

CNH Industrial N.V.
Form 20-F
March 04, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTIONS 12(b) OR (g) OF THE SECURITIES EXCHANGE
ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2015

OR

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

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

Commission File Number 001-36085

CNH INDUSTRIAL N.V.

(Exact name of registrant as specified in its charter)

The Netherlands

(Jurisdiction of incorporation or organization)

25 St. James's Street

London

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United Kingdom

(Address of Principal Executive Offices)

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Secretary

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(Name, Telephone, E-mail and/or Facsimile Number and Address of Company Contact Person)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on which Registered
Common Shares, par value €0.01	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 1,362,048,989 common shares, par value €0.01 per share, and 413,249,206 special voting shares, par value €0.01 per share.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Act of 1934. Yes No

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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing: U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question indicate by check mark which financial statement item the registrant has elected to follow: Item 17 or Item 18 .

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

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PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

CNH Industrial N.V. (“CNH Industrial” or the “Company”) is the company formed by the business combination transaction, completed on September 29, 2013, between Fiat Industrial S.p.A. (“Fiat Industrial”) and its majority owned subsidiary, CNH Global N.V. (“CNH Global”). CNH Industrial is incorporated in, and under the laws of, the Netherlands. CNH Industrial has its corporate seat in Amsterdam, the Netherlands, and its principal office in London, England. Unless otherwise indicated or the context otherwise requires, as used in this annual report, the terms “CNH Industrial”, “we”, “us”, “our” or “the Company” refer to CNH Industrial together with its consolidated subsidiaries.

We have prepared our annual consolidated financial statements presented in this annual report in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). These consolidated financial statements are expressed in U.S. dollars and, unless otherwise indicated, all financial data set forth in this annual report are expressed in U.S. dollars.

The deeds of merger for the mergers of Fiat Industrial and CNH Global with and into CNH Industrial (the “Merger”) were executed, respectively, on September 27 and 28, 2013. The effective date of the Merger was September 29, 2013. A primary objective of the Merger was to simplify the capital structure of Fiat Industrial (CNH Industrial subsequent to the Merger) by creating a single class of liquid stock listed on the New York Stock Exchange (“NYSE”) and on the Mercato Telematico Azionario, organized and managed by Borsa Italiana S.p.A. (“MTA”). The principal steps in the Merger were:

- the cross-border merger of Fiat Netherlands Holding N.V. (“FNH”) with and into Fiat Industrial (the “FNH Merger”), which occurred on August 1, 2013;
- the cross-border reverse merger of Fiat Industrial with and into FI CBM Holdings N.V. (now known as CNH Industrial) (the “FI Merger”); and
- the Dutch merger of CNH Global with and into FI CBM Holdings N.V. (the “CNH Merger”).

All the companies (i.e., Fiat Industrial, FI CBM Holdings N.V. (now known as CNH Industrial), FNH and CNH Global) involved in the Merger were part of Fiat Industrial; in particular: (i) FNH was a wholly-owned direct subsidiary of Fiat Industrial; (ii) FI CBM Holdings N.V. (now known as CNH Industrial) was a wholly-owned direct subsidiary of Fiat Industrial; and (iii) CNH Global was an indirect subsidiary of Fiat Industrial (controlled through FNH which owned approximately 87% of CNH Global’s capital stock).

In connection with the FI Merger, Fiat Industrial shareholders received one newly issued common share in CNH Industrial (having a nominal value of €0.01 each) for each ordinary share held in Fiat Industrial (having a nominal value of €1.57 each). In connection with the CNH Merger, CNH Global shareholders received 3.828 newly issued CNH Industrial common shares (having a nominal value of €0.01 each) for each common share held in CNH Global (having a nominal value of €2.25 each).

In connection with the closing of the Merger, CNH Industrial issued 1,348,867,772 common shares to Fiat Industrial and CNH Global shareholders on the basis of the established exchange ratios described above. CNH Industrial also issued special voting shares (non-tradable) to eligible Fiat Industrial and CNH Global shareholders who maintained their ownership of the shares through the closing of the Merger and elected to receive special voting shares. On the basis of the requests received, CNH Industrial issued a total of 474,474,276 special voting shares in connection with the closing of the Merger. On September 30, 2013, CNH Industrial common shares began trading on the NYSE and the MTA. For information on our share capital, see “Item 10. Additional Information—B. Memorandum and Articles of Association.”

On January 1, 2011, Fiat S.p.A. (which, effective October 12, 2014, was merged into Fiat Chrysler Automobiles N.V. or “FCA”) effected a “demerger” under Article 2506 of the Italian Civil Code (the “Demerger”). Pursuant to the Demerger,

Fiat transferred its ownership interest in FNH to a new holding company, Fiat Industrial, including Fiat's indirect ownership of CNH Global, as well as Fiat's truck and commercial vehicles business and its industrial and marine powertrain business. Consequently, as of January 1, 2011, CNH Global became a subsidiary of Fiat Industrial. In connection with the Demerger, shareholders of Fiat S.p.A. received shares of capital stock of Fiat Industrial. Accordingly, as of January 1, 2011, Fiat Industrial owned approximately 89% of CNH Global's outstanding common shares through FNH. Fiat Industrial was a corporation organized under the laws of the Republic of Italy whose stock was traded on the Milan stock exchange.

Following the Merger, the Company realigned its reportable segments reflecting the five businesses directly managed by CNH Industrial, consisting of: (i) Agricultural Equipment, which designs, produces and sells agricultural equipment; (ii) Construction Equipment, which designs, produces and sells construction equipment; (iii) Commercial Vehicles, which designs, produces and sells trucks, commercial vehicles, buses, and specialty vehicles; (iv) Powertrain, which produces and sells engines, transmissions and axles for those vehicles, and engines for marine and power generation applications and (v) Financial Services, which provides financial services to our dealers and customers. Our worldwide agricultural equipment, construction equipment, commercial vehicles and powertrain operations are collectively referred to as "Industrial Activities". See "Item 5. Operating and Financial Review and Prospects" and "Note 19: Segment Reporting" in the notes to our consolidated financial statements for the year ended December 31, 2015.

Certain financial information in this report has been presented by geographic area. Our geographic regions are: (1) NAFTA; (2) EMEA; (3) LATAM; and (4) APAC. The geographic designations have the following meanings:

- NAFTA—United States, Canada and Mexico;
- EMEA—member countries of the European Union, member countries of the European Free Trade Association (“EFTA”), Ukraine, Balkans, African continent and the Middle East (excluding Turkey);
- LATAM—Central and South America, and the Caribbean Islands; and
- APAC—Continental Asia (including Turkey and Russia), Oceania and member countries of the Commonwealth of Independent States (excluding Ukraine).

Certain industry and market share information in this annual report has been presented on a worldwide basis which includes all countries. In this annual report, management estimates of market share information are generally based on retail unit sales data in North America, on registrations of equipment in most of Europe, Brazil, and various APAC markets, and on retail and shipment unit data collected by a central information bureau appointed by equipment manufacturers associations, including the Association of Equipment Manufacturers in North America, the Committee for European Construction Equipment in Europe, the Associação Nacional dos Fabricantes de Veículos Automotores (“ANFAVEA”) in Brazil, the Japan Construction Equipment Manufacturers Association, and the Korea Construction Equipment Manufacturers Association, as well as on other shipment data collected by independent service bureaus. Not all agricultural or construction equipment is registered, and registration data may thus underestimate, perhaps substantially, actual retail industry unit sales demand, particularly for local manufacturers in China, Southeast Asia, Eastern Europe, Russia, Turkey, Brazil, and any country where local shipments are not reported. For Commercial Vehicles, regions are defined for both market share and total industry volume (“TIV”) as: Europe (the 27 countries where Commercial Vehicles competes), LATAM (Brazil, Argentina and Venezuela) and APAC (Russia, Turkey, South East Asia, Australia and New Zealand). In addition, there may be a period of time between the shipment, delivery, sale and/or registration of a unit, which must be estimated, in making any adjustments to the shipment, delivery, sale, or registration data to determine our estimates of retail unit data in any period.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

The following selected consolidated financial data as of December 31, 2015 and 2014, and for each of the three years ended December 31, 2015, 2014, and 2013 have been derived from and should be read in conjunction with our audited, consolidated financial statements included in “Item 18. Financial Statements”. This data should also be read in conjunction with “Item 5. Operating and Financial Review and Prospects.” Financial data as of December 31, 2013, 2012, and 2011 and for the years ended December 31, 2012 and 2011 are derived from our consolidated balance sheet and statement of operations which are not included in this annual report. These consolidated financial statements are prepared in accordance with U.S. GAAP.

Because the mergers of Fiat Industrial and CNH Global with and into CNH Industrial represent a “business combination involving entities or businesses under common control”, it is outside the scope of application of Accounting Standards Codification 805—Business Combinations. Accordingly, no adjustments were made to the carrying amounts of the assets and liabilities of Fiat Industrial. Financial data as of and for the years ended December 31, 2012 and 2011 represent the consolidated information of Fiat Industrial and have been restated so as to be in compliance with U.S. GAAP. The only significant accounting effect of the Merger was the post-merger attribution to owners of the parent company of the previous noncontrolling interests in CNH Global. As a result of the Merger, \$1,053 million of noncontrolling interests were reclassified to equity attributable to the parent.

The following table contains our selected historical financial data as of and for each of the five years ended December 31, 2015, 2014, 2013, 2012 and 2011.

	For the Years Ended December 31,				
	2015	2014	2013	2012	2011
	(in millions, except per share data)				
Consolidated Statement of Operations Data:					
Revenues:					
Net sales	\$24,677	\$31,196	\$32,632	\$31,529	\$32,224
Finance and interest income	1,235	1,359	1,204	1,272	1,256
Total Revenues	25,912	32,555	33,836	32,801	33,480
Net income	\$248	\$708	\$828	\$876	\$639
Net income attributable to CNH Industrial N.V.	\$253	\$710	\$677	\$756	\$545
Earnings per share attributable to CNH Industrial N.V.:					
Basic earnings per common share	\$0.19	\$0.52	\$0.54	\$0.62	\$0.42
Diluted earnings per common share	\$0.19	\$0.52	\$0.54	\$0.62	\$0.42
Basic and diluted earnings per preference share	—	—	—	—	\$0.42
Basic and diluted earnings per savings share	—	—	—	—	\$0.49
Cash dividends declared per common share(1)	\$0.214	\$0.277	\$0.293	\$0.245	—
Cash dividends declared per preference share(1)	—	—	—	\$0.245	—
Cash dividends declared per savings share(1)	—	—	—	\$0.306	—

	As of December 31,				
	2015	2014	2013	2012	2011
	(in millions)				
Consolidated Balance Sheet Data:					
Total Assets	\$46,746	\$51,913	\$53,843	\$48,965	\$48,003
Share capital(2)	\$25	\$25	\$25	\$2,565	\$2,557
Common shares outstanding	1,362	1,355	1,350	1,223	1,092
Special voting shares outstanding	413	415	469	—	—
Preference shares outstanding	—	—	—	—	103
Savings share outstanding	—	—	—	—	80
Equity	\$4,843	\$4,961	\$4,955	\$4,825	\$4,857

(1) On March 4, 2016, the Board of Directors recommended to the Company's shareholders a dividend of €0.13 per common share, totaling approximately €177 million (equivalent to approximately \$195 million, translated at the exchange rate reported by the European Central Bank on February 26, 2016). The proposal is subject to the approval of the Company's shareholders at the Annual General Meeting of shareholders to be held on April 15, 2016.

For 2015 and 2014, CNH Industrial declared and paid a dividend of €0.20 per common share. For 2013, Fiat Industrial declared and paid a dividend of €0.225 per ordinary share. For 2012, the declared dividend was €0.185, €0.185 and €0.2315 per share for ordinary share, preference share and savings share, respectively.

The cash dividend for 2015 and 2014 was paid on April 29, 2015 and April 30, 2014, respectively, and shareholders who held common shares on the record date traded on the NYSE received the dividend in U.S. dollars at the

USD/EUR exchange rate reported by the European Central Bank on April 16, 2015 (\$0.2142) and April 17, 2014 (\$0.2771), respectively. The cash dividend declared for 2012 and 2013 was paid in euro on April 26, 2012 and April 25, 2013, respectively, and has been translated into U.S. dollars at the noon buying rate in the City of New York for cable transfers in euros as certified by the Federal Reserve Bank of New York for customs purposes on the payment date.

(2) Share capital is a component of Equity. Upon the completion of the Merger on September 29, 2013, CNH Industrial issued 1,348,867,772 common shares and 474,474,276 special voting shares with a par value of €0.01 each. At December 31, 2012 and 2011, share capital of Fiat Industrial amounted to \$2,565 million and \$2,557 million, respectively.

Following the resolution adopted by shareholders at an extraordinary general meeting held on April 5, 2012, 103,292,310 preference shares and 79,912,800 savings shares of Fiat Industrial were converted into 130,241,397 ordinary shares with a nominal value of €1.57 per share on May 21, 2012.

Before the conversion, the par value of common share, preference and savings share was €1.50 per share.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

The following risks should be considered in conjunction with “Item 5. Operating and Financial Review and Prospects” beginning on page 34, the other risks described in the Safe Harbor Statement beginning on page 62 and Notes to Consolidated Financial Statements beginning on page F-9. These risks may affect our operating results and, individually or in the aggregate, could cause our actual results to differ materially from past and projected future results. Some of these risks and uncertainties could affect particular lines of business, while others could affect all of our businesses. Although risks are discussed separately, many are interrelated. The following discussion of risks may contain forward-looking statements which are intended to be covered by the Safe Harbor Statement beginning on page 62. Except as may be required by law, we undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events, or otherwise. It is impossible to predict or identify all risk factors and, as a result, you should not consider the following factors to be a complete discussion of risks and uncertainties that may affect us. We invite you to consult any further related disclosures we make from time to time in materials filed with or furnished to the United States Securities and Exchange Commission (“SEC”).

Risks Related to Our Business, Strategy and Operations

Global economic conditions impact our businesses. Our earnings and financial position are and will continue to be influenced by various macroeconomic factors—including increases or decreases in gross domestic product, the level of consumer and business confidence, changes in interest rates on consumer and business credit, energy prices, and the cost of commodities or other raw materials—which exist in the countries in which we operate. Such macroeconomic factors vary from time to time and their effect on our earnings and financial position cannot be specifically and singularly assessed and/or isolated.

Financial conditions in several countries and/or regions continue to place significant economic pressures on existing and potential customers, including our dealer networks. As a result, some dealers and customers may delay or cancel plans to purchase our products and services and may not be able to fulfill their obligations to us in a timely fashion. Further, our suppliers may be impacted by economic pressures, which may adversely affect their ability to fulfill their obligations to us. These factors could result in product delays, increased accounts receivable, defaults and inventory

challenges. For example, in the European Union, despite measures taken by several governments and monetary authorities to provide financial assistance to certain Eurozone countries and to avoid default on sovereign debt obligations, concerns persist regarding the debt burden of several countries. These concerns, along with the significant fiscal adjustments carried out in several countries, intended to manage actual or perceived sovereign credit risk, have led to further pressure on economic growth and may lead to new periods of recession. Similarly, in Brazil and Venezuela, macroeconomic conditions remain challenging. Moreover, some governments may implement measures designed to slow the economic growth rate in those countries (e.g., higher interest rates, reduced bank lending and other anti-inflation measures). If there is significant deterioration in the global economy or the economies of key countries or regions, the demand for our products and services would likely decrease and our results of operations, financial position and cash flows could be materially and adversely affected.

In addition, the continuation of adverse market conditions in certain businesses in which we participate could cause many companies, including us, to carefully evaluate whether certain of our intangible assets have become impaired. The factors that we would evaluate to determine whether an impairment charge is necessary require management judgment and estimates. The estimates are impacted by a number of factors, including, but not limited to, worldwide economic factors and technological changes. Any of these factors, or other unexpected factors, may require us to consider whether we need to record an impairment charge. In the event

we are required to record an impairment charge with respect to certain of our intangible assets, it would have an adverse impact on our financial position and results of operations.

We are exposed to political, economic and other risks beyond our control as a result of operating a global business. We manufacture and sell products and offer services in several continents and numerous countries around the world including those experiencing varying degrees of political and economic instability. Given the global nature of our activities, we are exposed to risks associated with international business activities that may increase our costs, impact our ability to manufacture and sell our products and require significant management attention. These risks include:

- changes in laws, regulations and policies that affect, among other things:
- import and export duties and quotas;
- currency restrictions;
- the design, manufacture and sale of our products, including, for example, engine emissions regulations;
- interest rates and the availability of credit to our dealers and customers;
- property and contractual rights;
- where and to whom products may be sold, including new or additional trade or economic sanctions imposed by the U.S. or other governmental authorities and supranational organizations (e.g., the United Nations); and
- taxes;
- regulations from changing world organization initiatives and agreements;
- changes in the dynamics of the industries and markets in which we operate;
- varying and unpredictable needs and desires of customers;
- varying and unexpected actions of our competitors;
- labor disruptions;
- disruption in the supply of raw materials and components;
- changes in governmental debt relief and subsidy program policies in certain significant markets such as Argentina and Brazil, including the Brazilian government discontinuing programs subsidizing interest rates on equipment loans; and
- war, civil unrest and terrorism.

Unfavorable developments in any one of these areas, which vary from country to country and many of which are outside of our control, could have a material adverse effect on our business prospects, results of operations and/or financial position.

Difficulty in obtaining financing or refinancing existing debt could impact our financial performance. Our future performance will depend on, among other things, our ability to finance debt repayment obligations and planned investments from operating cash flow, available liquidity, the renewal or refinancing of existing bank loans and/or facilities and access to capital markets or other sources of financing. A decline in revenues could have a negative impact on the cash-generating capacity of our operating activities. We could, therefore, find ourselves in the position of having to seek additional financing and/or having to refinance existing debt, including in unfavorable market conditions with limited availability of funding and a general increase in funding costs. Instability in global capital markets, including market disruptions, limited liquidity and interest rate and exchange rate volatility, could reduce our access to capital markets or increase the cost of our short and long-term financing. Any difficulty in obtaining financing could have a material adverse effect on our business prospects, results of operations and/or financial position.

Our ability to access the capital markets or other forms of financing and related costs are highly dependent on, among other things, the credit ratings of CNH Industrial N.V., its subsidiaries, asset-backed securities (“ABS”) and other debt instruments. Rating agencies may review and revise their ratings from time to time, and any downgrade or other negative action with respect to our credit ratings by one or more rating agencies may increase our cost of capital,

potentially limit our access to sources of financing and have a material adverse effect on our business prospects, results of operations and/or financial position.

We are subject to exchange rate fluctuations, interest rate changes and other market risks. We operate in numerous markets worldwide, and are accordingly exposed to market risks stemming from fluctuations in currency and interest rates, including as a result of changes in monetary or fiscal policies of governmental authorities from time to time. We are subject to currency exchange

risk to the extent that our costs are denominated in currencies other than those in which we earn revenues. In addition, the reporting currency for our consolidated financial statements is the U.S. dollar. Certain of our assets, liabilities, expenses and revenues are denominated in other currencies. Those assets, liabilities, expenses and revenues are translated into the U.S. dollar at the applicable exchange rates to prepare our consolidated financial statements. Therefore, increases or decreases in exchange rates between the U.S. dollar and those other currencies affect the value of those items reflected in our consolidated financial statements, even if their value remains unchanged in their original currency. Changes in currency exchange rates between the U.S. dollar and other currencies have had, and will continue to have, an impact on our results of operations and/or financial position.

We use various forms of financing to cover the funding requirements of our Industrial Activities and for financing offered to customers and dealers. Financial Services implements a matching policy to offset the impact of differences in interest rates on the financed portfolio and related liabilities. Nevertheless, any future changes in interest rates can result in increases or decreases in revenues, finance costs and margins.

Although we seek to manage our currency risk and interest rate risk, including through hedging activities, there can be no assurance that we will be able to do so successfully, and our business, results of operations and financial position could be adversely affected. In addition, by utilizing these instruments, we potentially forego the benefits that may result from favorable fluctuations in currency exchange rates. See “Item 11. Quantitative and Qualitative Disclosures About Market Risk.”

We also face risks from currency devaluations. Currency devaluations result in a diminished value of funds denominated in the currency of the country instituting the devaluation.

We face risks associated with our relationships with our employees. In many countries where we operate, our employees are protected by various laws and/or collective labor agreements that guarantee them, through local and national representatives, the right of consultation on specific matters, including downsizing or closure of production activities and reductions in personnel. Laws and/or collective labor agreements applicable to us could impair our flexibility in reshaping and/or strategically repositioning our business activities. Therefore, our ability to reduce personnel or implement other permanent or temporary redundancy measures is subject to government approvals and/or the agreement of labor unions where such laws and agreements are applicable. Furthermore, we are at greater risk of work interruptions or stoppages than non-unionized companies, and any work interruption or stoppage could significantly impact the volume of products we manufacture.

Reduced demand for equipment would reduce our sales and profitability. The performance of the agricultural equipment market is influenced, in particular, by factors such as:

- the price of agricultural commodities and the relative level of inventories;
- the profitability of agricultural enterprises, farmers’ income and their capitalization;
- the demand for food products; and
- agricultural policies, including aid and subsidies to agricultural enterprises provided by governments and/or supranational organizations as well as alternative fuel mandates.

In addition, unfavorable climatic conditions, especially during the spring, a particularly important period for generating sales orders, could have a negative impact on decisions to buy agricultural equipment and, consequently, on our revenues.

The performance of the construction equipment market is influenced, in particular, by factors such as:

- public infrastructure spending; and
- new residential and non-residential construction.

The performance of the commercial vehicles market is influenced, in particular, by factors such as:

- changes in global market conditions, including changes in levels of business investment and sales of commodities; and
- public infrastructure spending.

The above factors can significantly influence the demand for agricultural and construction equipment, as well as for commercial vehicles, and consequently, our financial results. Additionally, if demand for our products is less than we expect, we may experience excess inventories and be forced to incur additional charges and our profitability will suffer, including higher fixed costs associated with lower production levels at our plants. Our business may be negatively impacted if we experience excess inventories or we are unable to adjust our production schedules or our purchases from suppliers to reflect changes in customer demand and market fluctuations on a timely basis.

We depend on suppliers for raw materials, parts and components. We rely upon suppliers for raw materials, parts and components that we require to manufacture our products. We cannot guarantee that we will be able to maintain access to raw materials, parts and components, and in some cases, this access may be affected by factors outside of our control and the control of our suppliers. Certain components and parts used in our products are available from a single supplier and cannot be sourced quickly otherwise. Supply chain disruptions, including those due to supplier financial distress, capacity constraints, business continuity, delivery or disruptions due to weather-related or natural disaster events, could negatively impact our operations and the profitability of our businesses.

We use a variety of raw materials in our businesses, including steel, aluminum, lead, resin and copper, and precious metals such as platinum, palladium and rhodium. The prices of these raw materials fluctuate, and while we seek to manage this exposure, we may not be successful in mitigating these risks. Further, increases in the prices for raw materials can significantly increase our costs of production, which could have a material adverse effect on the profitability of our businesses, particularly if we are unable to recover the increased costs from our customers.

Competitive activity, or failure by us to respond to actions by our competitors, could adversely affect our results of operations. We operate in highly competitive global and regional markets. Depending on the particular country, we compete with other international, regional and local manufacturers and distributors of agricultural and construction equipment, commercial vehicles, and powertrains. Certain of our global competitors have substantial resources and may be able to provide products and services at little or no profit or even at a loss to compete with certain of our product offerings. We compete on the basis of product performance, innovation, quality, distribution, customer service and price. Aggressive pricing or other strategies pursued by competitors, unanticipated product or manufacturing delays or our failure to price our products competitively could adversely affect our business, results of operations and financial position. Additionally, there has been a trend towards consolidation in the trucks and construction equipment industries that has resulted in larger and potentially stronger competitors in those markets. The markets in which we compete are highly competitive in terms of product quality, innovation, pricing, fuel economy, reliability, safety, customer service and financial services offered. Competition, particularly on pricing, has increased significantly in the markets in which we compete in recent years. Should we be unable to adapt effectively to market conditions, this could have an adverse effect on our business prospects, results of operations and/or financial position.

Costs of ongoing compliance with, or failure to comply with, increasingly stringent environmental, health and safety laws could have an adverse effect on our results of operations. We are subject to comprehensive and constantly evolving laws, regulations and policies in numerous jurisdictions around the world. We expect the extent of legal requirements affecting our businesses and our costs of compliance to continue to increase in the future. Such laws govern, among other things, products—with requirements on emissions of polluting gases and particulate matter, increased fuel efficiency and safety becoming increasingly strict—and industrial plants—with requirements for reduced emissions, treatment of waste and water and prohibitions on soil contamination also becoming increasingly strict. To comply with such laws, we invest considerable research and development resources and expect to continue to incur substantial costs in the future. Failure to comply with such laws could expose us to penalties or clean-up costs, civil or criminal liability and sanctions on certain of our activities, as well as damage to property or natural resources. Liabilities, sanctions, damages and remediation efforts related to any non-compliance with such laws, including those that may be adopted or imposed in the future, could negatively impact our ability to conduct our operations and our financial position and results of operations. In addition, there can be no assurances that we will not be adversely affected by costs, liabilities or claims with respect to any subsequently acquired operations.

Further, environmental, health and safety regulations change from time to time, as may related interpretations and other guidance. For example, changes in environmental and climate change laws, including laws relating to engine and vehicle emissions, safety regulations, fuel requirements or greenhouse gas emissions, could lead to new or additional investments in product designs and could increase environmental compliance expenditures. If these laws are either changed or adopted and impose significant operational restrictions and compliance requirements on us or

our products, they could negatively impact our business, results of operations, financial position and competitive position.

A decrease in government incentives may adversely affect our results. Government initiatives that are intended to stimulate demand for products sold by us, such as changes in tax treatment or purchase incentives for new equipment, can substantially influence the timing and level of our revenues. The terms, size and duration of such government actions are unpredictable and outside of our control. Any adverse change in government policy relating to those initiatives could have a material adverse effect on our business prospects, operating results and/or financial position.

Our future performance depends on our ability to innovate and on market acceptance of new or existing products. The success of our businesses depends on their ability to maintain or increase our market share in existing markets and to expand into new

markets through the development of innovative, high-quality products that provide adequate profitability. In particular, the failure to develop and offer innovative products that compare favorably to those of our principal competitors in terms of price, quality, functionality and features, or delays in bringing strategic new products to market, or the inability to adequately protect our intellectual property rights or supply products that meet regulatory requirements, including engine emissions requirements, could result in reduced market share, which could have a material adverse effect on our business prospects, results of operations and/or financial position.

Our existing operations and expansion plans in emerging markets could entail significant risks. Our ability to grow our businesses depends to an increasing degree on our ability to increase market share and operate profitably worldwide and in particular in emerging market countries, such as Brazil, Russia, India, China, Argentina, Turkey, Venezuela and South Africa. In addition, we could increase our use of suppliers located in such countries. Our implementation of these strategies will involve a significant investment of capital and other resources and exposes us to multiple and potentially conflicting cultural practices, business practices and legal requirements that are subject to change, including those related to tariffs, trade barriers, investments, property ownership rights, taxation and sanction requirements. For example, we may encounter difficulties in obtaining necessary governmental approvals in a timely manner. In addition, we may experience delays and incur significant costs in constructing facilities, establishing supply channels, and commencing manufacturing operations. Further, customers in these markets may not readily accept our products as opposed to products manufactured and commercialized by our competitors. The emerging market countries may also be subject to a greater degree of economic and political volatility that could adversely affect our financial position, results of operations and cash flows. Many emerging market economies have experienced slower growth and other economic challenges in recent periods and may be subject to a further slowdown in gross domestic product expansion and/or be impacted by domestic political or currency volatility, potential hyperinflationary conditions and/or increase of public debt.

We are subject to extensive anti-corruption and antitrust laws and regulations. Our global operations are subject to a number of laws and regulations that govern our operations around the world, including the U.S. Foreign Corrupt Practices Act (FCPA), the U.K. Bribery Act, which apply to conduct around the world, as well as a range of national anti-corruption and antitrust or competition laws that apply to conduct in a particular jurisdiction. The anti-corruption laws prohibit improper payments in cash or anything of value to improperly influence government officials or other persons to obtain or retain business or gain a business advantage. These laws tend to apply whether or not those practices are legal or culturally acceptable in a particular jurisdiction. Over the past several years there has been a substantial increase in the enforcement of anti-corruption and antitrust or competition laws both globally and in particular jurisdictions and we have from time to time been subject to investigations and charges claiming violations of anti-corruption or antitrust or competition laws. We are committed to operating in compliance with all applicable laws, in particular anti-corruption and antitrust or competition laws. We have implemented a program to promote compliance with these laws and to identify and minimize the risk of any violations. Our compliance program, however, may not in every instance protect us from acts committed by our employees, agents, contractors, or collaborators that may violate the applicable laws or regulations of the jurisdictions in which we operate. Such improper actions could subject us to civil or criminal investigations and monetary, injunctive and other penalties. Investigations of alleged violations of these laws tend to require dedication of significant resources in funds and management time and attention, and these investigations or any violations, as well as any publicity regarding potential violations, could harm our reputation and have a material adverse effect on our business, results of operations and financial position.

Risks associated with our defined benefit pension plans and other postretirement obligations. At December 31, 2015, the funded status for our defined benefit pension, healthcare and other postemployment benefit plans was a deficit of \$2,276 million. This amount included obligations of \$1,988 million for plans that we are currently not required to fund. The funded status is subject to many factors, as discussed in “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Application of Critical Accounting Estimates—Pension and Other Postemployment

Benefits,” as well as “Note 11: Employee Benefit Plans and Postretirement Benefits” to our consolidated financial statements for the year ended December 31, 2015.

To the extent that our obligations under a plan are unfunded or underfunded, we will have to use cash flows from operations and other sources to pay our obligations as they become due. In addition, since the assets that currently fund these obligations are primarily invested in debt instruments and equity securities, the value of these assets is subject to changes due to market fluctuations. In recent years, these fluctuations have been significant and adverse and there is no assurance that they will not be significant and adverse in the future.

Dealer equipment sourcing and inventory management decisions could adversely affect our sales. We sell our finished products primarily through an independent dealer network and directly to OEMs and are subject to risks relating to their inventory management decisions and operating and sourcing practices. Our dealers carry inventories of finished products as part of ongoing operations and adjust those inventories based on their assessment of future sales opportunities. Dealers who carry other products that compete with our products may focus their inventory purchases and sales efforts on goods provided by other suppliers due to industry

demand or profitability. Such inventory adjustments and sourcing decisions can adversely impact our sales, financial position and results of operations.

Adverse economic conditions could place a financial strain on our dealers and adversely affect our operating results. Global economic conditions continue to place financial stress on many of our dealers. Dealer financial difficulties may impact their equipment sourcing and inventory management decisions, as well as their ability to provide services to their customers purchasing our equipment. We are also subject to the risk of insolvency of dealers and customers, in part due to unfavorable economic conditions in markets where their activities are carried out, and laws and government actions may, among other things, prevent us from enforcing legal rights and remedies in dealer or customer insolvency. Accordingly, additional financial strains on members of our dealer network resulting from current or future economic conditions could adversely impact our sales, financial position and results of operations.

We may not be able to realize anticipated benefits from any acquisitions and, further, challenges associated with strategic alliances may have an adverse impact on our results of operations. We have engaged in the past, and may engage in the future, in mergers and acquisitions or enter into, expand or exit from strategic alliances and joint ventures that could involve risks that could prevent us from realizing the expected benefits of the transactions or the achievement of strategic objectives or could divert management's time and attention. Such risks, many of which are outside our control, include:

- technological and product synergies, economies of scale and cost reductions not occurring as expected;
- unexpected liabilities;
- incompatibility in integrating processes, operations or systems;
- unexpected changes in laws;
- inability to retain key employees;
- inability to source certain products;
- increased financing costs and inability to fund such costs;
- significant costs associated with terminating or modifying alliances; and
- problems in retaining customers and integrating operations, services, personnel, and customer bases.

If problems or issues were to arise among the parties to one or more strategic alliances for managerial, financial, or other reasons, or if such strategic alliances or other relationships were terminated, our product lines, businesses, financial position, and results of operations could be adversely affected.

Risks associated with the termination of our strategic alliance with Kobelco Construction Machinery Co., Ltd. Effective December 31, 2012, CNH Global and Kobelco Construction Machinery Co., Ltd. ("KCM") terminated by mutual consent their global alliance (consisting of industrial arrangements and a number of jointly-owned companies) in the construction equipment business. The agreements regulating the dissolution of the alliance provide that, starting from January 1, 2013 until December 31, 2017, we are entitled to purchase components and parts from KCM on a non-exclusive basis in order to continue to manufacture excavators based upon KCM's technology in our plants. Moreover, starting from December 31, 2012, the territorial sales and marketing restrictions limiting the right of KCM to distribute its excavators in certain significant markets (such as the Americas and Europe) expired and similar restrictions which applied to our construction equipment activities expired in APAC on July 31, 2013. While we expect a smooth transition with respect to implemented changes, commercial issues (such as, by way of example, the weakening of the distributorship network and the subsequent loss of market share) or industrial issues (such as, by way of example, difficulties in maintaining quality standards or inability to source certain components currently provided by KCM) in connection with the termination of the alliance might arise, which could have a material adverse effect upon our construction equipment product lines, construction equipment distribution network, financial position and results of operations.

Our business operations may be impacted by various types of claims, lawsuits, and other contingent obligations. We are involved in pending litigation and investigations on a wide range of topics, including dealer and supplier litigation, intellectual property right disputes, product warranty and defect product claims, product performance, asbestos, personal injury, emissions and/or fuel economy regulatory and contractual issues and environmental claims that arise in the ordinary course of our business. The industries in which we operate are also periodically reviewed or investigated by regulators, which could lead to enforcement actions, fines and penalties or the assertion of private litigation claims. The ultimate outcome of these legal matters pending against us is uncertain, and although such legal matters are not expected individually to have a material adverse effect on our financial position or

profitability, such legal matters could, in the aggregate, in the event of unfavorable resolutions thereof, have a material adverse effect on our consolidated financial position, cash flows, and results of operations. Furthermore, we could in the future be subject to judgments or enter into settlements of lawsuits and claims that could have a material adverse effect on our results of operations in any particular period. In addition, while we maintain insurance coverage with respect to certain claims, we may not be able to obtain such insurance on acceptable terms in the future, if at all, and any such insurance may not provide adequate coverage against any such claims. As required by U.S. GAAP, we establish reserves based on our assessment of contingencies, including contingencies related to legal claims asserted against us. Subsequent developments in legal proceedings may affect our assessment and estimates of the loss contingency recorded as a reserve and require us to make payments in excess of our reserves, which could have a material adverse effect on our results of operations and/or financial position. See also “Note 13: Commitments and Contingencies” to our consolidated financial statements for the year ended December 31, 2015 for additional information.

The agricultural equipment industry is highly seasonal, which causes our results of operations and levels of working capital to fluctuate significantly. Farmers traditionally purchase agricultural equipment in the spring and fall, the main planting and harvesting seasons. Our agricultural equipment business net sales and results of operations have historically been the highest in the second quarter, reflecting the spring selling season in the Northern hemisphere, and lowest in the third quarter, when many of our production facilities experience summer shut-down periods, especially in Europe. Our agricultural equipment production levels are based upon estimated retail demand. These estimates take into account the timing of dealer shipments, which occur in advance of retail demand, dealer inventory levels, the need to retool manufacturing facilities to produce new or different models and the efficient use of manpower and facilities. However, because we spread our production and wholesale shipments throughout the year, wholesale sales of agricultural equipment products in any given period may not necessarily reflect the timing of dealer orders and retail demand in that period.

Estimated retail demand may exceed or be exceeded by actual production capacity in any given calendar quarter because we spread production throughout the year. If retail demand is expected to exceed production capacity for a quarter, we may schedule higher production in anticipation of the expected retail demand. Often, we anticipate that spring selling season demand may exceed production capacity in that period and schedule higher production, and anticipate higher inventories and wholesale shipments to dealers in the first quarter of the year. As a result, our working capital and dealer inventories are generally at their highest levels during the February to May period and decline towards the end of the year, as both our and our dealers’ inventories are typically reduced.

To the extent our production levels (and timing) do not correspond to retail demand, we may have too much or too little inventory, which could have an adverse effect on our financial position and results of operations.

We have significant outstanding indebtedness, which may limit our ability to obtain additional funding and may limit our financial and operating flexibility. As of December 31, 2015, we had an aggregate of \$26,388 million (including \$21,219 million relating to Financial Services activities) of consolidated gross indebtedness, and our equity was \$4,843 million, including noncontrolling interests. The extent of our indebtedness could have important consequences on our operations and financial results, including:

- we may not be able to secure additional funds for working capital, capital expenditures, debt service requirements or general corporate purposes;
 - we may need to use a portion of our projected future cash flow from operations to pay principal and interest on our indebtedness, which may reduce the amount of funds available to us for other purposes;
- we may be more financially leveraged than some of our competitors, which could put us at a competitive disadvantage;
- we may not be able to introduce new products or pursue business opportunities;

- we may not be able to adjust rapidly to changing market conditions, which may make us more vulnerable to a downturn in general economic conditions; and
- we may not be able to access the capital markets on favorable terms, which may adversely affect our ability to provide competitive retail and wholesale financing programs.

These risks are exacerbated by the ongoing volatility in the financial markets, in part resulting from perceived strains on the finances and creditworthiness of several governments and financial institutions, particularly in the Eurozone and Latin America, and from continued concerns about global economic growth, particularly in the emerging markets.

Restrictive covenants in our debt agreements could limit our financial and operating flexibility. The indentures or other instruments governing our outstanding debt securities and other credit agreements to which we are a party from time to time contain, or may contain, covenants that restrict our ability to, among other things:

- incur additional indebtedness;
- make certain investments;
- enter into certain types of transactions with affiliates;
- sell certain assets or merge with or into other companies;
 - use assets as security in other transactions; and/or
- enter into sale and leaseback transactions.

Although we do not believe any of these covenants materially restrict our operations currently, a breach of one or more of the covenants could result in adverse consequences that could negatively impact our businesses, results of operations and financial position. These consequences may include the acceleration of amounts outstanding under certain of our credit facilities, triggering an obligation to redeem certain debt securities, termination of existing unused commitments by our lenders, refusal by our lenders to extend further credit under one or more of the facilities or to enter into new facilities or the lowering or modification of CNH Industrial's credit ratings or those of one or more of its subsidiaries. See "Note 9: Debt" to our consolidated financial statements for the year ended December 31, 2015 for additional information.

Risks related to increased information technology security threats. We rely upon information technology systems and networks in connection with a variety of business activities, some of which are managed by third parties, to operate our business, and we collect and store sensitive data. Operating these information technology systems and networks, and processing and maintaining this data, in a secure manner, are critical to our business operations and strategy. Additionally, increased information technology security threats and more sophisticated computer crime pose a risk to the security of our systems and networks and the confidentiality, availability and integrity of our data.

While we actively manage information technology security risks within our control, there can be no assurance that such actions will be sufficient to mitigate all potential risks to our systems, networks and data.

A failure or breach in security could expose us and our customers, dealers and suppliers to risks of misuse of information or systems, the compromising of confidential information, manipulation and destruction of data, defective products, production downtimes and operations disruptions, which in turn could adversely affect our reputation, competitive position, businesses and results of operations. Security breaches could also result in litigation, regulatory action and potential liability, as well as higher operational and other costs of implementing further data protection measures. In addition, as security threats continue to evolve we may need to invest additional resources to protect the security of our systems.

The loss of members of senior management could have an adverse effect on our business. Our success is largely dependent on the ability of our senior executives and other members of management to effectively manage our organization and individual areas of our businesses. The loss of any senior executive, manager or other key employee without an adequate replacement, or the inability to attract and retain new, qualified personnel could therefore have an adverse effect on our business prospects, results of operations and/or financial position.

Our business may be affected by unfavorable weather conditions, climate change or natural disasters. Poor, severe or unusual weather conditions caused by climate change or other factors, particularly during the planting and early growing season, can significantly affect the purchasing decisions of our agricultural equipment customers. The timing and quantity of rainfall are two of the most important factors in agricultural production. Insufficient levels of rain prevent farmers from planting crops or may cause growing crops to die, resulting in lower yields. Excessive rain or

flooding can also prevent planting or harvesting from occurring at optimal times and may cause crop loss through increased disease or mold growth. Temperature affects the rate of growth, crop maturity, crop quality and yield. Temperatures outside normal ranges can cause crop failure or decreased yields, and may also affect disease incidence. Natural disasters such as floods, hurricanes, storms and droughts can have a negative impact on agricultural production. The resulting negative impact on farm income can strongly affect demand for our agricultural equipment in any given period.

In addition, natural disasters, pandemic illness, equipment failures, power outages, disruptions to our information technology systems and networks or other unexpected events could result in physical damage to and complete or partial closure of one or more of our manufacturing facilities or distribution centers, temporary or long-term disruption in the supply of component products from some

local and international suppliers, disruption in the transport of our products to dealers and customers and delay in delivery of products to distribution centers. In the event such events occur, our financial results might be negatively impacted. Our existing insurance arrangements may not protect against all costs that may arise from such events.

Changes in demand for food and alternate energy sources could impact our revenues. Changing worldwide demand for farm outputs to meet the world's growing food and alternative energy demands, driven in part by government policies and a growing world population, are likely to result in fluctuating agricultural commodity prices, which affect sales of agricultural equipment. While higher commodity prices will benefit our crop producing agricultural equipment customers, higher commodity prices also result in greater feed costs for livestock and poultry producers, which in turn may result in lower levels of equipment purchased by these customers. Lower commodity prices directly affect farm income, which could negatively affect sales of agricultural equipment. Moreover, changing alternative energy demands may cause farmers to change the types or quantities of the crops they grow, with corresponding changes in equipment demands. Finally, changes in governmental policies regulating bio-fuel utilization could affect demand for our equipment and result in higher research and development costs related to equipment fuel standards.

International trade policies may impact demand for our products and our competitive position. Government policies on international trade and investment such as sanctions, import quotas, capital controls or tariffs, whether adopted by individual governments or addressed by regional trade blocs, may affect the demand for our products and services, impact the competitive position of our products or prevent us from being able to sell products in certain countries. The implementation of more restrictive trade policies, such as more detailed inspections, higher tariffs, or new barriers to entry, in countries where we sell products and provide services could negatively impact our business, results of operations and financial position. For example, a government's adoption of trade sanctions or "buy national" policies or retaliation by another government against such policies could have a negative impact on our results of operations.

Risks Related to Financial Services

We offer a wide range of financial services and products to Agricultural Equipment, Construction Equipment and Commercial Vehicles dealers and customers including retail financing for the purchase or lease of new and used equipment and vehicles and wholesale financing to dealers.

In light of the above, the following risks associated with the financial services offered by us should be considered.

Credit risk

Fundamental to any organization that extends credit is the credit risk associated with its customers/borrowers. The creditworthiness of each customer, rates of delinquency and default, repossessions and net losses on loans to customers are impacted by many factors, including:

- relevant industry and general economic conditions;
- the availability of capital;
- the terms and conditions applicable to extensions of credit;
- interest rates (and changes in the applicable interest rates);
- the experience and skills of the customer's management team;
- commodity prices;
- political events;
- the weather; and
- the value of the collateral securing the extension of credit.

Deterioration in the quality of our financial assets, an increase in delinquencies or defaults, or a reduction in collateral recovery rates could have an adverse impact on the performance of our Financial Services business and our earnings

and cash flows. These risks become more acute in an economic slowdown or recession due to decreased demand for (or availability of) credit, declining asset values, changes in government subsidies, reductions in collateral to loan balance ratios, and an increase in delinquencies, defaults, insolvencies, foreclosures and losses. In such circumstances, our loan servicing and litigation costs may also increase. In addition, governments may pass laws, or implement regulations, that modify rights and obligations under existing agreements, or which prohibit or limit the exercise of contractual rights.

When a borrower defaults on a loan and we repossess collateral securing the repayment of the loan, our ability to recover or mitigate losses by selling the collateral is subject to the current market value of such collateral. Those values are affected by levels of new and used inventory of agricultural and construction equipment, as well as commercial vehicles, on the market. They are also dependent upon the strength or weakness of market demand for new and used agricultural and construction equipment, as well as for commercial vehicles, which is affected by the strength of the general economy. In addition, repossessed collateral may be in poor condition, which would reduce its value. Finally, relative pricing of used equipment, compared with new equipment, can affect levels of market demand and the resale of repossessed equipment. An industry-wide decrease in demand for agricultural or construction equipment, as well as for commercial vehicles, could result in lower resale values for repossessed equipment, which could increase losses on loans and leases, adversely affecting our financial position and results of operations.

Funding Risk

Our Financial Services business has traditionally relied upon the ABS market and committed asset-backed facilities as a primary source of funding and liquidity. A significant reduction in liquidity in the secondary market for ABS transactions could adversely affect our ability to sell receivables on a favorable or timely basis. Such conditions could have an adverse impact on our access to funding, financial position and results of operations. As Financial Services finances a significant portion of sales of our equipment, to the extent Financial Services is unable to access funding on acceptable terms, our sales of equipment would be negatively impacted.

