 and December 31, 2015 are as follows:

| | June 30, 2016 | | December 31, 2015 | |
|---|---|---|---|---|
| | Carrying Amount | Estimated Fair Value * | Carrying Amount | Estimated Fair Value * |
| Receivables | $11,432,740 | $11,411,781 | $11,637,025 | $11,653,032 |
| Long-term debt | $ 7,282,556 | $ 7,302,215 | $ 7,768,044 | $ 7,693,849 |

* Under the fair value hierarchy, receivables measurements are classified as Level 3 and long-term debt measurements are classified as Level 2.

*Financial Assets*

The fair value of receivables was determined by discounting the estimated future payments using a discount rate, which includes an estimate for credit risk.

*Financial Liabilities*

The fair values of long-term debt were based on current market quotes for identical or similar borrowings and credit risk.

## NOTE 8: SEGMENT AND GEOGRAPHICAL INFORMATION

The Company's segment data is based on disclosure requirements of accounting guidance on segment reporting, which requires financial information be reported on the basis that is used internally for measuring segment performance. The Company's reportable segments are strategic business units that are organized around differences in geographic areas. Each segment is managed separately as they require different knowledge of regulatory environments and marketing strategies. The operating segments offer primarily the same services within each of the respective segments.

(Dollars in thousands)

**NOTE 8: SEGMENT AND GEOGRAPHICAL INFORMATION (Continued)**

A summary of the Company's reportable segment information is as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **Revenues** | | | | |
| United States | $196,830 | $191,363 | $392,103 | $374,485 |
| Canada | 44,840 | 44,234 | 84,487 | 87,739 |
| Eliminations | (1,031) | (1,056) | (2,033) | (2,097) |
| Total | $240,639 | $234,541 | $474,557 | $460,127 |
| **Interest expense** | | | | |
| United States | $ 69,299 | $ 60,544 | $133,403 | $124,105 |
| Canada | 10,791 | 12,024 | 19,660 | 24,198 |
| Eliminations | (1,031) | (1,056) | (2,033) | (2,097) |
| Total | $ 79,059 | $ 71,512 | $151,030 | $146,206 |
| **Segment net income** | | | | |
| United States | $ 28,958 | $ 42,507 | $ 69,851 | $ 83,325 |
| Canada | 17,471 | 15,411 | 33,799 | 28,304 |
| Total | $ 46,429 | $ 57,918 | $103,650 | $111,629 |
| **Depreciation and amortization** | | | | |
| United States | $ 50,360 | $ 37,488 | $ 98,924 | $ 73,849 |
| Canada | 10,235 | 8,922 | 19,440 | 17,444 |
| Total | $ 60,595 | $ 46,410 | $118,364 | $ 91,293 |
| **Expenditures for equipment on operating leases** | | | | |
| United States | $124,820 | $198,286 | $248,247 | $419,365 |
| Canada | 48,624 | 55,084 | 74,457 | 79,328 |
| Total | $173,444 | $253,370 | $322,704 | $498,693 |
| **Provision for credit losses** | | | | |
| United States | $ 8,823 | $ 6,934 | $ 16,806 | $ 10,124 |
| Canada | (1,563) | 242 | (3,149) | 1,013 |
| Total | $ 7,260 | $ 7,176 | $ 13,657 | $ 11,137 |

(Dollars in thousands)

**NOTE 8: SEGMENT AND GEOGRAPHICAL INFORMATION (Continued)**

| | As of June 30, 2016 | As of December 31, 2015 |
|---|---|---|
| **Segment assets** | | |
| United States | $12,584,203 | $13,073,845 |
| Canada | 2,406,398 | 2,239,943 |
| Eliminations | (343,074) | (285,774) |
| Total | $14,647,527 | $15,028,014 |
| **Managed receivables** | | |
| United States | $ 9,593,842 | $ 9,949,367 |
| Canada | 1,926,534 | 1,782,382 |
| Total | $11,520,376 | $11,731,749 |

**NOTE 9: RELATED-PARTY TRANSACTIONS**

The Company receives compensation from CNH Industrial North America for retail, wholesale and operating lease sales programs offered by CNH Industrial North America on which finance charges are waived or below-market rate financing programs are offered. The Company receives compensation from CNH Industrial North America based on the Company's estimated costs and a targeted return on equity. The Company is also compensated for lending funds to CNH Industrial North America.

The summary of sources included in "Interest and other income from affiliates" in the accompanying consolidated statements of income for the three and six months ended June 30, 2016 and 2015 is as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Subsidy from CNH Industrial North America: | | | | |
| Retail | $ 44,723 | $ 48,603 | $ 88,732 | $ 99,489 |
| Wholesale | 39,909 | 37,151 | 78,384 | 74,812 |
| Operating lease | 17,789 | 15,740 | 34,954 | 31,347 |
| Income from affiliated receivables: | | | | |
| CNH Industrial North America | 256 | — | 633 | — |
| Total interest and other income from affiliates | $102,677 | $101,494 | $202,703 | $205,648 |

(Dollars in thousands)

**NOTE 9: RELATED-PARTY TRANSACTIONS (Continued)**

As of June 30, 2016 and December 31, 2015, the Company had various accounts and notes receivable and debt with the following affiliates:

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Affiliated receivables from: | | |
| CNH Industrial America | $61,711 | $149,050 |
| CNH Industrial Canada Ltd. | 16,278 | 10,258 |
| Other affiliates | 12,291 | 12,350 |
| Total affiliated receivables | $90,280 | $171,658 |
| Affiliated debt owed to: | | |
| CNH Industrial Canada Ltd. | $ — | $ 22,642 |

Included in "Other Assets" in the accompanying balance sheets were tax receivables due from related parties of $20,122 as of December 31, 2015. Accounts payable and other accrued liabilities, including tax payables, of $70,348 and $2,646, respectively, as of June 30, 2016 and December 31, 2015, were payable to related parties.

Interest expense to affiliates was $2,481 and $6,456, respectively, for the three months ended June 30, 2016 and 2015 and $3,368 and $17,313, respectively, for the six months ended June 30, 2016 and 2015. Fees charged by affiliates represent payroll and other human resource services CNH Industrial America performs on behalf of the Company.

In order to utilize the used equipment marketing channels that exist in CNH Industrial Capital, inventory of $10,902 and $19,541 was transferred from CNH Industrial America at cost during the years ended December 31, 2015 and 2014, respectively, of which $6,753 remains in "Equipment held for sale" in the accompanying consolidated balance sheets as of June 30, 2016.

On March 31, 2015, CNH Industrial Capital Canada redeemed all of its outstanding shares of preferred stock for C$76,618 ($60,416). These shares earned dividends of 1-year LIBOR plus 1.2% per annum. Dividends were accrued and recorded in "Net income attributed to noncontrolling interest" in the consolidated statements of income. A dividend of C$668 ($551) was paid by CNH Industrial Capital Canada to CNH Industrial Canada Ltd. in March 2015, which represented all accrued and unpaid dividends on the preferred stock through the redemption date.

**NOTE 10: COMMITMENTS AND CONTINGENCIES**

***Legal Matters***

The Company is party to various litigation matters and claims arising from its operations. Management believes that the outcome of these proceedings, individually and in the aggregate, will not have a material adverse effect on the Company's financial position or results of operations.

**NOTE 10: COMMITMENTS AND CONTINGENCIES (Continued)**

***Guarantees***

The Company provides payment guarantees on the financial debt of various foreign financial services subsidiaries of CNHI for approximately $222,040 at June 30, 2016. The guarantees are in effect for the term of the underlying funding facilities plus 365 days. The underlying facilities are renewable annually.

***Commitments***

The Company has various agreements to extend credit for the wholesale and dealer financing managed portfolio. At June 30, 2016, the total credit limit available was $6,421,185, of which $3,706,988 was utilized.