Repurchase Risk

In connection with our ABS transactions, we make customary representations and warranties regarding the assets being securitized, as disclosed in the relevant offering documents. While no recourse provisions exist that allow holders of asset-backed securities issued by our ABS trusts to require us to repurchase those securities, a breach of these representations and warranties could give rise to an obligation to repurchase non-conforming receivables from the trusts. Any obligation to make future repurchases could have an adverse effect on our financial position, results of operations and cash flows.

Regulatory Risk

The operations of our Financial Services business are subject, in certain instances, to supervision and regulation by various governmental authorities. These operations are also subject to various laws, as well as to judicial and administrative decisions and interpretations, imposing requirements and restrictions, which among other things:

- regulate credit granting activities, including establishing licensing requirements;
- establish maximum interest rates, finance and other charges;
 - regulate customers' insurance coverage;
- require disclosures to customers;
- govern secured and unsecured transactions;
- set collection, foreclosure, repossession and claims handling procedures and other trade practices;
- prohibit discrimination in the extension of credit and administration of loans; and
- regulate the use and reporting of information related to a borrower.

To the extent that applicable laws are amended or construed differently, new laws are adopted to expand the scope of regulation imposed upon such financial services businesses, or applicable laws prohibit interest rates we charge from rising to a level commensurate with risk and market conditions, such events could adversely affect Financial Services and our financial position and results of operations.

Potential Impact of the Dodd-Frank Act. The various requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank Act”), including its many implementing regulations, may substantially affect the origination, servicing and securitization programs of our Financial Services business. For example, the Dodd-Frank Act strengthens the regulatory oversight of these securities and capital market activities by the SEC and increases the regulation of the ABS markets through, among other things, a mandated risk retention requirement for securitizers, a loan level disclosure requirement for certain securitizers and a direction to the SEC to regulate credit rating agencies and adopt regulations governing these organizations. While we will continue to monitor these developments and their effect upon our access to the ABS market, these and future SEC regulations may affect our ability to engage in these activities or increase the effective cost of ABS transactions in the future, which could adversely affect our financial position, results of operations and cash flows.

Other Risks

CNH Industrial operates and will continue to operate, as a company that is resident in the U.K. for tax purposes; other tax authorities may treat CNH Industrial as being tax resident elsewhere. CNH Industrial is not incorporated in the U.K.; therefore, in order to be resident in the U.K. for tax purposes, CNH Industrial's central management and control must be located (in whole or in part) in the U.K. The test of central management and control is largely a question of fact based on all the circumstances. Nevertheless, the decisions of the U.K. courts and the published practice of Her Majesty's Revenue & Customs, or HMRC, suggest that CNH Industrial is likely to be regarded as having become U.K.-resident on this basis from the date of its incorporation. The competent authority ruling referred to below supports this analysis. Even if CNH Industrial's "central management and control" is in the U.K., it would not be treated as U.K.-resident if (a) CNH Industrial were concurrently resident in another jurisdiction (applying the tax residence rules of that jurisdiction) which has a double tax treaty with the U.K.; and (b) that tax treaty allocates exclusive residence to that other jurisdiction.

Even if CNH Industrial's central management and control is in the U.K., CNH Industrial is considered to be resident in the Netherlands for Dutch corporate income tax and Dutch dividend withholding tax purposes because CNH Industrial is incorporated in the Netherlands. Nonetheless, the U.K. and Dutch competent authorities have agreed, following a mutual agreement procedure (as contemplated by the Netherlands-U.K. tax treaty), that CNH Industrial will be regarded as solely resident in the U.K. for purposes of the application of the Netherlands-U.K. tax treaty provided that CNH Industrial operates as planned and provides appropriate required evidence to the U.K. and Dutch competent tax authorities. If the facts upon which the competent authorities issued this ruling change over time, this ruling may be withdrawn, and in that case the Netherlands may levy corporate income tax on CNH Industrial and impose withholding taxes on dividends distributed by CNH Industrial.

CNH Industrial's residence for Italian tax purposes is also largely a question of fact based on all the circumstances. For Italian tax purposes, a rebuttable presumption of CNH Industrial's residence in Italy may apply under Italian legislation. However, CNH Industrial has a management and organizational structure such that CNH Industrial should be deemed resident in the U.K. from the date of its incorporation for purposes of the Italy-U.K. tax treaty. Because this analysis is highly factual and may depend on future changes in CNH Industrial's management and organizational structure, there can be no assurance that CNH Industrial's determination of its tax residence will be respected by all relevant tax authorities. Should CNH Industrial be treated as an Italian tax resident, CNH Industrial would be subject to corporate income tax in Italy and may be required to comply with withholding tax on dividends and other distributions (currently at a withholding rate of 26%, subject to any benefits from double taxation treaties or other reliefs or exemptions that may be available to shareholders) and/or reporting obligations under Italian law, which could result in additional costs and expenses.

We may incur additional tax expense or become subject to additional tax exposure. We are subject to income taxes in many jurisdictions around the world. Our tax liabilities are dependent upon the location of earnings among these different jurisdictions. Our future results of operations could be adversely affected by changes in the effective tax rate as a result of a change in the mix of earnings in countries with differing statutory tax rates, changes in our overall profitability, changes in tax legislation and rates, changes in generally accepted accounting principles and changes in the valuation of deferred tax assets and liabilities. If our effective tax rates were to increase, or if the ultimate determination of our taxes owed is for an amount in excess of amounts previously accrued or paid, our operating results, cash flows and financial position could be adversely affected.

CNH Industrial, as successor to Fiat Industrial, is jointly liable with Fiat Chrysler Automobiles N.V. for certain obligations. CNH Industrial is successor to Fiat Industrial, a company formed as a result of the demerger of Fiat S.p.A. (which, effective October 12, 2014, was merged into FCA in favor of Fiat Industrial. As such, CNH Industrial continues to be liable jointly with FCA for the liabilities of FCA that arose prior to the effective date of the Demerger

(January 1, 2011) and were still outstanding at that date (the “Liabilities”). This statutory provision is limited to the value of the net assets transferred to Fiat Industrial in the Demerger and survives until the Liabilities are satisfied in full. Furthermore, CNH Industrial may be responsible jointly with FCA in relation to tax liabilities, even if such tax liabilities exceed the value of the net assets transferred to Fiat Industrial in the Demerger. At December 31, 2015, the outstanding Liabilities amounted to approximately \$1.3 billion (of which \$1.1 billion consisted of bonds guaranteed by FCA). CNH Industrial evaluated as extremely remote the risk of FCA’s insolvency and therefore no specific provision has been accrued in respect of the above-mentioned potential joint liability.

Our maintenance of two exchange listings may adversely affect liquidity in the market for our common shares and could result in pricing differentials of our common shares between the two exchanges. The dual listing of our common shares on the NYSE and the MTA may split trading between the two markets and adversely affect the liquidity of the shares in one or both markets and the development of an active trading market for our common shares on the NYSE, and may result in price differentials between the exchanges. Differences in the trading schedules, trading volume and investor bases, as well as volatility in the exchange rate

between the two trading currencies, among other factors, may result in different trading prices for our common shares on the two exchanges or otherwise adversely affect liquidity and trading prices of our shares.

The loyalty voting structure may concentrate voting power in a small number of our shareholders and such concentration may increase over time. A relatively large proportion of the voting power of CNH Industrial could be concentrated in a relatively small number of shareholders who would have significant influence over us. As of January 31, 2016, EXOR S.p.A. had a voting interest in CNH Industrial of approximately 41.3%. See “Item 7. Major Shareholders and Related Party Transactions” for additional information.

The loyalty voting structure may affect the liquidity of our common shares and reduce our share price. CNH Industrial’s loyalty voting structure is intended to reward shareholders for maintaining long-term share ownership by granting initial shareholders and persons holding shares continuously for at least three years at any time following the effectiveness of the Merger the option to elect to receive special voting shares. Special voting shares cannot be traded and, immediately prior to the transfer of our common shares from the CNH Industrial Loyalty Register, any corresponding special voting shares shall be transferred to CNH Industrial for no consideration (om niet). This loyalty voting structure is designed to encourage a stable shareholder base and, conversely, it may deter trading by those shareholders who are interested in gaining or retaining special voting shares. Therefore, the loyalty voting structure may reduce liquidity in our common shares and adversely affect their trading price.

The loyalty voting structure may prevent or frustrate attempts by our shareholders to change our management and hinder efforts to acquire a controlling interest in us, and the market price of our common shares may be lower as a result. The provisions of our Articles of Association establishing the loyalty voting structure may make it more difficult for a third party to acquire, or attempt to acquire, control of us, even if a change of control is considered favorably by shareholders holding a majority of our common shares. As a result of the loyalty voting structure, a relatively large proportion of the voting power of our common shares could be concentrated in a relatively small number of shareholders who would have significant influence over us. As of January 31, 2016, EXOR S.p.A. had a voting interest in CNH Industrial of approximately 41.3%. See “Item 7. Major Shareholders and Related Party Transactions” for additional information. Such shareholders participating in the loyalty voting structure could effectively prevent change of control transactions that may otherwise benefit our shareholders.

The loyalty voting structure may also prevent or discourage shareholders’ initiatives aimed at changes in our management.

Item 4. Information on the Company

A. History and Development of the Company

CNH Industrial is the company formed by the business combination transaction, completed on September 29, 2013, between Fiat Industrial and its subsidiary CNH Global. CNH Industrial is incorporated in, and under the laws of, the Netherlands, with its principal office at 25 St. James’s Street, London, England, United Kingdom (telephone number: +44-207-7660-346). CNH Industrial’s agent for U.S. federal securities law purposes is Michael P. Going, c/o CNH Industrial America LLC, 6900 Veterans Boulevard, Burr Ridge, Illinois 60527 (telephone number +1-630-887-3766).

The deeds of merger for the mergers of Fiat Industrial and CNH Global with and into CNH Industrial (the “Merger”) were executed, respectively, on September 27 and 28, 2013. The effective date of the Merger was on September 29, 2013. A primary objective of the Merger was to simplify the capital structure of Fiat Industrial (CNH Industrial subsequent to the Merger) by creating a single class of liquid stock listed on the NYSE and on the MTA. The principal steps in the Merger transaction were:

- the cross-border merger of Fiat Netherlands Holding N.V. (“FNH”) with and into Fiat Industrial (the “FNH Merger”), which occurred on August 1, 2013;
- the cross-border reverse merger of Fiat Industrial with and into FI CBM Holdings N.V. (now known as CNH Industrial) (the “FI Merger”); and
- the Dutch merger of CNH Global with and into FI CBM Holdings N.V. (the “CNH Merger”).

All the companies (i.e., Fiat Industrial, FI CBM Holdings N.V. (now known as CNH Industrial), FNH and CNH Global) involved in the Merger were part of Fiat Industrial; in particular: (i) FNH was a wholly-owned direct subsidiary of Fiat Industrial; (ii) FI CBM Holdings N.V. (now known as CNH Industrial) was a wholly-owned direct subsidiary of Fiat Industrial; and (iii) CNH Global was an indirect subsidiary of Fiat Industrial (controlled through FNH which owned approximately 87% of CNH Global’s capital stock).

In connection with the FI Merger, Fiat Industrial shareholders received one newly issued common share in CNH Industrial (having a nominal value of €0.01 each) for each ordinary share held in Fiat Industrial (having a nominal value of €1.57 each). In connection with the CNH Merger, CNH Global shareholders received 3.828 newly issued CNH Industrial common shares (having a nominal value of €0.01 each) for each common share held in CNH Global (having a nominal value of €2.25 each).

In connection with the closing of the Merger, CNH Industrial issued 1,348,867,772 common shares to Fiat Industrial and CNH Global shareholders on the basis of the established exchange ratios described above. CNH Industrial also issued special voting shares (non-tradable) to eligible Fiat Industrial and CNH Global shareholders who maintained their ownership of the shares through the closing of the Merger and elected to receive special voting shares. On the basis of the requests received, CNH Industrial issued a total of 474,474,276 special voting shares in connection with the closing of the Merger. On September 30, 2013, CNH Industrial common shares began trading on the NYSE and the MTA. For information on our share capital, see “Item 10. Additional Information—B. Memorandum and Articles of Association.”

We make capital expenditures in the regions in which we operate principally related to initiatives to introduce new products, enhance manufacturing efficiency and increase capacity, and for maintenance and engineering. We continually analyze the allocation of our industrial resources, taking into account such things as relative currency values, existing and anticipated industry and product demand, the location of customers and suppliers, the cost of goods and labor, and plant utilization levels. See “Item 4. Information on the Company—D. Property, Plant and Equipment” for additional information.

B. Business Overview

General

We are a leading global capital goods company engaged in the design, production, marketing, sale and financing of agricultural and construction equipment, trucks, commercial vehicles, buses and specialty vehicles for firefighting, defense and other uses, as well as engines, transmissions and axles for those vehicles and engines for marine and power generation applications. We have industrial and financial services companies located in 45 countries and a commercial presence in approximately 180 countries around the world.

CNH Industrial has five operating segments:

Agricultural Equipment designs, manufactures and distributes a full line of farm machinery and implements, including two-wheel and four-wheel drive tractors, crawler tractors (Quadtrac[®]), combines, cotton pickers, grape and sugar cane harvesters, hay and forage equipment, planting and seeding equipment, soil preparation and cultivation implements and material handling equipment. Agricultural equipment is sold under the New Holland Agriculture and Case IH Agriculture brands, as well as the Steyr brand in Europe. Following our acquisition of substantially all of the assets of Miller-St. Nazianz, Inc. (“Miller”) in November 2014, certain agricultural equipment products are also sold under the Miller brand, primarily in North America.

Construction Equipment designs, manufactures and distributes a full line of construction equipment including excavators, crawler dozers, graders, wheel loaders, backhoe loaders, skid steer loaders, compact track loaders and telehandlers. Construction equipment is sold under the New Holland Construction and Case Construction Equipment brands.

Commercial Vehicles designs, produces and sells a full range of light, medium and heavy vehicles for the transportation and distribution of goods, under the Iveco brand, commuter buses and touring coaches under the Iveco

Bus (previously Iveco Irisbus) and Heuliez Bus brands, quarry and mining equipment under the Iveco Astra brand, firefighting vehicles under the Magirus brand and vehicles for civil defense and peace-keeping missions under the Iveco Defence Vehicles brand.

Powertrain designs, manufactures and offers a range of propulsion and transmission systems and axles for on- and off-road applications, as well as engines for marine application and power generation under the FPT Industrial brand.

Financial Services offers a range of financial services to dealers and customers. Financial Services provides and administers retail financing to customers for the purchase or lease of new and used industrial equipment or vehicles and other equipment sold by CNH Industrial dealers. In addition, Financial Services provides wholesale financing to CNH Industrial dealers. Wholesale financing consists primarily of floor plan financing and allows the dealers to purchase and maintain a representative inventory of products.

Net revenues by segment in the years ended December 31, 2015, 2014 and 2013 were as follows:

	2015	2014	2013
	(in millions)		
Revenues:			
Agricultural Equipment	\$ 11,025	\$ 15,204	\$ 16,763
Construction Equipment	2,542	3,346	3,258
Commercial Vehicles	9,542	10,888	11,278
Powertrain	3,560	4,464	4,412
Eliminations and other	(1,992)	(2,704)	(3,050)
Total Net sales of Industrial Activities	24,677	31,198	32,661
Financial Services	1,603	1,828	1,679
Eliminations and other	(368)	(471)	(504)
Total Revenues	\$25,912	\$32,555	\$33,836

Net revenues by region in the years ended December 31, 2015, 2014 and 2013 were as follows:

	2015		2014		2013	
	(in	(%)	(in	(%)	(in	(%)
	millions)		millions)		millions)	
Revenues:						
EMEA	\$ 13,122	50.7 %	\$ 14,762	45.4 %	\$ 14,212	42.0 %
NAFTA	6,869	26.5	9,190	28.2	9,474	28.0
LATAM	2,882	11.1	4,955	15.2	6,422	19.0
APAC	3,039	11.7	3,648	11.2	3,728	11.0
Total Revenues	\$25,912	100.0	\$32,555	100.0	\$33,836	100.0

Industry Overview

Agricultural Equipment

The operators of food, dairy, livestock and grain crop producing farms, as well as independent contractors that provide services to such farms, purchase most agricultural equipment. The key factors influencing sales of agricultural equipment are the level of net farm income and, to a lesser extent, general economic conditions, interest rates and the availability of financing, farm land prices, and farm debt levels. Net farm income is primarily impacted by the volume of acreage planted, commodity and/or livestock prices and stock levels, the impacts of fuel ethanol demand, crop yields, farm operating expenses (including fuel and fertilizer costs), fluctuations in currency exchange rates, government subsidies and tax incentives. Farmers tend to postpone the purchase of equipment when the farm economy is declining and to increase their purchases when economic conditions improve. The availability, quality, and cost of used equipment for sale also impact the level of new equipment sales. Weather conditions are a major determinant of crop yields and therefore also affect equipment buying decisions. In addition, geographical variations in weather from season to season may affect sales volumes differently in different markets. Government policies may affect the market for agricultural equipment by regulating the levels of acreage planted, with direct subsidies affecting specific commodity prices, or with other payments made directly to farmers. Global organization initiatives, such as those of the World Trade Organization, also can affect the market with demands for changes in governmental policies

and practices regarding agricultural subsidies, tariffs and acceptance of genetically modified organisms such as seed, feed and animals.

Demand for agricultural equipment also varies seasonally by region and product, primarily due to differing climates and farming calendars. Peak retail demand for tractors and planting, seeding, and application equipment typically occurs in March through June in the Northern hemisphere and in September through December in the Southern hemisphere. Dealers order equipment year-round, but harvesting equipment orders in the Northern hemisphere generally increase in the late fall and winter so that the dealers can receive inventory prior to the peak retail selling season, which generally extends from March through June. In the Southern hemisphere, dealers generally order between August and October so they can receive inventory prior to the peak retail selling season, which extends from November through February. The production levels of Agricultural Equipment are based upon estimated retail demand which takes into account, among other things, the timing of dealer shipments (which occur in advance of retail demand), dealer and Company inventory levels, the need to retool manufacturing facilities to produce new or different models and the efficient use of manpower and facilities. Production levels are adjusted to reflect changes in estimated demand and dealer inventory levels. However, because production and wholesale shipments adjust throughout the year to take into account the factors described above, wholesale

sales of agricultural equipment products in any given period may not reflect the timing of dealer orders and retail demand for that period.

Customer preferences regarding farming practices, and thus product types and features, vary by region. In North America, Australia and other areas where soil conditions, climate, economic factors and population density allow for intensive mechanized agriculture, farmers demand high capacity, sophisticated machines equipped with the most advanced technology. In Europe, where farms are generally smaller in size than those in North America and Australia, there is greater demand for somewhat smaller, yet equally sophisticated, machines. In the developing regions of the world where labor is more abundant and infrastructure, soil conditions and/or climate are not conducive to intensive agriculture, customers generally prefer simple, robust and durable machines with relatively lower acquisition and operating costs. In many developing countries, tractors are the primary, if not the sole, type of agricultural equipment used, and much of the agricultural work in such countries that cannot be performed by tractors is carried out by hand. A growing number of part-time farmers, hobby farmers and customers engaged in landscaping, municipality and park maintenance, golf course and roadside mowing in Western Europe and North America also prefer relatively simple, low-cost agricultural equipment. Our position as a geographically diversified manufacturer of agricultural equipment, and our broad geographic network of dealers allows us to provide customers in each significant market with equipment that meets their specific requirements.

Major trends in the North American and Western European agricultural industries include a reduction in number but growth in size of farms, supporting increased demand for higher capacity agricultural equipment. In addition, the use of technology and other precision farming solutions to increase crop yield is becoming more established. In Latin America and in other emerging markets, the number of farms is growing and mechanization is replacing manual labor. Government subsidies (including crop insurance) are a key income driver for farmers raising certain commodity crops in the United States and Western Europe. The level of support can range from 10% to over 30% of the annual income for these farmers in years of low global commodity prices or natural disasters. The existence of a high level of subsidies in these markets for agricultural equipment reduces the effects of cyclicity in the agricultural equipment business. The effect of these subsidies on agricultural equipment demand depends to a large extent on the U.S. Farm Bill and programs administered by the United States Department of Agriculture, the Common Agricultural Policy of the European Union and World Trade Organization negotiations. Additionally, the Brazilian government subsidizes the purchase of agricultural equipment through low-rate financing programs administered by the Banco Nacional de Desenvolvimento Economico e Social (“BNDES”). These programs have a significant influence on sales.

Agricultural equipment manufacturers are subject to continuous changes in engine emission regulations and restrictions. These changes require frequent changes in engine technology, which can involve significant research and development investments. Manufacturers generally attempt to pass these incremental costs to their customers, but these price increases must be balanced with the affordability of the equipment. Each market may have its own unique regulations, which adds a level of complexity required to meet global product needs.

Global demand for renewable fuels increased considerably in recent years driven by consumer preference, government renewable fuel mandates, renewable fuel tax and production incentives. Biofuels, which include fuels such as ethanol and biodiesel, have become one of the most prevalent types of renewable fuels. The primary type of biofuel supported by government mandates and incentives varies somewhat by region. North America and Brazil are promoting ethanol first and then biodiesel, while Europe is primarily focused on biodiesel.

The demand for biofuels has created an associated demand for agriculturally based feedstocks which are used to produce biofuels. Currently, most of the ethanol in the U.S. and Europe is extracted from corn, while in Brazil it is extracted from sugar cane. Biodiesel is typically extracted from soybeans and rapeseed oil in the U.S. and Brazil, and from rapeseed and other oil seeds as well as food waste by-products in Europe. The use of corn and soybeans for biofuel has been one of the main factors impacting the supply and demand relationships for these crops, resulting in

higher crop prices. The economic feasibility of biofuels is significantly impacted by the price of oil. As the price of oil falls, biofuels become a less attractive alternative energy source. This relationship will, however, be impacted by government policy and mandates as governments around the world consider ways to combat global warming and avoid potential energy resource issues in the future.

The increase in crop production for biofuels has also driven changes in the type of crops grown and in crop rotations. The most significant change in U.S. crop production was the increase in acreage devoted to corn, typically using land previously planted with soybeans and cotton. In addition, a change in crop rotation resulted in more acres of corn being planted. As a result, agricultural producers are faced with new challenges for managing crop residues and are changing the type of equipment they use and how they use it.

Although the demand for new agricultural equipment tends to decrease during periods of economic stagnation or recession, the aftersales market is historically less volatile than the new equipment market and, therefore, helps limit the impact of declines in new equipment sales on the operating results of full-line manufacturers, such as Agricultural Equipment.

Construction Equipment

The construction equipment market consists of two principal businesses: heavy construction equipment (excluding the mining and the specialized forestry equipment markets in which we do not participate), with equipment generally weighing more than 12 metric tons, and light construction equipment, with equipment generally weighing less than 12 metric tons.

In developed markets, customers tend to prefer more sophisticated machines equipped with the latest technology and features to improve operator productivity. In developing markets, customers tend to prefer equipment that is relatively less costly and has greater perceived durability. In North America and Europe, where the cost of machine operators is higher relative to fuel costs and machine depreciation, customers typically emphasize productivity, performance and reliability. In other markets, where the relative costs for machine operators is lower, customers often continue to use equipment after its performance and efficiency have begun to diminish.

Customer demand for power and operating capacity does not vary significantly from market to market. However, in many countries, restrictions on equipment weight or dimensions, as well as road regulations or job site constraints can limit demand for larger machines.

Although the demand for new construction equipment tends to decrease during periods of economic stagnation or recession, the aftersales market is historically less volatile than the new equipment market and, therefore, helps limit the impact of declines in new equipment sales on the operating results of full-line manufacturers, such as Construction Equipment.

Heavy Construction Equipment

Heavy construction equipment typically includes large wheel loaders and excavators, graders, compactors and dozers. Purchasers of heavy construction equipment include construction companies, municipalities, local governments, rental fleet owners, quarrying and mining companies, waste management companies and forestry-related concerns.

Sales of heavy construction equipment depend particularly on the expected volume of major infrastructure construction and repair projects such as highway, tunnel, dam and harbor projects, which depend on government spending and economic growth. Demand for aggregate mining and quarrying equipment is more closely linked to the general economy and commodity prices, while growing demand for environmental equipment is becoming less sensitive to the economic cycle. In North America, a portion of heavy equipment demand has historically been linked to the development of new housing subdivisions, where the entire infrastructure needs to be created, thus linking demand for both heavy and light construction equipment. The heavy equipment industry generally follows macroeconomic cyclicalities, linked to growth in gross domestic product.

Light Construction Equipment

Light construction equipment includes skid-steer loaders, compact track loaders, tractor loaders, rough terrain forklifts, backhoe loaders, telehandlers and small wheel loaders and excavators. Purchasers of light construction equipment include contractors, residential builders, utilities, road construction companies, rental fleet owners, landscapers, logistics companies and farmers. The principal factor influencing sales of light construction equipment is the level of residential and commercial construction, remodeling and renovation, which is influenced by interest rates and the availability of financing. Other major factors include the construction of light infrastructure, such as utilities, cabling and piping and maintenance expenditures. The principal use of light construction equipment is to replace relatively high-cost, slower manual work. Product demand in the United States and Europe has generally tended to mirror housing starts, but with lags of six to twelve months. In areas where labor is abundant and the cost of labor is

inexpensive relative to other inputs, such as in Africa and Latin America, the light construction equipment market is generally smaller. These regions represent potential areas of growth for light construction equipment in the medium to long-term as labor costs rise relative to the cost of equipment.

Equipment rental is a significant element of the construction equipment market. Compared to the United Kingdom and Japan, where there is an established market for long-term equipment rentals as a result of favorable tax treatment, the rental market in North America and Western Europe (except for U.K.) consists mainly of short-term rentals of light construction equipment to individuals or small contractors for which the purchase of equipment is not cost effective or that need specialized equipment for specific jobs. In North America, the main rental product has traditionally been the backhoe loader and, in Western Europe, it has been the mini-excavator. As the market has evolved, a greater variety of light and heavy equipment products have become available to rent. In addition, rental companies have allowed contractors to rent machines for longer periods instead of purchasing the equipment, enabling contractors to complete specific job requirements with greater flexibility and cost control. Large, national rental companies can significantly impact the construction equipment market, with purchase volumes being driven by their decisions to increase or decrease the sizes of their rental fleets based on rental utilization rates.

Seasonal demand for construction equipment fluctuates somewhat less than for agricultural equipment. Nevertheless, in North America and Western Europe, housing construction generally slows during the winter months. North American and European industry retail demand for construction equipment is generally strongest in the second and fourth quarters.

In markets outside of North America, Western Europe and Japan, equipment demand may also be partially satisfied by importing used equipment. Used heavy construction equipment from North America may fulfill demand in the Latin American market and equipment from Western Europe may be sold to Central and Eastern European, North African and Middle Eastern markets. Used heavy and light equipment from Japan is mostly sold to other Southeast Asian markets, while used excavators from Japan are sold to almost every other market in the world. This flow of used equipment is highly influenced by exchange rates, the weight and dimensions of the equipment and the different local regulations in terms of safety and/or engine emissions.

The construction equipment industry has seen an increase in the use of hydraulic excavators and wheel loaders in earth-moving and material handling applications. In addition, the light equipment sector has grown as more manual labor is being replaced on construction sites by machines with a variety of attachments for specialized applications, such as skid steer loaders, compact track loaders, mini-crawler excavators and telehandlers.

General economic conditions, infrastructure spending rates, housing starts, commercial construction and governmental policies on taxes, spending on roads, utilities and construction projects can have a dramatic effect on sales of construction equipment.

Commercial Vehicles

Trucks and Commercial Vehicles

The world truck market is generally divided into three segments: light (gross vehicle weight (“GVW”) up to 6 metric tons), medium (GVW 6 to 16 metric tons) and heavy (GVW of 16 metric tons and above). The medium and heavy-duty trucks segments are characterized by a higher level of engineering specialization due to the technologies and production systems utilized, while the light-duty segment has many engineering and design characteristics in common with the automobile industry. In addition, operators of medium and heavy trucks often require vehicles with a higher degree of customization than the more standardized products that serve the light commercial vehicle market. Customers generally purchase heavy trucks for one of three primary uses: long distance haulage, construction haulage and/or distribution.

The regional variation in demand for commercial vehicles is influenced by differing economic conditions, levels of infrastructure development and geographical region, all of which lead to differing transport requirements.

Medium and heavy truck demand tends to be closely aligned with the general economic cycle and the capital investment cycle, particularly in more developed markets such as Europe, North America and Japan, as economic growth provides increased demand for haulage services and an incentive for transporters to invest in higher capacity vehicles and renew vehicle fleets. The product life cycle for medium and heavy trucks typically covers a seven to ten-year period.

Although economic cycles have a significant influence on demand for medium and heavy vehicles in emerging economies, the processes of industrialization and infrastructure development have generally driven long-term growth trends in these countries. As a country’s economy becomes more industrialized and its infrastructure develops, transport needs tend to grow in response to increases in production and consumption. Developing economies, however, tend to display volatility in short-term demand resulting from government intervention, changes in the availability of financial resources and protectionist trade policies. In developing markets, demand for medium and heavy trucks increases when it becomes more cost-effective to transport heavier loads, especially as the infrastructure, primarily roads and bridges, becomes capable of supporting heavier trucks. At the same time, the need to transport tends to increase in these markets, resulting in increased demand for light vehicles.

Industry forecasts indicate that transportation of goods by road, currently the predominant mode of transport, will remain so in the future. Demand for services and service-related products, including parts, is a function of the number of vehicles in use. Although the demand for new commercial vehicles tends to decrease during periods of economic stagnation or recession, the aftersales market is historically less volatile than the new vehicle market and, therefore, helps limit the impact of declines in new vehicle sales on the operating results of full-line manufacturers, such as the Commercial Vehicles segment.

Commercial vehicles markets are subject to intense competition based on initial sales price, cost and performance of vehicles over their life cycle (i.e., purchase price, operating and maintenance costs and residual value of the vehicle at the end of its useful life), services and service-related products and the availability of financing options. High reliability and low variable costs contribute to customer profitability over the life of the vehicle, and are important factors in an operator's purchase decision. Additional competitive factors include the manufacturer's ability to address customer transport requirements, driver safety, comfort and brand loyalty through the vehicle design.

Demand for trucks varies seasonally by region and by product class. In Europe, the peak retail demand occurs in second and fourth quarters due to key fleet customer demands and customer budgetary cycles. In LATAM, demand is relatively stable throughout the year aside from increased demand for heavy truck products in the first and fourth quarters from customers who transport foodstuffs. In APAC, sales tend to be higher in the second and fourth quarters due to local holiday periods.

Buses

The global bus market is organized by mission, from city and intercity transport to tourism purposes, with a capacity ranging from 7 up to 150 seating/standing passengers. The Iveco Bus (previously Iveco Irisbus) and Heuliez Bus target markets include urban, intercity buses and long-distance touring coaches. Operators in this industry include three types of manufacturers: those specialized in providing chassis to bodybuilders, those that build bodies on chassis produced by third parties, and those like Iveco Bus that produce the entire vehicle.

The principal customers of the bus segment are tour and intercity bus service operators, while the principal customers of the city bus segment are the transport authorities in urban areas.

Deregulation and privatization of transport services in many markets has favored concentration towards large private companies operating in one country, in more than one neighboring country or at an international level. Demand has increased for highly standardized, high-use products for large fleets, with financing and maintenance agreements or kilometric pricing. Deregulation and privatization have also increased competition between large transport service companies, raising the level of vehicle use and increasing the choice of brands for operators in the market.

Sales for urban and intercity buses are generally higher in the second half of the year, due to public entities budgeting processes, tender rules and buses production lead-time.

Powertrain

The dynamics of the industrial powertrain business vary across the different market segments in which the various propulsion systems are used, and in many cases are particularly influenced by engine emission requirements. For vehicle and equipment applications, product development is driven by regulatory requirements (i.e., legislation on emissions and, increasingly, CO₂ emissions), as well as the need to reduce total operating costs. This, in turn, translates into customers seeking more efficient propulsion systems that enable lower total cost of ownership and higher productivity.

For on-road applications in fully developed markets, where economy and infrastructure drive demand for local and haulage transportation, light duty engines (below 3.9 liters in displacement) and heavy duty engines (above 8 liters) constitute the majority of demand, while medium duty engines (3.9-8 liters) cover the majority of needs in developing markets. Demand for heavy engines is driven by general economic conditions, capital investment, industrialization and infrastructure developments.

In the bus market, engine demand is increasingly influenced by the environmental policies of governments and local authorities (i.e., requirements for natural gas and hybrid solutions).

For the off-road market, engines in the 50 horsepower (“hp”) to 300 hp output range are dominant in all major markets worldwide, with demand for high-power engines predominantly in the European and U.S markets. Demand for off-road applications in the construction business is driven by general economic factors and the level of public investment in infrastructure, which affects the need for replacement of old equipment and investment in more innovative solutions to boost productivity. The demand for off-road applications in the agricultural equipment business is affected by similar drivers as the construction equipment business, and is also dependent on the level of net farm income.

We believe that the evolution in emission regulations in Europe, the U.S. and Asia (Euro VI, Stage IV and Tier 4B) presents an opportunity for Powertrain to gain a competitive advantage through technological solutions developed for engines and after-treatment systems (such as our High Efficiency SCR technology). The increasing trend among

middle-sized OEMs to outsource engine development, as a result of the significant research and development expenditures required to meet the new emission requirements, presents an opportunity for Powertrain to increase sales to third party customers. In addition, engine manufacturers occasionally supplement their available range with certain engines sourced from third party suppliers.

The on-road market has some minimal local fluctuation during the year, tempered by the geographical distribution of Powertrain's customer base, while the off-road market usually has a seasonal decline between November and January.

Competition

The industries in which we operate are highly competitive. We believe that we have a number of competitive strengths that will enable us to improve our position in markets where we are already well established while we direct additional resources to markets and products with high growth potential.

We compete with: (i) large global full-line suppliers with a presence in every market and a broad range of products that cover most customer needs, (ii) manufacturers who are product specialists focused on particular industry segments on either a global or regional basis, (iii) regional full-line manufacturers, some of which are expanding worldwide to build a global presence, and (iv) local, low-cost manufacturers in individual markets, particularly in emerging markets such as Eastern Europe, India and China.

Our competitive strengths include well-recognized brands, a full range of competitive products and features, and a strong global presence and distribution and customer service network. There are multiple factors which influence a buyer's choice of industrial equipment. These factors include the strength and quality of the distribution network, brand loyalty, product features and performance, availability of a full product range, the quality and pricing of products, technological innovations, product availability, financing terms, parts and warranty programs, resale value and customer service and satisfaction. The ability to meet or exceed applicable emissions standards as they take effect is also a key competitive factor, particularly in those markets where such standards are the subject of frequent legislative or regulatory scrutiny and change, such as Europe and North America. We continually seek to improve in each of these areas, but focus primarily on providing high-quality and high-value products and supporting those products through our dealer networks. Buyers tend to favor brands based on experience with the product and the dealer. Customers' perceptions of product value in terms of productivity, reliability, resale value and dealer support are formed over many years.

The efficiency of our manufacturing, logistic and scheduling systems are dependent on forecasts of industry volumes and our anticipated share of industry sales, which is predicated on our ability to compete successfully with others in the marketplace. We compete on the basis of product performance, customer service, quality and price. The environment remains competitive from a pricing standpoint, but actions taken to maintain our competitive position in the current difficult economic environment could result in lower than anticipated price realization.

Our principal competitors in the agricultural equipment market are John Deere, AGCO (including the Massey Ferguson, Fendt, Valtra and Challenger brands), Claas, the Argo Group (including the Landini, McCormick and Valpadana brands), the Same Deutz Fahr Group (including the Same, Lamborghini, Hurlimann and Deutz brands) and Kubota.

Our principal competitors in the construction equipment market are Caterpillar, Komatsu, JCB, Hitachi, Volvo, Liebherr, Doosan, Kubota and John Deere.

Our principal competitors in the commercial vehicles market are Daimler (including the Mercedes-Benz, Mitsubishi Fuso, Freightliner, Western Star, Setra and Bharat-Benz (India) brands); Volkswagen (including the MAN and Scania brands); Paccar (including the DAF, Kenworth, Ken Mex and Peterbilt brands); the Volvo Group (including Volvo, Renault, MACK and UD Trucks brands); Rosenbauer International AG; Rheinmetall; Oshkosh; Nexter; General Dynamics; BAE Systems; Caterpillar; and Navistar.

The principal competitors of Powertrain include Cummins, Deutz, Caterpillar, John Deere, Volvo, Weichai, and Isuzu.

Products and Markets

Agricultural Equipment

Agricultural Equipment's product lines are sold primarily under the Case IH and New Holland brands and under the Steyr brand in Europe. Following our acquisition of substantially all of the assets of Miller in November 2014, certain agricultural equipment products are also sold under the Miller brand, primarily in North America. In order to capitalize on customer loyalty to dealers and the segment's brands, relative distribution strengths and historical brand identities, we sell our agricultural equipment products under the Case IH (and Steyr for tractors in Europe only) and New Holland brands. We believe that these brands enjoy high levels of brand identification and loyalty among both customers and dealers.

Although newer generation tractors have a high percentage of common mechanical components, each brand and product remains differentiated by features, color, interior and exterior styling and model designation. Flagship

products such as row crop tractors and large combine harvesters may have significantly greater differentiation.

Distinctive features that are specific to a particular brand such as the Supersteer[®] tractor axle or Twin Rotor combine threshing technology for New Holland, the Case IH tracked four wheel drive tractor, Quadtrac[®], and the front axle mounted hitch for Steyr remain an important part of each brand's unique identity.

Our Agricultural Equipment's product lines include tractors, combine harvesters, hay and forage equipment, seeding and planting equipment, and sprayers. Our Agricultural Equipment business also specializes in other key market segments like cotton picker packagers and sugar cane harvesters, where Case IH is a worldwide leader, and in self-propelled grape harvesters, where New Holland is a worldwide leader. These brands each offer parts and support services for all of their product lines. Our agricultural equipment is sold with a limited warranty that typically runs from one (1) to three (3) years.

On November 26, 2014, we completed the acquisition of Miller, a leading manufacturer of precision spraying equipment that is now part of the New Holland brand, providing a strong platform to grow the self-propelled sprayer business on a global scale.

Construction Equipment

Construction Equipment's product lines are sold primarily under the Case and New Holland Construction brands. Case provides a wide range of products on a global scale, including a crawler excavator that utilizes technology from Sumitomo (S.H.I.)

Construction Machinery Co. Ltd. The New Holland Construction brand family also markets a full product line of construction equipment in most regions.

Construction Equipment products often share common components to achieve economies of scale in manufacturing, purchasing and development. Construction Equipment differentiates these products based on the relative product value and volume in areas such as technology, design concept, productivity, product serviceability, color and styling to preserve the unique identity of each brand.

Heavy construction equipment product lines include crawler and wheeled excavators, wheel loaders, compactors, graders and dozers for all applications. Light construction equipment product lines include backhoe loaders, skid steer and tracked loaders, mini and midi excavators, compact wheel loaders and telehandlers. The brands each offer parts and support services for all of their product lines. Our construction equipment is generally sold with a limited warranty that typically runs from one (1) to two (2) years.

We continue to evaluate our Construction Equipment business with a view toward increasing efficiencies and profitability as well as evaluating its strategic alliances to leverage its position in key markets.

Commercial Vehicles

Trucks and Commercial Vehicles (Iveco)

Under the Iveco brand, we produce a range of light, medium, and heavy trucks and commercial vehicles for both on-road and off-road use. Our key products include the Daily, a vehicle that covers the 2.8 – 7 ton vehicle weight segment, the Eurocargo, a vehicle that covers the 6 – 16 tons market, the Trakker, a vehicle dedicated to off-road, and the Stralis, a vehicle dedicated to the over 16 tons market. The product offering is complemented by a series of aftersales and used vehicle assistance services.

Light vehicles include on-road vans and chassis cabs used for short and medium distance transportation and distribution of goods, and off-road trucks for use in quarries and other work sites. We also offer shuttle vehicles used by public transportation authorities, tourist operators, hotels and sports clubs and campers for holiday travel.

The medium and heavy vehicles product lines include on-road chassis cabs designed for medium and long distance hauling and distribution. Medium GVW off-road models are typically used for building roads, winter road maintenance, construction, transportation, maintenance of power lines and other installations in off-road areas, civil protection and roadside emergency service. Heavy GVW off-road models are designed to operate in any climate and on any terrain and are typically used to transport construction plant and materials, transport and mix concrete, maintain roads in winter and transport exceptionally heavy loads.

We offer ecological diesel and natural gas engines on our entire range of vehicles, developing engines with specific components and configurations optimized for use with compressed natural gas (“CNG”) and liquefied natural gas (“LNG”).

Under the Iveco Astra brand, we build vehicles that can enter otherwise inaccessible quarries and mines and move large quantities of material, such as rock or mud, and perform heavy-duty tasks in extreme climatic conditions. Our product range for Iveco Astra includes mining and construction vehicles, rigid and articulated dump trucks and other special vehicles.

Buses (Iveco Bus and Heuliez Bus)

Under the Iveco Bus and Heuliez Bus brands, we offer local and Inter-city commuter buses, minibuses, school buses and tourism coaches. Iveco Bus is one of the major European manufacturers in the passenger transport sector and is expanding its activities globally. Heuliez Bus produces city buses for public transportation, and is a leader in France for the urban bus market.

Specialty Vehicles (Magirus and Iveco Defence Vehicles)

Under the Magirus brand, we manufacture vehicles designed to respond to natural disasters and civil emergencies, such as fires, floods, earthquakes and explosions. Iveco Defence Vehicles develops and manufactures specialized vehicles for defense missions and civil protection.

Powertrain

Powertrain is dedicated to the design, development, manufacture and sale of engines, transmissions and axles under the FPT Industrial brand.

Our product range features engines ranging from 2.2 to 20 liters with an output of 42 to 1,006 hp. Our product portfolio includes engines for buses and for light, medium and heavy commercial vehicles, engines for industrial machinery including construction, agricultural and irrigation equipment, engines for special-purpose vehicles and engines for power generation units and marine applications. The range is completed by engine versions which use alternative fuels, including those running on natural gas and engines compatible with biodiesel up to 20%.

To meet the increasingly strict emission regulations for both on-road (Euro VI and EPA 13) and off-road vehicles (Stage IV and Tier 4B), Powertrain's technological solutions strive to provide enhanced results in terms of cost, packaging and fuel consumption for each segment of the market. For example, Powertrain offers an external exhaust gas recirculation system combined with a diesel particulate filter for engines up to 205 hp for application on light commercial vehicles. For heavy-duty commercial applications, Powertrain has developed a high efficiency selective catalyst reduction system (HI-eSCR), which processes exhaust gases using a catalyzing liquid, lowering operating and maintenance costs. This unique SCR-only solution is designed to meet required emissions levels without the cost and bulk of an exhaust gas recirculation valve, and, in particular, for the off-road market, this solution does not require a diesel particulate filter.

Additionally, Powertrain produces a wide range of manual transmissions for light commercial vehicles, having either five or six gears, and ranging from 320 to 500 Nm. Our Powertrain segment manufactures a range of axle products to meet customer requirements, including axle products for commercial vehicles, such as the Daily, and axle products for heavy mining, construction and specialty vehicles (military and fire-fighting) designed by Commercial Vehicles.

Sales and Distribution

Agricultural Equipment and Construction Equipment

Agricultural Equipment sells and distributes products through approximately 2,600 full-line dealers and distributors with over 5,600 points of sale. Construction Equipment sells and distributes products through over 500 full-line dealers and distributors with approximately 1,500 points of sale. Agricultural Equipment and Construction Equipment dealers are almost all independently owned and operated. Some Agricultural Equipment dealers also sell construction equipment. In the United States, Canada, Mexico, most of Western Europe, Brazil and Australia, products are generally distributed directly through the independent dealer network. In the rest of the world, products are either sold to independent distributors who then resell to dealers, or to importers who have their own branches to sell retail product to customers. In both cases, the importers/distributors can take advantage of their size and knowledge of the market to minimize their marketing costs.

Consistent with our brand promotion program, we generally seek to have dealers sell a full range of our products. Typically, greater market penetration is achieved where each dealer sells the full line of products from only one of the brands. Although appointing dealers to sell more than one brand is not part of our business model, some joint dealers exist, either for historic reasons or in limited markets where it is not feasible to have a separate dealer for each brand. In some cases, dealerships are operated under common ownership but with separate points of sale for each brand.

In North America and Australia a trade-in of used equipment typically accompanies the sale of new equipment to end-users. We often provide marketing assistance to our dealers to support the sales of used, trade-in equipment through subsidized financing incentives, inventory carrying cost defrayment, or other methodologies.

Exclusive, dedicated dealers generally provide a higher level of market penetration. Some dealers may sell complementary products manufactured by other suppliers in order to complete their product offerings or to satisfy local demand for a particular specialty application or segment.

A strong dealer network with wide geographic coverage is a critical element in the success of Agricultural Equipment and Construction Equipment. We work to enhance our dealer network through the expansion of our product lines and customer services, including enhanced financial services offerings, and an increased focus on dealer support. To assist dealers in building rewarding relationships with their customers, focused customer satisfaction programs have been introduced and they are expected to incorporate customer input into the relevant product development and service delivery processes.

As the equipment rental business becomes a more significant factor in both the agricultural and construction equipment markets, Agricultural Equipment and Construction Equipment are continuing to support their dealer network by facilitating sales of equipment to the local, regional and national rental companies through their dealers as well as by encouraging dealers to develop their own rental activities. A strong dealer service network is required to maintain the rental equipment, and to help ensure that the equipment remains at peak performance levels both during its life as rental equipment and afterward when resold into the used equipment market. Agricultural Equipment and Construction Equipment have launched several programs to support their dealer service and rental operations, including training, improved dealer standards, financing, and advertising. As the rental market is a capital-intensive sector and sensitive to cyclical variations, we expand such activities gradually, with special attention to managing the resale of rental units into the used equipment market by our dealers, who can utilize this opportunity to improve their customer base and generate additional parts business.

We believe that it is generally more cost-effective to distribute our agricultural and construction equipment products through independent dealers, although Agricultural Equipment and Construction Equipment maintain a limited number of company-owned dealerships in some markets. As of December 31, 2015, we operated 2 and 5 company-owned Agricultural Equipment and Construction Equipment dealerships, respectively, primarily in North America and Europe. We also operate a selective dealer

development program in territories with growth potential but underdeveloped representation by our agricultural and construction equipment brands that typically involve a transfer of ownership to a qualified operator through a buy-out or private investment after a few years.

Commercial Vehicles

Commercial Vehicles' worldwide distribution strategy is based on a network of independent dealers, in addition to its own dealerships and branches. As of December 31, 2015, Commercial Vehicles had approximately 700 dealers globally (of which 20 were directly owned by us and 12 were branches). All of these dealers sell spare parts for the relevant vehicles. Commercial Vehicles bolsters its distribution strategy by offering incentives to its dealers based on target achievements for sales of new vehicles and parts and providing high quality aftersales services.

A key element of Commercial Vehicles' growth strategy is its distribution network. In Western Europe, Eastern Europe and Latin America, continued consolidation of the distribution network is aimed at improving service to customers, increasing profitability and reducing overall distribution costs. In Africa and the Middle East, the distribution network is being expanded in order to fully exploit growth in these markets.

In the United Kingdom, Commercial Vehicles is one of the few OEMs that sells trucks and other commercial vehicles to companies which offer commercial vehicle rental solutions, such as Ryder, Fraikin and Burntree, among others.

In accordance with European legislation, Commercial Vehicles' dealers have a specific sales territory. Additionally, European law allows our Commercial Vehicles' dealers to carry multiple brands.

Powertrain

Powertrain provides propulsion solution products for Agricultural Equipment, Construction Equipment and Commercial Vehicles. Additionally, Powertrain's commercial strategy and business model are focused on the development of a portfolio of medium-to-large OEM customers. Powertrain has entered into long-term supply agreements with several third party customers.

Powertrain has a network of approximately 100 dealers and 900 service points in 100 countries that cover its entire product range and related market sectors. Large OEMs use their own internal networks to obtain parts and services for purchased equipment, while small OEMs frequently rely on us for delivery of parts and services through Powertrain's worldwide network.

Pricing and Promotion

The retail price of any particular piece of equipment and vehicle is determined by the individual dealer or distributor and generally depends on market conditions, features, options and, potentially, regulatory requirements. Retail sale prices may differ from the manufacturer-suggested list prices. We sell equipment and vehicles to our dealers and distributors at wholesale prices that reflect a discount from the manufacturer-suggested list price. In the ordinary course of business, we engage in promotional campaigns that may include price incentives or preferential financing terms with respect to the purchase of certain products in certain areas.

We regularly advertise our products to the community of farmers, builders, transporters and agricultural and construction contractors, as well as to distributors and dealers in each of our major markets. To reach our target audience, we use a combination of general media, specialized design and trade magazines, the Internet and direct mail. We also regularly participate in major international and national trade shows and engage in co-operative advertising programs with distributors and dealers. The promotion strategy for each brand varies according to the target customers

for that brand.

Parts and Services

The quality and timely availability of parts and services are important competitive factors for each of our businesses, as they are significant elements in overall dealer and customer satisfaction and important considerations in a customer's original equipment purchase decision. We supply parts, many of which are proprietary, to support items in the current product line as well as for products we have sold in the past. In certain markets, we also offer personalized aftersales customer assistance programs which provide a wide range of modular and flexible maintenance and repair contracts, as well as warranty extension services, to meet a variety of customers' needs and to support the vehicle's value over time. Many of our products can have economically productive lives of up to 20 years when properly maintained, and each unit has the potential to produce a long-term parts and services revenue stream for us and our dealers.

As of December 31, 2015, we operated and administered 59 parts depots worldwide either directly, through a joint venture, or through arrangements with warehouse service providers. This network includes 11 parts depots in NAFTA, 21 in EMEA, 5 in LATAM, and 22 in APAC. The network includes 35 parts depots that support Agricultural Equipment, 26 that support Construction

Equipment, 23 that support Commercial Vehicles and 4 that support Powertrain. These depots supply parts to dealers and distributors, which are responsible for sales to retail customers. Our parts depots and parts delivery systems provide customers with access to substantially all of the parts required to support our products.

In December 2009, we formed a 50/50 joint venture, CNH Reman LLC, with a third party for full-scale remanufacturing and service operations in the United States. CNH Reman LLC primarily remanufactures engine, engine components, driveline, hydraulic, rotating electrical and electronic products. The joint venture is primarily focused on serving the North American agricultural and construction equipment industries. Remanufacturing is a way to support sustainable development and gives customers the opportunity to purchase high quality replacement assemblies and components at reduced prices.

As of December 31, 2015, Commercial Vehicles had over 4,800 service outlets. In addition to Commercial Vehicles standard one-year full vehicle warranty and two-year powertrain warranty, which are extended in certain jurisdictions including the United Kingdom and Germany to match competitors' practices, Commercial Vehicles offers personalized aftersales customer assistance programs.

Joint Ventures

As part of a strategy to enter and expand in new markets, we are also involved in several commercial and/or manufacturing joint ventures, including the following:

- in Japan, we own 50.0% of New Holland HFT Japan Inc. ("HFT"), which distributes its products in Japan. HFT imports and sells the full range of New Holland agricultural equipment;
- in Pakistan, we own 43.2% of Al Ghazi Tractors Ltd., which manufactures and distributes New Holland tractors;
- in Turkey, we own 37.5% of Turk Traktor ve Ziraat Makineleri A.S., which manufactures and distributes various models of both New Holland and Case IH tractors;
- in Mexico, we own 50.0% of CNH de Mexico S.A. de C.V., which manufactures New Holland agricultural equipment and distributes our agricultural equipment through one or more of its wholly-owned subsidiaries;
- in China, we own 50.0% of Naveco (Nanjing Iveco Motor Co.) Ltd, a company that manufactures light and medium trucks and other commercial vehicles in China;
- in China, we own 33.5% of SAIC Iveco Hongyan Commercial Vehicle ("SIH"), which designs, produces and sells heavy vehicles;
- in China, we control 60.0% of SAIC Fiat Powertrain Hongyan Ltd ("SFH"), a manufacturing company located in Chongqing, which produces diesel engines under license from us to be sold in the Chinese market (mainly to SIH) and to be exported to Europe, the U.S. and Latin America; and
- in South Africa, we own 60.0% of Iveco South Africa Works (Pty) Ltd., which manufactures medium and heavy duty commercial vehicles and buses.

Suppliers

We purchase materials, parts, and components from third party suppliers. We had approximately 5,380 global direct suppliers to our manufacturing facilities at December 31, 2015. Our focus on quality improvement, cost reduction, product innovation and production flexibility requires us to rely upon suppliers with a focus on quality, reliability and the ability to provide cost reductions. We view our relationships with suppliers as critical to our operational effectiveness, and in recent years, we have established closer ties with a significantly reduced number of suppliers, selecting those that enjoy a leading position in the relevant markets.

Management believes that adequate supplies and alternate sources of our principal raw materials are available and does not believe that the prices of these raw materials are especially volatile at this time.

We rely on numerous suppliers. Certain components and parts used in our products are available from a single supplier and cannot be sourced quickly otherwise. The sudden or unexpected interruption in the availability of certain of our suppliers' raw materials, parts and components could result in delays or in increases in the costs of production.

Financial Services

Financial Services offers a range of financial products and services to dealers and customers in the various regions in which it operates. The principal products offered are retail financing for the purchase or lease of new and used equipment and vehicles and wholesale financing to dealers. Wholesale financing consists primarily of floor plan financing and allows dealers to purchase and

maintain a representative inventory of products. Financial Services also provides financing to dealers for equipment used in dealer owned rental yards, parts inventory, working capital and other financing needs. Additionally, Financial Services purchases equipment and vehicles from dealers that are leased to retail customers under operating lease agreements. As a captive finance business, Financial Services is reliant on the operations of Agricultural Equipment, Construction Equipment and Commercial Vehicles, their dealers, and customers.

Financial Services supports the growth of Industrial Activities sales and builds dealer and customer loyalty. Financial Services' strategy is to grow a core financing business to support the sale of our equipment and vehicles by improving its portfolio credit quality, service levels, operational effectiveness and customer satisfaction. The segment works to develop and structure financial products with the objective of increasing equipment and vehicle sales as well as profitability. Financial Services also offers products to finance third party equipment and vehicles sold through our dealer network or within our core businesses. Financed third party equipment and vehicles include used equipment and vehicles taken in trade on our products or equipment used in conjunction with or attached to our products.

In North America, Financial Services' activity is carried out through our wholly-owned financial services companies that support sales through dealer and customer financing, as well as operating leases.

CNH Industrial Capital Europe S.a.S., a joint venture with BNP Paribas Group (49.9% owned by CNH Industrial N.V. and accounted for under the equity method) is the captive finance company for the Company's current retail businesses in major European countries. It operates in Italy, France, Germany, Belgium, the Netherlands, Luxembourg, the U.K., Spain, Poland and Austria. Agricultural Equipment and Construction Equipment's vendor programs with banking partners are also in place in France, Portugal, Denmark and Poland. Dealer financing and customer financing activities not managed by the joint venture with BNP Paribas or the vendor programs are managed through our captive financial services subsidiaries.

In Spain, financial services related to Commercial Vehicles are managed through Transolver Finance Establecimiento Financiero de Credito S.A., a joint venture with the Santander Group (50% owned by CNH Industrial N.V. and accounted for under the equity method) which offers retail and dealer financing services.

In Eastern Europe, financial services for customers of Commercial Vehicles are managed by fully consolidated captive financial services companies.

In Brazil, our captive financial services company, Banco CNH Industrial Capital S.A. ("Banco CNH Capital"), offers both dealer and customer financing for customers of Agricultural Equipment, Construction Equipment and Commercial Vehicles. For customer financing, Banco CNH Capital mainly serves as intermediary for funding provided by BNDES, a federally-owned financial institution linked to the Brazilian Ministry of Development, Industry and Foreign Trade. Vendor programs offered jointly with banking partners are also in place.

In Australia, Agricultural Equipment, Construction Equipment and Commercial Vehicles offer dealer and end-customer financing through a captive financial services company.

In China, financial services are provided through various vendor programs.

Customer Financing

Financial Services has certain retail underwriting and portfolio management policies and procedures that are specific to Agricultural Equipment, Construction Equipment and Commercial Vehicles. This distinction allows the Financial Services segment to reduce risk by deploying industry-specific expertise in each of these businesses. We provide retail financial products primarily through our dealers, who are trained in the use of the various financial products.

Dedicated credit analysis teams perform retail credit underwriting. The terms for financing equipment and vehicle retail sales typically provide for retention of a security interest in the equipment or vehicles financed.

Financial Services' guidelines for minimum down payments for equipment and vehicles generally range from 5% to 30% of the actual sales price, depending on equipment types, repayment terms and customer credit quality. Finance charges are sometimes waived for specified periods or reduced on certain equipment sold or leased in advance of the season of use or in connection with other sales promotions. Financial Services generally receives compensation from Agricultural Equipment, Construction Equipment or Commercial Vehicles equal to a competitive interest rate for periods during which finance charges are waived or reduced on the retail notes or leases. The cost is accounted for as a deduction in arriving at net sales for the applicable segment.

Dealer Financing

Financial Services provides wholesale floor plan financing for nearly all of our dealers, which allows them to acquire and maintain a representative inventory of products. Financial Services also provides some working capital and real estate loans on a limited basis. For floor plan financing, Financial Services generally provides a fixed period of "interest free" financing to the dealers.

This practice helps to level fluctuations in factory demand and provides a buffer from the impact of sales seasonality. After the “interest-free” period, if the equipment or vehicles remain in dealer inventory, the dealer pays interest costs. Financial Services generally receives compensation from the applicable Industrial Activities business equal to a competitive interest rate for the “interest-free” period.

A wholesale underwriting group reviews dealer financial information and payment performance to establish credit lines for each dealer. In setting these credit lines, Financial Services seeks to meet the reasonable requirements of each dealer while managing its exposure to any one dealer. The credit lines are secured by the equipment or vehicles financed. Dealer credit agreements generally include a requirement to repay the particular loan at the time of the retail sale. Financial Services employees or third party contractors conduct periodic stock audits at each dealership to confirm that the financed equipment or vehicle is still in inventory. These audits are unannounced and the frequency of these audits varies by dealer and depends on the dealer’s financial strength, payment history and prior performance.

Sources of Funding

The long-term profitability of Financial Services’ activities largely depends on the cyclical nature of the industries in which we operate, interest rate volatility and the ability to access funding on competitive terms. Financial Services funds its operations and lending activity through a combination of term receivable securitizations, committed asset-backed and unsecured facilities, secured and unsecured borrowings, affiliated financing and retained earnings. We will continue to evaluate alternative funding sources to help ensure that Financial Services maintains access to capital on favorable terms in support of its business, including through new funding arrangements, joint venture opportunities, vendor programs or a combination of the foregoing.

Financial Services has periodically accessed the public financial markets and ABS markets in the United States, Canada and Australia, as part of its wholesale and retail financing programs when those markets offer funding opportunities on competitive terms. Financial Services’ ability to access these markets will depend, in part, upon general economic conditions, legislative changes and the segment’s financial condition and portfolio performance. These factors can be negatively affected by cyclical swings in the industries in which we operate.

Competition

The financial services industry is highly competitive. Financial Services competes primarily with banks, finance companies and other financial institutions. Typically, this competition is based upon the financial products and services offered, customer service, financial terms and interest rates charged. Financial Services’ ability to compete successfully depends upon, among other things, the availability and competitiveness of funding resources, the development of competitive financial products and services, and licensing or other governmental regulations.

Legal Proceedings

As a global company with a diverse business portfolio, we are exposed to numerous legal risks, including dealer and supplier litigation, intellectual property right disputes, product warranty and defective product claims, product performance, asbestos, personal injury, emissions and/or fuel economy and contractual issues and environmental claims that arise in the ordinary course of our business. The most significant of these matters are described in “Note 13: Commitments and Contingencies” to our consolidated financial statements for the year ended December 31, 2015.

The outcome of any current or future proceedings cannot be predicted with certainty. It is therefore possible that legal judgments could give rise to expenses that are not covered, or not fully covered, by insurers’ compensation payments and could affect our financial position and results of operations. Although the ultimate outcome of legal matters pending against us and our subsidiaries cannot be predicted, management believes the reasonable possible range of

losses for these unresolved legal actions in addition to the amounts accrued would not have a material effect on our financial statements.

Starting January 2011, Iveco S.p.A., our wholly-owned subsidiary, and certain of its competitors have been subject to an investigation being conducted by the European Commission (the “Commission”) into certain business practices of the leading manufacturers of trucks and commercial vehicles in the European Union in relation to possible anti-competitive behavior.

On November 20, 2014, we received a Statement of Objections from the Commission alleging that Iveco S.p.A. and other companies in the heavy and medium truck industry had breached EU antitrust rules. The Commission indicated that it would seek to impose significant fines on the manufacturers. The Statement of Objections is a formal step in the Commission’s investigative process and details the Commission’s preliminary view of the conduct of the companies involved.

The Statement of Objections is not a final decision and, as such, it does not prejudice the final outcome of the proceedings. Under the applicable procedural rules, the Commission will review the manufacturers' responses before issuing a decision and any decision would be subject to further appeals.

We are evaluating the Statement of Objections and the documents on the Commission's case file, and intend to issue our response to the Commission in due course and to avail ourselves of any opportunity allowed by the procedure to clarify our position in this matter. Given the numerous uncertainties in the next stages of the investigation, we are unable to predict the outcome or to estimate any potential fine at this time.

Insurance

We maintain insurance with third party insurers to cover various risks arising from our business activities including, but not limited to, risk of loss or damage to our assets or facilities, business interruption losses, general liability, automobile liability, product liability and directors and officers liability insurance. We believe that we maintain insurance coverage that is customary in our industry. We use a broker that is a subsidiary of FCA to place a portion of our insurance coverage.

C. Organizational Structure

CNH Industrial is the company formed by the business combination transaction, completed on September 29, 2013, between Fiat Industrial and its subsidiary CNH Global. The deeds of merger for the mergers of Fiat Industrial and CNH Global with and into CNH Industrial (the "Merger") were executed, respectively, on September 27 and 28, 2013. The effective date of the Merger was September 29, 2013. A primary objective of the Merger was to simplify the capital structure of Fiat Industrial (CNH Industrial subsequent to the Merger) by creating a single class of liquid stock listed on the NYSE and on the MTA. The principal steps in the Merger were:

- the cross-border merger of Fiat Netherlands Holding N.V. ("FNH") with and into Fiat Industrial (the "FNH Merger"), which occurred on August 1, 2013;
- the cross-border reverse merger of Fiat Industrial with and into FI CBM Holdings N.V. (now known as CNH Industrial) (the "FI Merger"); and
- the Dutch merger of CNH Global with and into FI CBM Holdings N.V. (the "CNH Merger").

All the companies (i.e., Fiat Industrial, FI CBM Holdings N.V. (now known as CNH Industrial), FNH and CNH Global) involved in the Merger were part of Fiat Industrial; in particular: (i) FNH was a wholly-owned direct subsidiary of Fiat Industrial; (ii) FI CBM Holdings N.V. (now known as CNH Industrial) was a wholly-owned direct subsidiary of Fiat Industrial; and (iii) CNH Global was an indirect subsidiary of Fiat Industrial (controlled through FNH which owned approximately 87% of CNH Global's capital stock).

In connection with the FI Merger, Fiat Industrial shareholders received one newly allotted common share in CNH Industrial (having a nominal value of €0.01 each) for each ordinary share held in Fiat Industrial (having a nominal value of €1.57 each). In connection with the CNH Merger, CNH Global shareholders received 3.828 newly allotted CNH Industrial common shares (having a nominal value of €0.01 each) for each common share held in CNH Global (having a nominal value of €2.25 each).

In connection with the closing of the Merger, CNH Industrial issued 1,348,867,772 common shares which were allotted to Fiat Industrial and CNH Global shareholders on the basis of the established exchange ratios described above. CNH Industrial also issued special voting shares (non-tradable) which were allotted to eligible Fiat Industrial and CNH Global shareholders who maintained their ownership of the shares through the closing of the Merger and elected to receive special voting shares. On the basis of the requests received, CNH Industrial issued a total of 474,474,276 special voting shares in connection with the closing of the Merger. On September 30, 2013, CNH

Industrial common shares began trading on the NYSE and the MTA. For information on our share capital, see “Item 10. Additional Information—B. Memorandum and Articles of Association.”

A listing of our directly and indirectly owned subsidiaries as of December 31, 2015 is set forth in an exhibit to this annual report on Form 20-F.

D. Property, Plant and Equipment

As of December 31, 2015, we owned 64 manufacturing facilities. We also own other significant properties including spare parts centers, research laboratories, test tracks, warehouses and office buildings.

A number of our manufacturing facilities (land and industrial buildings) are subject to mortgages and other security interests granted to secure indebtedness to certain financial institutions. The carrying amount of these assets was approximately \$81 million and \$93 million at December 31, 2015 and 2014, respectively.

We make capital expenditures in the regions in which we operate principally related to initiatives to introduce new products, enhance manufacturing efficiency and improve capacity, and for maintenance and engineering. In 2015, our total capital expenditures in long-lived assets, excluding assets sold with buy-back commitments and equipment on operating leases, were \$656 million of which 19% was spent in NAFTA, 15% in LATAM, 53% in EMEA and 13% in APAC. These capital expenditures were funded through a combination of cash generated from operating activities and borrowings under short-term facilities. In 2014, our total capital expenditures were \$1,022 million. The decrease in capital expenditures in 2015 from 2014 is primarily related to the investment cycles of our products and reduction in discretionary spending.

The following table provides information about our significant manufacturing and engineering facilities as of December 31, 2015:

Location	Primary Functions	Approximate Covered Area (Sqm/000)
Italy		
S. Mauro	Excavators; R&D center	57
Modena	Components (Agricultural Equipment and Construction Equipment)	102
S. Matteo	R&D center (Agricultural Equipment)	51
Jesi	Tractors	77
Lecce	Construction Equipment; R&D center	130
Piacenza	Quarry and construction vehicles; R&D center	63
Brescia	Medium vehicles, cabs, chassis; R&D center	275
Suzzara	Light vehicles; R&D center	185
Brescia	Firefighting vehicles; R&D center	28
Bolzano	Defense vehicles; R&D center	81
Pregnana Milanese	Diesel engines	31
Torino	R&D center (Commercial Vehicles)	100
Torino	R&D center (Powertrain)	28
Torino	Diesel engines	142
Torino	Transmissions and axles	239
Foggia	Diesel engines; drive shafts	151
United States		
New Holland	Agricultural Equipment; R&D center	104
Grand Island	Agricultural Equipment, tractors and combines	128
Benson	Sprayers, cotton pickers; R&D center	41
Burlington	Backhoe loaders, forklift trucks; R&D center	91
Fargo	Tractors, wheeled loaders; R&D center	88
Goodfield	Soil management equipment; R&D center	39
Racine	Tractors, transmissions	105
Mt. Joy	R&D center (Agricultural Equipment)	11
Wichita	Skid steer loaders; R&D center	46
Burr Ridge	R&D center (Agricultural Equipment, Construction Equipment and Diesel engines)	43
St. Nazianz	Sprayers	24
France		
Coex	Grape Harvesters; R&D center	26
Croix	Cabins (Agricultural Equipment)	12
Tracy-Le-Mont	Hydraulic cylinders (Agricultural Equipment and Construction Equipment)	16
Annonay	Buses; R&D center	137
Venissieux	R&D center (Commercial Vehicles)	11
Rorthais	Buses; R&D center	29
Fourchambault	Engines	22
Bourbon Lancy	Diesel engines; R&D center	102

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Fecamp	Diesel engines	25
Brazil		
Belo Horizonte	Construction Equipment; R&D center	70
Curitiba	Combines and tractors; R&D center	103
Piracicaba	Sugar cane harvesters; R&D center	12
Sorocaba	Crawler loaders, backhoe loaders, excavators, Agricultural Equipment; R&D Center	160
Sete Lagoas	Heavy and light vehicles, defense vehicles; R&D center	119
Sete Lagoas	Engines; R&D center	14
Germany		

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Berlin *	Construction Equipment; R&D center	59
Ulm	Firefighting vehicles; R&D center	35
Ulm	R&D center (Commercial Vehicles)	144
China		
Harbin	Combines, tractors, balers; R&D center	250
Chongqing	Diesel Engine; R&D centers	76
Foshan	Sugar cane harvesters	11
Urumqi	Cotton pickers	11
Argentina		
Cordoba	Diesel engines	20
Ferreira	Trucks and buses	44
Cordoba	Agricultural Equipment, tractors and combines	30
Belgium		
Antwerp	Components (Agricultural Equipment)	79
Zedelgem	Tractors and combines, Agricultural Equipment; R&D center	159
Spain		
Madrid	Heavy vehicles; R&D center	134
Valladolid	Light vehicles	74
India		
Pithampur	Backhoe loaders, earth compactors	29
Noida	Tractors; R&D center	82
Others		
Basildon (U.K.)	Tractors; R&D center	129
Plock (Poland)	Combines; R&D center	95
Saskatoon (Canada)	Agricultural Equipment (sprayers, seeders); R&D Center	61
Dandenong (Australia)	Trucks; R&D center	42
St. Valentin (Austria)	Tractors; R&D center	56
Vysoke Myto (Czech Republic)	Buses; R&D center	122
Queretaro (Mexico)	Components (Agricultural Equipment and Construction Equipment)	15
Naberezhnye Chelny (Russia)	Agricultural Equipment	50
La Victoria (Venezuela)	Assembly of light and heavy vehicles and buses	56
Rossllyn (South Africa)	Trucks and buses	55
Arbon (Switzerland)	R&D (Powertrain)	6

* Expected to be closed in 2016.

Environmental Matters

We are subject to extensive environmental laws and regulations in the countries in which we operate. In addition to governing our manufacturing and other operations, these laws often impact the development of our products, including, but not limited to, required compliance with air emissions standards applicable to engines. We have made, and expect that we may make additional, significant capital and research and development expenditures to comply with these standards now and in the future.

We are conducting environmental investigatory or remedial activities at certain properties that are currently or were formerly, owned and/or operated by us, or which are being decommissioned. We believe that the outcome of these activities will not have a material adverse effect on our business, financial position or results of operations.

For further information, see “Note 13: Commitments and Contingencies” to our consolidated financial statements for the year ended December 31, 2015 as well as “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business, Strategy and Operations—Costs of ongoing compliance with, or failure to comply with, increasingly stringent environmental, health and safety laws could have an adverse effect on our results of operations.”

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

The discussion in “Item 5. Operating and Financial Review and Prospects” should be read in conjunction with our consolidated financial statements for the years ended December 31, 2015, 2014 and 2013.

The results presented in this annual report are prepared with the U.S. dollar as the reporting currency and in accordance with U.S. GAAP and, for the period on and after September 29, 2013, reflect the Merger between Fiat Industrial and CNH Global completed on that date. The Merger had no impact on the consolidated activities of the former Fiat Industrial and therefore the results presented in this annual report relating to the period before the closing date of the Merger represent the results of Fiat Industrial prepared under U.S. GAAP. However, starting from September 29, 2013, the closing date of the Merger, net profit and net equity that previously would have been attributed to the ex-CNH Global minority shareholders are included in the profit and net equity attributable to owners of the parent. Prior to the Merger, Fiat Industrial prepared its financial statements under International Financial Reporting Standards (“IFRS”). CNH Industrial also prepares consolidated financial statements in accordance with IFRS for European listing purposes and Dutch legal requirements. Additional information on the Merger and related accounting impacts is provided in the notes to our consolidated financial statements.

This discussion includes forward-looking statements, which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. See the Safe Harbor Statement beginning on page 62 and “Item 3. Key Information—D. Risk Factors” for a discussion of risks and uncertainties facing us.

Overview

We are a leading global capital goods company engaged in the design, production, marketing, sale and financing of agricultural equipment, construction equipment, trucks, commercial vehicles, buses and specialty vehicles for firefighting, defense and civil protection, as well as engines, transmissions and axles for those equipment and vehicles and engines for marine and power generation applications.

Following the Merger, the Company’s segments reflect the five businesses now directly managed by CNH Industrial N.V., consisting of: (i) Agricultural Equipment, (ii) Construction Equipment, (iii) Commercial Vehicles, (iv) Powertrain, and (v) Financial Services. Our Industrial Activities include the Agricultural Equipment, Construction Equipment, Commercial Vehicles and Powertrain segments, as well as corporate functions.

We generate revenues and cash flows principally from the sale of equipment and vehicles to dealers and distributors. Financial Services provides a range of financial products focused on the finance of sales and leases of equipment and vehicles by our dealers and their customers.

Revenues of Industrial Activities are presented net of discounts, allowances, settlement discounts and rebates, as well as costs for sales incentive programs, determined on the basis of historical costs, country by country, and charged against profit for the period in which the corresponding sales are recognized. Our sales incentive programs include the granting of retail financing at discounts to market interest rates. The corresponding cost to Industrial Activities is recognized at the time of the initial sale and the revenues of Financial Services are recognized on a pro rata basis in order to match the cost of funding.

Principal Factors Affecting Results

Our operating performance is highly correlated to sales volumes, which are influenced by several different factors that vary across our segments.

For Agricultural Equipment, the key factors influencing sales are the level of net farm income which is influenced by commodity prices, and, to a lesser extent, general economic conditions, interest rates and the availability of financing. Variations by region and product are also attributable to differences in typical climate and farming calendars, as well as extraordinary weather conditions. For additional discussion regarding the principal factors affecting results for Agricultural Equipment, see “Item 4. Information on the Company—B. Business Overview—Industry Overview—Agricultural Equipment.”

For Construction Equipment, segmentation varies by regional market: in developed markets, demand is oriented toward more sophisticated machines that boost operator productivity, while in developing markets, demand is oriented toward more utilitarian models with greater perceived durability. Sales levels for heavy construction equipment are particularly dependent on the expected level of major infrastructure construction and repair projects, which is a function of expected economic growth and government spending. For light construction equipment, the principal factor influencing demand is the level of residential and commercial construction, remodeling and renovation, which is influenced in turn by interest rates and availability of financing, as well as, in the residential sector, levels of disposable income and, in the commercial sector, the broader economic cycle. For additional discussion

regarding the principal factors affecting results for Construction Equipment, see “Item 4. Information on the Company—B. Business Overview—Industry Overview—Construction Equipment.”

Regional variations in demand for commercial vehicles are influenced by differences in economic conditions, levels of infrastructure development and physical geography, all of which lead to differing transport requirements. Demand for medium and heavy trucks tends to be closely aligned with the economic and capital investment cycle, particularly in more developed markets. In developing countries, the processes of industrialization and infrastructure development generally drive long-term growth trends. In the short term, however, demand for light vehicles is closely correlated to the level of economic activity which drives levels of vehicle utilization and, accordingly, the need for new vehicles. For additional discussion regarding the principal factors affecting results for Commercial Vehicles, see “Item 4. Information on the Company—B. Business Overview—Industry Overview—Commercial Vehicles.”

The industrial powertrain business is highly dependent on the market segments in which its propulsion systems are used, with developments in engine emissions regulations playing a significant role. For vehicle applications, product development is driven by regulatory considerations, as well as the need of customers to reduce operating costs. For additional discussion regarding the principal factors affecting results for Powertrain, see “Item 4. Information on the Company—B. Business Overview—Industry Overview—Powertrain.”

Demand for services and service-related products, including parts, is a function of the nature and extent of the use of the related agricultural and construction equipment or commercial vehicles. The after-sales market is historically less volatile than the new market and, therefore, helps reduce the impact on operating results of fluctuations in new sales.

Our segments (or our principal businesses) have a different geographic mix. As a result, the performance of Agricultural Equipment and Construction Equipment correlates more closely to the U.S. economic cycle, while the performance of Commercial Vehicles is more directly tied to the European economic cycle.

Our cost base principally comprises the cost of raw materials and personnel costs.

Raw material costs are closely linked to commodities markets and largely outside of our control, although we are making a targeted effort to increase production efficiencies. Historically, we have been able to pass on to our customers most of the increase in the cost of raw materials through increases in product pricing. Nevertheless, even when we are able to do so, there is usually a time lag between an increase in materials cost and a realized increase in product prices and, accordingly, our results are typically adversely affected at least in the short term until price increases are accepted in the market.

Personnel costs change over time and are impacted by the terms of collective bargaining agreements, inflation and average number of employees. A significant proportion of our employees are based in countries where labor laws impose significant restrictions on employers’ rights and, accordingly, we have limited ability to downsize our personnel in response to a decrease in production during periods of market downturn.

Our results are also affected by changes in foreign exchange rates from period to period, mainly due to the difference in geographic distribution between our manufacturing activities and our commercial activities, resulting in cash flows from exports denominated in currencies that differ from those associated with production costs. In addition, our consolidated financial statements are expressed in U.S. dollars and are therefore subject to movements in exchange rates upon translation of the financial statements of subsidiaries whose functional currency is not the U.S. dollar. Generally, a strengthening of the euro against the U.S. dollar benefits the consolidated results of CNH Industrial because a significant portion of our revenues arise from European operations, particularly the operations of Agricultural Equipment, Commercial Vehicles and Powertrain. The reverse occurs with a weakening of the euro against the U.S. dollar. For additional information regarding the effect on us of changes in interest rates and exchange

rates, see “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business, Strategy and Operations—We are subject to exchange rate fluctuations, interest rate changes and other market risks.”

Non-GAAP Financial Measures

We monitor our operations through the use of several non-GAAP financial measures. We believe that these non-GAAP financial measures provide useful and relevant information regarding our operating results and enhance the reader’s ability to assess our financial performance and financial position. These measures facilitate management’s ability to identify operational trends, as well as make decisions regarding future spending, resource allocations and other operational decisions. These and similar measures are widely used in the industries in which we operate. These financial measures may not be comparable to other similarly titled measures of other companies and are not intended to be substitutes for measures of financial performance and financial position as prepared in accordance with U.S. GAAP.

Our primary non-GAAP financial measures are defined as follows:

Operating Profit

Operating Profit of Industrial Activities is defined as net sales less cost of goods sold, selling, general and administrative (“SG&A”) expenses and research and development (“R&D”) expenses.

Operating Profit of Financial Services is defined as revenues, less SG&A expenses, interest expenses and certain other operating expenses.

We provide a reconciliation of Operating Profit to Net Income, which is the most directly comparable measure included in our consolidated statements of operations.

Net Debt and Net Debt of Industrial Activities (or Net Industrial Debt)

Net Debt is defined as total debt less intersegment notes receivable, cash and cash equivalents, restricted cash and derivative hedging debt. We provide a reconciliation of Net Debt to Total Debt, which is the most directly comparable measure included in our consolidated balance sheets. Due to different sources of cash flows used for the repayment of the debt between Industrial Activities and Financial Services (by cash from operations for Industrial Activities and by collection of financing receivables for Financial Services), management separately evaluates the cash flow performance of Industrial Activities using the Net Debt of Industrial Activities.

Revenues on a Constant Currency Basis

We discuss the fluctuations in revenues on a constant currency basis by applying the prior-year average exchange rates to current year’s revenue expressed in local currency in order to eliminate the impact of foreign exchange rate fluctuations.

A. Operating Results

The operations and key financial measures and financial analysis differ significantly for manufacturing and distribution businesses and financial services businesses; therefore, management believes that certain supplemental disclosures are important in understanding our consolidated operations and financial results. For further information, see “Note 21: Supplemental Information” to our consolidated financial statements for the year ended December 31, 2015, where we present supplemental consolidating data split by Industrial Activities and Financial Services. Industrial Activities include the Financial Services business on the equity basis of accounting. Transactions between Industrial Activities and Financial Services have been eliminated to arrive at the consolidated data.

2015 Compared to 2014

Consolidated Results of Operations

	2015	2014
	(in millions)	
Revenues:		
Net sales	\$24,677	\$31,196
Finance and interest income	1,235	1,359
Total Revenues	25,912	32,555
Costs and Expenses:		
Cost of goods sold	20,357	25,534
Selling, general and administrative expenses	2,317	2,925
Research and development expenses	856	1,106
Restructuring expenses	84	184
Interest expense	1,106	1,318
Other, net	625	399
Total Costs and Expenses	25,345	31,466
Income before income taxes and equity in income of		
unconsolidated subsidiaries and affiliates	567	1,089
Income taxes	(360)	(467)
Equity in income of unconsolidated subsidiaries and		
affiliates	41	86
Net income	248	708
Net loss attributable to noncontrolling interests	(5)	(2)
Net income attributable to CNH Industrial N.V.	\$253	\$710

Revenues

We recorded revenues of \$25,912 million in 2015, a decrease of 20.4% (down 9.2% on a constant currency basis) compared to 2014. This decrease is primarily due to a reduction in net sales of Industrial Activities, which were \$24,677 million in 2015, a decrease of 20.9% (-9.6% on a constant currency basis) compared to the prior year.

Cost of Goods Sold

Cost of goods sold were \$20,357 million in 2015 compared with \$25,534 million in 2014, a decrease year over year due to lower sales volumes of Industrial Activities. As a percentage of net sales of Industrial Activities, cost of goods sold was 82.5% and 81.9% in the years ended December 31, 2015 and 2014, respectively.

Selling, General and Administrative Expenses

SG&A expenses amounted to \$2,317 million in 2015 (8.9% of revenues), a 20.8% decrease compared with the \$2,925 million recorded in 2014 (9.0% of revenues). The decrease was primarily attributable to cost containment actions across all segments and the impact of foreign exchange translation differences.

Research and Development Expenses

In 2015, R&D expenses were \$856 million compared to \$1,106 million in 2014. The expense in both years was primarily attributable to continued investment in new products. The lower spending in 2015 was attributable to cost control efforts on new product programs, such as reducing outsourced activities, fewer regulatory change requirements and the impact of foreign exchange translation differences.

Restructuring Expenses

Restructuring expenses were \$84 million in 2015 compared to \$184 million in 2014. The expense in both periods was due to actions included in the Company's efficiency program launched in 2014 for which we now expect a total cumulative charge of

approximately \$360 million between 2014 and 2016, as additional restructuring actions have been identified. The combined benefits of the efficiency program's actions will result in estimated savings of approximately \$200 million per year.

Interest Expense

Interest expense was \$1,106 million in 2015 (\$1,318 million in 2014), of which \$479 million was attributable to Industrial Activities, net of interest income and eliminations (\$613 million in 2014). The decrease in 2015 was primarily due to reduced average indebtedness, lower cost of funding and the impact of foreign exchange translation differences.

Other, net

Other, net expenses were \$625 million, an increase of \$226 million from \$399 million in 2014. The increase was mainly the result of the third quarter pre-tax charge of \$150 million related to the re-measurement of the net monetary assets of the Venezuelan operations, as well as a pre-tax charge of \$40 million due to the devaluation of net monetary assets of Argentinian subsidiaries.

Income Taxes

	2015	2014
	(in millions,	
	except	
	percentages)	
Income before income taxes and equity in income of		
unconsolidated subsidiaries and affiliates	\$567	\$1,089
Income taxes	\$360	\$467
Effective tax rate	63.5%	42.9%

Income taxes totaled \$360 million in 2015 (\$467 million in 2014) for an effective tax rate of 63.5%. Excluding the impact of the pre-tax charge relating to the re-measurement of the net monetary assets of the Venezuelan operations, for which no corresponding tax benefit has been booked, and the impact of the inability to record deferred tax assets on losses in certain jurisdictions, primarily Brazil, the effective tax rate for 2015 would have been 37%.

Equity in Income of Unconsolidated Subsidiaries and Affiliates

Equity in income of unconsolidated subsidiaries and affiliates was \$41 million in 2015, compared to \$86 million in 2014, mainly due to lower results of joint ventures in the APAC region, including the impact of net foreign currency transactions losses.

Industrial Activities and Business Segments

The following tables show revenues and operating profit broken down by segment. We have also included a discussion of our results by Industrial Activities and each of our business segments.

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	2015	2014	\$ Change	% Change
(in millions, except percentage)				
Revenues:				
Agricultural Equipment	\$11,025	\$15,204	\$(4,179)	(27.5)%
Construction Equipment	2,542	3,346	(804)	(24.0)%
Commercial Vehicles	9,542	10,888	(1,346)	(12.4)%
Powertrain	3,560	4,464	(904)	(20.3)%
Eliminations and other	(1,992)	(2,704)	712	
Total Net sales of Industrial Activities	24,677	31,198	(6,521)	(20.9)%
Financial Services	1,603	1,828	(225)	(12.3)%
Eliminations and other	(368)	(471)	103	
Total Revenues	\$25,912	\$32,555	\$(6,643)	(20.4)%

	2015	2014	\$ Change	% Change
(in millions, except percentage)				
Operating Profit:				
Agricultural Equipment	\$952	\$1,770	\$ (818)	(46.2)%
Construction Equipment	90	79	11	(13.9)%
Commercial Vehicles	283	29	254	875.9 %
Powertrain	186	223	(37)	(16.6)%
Eliminations and other	(79)	(113)	34	
Total Industrial Activities Operating profit	1,432	1,988	(556)	(28.0)%
Financial Services	515	554	(39)	(7.0)%
Eliminations and other	(312)	(343)	31	
Total Operating profit	\$1,635	\$2,199	\$ (564)	(25.6)%

Net sales of Industrial Activities were \$24,677 million in 2015, a 20.9% decrease (down 9.6% on a constant currency basis) as compared to the prior year. Excluding the negative impact of currency translation, net sales increased for Commercial Vehicles, but decreased for Agricultural Equipment, Construction Equipment and Powertrain.

Operating profit of Industrial Activities was \$1,432 million in 2015, a decrease of \$556 million compared to 2014, with an operating margin for the year of 5.8%, down 0.6 percentage points (“p.p.”) from the prior year. Operating profit was primarily impacted by an \$818 million decrease for Agricultural Equipment, partially offset by a \$254 million increase for Commercial Vehicles.

Business Segment Performance

Agricultural Equipment

Net Sales

The following table shows Agricultural Equipment net sales broken down by geographic region in 2015 compared to 2014:

Agricultural Equipment Sales – by geographic region:

	2015	2014	% Change
(\$ million)			
NAFTA	\$4,669	\$6,884	(32.2)%
EMEA	3,793	4,719	(19.6)%
LATAM	1,190	1,975	(39.7)%
APAC	1,373	1,626	(15.6)%
Total	\$11,025	\$15,204	(27.5)%

Net sales for Agricultural Equipment were \$11,025 million in 2015, a 27.5% decrease (down 19.6% on a constant currency basis) compared to 2014. The decrease was primarily driven by declining volumes in NAFTA and LATAM row crop sectors.

For the full year 2015, worldwide agricultural equipment industry unit sales were down compared to 2014, with global demand for tractors and combines down 8% and 19%, respectively. Industry volumes in the NAFTA row crop sector were down, with tractors over 140 hp down 31% and combines down 28%. The NAFTA tractor under 40 hp segment was up 6%, while the 40-140 hp segment was down 3%. EMEA markets were down 7% for tractors and 7% for combines. LATAM tractor sales decreased 27%, and combine sales decreased 39%. APAC markets decreased 9% for tractors and 4% for combines.

For 2015, Agricultural Equipment's worldwide market share performance was flat to the prior year for both tractors and combines. In an effort to reduce dealer inventory levels, the Company's wholesales to dealers were less than dealer retail sales to end customers.

Operating Profit

Agricultural Equipment operating profit was \$952 million in 2015, compared to \$1,770 million in 2014, with an operating margin of 8.6% (11.6% in 2014). The decrease was primarily driven by reduced industry volumes in the NAFTA and LATAM row crop sectors and by foreign exchange translation impact, partially offset by net price realization, lower raw material cost and structural cost reductions.

Construction Equipment

Net Sales

The following table shows Construction Equipment net sales broken down by geographic region in 2015 compared to 2014:

Construction Equipment Sales – by geographic region:

	(\$ million)	2015	2014	% Change
NAFTA	\$1,395	\$1,476	(5.5)%	
EMEA	550	660	(16.7)%	
LATAM	331	894	(63.0)%	
APAC	266	316	(15.8)%	
Total	\$2,542	\$3,346	(24.0)%	

Net sales for Construction Equipment were \$2,542 million in 2015, a 24.0% decrease (down 18.3% on a constant currency basis) compared to 2014, due to reduced industry demand, primarily in LATAM and APAC.

In 2015, worldwide construction equipment industry units for heavy and light products were down 18% and 4%, respectively, compared to 2014. Decreased industry volumes in LATAM and APAC were partially offset by moderate growth in NAFTA. Demand for heavy and light construction equipment was flat in EMEA. The sales product mix trended toward more lower-priced products when compared to the prior year.

Construction Equipment's worldwide market share was flat overall year over year, with a decrease in LATAM and NAFTA, offset by an increase in market share in APAC and EMEA.

Operating Profit

Construction Equipment operating profit was \$90 million, improving \$11 million from the \$79 million reported in 2014, with an operating margin of 3.5% (2.4% in 2014). The increase was primarily due to favorable net price realization and structural cost containment actions, which more than offset the negative impact from lower volumes in LATAM and APAC.

Commercial Vehicles

Net Sales

The following table shows Commercial Vehicles net sales broken down by geographic region in 2015 compared to 2014:

Commercial Vehicles Sales – by geographic region:

(\$ million)	2015	2014	% Change	
EMEA	\$7,643	\$8,026	(4.8)%
LATAM	1,122	1,773	(36.7)%
APAC	777	1,089	(28.7)%
Total	\$9,542	\$10,888	(12.4)%

Commercial Vehicles net sales were \$9,542 million in 2015, a 12.4% decrease compared to 2014 (up 4.8% on a constant currency basis) as a result of increased deliveries in EMEA. Excluding the impact of currency translation, EMEA net sales increased, driven by higher volumes, improved market share and favorable pricing. In LATAM, net sales decreased mainly due to declining volume in the Brazilian market.

In 2015, the European truck market (GVW ≥3.5 tons) grew by 16% compared to 2014. The light vehicles market (GVW 3.5-6.0 tons) increased 16%, while the medium vehicles market (GVW 6.1-15.9 tons) and the heavy vehicles market (GVW ≥16 tons) grew by 5% and 19%, respectively. In LATAM, new truck registrations (GVW ≥3.5 tons) declined 40% compared to 2014, with a decrease of 47% in Brazil and 42% in Venezuela, while Argentina increased 5%. In APAC, new truck registrations decreased 10% compared with 2014.