**NOTE 11: SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION**

CNH Industrial Capital America and New Holland Credit, which are 100%-owned subsidiaries of CNH Industrial Capital LLC (the "Guarantor Entities"), guarantee certain indebtedness of CNH Industrial Capital LLC. As the guarantees are full, unconditional, and joint and several and because the Guarantor Entities are 100%-owned by CNH Industrial Capital LLC, the Company has included the following condensed consolidating financial information as of June 30, 2016 and December 31, 2015 and

(Dollars in thousands)

## NOTE 11: SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

for the three and six months ended June 30, 2016 and 2015. The condensed consolidating financial information reflects investments in consolidated subsidiaries under the equity method of accounting.

| | Condensed Statements of Comprehensive Income for the Three Months Ended June 30, 2016 | | | | |
|---|---|---|---|---|---|
| | CNH Industrial Capital LLC | Guarantor Entities | All Other Subsidiaries | Eliminations | Consolidated |
| **REVENUES** | | | | | |
| Interest income on retail notes and finance leases | $ — | $ 4,014 | $ 48,715 | $ — | $ 52,729 |
| Interest income on wholesale notes | — | 30 | 18,438 | — | 18,468 |
| Interest and other income from affiliates | 24,203 | 57,907 | 83,967 | (63,400) | 102,677 |
| Rental income on operating leases | — | 48,443 | 11,734 | — | 60,177 |
| Other income | — | 26,729 | 706 | (20,847) | 6,588 |
| Total revenues | 24,203 | 137,123 | 163,560 | (84,247) | 240,639 |
| **EXPENSES** | | | | | |
| Interest expense: | | | | | |
| Interest expense to third parties | 43,562 | 1,398 | 31,618 | — | 76,578 |
| Interest expense to affiliates | — | 56,442 | 9,439 | (63,400) | 2,481 |
| Total interest expense | 43,562 | 57,840 | 41,057 | (63,400) | 79,059 |
| Administrative and operating expenses: | | | | | |
| Fees charged by affiliates | — | 10,657 | 21,309 | (20,847) | 11,119 |
| Provision for credit losses, net | — | 3,845 | 3,415 | — | 7,260 |
| Depreciation of equipment on operating leases | — | 49,870 | 10,230 | — | 60,100 |
| Other expenses | — | 9,783 | 2,746 | — | 12,529 |
| Total administrative and operating expenses | — | 74,155 | 37,700 | (20,847) | 91,008 |
| Total expenses | 43,562 | 131,995 | 78,757 | (84,247) | 170,067 |
| Income (loss) before income taxes and equity in income of consolidated subsidiaries accounted for under the equity method | (19,359) | 5,128 | 84,803 | — | 70,572 |
| Income tax provision (benefit) | (6,976) | 3,650 | 27,469 | — | 24,143 |
| Equity in income of consolidated subsidiaries accounted for under the equity method | 58,812 | 57,334 | — | (116,146) | — |
| **NET INCOME** | 46,429 | 58,812 | 57,334 | (116,146) | 46,429 |
| Net income attributed to noncontrolling interest | — | — | — | — | — |
| **NET INCOME ATTRIBUTABLE TO CNH INDUSTRIAL CAPITAL LLC** | $ 46,429 | $ 58,812 | $ 57,334 | $(116,146) | $ 46,429 |
| **COMPREHENSIVE INCOME (LOSS)** | $ 46,782 | $ 59,165 | $ 57,640 | $(116,805) | $ 46,782 |
| Comprehensive income attributed to noncontrolling interest | — | — | — | — | — |
| **COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO CNH INDUSTRIAL CAPITAL LLC** | $ 46,782 | $ 59,165 | $ 57,640 | $(116,805) | $ 46,782 |

(Dollars in thousands)

## NOTE 11: SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

| | Condensed Statements of Comprehensive Income for the Six Months Ended June 30, 2016 | | | | |
|---|---|---|---|---|---|
| | CNH Industrial Capital LLC | Guarantor Entities | All Other Subsidiaries | Eliminations | Consolidated |
| **REVENUES** | | | | | |
| Interest income on retail notes and finance leases | $ — | $ 7,558 | $ 99,174 | $ — | $106,732 |
| Interest income on wholesale notes | — | 24 | 33,460 | — | 33,484 |
| Interest and other income from affiliates | 44,844 | 114,135 | 166,336 | (122,612) | 202,703 |
| Rental income on operating leases | — | 97,260 | 22,199 | — | 119,459 |
| Other income | — | 52,863 | 1,322 | (42,006) | 12,179 |
| Total revenues | 44,844 | 271,840 | 322,491 | (164,618) | 474,557 |
| **EXPENSES** | | | | | |
| Interest expense: | | | | | |
| Interest expense to third parties | 84,023 | (1,097) | 64,736 | — | 147,662 |
| Interest expense to affiliates | — | 109,089 | 16,891 | (122,612) | 3,368 |
| Total interest expense | 84,023 | 107,992 | 81,627 | (122,612) | 151,030 |
| Administrative and operating expenses: | | | | | |
| Fees charged by affiliates | — | 21,921 | 42,921 | (42,006) | 22,836 |
| Provision for credit losses, net | — | 3,696 | 9,961 | — | 13,657 |
| Depreciation of equipment on operating leases | — | 97,952 | 19,432 | — | 117,384 |
| Other expenses | — | 10,580 | 4,933 | — | 15,513 |
| Total administrative and operating expenses | — | 134,149 | 77,247 | (42,006) | 169,390 |
| Total expenses | 84,023 | 242,141 | 158,874 | (164,618) | 320,420 |
| Income (loss) before income taxes and equity in income of consolidated subsidiaries accounted for under the equity method | (39,179) | 29,699 | 163,617 | — | 154,137 |
| Income tax provision (benefit) | (14,621) | 11,256 | 53,852 | — | 50,487 |
| Equity in income of consolidated subsidiaries accounted for under the equity method | 128,208 | 109,765 | — | (237,973) | — |
| **NET INCOME** | 103,650 | 128,208 | 109,765 | (237,973) | 103,650 |
| Net income attributed to noncontrolling interest | — | — | — | — | — |
| **NET INCOME ATTRIBUTABLE TO CNH INDUSTRIAL CAPITAL LLC** | $103,650 | $128,208 | $109,765 | $(237,973) | $103,650 |
| **COMPREHENSIVE INCOME (LOSS)** | $146,385 | $170,943 | $146,586 | $(317,529) | $146,385 |
| Comprehensive income attributed to noncontrolling interest | — | — | — | — | — |
| **COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO CNH INDUSTRIAL CAPITAL LLC** | $146,385 | $170,943 | $146,586 | $(317,529) | $146,385 |

(Dollars in thousands)

## NOTE 11: SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

| | Condensed Balance Sheets as of June 30, 2016 | | | | |
|---|---|---|---|---|---|
| | CNH Industrial Capital LLC | Guarantor Entities | All Other Subsidiaries | Eliminations | Consolidated |
| **ASSETS** | | | | | |
| Cash and cash equivalents | $ — | $ 145,669 | $ 23,247 | $ — | $ 168,916 |
| Restricted cash | — | 100 | 795,501 | — | 795,601 |
| Receivables, less allowance for credit losses | — | 1,510,845 | 9,921,895 | — | 11,432,740 |
| Affiliated accounts and notes receivable | 3,401,453 | 2,156,444 | 1,761,152 | (7,228,769) | 90,280 |
| Equipment on operating leases, net | — | 1,538,786 | 301,783 | — | 1,840,569 |
| Equipment held for sale | — | 145,273 | 28,191 | — | 173,464 |
| Investments in consolidated subsidiaries accounted for under the equity method | 2,211,783 | 2,382,316 | — | (4,594,099) | — |
| Goodwill and intangible assets, net | — | 89,266 | 28,136 | — | 117,402 |
| Other assets | 7,070 | (16,814) | 43,059 | (4,760) | 28,555 |
| **TOTAL** | $5,620,306 | $7,951,885 | $12,902,964 | $(11,827,628) | $14,647,527 |
| **LIABILITIES AND STOCKHOLDER'S EQUITY** | | | | | |
| Liabilities: | | | | | |
| Short-term debt, including current maturities of long-term debt | $1,000,000 | $ 30,481 | $ 4,102,936 | $ — | $ 5,133,417 |
| Accounts payable and other accrued liabilities | 297,962 | 2,547,360 | 1,157,138 | (3,219,021) | 783,439 |
| Affiliated debt | — | 3,079,422 | 935,086 | (4,014,508) | — |
| Long-term debt | 2,874,229 | 82,839 | 4,325,488 | — | 7,282,556 |
| Total liabilities | 4,172,191 | 5,740,102 | 10,520,648 | (7,233,529) | 13,199,412 |
| Stockholder's equity | 1,448,115 | 2,211,783 | 2,382,316 | (4,594,099) | 1,448,115 |
| **TOTAL** | $5,620,306 | $7,951,885 | $12,902,964 | $(11,827,628) | $14,647,527 |