The Company's estimated market share in the European truck market (GVW ≥3.5 tons) was 11.3%, up 0.4 p.p. year over year. The Company's market share increased by 0.6 p.p. to 11.3% in the light segment, by 1.4 p.p. to 30.6% in the medium segment, and by 0.3 p.p. to 7.9% in the heavy segment. In LATAM, in 2015, the Company's market share increased 2.4 p.p. to 12.4%.

During 2015, Commercial Vehicles delivered approximately 140,200 vehicles (including buses and specialty vehicles), representing a 9% increase from 2014. Volumes were higher in the light segment (+13%) as a result of the launch of the new Daily, and in the heavy segment (+9%), while volumes declined in the medium segment (-1%). Commercial Vehicles' deliveries increased 18% in EMEA, but declined 21% in LATAM and 15% in APAC.

Commercial Vehicles' 2015 ratio of units shipped and billed, or book-to-bill ratio, was 1.03, an increase of 5% over 2014. In 2015, truck order intake in Europe increased 29% compared to previous year.

The following tables show our unit deliveries by geographic area and by product in 2015 compared to 2014:

Commercial Vehicles Deliveries – by geographic area:

(units in thousands)	2015	2014	% Change	
France	20.5	18.5	10.8	%
Germany & Switzerland	18.8	17.8	5.6	%
U.K.	9.2	6.3	46.0	%
Italy	16.8	14.4	16.7	%
Iberia (Spain & Portugal)	12.5	8.2	52.4	%
Rest of EMEA	37.4	32.2	16.1	%
EMEA	115.2	97.4	18.3	%
LATAM	14.8	18.8	(21.3)	%
APAC	10.2	12.0	(15.0)	%
Total Sales	140.2	128.2	9.4	%
Naveco*	77.0	97.5	(21.0)	%
SAIC Iveco Hongyan*	8.7	25.0	(65.2)	%
Total	225.9	250.7	(9.9)	%

Commercial Vehicles Deliveries— by product:

(units in thousands)	2015	2014	% Change	
Heavy	33.5	30.8	8.8	%
Medium	15.3	15.4	(0.6)	%
Light	78.1	69.5	12.4	%

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Buses	9.3	8.6	8.1	%
Specialty vehicles**	4.0	3.9	2.6	%
Total	140.2	128.2	9.4	%

(*)Joint ventures accounted for under the equity method

(**)Defense and firefighting vehicles

Operating Profit

In 2015, Commercial Vehicles recorded an operating profit of \$283 million compared to \$29 million in 2014, with an operating margin of 3.0% (0.3% in 2014). The increase was due to higher volumes in EMEA, positive pricing, manufacturing efficiencies and SG&A expense reduction as a result of the Company's efficiency program launched in 2014. In LATAM, positive pricing as well as manufacturing and SG&A cost containment actions offset a large portion of the lower volumes in Brazil.

Powertrain

Net Sales

Powertrain net sales were \$3,560 million in 2015, a decrease of 20.3% (down 5.2% on a constant currency basis) compared to 2014. The decrease was primarily attributable to lower captive agricultural equipment demand and the 2014 build-up of Tier 4 final transition engine inventory for the off-road segment. Sales to external customers accounted for 46% of total net sales in 2015, up from 41% in 2014.

During 2015, Powertrain sold 507,700 engines, a decrease of 13% compared to 2014. By major customer, 31% of engines were supplied to Commercial Vehicles, 10% to Agricultural Equipment, 4% to Construction Equipment and the remaining 55% to external customers (units sold to third parties were up 2% compared to 2014). Additionally, Powertrain delivered approximately 67,800 transmissions and 182,000 axles, an increase of 6% and 16%, respectively, compared to 2014.

Operating Profit

For 2015, Powertrain recorded an operating profit of \$186 million compared to \$223 million in 2014, with an operating margin of 5.2% (5.0% in 2014). Net of the impact of currency translation, operating profit was in line with the previous year as the lower volumes were offset by manufacturing efficiencies and SG&A expense reductions.

Financial Services Performance

Finance and Interest Income

Financial Services reported revenues of \$1,603 million in 2015, down 12.3% (down 0.8% on a constant currency basis) relative to 2014 due to the negative impact of currency translation.

Net Income

In the full year 2015, net income was \$368 million compared to \$364 million in 2014. Lower provisions for credit losses, less SG&A expenses and reduced income taxes were partially offset by the negative impact of currency translation.

Retail loan originations in the year were \$9.4 billion, down \$1.4 billion compared to 2014, mostly due to the decline in Agricultural Equipment sales in NAFTA and the negative impact of currency translation in EMEA and LATAM. The managed portfolio (including unconsolidated joint ventures) of \$24.7 billion (of which retail was 65% and wholesale 35%) was down \$2.6 billion compared to December 31, 2014. Excluding the impact of currency translation, our managed portfolio was flat compared to 2014.

Reconciliation of Operating Profit to Net Income

The following table includes the reconciliation of our net income, the most comparable U.S. GAAP financial measure, to our operating profit, a non-GAAP financial measure:

2015	2014	Change
(dollars in millions)		

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Operating Profit:			
Industrial Activities	\$1,432	\$1,988	\$(556)
Financial Services	515	554	(39)
Eliminations and other	(312)	(343)	31
Total Operating profit	1,635	2,199	(564)
Restructuring expenses	(84)	(184)	100
Interest expenses of Industrial Activities, net of			
interest income and eliminations	(479)	(613)	134
Other, net	(505)	(313)	(192)
Income before income taxes and equity in income			
of unconsolidated subsidiaries and affiliates	567	1,089	(522)
Income taxes	(360)	(467)	107
Equity in income of unconsolidated subsidiaries and			
affiliates	41	86	(45)
Net income	\$248	\$708	\$(460)

2014 Compared to 2013

Consolidated Results of Operations

	2014	2013
	(in millions)	
Revenues:		
Net sales	\$31,196	\$32,632
Finance and interest income	1,359	1,204
Total Revenues	32,555	33,836
Costs and Expenses:		
Cost of goods sold	25,534	26,551
Selling, general and administrative expenses	2,925	3,094
Research and development expenses	1,106	1,222
Restructuring expenses	184	71
Interest expense	1,318	1,196
Other, net	399	328
Total Costs and Expenses	31,466	32,462
Income before income taxes and equity in income		
of unconsolidated subsidiaries and affiliates	1,089	1,374
Income taxes	(467)	(671)
Equity in income of unconsolidated subsidiaries and		
affiliates	86	125
Net income	708	828
Net income (loss) attributable to noncontrolling interests	(2)	151
Net income attributable to CNH Industrial N.V.	\$710	\$677

Revenues

We recorded revenues of \$32,555 million in 2014, a decrease of 3.8% compared to 2013 (down 2.1% on a constant currency basis) with revenue growth for Construction Equipment and Powertrain more than offset by declines for Agricultural Equipment and Commercial Vehicles.

Cost of Goods Sold

Cost of goods sold were \$25,534 million in 2014 compared with \$26,551 million in 2013. As a percentage of net sales of Industrial Activities, cost of goods sold was 81.8% and 81.3% in the years ended December 31, 2014 and 2013, respectively.

Selling, General and Administrative Expenses

SG&A expenses amounted to \$2,925 million in 2014 (9.0% of revenues), a 5.5% decrease compared with the \$3,094 million recorded in 2013 (9.1% of revenues). The decrease was primarily due to cost containment actions at Commercial Vehicles and Construction Equipment, partially offset by higher provisions for credit losses at Financial Services.

Research and Development Expenses

In 2014, R&D expenses were \$1,106 million compared to \$1,222 million in 2013. The expenses were mainly attributable to continued investment in new products and engine emissions compliance programs.

Restructuring Expenses

In July 2014, we launched a comprehensive efficiency program designed to enhance the efficiency and competitiveness of our Industrial Activities.

The program was expected to result in a total cumulative charge of approximately \$280 million over three years, with a non-cash impact of approximately 20%. The majority of the restructuring charges impacted the income statement in 2014 and 2015, respectively. Benefits from this program started to impact our operating performance in the third quarter of 2014.

Restructuring actions in Agricultural Equipment were mainly related to the closure of the joint venture in China as the business model is no longer viable in the current environment and cost reduction activities as a result of negative demand conditions.

Actions identified by Construction Equipment were related to the re-tooling of its industrial footprint in connection with the enlargement of the licensing agreements with Sumitomo (S.H.I.) Construction Machinery Co., Ltd, as well as the realignment of the dealer networks in EMEA as a result of the re-positioning of the Case and New Holland brand offerings. The announced closure of the assembly plant in Calhoun, Georgia, USA, represented one of those actions.

Commercial Vehicles actions were focused on SG&A expenses and business support costs as a result of the transition to CNH Industrial's regional structure, as well as the completion of manufacturing product specialization programs.

Restructuring expenses were \$184 million in 2014 compared to \$71 million in 2013. In 2014, Commercial Vehicles recorded \$102 million mainly due to actions to reduce SG&A expenses and business support costs as a result of the transition to CNH Industrial's regional structure and costs related to the completion of manufacturing product

specialization programs. Construction Equipment recorded \$39 million mainly due to the realignment of the dealer networks in EMEA, as a result of the re-positioning of the Case and New Holland brand offerings and the announced closure of an assembly plant in Calhoun, Georgia. Agricultural Equipment recorded \$43 million primarily for the planned closure of a 60% owned joint venture in China and cost reduction activities as a result of negative demand conditions.

In 2013, the costs were mainly related to Commercial Vehicles as a consequence of the actions initiated in 2012 to rationalize the heavy truck and firefighting businesses.

Interest Expense

Interest expense was \$1,318 million in 2014 (\$1,196 million in 2013), of which \$613 million was attributable to Industrial Activities, net of interest income and eliminations (\$548 million in 2013). The increase in 2014 is due to an increase in average net industrial debt, partially offset by more favorable interest rates primarily related to new debt issuances in 2014.

Other, net

Other, net expenses were \$399 million, an increase of \$71 million from \$328 million in 2013. Based on changes to the way Venezuela's exchange rate mechanism operates, we changed the bolivar fuerte ("Bs.F.") rate used to re-measure our Venezuelan Commercial Vehicles operations financial statements in U.S. dollars. As a result of this change, we recorded a pre-tax re-measurement charge of \$71 million during 2014. In 2013, we recorded a pre-tax charge related to the dissolution of the Financial Services joint venture with Barclays (\$41 million) and costs for the rationalization of strategic suppliers. Also in 2013, we recorded an additional loss of \$26 million on the sale of the Kobelco Construction Machinery Co. Ltd. investment, following an adverse ruling issued in 2013 by the arbitrator on the price of the transaction.

Income Taxes

	2014	2013
	(in millions,	
	except	
	percentages)	
Income before income taxes and equity in income of		
unconsolidated subsidiaries and affiliates	\$1,089	\$1,374
Income taxes	\$467	\$671
Effective tax rate	42.9 %	48.8 %

The decrease in the effective tax rate from 2013 to 2014 was primarily due to the net result of the pre-tax charge relating to the re-measurement of Venezuelan assets recognized in 2014, for which no tax benefit was recorded, that was more than offset by the favorable resolution of tax audits recorded in 2014, the net impact on valuation allowance adjustments and lower losses in jurisdictions where benefit losses are not recognized.

Equity in Income of Unconsolidated Subsidiaries and Affiliates

Equity in income of unconsolidated subsidiaries and affiliates was \$86 million in 2014 (compared to \$125 million in 2013), mainly due to lower earnings from APAC joint ventures as a result of more difficult trading conditions.

Industrial Activities and Business Segments

The following tables show revenues and operating profit broken down by segment. We have also included a discussion of our results by Industrial Activities and each of our business segments.

	2014	2013	\$	%	
			Change	Change	
	(in millions, except percentage)				
Revenues:					
Agricultural Equipment	\$ 15,204	\$ 16,763	\$(1,559)	(9.3)	%
Construction Equipment	3,346	3,258	88	2.7	%
Commercial Vehicles	10,888	11,278	(390)	(3.5)	%
Powertrain	4,464	4,412	52	1.2	%
Eliminations and other	(2,704)	(3,050)	346		
Total Net sales of Industrial Activities	31,198	32,661	(1,463)	(4.5)	%
Financial Services	1,828	1,679	149	8.9	%
Eliminations and other	(471)	(504)	33		
Total Revenues	\$32,555	\$33,836	\$(1,281)	(3.8)	%

	2014	2013	\$	%	
			Change	Change	
	(in millions, except percentage)				
Operating Profit:					
Agricultural Equipment	\$ 1,770	\$ 2,008	\$(238)	(11.9)	%
Construction Equipment	79	(97)	176	181.4	%
Commercial Vehicles	29	74	(45)	(60.8)	%
Powertrain	223	187	36	19.3	%
Eliminations and other	(113)	(77)	(36)		
Total Industrial Activities Operating profit	1,988	2,095	(107)	(5.1)	%
Financial Services	554	514	40	7.8	%
Eliminations and other	(343)	(332)	(11)		
Total Operating profit	\$2,199	\$2,277	\$(78)	(3.4)	%

Net sales of Industrial Activities were \$31,198 million in 2014, a 4.5% decrease as compared to the prior year (down 2.8% on a constant currency basis). Net sales increases at Construction Equipment and Powertrain were offset by declines in Agricultural Equipment, primarily in LATAM and NAFTA, and Commercial Vehicles compared to the prior year.

Operating profit of Industrial Activities was \$1,988 million in 2014, a decrease of \$107 million compared to 2013. Operating profit improved in Construction Equipment and Powertrain, and declined in Agricultural Equipment and Commercial Vehicles. Construction Equipment benefitted from favorable volume and mix in all regions, positive price realization, and cost efficiencies. For Powertrain, the improvement was mainly due to the increase in sales, primarily with third parties, and continued industrial cost efficiencies. For Commercial Vehicles, positive performance in EMEA and APAC and significant reductions in SG&A expenses were more than offset by the negative effects of challenging trading conditions in LATAM, due to a significant decline in market demand. For Agricultural Equipment, lower volume and negative product mix were partially offset by positive net price realization, industrial

efficiencies and structural cost reductions in SG&A and R&D expenses.

Industrial Activities Performance by Business

Agricultural Equipment

Net Sales

The following table shows Agricultural Equipment net sales broken down by geographic region in 2014 compared to 2013:

Agricultural Equipment Sales – by geographic region:

				%
(\$ million)	2014	2013		Change
NAFTA	\$6,884	\$7,460	(7.7))%
EMEA	4,719	4,889	(3.5))%
LATAM	1,975	2,613	(24.4))%
APAC	1,626	1,801	(9.7))%
Total	\$15,204	\$16,763	(9.3))%

Net sales for the Agricultural Equipment business were \$15,204 million in 2014, a 9.3% decrease compared to 2013 (down 7.9% on a constant currency basis). The decrease was primarily driven by lower volumes and product mix, particularly in LATAM and NAFTA with a significant decrease for high horsepower products. This impact was partially offset by positive pricing.

Worldwide agricultural equipment industry unit sales were down in 2014, with global demand for tractors down 7% and combines down 18%. NAFTA tractor sales were up 3%, largely concentrated in the lower horsepower segment (under 140 hp). The over 140 hp segment and combine demand were both down 25% year over year. LATAM tractor sales decreased 15% and combine sales decreased 24%. EMEA markets were down 8% for tractors and 10% for combines. APAC markets decreased 8% for tractors and 9% for combines. Market share performance was flat for tractors and down for combines, mainly due to the transition to Tier 4B engine compliant products in NAFTA and a negative market mix in APAC.

Operating Profit

Agricultural Equipment operating profit was \$1,770 million (operating margin 11.6%), down \$238 million from \$2,008 million operating profit for 2013 (operating margin 12.0%). Operating margin was down due to negative industrial cost absorption (due to decreased volumes) and unfavorable volume and mix (primarily tractors with horsepower over 140 and combines in NAFTA) that were only partially offset by net price realization and SG&A and R&D expense reductions.

Construction Equipment

Net Sales

The following table shows Construction Equipment net sales broken down by geographic region in 2014 compared to 2013:

Construction Equipment Sales – by geographic region:

			%	
(\$ million)	2014	2013	Change	
NAFTA	\$1,476	\$1,253	17.8	%
EMEA	660	633	4.3	%
LATAM	894	986	(9.3)	%
APAC	316	386	(18.1)	%
Total	\$3,346	\$3,258	2.7	%

Net sales for Construction Equipment were \$3,346 million in 2014, a 2.7% increase compared to 2013 (up 5.1% on a constant currency basis). The increase was primarily driven by positive pricing in NAFTA and LATAM, along with positive volume and mix in NAFTA and EMEA. This was partially offset by weakened activity in LATAM and APAC.

Worldwide heavy and light construction equipment industry sales were down 9% and up 5%, respectively, from the prior year. Industry heavy construction equipment sales were up in NAFTA and EMEA but decreased in LATAM and APAC. Industry light construction equipment sales were up in NAFTA and EMEA, flat in APAC and down considerably in LATAM. Our worldwide

market share was flat overall, with increases in all regions for heavy equipment being offset by slight decreases in the light construction equipment markets in APAC and EMEA.

Operating Profit

Construction Equipment operating profit was \$79 million, improving \$176 million from the \$97 million operating loss reported in 2013 due primarily to favorable pricing in NAFTA and LATAM, positive volume and mix in all regions, and continued containment actions in SG&A and R&D expenses as a result of the realization of the Company's brand re-alignment initiatives and global excavator strategy.

Commercial Vehicles

Net Sales

The following table shows Commercial Vehicles net sales broken down by geographic region in 2014 compared to 2013:

Commercial Vehicles Sales – by geographic region:

			%	
(\$ million)	2014	2013	Change	
EMEA	\$8,026	\$7,668	4.7	%
LATAM	1,773	2,583	(31.4)	%
APAC	1,089	1,027	6.0	%
Total	\$10,888	\$11,278	(3.5)	%

Commercial Vehicles net sales were \$10,888 million in 2014, a 3.5% decrease over 2013 (down 1.6% on a constant currency basis) due to lower volumes and the negative impact of currency translation, partially offset by better pricing in all regions. Net sales increased in EMEA, driven by higher volumes and favorable mix for trucks, despite lower deliveries in the bus business due to the transition to Euro VI applications. In LATAM, net sales decreased significantly (-31%) as a result of overall weak market conditions, production curtailments to realign dealer inventories to market demand, and the negative impact of currency translation. In APAC, net sales increased due to higher volumes, mainly for buses, partially offset by the negative impact of currency translation.

During 2014, Commercial Vehicles delivered a total of 128,163 vehicles (including buses and specialty vehicles), representing a 5.5% decrease from the prior year. Volumes were higher in the light segment (+2.1%), primarily as a result of the launch of the new Daily, while volumes declined in the heavy (-8.7%) and medium (-24.5%) segments driven by weak trading conditions in LATAM and Euro V pre-buy demand in the second half of 2013 in EMEA. Commercial Vehicles deliveries increased 3.9% in EMEA and 0.9% in APAC, but declined 37.5% in LATAM (with Brazil down approximately 33% and Argentina down approximately 39%).

The European truck market (GVW ³3.5 tons) registered a 1.0% increase over 2013 to approximately 667,700 units. Light vehicles (GVW 3.5-6 tons) increased 8.4%, while the medium vehicles market (GVW 6.1-15.9 tons) and heavy vehicles market (GVW >16 tons) decreased 18.4% and 6%, respectively, mainly due to increased sales of Euro V vehicles in the second half of 2013 prior to the introduction of Euro VI emissions regulations in January 2014. The industry continued to experience large variations in demand across markets.

The Company's market share in the European truck market (GVW \geq 3.5 tons) remained unchanged year-over-year at an estimated 10.9%. In the light segment, the share is estimated to be 10.7% (down 0.6 p.p.). In the medium segment, the Company's market share increased 4.5 p.p. to 29.1%, with gains in nearly all markets, and in the heavy segment was up 0.6 p.p. to 7.5%.

In LATAM, truck registrations (GVW \geq 3.5 tons) were down 16.4% over the prior year to 188,800 units, with decreases of 9.4% in Brazil, 26.0% in Argentina, and 73.1% in Venezuela. Our share in LATAM was 10.1%, a decline of 0.9 percentage points over 2013, driven by a 1.0 percentage point decrease in Brazil to 7.8%. Market share increased 0.8 p.p. and 0.4 p.p., respectively, in the light and medium segments, while market share declined 1.9 p.p. in the heavy segment.

In APAC, registrations decreased 2.6% compared to 2013, mainly due to the decline in demand in the Russian Federation (down 21.6%) and market share was down 0.2 p.p. to 1.9%.

The following tables show our unit deliveries by geographic area and by product in 2014 compared to 2013:

Commercial Vehicles Deliveries – by geographic area

(units in thousands)	2014	2013	% Change	
France	18.5	18.3	1.1	%
Germany & Switzerland	17.8	17.5	1.7	%
U.K.	6.3	6.6	(4.5)	%
Italy	14.4	14.8	(2.7)	%
Iberia (Spain & Portugal)	8.2	6.4	28.1	%
Rest of EMEA	32.2	30.1	7.0	%
EMEA	97.4	93.7	3.9	%
LATAM	18.8	30.1	(37.5)	%
APAC	12.0	11.9	0.8	%
Total Sales	128.2	135.7	(5.5)	%
Naveco*	97.5	126.9	(23.2)	%
SAIC Iveco Hongyan*	25.0	28.0	(10.7)	%
Total	250.7	290.6	(13.7)	%

Commercial Vehicles Deliveries – by product

(units in thousands)	2014	2013	% Change	
Heavy	30.8	33.7	(8.6)	%
Medium	15.4	20.4	(24.5)	%
Light	69.5	68.0	2.2	%
Buses	8.6	9.4	(8.5)	%
Specialty vehicles**	3.9	4.2	(7.1)	%
Total	128.2	135.7	(5.5)	%

(*)Joint ventures accounted for under the equity method

(**)Defense and firefighting vehicles

Operating Profit

In 2014, Commercial Vehicles recorded an operating profit of \$29 million (operating margin 0.3%), compared to \$74 million in 2013, (operating margin 0.7%) as a result of difficult trading conditions and negative foreign exchange currency impacts in LATAM that were only partially offset by the recovery of trucks in EMEA and cost control actions within SG&A expenses.

Powertrain

Net Sales

Powertrain net sales were \$4,464 million in 2014, an increase of 1.2% compared to 2013 (up 1.4% on a constant currency basis). The increase was primarily attributable to higher volumes of engines sold. Sales to external customers accounted for 41% of total net sales, up from 34% in 2013.

During 2014, Powertrain sold a total of 583,589 engines, an increase of 7.1% relative to 2013. By major customer, 24% of Powertrain's engines were supplied to Commercial Vehicles, 24% to Agricultural Equipment, 5% to Construction Equipment, and the remaining 47% to external customers. Additionally, Powertrain delivered 64,174 transmissions (+3.3% compared with 2013) and 156,921 axles (in line with 2013).

Operating Profit

For 2014, Powertrain recorded an operating profit of \$223 million (operating margin 5.0%), compared to \$187 million (operating margin 4.2%) in 2013. The increase was due to an increase in volumes, a larger proportion of third party business and industrial efficiencies.

Financial Services

Finance and Interest Income

Financial Services reported revenues of \$1,828 million in 2014, up 8.9% relative to 2013 primarily due to an increase in the average value of the portfolio.

Net Income

For 2014, Financial Services recorded net income of \$364 million, compared to \$342 million in 2013. The improvement was mainly attributable to the increase in the average value of the portfolio, partially offset by higher provisions for credit losses.

Reconciliation of Operating Profit to Net Income

The following table includes the reconciliation of our net income, the most comparable U.S. GAAP financial measure, to our operating profit, a non-GAAP financial measure:

	2014	2013	Change
	(in millions)		
Operating Profit:			
Industrial Activities	\$1,988	\$2,095	\$ (107)
Financial Services	554	514	40
Eliminations and other	(343)	(332)	(11)
Total Operating profit	2,199	2,277	(78)
Restructuring expenses	(184)	(71)	(113)
Interest expenses of Industrial Activities, net of interest			
income and eliminations	(613)	(548)	(65)
Other, net	(313)	(284)	(29)
Income before income taxes and equity in income			
of unconsolidated subsidiaries and affiliates	1,089	1,374	(285)
Income taxes	(467)	(671)	204
Equity in income of unconsolidated subsidiaries and			
affiliates	86	125	(39)
Net income	708	828	(120)

Application of Critical Accounting Estimates

The financial statements included in this annual report and related disclosures have been prepared in accordance with U.S. GAAP, which requires us to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. The estimates and related assumptions are based on available information at the date of preparation of the financial statements, historical experience and other relevant factors. Actual results may differ from the estimates.

Particularly in light of the current economic uncertainty, developments may occur which may differ from our estimates and assumptions, and therefore might require significant adjustments to the carrying amount of certain items, which as of the date of this annual report cannot be accurately estimated or predicted. The principal items affected by estimates are the allowances for doubtful accounts receivable and inventories, long-lived assets (tangible and intangible assets), the residual values of vehicles leased out under operating lease arrangements or sold with buy-back commitments, sales allowances, product warranties, pension and other postemployment benefits, deferred tax assets and contingent liabilities.

Estimates and assumptions are reviewed periodically and the effects of any changes are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments and the key assumptions concerning the future that we have made in the process of applying our accounting policies and that may have the most significant effect on the amounts recognized in our consolidated financial statements included in this annual report or that represent a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowance for Doubtful Accounts

The allowance for doubtful accounts reflects our estimate of losses inherent in the wholesale and retail credit portfolio. This allowance is based on our estimate of the losses to be incurred, which derives from past experience with similar receivables, current and historical past due amounts, dealer termination rates, write-offs and collections, the careful monitoring of portfolio credit quality and current and projected economic and market conditions. Should the present economic and financial situation persist or worsen, there could be a further deterioration in the financial situation of our debtors compared to that taken into consideration in calculating the allowances recognized in the financial statements.

Allowance for Obsolete and Slow-moving Inventory

The allowance for obsolete and slow-moving inventory reflects our estimate of the expected loss in value, and has been determined on the basis of past experience and historical and expected future trends in the used vehicle market. A worsening of the economic and financial situation could cause a further deterioration in conditions in the used vehicle market compared to that taken into consideration in calculating the allowances recognized in the financial statements.

Recoverability of Long-lived Assets (including Goodwill)

Long-lived assets include property, plant and equipment, goodwill and other intangible assets such as patents and trademarks. We evaluate the recoverability of property, plant and equipment and finite-lived other intangible assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. We assess the recoverability of property, plant and equipment and finite-lived other intangible assets by comparing the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If the carrying amount of the long-lived asset is not recoverable in full on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value.

Goodwill and indefinite-lived other intangible assets are tested for impairment at least annually. In 2015 and 2014, we performed our annual impairment review as of December 31 and concluded that there was no impairment in either year. We evaluate events and changes in circumstances to determine if additional testing may be required.

We have identified five reporting units for the purpose of goodwill impairment testing: Agricultural Equipment, Construction Equipment, Commercial Vehicles, Powertrain, and Financial Services. Impairment testing for goodwill is done at a reporting unit level using a two-step test. Under the first step of the goodwill impairment test, our estimate of the fair value of the reporting unit is compared with its carrying value. If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and we must perform step two of the impairment test (measurement). Step two of the impairment test, when necessary, requires the identification and estimation of the fair value of the reporting unit's individual assets, including intangible assets with definite and indefinite lives regardless of whether such intangible assets are currently recorded as an asset of the reporting unit, and liabilities in order to calculate the implied fair value of the reporting unit's goodwill. Under step two, an impairment loss is recognized to the extent the carrying amount of the reporting unit's goodwill exceeds the implied fair value of goodwill.

The vast majority of goodwill, representing approximately 97% of the total, as of December 31, 2015 related to Agricultural Equipment (67%), Construction Equipment (24%) and Financial Services (6%) and as such, the impairment testing of these reporting units is discussed in detail below.

The carrying values for each reporting unit include material allocations of our assets and liabilities and costs and expenses that are common to all of the reporting units. We believe that the basis for such allocations has been consistently applied and is reasonable.

We determine the fair value of our reporting units using multiple valuation methodologies, relying largely on an income approach but also incorporating value indicators from a market approach. Under the income approach, we calculate the fair value of a reporting unit based on the present value of estimated future cash flows. The income approach is dependent on several critical management assumptions, including estimates of future sales, gross margins, operating costs, income tax rates, terminal value growth rates, capital expenditures, changes in working capital requirements, and the weighted average cost of capital (discount rate). Discount rate assumptions include an assessment of the risk inherent in the future cash flows of the respective reporting units. Expected cash flows used under the income approach are developed in conjunction with our budgeting and forecasting process. Under the market approach, we estimate the fair value of the Agricultural Equipment and Construction Equipment reporting units using revenue and earnings before interest, tax, depreciation and amortization (“EBITDA”) multiples, and estimate the fair value of the Financial Services reporting unit using book value, tangible book value and interest margin multiples. The multiples are derived from comparable publicly-traded companies with similar operating and investment characteristics as the respective reporting units. The guideline company method makes use of market price data of corporations whose stock is actively traded in a public, free and open market, either on an exchange or over-the counter basis. Although it is clear no two companies are entirely alike, the corporations

selected as guideline companies must be engaged in the same, or a similar, line of business or be subject to similar financial and business risks, including the opportunity for growth.

As of December 31, 2015, the estimated fair values of the Agricultural Equipment and Financial Services reporting units exceeded the carrying values by approximately 17% and 29%, respectively. The Construction Equipment reporting unit had an excess of fair value over carrying value of approximately 12%. This reporting unit is considered to be at higher risk of potential failure of step one of the impairment test in future reporting periods, due primarily to declines in market demand for construction equipment. Holding all other assumptions constant, a 1.3 p.p. increase in the discount rate could result in an impairment loss in future reporting periods.

The sum of the fair values of our reporting units was in excess of our market capitalization at December 31, 2015. We believe that the difference between the fair value and market capitalization is reasonable (in the context of assessing whether any asset impairment exists) when market-based control premiums are taken into consideration.

Residual Values of Assets Leased Out Under Operating Lease Arrangements or Sold with a Buy-back Commitment

We record assets rented to customers or leased to them under operating leases as tangible assets. Furthermore, new vehicle sales with a buy-back commitment are not recognized as sales at the time of delivery but are accounted for as operating leases if it is probable that the vehicle will be repurchased by us. Income from such operating leases is recognized on a straight-line basis over the term of the lease. Depreciation expense for assets subject to operating leases is recognized on a straight-line basis over the lease term in amounts necessary to reduce the cost of an asset to its estimated residual value at the end of the lease term. The estimated residual value of leased assets is calculated at the lease commencement date on the basis of published industry information and historical experience.

Realization of the residual values is dependent on our future ability to market the assets under then-prevailing market conditions. We continually evaluate whether events and circumstances have occurred which impact the estimated residual values of the assets on operating leases. The used vehicle market was carefully monitored throughout 2015 to ensure that write-downs were properly determined; however, additional write-downs may be required if market conditions should deteriorate further.

Sales Allowances

At the later of the time of sale or the time an incentive is announced to dealers, we record the estimated impact of sales allowances in the form of dealer and customer incentives as a reduction of revenue. There may be numerous types of incentives available at any particular time. The determination of sales allowances requires us to make estimates based on various factors.

Product Warranties

We make provisions for estimated expenses related to product warranties at the time products are sold. We establish these estimates based on historical information on the nature, frequency and average cost of warranty claims. We seek to improve vehicle quality and minimize warranty expenses arising from claims. Warranty costs may differ from those estimated if actual claim rates are higher or lower than historical rates.

Pension and Other Postemployment Benefits

As more fully described in "Note 11: Employee Benefit Plans and Postretirement Benefits" to our consolidated financial statements for the year ended December 31, 2015, we sponsor pension, healthcare and other postemployment plans in various countries. We actuarially determine the costs and obligations relating to such plans using several statistical

and judgmental factors. These assumptions include discount rates, rates for expected returns on plan assets, rates for compensation increases, mortality rates, retirement rates, and healthcare cost trend rates, as determined by us within certain guidelines. To the extent actual experiences differ from our assumptions or our assumptions change, we may experience gains and losses that we have not yet recognized in our consolidated statements of operations but would be recognized in equity. For our pension and postemployment benefit plans, we recognize net gain or loss as a component of defined benefit plan cost for the year if, as of the beginning of the year, such unrecognized net gain or loss exceeds 10% of the greater of (1) the projected benefit obligation or (2) the fair or market value of the plan assets at year end. In such case, the amount of amortization we recognize is the resulting excess divided by the average remaining service period of active employees, and by the average life expectancy for inactive employees expected to receive benefits under the plan.

In October 2014, the Society of Actuaries (“SOA”) in the United States issued an updated mortality table (“RP-2014”) and mortality improvement scale (“MP-2014”). Accordingly, we reviewed the historical mortality experience and demographic characteristics of our U.S. Pension and Healthcare plan participants and have decided to adopt variants of the Blue Collar tables of

RP-2014 as the base mortality tables, and Male Scale BB as opposed to MP-2014 as the mortality improvement scale. We believe the new mortality assumptions most appropriately represent the experience and characteristics of our U.S. plans. The adoption of the new mortality assumptions resulted in a total increase of \$69 million to the Company's benefit obligations at December 31, 2014, of which, \$37 million was related to Pension plans and \$32 million to Healthcare plans.

Beginning in 2016, the Company will change the method used to estimate the service and interest cost components of the net periodic pension and other postretirement benefit costs. The new method uses the spot yield curve approach to estimate the service and interest costs by applying the specific spot rates along the yield curve used to determine the benefit obligations to relevant projected cash outflows. Prior to 2016, the service and interest costs were determined using a single weighted-average discount rate based on hypothetical AA yield curves used to measure the benefit obligation at the beginning of the period. The change does not affect the measurement of the total benefit obligations.

The Company will change to the new method to provide a more precise measure of interest and service costs by improving the correlation between the projected benefit cash flows and the discrete spot yield curve rates. The Company will account for this change as a change in estimate prospectively beginning in the first quarter of 2016. The decrease in the 2016 service and interest costs is estimated to be approximately \$34 million compared to the previous method.

The following table shows the effects of a one percentage-point change in our primary actuarial assumptions on pension, healthcare and other postemployment benefit obligations and expense:

	2016 Benefit Cost		Year End Benefit Obligation	
	One	One	One	One
	Percentage-Point		Percentage-Point	
	Increase	Decrease	Increase	Decrease
	(in millions)			
Pension benefits				
Assumed discount rate	(28)	32	(379)	456
Expected long-term rate of return on plan assets	(24)	24	n/a	n/a
Healthcare benefits:				
Assumed discount rate	(9)	16	(120)	147
Assumed health care cost trend rate (initial and ultimate)	28	(20)	149	(121)
Other benefits:				
Assumed discount rate	1	(1)	(35)	42
Realization of Deferred Tax Assets				

At December 31, 2015, we had net deferred tax assets on temporary differences and theoretical tax benefits arising from tax loss carry forwards of \$2,277 million, of which \$1,361 million is not recognized in the financial statements. The corresponding totals at December 31, 2014 were \$2,779 million and \$1,484 million, respectively. We have

recorded deferred tax assets at the amount that we believe is more likely than not to be recovered. The need to record a valuation allowance is based on an assessment of the relative impact of positive and negative evidence available, whereby objectively verifiable evidence takes precedence over other forms of evidence. A recent period (three-years) of cumulative losses incurred is considered a significant piece of negative evidence that is difficult to be overcome by positive evidence based on management's forward-looking plans.

Contingent Liabilities

We are the subject of legal proceedings and tax issues covering a range of matters, which are pending in various jurisdictions. Due to the uncertainty inherent in such matters, it is difficult to predict the final outcome of such matters. The cases and claims against us often raise difficult and complex factual and legal issues, which are subject to many uncertainties, including but not limited to the facts and circumstances of each particular case and claim, the jurisdiction and the differences in applicable law. In the normal course of business, we consult with legal counsel and certain other experts on matters related to litigation, taxes and other similar contingent liabilities. We accrue a liability when it is determined that an adverse outcome is probable and the amount of the loss can be reasonably estimated. In the event an adverse outcome is probable but an estimate is not determinable or is possible, the matter is disclosed.

B. Liquidity and Capital Resources

The following discussion of liquidity and capital resources principally focuses on our consolidated statements of cash flows and our consolidated balance sheets. Our operations are capital intensive and subject to seasonal variations in financing requirements for dealer receivables and dealer and company inventories. Whenever necessary, funds from operating activities are supplemented from external sources. We expect to have available to us cash reserves and cash generated from operations and from sources of debt and financing activities that are sufficient to fund our working capital requirements, capital expenditures and debt service at least through the end of 2016. See “Item 3. Key Information—D. Risk Factors” for additional information concerning risks related to our business, strategy and operations.

Cash Flow Analysis

At December 31, 2015 we had cash and cash equivalents of \$5,384 million, an increase of \$221 million, or 4.3%, from \$5,163 million at December 31, 2014. Cash and cash equivalents at December 31, 2015 did not include restricted cash of \$927 million (\$978 million at December 31, 2014), which is comprised of cash that was reserved principally for the servicing of securitization-related debt. The aggregate of cash and cash equivalents and restricted cash, which we consider to constitute our principal liquid assets, totaled \$6,311 million at December 31, 2015, an increase of \$170 million, or 2.8%, from the total at the end of 2014 of \$6,141 million.

The increase of available liquidity compared to December 31, 2014 was mainly attributable to the net cash generation from operating activities in 2015, lower financing needs and an increase in third party debt by Financial Services, partially offset by a reduction of third party debt by Industrial activities resulting from the repayment of a €1.0 billion (equivalent to \$1.1 billion) bond in March 2015, and unfavorable foreign exchange impact.

The following table summarizes the changes to cash flows from operating, investing and financing activities for each of the years ended December 31, 2015, 2014 and 2013.

	2015	2014	2013
	(in millions)		
Cash provided by (used in):			
Operating activities	\$2,782	\$681	\$1,522
Investing activities	(932)	(1,959)	(3,788)
Financing activities	(931)	1,365	2,616
Translation exchange differences	(698)	(491)	18
Net increase (decrease) in cash and cash equivalents	\$221	\$(404)	\$368

Net Cash from Operating Activities

Cash provided by operating activities in 2015 totaled \$2,782 million and comprised the following elements:

- \$248 million in net income for 2015;
- plus \$1,146 million in non-cash charges for depreciation and amortization (\$699 million excluding assets sold with buy-back commitments and equipment on operating leases);
- plus \$329 million in losses on the disposal of assets and other non-cash items;
- plus \$40 million in dividends (netted against equity income) received from equity investees;
- plus changes in deferred income taxes of \$119 million and a negative change in other liabilities of \$48 million; and
- plus \$948 million in change in working capital and other operating assets and liabilities.

In 2014, \$2,195 million of the \$681 million in cash generated by operating activities during the year was from income-related cash inflows (calculated as net income plus amortization and depreciation, dividends, equity income,

changes in other liabilities and deferred taxes, net of gains/losses on disposals and other non-cash items), offset by a \$1,514 million decrease in cash resulting from an increase in working capital (calculated on a comparable scope of operations and at constant exchange rates).

In 2013, \$2,156 million of the \$1,522 million in cash generated by operating activities during the year was from income-related cash inflows (calculated as net income plus amortization and depreciation, dividends, equity income, changes in other liabilities and deferred taxes, net of gains/losses on disposals and other non-cash items), offset by a \$634 million decrease in cash resulting from an increase in working capital (calculated on a comparable scope of operations and at constant exchange rates).

Net Cash from Investing Activities

In 2015, investing activities absorbed \$932 million in cash. The negative flows were primarily generated by:

- investments in tangible and intangible assets that used \$2,507 million in cash. Excluding investments for our long-term rental operations and relating to vehicles sold under buy-back commitments, investments amounted to \$656 million in 2015;
- less \$648 million of net collections of retail receivables; and
- less \$737 million of proceeds from the sale of assets, mainly related to assets sold with buy-back commitments and equipment on operating leases.

In 2014, cash used in investing activities totaled \$1,959 million. Expenditures on tangible and intangible assets totaled \$2,836 million. Excluding investments for our long-term rental operations and relating to vehicles sold under buy-back commitments, investments amounted to \$1,022 million in 2014. Net collections of receivables from retail financing activities amounted to \$39 million, and the proceeds from the sale of assets amounted to \$602 million (\$25 million excluding those related to our long-term rental operations and relating to vehicles sold under buy-back commitments).

In 2013, cash used in investing activities totaled \$3,788 million. Expenditures on tangible and intangible assets totaled \$2,666 million. Excluding investments for our long-term rental operations and relating to vehicles sold under buy-back commitments, investments amounted to \$1,227 million in 2013. The net increase in receivables from retail financing activities amounted to \$1,468 million, and the proceeds from the sale of assets amounted to \$473 million (\$7 million excluding those related to our long-term rental operations and relating to vehicles sold under buy-back commitments).

The following table summarizes our investments in tangible assets (excluding assets sold with buy-back commitments and assets leased on operating lease) by segment and intangible assets for each of the years ended December 31, 2015, 2014 and 2013:

	2015	2014	2013
	(in millions)		
Agricultural Equipment	\$255	\$361	\$495
Construction Equipment	38	45	61
Commercial Vehicles	165	358	424
Powertrain	106	128	139
Total Industrial Activities investments in tangible assets	564	892	1,119
Industrial Activities investments in intangible assets	89	113	101
Total Industrial Activities capital expenditures	653	1,005	1,220
Financial Services investments in tangible assets	—	1	1
Financial Services investments in intangible assets	3	16	6
Total Capital expenditures	\$656	\$1,022	\$1,227

We incurred these capital expenditures in the regions in which we operate principally related to initiatives to introduce new products, enhance manufacturing efficiency and increase capacity, and for maintenance and engineering. The decrease in capital expenditures in 2015 from 2014 is primarily related to the investment cycles of our products and reductions in discretionary spending.

Net Cash from Financing Activities

In 2015, cash used by financing activities totaled \$931 million. Dividend payments of \$297 million and decreased debt funding from Industrial Activities due to lower working capital needs was partially offset by an increase in debt funding from Financial Services.

In 2014, cash generated from financing activities totaled \$1,365 million. Increased debt funding from Industrial Activities, as a result of an increase in working capital, and Financial Services, as a result of an increase in our long-term rental assets, was partially offset by dividend payments of \$382 million.

In 2013, cash generated by financing activities totaled \$2,616 million. Increased debt funding from Financial Services activities was partially offset by dividend payments of \$368 million.

Capital Resources

The cash flows, funding requirements and liquidity of our companies are managed on a standard and centralized basis. This centralized system is designed to optimize the efficiency and effectiveness of our management of capital resources.

Our subsidiaries participate in a company-wide cash management system, which we operate in a number of jurisdictions. Under this system, the cash balances of all our subsidiaries are aggregated at the end of each business day to central pooling accounts. The centralized treasury management offers professional financial and systems expertise in managing these accounts, as well as providing related services and consulting to our business segments.

In the continuing environment of uncertainty in the financial markets, our policy is to keep a high degree of flexibility with our funding and investment options in order to maintain our desired level of liquidity. In managing our liquidity requirements, we are pursuing a financing strategy that includes open access to a variety of financing sources, including capital markets, bank credit lines and ABS transactions.

A summary of our strategy is set forth below:

- To fund Industrial Activities' short-term financing requirements and to ensure near-term liquidity, Industrial Activities will continue to sell certain of its receivables to Financial Services and rely on internal cash flows including managing working capital. We will also supplement our short-term financing by drawing on existing or new credit lines with banks.
- To the extent funding needs of Industrial Activities are determined to be of a longer-term nature, we may access public debt markets as well as private investors and banks, as appropriate, to refinance borrowings and replenish our liquidity.
- Financial Services' funding strategy is to maintain a sufficient level of liquidity and flexible access to a wide variety of financial instruments. We expect securitizations, intersegment borrowings and sale of receivables (factoring) to continue to represent a substantial portion of our capital structure. However, we will continue to diversify our funding sources and expand our investor base within Financial Services to create a stand-alone funding profile and support the target of investment grade credit ratings. We will continue to look at the public ABS market as an important source of funding in North America and Australia. In addition to our current funding and liquidity sources, which include a combination of term receivables, securitizations, committed asset-backed facilities, and unsecured and secured borrowings, we expect changes to our funding profile as costs and terms of accessing the unsecured term market are favorable. In addition to offering unsecured notes and accessing unsecured committed bank facilities, Financial Services will continue to evaluate financing alternatives to further diversify its funding base.

On a global level, we will continue to evaluate alternatives to ensure that Financial Services has access to capital on favorable terms to support its business, including agreements with global or regional partners, new funding arrangements or a combination of the foregoing. Our access to external sources of financing, as well as the cost of financing, is dependent on various factors, including our credit ratings. Currently, we are rated below investment grade, with long-term corporate credit ratings of "BB+" (with a stable outlook) and a short-term rating of "B" from S&P, and a "Ba1" corporate family rating with a stable outlook from Moody's. A credit rating is not a recommendation to buy, sell or hold securities. Ratings may be subject to revision or withdrawal at any time by the assigning rating organization, and each rating should be evaluated independently of any other rating. A deterioration in our ratings could impair our ability to obtain debt financing and would increase the cost of such financing. Ratings are influenced by a number of factors, including, among others: financial leverage on an absolute basis or relative to peers, the composition of the balance sheet and/or capital structure, material changes in earnings trends and volatility, ability to dividend monies from subsidiaries and our competitive position. Material deterioration in any one, or a combination, of these factors could result in a downgrade of our ratings, thus increasing the cost, and limiting the availability, of financing.

Consolidated Debt

As of December 31, 2015, and 2014, our consolidated debt was as detailed in the table below:

	Consolidated		Industrial		Financial Services	
	2015	2014	2015	2014	2015	2014
	(in millions)					
Total Debt	\$26,388	\$29,594	\$8,304	\$11,520	\$21,219	\$24,086

We believe that Net Debt, defined as total debt less intersegment notes receivable, cash and cash equivalents, restricted cash and derivatives hedging debt is a useful analytical tool for measuring our effective borrowing requirements. This non-GAAP financial measure should neither be considered as a substitute for, nor superior to, measures of financial performance prepared in accordance

with U.S. GAAP. In addition, this non-GAAP financial measure may not be computed in the same manner as similarly titled measures used by other companies.

The calculation of Net Debt as of December 31, 2015 and 2014 and the reconciliation of Net Debt to Total Debt, the U.S. GAAP financial measure that we believe to be most directly comparable, are shown below:

	Consolidated		Industrial		Financial Services	
	2015	2014	2015	2014	2015	2014
	(in millions)					
Total Debt(*) (**)	\$26,388	\$29,594	\$8,304	\$11,520	\$21,219	\$24,086
Less:						
Cash and cash equivalents	5,384	5,163	4,551	4,122	833	1,041
Restricted cash	927	978	15	1	912	977
Intersegment notes receivables	—	—	2,089	4,671	1,046	1,341
Derivatives hedging debt	27	35	27	35	—	—
Net Debt (Cash)	\$20,050	\$23,418	\$1,622	\$2,691	\$18,428	\$20,727

(*) Includes adjustments related to fair value hedges.

(**) The net intersegment receivable/payable balance owed by Financial Services to Industrial Activities was \$1,043 million and \$3,330 million as of December 31, 2015 and 2014, respectively.

The decrease in the Net Debt position from December 31, 2014 to December 31, 2015 primarily reflects the positive impact of currency translation on our euro denominated indebtedness and a reduction in working capital in Industrial Activities, mainly due to a decrease in inventory in Agricultural Equipment, as a result of lower industry demand, especially in the NAFTA row crop sector, which led to lower production levels. Additionally, trade receivables decreased primarily due to lower volumes and the recurring sales of receivables to Financial Services. Moreover, trade payables decreased as a result of lower productions levels in Agricultural Equipment, partially offset by an increase in Commercial Vehicles' production volumes. The decrease in Net Debt position also reflects a reduction in the lending portfolio of Financial Services, primarily due to lower levels of financing for Agricultural Equipment.

The following table shows the change in Net Debt of Industrial Activities for 2015:

(\$ million)	2015
Net Debt of Industrial Activities at beginning of year	\$(2,691)
Net income	248
Amortization and depreciation*	694
Changes in provisions and similar, and items related to assets	124

sold under buy-back commitments, and assets under

operating lease	
Change in working capital	470
Investments in property, plant and equipment, and intangible	
assets*	(653)
Other changes	(111)
Net industrial cash flow	772
Capital increases and dividends	(274)
Currency translation differences**	571
Change in Net Debt of Industrial Activities	1,069
Net Debt of Industrial Activities at end of year	\$(1,622)

(*)Excludes assets sold under buy-back commitments and assets under operating lease.

(**)Includes the negative impact of the \$133 million re-measurement of cash and cash equivalents of the Venezuelan subsidiary in the third quarter of 2015.

At December 31, 2015, we had an aggregate amount of \$8,346 million in bonds outstanding. For information on the terms and conditions of the bonds, including applicable financial covenants, see “Note 9: Debt” to our consolidated financial statements for the year ended December 31, 2015.

Global Medium Term Note (GMTN) Program. We have a global medium-term note program allowing for the placement of debt securities which was established in February 2011 and has a total authorized amount of €10 billion (\$11 billion). At December 31, 2015, €3.0 billion (\$3.3 billion) was outstanding under the program, all such debt having been issued by CNH Industrial Finance Europe S.A. and guaranteed by CNH Industrial N.V. In November 2015, CNH Industrial Finance Europe S.A. issued €100 million of 3.500% bonds at 99.173% due in November 2025.

Euro 1.75 billion Revolving Credit Facility. On November 21, 2014, we entered into a €1.75 billion (\$2.1 billion) five-year revolving credit facility to replace the existing €2 billion (\$2.4 billion) three-year, multi-currency revolving credit facility, which was scheduled to mature in February 2016. The facility expires in November 2019 and includes:

- financial covenants (Net debt/EBITDA and EBITDA/Net interest ratios relating to Industrial Activities) and other customary covenants (including a negative pledge, *pari passu* and restrictions on the incurrence of indebtedness by certain subsidiaries);
- customary events of default (some of which are subject to minimum thresholds and customary mitigants), including cross-default provisions, failure to pay amounts due or to comply with certain provisions under the loan agreement and the occurrence of certain bankruptcy-related events; and
- mandatory prepayment obligations upon a change in control of CNH Industrial or the borrower.

CNH Industrial N.V. has guaranteed any borrowings under the revolving credit facility with cross-guarantees from each of the borrowers (i.e., CNH Industrial Finance S.p.A., CNH Industrial Finance Europe S.A. and CNH Industrial Finance North America Inc.).

For more information on our outstanding indebtedness, see “Note 9: Debt” to our consolidated financial statements for the year ended December 31, 2015.

We also sell certain of our finance receivables to third parties in order to improve liquidity, to take advantage of market opportunities and, in certain circumstances, to reduce credit and concentration risk in accordance with our risk management objectives.

The sale of financial receivables is executed primarily through securitization transactions and involves mainly accounts receivable from final (retail) customers and from the network of dealers to our Financial Services companies.

At December 31, 2015, our receivables from financing activities included receivables sold and financed through both securitization and factoring transactions of \$13.9 billion (\$14.7 billion at December 31, 2014), which do not meet derecognition requirements, and therefore must be recorded on our statement of financial position. These receivables are recognized as such in our financial statements even though they have been legally sold; a corresponding financial liability is recorded in the consolidated balance sheets as debt (see “Note 3: Receivables”).

Total interest-bearing debt of Financial Services was \$21.2 billion at December 31, 2015 compared to \$24.1 billion at December 31, 2014.

In 2015, CNH Industrial Capital LLC (a Financial Services subsidiary), together with its subsidiaries, “CNH Industrial Capital”, continued to diversify its funding sources with two issuances of unsecured debt securities for an aggregate amount of \$1.2 billion. These included a June 2015 issuance of debt securities in the amount of \$600 million at an annual fixed rate of 3.875%, due in 2018, and a November 2015 issuance of debt securities in the amount of \$600 million at an annual fixed rate of 4.375%, due in 2020.

Future Liquidity

We have adopted formal policies and decision-making processes designed to optimize the allocation of financial funds, cash management processes and financial risk management. Our liquidity needs could increase in the event of an extended economic slowdown or recession that would reduce our cash flow from operations and impair the ability of our dealers and retail customers to meet their payment obligations. Any reduction of our credit ratings would increase our cost of funding and potentially limit our access to the capital markets and other sources of financing.

We believe that funds available under our current liquidity facilities, those realized under existing and planned asset-backed securitization programs and issuances of debt securities and those expected from ordinary course refinancing of existing credit facilities, together with cash provided by operating activities, will allow us to satisfy our debt service requirements for the coming year. At December 31, 2015, we had available committed credit lines expiring after twelve months of \$3.0 billion.

CNH Industrial Capital's securitized debt is repaid with the cash generated by the underlying amortizing receivables. Accordingly, additional liquidity is not normally necessary for the repayment of such debt. CNH Industrial Capital has traditionally relied upon the term ABS market and committed asset-backed facilities as a primary source of funding and liquidity.

If CNH Industrial Capital were unable to obtain ABS funding at competitive rates, CNH Industrial's ability to conduct its financial services activities would be limited.

Pension and Other Postemployment Benefits

Pension Plans

Pension plan obligations primarily comprise the obligations of our pension plans in the United States, the United Kingdom and Germany.

Under these plans, contributions are made to a separate fund (trust) which independently administers the plan assets. Our funding policy is to contribute amounts to the plan equal to the amounts required to satisfy the minimum funding requirements pursuant to the laws of the applicable jurisdictions. The significant pension plans that we are required to fund are in the United States and the United Kingdom. In addition, we make discretionary contributions in addition to the funding requirements. To the extent that a fund is overfunded, we are not required to make further contributions to the plan in respect of minimum performance requirements so long as the fund is in surplus.

The investment strategy for the plan assets depends on the features of the plan and on the maturity of the obligations. Typically, less mature plan benefit obligations are funded by using more equity securities as they are expected to achieve long-term growth exceeding inflation. More mature plan benefit obligations are funded using more fixed income securities as they are expected to produce current income with limited volatility. Risk management practices include the use of multiple asset classes and investment managers within each asset class for diversification purposes. Specific guidelines for each asset class and investment manager are implemented and monitored.

At December 31, 2015 and 2014, the difference between the present value of the pension plan obligations and the fair value of the related plan assets was a deficit of \$801 million and \$933 million, respectively. In 2015, we contributed \$27 million to the plan assets and made direct benefit payments of \$29 million for our pension plans. Our expected total contribution to pension plan assets and direct benefit payments is estimated to be \$64 million for 2016.

Healthcare Plans

Healthcare postretirement benefit plan obligations comprise obligations for healthcare and insurance plans granted to our employees working in the United States and Canada. These plans generally cover employees retiring on or after reaching the age of 55 who have completed at least 10 years of employment. United States salaried and non-represented hourly employees and Canadian employees hired after January 1, 2001 and January 1, 2002, respectively, are not eligible for postretirement healthcare and life insurance benefits under our plans. These plans are not required to be funded. Beginning in 2007, we made contributions on a voluntary basis to a separate and independently managed fund established to finance the NAFTA healthcare plans.

At December 31, 2015 and 2014, the difference between the present value of the healthcare plan obligations and the fair value of the related plan assets was a deficit of \$1,052 million and \$1,136 million, respectively. During 2015, benefits paid directly by us for healthcare plans amounted to \$68 million and we expect to make direct benefit payments of \$70 million in 2016.

Other Postemployment Benefits

Other postemployment benefits consist of benefits for Italian Employee Leaving Entitlements up to December 31, 2006, loyalty bonus in Italy and various other similar plans in France, Germany and Belgium. Until December 31, 2006, Italian companies with more than 50 employees were required to accrue for benefits paid to employees upon them leaving the company. The scheme has since changed to a defined contribution plan. The obligation on our consolidated balance sheet represents the residual reserve for years until to December 31, 2006. Loyalty bonuses are accrued for employees who have reached certain service seniority and are generally settled when employees leave the company. These plans are not required to be funded and, therefore, have no plan assets.

At December 31, 2015 and 2014, the present value of the obligation for other postemployment benefits amounted to \$423 million and \$526 million, respectively.

In 2015, we made direct benefit payments of \$44 million for other postemployment benefits and expect to make direct benefit payments of \$30 million in 2016.

For further information on pension and other postemployment benefits, see “Note 11: Employee Benefit Plans and Postretirement Benefits” to our consolidated financial statements for the year ended December 31, 2015.

Joint Liability for Certain Obligations of FCA

CNH Industrial is successor to Fiat Industrial, a company formed as a result of the demerger of Fiat S.p.A. (which, effective October 12, 2014, was merged into FCA in favor of Fiat Industrial. As such, CNH Industrial continues to be liable jointly with FCA for the liabilities of FCA that arose prior to the effective date of the Demerger (January 1, 2011) and were still outstanding at that date (the “Liabilities”). This statutory provision is limited to the value of the net assets transferred to Fiat Industrial in the Demerger and survives until the Liabilities are satisfied in full. Furthermore, CNH Industrial may be responsible jointly with FCA in relation to tax liabilities, even if such tax liabilities exceed the value of the net assets transferred to Fiat Industrial in the Demerger. At December 31, 2015, the outstanding Liabilities amounted to approximately \$1.3 billion (of which \$1.1 billion consisted of bonds guaranteed by FCA). CNH Industrial evaluated as extremely remote the risk of FCA’s insolvency and therefore no specific provision has been accrued in respect of the above mentioned potential joint liability.

C. Research and Development, Patents and Licenses, etc.

Our research, development and engineering personnel design, engineer, manufacture and test new products, components, and systems. We incurred \$856 million, \$1,106 million, and \$1,222 million of R&D costs in the years ended December 31, 2015, 2014, and 2013, respectively.

In a continuously and rapidly changing competitive environment, our research activities are a vital component in our strategic development. Our research and development activities are designed to accelerate time-to-market while taking advantage of specialization and experience in different markets.

R&D activities involved approximately 6,000 employees at 50 sites around the world during 2015.

We own a significant number of patents, trade secrets, licenses and trademarks related to our products and services, and that number is expected to grow as our R&D activities continue. At December 31, 2015, we had 7,719 active granted patents, including 847 new patents registered during the year (in addition to 3,519 pending applications). We file patent applications in Europe, the United States and around the world to protect technology and improvements considered important to the business. Certain trademarks contribute to our identity and the recognition of our products and services and are an integral part of our business, and their loss could have a material adverse effect on us.

Agricultural Equipment—We are marketing the New Holland, Case IH, Steyr and Miller brands and logos as the primary brand names for our agricultural equipment products.

Construction Equipment—For construction equipment under New Holland, we are marketing the New Holland Construction brand name and trademark. For construction equipment under Case, we are promoting the Case Construction Equipment brand name and trademark.

Commercial Vehicles—We are marketing a range of commercial vehicles under the Iveco brand, buses under the Iveco Bus and Heuliez Bus brands, and firefighting and special purpose vehicles under the Magirus, Iveco Astra and Iveco

Defence Vehicles brands.

Powertrain—We are marketing engines and transmissions for commercial vehicles, agricultural equipment, construction equipment, and for marine and other industrial applications under the FPT Industrial brand.

D. Trend Information

See “Item 5. Operating and Financial Review and Prospects—A. Operating Results” and “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources.”

E. Off-Balance Sheet Arrangements

We use certain off-balance sheet arrangements with unconsolidated third parties in the ordinary course of business, including financial guarantees. Our arrangements are described in more detail below. For additional information, see “Note 13: Commitments and Contingencies” to our consolidated financial statements for the year ended December 31, 2015.

Financial Guarantees

Our financial guarantees require us to make contingent payments upon the occurrence of certain events or changes in an underlying instrument that is related to an asset, a liability or the equity of the guaranteed party. These guarantees include arrangements that are direct obligations, giving the party receiving the guarantee a direct claim against us, as well as indirect obligations, under which we have agreed to provide the funds necessary for another party to satisfy an obligation.

CNH Industrial provided loan guarantees on the debt or commitments of third parties and performance guarantees to non-consolidated affiliates totaling \$316 million as of December 31, 2015.

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations and commercial commitments with definitive payment terms that will require significant cash outlays in the future, as of December 31, 2015:

	Total	Less than 1 Year	1-3 Years	3-5 Years	After 5 Years
	(in millions of US Dollars)				
Contractual Obligations*					
Debt obligations*					
Bonds	\$8,346	\$754	\$4,532	\$2,189	\$871
Borrowings from banks	4,402	1,807	1,944	524	127
Asset-backed financing	12,999	6,692	4,838	1,414	55
Other debt	588	348	116	86	38
Capital lease obligations	53	6	12	10	25
Operating lease obligations	269	73	102	60	34
Purchase obligations	1,648	661	766	195	26
Uncertain tax positions**	7	7	—	—	—
Total	\$28,312	\$10,348	\$12,310	\$4,478	\$1,176

(*) Amounts presented exclude the related interest expense that will be paid when due. The table above does not include obligations for pensions, post-retirement benefits and health care plans. Our best estimate of expected contributions including direct benefit payment made by us in 2016 to pension plans, healthcare plans and other postemployment plans is \$64 million, \$70 million and \$30 million, respectively. Potential outflows in the years after 2016 are subject to a number of uncertainties, including future asset performance and changes in assumptions, and therefore we are unable to make sufficiently reliable estimates of future contributions beyond 2016.

(**) The total amount of our tax contingencies was \$178 million at December 31, 2015. Payment of these liabilities would result from settlements with tax authorities. We estimate that settlements with tax authorities may result in payment of \$7 million of these liabilities in 2016. Because of the high degree of uncertainty relating to the timing of future cash outflows associated with these liabilities, we are unable to reasonably estimate the timing of any

settlement with tax authorities after 2016.

Debt Obligations

For information on our debt obligations, see “Capital Resources” above and “Note 9: Debt” to our consolidated financial statements for the year ended December 31, 2015. The debt obligations reflected in the table above can be reconciled to the amount in the December 31, 2015 consolidated balance sheet as follows:

(in millions of U.S. dollar)	Ref.	Amount
Debt reflected in the December 31, 2015 consolidated balance sheet	Note 9	\$26,388
Less:		
Capital lease obligations		(53)
Total Debt obligations		\$26,335

The amount reported as debt obligations in the table above consists of our bonds, borrowings from banks, asset-backed financing and other debt (excluding capital lease obligations, which are reported in a separate line item in the table above).

Capital Lease Obligations

Our capital leases consist mainly of industrial buildings and plant, machinery and equipment used in our businesses. The amounts reported above include the minimum future lease payments and payment commitments due under such leases.

Operating Lease Obligations

Our operating leases consist mainly of leases for commercial and industrial properties used in carrying out our businesses. The amounts reported above under “Operating Lease Obligations” include the minimal rental and payment commitments due under such leases.

Purchase Obligations

Our purchase obligations at December 31, 2015, included the following:

- the repurchase price guaranteed to certain customers on sales with a buy-back commitment which is included in the line item “Other liabilities” in our consolidated balance sheets in an aggregate amount of \$1,524 million; and
- commitments to purchase tangible fixed assets, largely in connection with planned capital expenditures, in an aggregate amount of approximately \$124 million.

G. Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

This annual report includes “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact contained in this filing, including statements regarding our: competitive strengths; business strategy; future financial position or operating results; budgets; projections with respect to revenue, income, earnings (or loss) per share, capital expenditures, dividends, capital structure or other financial items; costs; and plans and objectives of management regarding operations and products, are forward-looking statements. These statements may include terminology such as “may,” “will,” “expect,” “could,” “should,” “intend,” “estimate,” “anticipate,” “believe,” “outlook,” “contingent,” “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 consumer confidence and worldwide demand for capital goods and capital goods-related products; general economic conditions in each of our markets; 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 we compete; development and use of new technologies and technological difficulties; the interpretation of, or adoption of new, compliance requirements with respect to engine emissions, safety or other aspects of our products; production difficulties, including capacity and supply constraints and excess inventory levels; labor relations; 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; a decline in the price of used vehicles; the resolution of pending litigation and investigations on a wide range of topics, including dealer and supplier litigation, intellectual property rights disputes, product warranty and defective product claims, and emissions and/or fuel economy regulatory and contractual issues; the evolution of our contractual relations with Kobelco Construction Machinery Co., Ltd. and Sumitomo (S.H.I.) Construction Machinery Co., Ltd.; our pension plans and other postemployment obligations; 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 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 ongoing 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 our 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 3. Key Information—D. Risk Factors” of this annual report.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

The Board of Directors consists of eleven directors, who were elected on April 15, 2015 at the Annual General Meeting of Shareholders, seven of whom are independent as provided in the listing standards and rules of the NYSE. The term of office of the current Board of Directors is expected to expire on April 15, 2016 (the date of the next general meeting of shareholders) at which time our shareholders will elect a new Board of Directors for a term of approximately one year.

Mr. John Elkann and Ms. Maria Patrizia Grieco will not stand for reappointment to the Board of Directors at the Annual General Meeting of Shareholders (“AGM”) to be held on April 15, 2016. The Board recommends the appointment of two new directors to serve on the Board of Directors: Ms. Suzanne Heywood and Ms. Silke Christina Scheiber. Subject to their appointment at the upcoming AGM, it is expected that Ms. Scheiber will join the Audit Committee and Ms. Heywood will Chair the Governance and Sustainability Committee and will also be appointed to the Compensation Committee. Further, subject to his re-appointment at the upcoming AGM, it is expected that Mr. Houle will serve as the Senior Non-Executive Director and Chair the Compensation Committee.

As of March 1, 2016, our directors and certain senior managers are as set forth below:

Name	Position with CNH Industrial
Jacqueline Tammenoms Bakker	Director, Member of the Governance and Sustainability Committee
John Elkann	Director, Senior Non-Executive Director, Chairman of the Governance and Sustainability Committee, Chairman of the Compensation Committee
Mina Gerowin	Director, Member of the Governance and Sustainability Committee
Maria Patrizia Grieco	Director, Member of the Compensation Committee
Léo W. Houle	Director, Member of the Compensation Committee
Peter Kalantzis	Director, Member of the Audit Committee, Member of the Compensation Committee
John Lanaway	Director, Member of the Audit Committee
Sergio Marchionne	Director, Chairman
Guido Tabellini	Director
Jacques Theurillat	Director, Chairman of the Audit Committee
Richard Tobin	Director, Chief Executive Officer, Brand President, Case Construction Equipment and New Holland Construction Equipment, President, Construction Equipment Products Segment
Luc Billiet	President, Parts & Service and Precision Solutions & Telematics
Sergio Carpentiere	Chief Purchasing Officer
Massimiliano Chiara	Chief Financial Officer
Brad Crews	Chief Operating Officer-NAFTA, President, Agricultural Equipment Products Segment

Vilmar Fistarol	Chief Operating Officer-LATAM
Oddone Incisa della Rocchetta	President, Financial Services
Andreas Klauser	Brand President, Case IH Agricultural Equipment
Linda Knoll	Chief Human Resources Officer
Pierre Lahutte	Brand President, Iveco
Carlo Lambro	Brand President, New Holland Agricultural Equipment
Alessandro Nasi	President, Specialty Vehicles, Group Executive Council Executive Coordinator
Derek Neilson	Chief Operating Officer-EMEA, President, Commercial Vehicles Products Segment
Stefano Pampalone	Chief Operating Officer-APAC
Adrian Pipe	Chief Quality Officer
Annalisa Stupenengo	Brand President, FPT Industrial, President, Powertrain Products Segment
Tom Verbaeten	Chief Manufacturing Officer

·Jacqueline Tammenoms Bakker, Director (Non-Executive Director—Independent), Member of the Governance and Sustainability Committee

Jacqueline A. Tammenoms Bakker was a Director of Fiat Industrial S.p.A. from April 5, 2012 until the merger of the company into CNH Industrial. Jacqueline A. Tammenoms Bakker studied at Oxford University (BA) and the Johns Hopkins School for Advanced International Studies in Washington D.C. (MA). She joined Shell International in 1977, holding a number of positions in the Netherlands, the U.K. and Turkey. In 1989, she joined McKinsey where she worked as a consultant in the U.K. and the Netherlands until 1995 when she was appointed Vice-President Food Europe at Quest International (Unilever) in the Netherlands. In 1999 she moved to the public sector in the Netherlands, firstly as Director of GigaPort (a public-private initiative to roll out broadband networks), and then as Director-General of Freight Transport (2001-2004) and Director-General of Civil Aviation and Freight Transport (2004-2007) at the Dutch Ministry of Transport. In 2006, she was awarded the Légion d'Honneur for her contribution to cooperation between the Netherlands and France, and in 2006/2007, she chaired the High Level Group on the regulatory framework for civil aviation reporting to the EU Commissioner for Transport. Since 2008, Ms. Tammenoms Bakker has been an independent Board member; she is currently a Board member of TomTom (NL), Unibail Rodamco (FR), Groupe Wendel (FR) and Chairman of the Van Leer Group Foundation (NL). Previously she was a Board member of Vivendi (FR) (2010-2014) and Tesco PLC (U.K.) (2009-2015). Born in 1953.

·John Elkann, Director (Senior Non-Executive Director), Chairman of the Governance and Sustainability Committee, Chairman of the Compensation Committee

John Elkann was a Director of Fiat Industrial S.p.A. from incorporation of the company until its merger into CNH Industrial. Mr. Elkann holds a degree in Engineering from Politecnico, the Engineering University of Turin (Italy). Mr. Elkann is Chairman of Fiat Chrysler Automobiles N.V., Chairman and Chief Executive Officer of EXOR S.p.A. and Chairman of Giovanni Agnelli e C. Sapaz. In addition, he serves as Chairman of Italiana Editrice and is on the boards of The Economist Group and News Corporation. While at university, he gained work experience at various Fiat Group companies in the U.K. and Poland (manufacturing), as well as France (sales and marketing). He started his professional career in 2001 at General Electric as a member of the Corporate Audit Staff, with assignments in Asia, the USA and Europe. Mr. Elkann is member of the IAC of Brookings Institution and of MoMA. He also serves as Vice Chairman of the Italian Aspen Institute and the Giovanni Agnelli Foundation. Born in 1976.

· Mina Gerowin, Director (Non-Executive Director), Member of the Governance and Sustainability Committee

Ms. Gerowin has an A.B. from Smith College in Political Economy, a J.D. from the University of Virginia School of Law and an MBA from Harvard Business School where she was a Baker Scholar. She practiced law in Switzerland and New York then worked as Investment Banker in International Mergers and Acquisitions at Lazard Frères in New York and Paris. Ms. Gerowin formed her own consulting and investing company, completing five LBO transactions and participated in their direction as an officer and director. After their sale, she consulted internationally. Ms. Gerowin was a Managing Director of Paulson Europe LLP in London working on event, credit, distressed, recovery and merger arbitrage. She joined Paulson & Co. in 2004, helping establish the hedge fund's Event fund. Mina Gerowin is a Director of EXOR S.p.A., Lafarge S.A. and a member of the Global Advisory Committee of Samsung Asset Management. Born in 1951.

·Maria Patrizia Grieco, Director (Non-Executive Director—Independent), Member of the Compensation Committee

Maria Patrizia Grieco was a Director of Fiat Industrial S.p.A. from April 5, 2012 until the merger of the company into CNH Industrial. Ms. Grieco holds a degree in Law from Milan State University. She began her career in 1977 in the Legal & General Affairs division of Italtel, becoming head of the division in 1994. In 1999, she was appointed as Italtel's Chief Operating Officer to reorganize and reposition the company, of which she became CEO in 2002. From September 2003 to January 2006, she was CEO of Siemens Informatica, the Siemens Business Services parent company in Italy. She became member of the Executive Council of Siemens Business Services at worldwide level. From February 2006 to September 2008, she was a Partner of Value Partners and CEO of the Value Team Group – now

NTT Data – which provides IT consultancy and services in Italy and abroad through approximately 2,700 professionals. From November 2008 to March 2013 she was CEO of Olivetti, from June 2011 to June 2014 she held the office of Chairman, while from June to October 2014 she was Director of Olivetti. In May 2014, she was appointed Chairman of Enel S.p.A. She is on the Board of Anima Holding S.p.A. She has been appointed in November 2014 to the Board of Bocconi University and from September 2014 she is a member of the steering committee and the general council of Assonime. She serves as a Director of Save the Children and on the Advisory Board of British Telecom Italy. Born in 1952.

·Léo Houle, Director (Non-Executive Director—Independent), Member of the Compensation Committee
Mr. Houle was a Director of CNH Global N.V. from April 7, 2006 until the merger of the company into CNH Industrial. On September 6, 2011, Mr. Houle was appointed to the Board of Directors of Chrysler Group LLC now known as FCA US LLC. Mr. Houle was Chief Talent Officer of BCE Inc. and Bell Canada, Canada's largest communications company, from June 2001 until his retirement in July 2008. Prior to joining BCE and Bell Canada, Mr. Houle was Senior Vice-President, Corporate Human Resources of Algroup Ltd., a Swiss-based diversified industrial company. From 1966 to 1987, Mr. Houle held various managerial positions with the Bank of Montreal, the last of which was Senior Manager, Human Resources Administration Centers. In 1987, Mr. Houle joined the Lawson Mardon Group Limited and served as Group Vice-President, Human Resources until 1994 when Algroup Ltd. acquired Lawson Mardon Group, at which time he was appointed Head of Human Resources for the packaging division of Algroup, and in 1997, Head of Corporate Human Resources of Algroup, Ltd. Mr. Houle completed his studies at the College Saint Jean in Edmonton, attended the Executive Development Program in Human Resources at the University of Western Ontario in 1987 and holds the designation of Certified Human Resources Professional (CHRP) from the Province of Ontario. Born in 1947.

·Peter Kalantzis, Director (Non-Executive Director—Independent), Member of the Audit Committee, Member of the Compensation Committee
Mr. Kalantzis was a Director of CNH Global N.V. from April 7, 2006 until the merger of the company into CNH Industrial. Mr. Kalantzis has been a non-executive member of various boards of directors since 2001. Prior to 2000, he was responsible for Alusuisse-Lonza Group's corporate development and actively involved in the de-merger and stock market launch of Lonza, as well as the merger process of Alusuisse and Alcan. Mr. Kalantzis served as head of the Chemicals Division of Alusuisse-Lonza Group from 1991 until 1996. In 1991, Mr. Kalantzis was appointed Executive Vice-President and member of the Executive Committee of the Alusuisse-Lonza Group. Between 1971 and 1990, he held a variety of positions at Lonza Ltd. in Basel. Mr. Kalantzis is Chairman of the Board of Clair Ltd., Cham (Switzerland); Chairman of Von Roll Holding Ltd., Breitenbach (Switzerland) and Chairman of Degussa Sonne/Mond Goldhandel AG, Cham (Switzerland). He is a member of the Board of Movenpick-Holding Ltd., Baar (Switzerland); of Paneuropean Oil and Industrial Holdings, Luxembourg; of Consolidated Lamda Holdings (Luxembourg); of SGS Ltd., Geneva (Switzerland); and of Hardstone Services SA, Geneva (Switzerland). He is also President of the Board of John S. Latsis Public Benefit Foundation, Vaduz (Liechtenstein). From 1993 until 2002, he served on the Board of the Swiss Chemical and Pharmaceutical Association as Vice-President and in 2001-2002 as President. Mr. Kalantzis holds a Ph.D. in Economics and Political Sciences from the University of Basel and engaged in research as a member of the Institute for Applied Economics Research at the University of Basel between 1969 and 1971. Born in 1945.

·John Lanaway, Director (Non-Executive Director—Independent), Member of the Audit Committee
Mr. Lanaway was elected a director of CNH Industrial N.V. in September 2013. Mr. Lanaway previously served as a director of CNH Global N.V. from 2006 to 2013. On September 6, 2011, Mr. Lanaway was appointed to the Board of Directors of Chrysler Group LLC now known as FCA US LLC. His work and academic background includes: 2011–Present, independent consultant; 2007-2011, Executive Vice President and Chief Financial Officer, North America at McCann Erickson; 2001-2007, various positions of increasing responsibility at Ogilvy North America, finally as Senior Vice President and Chief Financial Officer; 1999-2001, Chief Financial Officer and Senior Vice President at Geac Computer Corporation Limited; 1997-1999, Chief Financial Officer for Algorithmics Incorporated; 1995-1997, Senior Vice President and Chief Financial Officer at Spar Aerospace; 1993-1994, Sector Vice President, Labels North America with Lawson Mardon Group Limited; 1989-1993, Group Vice President and Chief Financial Officer for Lawson Mardon Group Limited; 1988-1989, General Manager at Lawson Mardon Graphics; 1985-1988, Vice President, Financial Reporting and Control at Lawson Mardon Group Limited; 1980-1985, Client Service Partner at Deloitte; and 1971-1980 Student-Staff Accountant-Supervisor-Manager with Deloitte. Mr. Lanaway graduated from the Institute of Chartered Accountants of Ontario, C.A. and has a Bachelor of Arts degree from the University of Toronto. Born in 1950.

·Sergio Marchionne, Chairman (Executive-Director)

Sergio Marchionne is Chairman of CNH Industrial N.V. He was Chairman of Fiat Industrial S.p.A. and CNH Global N.V. until the integration of these companies into CNH Industrial. He also serves as CEO of Fiat Chrysler Automobiles N.V. and Chairman of Ferrari N.V. He is also Chairman and CEO of FCA US LLC. Born in Chieti (Italy) in 1952, he has dual Canadian and Italian citizenship. He holds a Bachelor of Arts with a major in Philosophy from the University of Toronto and a Bachelor of Laws from Osgoode Hall Law School at York University in Toronto, as well as a Master of Business Administration and a Bachelor of Commerce from the University of Windsor (Canada). Mr. Marchionne is a barrister, solicitor and chartered accountant. He began his professional career in Canada. From 1983 to 1985, he worked for

Deloitte & Touche. From 1985 to 1988, at the Lawson Mardon Group of Toronto. From 1989 to 1990, he served as Executive Vice President of Glenex Industries. From 1990 to 1992, he was Chief Financial Officer (CFO) at Acklands Ltd. From 1992 to 1994, also in Toronto, he held the position of Vice President of Legal and Corporate Development and CFO of the Lawson Mardon Group. From 1994 to 2000, he covered various positions of increasing responsibility at Algroup, headquartered in Zurich (Switzerland), until becoming its CEO. He then went on to head the Lonza Group Ltd first as CEO (2000-2001) and then as Chairman (2002). In February 2002, he became CEO of the SGS Group of Geneva. In March 2006, he was appointed Chairman of the company, a position that he continues to hold. He was non-executive Vice Chairman and Senior Independent Director of UBS from 2008 until April 2010. Mr. Marchionne has been a member of the Board of Fiat S.p.A. since May 2003 and was appointed CEO in June 2004. He became CEO of FCA US LLC in June 2009, as well as Chairman in September 2011. On October 13, 2014, he became CEO of Fiat Chrysler Automobiles N.V. and Chairman of Ferrari S.p.A. In May 2010, he joined the Board of Directors of Exor S.p.A. and in May 2015 was appointed Non-executive Vice Chairman. He is a member of the Board of Philip Morris International Inc. and of the Board of the Peterson Institute for International Economics as well as Chairman of the Council for the United States and Italy.

· Guido Tabellini, Director (Non-Executive Director—Independent)

Guido Tabellini was a Director of Fiat Industrial S.p.A. from March 10, 2011 until the merger of the company into CNH Industrial. Guido Tabellini is a professor at Università Bocconi, where he also served as Rector from November 2008 to October 2012. Also at Bocconi, he served as Director and then President of the Innocenzo Gasparini Institute for Economic Research (IGIER). Prior to that, Mr. Tabellini taught at Stanford University, UCLA, Università di Cagliari and Università di Brescia. He has been a research fellow and advisor for numerous international organizations and research institutes and was a member of the Council of Economic Advisors to the Italian Prime Minister, of the Privatization Committee and of the Advisory Panel on Public Expenditures to the Italian Ministry of the Economy. Mr. Tabellini received a Ph.D. in Economics from UCLA in 1984. He is a Fellow of the Econometric Society and a Foreign Honorary Member of the American Academy of Arts and Sciences. He has won the Y. Jahnsson Award from the European Economic Association and is a former President of the European Economic Association. Mr. Tabellini has published numerous articles and books on macroeconomics and political, international and public economics. He is also columnist for *Il Sole 24 Ore*. Board memberships at other listed companies: CIR. Born in 1956.

· Jacques Theurillat, Director (Non-Executive Director—Independent), Chairman of the Audit Committee

Mr. Theurillat was a Director of CNH Global N.V. from April 7, 2006 until the merger of the company into CNH Industrial. Since May 2008, Mr. Theurillat has served as Managing Partner of Ares Life Sciences, a private equity fund whose objective is to build a portfolio in life sciences. Mr. Theurillat served as the Serono SA Deputy CEO until December 2006. In addition to his role as Deputy CEO, he was appointed Senior Executive Vice President, Strategic Corporate Development in May 2006 and was responsible for developing the company's global strategy and pursuing Serono's acquisition and in-licensing initiatives. From 2002 to 2006, Mr. Theurillat served as Serono's President of European and International Sales & Marketing. In this position, he was responsible for Serono's commercial operations in Europe, IBO, Asia-Pacific, Oceania/Japan, Latin America and Canada. He became a Board member in May 2000. From 1996 to 2002, he was Chief Financial Officer. He previously served as Managing Director of the Istituto Farmacologico Serono in Rome, where he started in 1994. In 1993, he was appointed Vice President Taxes and Financial Planning for Serono. In 1990-1993, Mr. Theurillat worked outside Serono, running his own law and tax firm. Before that, he was Serono's Corporate Tax Director, a post to which he was appointed in 1988. He first joined Serono in 1987 as a Corporate Lawyer working on projects such as the company's initial public offering. Mr. Theurillat is a Swiss barrister and holds Bachelor of Law degrees from both Madrid University and Geneva University. He also holds a Swiss Federal Diploma (Tax Expert) and has a Master's degree in Finance. Born in 1959.

· Richard J. Tobin, Chief Executive Officer (Executive-Director) of CNH Industrial N.V., Brand President, Case Construction Equipment and New Holland Construction Equipment, President, Construction Equipment Products Segment

Mr. Tobin is Chief Executive Officer (Executive-Director), Brand President Case Construction Equipment and New Holland Construction Equipment and President, Construction Equipment Products Segment. Prior to the integration of Fiat Industrial S.p.A. and CNH Global N.V. into CNH Industrial, Mr. Tobin was Group Chief Operating Officer of Fiat Industrial S.p.A. and President and Chief Executive Officer of CNH, a role he assumed in January 2012 after two years as Chief Financial Officer (CFO) for CNH. Mr. Tobin carries forth extensive experience in international finance and management that he acquired through regional and global leadership positions of growing responsibility and scope. He

began his career with GTE Corporation in Stamford, Connecticut (U.S.), as Vice President of International Marketing. In 1995, he joined Alusuisse-Lonza SA in Zurich, Switzerland, as General Manager and Vice President, where he remained until 2001, the year in which he joined Alcan Aluminum of Montreal, Canada, with a general management role. In 2002, Mr. Tobin joined SGS Group of Geneva, Switzerland, where he became the Chief Operating Officer for North America. In 2004, he became SGS Group's Chief Finance Officer & Head of Information Technology, a position he retained for six years before finally joining CNH in March 2010. Mr. Tobin holds Bachelor of Arts and Master of Business Administration degrees from Norwich University and Drexel University, respectively. He currently sits on the U.S. Chamber of Commerce Board of Directors and is a member of the Business Roundtable. Born in 1963.

·Luc Billiet, President, Parts & Service and Precision Solutions & Telematics

Luc Billiet assumed the role of President of Parts & Service and Precision Solutions & Telematics in

February 2015. Luc was born in Belgium and holds a degree in Business Administration from the Catholic University of Leuven in Belgium. He began his career with Volkswagen in Brussels, Belgium, where he spent 19 years in many positions related to Supply Chain. During this period, he had the opportunity to work for four years in Germany and for six years in Brazil. His last role in Brazil, before moving to Fiat in Italy, was as Managing Director Parts and Accessories LATAM. Luc joined Fiat in 2005 with responsibility for Logistics for the Car and Light Commercial Vehicles sector. Three years later, he joined CNH, where he served as Head of Supply Chain Management and after two years, Head of Precision Solutions & Telematics, Training Services and Network Development. He moved to FCA in 2013 as Head of Supply Chain for the EMEA region, a role he also held for the LATAM region since 2014.

·Sergio Carpentiere, Chief Purchasing Officer

Sergio Carpentiere assumed the role of Chief Purchasing Officer for CNH Industrial in June 2015. He joined Fiat Group in 1996 in the Sales & Marketing area as after sales services area manager. Between 1998 and 2000, he was a Quality Specialist in the prototype area of Fiat Auto. From 2000 Carpentiere started his career in the JV GM-Fiat Worldwide Purchasing as a Senior Buyer then as a Purchasing Platform Manager and finally as a Metallic Commodity Manager. In 2005 he joined Fiat Powertrain Technologies S.p.A. starting as Global Commodity Director in the Purchasing Area and then, in 2008 as Business Development Manager responsible for the NAFTA region. In 2009, at the beginning of the alliance with Chrysler, he assumed the role of Project Manager within Fiat Group Purchasing being responsible for the integration between Fiat and Chrysler Purchasing activities. In 2011, Sergio Carpentiere was appointed Chief Purchasing Officer for Ferrari managing both road car and racing activities. He was subsequently appointed Head of EMEA Powertrain Purchasing for Fiat Chrysler Automobiles in March 2015. Sergio Carpentiere earned a degree in Electronic Engineering from the University of Pisa.

·Massimiliano (Max) Chiara, Chief Financial Officer

Max Chiara was appointed Chief Financial Officer of CNH Industrial N.V. in August 2013, having previously served as Chief Financial Officer and Head of Business Development for the Fiat Chrysler group in Latin America since January 2013. From 2011 to 2012, he served as Vice President Finance in the position of Head of Financial Planning and Analysis and Business Development Finance for the Fiat Chrysler Group. Previously he held various positions with Chrysler Group LLC, including Controller for the Fiat, Chrysler and Dodge Brands, Marketing Controller and Head of Financial Planning and Analysis, a position he held since he joined Chrysler Group LLC in 2009. Previously he held the position of Director of Business Development Finance for Fiat Powertrain S.p.A. and Europe. Prior to that, he was Director of Financial Operations and Director of Global Treasury for Teksid Aluminum. Previously, and since 1993, Max held various managerial roles at PricewaterhouseCoopers, R. Bosch S.p.A., Wuerth Group, and was an M&A financial analyst with Dresdner Kleinwort Benson. Max graduated Cum Laude from the Luigi Bocconi University in Milan (Italy), with a degree in Business Administration, and has a CEMS Master's degree in International Management from Bocconi University and the University of Cologne (Germany). Max held the position of Chairman of the Italian Association of Corporate Treasurers (AITI) for the years 2004-2007.

· Brad Crews, Chief Operating Officer-NAFTA and President, Agricultural Equipment Products Segment
Brad Crews assumed the role of Chief Operating Officer NAFTA in April 2014, and was assigned responsibility as President, Agricultural Equipment Products Segment in February 2015. Mr. Crews joined CNH from General Motors in 1994 as a Reliability Specialist, bringing with him diverse experience in facilities, reliability engineering, product management and product development. In 2000, he was appointed Director of Industrial Operations for Crop Production Global Product Line, and, from 2002-2005, served as Plant Manager of CNH's facility in New Holland, Pennsylvania

(U.S.). In 2006, he became Vice President of North American Agricultural Manufacturing, where he served until he was appointed as Senior Vice President of Product Quality and Technical Support in 2009. With the formation of CNH Industrial in 2012, he served as Chief Quality Officer with responsibility for Quality and Product Support. Mr. Crews holds a Bachelor of Science degree in Engineering from the University of Illinois, a Master's degree in Engineering from the University of Michigan and a Master's degree in Management from Rensselaer Polytechnic Institute.

· Vilmar Fistarol, Chief Operating Officer-LATAM

Vilmar Fistarol assumed the role of Chief Operating Officer of the LATAM region for CNH Industrial in 2013. Prior to this, Mr. Fistarol was appointed Head of Group Purchasing for Fiat Chrysler and named a member of the Fiat Chrysler Group Executive Council (GEC) on September 1, 2011. Mr. Fistarol was appointed Director of Human Resources with Fiat Group Automobiles Latin America in June 2010. Concurrently, he was appointed Executive Vice President of Fiat Group Automobiles Argentina. Prior to this role, he was President and CEO of Teksid (Fiat Group Foundry NAFTA and Mercosul) from January 2008. From 2005 to 2007, he was Vice President of Purchasing for Fiat in Latin America. From 2001 to 2005, during the joint venture GM-Fiat WW Purchasing, he was the Vice President for Purchasing Operations Fiat Latin America and Vice President of Powertrain and Metallic Purchasing for Latin America, Africa and Middle East. From 1991 to 2001, he served in various roles within Purchasing including Director of Fiat Auto Argentina Purchasing, Purchasing Director of Fiat Auto Metallic Italy and Director of Purchasing for GM-Fiat Powertrain Europe. Mr. Fistarol worked in various roles for Agrale from 1981 to 1991 and for the Metallurgical Division of Abramo Eberle-casting from 1978 to 1980. He trained in metallurgy at the Technical School Tupy- SC, and graduated in Business Administration at the University of Caxias do Sul, in addition to obtaining an MBA in FDC/Kellogg School of Management in the U.S. and an MBA in FDC/INSEAD in France. Mr. Fistarol was President of Brazil SAE (Society of Automotive Engineers) in 2007-2008 and still serving as a member of the Advisory Board.

· Oddone Incisa della Rocchetta, President, Financial Services

Oddone Incisa della Rocchetta, is the President of CNH Industrial Financial Services, and prior to joining CNH Industrial in his current position, Mr. Incisa had been CEO and General Manager of FGA Capital since March 2011. Mr. Incisa started his professional career with the Fiat Group in the finance team of Fiat Bank in Germany in 1997. He spent four years with this team and ultimately became Head of Control and Treasury. In 2001, he moved to Brazil and was the CFO of Banco Fiat for two years. Mr. Incisa then moved to Turin, Italy in 2003 as the Head of Financial Planning & Analysis for Fidis Retail and FGA Capital. In 2008, he moved to Racine, WI as the CFO for CNH Capital. He was born in Italy and holds degrees in Economics, cum laude, from the University of Turin and a Master's degree in Management from ESCP-Europe (formerly, EAP) Paris, Oxford and Berlin.