(Dollars in thousands)

**NOTE 11: SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)**

| | Condensed Statements of Cash Flows for the Six Months Ended June 30, 2016 | | | | |
|---|---|---|---|---|---|
| | CNH Industrial Capital LLC | Guarantor Entities | All Other Subsidiaries | Eliminations | Consolidated |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | | | |
| Net cash from (used in) operating activities | $(349,422) | $ (263,783) | $ 584,004 | $ 380,588 | $ 351,387 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | | | |
| Cost of receivables acquired | — | (3,939,125) | (4,324,298) | 3,359,135 | (4,904,288) |
| Collections of receivables | — | 3,970,019 | 4,612,278 | (3,359,011) | 5,223,286 |
| Change in restricted cash | — | — | 6,417 | — | 6,417 |
| Purchase of equipment on operating leases, net | — | (107,175) | (44,964) | — | (152,139) |
| Change in property and equipment and software, net | — | (180) | (2) | — | (182) |
| Net cash from (used in) investing activities | — | (76,461) | 249,431 | 124 | 173,094 |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | | | |
| Intercompany activity | — | 315,294 | 42,777 | (380,712) | (22,641) |
| Net change in indebtedness | 499,422 | (11,121) | (973,373) | — | (485,072) |
| Dividends paid to CNH Industrial America LLC | (150,000) | — | — | — | (150,000) |
| Net cash from (used in) financing activities | 349,422 | 304,173 | (930,596) | (380,712) | (657,713) |
| **DECREASE IN CASH AND CASH EQUIVALENTS** | — | (36,071) | (97,161) | — | (133,232) |
| **CASH AND CASH EQUIVALENTS:** | | | | | |
| Beginning of period | — | 181,740 | 120,408 | — | 302,148 |
| End of period | $ — | $ 145,669 | $ 23,247 | $ — | $ 168,916 |

(Dollars in thousands)

## NOTE 11: SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

| | Condensed Statements of Comprehensive Income for the Three Months Ended June 30, 2015 | | | | |
|---|---|---|---|---|---|
| | CNH Industrial Capital LLC | Guarantor Entities | All Other Subsidiaries | Eliminations | Consolidated |
| **REVENUES** | | | | | |
| Interest income on retail notes and finance leases | $ — | $ 2,353 | $ 50,675 | $ — | $ 53,028 |
| Interest income on wholesale notes | — | (176) | 20,629 | — | 20,453 |
| Interest and other income from affiliates | 21,576 | 53,964 | 85,212 | (59,258) | 101,494 |
| Rental income on operating leases | — | 40,843 | 11,335 | — | 52,178 |
| Other income | — | 29,254 | 811 | (22,677) | 7,388 |
| Total revenues | 21,576 | 126,238 | 168,662 | (81,935) | 234,541 |
| **EXPENSES** | | | | | |
| Interest expense: | | | | | |
| Interest expense to third parties | 32,353 | 2,884 | 29,819 | — | 65,056 |
| Interest expense to affiliates | — | 56,042 | 9,672 | (59,258) | 6,456 |
| Total interest expense | 32,353 | 58,926 | 39,491 | (59,258) | 71,512 |
| Administrative and operating expenses: | | | | | |
| Fees charged by affiliates | — | 11,443 | 23,240 | (22,677) | 12,006 |
| Provision for credit losses, net | — | 1,083 | 6,093 | — | 7,176 |
| Depreciation of equipment on operating leases | — | 36,493 | 9,606 | — | 46,099 |
| Other expenses | — | 4,751 | 4,406 | — | 9,157 |
| Total administrative and operating expenses | — | 53,770 | 43,345 | (22,677) | 74,438 |
| Total expenses | 32,353 | 112,696 | 82,836 | (81,935) | 145,950 |
| Income (loss) before income taxes and equity in income of consolidated subsidiaries accounted for under the equity method | (10,777) | 13,542 | 85,826 | — | 88,591 |
| Income tax provision (benefit) | (4,154) | 5,508 | 29,319 | — | 30,673 |
| Equity in income of consolidated subsidiaries accounted for under the equity method | 64,541 | 56,507 | — | (121,048) | — |
| **NET INCOME** | 57,918 | 64,541 | 56,507 | (121,048) | 57,918 |
| Net income attributed to noncontrolling interest | — | — | — | — | — |
| **NET INCOME ATTRIBUTABLE TO CNH INDUSTRIAL CAPITAL LLC** | $ 57,918 | $ 64,541 | $ 56,507 | $(121,048) | $ 57,918 |
| **COMPREHENSIVE INCOME (LOSS)** | $ 76,967 | $ 83,590 | $ 72,697 | $(156,287) | $ 76,967 |
| Comprehensive income attributed to noncontrolling interest | — | — | — | — | — |
| **COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO CNH INDUSTRIAL CAPITAL LLC** | $ 76,967 | $ 83,590 | $ 72,697 | $(156,287) | $ 76,967 |

(Dollars in thousands)

## NOTE 11: SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

| | Condensed Statements of Comprehensive Income for the Six Months Ended June 30, 2015 | | | | |
|---|---|---|---|---|---|
| | CNH Industrial Capital LLC | Guarantor Entities | All Other Subsidiaries | Eliminations | Consolidated |
| **REVENUES** | | | | | |
| Interest income on retail notes and finance leases | $ — | $ 2,746 | $ 99,405 | $ — | $102,151 |
| Interest income on wholesale notes | — | (472) | 39,857 | — | 39,385 |
| Interest and other income from affiliates | 45,232 | 110,646 | 171,739 | (121,969) | 205,648 |
| Rental income on operating leases | — | 76,402 | 24,584 | — | 100,986 |
| Other income | — | 54,888 | 1,648 | (44,579) | 11,957 |
| Total revenues | 45,232 | 244,210 | 337,233 | (166,548) | 460,127 |
| **EXPENSES** | | | | | |
| Interest expense: | | | | | |
| Interest expense to third parties | 67,477 | (567) | 61,983 | — | 128,893 |
| Interest expense to affiliates | — | 119,935 | 19,347 | (121,969) | 17,313 |
| Total interest expense | 67,477 | 119,368 | 81,330 | (121,969) | 146,206 |
| Administrative and operating expenses: | | | | | |
| Fees charged by affiliates | — | 23,713 | 45,745 | (44,579) | 24,879 |
| Provision (benefit) for credit losses, net | — | (578) | 11,715 | — | 11,137 |
| Depreciation of equipment on operating leases | — | 69,960 | 20,712 | — | 90,672 |
| Other expenses | — | 10,446 | 6,210 | — | 16,656 |
| Total administrative and operating expenses | — | 103,541 | 84,382 | (44,579) | 143,344 |
| Total expenses | 67,477 | 222,909 | 165,712 | (166,548) | 289,550 |
| Income (loss) before income taxes and equity in income of consolidated subsidiaries accounted for under the equity method | (22,245) | 21,301 | 171,521 | — | 170,577 |
| Income tax provision (benefit) | (8,569) | 7,141 | 60,376 | — | 58,948 |
| Equity in income of consolidated subsidiaries accounted for under the equity method | 125,046 | 110,886 | — | (235,932) | — |
| **NET INCOME** | 111,370 | 125,046 | 111,145 | (235,932) | 111,629 |
| Net income attributed to noncontrolling interest | — | — | (259) | — | (259) |
| **NET INCOME ATTRIBUTABLE TO CNH INDUSTRIAL CAPITAL LLC** | $111,370 | $125,046 | $110,886 | $(235,932) | $111,370 |
| **COMPREHENSIVE INCOME (LOSS)** | $ 66,380 | $ 80,056 | $ 72,046 | $(151,843) | $ 66,639 |
| Comprehensive income attributed to noncontrolling interest | — | — | (259) | — | (259) |
| **COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO CNH INDUSTRIAL CAPITAL LLC** | $ 66,380 | $ 80,056 | $ 71,787 | $(151,843) | $ 66,380 |