· Andreas Klauser, Brand President, Case IH Agricultural Equipment

Andreas Klauser assumed the role of President of Case IH Agricultural Equipment in December 2009. He has more than 20 years of experience in the agricultural industry, much of which he has gained through roles of increasing importance within CNH. Mr. Klauser joined the Case IH brand in 1990 as Export Manager for Steyr tractors in Western and Eastern Europe. From 1997-2006, he served as Business Director, Austria and Central Europe for the Case IH, New Holland Agriculture, and Steyr brands. In addition to this role, he also became Sales and Marketing Director, Poland, in 2001. In November 2006, Mr. Klauser assumed responsibility for brand activities for Case IH and Steyr as Vice President and General Manager Europe. Being responsible for the two brands worldwide, he was appointed Brand President in 2009, and also joined the Group Executive Council of CNH Industrial. From 2012 to 2015, he served as Chief Operating Officer for CNH Industrial for the EMEA region. Since 2012, in addition to his role as Brand President Case IH and Steyr, Mr. Klauser assumed additional leadership responsibilities as the Chairman of the board of the Iveco Magirus AG board. Mr. Klauser holds a degree from Steyr's HTBLA program, a Federal Higher Technical Institute for Mechanical Engineering, and a degree in Export Business from the University of Linz, Austria.

·Linda Knoll, Chief Human Resources Officer

Linda I. Knoll is Chief Human Resource Officer (CHRO) for CNH Industrial N.V. and is a member of its Group Executive Council (GEC). She is responsible for providing leadership and companywide direction for the Human Resources function, including organizational development, talent management, compensation and benefits, employee relations, union negotiations and compliance and staffing. Since September 2011, Knoll has concurrently held the same CHRO and GEC positions at Fiat Chrysler Automobiles N.V. Ms. Knoll honed her career in CNH Industrial predecessor companies through numerous operational roles, accumulating a wealth of relevant industry experience spanning more than

20 years. This ultimately culminated in a variety of leadership appointments, including Vice President and General Manager of the Crop Production Global Product Line, Vice President North America Agricultural Industrial Operations, Executive Vice President Agricultural Product Development, President Parts and Service (ad interim) and Executive Vice President Worldwide Agricultural Manufacturing, where she was responsible for overseeing twenty-two factories in ten countries around the world. Prior to joining CNH Industrial in 1994, Linda spent eleven years with the Land Systems Division of General Dynamics Corporation. Knoll holds a Bachelor of Science Degree in Business Administration from Central Michigan University. She is a past board member of the National Association of Manufacturers (NAM) and, in May 2014, was appointed an Independent Director on the Board of Schneider Electric S.E.

· Pierre Lahutte, Brand President, Iveco

Pierre Lahutte assumed the role of Iveco Brand President in June 2014. He has 17 years of experience in the agricultural and bus industries, much of which he has gained through roles of increasing responsibility within CNH and Iveco. Mr. Lahutte started his career in 1997 in New Holland Agriculture based at the Jesi plant in Italy as a graduate trainee. From 1999-2001 he was Product Manager for New Holland Handling Equipment at the Basildon plant in the U.K., supporting Western European markets. From 2001-2004 he was Marketing and Logistics Manager for the New Holland Agriculture and Case IH brands in Spain and Portugal, then continued his international career, becoming Business Manager for New Holland Agriculture and Case IH in AME and Japan. From 2005-2007 he served as Business Director for New Holland Agriculture and Case IH/Steyr in the Benelux markets, then he moved to the role of Director of Product Management for Tractors and Telehandlers for New Holland Agriculture in 2007-2011. In 2012, he was appointed Marketing Director for the International Region of CNH, and then he moved to Iveco Irisbus as Vice President of the Global Bus business at the end of 2012. Mr. Lahutte holds a Tank Officer degree from the French Armored Cavalry School in Saumur, a Masters in Marketing and Technology Management from the Rouen Business School, France and a MBA from the UMASS ISENBURG School of Management, Amherst, MA.

· Carlo Lambro, Brand President, New Holland Agricultural Equipment

Carlo Lambro was appointed Vice President New Holland Agriculture EMEA in January 2013. Mr. Lambro joined the New Holland Agriculture brand more than 25 years ago. Throughout his career, he gained extensive commercial experience in Europe, Middle East, Africa and Asia. As such, he was appointed as Sales Manager New Holland Brand Portugal in 1993. In 1994, he assumed commercial responsibility for all Eastern Europe countries and became Business Director for CIS area, China and Far East in 1999. One year later, he was appointed Business Director for Russia and CIS, with responsibility for all agricultural brands within the Fiat Group. In 2004, Mr. Lambro was appointed General Manager of Shanghai New Holland Agriculture Machine Corporation in addition to his responsibilities as CNH Country Manager for China. Mr. Lambro was appointed Business Director New Holland Agriculture for Italy in 2006 and one year later, he was appointed Business Director New Holland Agriculture Europe. Mr. Lambro holds a Master degree of Agricultural Engineering from the University of Bologna.

· Alessandro Nasi, President, Specialty Vehicles, Group Executive Council Executive Coordinator

Alessandro Nasi assumed the role of Chief Business Development Officer of Fiat Industrial in November 2012. In 2008, he was appointed Senior Vice President of Business Development for CNH. He also served as Head of Business Development for Fiat Industrial and Secretary of the Fiat Industrial Executive Council (FIEC) since January 2011. Mr. Nasi first joined the Fiat Group in 2005 with responsibility for Asia Business Development, supporting Fiat Group sectors. He started his career as a financial analyst at Europlus Asset Management (a division of Unicredit) in Dublin, PricewaterhouseCoopers in Turin, and at Merrill Lynch and JP Morgan in New York. He also worked as an Associate in the Private Equity Division of JP Morgan Partners in New York. In 2007, Mr. Nasi was appointed Vice President of Business Development and a member of the Steering Committee of Fiat Powertrain Technologies. In 2008, he joined CNH, where in addition to his current responsibilities, he also served as Senior Vice President of Network Development from 2009-2011. Mr. Nasi is a Managing Partner of Giovanni Agnelli e C. Sapaz. He is Vice Chairman of the board of Exor. He holds a degree in Economics from the University of Turin.

·Derek Neilson, Chief Operating Officer-EMEA and President, Commercial Vehicles Products Segment
Derek Neilson assumed the role of Chief Operating Officer EMEA in February 2015 alongside the role of President, Commercial Vehicles Products Segment. Mr. Neilson has more than 20 years of experience in production and manufacturing engineering. He first joined CNH in 1999 with responsibility for the Basildon (U.K.) Plant Engine Manufacturing Business Unit. He later advanced to take the lead of the Tractor Manufacturing Business Unit. In 2004,

Mr. Neilson was appointed Plant Manager of CNH's Basildon (U.K.) tractor facility. In 2007, he became Vice President of Agricultural Manufacturing, Europe, a role he held until assuming global responsibilities for Agricultural Manufacturing in 2010. From 2012 to 2015, he served as Chief Manufacturing Officer for CNH Industrial. Mr. Neilson holds a BTEC HNC in Mechanical and Production Engineering.

·Stefano Pampalone, Chief Operating Officer-APAC

Stefano Pampalone assumed the role of General Manager for CNH in India, Far East and Japan in February 2013, and subsequently assumed responsibility for the entire APAC region. Since joining CNH in 1998, Mr. Pampalone has always been involved in international assignments. In 2001, after gaining commercial experience in parts and whole goods in Poland, India, Africa and Middle East, he was appointed Business Manager Southern Africa and Iran for all Agricultural Brands in the Fiat Group. In 2004, he became Marketing Director for Agricultural Equipment in Asia, Africa and Middle East. From 2006 to 2009, he first served as Business Director for the CNH Agricultural Business in Italy for one year and subsequently as Business Director Africa & Middle East. In 2009, he was appointed General Manager of the Agricultural and Construction Equipment Business in India and Pakistan. Mr. Pampalone holds a degree in Engineering from the University of Trieste, Italy and an MBA from Profingest of Bologna, Italy.

·Adrian Pipe, Chief Quality Officer

Adrian Pipe assumed the role of Chief Quality Officer for CNH Industrial in April 2014. Mr. Pipe joined CNH Industrial in 1988 as a Training Instructor, and in 1993 became Area Service Manager for New Holland agricultural and construction equipment in the Asia Pacific Region. From 1999-2006, he held various roles in Customer and Dealer Support for the U.K. and Europe, as well as Manufacturing Quality, Product Behavior and Technical Support for Agricultural and Construction Equipment. In 2006, he became responsible for Product Support Agriculture and Construction Equipment Europe. From 2008-2011 he covered a number of roles including manufacturing product launches and assignments on projects in Poland and Brazil. From 2011-2013 he served as Director of Product Support EMEA supporting four Agriculture and Construction Equipment brands. In 2013, Mr. Pipe was appointed as Vice President of Product Support for EMEA supporting Agriculture, Construction, Iveco Truck, Bus and Specialty businesses. Mr. Pipe holds both a BTEC ND in Agricultural Engineering and BTEC HND in Mechanical Engineering from Rycotewood College U.K.

·Annalisa Stupenengo, Brand President, FPT Industrial and President, Powertrain Products Segment

Annalisa Stupenengo assumed the role of Brand President FPT Industrial in June 2015 alongside the role of President, Powertrain Products Segment. She joined Fiat Group in 1996 in the Sales & Marketing area. Following international experience as manager of a cost reduction task force and CEO assistant in Morocco in 2000, she began her career in the JV GM Fiat Worldwide Purchasing. She assumed the role of Purchasing Platform manager in 2001 leading an international team based in Sweden and Italy. From 2003-2005, Ms. Stupenengo was responsible for Electrical and Electronics components, for which she held the same role for FGA Company Purchasing until 2006. She was then appointed Purchasing Global Commodity Director, establishing the new Powertrain Purchasing department in Fiat Powertrain Technologies S.p.A. In 2008, Ms. Stupenengo joined Fiat Group Purchasing as Powertrain System Commodity Director and in July of the same year became Vice President of the Electrical Commodity & FPT Sector with a global responsibility in Europe, USA, Brazil, China and India. Subsequently she assumed the role of Senior Vice President of Purchasing for CNH, with joint responsibility for Mechanical Commodity for Fiat Group purchasing. In January 2013, she was appointed Head of Group Purchasing EMEA Region for Fiat Chrysler. From September 2013 to June 2015, she served as Chief Purchasing Officer for CNH Industrial. Ms. Stupenengo earned a degree in Management Engineering from Polytechnic University of Turin.

·Tom Verbaeten, Chief Manufacturing Officer

Tom Verbaeten assumed the role of Chief Manufacturing Officer in February 2015. Mr. Verbaeten joined CNH in 1994, performing various roles in the Antwerp Plant including Team Leader and Production Unit Manager for both assembly and machining areas. In 2006, he was appointed Plant Manager of Antwerp and in 2009, he became Plant

Manager for the harvesting plant in Zedelgem. In 2011, Mr. Verbaeten assumed responsibility for Manufacturing Operations of Agricultural Equipment in Europe. In addition to his role in Agriculture, Mr. Verbaeten took responsibility for all Construction Equipment plants in Europe from 2013. He has also managed the Global World Class Manufacturing activities since 2014, in addition to his operational role. Mr. Verbaeten holds an Engineering degree from the University of Leuven.

There is no family relationship among any of our Directors or senior managers set forth above.

B. Compensation

Remuneration Report

The quality of our leadership and their commitment to the Company are fundamental to our success. Our remuneration principles support our business strategy and growth objectives in a diverse and evolving global market. Our Remuneration Policy is designed to competitively reward the achievement of long-term sustainable performance goals and to attract, motivate and retain highly qualified senior executives who are committed to performing their roles in the long-term interest of our shareholders. Given the changing international standards regarding appropriate remuneration, a variety of factors have been taken into consideration, such as the complexity of functions, the scope of responsibilities, the alignment of risks and rewards, national and international legislation and the long-term objectives of the Company and its shareholders. Our Remuneration Policy is reviewed annually by our Compensation Committee of the Board of Directors (“Compensation Committee”).

Remuneration Policy Available on our Website

The Non-Executive Directors determine the compensation for Executive Directors with reference to the Company’s remuneration policy for Executive Directors (the “Policy”) at the recommendation of the Compensation Committee. The Policy is based on the Company’s general remuneration philosophy as aligned with Dutch law and the Dutch Corporate Governance Code. At the 2014 AGM, shareholders approved the Policy, which the Company presented after completion of the merger transactions involving CNH Global N.V. and Fiat Industrial S.p.A.

In 2015, the Compensation Committee reviewed the Policy versus its implementation and its outcome relative to actual performance. As a result, the Committee concluded that there was no reason to recommend adjustments to the Policy at the 2016 AGM. With that in mind, to simplify this year’s report we have chosen not to set forth in its entirety the Policy, but rather it can be viewed in full on the Company’s website, www.cnhindustrial.com, as found in the 2014 Annual Report.

Financial Year 2015 – Select Business Highlights

A key tenet of the Policy is payment for performance. To provide perspective of the Company’s performance during 2015, the following table highlights some of the key achievements and initiatives throughout the year.

Financial Highlights

- Improved our margins in all segments; highest margins among OEMs in Agricultural Equipment segment
- Generated net industrial cash flow of \$772 million for the year through disciplined inventory management
- Careful cost control and production aligned with market levels

Strategic Developments and Initiatives

- Award-winning new products launched in all segments
- Continuation of the efficiency program which began in 2014
- Industrial footprint realignment

CNH Industrial finished with strong fourth quarter performance in a difficult year for our business segments. 2015 was particularly difficult for our largest contributing segment, Agricultural Equipment. Despite the downturn in demand, the concerted efforts throughout the year from all areas of the Company demonstrated the strength of our diverse product portfolio, geographic diversity and our ability to react quickly to changes in market conditions.

Notable achievements across all segments include:

- cost containment measures that helped reduce SG&A costs by 21% compared to 2014;
- tight inventory management in all segments that kept production in line with retail activity through net reduction to channel inventories (that is, combined Company and dealer inventories);
- positive net price realization;
- higher margins in the fourth quarter compared to 2014, including an exceptional achievement of the highest margin among agricultural equipment OEMs; and

· numerous industry honors for outstanding new products and innovation.

Remuneration Principles

The fundamental principles underpinning the Compensation Committee’s approach to executive remuneration remain unchanged from 2014. CNH Industrial’s compensation philosophy, as set forth in the Policy, aims to provide compensation to its Executive Directors as outlined below.

Alignment with CNH Industrial’s Strategy	· Executive Directors’ compensation package should be strongly linked to the achievement of targets that are identified as indicators of the execution of the Company’s strategy.
Pay for Performance	· Executive Directors’ compensation reinforces our performance driven culture and meritocracy, and the majority of compensation opportunity is linked directly to the Company’s performance through variable pay instruments.
Competitiveness	· Remuneration levels should be set in a manner such that it attracts, retains and motivates expert leaders and highly qualified executives, and is competitive against the comparable market.
Long-Term Shareholder Value	· Executive Directors’ compensation should reflect alignment with interests of shareholders.
Creation	
Compliance	· Decisions should be made in the context of the Company’s business objectives and the Board should ensure compliance with applicable laws and corporate governance requirements when designing and implementing policies and plans.
Risk Prudence	· The compensation structure must avoid incentives that would encourage unnecessary or excessive risks that could threaten the Company’s value.
Peer Group Development	

The Company periodically benchmarks its executive compensation program and the compensation offered to Executive Directors against peer companies and monitors compensation levels and trends in the market.

The Compensation Committee determines which companies best reflect CNH Industrial’s competitors for customers, shareholders and talent. A key objective of our executive compensation program is to ensure that the total compensation package we provide to our Executive Directors is competitive with the companies against which we compete for executive talent.

Our Company has few direct business competitors, which makes it difficult to create a compensation peer group based on industry, revenues or market capitalization alone. The Compensation Committee strives to develop a peer group that best reflects all aspects of CNH Industrial’s business and considers the industries, size, diversity and other business characteristics of potential peers. While the Compensation Committee considered factors such as revenue and market capitalization to derive an appropriate group of peers, we believe that revenue is the more important metric over market capitalization.

Taking the above into account, the compensation peer group for the Chief Executive Officer (“CEO”) and the Chairman includes a blend of U.S. S&P 500 industrial and non-U.S. global industrial companies with revenues greater than \$10 billion as shown in the table below. The peer group did not change from 2014, except for the removal of Scania AB, which was acquired by the Volkswagen Group.

2015 Compensation Peer Group

U.S. Companies	Non-U.S. Companies
Caterpillar Inc.	AB Volvo
Cummins	Continental AG
Deere & Co	Komatsu Ltd
Honeywell International	Man SE
Johnson Controls	Mitsubishi Heavy Industries, Ltd
Magna International	
Navistar	
Paccar	
United Technologies Corp.	

Chief Executive Officer

The competitive positioning of the compensation components for the CEO reflects a blend of the U.S. and non-U.S. peer groups. In 2013, when the current compensation of the CEO was approved by the Non-Executive Directors, CNH Industrial's revenue size ranked in the 40th percentile of U.S. peers and 70th percentile of non-U.S. peers. Although the U.S. peers have combined Chairman and CEO roles, the positioning of our CEO compared to the U.S. peer group was compared to the 25th percentile in order to take in to consideration his CEO only role. The compensation positioning versus the non-U.S. peers for CEO-only roles was compared to the 75th percentile.

Executive Chairman

In addition to the peer group firms used for the CEO's benchmark, companies with an Executive Chairman role separate from the CEO role were also reviewed and considered for the Chairman's compensation benchmark.

Summary Overview of Remuneration Elements

The Executive Directors' remuneration elements are simple and transparent in design, and, in short, consist of the following key elements:

Remuneration Element	Description	Strategic Role
Base Salary	Fixed cash compensation	Attracts and rewards high performing executives via market competitive pay
Short-Term Variable Pay	<ul style="list-style-type: none"> · Performance objectives are annually predetermined and based on achievements of annual measures · Comprised of two equally weighted financial metrics: net income and net industrial cash flow · Target payout is 100% and maximum payout is 200% of base salary for both CEO and Chairman 	<ul style="list-style-type: none"> · Drives company-wide and individual performance · Rewards annual performance · Motivates executives to achieve performance objectives that are key to our annual operating and strategic plans · Aligns executives' and shareholder interests
Long-Term Variable Pay	<ul style="list-style-type: none"> · Based on achievement of publicly disclosed five-year financial targets · Performance criteria are comprised of equally weighted metrics: relative total shareholder return (TSR) and net income · Awards have three vesting opportunities, one-third each, after years three, four and five, based on cumulative results 	<ul style="list-style-type: none"> · Encourage executives to achieve multi-year strategic and financial objectives · Motivates executives to deliver sustained long-term growth · Aligns executives' and shareholder interests through long-term value creation

<p>Pension and Post-Mandate</p>	<ul style="list-style-type: none"> · CEO: Company sponsored retirement savings programs, available to salaried employees · Chairman: Company pays social contribution fees mandatorily due under Swiss law and indemnifies Fiat Chrysler Automobiles N.V. (for which the Chairman serves as CEO) for a post-mandate benefit equivalent to five times the fixed annual compensation at the time of retirement. 	<ul style="list-style-type: none"> · Enhance retention of key talent <p>Provides for employee welfare and retirement needs</p>
<p>Other Benefits</p>	<ul style="list-style-type: none"> · CEO: typical benefits such as a company car, medical insurance, accident insurance, and retiree healthcare benefits · Chairman: a portion of personal security personnel cost · CEO and Chairman: tax equalization 	<p>Customary fringe benefits necessary to be able to offer executives competitive benefits</p>

2015 Remuneration of Executive Directors

Our executive compensation program is designed to align the interests of our Executive Directors with those of our shareholders to ensure prudent, short-term actions that will benefit the Company’s long-term value. It is designed to reward our executives based on the achievement of sustained financial and operating performance as well as demonstrated leadership. We aim to attract, engage, and retain high-performing executives who help us achieve immediate and future success and maintain our position as an industry leader. We support a shared, one-company mindset of performance and accountability to deliver on business objectives.

For the 2015 financial year, the compensation of Executive Directors consisted of both fixed and variable pay elements. In keeping with our philosophy of long-term shareholder value creation, the CEO's total compensation for 2015 was 88% variable and 12% fixed. Similarly, the Chairman's total compensation for 2015 was 87% variable and 13% fixed.

*The long-term incentives component represents the 2015 share based expense value of their respective one-time grants awarded in 2014 covering the five-year performance period of 2014-2018. In regard to the CEO's Performance Share Units, actual payment is dependent upon achievement of the designated cumulative financial objectives in years 2016, 2017, and 2018.

Fixed Component

Base salary is the only fixed component of our Executive Directors' total cash compensation and is intended to provide market-competitive pay to attract and retain well qualified senior executives and expert leaders. Base salary is a fixed portion of compensation based on an individual's skills, job responsibilities, experience, individual performance and competitive market data. The base salaries of our Executive Directors are evaluated together with other components of compensation to ensure that they are in line with our overall compensation philosophy and aligned with performance.

2015 Base Salary

Base salary did not change in 2015 for either of the Executive Directors. The CEO's gross annual base salary is \$1.3 million and the Chairman's is CHF 1.55 million.

Variable Components

Executive Directors are also eligible to receive variable compensation subject to the achievement of pre-established, challenging financial and other designated performance objectives. The variable components of Executive Directors' remuneration, both the short and the long-term components, are linked to predetermined, assessable and influenceable objectives approved by the Company's Non-Executive Directors, with more weight on the long-term component.

Annually, scenario analyses are carried out to examine the relationship between the performance criteria chosen and the possible outcomes of the variable remuneration of the Executive Directors. Such analysis was also carried out for the 2015 financial year, and the Company found a strong link between remuneration and performance and concludes that the chosen performance criteria are appropriate under both the short-term and long-term incentive components of total remuneration and support the Company's strategic objectives.

OUR "ACHIEVE AND EARN" PHILOSOPHY REWARDS PERFORMANCE AND LEADERSHIP

The bonus elements and calculations for the Chairman and CEO follow the same "Achieve and Earn" philosophy as the company-wide Performance and Leadership Bonus Plan for all eligible employees.

Short-Term Incentives

The primary objective of short-term variable incentives is to focus on the business priorities for the current or following year. Executive Directors' short-term variable incentive is based on achieving short-term (annual) financial and other designated objectives proposed by the Compensation Committee and approved by the Non-Executive Directors each year.

Our Methodology for Determining Annual Bonus Awards

*The individual performance and leadership modifier is applicable to the CEO but not the Chairman. The Chairman evaluates the CEO's performance and leadership each year. We use a nine-box matrix that correlates to the individual performance modifier.

In regards to the Executive Directors' annual performance bonus determination, the Compensation Committee and the Non-Executive Directors:

- approve the Executive Directors' objectives and maximum allowable bonus;
- select the choice and weighting of objectives;
- set the stretch objectives;
- review any unusual items that occurred in the performance year to determine the appropriate overall measurement of achievement of the objectives; and
- approve the final bonus determination.

For the 2015 financial year, the Compensation Committee determined that the performance metrics used in 2014, net income and net industrial cash flow, prepared in accordance with U.S. GAAP, continue to be the most appropriate one-year performance measurements under the annual bonus plan for our Executive Directors. The two metrics, which were equally weighted at 50% each, were established utilizing challenging goals. Each objective is paid out independently.

The target incentive (which is 100% of base salary for both the CEO and the Chairman) corresponds to the Non-Executive Directors' approved targets each year and are consistent with external guidance to investors. The threshold performance to earn any incentive is 90% of the specific target established. For both performance metrics, actual results must be achieved at 150% of the target, or greater, in order for the maximum payout of 200% of target to be achieved. Annual performance bonus eligibility is typically

reviewed by the Compensation Committee and the Non-Executive Directors in a Board of Directors' meeting each January in connection with the completion of the fourth quarter earnings release. For 2015, threshold, target, and maximum percentage opportunities for our CEO and Chairman did not change from 2014.

CEO Annual Bonus. For 2015, the Compensation Committee and the Non-Executive Directors determined that the results achieved warranted a performance bonus of \$1.27 million for the CEO, which was approved. The table below sets out the company performance factors and applicable individual performance and leadership modifier that determined the CEO's annual bonus amount:

2015 Annual Bonus Program

2015 Performance Metric	Weight	Threshold (\$ million)	Target (\$ million)	Maximum (\$ million)	Company		Individual		
					Performance – Actual (\$ million)	Performance Factor	Performance & Leadership Modifier	Modifier	
Net Income	50 %	567	630	945	248	0	%		
Net Industrial Cash Flow*	50 %	486	540	810	772	186	%		
Overall Company Performance Factor:						93	%		
CEO's Individual Performance and Leadership Modifier:								105	%

*Net industrial cash flow is defined as net income plus depreciation and amortization, plus changes in working capital and other provisions, less capital expenditures.

Chairman Annual Bonus. In consultation with the Chairman and the Compensation Committee, the Non-Executive Directors approved that no annual performance bonus would be paid to the Chairman for the 2015 financial year.

In addition, upon proposal of the Compensation Committee, the Non-Executive Directors retain authority to grant annual bonuses to Executive Directors for specific transactions that are deemed exceptional in terms of strategic importance and effect on the Company's results. This authority was not exercised with respect to the Company's performance in 2015.

Discussion of 2015 Results

For the 2015 financial year, we achieved U.S. GAAP net income of \$248 million and U.S. GAAP net industrial cash flow of \$772 million. Although the net income threshold was not met due to the downturn in the market, the net industrial cash flow achievement was above target and reflects management's discipline to realign production and inventories in line with the lower market demand.

Long-Term Incentives

Long-term incentive compensation is a critical component of our Executive Directors' compensation program. It is in the shareholders' interest that our executives foster a long-term view of the Company's financial results. Long-term incentives are also an important retention tool that management and the Compensation Committee use to align the financial interests of executives and other key contributors with sustained shareholder value creation. We believe Executive Directors' compensation should be aligned with shareholders' interests.

In 2014, CNH Industrial introduced a new long-term incentive program (“LTIP”), covering a five-year performance period, from 2014 to 2018, consistent with the Company’s strategic horizon, under which equity awards can be granted to eligible individuals. The Chairman, CEO, Group Executive Council (“GEC”) key managers and select others may participate, which represents approximately 400 senior leaders across the two facets of the LTIP – Company Performance Plan and Individual Performance Plan. The award mix and level vary by position. For the CEO and Chairman, target LTIP percentages were benchmarked against both U.S. and non-U.S. peer group companies.

The Company performance component of the LTIP, measured by cumulative net income and relative TSR position among seven peers, provides opportunity for interim partial vesting after 2016 and 2017, and full vesting in 2018. The achieved awards vest in February following the performance period and once vesting has been determined, Performance Share Units (“PSUs”) convert to CNH Industrial shares. The CEO was awarded a one-time grant in 2014; the Chairman does not participate in this component of the LTIP.

The Individual performance component of the LTIP provides an award opportunity of restricted share units (“RSUs”) which vest over time, subject to continued employment with the Company at time of vesting. RSUs convert to CNH Industrial common shares upon vesting. The CEO does not participate in this component of the LTIP, whereas the Chairman was awarded a one-time grant of RSUs in 2014 with vesting spread over the five years, 2014-2018. Others eligible to participate in the individual performance component of the LTIP have an annual award opportunity of RSUs which vest one-third over three years.

Discussion of 2015 Equity Awards

No new equity grants were awarded to the Executive Directors in 2015. The awards granted in 2014 were one-time grants covering a five-year period, 2014-2018. In regards to the Chairman's RSU award, the second installment vested on December 31, 2015, with 750,000 RSUs vesting.

Pension and Post-Mandate Provisions

The CEO participates in the Company sponsored retirement savings programs, available to salaried employees of CNH Industrial America LLC. For the Chairman, CNH Industrial N.V. pays social contribution fees mandatorily due under Swiss law and indemnifies Fiat Chrysler Automobiles N.V. (as the Chairman is the Chief Executive Officer of Fiat Chrysler Automobiles N.V.) for a fully vested "Top Hat" benefit equivalent of five times the fixed annual compensation at the time of retirement.

Other Benefits

We offer customary perquisites to our CEO and Chairman. The CEO is entitled to usual and customary fringe benefits such as a company car, medical insurance, accident insurance, and retiree healthcare benefits. A portion of the costs of personal security personnel dedicated to the Chairman are borne by the Company. The Compensation Committee may grant other benefits to the Executive Directors in particular circumstances such as tax equalization.

Tax Equalization

The Executive Directors, as a function of their global role in the Company, may be subject to tax on their employment income in multiple countries. As both the Chairman and CEO are subject to tax on their worldwide income in their respective home country, the Company engaged KPMG LLP to study the prevalent practice for handling incremental tax costs incurred by globally mobile executives. Based on that analysis, in 2015, the Non-Executive Directors decided to tax-equalize all of the employment earnings of the Executive Directors, including equity income, to their respective home country's effective income tax and, if applicable, social contribution rates.

Stock Ownership

Our Board recognizes the critical role that executive stock ownership has in aligning the interests of management with those of shareholders. While we do not maintain a formal required stock ownership policy, as of the end of the 2015 financial year, our CEO's stock holdings, when viewed as a multiple of his 2015 base salary, is in line with common market practice.

*The multiple of 2.7 for the CEO shown above is based on shares held and excludes unvested outstanding shares and represents holdings as of December 31, 2015 using a stock price of \$6.84. When considering unvested PSUs as well, the CEO's stock ownership level is 18 times his base salary.

Recoupment of Incentive Compensation (Claw back Policy)

The Board is dedicated to maintaining and enhancing a culture focused on integrity and accountability. The Company's Equity Incentive Plan (the "EIP") defines the terms and conditions for any subsequent long-term incentive program. The Recoupment Policy in the EIP authorizes the Company to recover, or "claw back," incentive compensation with the ability to retroactively make adjustments if any cash or equity incentive award is predicated upon achieving financial results and the financial results are subject to an accounting restatement.

Insider Trading Policy

The Company maintains a strict insider trading policy applicable to all directors, employees, members of the households and immediate family members (including spouse and children) of persons listed and other unrelated persons, if they are supported by the persons listed. The policy provides that the aforementioned individuals may not buy, sell or engage in other transactions in the Company's stock while in possession of material non-public information; buy or sell securities of other companies while in possession of material non-public information about those companies they become aware of as a result of business dealings between the Company and those companies; disclose material non-public information to any unauthorized persons outside of the Company; or engage in hedging transactions through the use of certain derivatives, such as put and call options involving the Company's securities. The policy also restricts trading to defined periods which follow the Company's quarterly earnings releases.

Prohibition on Short Sales (Anti-Hedging)

To ensure alignment with shareholders interest and to further strengthen our compensation risk management policies and practice, the Company's Insider Trading Policy prohibits all individuals to whom our Insider Trading Policy applies from engaging in a short sale of the Company's or its subsidiaries' securities and derivatives thereof such as options, puts, calls or warrants or any other financial instrument by which the above securities can be acquired or subscribed under any circumstance.

Remuneration for Non-Executive Directors

The remuneration of Non-Executive Directors is governed by the CNH Industrial N.V. Directors' Compensation Plan, which was approved by the Company's shareholders and is periodically reviewed by the Compensation Committee. The current remuneration for the Non-Executive Directors is shown in the table below.

Non-Executive Director Compensation	Total
Annual Cash Retainer	\$ 125,000
Additional retainer for Audit Committee member	\$ 25,000
Additional retainer for Audit Committee Chairman	\$ 35,000
Additional retainer for member of other Board committees	\$ 20,000
Additional retainer for Chairman of other Board committees	\$ 25,000

Non-Executive Directors elect which portion of their annual retainer fee, committee membership and committee chair fee payments will be made in cash, common shares of CNH Industrial N.V., or options to purchase common shares. Remuneration of Non-Executive Directors is fixed and not dependent on the Company's financial results. Non-Executive Directors are not eligible for variable compensation and do not participate in any Company incentive plans (collectively, the "Fees").

Directors eligible to receive compensation under the CNH Industrial Directors' Compensation Plan do not receive benefits upon termination of their service as directors.

Implementation of Remuneration Policy in 2016

If, and to the extent, any changes are made to 2016 remuneration, such changes will be in line with the approved policy.

The following table summarizes remuneration paid or accrued to Directors for the year ended December 31, 2015.

(\$ actual)	Office Held	In Office From/To	Salary / Annual Fee (cash)	Compensation / Annual Fee (Equity)	Bonus and Other Incentives (Non-Equity)	Non Monetary Pension		Total Remuneration
						Compensation (Fringe Benefits)	Compensation (Similar Benefits)	
Directors of CNH Industrial N.V.								
MARCHIONNE								
Sergio	Chairman	01/01/2015—12/31/2015	\$1,610,477	\$—	\$—	\$—	\$1,285,553	\$2,896,030
TOBIN Richard	CEO	01/01/2015—12/31/2015	1,313,342	—	1,270,000	14,732	160,843	2,758,917
TAMMENOMS								
BAKKER								
Jacqueline	Director	01/01/2015—12/31/2015	145,000	—	—	—	24,395	169,395
ELKANN John	Director	01/01/2015—12/31/2015	175,000	—	—	—	—	175,000
GEROWIN								
Mina	Director	01/01/2015—12/31/2015	108,750	31,665	—	—	17,745	158,160
GRIECO Maria								
Patrizia	Director	01/01/2015—12/31/2015	145,000	—	—	—	—	145,000
HOULE Léo W.	Director	01/01/2015—12/31/2015	145,000	—	—	—	—	145,000
KALANTZIS								
Peter	Director	01/01/2015—12/31/2015	170,000	—	—	—	—	170,000
LANAWAY								
John	Director	01/01/2015—12/31/2015	105,000	45,000	—	—	—	150,000
TABELLINI								
Guido	Director	01/01/2015—12/31/2015	125,000	—	—	—	—	125,000
THEURILLAT								
Jacques	Director	01/01/2015—12/31/2015	160,000	—	—	—	22,443	182,443
Total			\$4,202,569	\$76,665	\$1,270,000	\$14,732	\$1,510,979	\$7,074,945

(1) Includes the use of transport for personal purposes.

Effective on September 20, 2013, 200,000 common shares were reserved for issuance under the CNH Industrial Directors' Compensation Plan, as approved by shareholders.

Refer to "Item 6.E: Share Ownership" for the stock option and share activity for the year ended December 31, 2015 under the CNH Industrial Directors' Compensation Plan and the predecessor companies' plans adopted by CNH Industrial pursuant to the merger agreement terms and condition in September 2013.

Executive Officers' Compensation

The aggregate amount of compensation paid to or accrued for executive officers that held office during 2015 was approximately \$12.6 million, including \$2.9 million of pension and similar benefits paid or set aside by us. The aggregate amounts included those paid to or accrued for 16 executives at December 31, 2015.

C. Board Practices

CNH Industrial is a company, organized under the laws of the Netherlands, and results from a business combination of Fiat Industrial S.p.A. and CNH Global N.V. consummated on September 29, 2013. CNH Industrial qualifies as a foreign private issuer under the applicable rules of the SEC and its common shares are listed on the NYSE and on the MTA.

We are subject to, among other things, the laws of the Netherlands and the laws and regulations applicable to foreign private issuers in the U.S., the Dutch Corporate Governance Code (the "Dutch Code"), the Sarbanes Oxley Act of 2002, the Dodd-Frank Act and the NYSE listing standards, which are of particular significance to our corporate governance. In accordance with the NYSE Listed

Company Manual, we are permitted to follow home country practice with regard to certain corporate governance standards. We describe the significant differences between our corporate governance practices and those required for domestic U.S. companies by the NYSE listing standards under “Item 16G. Corporate Governance”.

Board of Directors

We have a one-tier management structure (i.e. management board which may be comprised of both members having responsibility for our day-to-day operations, who are referred to as “executive directors”, and members not having such responsibility, who are referred to as “non-executive directors”). Pursuant to our Articles of Association, the Board of Directors may have three or more members. At the general meeting of shareholders held on September 9, 2013, the number of the members of the Board of Directors was set at eleven. The current directors were elected at the last annual general meeting of shareholders (“AGM”) on April 15, 2015. See “Item 6A. Directors, Senior Management and Employees” above. The term of office of the current Board of Directors will expire on April 15, 2016, the anticipated date of the Company’s next AGM at which shareholders will elect the Company’s directors for approximately a one-year term. Each director may be re-elected at any subsequent general meeting of shareholders. None of our directors have service contracts with the Company (or any subsidiary) providing for benefits upon termination of employment as a director.

The Board as a whole is responsible for the strategy of the Company. The Board of Directors is composed of two executive directors (i.e., the Chairman and the Chief Executive Officer) and nine non-executive directors. Under Article 16 of our Articles of Association, the general authority to represent CNH Industrial shall be vested in the Board of Directors, as well as in each of the executive directors to whom the title Chairman or Chief Executive Officer has been granted.

Seven directors (representing a majority) qualified as independent for purposes of NYSE rules, Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and the Dutch Code. Nevertheless, the Company deviates from the Dutch Code paragraph III.2.1, which requires that all non-executive members of the Board of Directors, with the exception of not more than one, shall be independent, as two out of nine non-executive members of the Board of Directors may be qualified as non-independent directors within the meaning of the Dutch Code.

On September 9, 2013 the Board of Directors of the Company appointed—with effect as of the closing of the Merger—the following internal committees: (i) an Audit Committee, (ii) a Governance and Sustainability Committee, and (iii) a Compensation Committee. The Board of Directors also appointed Mr. John Elkann Senior Non-Executive Director. On certain key operational matters the Board of Directors is advised by the Group Executive Council (“GEC”). The GEC is an operational decision-making body which is responsible for reviewing the operating performance of the Company’s businesses and making decisions on certain operational matters.

The Audit Committee

The Company’s Audit Committee is responsible for assisting the Board of Directors’ oversight of: (i) the integrity of the Company’s financial statements, (ii) the Company’s policy on tax planning, (iii) the Company’s financing, (iv) the Company’s application of information and communication technology, (v) the systems of internal controls that management and the Board of Directors have established, (vi) the Company’s compliance with legal and regulatory requirements, (vii) the Company’s compliance with recommendations and observations of internal and external auditors, (viii) the Company’s policies and procedures for addressing certain actual or perceived conflicts of interest, (ix) the independent auditors’ qualifications, independence, remuneration and any non-audit services for the Company, (x) the performance of the Company’s internal audit function and of the independent auditors, (xi) risk management guidelines and policies, and (xii) the implementation and effectiveness of the Company’s ethics and compliance program.

The Audit Committee currently consists of Messrs. Theurillat (Chairman), Kalantzis and Lanaway. Under the Audit Committee Charter, the Audit Committee is elected by the Board of Directors, and is comprised of at least three members who may be appointed for terms of up to two years, each of whom must be a non-executive director. Audit Committee members are also required (i) not to have any material relationship with the Company or to serve as auditors or accountants for the Company, (ii) to be “independent”, under the NYSE rules, Rule 10A-3 under the Exchange Act and the Dutch Code, and (iii) to be “financially literate” and have “accounting or selected financial management expertise” (as determined by the Board of Directors). At least one member of the Audit Committee shall be a “financial expert” as defined in the rules of the SEC and best practice provisions of the Dutch Code. No Audit Committee member may serve on more than four audit committees for other public companies, absent a waiver from the Board of Directors, which must be disclosed in the annual report on Form 20-F. Unless decided otherwise by the Audit Committee, the independent auditors of the Company, as well as the Chief Financial Officer of the Company, attend its meetings. See “Item 16A. Audit Committee Financial Expert” of this annual report on Form 20-F for additional information regarding Audit Committee financial expert.

The Charter for the Audit Committee is available on our web site (www.cnhindustrial.com). The information contained on our web site is not included in, or incorporated by reference into, this annual report on Form 20-F.

The Compensation Committee

The Company's Compensation Committee is responsible for, among other things, assisting the Board of Directors in: (i) determining executive compensation consistent with the Company's remuneration policy, (ii) reviewing and recommending for approval the compensation of executive directors, (iii) administering equity incentive plans and deferred compensation benefit plans, and (iv) discussing with management the Company's policies and practices related to compensation and issuing recommendations thereon.

The Compensation Committee currently consists of Mr. Elkann (Chairman), Ms. Grieco and Messrs. Houle and Kalantzis. The Compensation Committee is elected by the Board of Directors, and is comprised of at least three directors. No more than one member may be non-independent under the Dutch Code. The members of the Compensation Committee are appointed for terms of up to two years. Unless decided otherwise by the Compensation Committee, the Company's Chief Human Resources Officer attends its meetings.

The Company deviates from the Dutch Code, which requires that the Compensation Committee may not be chaired by a member of the management board of another listed company. The composition of the Compensation Committee is such that its chairman is also an executive director of the board of directors of other listed companies.

See "Item 16G. Corporate Governance" for additional information regarding how the composition of the Compensation Committee deviates from the rules of the NYSE.

The Charter for the Compensation Committee is available on our web site (www.cnhindustrial.com). The information contained on our web site is not included in, or incorporated by reference into, this annual report on Form 20-F.

The Governance and Sustainability Committee

The Governance and Sustainability Committee is responsible for, among other things, assisting the Board of Directors with: (i) the identification of the criteria, professional and personal qualifications for candidates to serve as directors of the Company, (ii) periodic assessment of the size and composition of the Board of Directors, (iii) periodic assessment of the functioning of individual Board members and reporting on this to the Board of Directors, (iv) proposals for appointment of executive and non-executive directors, (v) supervision of the selection criteria and appointment procedure for senior management, (vi) monitoring and evaluating reports on the Company's sustainable development policies and practices, management standards, strategy, performance and governance globally, and (vii) reviewing, assessing and making recommendations as to strategic guidelines for sustainability-related issues, and reviewing the Company's annual Sustainability Report.

The Governance and Sustainability Committee currently consists of Mr. Elkann (Chairman), Ms. Gerowin and Ms. Tammenoms Bakker. The Governance and Sustainability Committee is elected by the Board of Directors, and is comprised of at least three Directors. No more than two members may be non-independent, and none of the members may be executive directors. The members of the Governance and Sustainability Committee are appointed for terms of up to two years.

See "Item 16G. Corporate Governance" for additional information regarding how the composition of the Governance and Sustainability Committee deviates from the rules of the NYSE.

The Charter for the Governance and Sustainability Committee is available on our web site (www.cnhindustrial.com). The information contained on our web site is not included in, or incorporated by reference into, this annual report on Form 20-F.

Indemnification of members of the Board of Directors

The Company has committed to indemnify any and all of its directors, officers, former directors, former officers and any person who may have served at its request as a director or officer of another company in which it owns shares or of which it is a creditor, against any and all expenses actually and necessarily incurred by any of them in connection with the defense of any action, suit or proceeding in which they, or any of them, are made parties, or a party, by reason of being or having been director or officer of the Company, or of such other company, except in relation to matters as to which any such person shall be adjudged in such action, suit or proceeding to be liable for negligence or misconduct in the performance of duty. Such indemnification shall not be deemed exclusive of any other rights to which those indemnified may be entitled otherwise.

D. Employees

Our business is, by its nature, labor intensive and this is reflected in the high number of hourly employees we employ. A large number of hourly employees are based in European countries. In particular, as of December 31, 2015, 27% of our total employees are based in Italy.

The following tables show the breakdown of the number of employees by segment and by region at December 31, 2015, 2014 and 2013:

(number)	2015	2014	2013
Agricultural Equipment	24,494	27,322	27,972
Construction Equipment	5,695	6,431	6,800
Commercial Vehicles	24,783	25,881	27,011
Powertrain	8,163	8,295	8,232
Financial Services	1,116	1,164	1,068
Other activities	140	114	109
Total	64,391	69,207	71,192

(number)	2015	2014	2013
EMEA	40,801	41,756	41,961
NAFTA	10,022	11,647	11,948
LATAM	8,812	10,485	12,081
APAC	4,756	5,319	5,202
Total	64,391	69,207	71,192

In the United States, unions represent a small portion of our production and maintenance employees. The collective bargaining agreement with the United Automobile, Aerospace and Agricultural Implement Workers of America, which represents approximately 1,000 of the hourly production and maintenance employees, continues through April 2016. In April of 2012, we ratified our contract with the International Association of Machinists and Aerospace Workers, which represents approximately 430 of our employees in Fargo, North Dakota. This contract expires in April 2018.

In Europe, most employees are covered by collective labor agreements (“CLAs”) stipulated either by a CNH Industrial subsidiary or by the employer association for the specific industry to which the CNH Industrial subsidiary belongs. In 2015, we renewed the CLA covering all CNH Industrial employees (excluding managers) in Italy. The Italy CLA covers pay and employment conditions in Italy and provides our Italian employees with a bonus opportunity tied to the achievement of productivity, quality and profitability targets within the Company’s strategic business plan. The Italy CLA will expire on December 31, 2018.

Although we believe that our relations with employees and unions representing them are generally positive, current or future issues with labor unions might not be resolved favorably, and we may experience a work interruption or stoppage that could significantly impact the volume of products we have for sale.

Please see “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business, Strategy and Operations—We face risks associated with our relationships with our employees” for additional information.