(Dollars in thousands)

## NOTE 11: SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

| | Condensed Balance Sheets as of December 31, 2015 | | | | |
|---|---|---|---|---|---|
| | CNH Industrial Capital LLC | Guarantor Entities | All Other Subsidiaries | Eliminations | Consolidated |
| **ASSETS** | | | | | |
| Cash and cash equivalents | $ — | $ 181,740 | $ 120,408 | $ — | $ 302,148 |
| Restricted cash | — | 100 | 795,621 | — | 795,721 |
| Receivables, less allowance for credit losses | — | 1,545,558 | 10,091,467 | — | 11,637,025 |
| Affiliated accounts and notes receivable | 3,071,941 | 1,662,314 | 1,707,079 | (6,269,676) | 171,658 |
| Equipment on operating leases, net | — | 1,540,425 | 256,076 | — | 1,796,501 |
| Equipment held for sale | — | 138,628 | 22,712 | — | 161,340 |
| Investments in consolidated subsidiaries accounted for under the equity method | 2,040,543 | 2,235,730 | — | (4,276,273) | — |
| Goodwill and intangible assets, net | — | 90,048 | 26,363 | — | 116,411 |
| Other assets | 6,714 | 23,780 | 21,353 | (4,637) | 47,210 |
| **TOTAL** | $5,119,198 | $7,418,323 | $13,041,079 | $(10,550,586) | $15,028,014 |
| **LIABILITIES AND STOCKHOLDER'S EQUITY** | | | | | |
| Liabilities: | | | | | |
| Short-term debt, including current maturities of long-term debt | $ 500,000 | $ 14,011 | $ 4,517,207 | $ — | $ 5,031,218 |
| Accounts payable and other accrued liabilities | 292,958 | 2,489,211 | 613,026 | (2,640,517) | 754,678 |
| Affiliated debt | — | 2,764,128 | 892,310 | (3,633,796) | 22,642 |
| Long-term debt | 2,874,808 | 110,430 | 4,782,806 | — | 7,768,044 |
| Total liabilities | 3,667,766 | 5,377,780 | 10,805,349 | (6,274,313) | 13,576,582 |
| Stockholder's equity | 1,451,432 | 2,040,543 | 2,235,730 | (4,276,273) | 1,451,432 |
| **TOTAL** | $5,119,198 | $7,418,323 | $13,041,079 | $(10,550,586) | $15,028,014 |

(Dollars in thousands)

**NOTE 11: SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)**

| | Condensed Statements of Cash Flows for the Six Months Ended June 30, 2015 | | | | |
|---|---|---|---|---|---|
| | CNH Industrial Capital LLC | Guarantor Entities | All Other Subsidiaries | Eliminations | Consolidated |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | | | |
| Net cash from (used in) operating activities | $(683,880) | $ (34,139) | $ 116,113 | $ 966,836 | $ 364,930 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | | | |
| Cost of receivables acquired | — | (5,550,956) | (5,324,652) | 4,143,391 | (6,732,217) |
| Collections of receivables | — | 5,869,591 | 5,370,817 | (4,142,446) | 7,097,962 |
| Change in restricted cash | — | — | 236,291 | — | 236,291 |
| Purchase of equipment on operating leases, net | — | (387,904) | 31,194 | — | (356,710) |
| Change in property and equipment and software, net | — | (49) | — | — | (49) |
| Net cash from (used in) investing activities | — | (69,318) | 313,650 | 945 | 245,277 |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | | | |
| Intercompany activity | — | 26,451 | 78,885 | (967,781) | (862,445) |
| Net change in indebtedness | 698,880 | (22,772) | (283,117) | — | 392,991 |
| Dividends paid to CNH Industrial America LLC | (15,000) | — | — | — | (15,000) |
| Preferred dividend paid to CNH Industrial Canada Ltd. | — | — | (551) | — | (551) |
| Redemption of preferred stock of subsidiary | — | — | (60,416) | — | (60,416) |
| Net cash from (used in) financing activities | 683,880 | 3,679 | (265,199) | (967,781) | (545,421) |
| **INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | — | (99,778) | 164,564 | — | 64,786 |
| **CASH AND CASH EQUIVALENTS:** | | | | | |
| Beginning of period | — | 225,343 | 122,644 | — | 347,987 |
| End of period | $ — | $ 125,565 | $ 287,208 | $ — | $ 412,773 |

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Overview

#### *Organization*

We offer a range of financial products and services to the dealers and customers of CNH Industrial North America. The principal products offered are retail financing for the purchase or lease of new and used CNH Industrial North America equipment and wholesale financing to CNH Industrial North America dealers. Wholesale financing consists primarily of floor plan financing, as well as financing equipment used in dealer-owned rental yards, parts inventory and working capital needs. In addition, we purchase equipment from dealers that are leased to retail customers under operating lease agreements.

#### *Trends and Economic Conditions*

Our business is closely related to the agricultural and construction equipment industries because we offer financing products for such equipment. For the three months ended June 30, 2016, CNH Industrial's net sales of agricultural equipment and net sales of construction equipment generated in NAFTA were $991 million and $320 million, respectively, representing decreases of 15% and 25% from the same period in 2015. For the six months ended June 30, 2016, CNH Industrial's net sales of agricultural equipment and net sales of construction equipment generated in NAFTA were $1,761 million and $604 million, respectively, representing decreases of 24% and 19% from the same period in 2015.

In general, our receivable mix between agricultural and construction equipment financing directionally reflects the mix of equipment sales by CNH Industrial North America. As such, changes in the agricultural industry or with respect to our agricultural equipment borrowers may affect the majority of our portfolio.

Net income attributable to CNH Industrial Capital LLC was $46.4 million for the three months ended June 30, 2016, compared to $57.9 million for the three months ended June 30, 2015. The decrease in net income was due to a decrease in net interest margin and higher depreciation costs associated with the operating lease portfolio. Net income attributable to CNH Industrial Capital LLC was $103.7 million and $111.4 million for the six months ended June 30, 2016 and 2015, respectively, primarily due to higher depreciation costs associated with the operating lease portfolio, partially offset by a lower tax rate. The receivables balance greater than 30 days past due as a percentage of managed receivables was 0.7%, 0.6% and 0.5% at June 30, 2016, December 31, 2015 and June 30, 2015, respectively.

Macroeconomic issues for us include the uncertainty of governmental actions in respect to monetary, fiscal and legislative policies, the global economic recovery, capital market disruptions, trade agreements and financial regulatory reform. Significant volatility in the price of certain commodities could also impact CNH Industrial North America's and our results.

## Results of Operations

***Three and Six Months Ended June 30, 2016 Compared to Three and Six Months Ended June 30, 2015***

*Revenues*

Revenues for the three and six months ended June 30, 2016 and 2015 were as follows (dollars in thousands):

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2016 | 2015 | $ Change | % Change |
| Interest income on retail notes and finance leases | $ 52,729 | $ 53,028 | $ (299) | (0.6)% |
| Interest income on wholesale notes | 18,468 | 20,453 | (1,985) | (9.7) |
| Interest and other income from affiliates | 102,677 | 101,494 | 1,183 | 1.2 |
| Rental income on operating leases | 60,177 | 52,178 | 7,999 | 15.3 |
| Other income | 6,588 | 7,388 | (800) | (10.8) |
| Total revenues | $240,639 | $234,541 | $ 6,098 | 2.6% |

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2016 | 2015 | $ Change | % Change |
| Interest income on retail notes and finance leases | $106,732 | $102,151 | $ 4,581 | 4.5% |
| Interest income on wholesale notes | 33,484 | 39,385 | (5,901) | (15.0) |
| Interest and other income from affiliates | 202,703 | 205,648 | (2,945) | (1.4) |
| Rental income on operating leases | 119,459 | 100,986 | 18,473 | 18.3 |
| Other income | 12,179 | 11,957 | 222 | 1.9 |
| Total revenues | $474,557 | $460,127 | $14,430 | 3.1% |

Revenues totaled $240.6 million and $474.6 million for the three and six months ended June 30, 2016 compared to $234.5 million and $460.1 million for the same periods in 2015. The portfolio mix drove a higher average yield year-over-year. The average yield for the managed portfolio was 7.0% and 6.5% for the three months ended June 30, 2016 and 2015, respectively, and 6.9% and 6.4% for the six months ended June 30, 2016 and 2015, respectively.

Interest income on retail notes and finance leases for the three and six months ended June 30, 2016 was $52.7 million and $106.7 million, respectively, representing a decrease of $0.3 million and an increase of $4.6 million from the same periods in 2015. For the second quarter, the decrease was primarily due to a $3.2 million unfavorable impact from lower average earning assets, partially offset by a $2.9 million favorable impact from higher interest rates. For the six months ended June 30, 2016, compared to the same period in 2015, the increase was due to a $12.2 million favorable impact from higher interest rates, partially offset by a $7.6 million unfavorable impact from lower average earning assets.

Interest income on wholesale notes for the three and six months ended June 30, 2016 was $18.5 million and $33.5 million, representing a decrease of $2.0 million and $5.9 million from the same periods in 2015, respectively. The decreases were primarily due to the unfavorable impact from lower average earning assets.

Interest and other income from affiliates for the three and six months ended June 30, 2016 was $102.7 million and $202.7 million, respectively, compared to $101.5 million and $205.6 million, respectively, for the three and six months ended June 30, 2015. For the three and six months ended June 30, 2016, compensation from CNH Industrial North America for retail low-rate financing programs and interest waiver programs offered to customers was $44.7 million and $88.7 million, respectively, a decrease of

$3.9 million and $10.8 million from the same periods in 2015, respectively. The decreases were primarily due to lower average earning assets. For the three and six months ended June 30, 2016, compensation from CNH Industrial North America for wholesale marketing programs was $39.9 million and $78.4 million, respectively, an increase of $2.8 million and $3.6 million from the same periods in 2015, respectively. For select operating leases, compensation from CNH Industrial North America for the difference between market rental rates and the amounts paid by customers was $17.8 million and $35.0 million for the three and six months ended June 30, 2016, an increase of $2.0 million and $3.6 million from the same periods in 2015, respectively. The increases were primarily due to a higher average portfolio.

Rental income on operating leases for the three and six months ended June 30, 2016 was $60.2 million and $119.5 million, representing an increase of $8.0 million and $18.5 million from the same periods in 2015, respectively. The second quarter increase was due to the favorable impacts of $7.4 million from higher average earning assets and $0.6 million from higher rates. The six-month increase was due to the favorable impacts of $17.6 million from higher average earning assets and $0.9 million from higher rates.

Other income for the three and six months ended June 30, 2016 was $6.6 million and $12.2 million, respectively, representing a decrease of $0.8 million and an increase of $0.2 million from the same periods in 2015, respectively.

*Expenses*

Expenses for the three and six months ended June 30, 2016 and 2015 were as follows (dollars in thousands):

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | **2016** | **2015** | **$ Change** | **% Change** |
| Total interest expense | $ 79,059 | $ 71,512 | $ 7,547 | 10.6% |
| Fees charged by affiliates | 11,119 | 12,006 | (887) | (7.4) |
| Provision for credit losses, net | 7,260 | 7,176 | 84 | 1.2 |
| Depreciation of equipment on operating leases | 60,100 | 46,099 | 14,001 | 30.4 |
| Other expenses | 12,529 | 9,157 | 3,372 | 36.8 |
| Total expenses | $170,067 | $145,950 | $24,117 | 16.5% |

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | **2016** | **2015** | **$ Change** | **% Change** |
| Total interest expense | $151,030 | $146,206 | $ 4,824 | 3.3% |
| Fees charged by affiliates | 22,836 | 24,879 | (2,043) | (8.2) |
| Provision for credit losses, net | 13,657 | 11,137 | 2,520 | 22.6 |
| Depreciation of equipment on operating leases | 117,384 | 90,672 | 26,712 | 29.5 |
| Other expenses | 15,513 | 16,656 | (1,143) | (6.9) |
| Total expenses | $320,420 | $289,550 | $30,870 | 10.7% |

Interest expense totaled $79.1 million and $151.0 million for the three and six months ended June 30, 2016, respectively, compared to $71.5 million and $146.2 million for the same periods in 2015. For the second quarter, the increase was due to a $10.6 million unfavorable impact from higher average interest rates, partially offset by a $3.1 million favorable impact from lower average total debt. For the six months, the increase was due primarily to a $12.0 million unfavorable impact from higher average interest rates, partially offset by a $7.2 million favorable impact from lower average total debt.

The provision for credit losses was $7.3 million and $13.7 million for the three and six months ended June 30, 2016, respectively, compared to $7.2 million and $11.1 million for the same periods in 2015. The increases in 2016 were primarily due to retail write-offs.

For the three and six months ended June 30, 2016, depreciation of equipment on operating leases was $60.1 million and $117.4 million, respectively, an increase of $14.0 million and $26.7 million from the same periods in 2015, respectively, primarily due to a higher operating lease portfolio and updated depreciation estimates.

Other expenses increased by $3.4 million for the three month ended June 30, 2016 and decreased by $1.1 million for the six months ended June 30, 2016, compared to the same periods in 2015, primarily due to losses on equipment held for sale.

The effective tax rates for the three months ended June 30, 2016 and 2015 were 34.2% and 34.6%, respectively. The effective tax rate was 32.8% for the six-month period ended June 30, 2016, compared to 34.6% for the same period in 2015. The decreases in the effective tax rates were primarily due to profits in tax jurisdictions with lower rates, including Canada.

*Receivables and Equipment on Operating Leases Originated and Held*

Receivables and equipment on operating lease originations for the three and six months ended June 30, 2016 and 2015 were as follows (dollars in thousands):

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2016 | 2015 | $ Change | % Change |
| Retail receivables | $ 705,003 | $ 780,028 | $ (75,025) | (9.6)% |
| Wholesale receivables | 1,770,818 | 2,636,406 | (865,588) | (32.8) |
| Equipment on operating leases | 173,444 | 253,370 | (79,926) | (31.5) |
| Total originations | $2,649,265 | $3,669,804 | $(1,020,539) | (27.8)% |

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2016 | 2015 | $ Change | % Change |
| Retail receivables | $1,347,433 | $1,601,278 | $ (253,845) | (15.9)% |
| Wholesale receivables | 3,556,855 | 5,130,939 | (1,574,084) | (30.7) |
| Equipment on operating leases | 322,704 | 498,693 | (175,989) | (35.3) |
| Total originations | $5,226,992 | $7,230,910 | $(2,003,918) | (27.7)% |

Retail, wholesale and equipment on operating lease originations decreased in the six months ended June 30, 2016 compared to the same period in 2015, primarily due to a decrease in unit sales of CNH Industrial North America equipment.