E. Share Ownership

Collectively, our Directors and Executive Directors own less than one percent of our outstanding common shares. The following table summarizes the number of CNH Industrial common shares our directors owned as of December 31, 2015:

	Common	Special Voting
(number)	Shares	Shares
Sergio Marchionne	10,709,586	—
Richard Tobin	512,392	—
Mina Gerowin	2,208	—
Léo Houle	57,259	57,259
Peter Kalantzis	2,000	—
John Lanaway	35,576	23,859
Jacques Theurillat	17,892	—

The following table summarizes outstanding stock options held by CNH Industrial Directors as of December 31, 2015 under the CNH Industrial Directors' Compensation Plan for Non-Executive Directors, the CNH Global Directors' Compensation Plan ("CNH DCP") for Non-Executive Directors and the CNH Global Equity Incentive Plan ("CNH EIP") for Executive Directors. In connection with the Merger, CNH Industrial assumed the sponsorship of the CNH DCP and the CNH EIP on September 29, 2013.

Stock options for Non-Executive Directors expire upon the earlier of (i) ten years after the grant date; or (ii) six months after the date an individual ceases to be a director.

	Grant Date	Price	Exercise				Tobin (1)	Total
			Gerowin	Houle	Lanaway	Theurillat		
Beginning Balance as of January 1, 2015								
(automatic option)	4/7/2006	5.96	—	18,604	18,604	—	—	37,208
	10/3/2006	4.80	—	20,835	—	—	—	20,835
	12/29/2006	5.91	—	16,942	—	4,233	—	21,175
	3/30/2007	8.18	—	12,226	—	3,054	—	15,280
	6/30/2007	10.96	—	9,129	—	2,281	—	11,410
	9/28/2007	13.02	—	7,682	—	1,917	—	9,599
	12/27/2007	14.28	—	7,001	—	—	—	7,001
	3/19/2008	10.77	—	9,286	—	—	—	9,286
	6/17/2008	9.15	—	10,940	—	—	—	10,940
	4/30/2010	6.82	—	—	—	—	234,824	234,824
	4/29/2011	10.15	—	—	—	—	189,183	189,183
	9/28/2012	8.78	—	—	—	—	483,468	483,468
	12/28/2013	11.33	6,402	—	—	—	—	6,402

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	3/28/2014	11.26	6,442	—	—	—	—	6,442
	6/26/2014	10.25	7,073	—	—	—	—	7,073
	9/24/2014	7.82	9,271	—	—	—	—	9,271
	12/28/2014	8.26	8,777	—	—	—	—	8,777
Beginning Total			37,965	112,645	18,604	11,485	907,475	1,088,174
- Vested/Not Exercised			37,965	112,645	18,604	11,485	746,318	927,017
- Not Vested			—	—	—	—	161,157	161,157
Options Exercised in 2015								
	04/30/2010						234,824	234,824
			—	—	—	—	234,824	234,824
Granted in 2015								
	4/14/2015	8.25	4,394					4,394
	7/13/2015	9.52	3,808					3,808
			8,202	—	—	—	—	8,202

Options Expired in 2015								
Ending Balance as of December 31, 2015								
(automatic option)	04/07/2006	5.96	—	18,604	18,604	—	—	37,208
	10/03/2006	4.80	—	20,835	—	—	—	20,835
	12/29/2006	5.91	—	16,942	—	4,233	—	21,175
	03/30/2007	8.18	—	12,226	—	3,054	—	15,280
	06/30/2007	10.96	—	9,129	—	2,281	—	11,410
	09/28/2007	13.02	—	7,682	—	1,917	—	9,599
	12/27/2007	14.28	—	7,001	—	—	—	7,001
	03/19/2008	10.77	—	9,286	—	—	—	9,286
	06/17/2008	9.15	—	10,940	—	—	—	10,940
	04/29/2011	10.15	—	—	—	—	189,183	189,183
	09/28/2012	8.78	—	—	—	—	483,468	483,468
	12/28/2013	11.33	6,402	—	—	—	—	6,402
	03/28/2014	11.26	6,442	—	—	—	—	6,442
	06/26/2014	10.25	7,073	—	—	—	—	7,073
	09/24/2014	7.82	9,271	—	—	—	—	9,271
	12/28/2014	8.26	8,777	—	—	—	—	8,777
	4/14/2015	8.25	4,394	—	—	—	—	4,394
	7/13/2015	9.52	3,808	—	—	—	—	3,808
Closing Total			46,167	112,645	18,604	11,485	672,651	861,552
– Vested/Not Exercised			46,167	112,645	18,604	11,485	672,651	861,552
– Not Vested			—	—	—	—	—	—

(1) Options granted on 4/29/2011 and 9/28/2012 will expire on 2/26/2017 and 2/24/2018, respectively.

The following table summarizes unvested performance share units held by Executive Directors as of December 31, 2015. In connection with the Merger, the performance targets for those performance share units granted prior to the Merger had been deemed to be met and the units vested in February 2015.

	Grant Date	Weighted Average Fair Market Value	Tobin	Marchionne	Total
Beginning Balance as of January 1, 2015					
	9/30/2010	USD 7.47	116,275		116,275
	1/1/2012	USD 8.09	365,103		365,103
	4/5/2012	EUR 7.795		1,000,000	1,000,000
	6/9/2014	USD 9.52	2,955,000		2,955,000
Beginning Total			3,436,378	1,000,000	4,436,378

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Vested in 2015	4/5/2012	EUR 7.795		1,000,000	1,000,000
	1/1/2012	USD 8.09	365,103		365,103
	9/30/2010	USD 7.47	116,275		116,275
			481,378	1,000,000	1,481,378
Ending Balance as of December 31, 2015					-
	6/9/2014	USD 9.52	2,955,000		2,955,000
Ending Total			2,955,000	-	2,955,000

The following table summarizes unvested restricted share units held by Executive Directors as of December 31, 2015:

	Note	Grant Date	Weighted Average Fair Market Value	Tobin	Marchionne	Total
Beginning Balance as of January 1, 2015						
		04/05/2012	EUR 7.795	-	366,666	366,666
		06/09/2014	USD 10.41		2,250,000	2,250,000
Beginning Total				-	2,616,666	2,616,666
Vested in 2015		04/05/2012	EUR 7.795	-	366,666	366,666
	(1)	06/09/2014	USD 10.41		750,000	750,000
				-	1,116,666	1,116,666
Ending Balance as of December 31, 2015						
		06/09/2014	USD 10.41	-	1,500,000	1,500,000
Ending Total				-	1,500,000	1,500,000

(1) The shares vested on December 31, 2015 and were exercised on February 8, 2016.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

As of January 31, 2016, our outstanding capital stock consisted of common shares and special voting shares, with each having a par value of €0.01 per share. As of January 31, 2016, there were 1,362,071,398 common shares and 413,223,699 special voting shares outstanding.

The following table sets forth information with respect to beneficial ownership of our common shares and special voting shares by persons known by us to beneficially own 3% or more of combined voting power as a result of their ownership of common shares and special voting shares as of January 31, 2016.

Name of Beneficial Owner	Number of Common Shares Owned	Percent		Percent of Combined Voting Power(c)	
		Shares(a)	of Common Shares	Special Voting Shares(b)	%
EXOR S.p.A.	366,927,900	26.9	%	366,927,900	41.3 %
Harris Associates LP	185,027,203	13.6	%	—	10.4 %
Southeastern Asset Management, Inc.	55,104,929	4.0	%	—	3.1 %

- (a) There were 1,362,071,398 common shares outstanding as of January 31, 2016. The “Percent of Common Shares” was calculated by using the publicly disclosed number of beneficially owned shares as the numerator, respectively, and the number of the Company’s outstanding common shares as of January 31, 2016 as the denominator.
- (b) Each special voting share is entitled to one vote therefore attributing, in effect, double voting rights to the common share to which it is associated. The special voting shares have only de minimis economic entitlements, in compliance with Dutch law. The special voting shares cannot be traded and are transferrable only in very limited circumstances together with the associated common shares.
- (c) Combined voting power represents common shares and the special voting shares. The “Percent of Combined Voting Power” was calculated as the ratio of (i) the aggregate number of common shares and special voting shares beneficially owned by the shareholder and (ii) the aggregate number of outstanding common shares and special voting shares of CNH Industrial as of January 31, 2016. There were 1,775,295,097 common shares and special voting shares outstanding at January 31, 2016.

As of January 31, 2016, EXOR S.p.A.’s voting power in CNH Industrial was approximately 41.3%. EXOR S.p.A., through its voting power, has the ability to significantly influence the decisions submitted to a vote of our shareholders, including approval of annual dividends, the election and removal of directors, mergers or other business combinations, the acquisition or disposition of assets and issuances of equity and the incurrence of indebtedness.

Our common shares are listed and can be traded on either the NYSE in U.S. dollars or the MTA in euro. The special voting shares are not listed on the NYSE or the MTA, not tradable and transferable only in very limited circumstances.

Our shares may be held in the following three ways:

- If a shareholder holds common shares directly in his or her own name in the United States, such shares are held in registered form in an account at Computershare Trust Company, N.A., our transfer agent.
- Beneficial interests in our common shares that are traded on the NYSE are held through the book-entry system provided by The Depository Trust Company (“DTC”) and are registered in the register of shareholders in the name of Cede & Co., as DTC’s nominee. Beneficial interests in the common shares traded on the MTA are held through Monte Titoli S.p.A., the Italian central clearing and settlement system, as a participant in DTC.
- Special voting shares and the associated common shares are registered in the books and records of the Company’s transfer agents in the United States and Italy. As noted above, the special voting shares and associated common shares are not tradable.

At January 31, 2016, there were 529 registered holders of our common stock in the United States, including 181 shareholders holding special voting shares. As of January 31, 2016, registered holders in the United States held 11,533,521 common shares and 11,424,217 special voting shares.

B. Related Party Transactions

Our related parties are primarily EXOR S.p.A. and the companies belonging to the EXOR Group including FCA and its subsidiaries and affiliates and Ferrari N.V. and its subsidiaries and affiliates. As of January 31, 2016, EXOR S.p.A. holds approximately 41.3% of our voting power and has the ability to significantly influence the decisions submitted to a vote of CNH Industrial’s shareholders. In addition, CNH Industrial engages in transactions with its unconsolidated subsidiaries and affiliates which CNH Industrial has a significant influence over or that are jointly controlled. See “Note 20: Related Party Information” in the notes to our consolidated financial statements for the year ended December 31, 2015 for further information.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

See “Item 18. Financial Statements” for a list of the financial statements filed with this annual report.

B. Significant Changes

On March 4, 2016, the Board of Directors recommended to the shareholders a dividend of €0.13 per common share, totaling approximately €177 million. The proposal is subject to the approval of the Company’s shareholders at the Annual General Meeting of shareholders to be held on April 15, 2016.

Item 9. The Offer and Listing

A. Offer and Listing Details

On September 30, 2013, our common shares began trading on the NYSE under the symbol “CNHI” and the MTA under the symbol “CNHI.MI”. The following table provides the high and low closing prices of our common shares as reported on the NYSE and the MTA for each of the periods indicated:

Common Share Price

	NYSE		MTA	
	High	Low	High	Low
	(USD)		(Euro)	
Most recent six months:				
February 2016	\$6.67	\$5.92	€6.01	€5.06
January 2016	\$6.60	\$5.76	€6.19	€5.15
December 2015	\$7.33	\$6.74	€6.66	€6.05
November 2015	\$7.31	\$6.41	€6.80	€5.81
October 2015	\$7.37	\$6.49	€6.33	€5.65
September 2015	\$7.69	\$6.38	€6.76	€5.57
Year ended December 31, 2015:				
First Quarter	\$8.52	\$7.18	€7.30	€5.95
Second Quarter	\$9.48	\$7.91	€8.22	€7.29
Third Quarter	\$9.64	\$6.38	€8.67	€5.57
Fourth Quarter	\$7.37	\$6.41	€6.80	€5.65
Full Year	\$9.64	\$6.38	€8.67	€5.57
Year ended December 31, 2014:				
First Quarter	\$11.61	\$9.94	€8.58	€7.38
Second Quarter	\$11.77	\$10.19	€8.48	€7.49
Third Quarter	\$10.24	\$7.61	€7.53	€5.93
Fourth Quarter	\$8.36	\$7.46	€6.76	€5.91
Full Year	\$11.77	\$7.46	€8.58	€5.91
Year ended December 31, 2013	\$11.90	\$10.19	€8.59	€7.39

Our common shares began trading on the NYSE and the MTA on September 30, 2013.

On February 29, 2016, the last reported sales price of our common shares as reported was \$6.63 per share on the NYSE and €6.01 per share on the MTA.

B. Plan of Distribution

Not applicable.

C. Markets

Our outstanding common shares are listed on the NYSE under the symbol “CNHI” and the MTA under the symbol “CNHI.MI”.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10. Additional Information

A. Share Capital.

Not applicable.

B. Memorandum and Articles of Association.

Set forth below is a summary description of certain provisions of our Articles of Association, effective September 29, 2013 (the “Articles of Association”), and particular provisions of the laws of the Netherlands relevant to our statutory existence. This summary does not restate our Articles of Association or relevant laws of the Netherlands in their entirety.

Corporate Registration and Objectives

CNH Industrial N.V. (the “Company” or “CNH Industrial”) is incorporated under the laws of the Netherlands, and our principal office is located at 25 St. James’s Street, London SW1A 1HA, United Kingdom. We are registered at the U.K. Companies House under foreign company number FC031116 BR016181 and the Commercial Register kept at the Chamber of Commerce in Amsterdam, the Netherlands under file number 56532474.

As provided in Article 2 of our Articles of Association, our objectives are to carry on, either directly or through wholly or partially-owned companies and entities, activities relating to passenger and commercial vehicles, transport, mechanical engineering, agricultural and construction equipment, energy and propulsion, as well as any other manufacturing, commercial, financial, sales, distribution, engineering or service activity.

Within the scope and for the achievement of the above objectives, the Company may:

- operate in, among other areas, the mechanical, electrical, electromechanical, thermo mechanical, electronic, nuclear, chemical, mining, steel and metallurgical industries, as well as in telecommunications, civil, industrial and agricultural engineering, publishing, information services, tourism and other service industries;
- engage in, and/or participate in and operate, manage and control one or more companies engaged in the design, engineering, manufacture, marketing, sales, distribution, maintenance, repair, remanufacturing and/or resale of agricultural, construction, transport and similar equipment, tractors, commercial vehicles, buses, specialized vehicles for firefighting, defense and other uses, other capital goods, engines and transmissions for any of the foregoing equipment and/or vehicles and/or for marine and power generation applications, and/or replacement parts for any of the foregoing;
- provide, and/or participate in and operate, manage and control one or more companies providing financing to dealers, end customers and others for the acquisition and/or lease of products and/or services described above, through the making of loans and leases and/or otherwise, and to borrow money for that purpose;
- acquire shareholdings and interests, engage in or participate in companies and enterprises of any kind or form and purchase, sell or place shares and debentures;
- provide financing to, and guarantee the obligations of, companies and entities it wholly or partially owns, and borrow money for that purpose, and carry on the technical, commercial, financial and administrative coordination of their activities;

- purchase or otherwise acquire, on its own behalf or on behalf of companies and entities it wholly or partially owns, the ownership or right of use of intangible assets providing them for use by those companies and entities;
- promote and ensure the performance of research and development activities, as well as the use and exploitation of the results thereof;

- undertake, on its own behalf or on behalf of companies and entities it wholly or partially owns, any investment, real estate, financial, commercial, or partnership transaction whatsoever, including the assumption of loans and financing in general and the granting to third parties of endorsements, suretyships, warranting performance and other guarantees, including real security; and
- render management and advisory services as well as anything which a company may lawfully do under the laws of the Netherlands which may be deemed conducive to the attainment of the objects set out in the above paragraphs.

Directors

We have included a summary description of the material provisions of our Articles of Association relating to our directors. The summary does not restate the Articles of Association in their entirety.

Our Articles of Association provide that the Company shall have a Board of Directors, consisting of three (3) or more members, comprising both members having responsibility for the day-to-day management of the Company (“executive directors”) and members not having such day-to-day responsibility (“non-executive directors”). The Board of Directors as a whole will be responsible for the strategy of the Company. The majority of the members of the Board of Directors shall consist of non-executive directors. The Board of Directors shall determine the number of directors.

The general meeting of shareholders shall appoint the directors. The general meeting of shareholders shall determine whether a director is an executive director or a non-executive director. The term of office of all directors will be for a period of approximately one (1) year after appointment, such period expiring on the day the annual general meeting of shareholders is held in the following calendar year. Each director may be reappointed at any subsequent general meeting of shareholders.

We are required to have a policy in respect of the remuneration of the members of the Board of Directors. Such remuneration policy shall be adopted by the general meeting of shareholders. With due observation of the Company’s remuneration policy, the Board of Directors may determine the remuneration for the directors in respect of the performance of their duties.

Except as otherwise required by applicable law or the Articles of Association, the presence either in person or by proxy of a majority of the total number of directors then in office shall be required and constitute a quorum for the transaction of business, including the adoption of resolutions. If at any meeting of the Board of Directors a quorum is not present, a majority of the directors present may adjourn the meeting from time to time, without notice other than adjournment at the meeting, until a quorum shall be present. The vote of the majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors.

The Board of Directors shall submit to the general meeting of shareholders for its approval plans to award shares or the right to subscribe for shares.

The Company shall not grant its directors any personal loans, guarantees or the like unless in the normal course of business, with respect to executive directors on terms applicable to Company personnel as a whole, and after approval of the Board of Directors.

Members of the Board of Directors are not subject to an age limitation arising from the Articles of Association. In addition, there is no minimum or maximum number of shares to be owned in order to qualify as a director of the Company.

Under the laws of the Netherlands, the Board of Directors must consider, in the performance of its duties, our interests, the interests of our shareholders and our employees, in all cases with reasonableness and fairness. A member of the Board of Directors shall not participate in discussions and decision making with respect to a matter in relation

to which he or she has a direct or indirect personal interest which is in conflict with the interests of the Company and the business associated with the Company (“Conflict of Interest”). In addition, the Board of Directors as a whole may, on an ad hoc basis, resolve that there is such a strong appearance of a Conflict of Interest of an individual member of the Board of Directors in relation to a specific matter, that it is deemed in the best interest of a proper decision making process that such individual member of the Board of Directors be excused from participation in the decision making process with respect to such matter even though such member of the Board of Directors may not have an actual Conflict of Interest.

Our Board of Directors must approve our annual accounts and make them available to the shareholders for inspection at our offices within four months after the end of our fiscal year. During this period, including any extension, the Board of Directors must submit the annual accounts to the shareholders for adoption by the general meeting. When our shareholders adopt the annual accounts approved by the Board of Directors, they may discharge the members of the Board of Directors from potential liability with respect to the exercise of their duties during the fiscal year covered by the accounts. This discharge may be given subject to such reservations as the shareholders deem appropriate and is subject to a reservation of liability required under the laws of the Netherlands. Examples of reservations of liability required by the laws of the Netherlands include: (1) liability of members of management boards and supervisory boards upon the bankruptcy of a company; and (2) general principles of reasonableness and fairness. Under the laws of the Netherlands, a discharge of liability does not extend to matters not shown in the annual accounts or otherwise not properly

disclosed to the shareholders. The annual accounts are made available through our website to our shareholders for review on the day that the notice convening the annual general meeting of shareholders is posted to our website.

The Board of Directors has established a procedure to ensure that the Company's employees (and third parties) have the possibility to report alleged irregularities of a general, operational and financial nature with the Company. The Company's compliance helpline is managed by an independent third party. Reports may be submitted through a dedicated web portal (www.cnhindustrialcompliancehelpline.com), by phone (to a call center managed by a third party), or to a Company representative. Where legally permissible, reports may be submitted on an anonymous basis. In addition, where legally required, the nature of the reports may be limited to certain subject matters. The Company investigates reports submitted and, in appropriate cases, implements corrective and/or disciplinary actions.

Our Shares and Shareholders

Our authorized share capital is €40,000,000, consisting of two billion (2,000,000,000) common shares and two billion (2,000,000,000) special voting shares, each having a par value of one euro cent (€0.01). Our common shares are registered shares represented by an entry in the share register of CNH Industrial. Beneficial interests in our common shares traded on the NYSE are held through the book-entry system provided by DTC and are registered in the register of shareholders in the name of Cede & Co., as DTC's nominee. Beneficial interests in the common shares traded on the MTA are held through Monte Titoli S.p.A., the Italian central clearing and settlement system, as a participant in DTC.

Loyalty Voting Structure. In connection with the Merger, CNH Industrial implemented a loyalty voting structure, pursuant to which the former shareholders of each of Fiat Industrial S.p.A. and CNH Global N.V. were able to elect to receive one CNH Industrial special voting share for each CNH Industrial common share they were entitled to receive in the Merger, provided that they fulfilled the requirements described in the terms and conditions of the special voting shares. The CNH Industrial common shares held by shareholders that elected to receive loyalty shares were registered in the Company's Loyalty Register. Following this registration, a corresponding number of special voting shares were allocated to such shareholders, and the additional voting rights could be exercised at the first CNH Industrial shareholders' meeting which followed the registration. By signing an election form, whose execution was necessary to elect to receive special voting shares, shareholders also agreed to be bound by the terms and conditions thereof, including the transfer restrictions described below. The terms and conditions applicable to special voting shares are available on our web site (www.cnhindustrial.com).

Following the completion of the Merger, CNH Industrial shareholders may at any time elect to participate in the loyalty voting structure by requesting that CNH Industrial register all or some of their CNH Industrial common shares in the Loyalty Register. If these CNH Industrial common shares have been registered in the Loyalty Register (and thus blocked from trading in the regular trading system) for an uninterrupted period of three years in the name of the same shareholder, such shares become eligible to receive special voting shares (the "Qualifying Common Shares") and the relevant shareholder will be entitled to receive one special voting share for each such Qualifying Common Share. If at any time such CNH Industrial common shares are de-registered from the Loyalty Register for whatever reason, the relevant shareholder shall lose his, her or its entitlement to hold a corresponding number of special voting shares.

A holder of Qualifying Common Shares may at any time request the de-registration of some or all such shares from the Loyalty Register, which will allow such shareholder to freely trade its CNH Industrial common shares. From the moment of such request, the holder of Qualifying Common Shares shall be considered to have waived his/her/its rights to cast any votes associated with the loyalty voting shares corresponding to its previously Qualifying Common Shares. Upon the de-registration from the Loyalty Register, the relevant common shares will therefore cease to be Qualifying Common Shares. Any de-registration request would automatically trigger a mandatory transfer requirement pursuant to which the special voting shares will be acquired by CNH Industrial for no consideration in accordance with the terms and conditions of the special voting shares.

CNH Industrial's common shares are freely transferable. However, any transfer or disposal of CNH Industrial's common shares with which special voting shares are associated would trigger the de-registration of such common shares from the Loyalty Register and the transfer of all relevant special voting shares to CNH Industrial. Special voting shares are not admitted to listing and are transferable only in very limited circumstances. In particular, no shareholder shall, directly or indirectly: (a) sell, dispose of or transfer any special voting share or otherwise grant any right or interest therein; or (b) create or permit to exist any pledge, lien, fixed or floating charge or other encumbrance over any special voting share or any interest in any special voting share.

The purpose of the loyalty voting structure is to grant long-term CNH Industrial shareholders an extra voting right by means of granting a special voting share (shareholders holding special voting shares are entitled to exercise one vote for each special voting share held and one vote for each CNH Industrial common share held), without entitling such shareholders to any economic rights, other than those pertaining to the CNH Industrial common shares. However, under Dutch law, the special voting shares cannot be excluded from economic entitlements. As a result, in accordance with our Articles of Association, holders of special voting shares are entitled to a minimum dividend, which is allocated to a separate special dividend reserve (the "Special Dividend Reserve"). The

distribution of dividends from the Special Dividend Reserve can only be approved by the general meeting of the holders of special voting shares upon proposal of the Board of Directors. The power to vote upon the distribution from the Special Dividend Reserve is the only power that is granted to that meeting, which can only be convened by the Board of Directors as it deems necessary. The special voting shares do not have any other economic entitlement.

Section 10 of the special voting share terms and conditions includes liquidated damages provisions intended to discourage any attempt by holders of special voting shares to violate the terms thereof. These liquidated damages provisions may be enforced by CNH Industrial by means of a legal action brought by the Company in the courts of the Netherlands. In particular, a violation of the provisions of the above-mentioned terms and conditions concerning the transfer of special voting shares may lead to the imposition of liquidated damages.

Pursuant to Section 12 of the special voting share terms and conditions, any amendment to the terms and conditions (other than merely technical, non-material amendments) may only be made with the approval of the general meeting of shareholders of CNH Industrial.

A shareholder must promptly notify CNH Industrial upon the occurrence of a change of control, which is defined in Article 4(1)(n) of the Articles of Association as including any direct or indirect transfer, carried out through one or a series of related transactions, by a CNH Industrial shareholder that is not an individual of (i) the ownership or control of 50% or more of the voting rights of such shareholder, (ii) the de facto ability to direct the casting of 50% or more of the votes which may be expressed at the general meetings of such shareholder, or (iii) the ability to appoint or remove half or more of the directors, executive directors or board members or executive officers of such shareholder or to direct the casting of 50% or more of the voting rights at meetings of the board, governing body or executive committee of such shareholder. In accordance with Article 4(1)(n) of the Articles of Association, no change of control shall be deemed to have occurred if (i) the transfer of ownership and/or control is the result of the succession or the liquidation of assets between spouses or the inheritance, inter vivos donation or other transfer to a spouse or a relative up to and including the fourth degree or (ii) the fair market value of the Qualifying Common Shares held by the relevant CNH Industrial shareholder represents less than 20% of the total assets of the Transferred Group at the time of the transfer and the Qualifying Common Shares, in the sole judgment of CNH Industrial, are not otherwise material to the Transferred Group or the change of control transaction. Article 4(1)(n) of the Articles of Association defines "Transferred Group" as comprising the relevant shareholder together with its affiliates, if any, over which control was transferred as part of the same change of control transaction, as such term is defined in Article 4(1)(n) of the Articles of Association. A change of control will trigger the de-registration of the relevant Qualifying Common Shares from the Loyalty Register and the suspension of the special voting rights attached to the Qualifying Common Shares.

Issuance of Shares and Rights of Preference

Issuance of Shares

Our Board of Directors has the authority to issue common shares if, and to the extent that, a general meeting of shareholders has designated the Board of Directors to act as the authorized body for this purpose. A designation of authority to the Board of Directors to issue shares remains effective for the period specified by the general meeting and may be up to five years from the date of designation. A general meeting of shareholders may renew this designation for additional periods of up to five years. Without this designation, only the general meeting of shareholders has the power to authorize the issuance of shares.

For a period of five years from September 28, 2013, the Board of Directors has been irrevocably authorized by the shareholders to issue special voting shares up to the maximum aggregate amount of special voting shares as provided for in the Company's authorized share capital as set forth in the Articles of Association. For a period of five years from September 29, 2013, the Board of Director has been irrevocably authorized by the shareholders to issue common

shares of the Company, which authorization is limited to 15% of the total number of common shares. In addition, and without application of the 15% limitation, the Board of Directors is authorized to issue common shares and grant rights to subscribe for common shares in the capital of the Company pursuant to equity incentive plans sponsored by the Company's predecessors (Fiat Industrial S.p.A. and CNH Global N.V.) and new equity incentive or compensation plans.

Rights of Pre-emption

Under Dutch law and our Articles of Association, each shareholder has a right of pre-emption in proportion to the aggregate nominal value of its shareholding upon issuance of new Company common shares (or granting of rights to subscribe for shares) unless a general meeting of shareholders, or its designee, limits or eliminates this right. Our shareholders have no pre-emption right with respect to (i) shares issued for consideration other than cash, (ii) shares issued to our employees and (iii) to persons exercising a previously granted right to subscribe for Company common shares.

If a general meeting of shareholders delegates its authority to the Board of Directors for this purpose, then the Board of Directors will have the power to limit or exclude the pre-emption rights of shareholders. In the absence of this designation, the general

meeting of shareholders will have the power to limit or exclude these rights. Such a proposal requires the approval of at least two-thirds of the votes cast by shareholders at a general meeting if less than one-half of the issued share capital is represented at the meeting. Designations of authority to the Board of Directors may remain in effect for up to five years and may be renewed for additional periods of up to five years. The Board of Directors has also been designated by the shareholders as the authorized body to limit or exclude the rights of pre-emption of shareholders in connection with the authority of the Board of Directors to issue common shares and grant rights to subscribe for common shares. In the event of an issuance of special voting shares, shareholders shall not have any right of pre-emption.

Liability to Further Capital Calls

All of the outstanding Company common shares are fully paid and non-assessable.

Discriminating Provisions

There are no provisions in the Articles of Association that discriminate against a shareholder because of its ownership of a substantial number of shares.

Payment of Dividends

CNH Industrial may make distributions to the shareholders and other persons entitled to the distributable profits only to the extent that its shareholders' equity exceeds the sum of the paid-up portion of the share capital and the reserves that must be maintained in accordance with Dutch law. No distribution of profits may be made to the Company itself for shares that the Company holds in its own share capital.

The Company may only make a distribution of dividends to the shareholders after the adoption of its statutory annual accounts demonstrating that such distribution is legally permitted. The Board of Directors may determine that dividends or interim dividends shall be paid, in whole or in part, from the Company's share premium reserve or from any other reserve, provided that payments from reserves may only be made to the shareholders that are entitled to the relevant reserve upon the dissolution of the Company and provided further that the policy of the Company on additions to reserves and dividends is duly observed.

The Company maintains a Special Dividend Reserve for the special voting shares for the purpose of the allocation of the mandatory minimal profits that accrue to the special voting shares. The special voting shares do not carry any entitlement to any other reserve. Any distribution out of the Special Dividend Reserve or the partial or full release of such reserve requires a prior proposal from the Board of Directors and a subsequent resolution of the general meeting of holders of special voting shares.

Insofar as the profits have not been distributed or allocated to the reserves, they may be subject to approval at the general meeting to be distributed as dividends on the Company common shares only. The general meeting of shareholders may resolve, on the proposal of the Board of Directors, to declare and distribute dividends in United States dollars. The Board of Directors may decide, subject to the approval of the general meeting of shareholders and the Board of Directors having been designated as the body competent to pass a resolution for the issuance of shares, that a distribution shall, wholly or partially, be made in the form of shares.

The right to dividends and distributions will lapse if the dividends or distributions are not claimed within five years following the day after the date on which they were first made available.

On March 4, 2016, the Board of Directors recommended that a dividend, in the amount of €0.13 per share, be paid to the holders of our common shares.

Other than as described above, our Articles of Association do not include any redemption provisions or provide for any sinking or similar fund.

General Meetings of Shareholders and Voting Rights

Annual General Meeting of Shareholders

An annual general meeting of shareholders must be held within six months from the end of CNH Industrial's preceding financial year. The purpose of the annual general meeting of shareholders is to discuss, among other things, the annual report, the adoption of the annual accounts, allocation of profits (including the proposal to distribute dividends), release of members of the Board of Directors from liability for their management and supervision, appointment of directors and other proposals brought up for discussion or vote by the Board of Directors.

General Meeting of Shareholders and Place of Meetings

Other general meetings will be held if requested by the Board of Directors, the chairman or co-chairman of the Board of Directors, the Senior Non-Executive Board Member or the Chief Executive Officer, or by the written request (stating the exact subjects to be discussed) of one or more shareholders representing in aggregate at least 10% of the issued share capital of the Company (taking into account the relevant provisions of Dutch law, and the Articles of Association and the applicable stock exchange regulations). General meetings will be held in Amsterdam or Haarlemmermeer (Schiphol Airport), the Netherlands.

Convocation Notice and Agenda

General meetings of shareholders can be convened by a notice, specifying the subjects to be discussed, the place and the time of the meeting and admission and participation procedure, issued at least 42 days before the meeting. All convocations, announcements, notifications and communications to shareholders must be made on the company's corporate website in accordance with the relevant provisions of Dutch law. The agenda for a general meeting may contain the items requested by such number of shareholders who, by law, are entitled to make such proposals. Requests must be made in writing, including the reasons for adding the relevant item on the agenda, and received by the Board of Directors at least 60 days before the day of the meeting.

Admission and Registration

Each shareholder entitled to vote shall be authorized to attend the general meeting of shareholders, to address the general meeting and to exercise its voting rights. The Board of Directors shall set a record date, which shall be the 28th day prior to the date of the general meeting, so as to establish which shareholders are entitled to attend and vote at the general meeting. Only holders of shares at such record date are entitled to attend and vote at the general meeting. The convocation notice for the meeting shall state the record date and the manner in which the persons entitled to attend the general meeting may register and exercise their rights.

Those entitled to attend a general meeting may be represented at a general meeting by a proxy authorized in writing. The requirement that a proxy must be in written form is also fulfilled when it is recorded electronically.

Members of the Board of Directors have the right to attend a general meeting. In these general meetings, each member of the Board of Directors has an advisory role.

Voting Rights

Each common share and special voting share of the Company confers the right on the holder to cast one vote at a general meeting. Resolutions are passed by a simple majority of the votes cast, unless Dutch law or the Articles of Association prescribes a larger majority. Under Dutch law and/or the Articles of Association, the following matters require at least two-thirds of the votes cast at a meeting if less than one-half of the issued share capital is present or represented:

- a resolution to reduce the issued share capital;
- a resolution to amend the Articles of Association;
- a resolution to limit or exclude rights of pre-emption;
- a resolution to authorize the Board of Directors to limit or exclude rights of pre-emption;
- a resolution to enter into a legal merger or a legal demerger; or
- a resolution to dissolve the Company.

Shareholders' Votes on Certain Transactions

Any important change in the identity or character of the Company must be approved by shareholders, including (i) the transfer to a third party of the business of the Company or practically the entire business of the Company; (ii) the entry into or breaking off of any long-term cooperation of the Company or a subsidiary with another legal entity or company or as a fully liable partner of a general partnership or limited partnership, where such entry into or breaking off is of far-reaching importance to the Company; and (iii) the acquisition or disposal by the Company or a subsidiary of an interest in the capital of a company with a value of at least one-third of the Company's assets according to the consolidated balance sheet with explanatory notes included in the last adopted annual accounts of the Company.

We are exempt from the proxy rules under the U.S. Securities Exchange Act of 1934, as amended.

Dissolution

If the Company were to be dissolved and liquidated, after all the debts of the Company have been paid, any remaining balances would be distributed in the following order of priority: (i) first, to satisfy the aggregate balance of share premium reserves and other reserves than the Special Dividend Reserve to the holders of CNH Industrial common shares in proportion to the number of common shares held by each of them; (ii) second, an amount equal to the aggregate amount of the nominal value of the CNH Industrial common shares to the holders thereof in proportion to the number of common shares held by each of them; (iii) third, an amount equal to the aggregate amount of the Special Dividend Reserve to the holders of special voting shares in proportion to the number of special voting shares held by each of them; and (iv) fourth, the aggregate amount of the nominal value of the special voting shares to the holders thereof in proportion to the number of special voting shares held by each of them. No liquidation payments will be made on shares that we hold in treasury.

Repurchase of Shares

We may acquire our shares, subject to applicable provisions of the laws of the Netherlands and of our Articles of Association, to the extent:

- the general meeting of shareholders has authorized the Board of Directors to make such acquisition—which authorization shall be valid for a period of not more than eighteen months—and has specified the number of shares which may be acquired, the manner in which they may be acquired and the limits within which the price must be set;
- our equity, less the amount to be paid for the shares to be acquired, exceeds the sum of (1) our share capital account, plus (2) any reserves required to be maintained by the laws of the Netherlands; and
- after the acquisition of shares, we and our subsidiaries would not hold, or hold as pledges, shares having an aggregate par value that exceeds 50% of our issued share capital account, as these amounts would be calculated under generally accepted accounting principles in the Netherlands.

At the Annual General Meeting (the “AGM”) held on April 15, 2015, shareholders granted the Board of Directors the authority to repurchase up to a maximum of 10% of the Company’s common shares outstanding at the same date. The authorization is an instrument available to the Board of Directors, but places no obligation on the Company to repurchase its own shares. Under the authorization, which is valid for a period of 18 months from the date of the AGM and therefore up to and including October 14, 2016, the Board may repurchase the Company’s common shares in accordance with applicable regulations at a price not to exceed 10% of the market price reported on the stock exchange through which the repurchase(s) are made - NYSE and/or the MTA, the market price being the average of the highest price on each of the five days of trading prior to the date of acquisition, as shown in the Official Price List of the selected stock exchange.

Refer to “Item 16E: Purchase of Equity Securities by the Issuer and Affiliated Purchasers” for additional details of anticipated stock repurchases by the Company.

Notification of Substantial Holdings

Dutch law requires that any person who, directly or indirectly, acquires or disposes of a capital interest and/or voting rights in CNH Industrial must immediately give written notice to the Netherlands Authority for the Financial Markets (Stichting Autoriteit Financiële Markten, the “AFM”) of such acquisition or disposal by means of a standard form if, as a result of such acquisition or disposal, the percentage of capital interest and/or voting rights held by such person reaches, exceeds or falls below the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Notification by such person must be completed (1) without delay and ultimately two trading days after the acquisition or disposal in circumstances where a person has either acquired or disposed of shares thereby affecting its

percentage of ownership and/or voting rights or (2) ultimately on the fourth trading day after the AFM has published the Company's notification (as described below) of changes to its total share capital or voting rights in circumstances where the percentage reached, exceeded or fell below the threshold in a passive manner.

For the purpose of calculating the percentage of capital interest or voting rights, the following interests must be taken into account: (i) shares and/or voting rights directly held (or acquired or disposed of) by any person, (ii) shares and/or voting rights held (or acquired or disposed of) by such person's controlled undertakings or by a third party for such person's account, (iii) voting rights held (or acquired or disposed of) by a third party with whom such person has concluded an oral or written voting agreement, (iv) voting rights acquired pursuant to an agreement providing for a temporary transfer of voting rights in consideration for a payment, (v) shares which such person, or any controlled undertaking or third party referred to above, may acquire pursuant to any option or other right to acquire shares and (vi) the voting rights it may exercise as a usufructuary or pledge.

Special voting shares shall be added to the Company common shares for the purposes of the above thresholds.

Controlled undertakings (within the meaning of the Dutch Financial Supervision Act) do not themselves have notification obligations under the Dutch Financial Supervision Act as their direct and indirect interests are attributed to their (ultimate) parent. If a person who has a 3% or larger interest in the Company's share capital or voting rights ceases to be a controlled undertaking it must immediately notify the AFM and all notification obligations under the Dutch Financial Supervision Act will become applicable to such former controlled undertaking.

Special rules apply to the attribution of shares and/or voting rights which are part of the property of a partnership or other form of joint ownership. A holder of a pledge or right of usufruct in respect of shares can also be subject to notification obligations, if such person has, or can acquire, the right to vote on the shares. The acquisition of (conditional) voting rights by a pledgee or beneficial owner may also trigger notification obligations as if the pledgee or beneficial owner were the legal holder of the shares and/or voting rights.

Furthermore, when calculating the percentage of capital interest, a person is also considered to be in possession of shares if (i) such person holds a financial instrument the value of which is (in part) determined by the value of the shares or any distributions associated therewith and which does not entitle such person to acquire any shares, (ii) such person may be obliged to purchase shares on the basis of an option, or (iii) such person has concluded another contract whereby such person acquires an economic interest comparable to that of holding a share.

The Company is required to notify the AFM promptly of any change of 1% or more in its issued and outstanding share capital or voting rights since a previous notification. Other changes in the Company's issued and outstanding share capital or voting rights must be notified to the AFM within eight days after the end of the quarter in which the change occurred.

Each member of the Board of Directors must notify the AFM of each change in the number of shares he/she holds and of each change in the number of votes he/she is entitled to cast in respect of the Company's issued and outstanding share capital, immediately after the relevant change.

The AFM keeps a public register of all notifications made pursuant to these disclosure obligations and publishes any notification received.

Non-compliance with these disclosure obligations is an economic offense and may lead to criminal prosecution. The AFM may impose administrative penalties for non-compliance, and the publication thereof. In addition, a civil court can impose measures against any person who fails to notify or incorrectly notifies the AFM of matters required to be notified. A claim requiring that such measures be imposed may be instituted by (i) the Company, (ii) one or more shareholders who alone or together with others represent at least 3% of the issued and outstanding share capital of the Company or are able to exercise at least 3% of the voting rights and (iii) holders of one or more shares with a special controlling right in the issuer under the Articles of Association. The measures that the civil court may impose include:

- an order requiring appropriate disclosure;
- suspension of the right to exercise the voting rights for a period of up to three years as determined by the court;
- voiding a resolution adopted by the general meeting, if the court determines that the resolution would not have been adopted but for the exercise of the voting rights of the person with a duty to disclose, or suspension of a resolution adopted by the general meeting of shareholders until the court makes a decision about such voiding; and
- an order to refrain, during a period of up to five years as determined by the court, from acquiring shares and/or voting rights in the Company.

Shareholders are advised to consult with their own legal advisers to determine whether the disclosure obligations apply to them.

Reduction of Share Capital

At a general meeting of shareholders, our shareholders may vote to reduce the issued share capital by canceling shares held by the Company or by reducing the par value of our shares. In either case, this reduction would be subject to applicable statutory provisions. Holders of at least two-thirds of the votes cast must vote in favor of a resolution to reduce our issued share capital if less than one-half of the issued share capital is present at the general meeting in person or by proxy.

Amendments to the Company's Articles of Association, including Variation of Rights

A majority of the votes cast by holders of our shares at a general meeting must approve any resolution proposed by our Board of Directors to amend the Articles of Association or to dissolve CNH Industrial. A majority of at least two-thirds of the votes cast shall be required if less than one-half of the issued capital is represented at the meeting. Any such resolution proposed by one or more shareholders must likewise be approved by a majority of the votes cast at a general meeting of shareholders.

The rights of shareholders may be changed only by amending the Articles of Association.

C. Material Contracts.

For a discussion of our related party transactions, please see “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions.”

For a discussion of the Merger, please see “Presentation of Financial and Certain Other Information.”

For a discussion of the Company’s equity plans, please see “Note 16: Share-Based Compensation” to our consolidated financial statements for the year ended December 31, 2015.

D. Exchange Controls.

Under existing laws of the Netherlands, there are no exchange controls applicable to the transfer to persons outside of the Netherlands of dividends or other distributions with respect to, or of the proceeds from the sale of, shares of a Dutch company.

E. Taxation.

United States Federal Income Taxation

This section summarizes the material U.S. federal income tax consequences of the ownership and disposition of CNH Industrial stock by a U.S. Shareholder (as defined below). It applies solely to persons that hold shares as capital assets for U.S. federal income tax purposes. This section does not apply to members of a special class of holders subject to special rules, including:

- a dealer in securities or foreign currencies;
- regulated investment companies;
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings;
- a tax-exempt organization;
- a bank, financial institution, or insurance company;
- a person liable for alternative minimum tax;
- a person that actually or constructively owns 10% or more, by vote or value, of CNH Industrial;
- a person that holds shares as part of a straddle or a hedging, conversion, or other risk reduction transaction for U.S. federal income tax purposes;
- a person that acquired shares pursuant to the exercise of employee stock options or otherwise as compensation; or
- a person whose functional currency is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended (the “Code”), its legislative history, existing and proposed regulations, published rulings and court decisions, as well as on applicable tax treaties. These authorities are subject to change, possibly on a retroactive basis.

If a partnership holds shares, the U.S. federal income tax treatment of a partner will depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding shares should consult its tax advisor with regard to the U.S. federal income tax treatment of the ownership of CNH Industrial stock.

Prospective purchasers and holders of CNH Industrial stock should consult their own tax advisors regarding the U.S. federal, state and local and foreign and other tax consequences of owning and disposing of CNH Industrial stock in their particular circumstances.

For the purposes of this discussion, a “U.S. Shareholder” is a beneficial owner of shares that is:

- an individual that is a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized under the laws of the United States;
- an estate whose income is subject to U.S. federal income tax regardless of its source; or
- a trust if a United States court can exercise primary supervision over the trust’s administration and one or more United States persons are authorized to control all substantial decisions of the trust.

CNH Industrial Common Stock

Taxation of Dividends

Under the U.S. federal income tax laws, subject to the discussion of “passive foreign investment company” (“PFIC”) taxation below, a U.S. Shareholder must include in its gross income the gross amount of any dividend paid by CNH Industrial out of its current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). Dividends will be taxed as ordinary income to the extent that they are paid out of CNH Industrial’s current or accumulated earnings and profits. Dividends paid to a noncorporate U.S. Shareholder by certain “qualified foreign corporations” that constitute qualified dividend income will be taxable to the shareholder at the preferential rates applicable to long-term capital gains provided that the shareholder holds the shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meets other holding period requirements. Subject to the discussion regarding PFIC taxation below, CNH Industrial believes that dividends CNH Industrial pays with respect to the shares will be qualified dividend income, assuming the holding period requirements are met.

A U.S. Shareholder must include any foreign tax withheld from the dividend payment in this gross amount even though the shareholder does not in fact receive it. The dividend is taxable to a U.S. Shareholder when the U.S. Shareholder receives the dividend, actually or constructively.