Total receivables and equipment on operating leases held as of June 30, 2016, December 31, 2015 and June 30, 2015 were as follows (dollars in thousands):

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Retail receivables | $ 7,739,799 | $ 8,081,866 | $ 8,422,464 |
| Wholesale receivables | 3,780,577 | 3,649,883 | 3,950,685 |
| Equipment on operating leases | 1,840,569 | 1,796,501 | 1,658,124 |
| Total receivables and equipment on operating leases | $13,360,945 | $13,528,250 | $14,031,273 |

The total retail receivables balance over 30 days past due as a percentage of the retail receivables was 1.0%, 0.9% and 0.8% at June 30, 2016, December 31, 2015 and June 30, 2015, respectively. At those same dates, the total wholesale receivables balance over 30 days past due as a percentage of the wholesale receivables was not significant. Total retail receivables on nonaccrual status, which represent receivables for which we have ceased accruing finance income, were $46.9 million, $54.0 million and $34.3 million at June 30, 2016, December 31, 2015 and June 30, 2015, respectively. Total wholesale receivables on nonaccrual status were $50.6 million, $81.7 million and $23.6 million at June 30, 2016, December 31, 2015 and June 30, 2015, respectively.

Total receivable write-off amounts and recoveries, by product, for the three and six months ended June 30, 2016 and 2015 were as follows (dollars in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **Write-offs:** | | | | |
| Retail | $13,513 | $4,045 | $22,897 | $ 9,714 |
| Wholesale | — | 135 | 1 | 256 |
| Total write-offs | 13,513 | 4,180 | 22,898 | 9,970 |
| **Recoveries:** | | | | |
| Retail | (568) | (698) | (1,518) | (1,130) |
| Wholesale | (513) | (7) | (517) | (14) |
| Total recoveries | (1,081) | (705) | (2,035) | (1,144) |
| **Write-offs, net of recoveries:** | | | | |
| Retail | 12,945 | 3,347 | 21,379 | 8,584 |
| Wholesale | (513) | 128 | (516) | 242 |
| Total write-offs, net of recoveries | $12,432 | $3,475 | $20,863 | $ 8,826 |

Our allowance for credit losses on all receivables financed totaled $87.6 million at June 30, 2016, $94.7 million at December 31, 2015 and $97.0 million at June 30, 2015. The level of the allowance is based on quantitative and qualitative factors, including historical loss experience by product category, portfolio duration, delinquency trends, economic conditions, collateral value and credit quality. We believe our allowance is sufficient to provide for losses in our receivable portfolio as of June 30, 2016.

**Liquidity and Capital Resources**

The following discussion of liquidity and capital resources principally focuses on our statements of cash flows, balance sheets and capitalization. CNH Industrial Capital's current funding strategy is to maintain sufficient liquidity and flexible access to a wide variety of financial instruments and funding options.

In the past, securitization has been one of our most economical sources of funding and, therefore, the majority of our originated receivables are securitized, with the cash generated from such receivables utilized to repay the related debt or, in the case of wholesale receivables, to purchase new receivables. We expect securitization to continue to represent a substantial portion of our liquidity plan.

In addition, we have committed secured and unsecured facilities, unsecured bonds, affiliate borrowings and cash to fund our liquidity needs. We have accessed the unsecured bond market in order to add more diversity to our funding sources. As of June 30, 2016, our outstanding unsecured senior notes totaled $3.8 billion. We expect continued changes to our funding profile, with less reliance on the securitization market.

### *Cash Flows*

For the six months ended June 30, 2016 and 2015, our cash flows were as follows (dollars in thousands):

| | 2016 | 2015 |
|---|---|---|
| Cash flows from (used in): | | |
| Operating activities | $ 351,387 | $ 364,930 |
| Investing activities | 173,094 | 245,277 |
| Financing activities | (657,713) | (545,421) |
| Net cash increase (decrease) | $(133,232) | $ 64,786 |

Operating activities in the six months ended June 30, 2016 generated cash of $351 million, resulting primarily from net income of $104 million, adjusted by depreciation and amortization of $118 million and cash from changes in working capital of $103 million. The decrease in cash provided by operating activities for the six months ended June 30, 2016 compared to the same period in 2015 was primarily due to an $8 million decrease in net income and a decrease in deferred income tax expense of $30 million, partially offset by $27 million in higher depreciation and amortization expense.

Investing activities in the six months ended June 30, 2016 generated cash of $173 million, resulting primarily from a net reduction in receivables of $319 million, a decrease in restricted cash of $6 million and $152 million in net expenditures for equipment on operating leases. The decrease in cash provided by investing activities for the six months ended June 30, 2016 compared to the same period in 2015 was primarily due to a $230 million lower reduction in restricted cash and a $47 million lower reduction in receivables, partially offset by a $205 million reduction in net expenditures for equipment on operating leases.

Financing activities in the six months ended June 30, 2016 used cash of $658 million, resulting primarily from net cash paid on affiliated debt of $23 million, $49 million from net cash paid on long-term debt, $436 million from net cash paid on short-term borrowings and a $150 million dividend paid to CNH Industrial America. The increase in cash used in financing activities in the six months ended June 30, 2016 compared to the same period in 2015 was primarily due to a $442 million reduction in net cash received on long-term debt, a $436 million decrease in short-term borrowings and higher dividends of $135 million paid to CNH Industrial America, partially offset by an decrease of $840 million in net cash paid on affiliated debt and the $60 million redemption of preferred stock of a subsidiary in 2015.

### *Securitization*

CNH Industrial Capital and its predecessor entities have been securitizing receivables since 1992. Because this market generally remains a cost-effective financing source and allows access to a wide investor base, we expect to continue utilizing securitization as one of our core sources of funding in the near future. CNH Industrial Capital has completed public and private issuances of asset-backed securities in both the U.S. and Canada and, as of June 30, 2016, the amounts outstanding were approximately $6.9 billion. Our securitizations are treated as financing arrangements for accounting purposes.

### *Committed Asset-Backed Facilities*

CNH Industrial Capital has committed asset-backed facilities with several banks or through their commercial paper conduit programs. Committed asset-backed facilities for the U.S. and Canada totaled $2.8 billion at June 30, 2016, with original borrowing maturities of up to two years. The unused availability under the facilities varies during the year, depending on origination volume and the refinancing of receivables with term securitization transactions and/or other financing. At June 30, 2016, approximately $1.2 billion of funding was available for use under these facilities.

*Unsecured Funding*

As of June 30, 2016, our outstanding unsecured senior notes were as follows (dollars in thousands):

| | 2016 |
|---|---|
| 6.250% notes, due 2016 | $ 500,000 |
| 3.250% notes, due 2017 | 500,000 |
| 3.625% notes, due 2018(1) | 602,309 |
| 3.875% notes, due 2018(2) | 598,535 |
| 3.375% notes, due 2019(2) | 498,209 |
| 4.375% notes, due 2020(2) | 597,110 |
| 4.875% notes, due 2021(2) | 497,394 |
| Total | $3,793,557 |

(1) Includes fair value adjustment.

(2) Includes unamortized debt discount.

These notes, which are senior unsecured obligations of CNH Industrial Capital LLC, are guaranteed by CNH Industrial Capital America and New Holland Credit.

As of June 30, 2016, we had outstanding a $100 million unsecured term loan with a final maturity in March 2018. Additionally, we had undrawn, unsecured revolving credit facilities of $100 million with a final maturity in March 2019 and $300 million with a consortium of banks, with a final maturity in June 2019.

*Affiliate Sources*

CNH Industrial Capital borrows, as needed, from CNH Industrial. This source of funding is primarily used to finance various assets and provides additional flexibility when evaluating market conditions and potential third-party financing options. We have obtained financing from CNHI treasury subsidiaries and, from time to time, have entered into term loan agreements. We had no affiliated debt as of June 30, 2016, compared to affiliated debt of $23 million as of December 31, 2015.

*Equity Position*

Our equity position also supports our ability to access various funding sources. Our stockholder's equity at June 30, 2016 and December 31, 2015 was $1.4 billion and $1.5 billion, respectively.

In 2016, CNH Industrial Capital LLC paid cash dividends of $150 million to CNH Industrial America.

*Liquidity*

The majority of CNH Industrial Capital's debt is self-liquidating from the cash generated by the underlying receivables. Normally, additional liquidity should not be necessary for the repayment of such debt. New originations of retail receivables are usually warehoused in committed asset-backed facilities until being refinanced in the term ABS market or with other third-party debt. The majority of new wholesale receivables are financed through a master trust and funded by variable funding notes or on a term basis.

Our liquidity available for use as of June 30, 2016 is as follows (dollars in thousands):

| | 2016 |
|---|---|
| Cash, cash equivalents and restricted cash | $ 964,517 |
| Committed asset-backed facilities | 2,838,014 |
| Committed unsecured facilities | 400,000 |
| Total cash and facilities | 4,202,531 |
| Less: restricted cash | (795,601) |
| Less: committed asset-backed facilities utilization | (1,627,587) |
| Total available for use | $ 1,779,343 |

The liquidity available for use varies due to changes in origination volumes, reflecting the financing needs of our customers, and is influenced by the timing of any refinancing of underlying receivables.

In connection with a limited number of funding transactions, we provide financial guarantees to various parties on behalf of certain foreign financial services subsidiaries of CNHI for approximately $222.0 million as of June 30, 2016. The guarantees are in effect for the term of the underlying funding facilities plus 365 days. The underlying facilities are renewable annually.

***Other Data***

| | As of or for the Six Months Ended June 30, | |
|---|---|---|
| | 2016 | 2015 |
| | (Dollars in thousands) | |
| Ratio of earnings to fixed charges(1) | 2.02 | 2.17 |
| Total managed receivables | $11,520,376 | $12,373,149 |
| Operating lease equipment | 1,840,569 | 1,658,124 |
| Total managed portfolio | $13,360,945 | $14,031,273 |
| Delinquency(2) | 0.67% | 0.54% |
| Average managed receivables | $11,823,964 | $13,005,675 |
| Net credit loss(3) | 0.27% | 0.11% |
| Profitability(4): | | |
| Return on average managed portfolio(5) | 1.55% | 1.59% |
| Asset Quality: | | |
| Allowance for credit losses/total receivables | 0.76% | 0.78% |

(1) For purposes of determining the ratio of earnings to fixed charges, earnings are defined as the sum of (i) income before income taxes, (ii) fixed charges and (iii) amortization of capitalized interest, less (i) interest capitalized and (ii) noncontrolling interest in pretax income of subsidiaries that have not incurred fixed charges. Fixed charges consist of (i) interest expense, including amortization of premiums, discounts and capitalized expenses related to indebtedness, (ii) interest capitalized and (iii) an estimate of the interest component of rental expense.

(2) Delinquency means managed receivables that are past due over 30 days, expressed as a percentage of the managed receivables as of the end of the respective period.

(3) Net credit losses on the managed receivables means write-offs, net of recoveries, for the preceding 12 months expressed as a percentage of the respective average managed receivables.

(4) Six months ended June 30, 2016 and 2015 annualized.

(5) Net income for the period expressed as a percentage of average managed portfolio.

***Cautionary Note Regarding Forward-Looking Statements***

All statements other than statements of historical fact contained in this quarterly report, including statements regarding our competitive strengths; business strategy; future financial position or operating results; budgets; projections with respect to revenue, income, capital expenditures, dividends, capital structure or other financial items; costs; and plans and objectives of management regarding operations, products and services, are forward-looking statements. These statements may include terminology such as "may," "will," "expect," "could," "should," "intend," "estimate," "anticipate," "believe," "outlook," "continue," "remain," "on track," "design," "target," "objective," "goal," "forecast," "projection," "prospects," "plan," or similar terminology. Forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside our control and are difficult to predict. If any of these risks and uncertainties materialize or other assumptions underlying any of the forward-looking statements prove to be incorrect, the actual results or developments may differ materially from any future results or developments expressed or implied by the forward-looking statements.

Factors, risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward- looking statements include, among others: the many interrelated factors that affect customer confidence and demand for our financing products and services; general economic conditions; changes in government policies regarding banking, monetary and fiscal policies; legislation, particularly relating to capital goods-related issues such as agriculture, the environment, debt relief and subsidy program policies, trade and commerce and infrastructure development; government policies on international trade and investment, including sanctions, import quotas, capital controls and tariffs; actions of competitors in the various industries in which CNH Industrial North America competes; interest rates and currency exchange rates; inflation and deflation; energy prices; prices for agricultural commodities; housing starts and other construction activity; our ability to obtain financing or to refinance existing debt; restrictive covenants in our debt agreements; actions by rating agencies concerning the ratings on our debt and asset-backed securities and the credit rating of CNHI; a decline in the price of used equipment; political and civil unrest; volatility and deterioration of capital and financial markets, including further deterioration of the Eurozone sovereign debt crisis, other similar risks and uncertainties and our success, and CNH Industrial North America's success, in managing the risks involved in the foregoing.

Forward-looking statements speak only as of the date on which such statements are made.

Furthermore, in light of difficult macroeconomic conditions, both globally and in the industries in which we operate, it is particularly difficult to forecast our results and any estimates or forecasts of particular periods that we provide are uncertain. Accordingly, investors should not place undue reliance on such forward-looking statements. We can give no assurance that the expectations reflected in our forward-looking statements will prove to be correct. Our outlook is based upon assumptions, which are sometimes based upon estimates and data received from third parties. Such estimates and data are often revised. Our actual results could differ materially from those anticipated in such forward-looking statements. We undertake no obligation to update or revise publicly any forward-looking statements.

Additional factors which could cause actual results and developments to differ from those expressed or implied by the forward-looking statements are included in the section "Item 1A. Risk Factors" in our most recent annual report on Form 10-K.

**Critical Accounting Policies and Estimates**

See our critical accounting policies and estimates discussed in our annual report for the year ended December 31, 2015 under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 2 to our audited consolidated financial statements included in such annual report. There were no material changes to these policies or estimates during the three months ended June 30, 2016.

**New Accounting Pronouncements**

***New Accounting Pronouncements Adopted in 2016***

In February 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-02, *Consolidation* ("ASU 2015-02"). ASU 2015-02 is intended to improve targeted areas of consolidation guidance for legal entities such as limited partnerships, limited liability companies and securitized structures. The new standard eliminates the previous deferral in Accounting Standards Codification 810, which allowed reporting entities with interests in certain investment funds to follow previously issued consolidations guidance, and makes changes to both the variable interest model and the voting model. ASU 2015-02 has been adopted and did not have a material effect on our consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"). ASU 2015-03 is intended to simplify the presentation of debt issuance costs. The new standard requires the debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying value of that debt liability, consistent with debt discounts. ASU 2015-03 was retrospectively adopted by us on January 1, 2016. As a result, $37 million of debt issuance costs at December 31, 2015 was reclassified from other assets to long-term debt.

In August 2015, the FASB issued ASU No. 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements* ("ASU 2015-15"), which amends ASC 835-30, Interest—Imputation of Interest. ASU 2015-15 clarifies the presentation and subsequent measurement of debt issuance costs associated with lines of credit. These costs may be presented as an asset and amortized ratably over the term of the line of credit arrangement, regardless of whether there are outstanding borrowings on the arrangement. ASU 2015-15 has been adopted and did not have a material effect on our consolidated financial statements.

***New Accounting Pronouncements Not Yet Adopted***

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 supersedes the revenue recognition requirements in Accounting Standards Codification 605—*Revenue Recognition* and most industry-specific guidance throughout the Codification. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 to fiscal years beginning after December 15, 2017, and for interim periods within those fiscal years. In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations*, which clarifies the principal versus agent guidance in ASU 2014-09. In April 2016, the FASB issued ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*, which clarifies guidance related to identifying performance obligations and the licensing implementation guidance in ASU 2014-09. In May 2016, the FASB issued ASU No. 2016-12, *Narrow Scope Improvements and Practical Expedients*, which amends ASU 2014-09. This ASU clarifies the requirement to assess collectability of contract consideration, clarifies the treatment of noncash consideration and provides a policy election to exclude from revenue amounts collected from customers for sales and similar taxes. These related ASU's have the same effective date and the same implementation requirements as ASU 2014-09. We are currently assessing the method of adoption we will elect and the impact of the adoption of these revenue recognition updates on our financial position and results of operations.

In August 2014, the FASB issued ASU No. 2014-15, *Uncertainties About an Entity's Ability to Continue as a Going Concern* ("ASU 2014-15"). ASU 2014-15 provides guidance on determining when and how to disclose going-concern uncertainties in the financial statements. The new standard requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date of issuance of the entity's financial statements. An entity must also provide certain disclosures if there is "substantial doubt" about the entity's ability to continue as a going concern. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and interim periods thereafter. Early adoption is permitted. We do not believe the adoption of this standard will have a material impact on our financial position or results of operations.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"). The purpose of this update is to enhance the reporting model for financial instruments to provide users with more decision-useful information. Accordingly, ASU 2016-01 updates and revises various requirements, including measurement of equity investments at fair value with changes recognized in net income (except equity method or consolidated investees), which supersedes the current guidance to classify equity securities with readily determinable fair values into different categories (e.g., trading or available for sale). It also requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (e.g. securities or loans and receivables) on the balance sheet and in the accompanying notes. The update is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those fiscal years, and early adoption is not permitted. We are currently assessing the impact of the adoption of ASU 2016-01 on our financial position and results of operations.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* ("ASU 2016-02"), which relates to the accounting of leasing transactions. This standard requires lessees to recognize assets and liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than 12 months. ASU 2016-02 also will require disclosures designed to give financial statement users information on the amount, timing, and uncertainty of cash flows arising from leases. It is effective for fiscal years beginning after December 15, 2018 including interim periods within those fiscal years, but early adoption is permitted. ASU 2016-02 requires a modified retrospective transition approach and provides certain optional transition relief. We are currently assessing the impact of the adoption of ASU 2016-02 on our financial position and results of operations.

In March 2016, the FASB issued ASU No. 2016-05, *Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships* ("ASU 2016-05") and ASU No. 2016-06, *Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments* ("ASU 2016-06"). ASU 2016-05 clarifies that a change in the counterparty to a derivative instrument that has been designated as a hedging instrument does not, in and of itself, require designation of that hedging relationship if all other hedge accounting criteria continue to be met. ASU 2016-06 clarifies the steps required to determine bifurcation of an embedded derivative. These standards will be effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. We are currently assessing the impact of the adoption of ASU 2016-05 and ASU 2016-06 on our financial position and results of operations.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)* ("ASU 2016-13"). The purpose of this standard is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. Entities will be required to utilize a forward-looking model based on expected losses rather than incurred losses under current guidance.

ASU 2016-13 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019 on a modified-retrospective basis, and may be early adopted as of December 15, 2018. We are currently assessing the impact of the adoption of ASU 2016-13 on our financial position and results of operations.

## Item 4. Controls and Procedures

### Disclosure Controls and Procedures

Under the supervision, and with the participation, of our management, including our President and Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of June 30, 2016. Based on that evaluation, our President and Chief Financial Officer concluded that the disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed in our Exchange Act filings is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our President and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

### Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting during the three months ended June 30, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

CNH Industrial Capital is party to various litigation matters and claims arising from its operations. Management believes that the outcome of these proceedings, individually and in the aggregate, will not have a material adverse effect on CNH Industrial Capital's financial position or results of operations.

### Item 1A. Risk Factors

See our most recent annual report on Form 10-K (Part I, Item 1A). There was no material change in our risk factors during the six months ended June 30, 2016.

### Item 4. Mine Safety Disclosures

Not applicable.

### Item 5. Other Information

None.

### Item 6. Exhibits

| Exhibit | Description |
|---|---|
| 12.1 | Statement regarding computation of ratio of earnings to fixed charges. |
| 31.1 | Certifications of President Pursuant to Exchange Act Rule 13a-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certifications of Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1† | Certification required by Exchange Act Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350). |
| 101 | Interactive data files pursuant to Rule 405 of Regulation S-T: (i) Consolidated Statements of Income for the three and six months ended June 30, 2016 and 2015, (ii) Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2016 and 2015, (iii) Consolidated Balance Sheets as of June 30, 2016 and December 31, 2015, (iv) Consolidated Statements of Cash Flows for the six months ended June 30, 2016 and 2015, (v) Consolidated Statements of Changes in Stockholder's Equity for the six months ended June 30, 2016 and 2015 and (vi) Condensed Notes to Consolidated Financial Statements. |

† These certifications are deemed not filed for purposes of section 18 of the Exchange Act, or otherwise subject to the liability of that section; nor shall they be deemed incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CNH INDUSTRIAL CAPITAL LLC

Date: August 3, 2016

By: /s/ BRETT D. DAVIS

Name: Brett D. Davis
Title: *Chairman and President*

**EXHIBIT 12.1**

## COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

For the three and six months ended June 30, 2016 and 2015, the computation of ratio of earnings to fixed charges is as follows (dollars in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **Earnings:** | | | | |
| Income before taxes | $ 70,572 | $ 88,591 | $154,137 | $170,577 |
| Fixed charges | 79,071 | 71,533 | 151,056 | 146,245 |
| Total earnings | $149,643 | $160,124 | $305,193 | $316,822 |
| **Fixed charges:** | | | | |
| Interest expense inclusive of amortized premiums, discounts and capitalized expenses related to indebtedness | $ 79,059 | $ 71,512 | $151,030 | $146,206 |
| Estimate of the interest component of rental expense | 12 | 21 | 26 | 39 |
| Total fixed charges | $ 79,071 | $ 71,533 | $151,056 | $146,245 |
| Ratio of earnings to fixed charges | 1.89 | 2.24 | 2.02 | 2.17 |

**EXHIBIT 31.1**

## CERTIFICATIONS

I, Brett D. Davis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CNH Industrial Capital LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2016

By: /s/ BRETT D. DAVIS

Name: Brett D. Davis
Title: *President*

**EXHIBIT 31.2**

**CERTIFICATIONS**

I, Douglas MacLeod, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CNH Industrial Capital LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2016

By: /s/ DOUGLAS MACLEOD

Name: Douglas MacLeod
Title: *Chief Financial Officer*

**EXHIBIT 32.1**

## CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of CNH Industrial Capital LLC (the "Company") does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 of the Company (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

| | |
|---|---|
| August 3, 2016 | /s/ BRETT D. DAVIS |
| | Brett D. Davis<br>*President* |
| August 3, 2016 | /s/ DOUGLAS MACLEOD |
| | Douglas MacLeod<br>*Chief Financial Officer* |

A signed original of this written statement has been provided to CNH Industrial Capital LLC and will be retained by CNH Industrial Capital LLC and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to 18 U.S.C §1350 and is not being filed as part of the Report or as a separate disclosure document.