The dividend will not be eligible for the dividends-received deduction allowed to U.S. corporations in respect of dividends received from other U.S. corporations.

Distributions in excess of current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be treated as a non-taxable return of capital to the extent of the U.S. Shareholder’s basis in the shares of CNH Industrial stock, causing a reduction in the U.S. Shareholder’s adjusted basis in CNH Industrial stock, and thereafter as capital gain.

Subject to certain limitations, any non-U.S. tax withheld and paid over to a non-U.S. taxing authority is eligible for credit against a U.S. Shareholder’s U.S. federal income tax liability except to the extent a refund of the tax withheld is available to the U.S. Shareholder under non-U.S. tax law or under an applicable tax treaty. The amount allowed to a U.S. Shareholder as a credit is limited to the amount of the U.S. Shareholder’s U.S. federal income tax liability that is attributable to income from sources outside the United States and is computed separately with respect to different types of income that the U.S. Shareholder receives from non-U.S. sources. Subject to the discussion below regarding Section 904(h) of the Code, dividends paid by CNH Industrial will be foreign source income and depending on the circumstances of the U.S. Shareholder, will be either “passive” or “general” income for purposes of computing the foreign tax credit allowable to a U.S. Shareholder.

Under Section 904(h) of the Code, dividends paid by a foreign corporation that is treated as 50% or more owned, by vote or value, by United States persons may be treated as U.S. source income (rather than foreign source income) for foreign tax credit purposes, to the extent the foreign corporation earns U.S. source income. In most circumstances, U.S. Shareholders would be able to choose the benefits of Section 904(h)(10) of the Code and elect to treat dividends that would otherwise be U.S. source dividends as foreign source dividends, but in such a case the foreign tax credit limitations would be separately determined with respect to such “resourced” income. In general, therefore, the application of Section 904(h) of the Code may adversely affect a U.S. Shareholder’s ability to use foreign tax credits. CNH Industrial does not believe that it is 50% or more owned by United States persons, but this conclusion is a factual determination and is subject to change; no assurance can therefore be given that CNH Industrial may not be treated as 50% or more owned by United States persons for purposes of Section 904(h) of the Code. U.S. Shareholders are strongly urged to consult their own tax advisors regarding the possible impact if Section 904(h) of the Code should apply.

Taxation of Capital Gains

Subject to the discussion of PFIC taxation below, a U.S. Shareholder which sells or otherwise disposes of its CNH Industrial common shares will recognize capital gain or loss for U.S. federal income tax purposes equal to the difference between the amount that the U.S. Shareholder realizes and the U.S. Shareholder's tax basis in those shares. Capital gain of a noncorporate U.S. Shareholder is taxed at preferential rates when the shareholder has a holding period greater than one year. The gain or loss will be U.S. source income or loss for foreign tax credit limitation purposes. The deduction of capital losses is subject to limitations.

Loyalty Voting Structure

No statutory, judicial or administrative authority directly discusses how the receipt, ownership or disposition of special voting shares should be treated for U.S. federal income tax purposes and as a result, the U.S. federal income tax consequences are uncertain. Accordingly, we urge U.S. shareholders to consult their tax advisor as to the tax consequences of the receipt, ownership and disposition of special voting shares.

Receipt of Special Voting Shares

If a U.S. Shareholder receives special voting shares after requesting its shares be held on the Loyalty Register, the tax consequences of the receipt of special voting shares is unclear. While distributions of stock are tax-free in certain circumstances, it is possible that the distribution of special voting shares could be treated as a distribution subject to tax as described above in “—Taxation of Dividends” if such distribution were considered to result in a “disproportionate distribution.” If the distribution of special voting shares were so treated, the amount of the distribution should equal the fair market value of the special voting shares received. Because, among other things, the special voting shares are not transferrable and a U.S. Shareholder will receive amounts in respect of the special voting shares only if CNH Industrial is liquidated, CNH Industrial believes and intends to take the position that the value of each special voting share is minimal. However, because the fair market value of the special voting shares is factual and is not governed by any guidance that directly addresses such a situation, the IRS could assert that the value of the special voting shares (and thus the amount of the distribution) as determined by CNH Industrial is incorrect.

Ownership of Special Voting Shares

CNH Industrial believes that U.S. Shareholders holding special voting shares should not have to recognize income in respect of amounts transferred to the special voting shares dividend reserve that are not paid out as dividends. Section 305 of the Code may, in certain circumstances, require a holder of preferred shares to recognize income even if no dividends are actually received on such shares if the preferred shares are redeemable at a premium and the redemption premium results in a “constructive distribution.” Preferred shares for this purpose refer to shares that do not participate in corporate growth to any significant extent. CNH Industrial believes that Section 305 of the Code should not apply to any amounts transferred to the special voting shares dividend reserve that are not paid out as dividends so as to require current income inclusion by U.S. Shareholders because, among other things, (i) the special voting shares are not redeemable on a specific date and a U.S. Shareholder is only entitled to receive amounts in respect of the special voting shares upon liquidation, (ii) Section 305 of the Code does not require the recognition of income in respect of a redemption premium if the redemption premium does not exceed a de minimis amount and, even if the amounts transferred to the special voting shares dividend reserve that are not paid out as dividends are considered redemption premium, the amount of the redemption premium is likely to be “de minimis” as such term is used in the applicable Treasury Regulations. CNH Industrial therefore intends to take the position that the transfer of amounts to the special voting shares dividend reserve that are not paid out as dividends does not result in a “constructive distribution”, and this determination is binding on all U.S. Shareholders of special voting shares other than a U.S. Shareholder that explicitly discloses its contrary determination in the manner prescribed by the applicable regulations. However, because the tax treatment of the loyalty voting structure is unclear and because CNH Industrial’s determination is not binding on the IRS, it is possible that the IRS could disagree with CNH Industrial’s determination and require current income inclusion in respect of such amounts transferred to the special voting shares dividend reserve that are not paid out as dividends.

Disposition of Special Voting Shares

The tax treatment of a U.S. Shareholder that has its special voting shares redeemed for zero consideration after removing its common shares from the Loyalty Register is unclear. It is possible that a U.S. Shareholder would recognize a loss to the extent of the U.S. Shareholder’s basis in its special voting shares, which should equal the amount that was included in income upon receipt. Such loss would be a capital loss and would be a long-term capital loss if a U.S. Shareholder has held its special voting shares for more than one year. It is also possible that a U.S. Shareholder would not be allowed to recognize a loss upon the redemption of its special voting shares and instead a U.S. Shareholder should increase the basis in its CNH Industrial common shares by an amount equal to the basis in its special voting shares. Such basis increase in a U.S. Shareholder’s CNH Industrial common shares would decrease the gain, or increase the loss, that a U.S. Shareholder would recognize upon the sale or other taxable disposition of its

CNH Industrial common shares.

The U.S. federal income tax treatment of the loyalty voting structure is unclear and U.S. shareholders are urged to consult their tax advisors in respect of the consequences of acquiring, owning, and disposing of special voting shares.

PFIC Considerations

CNH Industrial believes that shares of its stock are not stock of a PFIC for U.S. federal income tax purposes, but this conclusion is a factual determination made annually and thus may be subject to change. If CNH Industrial were to be treated as a PFIC, unless a U.S. Shareholder elects to be taxed annually on a mark-to-market basis with respect to its common shares (as discussed below), any gain realized on the sale or other disposition of CNH Industrial stock would in general not be treated as a capital gain. Instead, if you are a U.S. Shareholder, you would be treated as if you had realized such gain and certain “excess distributions” ratably over a U.S. Shareholder’s holding period for its CNH Industrial stock and would be taxed at the highest tax rate in effect for each such year to which the gain was allocated, together with an interest charge in respect of the tax attributable to CNH Industrial each such year. With certain exceptions, CNH Industrial stock will be treated as stock in a PFIC if CNH Industrial was a PFIC at any time during a U.S.

Shareholder's holding period in its shares. Dividends received from CNH Industrial will not be eligible for the special tax rates applicable to qualified dividend income if CNH Industrial is treated as a PFIC either in the taxable year of the distribution or the preceding taxable year, but instead will be taxable at rates applicable to ordinary income.

If CNH Industrial were to be treated as a PFIC for any taxable year and provided that CNH Industrial common shares are treated as "marketable stock" within the meaning of applicable Treasury Regulations, which CNH Industrial believes will be the case, a U.S. Shareholder may make a mark-to-market election with respect to such U.S. Shareholder's common shares. Under a mark-to-market election, any excess of the fair market value of the CNH Industrial common shares at the close of any taxable year over the U.S. Shareholder's adjusted tax basis in the CNH Industrial common shares is included in the U.S. Shareholder's income as ordinary income. These amounts of ordinary income would not be eligible for the favorable tax rates applicable to qualified dividend income or long-term capital gains. In addition, the excess, if any, of the U.S. Shareholder's adjusted tax basis at the close of any taxable year over the fair market value of the CNH Industrial common shares is deductible in an amount equal to the lesser of the amount of the excess or the amount of the net mark-to-market gains that the U.S. Shareholder included in income in prior years. A U.S. Shareholder's tax basis in CNH Industrial common shares would be adjusted to reflect any such income or loss. Gain realized on the sale, exchange or other disposition of CNH Industrial common shares would be treated as ordinary income, and any loss realized on the sale, exchange or other disposition of CNH Industrial common shares would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included by the U.S. Shareholder

Material U.K. Tax Consequences

This section summarizes the material U.K. tax consequences of the ownership of CNH Industrial common shares for U.S. Shareholders. It is intended only as a general guide and does not purport to be a complete analysis of all potential U.K. tax consequences of holding CNH Industrial common shares. This section is based on current U.K. tax law and what is understood to be the current practice of H.M. Revenue and Customs, as well as on applicable tax treaties. This law and practice and these treaties are subject to change, possibly on a retroactive basis.

This section applies only to shareholders of CNH Industrial that are U.S. Shareholders, that are not resident or domiciled in the U.K., that are not individuals temporarily non-resident in the U.K. for a period of less than five complete tax years, that hold their shares as an investment, and that are the absolute beneficial owner of both the shares and any dividends paid on them. This section does not apply to members of any special class of shareholders subject to special rules, such as:

- a pension fund;
- a charity;
- persons acquiring their shares in connection with an office or employment;
- a dealer in securities;
- an insurance company; or
- a collective investment scheme.

In addition, this section may not apply to:

- any shareholders that, either alone or together, with one or more associated persons, such as personal trusts and connected persons, control directly or indirectly at least 10% of the voting rights or of any class of share capital of CNH Industrial; or
- any person holding shares as a borrower under a stock loan or an interim holder under a repo.

Taxation of Dividends

Withholding from dividend payments

Dividend payments may be made without withholding or deduction for or on account of U.K. income tax.

Non-U.K.-resident shareholders

A shareholder of CNH Industrial common shares that is not resident in the U.K. for U.K. tax purposes will not be liable to account for income or corporation tax in the U.K. on dividends paid on the shares unless the shareholder carries on a trade (or profession or vocation) in the U.K. and the dividends are either a receipt of that trade or, in the case of corporation tax, the shares are held by or for a U.K. permanent establishment through which the trade is carried on.

Some non-U.K.-resident individual shareholders of CNH Industrial common shares will be entitled to a non-repayable U.K. tax credit equal to one-ninth of the amount of the dividend received and brought into the charge to tax including any foreign tax withheld (or 10% of the aggregate of that dividend and tax credit). The U.K. government has issued a consultation draft legislation which would abolish the tax credit for dividends arising, or made, or treated as made, on or after April 6, 2016.

Non-U.K.-resident shareholders that are not otherwise liable to income or corporation tax on dividends will not generally be able to claim repayment of any significant part of the tax credit attaching to dividends from CNH Industrial as the U.K. will levy income tax at the source to offset the amount of the credit. A U.S. Shareholder will not ordinarily be entitled to any cash payment in respect of the tax credit.

A shareholder that is resident outside the U.K. for tax purposes should consult its own tax advisor as to its tax position on dividends received from CNH Industrial.

Taxation of Capital Gains

Non-U.K.-resident shareholders

A disposal of CNH Industrial common shares by a shareholder that is not resident in the U.K. for tax purposes will not give rise to a chargeable gain or allowable loss unless that shareholder carries on a trade, profession or vocation in the U.K. through a branch, agency or permanent establishment and has used, held or acquired CNH Industrial common shares for the purposes of that trade, profession or vocation or that branch, agency or permanent establishment.

Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)

CNH Industrial does not and will not maintain any share register in the U.K. and, accordingly, (i) U.K. stamp duty will not normally be payable in connection with a transfer of common shares, provided that the instrument of transfer is executed and retained outside the U.K. and no other action is taken in the U.K. by the transferor or transferee, and (ii) no U.K. SDRT will be payable in respect of any agreement to transfer CNH Industrial common shares.

Tax Consequences of Participating in the Loyalty Voting Structure

A non-U.K.-resident shareholder that would not be subject to tax on dividends or capital gains in respect of CNH Industrial common shares will not be subject to tax in respect of the special voting shares.

CNH Industrial does not and will not maintain any share register in the U.K. and, accordingly, no liability to U.K. stamp duty or SDRT will arise to shareholders on the issue or repurchase of special voting shares.

Netherlands Taxation

This section summarizes solely the principal Dutch tax consequences of the acquisition, the ownership and the disposal of CNH Industrial common shares and / or special voting shares, by Non-resident holders of such shares (as defined below). It does not consider every aspect of Dutch taxation that may be relevant to a particular holder of shares in CNH Industrial in special circumstances or who is subject to special treatment under applicable law. Shareholders should consult their own tax advisor regarding the Dutch tax consequences of owning and disposing of CNH Industrial common shares and, if applicable, CNH Industrial special voting shares in their particular circumstances.

Where in this summary English terms and expressions are used to refer to Dutch concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Dutch concepts under Dutch tax law. Where in this section the terms “the Netherlands” and “Dutch” are used, these refer solely to the European part of the Kingdom of the Netherlands.

This summary also assumes that the board shall control the conduct of the affairs of CNH Industrial and shall procure that CNH Industrial is organized in accordance with the facts, based upon which the competent authorities of the United Kingdom and the Netherlands have ruled that CNH Industrial should be treated as solely resident of the United Kingdom for the application of the tax treaty as concluded between the United Kingdom and the Netherlands. A change in facts and circumstances based upon which the ruling was issued may invalidate the contents of this section, which will not be updated to reflect any such change.

This summary is based on the tax law of the Netherlands (unpublished case law not included) as it stands at the date of this Form. The law upon which this summary is based is subject to change, perhaps with retroactive effect. Any such change may invalidate the contents of this summary, which will not be updated to reflect such change.

Scope of the Summary

The summary of Dutch taxes set out in this section “Material Dutch tax consequences” only applies to a holder of shares who is a Non-Resident holder of shares. For the purpose of this summary, a holder of shares is a Non-Resident holder of shares if such holder is neither a resident nor deemed to be resident in the Netherlands for purposes of Dutch income tax or corporation tax as the case may be. Where in this Dutch taxation discussion reference is made to “a holder of shares”, that concept includes, without limitation:

1. an owner of one or more shares who in addition to the title to such shares, has an economic interest in such shares;
2. a person who or an entity that holds the entire economic interest in one or more shares;
3. a person who or an entity that holds an interest in an entity, such as a partnership or a mutual fund, that is transparent for Dutch tax purposes, the assets of which comprise one or more shares, within the meaning of 1. or 2. above; or
4. a person who is deemed to hold an interest in shares, as referred to under 1. to 3., pursuant to the attribution rules of article 2.14a, of the Dutch Income Tax Act 2001 (Wet inkomstenbelasting 2001), with respect to property that has been segregated, for instance in a trust or a foundation.

Please note that this summary does not describe the tax considerations for holders of our shares who are individuals and derive benefits from our shares that are a remuneration or deemed to be a remuneration in connection with past, present or future employment performed in the Netherlands or management activities and functions or membership of a management board (bestuurder) or a supervisory board (commissaris) of a Netherlands resident entity by such holder or certain individuals related to such holder (as defined in The Dutch Income Tax Act 2001).

Dividend Withholding Tax

CNH Industrial is generally required to withhold Dutch dividend withholding tax at a rate of 15 percent from dividends distributed by it. The competent authorities of the United Kingdom and the Netherlands have ruled that CNH Industrial is resident of the United Kingdom for the application of the tax treaty as concluded between the Netherlands and the United Kingdom. Consequently payments made by CNH Industrial on the common shares and or the special voting shares to non-resident shareholders may be made free from Dutch dividend withholding tax.

Taxes on income and capital gains from the ownership and disposition of CNH Industrial common shares and / or special voting shares

A Non-resident holder (as defined above) of CNH Industrial common shares and / or special voting shares will not be subject to any Dutch taxes on income or capital gains in respect of any benefits derived or deemed to be derived by such holder from such holder’s CNH Industrial common shares and / or special voting shares, including any capital gain realized on the disposal thereof, unless:

1. such holder derives profits from an enterprise, directly, or pursuant to a co-entitlement to the net value of such enterprise, or other than as a holder of securities which enterprise is either managed in the Netherlands or carried on, in whole or in part, through a permanent establishment or a permanent representative which is taxable in the Netherlands, and such holder’s CNH Industrial common shares and/or special voting shares are attributable to such enterprise; or
2. such holder is an individual and such holder derives benefits from CNH Industrial common shares and/or special voting shares that are taxable as benefits from miscellaneous activities in the Netherlands. Benefits derived or deemed to be derived from certain miscellaneous activities by a child or a foster child who is under eighteen years of age are attributed to the parent who exercises, or the parents who exercise, authority over the child, irrespective of the country of residence of the child.

Gift and Inheritance Taxes

No Dutch gift or inheritance taxes will arise on the transfer of the shares by way of a gift by, or on the death of, a Non-Resident holder of CNH Industrial common shares, unless, in the case of a gift of the shares by an individual, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in the Netherlands.

For purposes of Dutch gift and inheritance taxes, amongst others, an individual that holds the Dutch nationality will be deemed to be resident in the Netherlands if such individual has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his/her death. Additionally, for purposes of Dutch gift tax, amongst others, an individual not holding the Dutch nationality will be deemed to be resident in the Netherlands if such individual has been resident in the Netherlands at any time during the twelve months preceding the date of the gift. Applicable tax treaties may override deemed residency.

Other Taxes and Duties

No Dutch registration tax, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, is payable in the Netherlands by a holder in respect of or in connection with (i) the subscription, issue, placement or allotment of CNH Industrial common shares and / or special voting shares, (ii) the enforcement by way of legal proceedings (including the enforcement of any foreign judgment in the courts of the Netherlands) of the documents relating to the issue of CNH Industrial common shares and / or special voting shares or the performance by CNH Industrial of CNH Industrial's obligations under such documents, or (iii) the transfer of CNH Industrial common shares and / or special voting shares.

F. Dividends and Paying Agents.

Not applicable.

G. Statement of Experts.

Not applicable.

H. Documents on Display.

We file reports, including annual reports on Form 20-F, furnish periodic reports on Form 6-K and other information with the SEC pursuant to the rules and regulations of the SEC that apply to foreign private issuers. These may be read without charge and copied, upon payment of prescribed rates, at the public reference facility maintained by the SEC at Room 1580, 100 F Street, N.E., Washington, D.C. 20549. To obtain information on the operation of the public reference facility, the telephone number is 1-800-SEC-0330. Any SEC filings may also be accessed by visiting the SEC's website at www.sec.gov.

I. Subsidiary Information.

Not applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to the following financial risks connected with our operations:

- credit risk related to our financing activities;
- market risk (primarily exchange rates and interest rates).

We attempt to actively manage these risks.

The quantitative data reported in the following sections does not have any predictive value. In particular, the sensitivity analysis on market risks does not reflect the complexity of the market or the reaction, which may result from any changes that are assumed to take place.

Credit Risk

The maximum credit risk to which we were theoretically exposed at December 31, 2015 is represented by the carrying amounts stated for financial assets in the statement of financial position and the nominal value of the guarantees provided on liabilities or commitments to third parties.

Dealers and final customers are subject to specific assessments of their creditworthiness under a detailed scoring system. In addition to carrying out this evaluation process, we may also obtain financial and non-financial guarantees for risks arising from credit granted for the sale of commercial vehicles, agricultural equipment and construction equipment. These guarantees are further secured, where possible, by retention of title clauses or specific guarantees on financed vehicle sales to the distribution network and on vehicles assigned under finance leasing agreements.

Balances which are objectively uncollectible either in part or for the whole amount are written down on a specific basis if they are individually significant. The amount of the write-down takes into account an estimate of the recoverable cash flows and the date of receipt, the costs of recovery, and the fair value of any guarantees received. Impairment losses are recognized for receivables that are not written down on a specific basis, but rather determined based on historical experience and statistical information.

Receivables for financing activities amounted to \$19,001 million at December 31, 2015 (\$21,472 million at December 31, 2014) containing balances totaling \$552 million (\$650 million at December 31, 2014) that have been written down. In addition, balances totaling \$337 million (\$381 million at December 31, 2014) were either past due or in nonaccrual status. In the event of installment payments, even if only one installment is overdue, the whole amount of the receivable is classified as such.

Trade receivables totaling \$580 million at December 31, 2015 (\$1,054 million at December 31, 2014) contain balances totaling \$174 million (\$207 million at December 31, 2014) that have been written down.

Currency Risk

We are exposed to risk resulting from changes in exchange rates, which can affect our earnings and equity.

Where one of our subsidiaries incurs costs in a currency different from that of its revenues, any change in exchange rates can affect the operating profit/(loss) of that company. In 2015, the total net trade flows exposed to currency risk amounted to the equivalent of 17% of our turnover (18% in 2014). The principal exchange rates to which we are exposed are the following:

- USD/EUR, in relation to the production/purchases of Agricultural Equipment and Construction Equipment in the euro area and to sales in dollars made by Commercial Vehicles;
- USD/BRL and EUR/BRL, in relation to production in Brazil and the respective import/export flows;
- USD/AUD, mainly in relation to sales made by Agricultural Equipment and Construction Equipment in Australia;
- EUR/GBP, predominately in relation to sales on the U.K. market.

Trade flows exposed to changes in these exchange rates in 2015 made up approximately 70% of the exposure to currency risk from trade transactions.

It is our policy to use derivative financial instruments to hedge a certain percentage, on average between 55% and 85%, of the forecasted trading transaction exchange risk exposure for the coming 12 months (including risk beyond that date where it is believed to be appropriate) and to hedge completely the exposure resulting from firm commitments.

Certain subsidiaries may hold trade receivables or payables denominated in a currency different from the subsidiary's functional currency. In addition, in a limited number of cases, subsidiaries may obtain financing or use funds in a currency different from their functional currency. Changes in exchange rates may result in exchange gains or losses arising from these situations. It is our policy to hedge fully, whenever possible, the exposure resulting from receivables, payables, and securities denominated in foreign currencies different from the subsidiary's functional currency.

Certain of our subsidiaries are located in countries outside of the United States. As our reporting currency is the U.S. dollar, the income statements of those subsidiaries are converted into U.S. dollars using the average exchange rate for the period, and while revenues and margins are unchanged in local currency, changes in exchange rates may lead to effects on the converted balances of revenues, costs, and the results reported in U.S. dollars.

The assets and liabilities of consolidated companies whose functional currency is different from the U.S. dollar may acquire converted values in U.S. dollars which differ as a function of the fluctuation in exchange rates.

We monitor our principal exposure to conversion exchange risk, although there was no specific hedging in place at December 31, 2015. There were no substantial changes in 2015 in the nature or structure of exposure to currency risk or in our hedging policies.

Sensitivity Analysis

The potential loss in fair value of derivative financial instruments held for currency risk management (currency swaps/forwards, currency options, interest rate and currency swaps) at December 31, 2015 resulting from a hypothetical change of 10% in the exchange rates amounts to approximately \$258 million (\$255 million at December 31, 2014). The valuation model for currency options assumes that market volatility at year-end remains unchanged.

Receivables, payables, and future trade flows whose hedging transactions have been analyzed were not considered in this analysis. It is reasonable to assume that changes in exchange rates will produce the opposite effect, of an equal or greater amount, on the underlying transactions that have been hedged.

Interest Rate Risk

Our Industrial Activities make use of external funds obtained in the form of financing and invest in monetary and financial market instruments. In addition, we sell receivables. Changes in market interest rates can affect the cost of financing, including the sale of receivables, or the return on investments of funds, causing an impact on the level of net financial expenses incurred by us.

In addition, Financial Services provides loans (mainly to customers and dealers), financing themselves primarily using various forms of external borrowings or asset-backed financing (e.g., securitization of receivables). Where the characteristics of the variability of the interest rate applied to loans granted differ from those of the variability of the cost of the financing/funding obtained, changes in the current level of interest rates can affect our operating profit.

In order to mitigate these risks, we use interest rate derivative financial instruments, mainly interest rate swaps and forward rate agreements.

Sensitivity Analysis

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

The fixed rate financial instruments used by us consist of retail receivables, debt, ABS securities, and other instruments.

The potential loss in fair value of fixed rate financial instruments (including the effect of interest rate derivative financial instruments) held at December 31, 2015, resulting from a hypothetical, unfavorable and instantaneous change of 10% in market interest rates, would have been approximately \$15 million (approximately \$25 million at December 31, 2014).

Floating rate financial instruments consist principally of cash and cash equivalents, wholesale receivables, debt, and ABS securities. The effect of the sale of receivables is also considered in the sensitivity analysis as well as the effect of hedging derivative instruments.

A hypothetical change of 10% in short-term interest rates at December 31, 2015, applied to floating rate financial assets and liabilities, operations for the sale of receivables and derivative financial instruments, would have caused increased net expenses before taxes, on an annual basis, of approximately \$5 million (approximately \$5 million at December 31, 2014).

This analysis is based on the assumption that there is a hypothetical change of 10% in interest rates across homogeneous categories. A homogeneous category is defined on the basis of the currency in which the financial assets and liabilities are denominated.

Item 12. Description of Securities Other than Equity Securities

Not applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 15. Controls and Procedures

(a) Disclosure Controls and Procedures

Under the supervision, and with the participation, of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2015 pursuant to Exchange Act Rule 13a-15(b). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our 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 Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control

No change to our internal control over financial reporting occurred during the year ended December 31, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

(c) Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control system was designed to provide reasonable assurance regarding the preparation and fair presentation of published financial statements in accordance with generally accepted accounting principles.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation in accordance with generally accepted accounting principles.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2015, using the criteria set forth in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, management believes that, as of December 31, 2015, the Company's internal control over financial reporting was effective.

The Company's independent registered public accounting firm has issued an audit report on the effectiveness of the Company's internal control over financial reporting. That report is included herein.

(d) Attestation Report of the Registered Public Accounting Firm
Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

CNH Industrial N.V.

We have audited CNH Industrial N.V.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). CNH Industrial N.V.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, CNH Industrial N.V. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the accompanying consolidated balance sheets of CNH Industrial N.V. and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, cash flows, and changes in equity for each of the three years in the period ended December 31, 2015 of CNH Industrial N.V. and subsidiaries and our report dated March 4, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Chicago, Illinois

March 4, 2016

Item 16A. Audit Committee Financial Expert

Our Board of Directors has determined that members of the audit committee, namely, Peter Kalantzis, John Lanaway, and Jacques Theurillat, are each an audit committee financial expert. All are independent directors under the NYSE standards.

Item 16B. Code of Ethics

We have adopted a code of ethics which is applicable to all employees including our principal executive officer, principal financial officer and the principal accounting officer and controller. This code of ethics is posted on our website,

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www.cnhindustrial.com, and may be found as follows: from our main page, first click on “Governance” and then on “Code of Conduct.”

Item 16C. Principal Accountant Fees and Services

Ernst & Young LLP, the member firms of Ernst & Young and their respective affiliates (collectively, the “Ernst & Young Entities”) were appointed to serve as our independent registered public accounting firm for the years ended December 31, 2015 and 2014. We incurred the following fees from the Ernst & Young Entities for professional services for the years ended December 31, 2015 and 2014, respectively:

	2015	2014
Audit fees	\$9,393,000	\$11,243,000
Audit-related fees	1,189,000	545,000
Other fees	77,000	401,000
Total	\$10,659,000	\$12,189,000

“Audit Fees” are the aggregate fees billed by the Ernst & Young Entities for the audit of our consolidated annual financial statements, reviews of interim financial statements and attestation services that are provided in connection with statutory and regulatory filings or engagements. “Audit-Related Fees” are fees charged by the Ernst & Young Entities for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under “Audit Fees.” This category comprises fees for the audit of employee benefit plans and pension plans, agreed-upon procedure engagements and other attestation services subject to regulatory requirements.

Audit Committee’s Pre-Approval Policies and Procedures

Our Audit Committee nominates and engages our independent registered public accounting firm to audit our consolidated financial statements. Our Audit Committee has a policy requiring management to obtain the Audit Committee’s approval before engaging our independent registered public accounting firm to provide any other audit or permitted non-audit services to us or our subsidiaries. Pursuant to this policy, which is designed to ensure that such engagements do not impair the independence of our independent registered public accounting firm, the Audit Committee reviews and pre-approves (if appropriate) specific audit and non-audit services in the categories Audit Services, Audit-Related Services, Tax Services, and any other services that may be performed by our independent registered public accounting firm. During the year ended December 31, 2015, all audit and non-audit services provided by our independent registered public accounting firm were pre-approved in accordance with such policies and procedures.

Item 16D. Exemptions from the Listing Standards for Audit Committees

None.

Item 16E. Purchase of Equity Securities by the Issuer and Affiliated Purchasers

On January 29, 2016, we announced a buy-back program to repurchase up to \$300 million in common shares from time to time, subject to market and business conditions, as previously authorized at the Annual General Meeting held on April 15, 2015. The purchases are carried out on the MTA, in compliance with applicable rules and regulations, subject to (i) a maximum price per common share equal to the average of the highest price on each of the five trading days prior to the date of acquisition, as shown in the Official Price List of the MTA plus 10% (maximum price) and (ii) a minimum price per common share equal to the average of the lowest price on each of the five trading days prior

to the date of acquisition, as shown in the Official Price List of the MTA minus 10% (minimum price).

Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

CNH Industrial N.V. is a company organized under the laws of the Netherlands and qualifies as a foreign private issuer under the rules and regulations of the SEC and the listing standards of the NYSE. In accordance with the NYSE listing rules related to

corporate governance, listed companies that are foreign private issuers are permitted to follow home-country practice in some circumstances in lieu of the provisions of the corporate governance rules contained in Section 303A of the NYSE Listed Company Manual that are otherwise applicable to listed companies. In addition, we must disclose any significant ways in which our corporate governance practices differ from those followed by domestic U.S. companies listed on the NYSE. In contrast to the NYSE rules applicable to domestic U.S. companies, the Dutch Code is based on a “comply or explain” principle, as a result of which deviation from the specific requirements of the Dutch Code is permissible as long as such deviation is explained.

Both the Dutch and NYSE corporate governance regimes were adopted with the goal of restoring trust and confidence in the honesty, integrity and transparency of how business is conducted at and by public companies. Because these corporate governance regimes are based on the same principles, they are similar in many respects. However, certain differences exist between Dutch and NYSE corporate governance rules, as summarized below. We believe that our corporate governance practices and guidelines are consistent, in principle, with those required of U.S. companies listed on the NYSE.

The discussion below summarizes the significant differences between our corporate governance practices and the NYSE standards applicable to U.S. companies.

Dutch legal requirements concerning director independence differ in certain respects from the rules applicable to U.S. companies listed on the NYSE. While under most circumstances both regimes require that a majority of board members be “independent,” the definition of this term under Dutch law differs from the definition used under the NYSE corporate governance standards. In some cases the Dutch requirements are more stringent, such as by requiring a longer “look-back” period (five years) for former executive directors and employees and by requiring that all but one non-executive board member be “independent”. Currently, a majority of our Board (seven of the eleven members) are “independent” under the NYSE definition and the Dutch Code. Under the Dutch Code, non-executive directors of CNH Industrial N.V. must not be a non-executive director of more than five other “large” Dutch companies (as defined in the Dutch Code).

The NYSE requires that, when an audit committee member of a U.S. domestic listed company serves on four or more audit committees of public companies, the listed company should disclose (either on its website or in its annual proxy statement or annual report on Form 10-K) that the board of directors has determined that this simultaneous service would not impair the director’s service to the listed company. Dutch law does not require the Company to make such a determination.

NYSE rules require a domestic U.S. listed company to have a compensation committee and a nominating/corporate governance committee composed entirely of independent directors. As a foreign private issuer, we do not have to comply with this requirement, although we do have a Compensation Committee and a Governance and Sustainability Committee. Our Compensation Committee Charter states that a maximum of one member of the Compensation Committee may not be independent. One of the four members of the Compensation Committee is considered non-independent under the NYSE standards. In addition, the Dutch Code provides that the Compensation Committee may not be chaired by a member of the management board of another listed company. The composition of the Compensation Committee is such that its chairman is also an executive director of the board of directors of another listed company (which, however, operates in a different industry). Our Governance and Sustainability Committee Charter states that a maximum of two members of the Governance and Sustainability Committee may not be independent. Two of the three members of the Governance and Sustainability Committee are considered non-independent under the NYSE standards.

In contrast to NYSE rules applicable to U.S. companies, which require that external auditors be appointed by the Audit Committee, the general rule under Dutch law is that external auditors are appointed by the company’s general

meeting of shareholders. In accordance with the requirements of Dutch law, the appointment and removal of our independent registered public accounting firm must be resolved upon by our general meeting of shareholders. We seek to follow best practices as contemplated by the NYSE standards by vesting in our Audit Committee responsibility for the recommendation to the shareholders of the appointment and compensation of the independent registered public accounting firm. Our Audit Committee also oversees and evaluates the work of our independent registered public accounting firm.

Under NYSE listing standards, shareholders of U.S. companies must be given the opportunity to vote on all equity compensation plans and to approve material revisions to those plans, with limited exceptions set forth in the NYSE rules. As a foreign private issuer we are permitted to follow our home country laws regarding shareholder approval of compensation plans, and, under Dutch law and the Dutch Code, such approval from shareholders is not required for equity compensation plans for employees to the extent the authority to grant rights has been delegated by the shareholders to the Board except that shareholder approval is required for equity grants to the members of the Board. For equity compensation for members of the Board and/or in the event that the authority to issue shares and/or rights to subscribe for shares has not been delegated to the Board, approval of the general meeting of shareholders is required.

While NYSE rules do not require listed companies to have shareholders approve or declare dividends, the Dutch Code recommends that a dividend distribution be a separate agenda item in the general meeting of shareholders, in which the annual accounts are adopted. In our case, Articles 18 and 22 of our Articles of Association provide that annual dividends must be resolved upon by our general meeting of shareholders. For a discussion of our dividend policy, see “Item 10. Additional Information—B. Memorandum and Articles of Association—Payment of Dividends.”

In accordance with the corporate governance rules of the NYSE applicable to foreign private issuers, we also disclose these differences between our corporate governance practices and those required of domestic companies by the NYSE listing standards on our website at www.cnhindustrial.com.

Item 16H. Mine Safety Disclosure

Not applicable.

PART III

Item 17. Financial Statements

We have responded to Item 18 in lieu of responding to this item.

Item 18. Financial Statements

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CNH INDUSTRIAL N.V. AND SUBSIDIARIES

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Item 19. Exhibits

A list of exhibits included as part of this annual report on Form 20-F is set forth in the Index to Exhibits that immediately follows the signature page of this annual report on Form 20-F.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

CNH Industrial N.V.

We have audited the accompanying consolidated balance sheets of CNH Industrial N.V. and subsidiaries (the Company) as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, cash flows, and changes in equity for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of CNH Industrial N.V. and subsidiaries at December 31, 2015 and 2014, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information in Note 21 to the consolidated financial statements for "Industrial Activities" and "Financial Services" is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information as of December 31, 2015 and 2014 and for the years then ended has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), CNH Industrial N.V.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 4, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Chicago, Illinois

March 4, 2016

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CNH INDUSTRIAL N.V.

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2015, 2014 and 2013

	2015	2014	2013
	(in millions)		
Revenues			
Net sales	\$24,677	\$31,196	\$32,632
Finance and interest income	1,235	1,359	1,204
Total Revenues	\$25,912	\$32,555	\$33,836
Costs and Expenses			
Cost of goods sold	\$20,357	\$25,534	\$26,551
Selling, general and administrative expenses	2,317	2,925	3,094
Research and development expenses	856	1,106	1,222
Restructuring expenses	84	184	71
Interest expense	1,106	1,318	1,196
Other, net	625	399	328
Total Costs and Expenses	\$25,345	\$31,466	\$32,462
Income before income taxes and equity in income of unconsolidated subsidiaries and affiliates			
	567	1,089	1,374
Income taxes	360	467	671
Equity in income of unconsolidated subsidiaries and affiliates	41	86	125
Net income	248	708	828
Net income (loss) attributable to noncontrolling interests	(5)	(2)	151
Net income attributable to CNH Industrial N.V.	\$253	\$710	\$677
Earnings per share attributable to common shareholders			
Basic	\$0.19	\$0.52	\$0.54
Diluted	\$0.19	\$0.52	\$0.54
Cash dividends declared per common share	\$0.214	\$0.277	\$0.293

The accompanying notes to consolidated financial statements are an integral part of these statements.

CNH INDUSTRIAL N.V.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2015, 2014 and 2013

	2015	2014	2013
	(in millions)		
Net income	\$248	\$708	\$828
Other comprehensive income (loss), net of tax			
Unrealized gain (loss) on cash flow hedges	120	(166)	94
Changes in retirement plans' funded status	158	(282)	87
Foreign currency translation	(359)	125	(510)
Unrealized loss on available for sale securities	—	—	(1)
Share of other comprehensive loss of entities using the equity method	(47)	(44)	(23)
Other comprehensive loss, net of tax	(128)	(367)	(353)
Comprehensive income	120	341	475
Less: comprehensive income (loss) attributable to noncontrolling interests	(7)	(6)	132
Comprehensive income attributable to CNH Industrial N.V.	\$127	\$347	\$343

The accompanying notes to consolidated financial statements are an integral part of these statements.

CNH INDUSTRIAL N.V.

CONSOLIDATED BALANCE SHEETS

As of December 31, 2015 and 2014

	December 31, 2015	December 31, 2014
	(in millions)	
Cash and cash equivalents	\$5,384	\$ 5,163
Restricted cash	927	978
Trade receivables, net	580	1,054
Financing receivables, net	19,001	21,472
Inventories, net	5,690	7,008
Property, plant and equipment, net	6,481	6,865
Investments in unconsolidated subsidiaries and affiliates	527	605
Equipment under operating leases	1,835	1,518
Goodwill	2,447	2,484
Other intangible assets, net	810	850
Deferred tax assets	1,250	1,747
Derivative assets	211	205
Other assets	1,603	1,964
TOTAL ASSETS	\$46,746	\$ 51,913
Debt	\$26,388	\$ 29,594
Trade payables	5,342	5,982
Deferred tax liabilities	334	452
Pension, postretirement and other postemployment benefits	2,282	2,614
Derivative liabilities	69	235
Other liabilities	7,470	8,059
Total Liabilities	\$41,885	\$ 46,936
Redeemable noncontrolling interest	18	16
Common shares, € 0.01, par value; outstanding 1,362,048,989 common shares and 413,249,206 special voting shares in 2015; and outstanding 1,355,319,640 common shares and 415,399,503 special voting shares in 2014	25	25
Additional paid in capital	4,399	4,342
Retained earnings	2,241	2,291
Accumulated other comprehensive loss	(1,863)	(1,736)
Noncontrolling interests	41	39
Equity	\$4,843	\$ 4,961
TOTAL EQUITY AND LIABILITIES	\$46,746	\$ 51,913

The accompanying notes to consolidated financial statements are an integral part of these statements.

CNH INDUSTRIAL N.V.

CONSOLIDATED BALANCE SHEETS — (Continued)

As of December 31, 2015 and 2014

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.

	December 31, 2015 2014 (in millions)	
Restricted cash	\$849	\$ 971
Financing receivables	11,361	11,563
Equipment on operating leases, net	—	83
Total Assets	\$12,210	\$ 12,617
Debt	\$11,592	\$ 11,962
Total Liabilities	\$11,592	\$ 11,962

The accompanying notes to consolidated financial statements are an integral part of these statements.

CNH INDUSTRIAL N.V.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2015, 2014 and 2013

	2015	2014	2013
	(in millions)		
Operating activities:			
Net income	\$248	\$708	\$828
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Depreciation and amortization expense, net of assets under operating lease and assets sold under buy-back commitments	699	731	690
Depreciation and amortization expense of assets under operating lease and assets sold under buy-back commitments			
	447	409	413
(Gain) loss from disposal of assets	(2)	8	25
Undistributed income (loss) of unconsolidated subsidiaries	40	3	(44)
Other non-cash items	331	254	196
Changes in operating assets and liabilities:			
Provisions	(48)	121	107
Deferred income taxes	119	(39)	(59)
Trade and financing receivables related to sales, net	279	(810)	(658)
Inventories, net	473	(172)	(1,205)
Trade payables	(161)	(862)	963
Other assets and liabilities	357	330	266
Net cash provided by operating activities	2,782	681	1,522
Investing activities:			
Additions to retail receivables	(4,498)	(6,467)	(7,511)
Collections of retail receivables	5,146	6,506	6,043
Proceeds from the sale of assets, net of assets under operating leases and assets sold under buy-back commitments			
	11	25	7
Proceeds from the sale of assets previously under operating leases and assets sold under buy-back commitments			
	726	577	466
Expenditures for property, plant and equipment and intangible assets, net of assets under operating lease and assets sold under buy-back commitments			
	(656)	(1,022)	(1,227)
Expenditures for assets under operating leases and assets sold under buy-back commitments			
	(1,851)	(1,814)	(1,439)

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Other	190	236	(127)
Net cash used by investing activities	(932)	(1,959)	(3,788)
Financing activities:			
Proceeds from long-term debt	9,927	17,377	12,464
Payments of long-term debt	(10,668)	(15,323)	(9,988)
Net increase (decrease) in other financial liabilities	84	(325)	514
Dividends paid	(297)	(382)	(368)
Other	23	18	(6)
Net cash provided (used) by financing activities	(931)	1,365	2,616
Effect of foreign exchange rate changes on cash and cash equivalents	(698)	(491)	18
Increase (decrease) in cash and cash equivalents	221	(404)	368
Cash and cash equivalents, beginning of year	5,163	5,567	5,199
Cash and cash equivalents, end of year	\$5,384	\$5,163	\$5,567

The accompanying notes to consolidated financial statements are an integral part of these statements.

CNH INDUSTRIAL N.V.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2015, 2014 and 2013

	Additional		Accumulated		Other		Redeemable	
	Common Shares	Paid-in Capital	Retained Earnings	Income (Loss)	Noncontrolling Interests	Total	Noncontrolling Interest	
	(in millions)							
Balance, January 1, 2013	\$2,565	\$ 577	\$ 1,693	\$ (911)	\$ 901	\$4,825	\$ 7	
Net income	—	—	677	—	144	821	7	
Other comprehensive loss, net of tax	—	—	—	(334)	(19)	(353)	—	
Dividend paid	—	—	(366)	—	—	(366)	(2)	
Increase in noncontrolling interest due to								
change in ownership	—	(44)	—	—	64	20	—	
Share-based compensation expense	—	29	(8)	—	—	21	—	
Other changes	—	—	(30)	—	17	(13)	—	
Impact from the merger								
—Cancellation of Fiat Industrial S.p.A. share								
capital and issuance of CNH Industrial N.V.								
share capital	(2,541)	2,541	—	—	—	—	—	
—Purchase of ownership interests in CNH								
Global N.V. from non-controlling interests	1	1,180	—	(128)	(1,053)	—	—	
Balance, December 31, 2013	\$25	\$ 4,283	\$ 1,966	\$ (1,373)	\$ 54	\$4,955	\$ 12	
Net income (loss)	—	—	710	—	(10)	700	8	
	—	—	—	(363)	(4)	(367)	—	

Other comprehensive loss, net of tax							
Dividend paid	—	—	(375)	—	(3)	(378)	(4)
Share-based compensation expense	—	49	—	—	—	49	—
Issuance of common shares	—	10	—	—	—	10	—
Other changes	—	—	(10)	—	2	(8)	—
Balance, December 31, 2014	\$25	\$ 4,342	\$ 2,291	\$ (1,736)	\$ 39	\$4,961	\$ 16
Net income (loss)	—	—	253	—	(12)	241	7
Other comprehensive loss, net of tax							
Dividend paid	—	—	—	(127)	(1)	(128)	—
Share-based compensation expense	—	49	—	—	—	49	—
Capital increase	—	8	—	—	16	24	—
Other changes	—	—	(12)	—	—	(12)	—
Balance, December 31, 2015	\$25	\$ 4,399	\$ 2,241	\$ (1,863)	\$ 41	\$4,843	\$ 18

The accompanying notes to consolidated financial statements are an integral part of these statements.

CNH INDUSTRIAL N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Nature of Operations

CNH Industrial N.V. (“CNH Industrial” or the “Company”) is incorporated in, and under the laws of, the Netherlands. CNH Industrial is a leading company in the capital goods sector that, through its various businesses, designs, produces and sells agricultural equipment and construction equipment, trucks, commercial vehicles, buses and specialty vehicles for firefighting, defense and other uses, as well as engines, transmissions and axles for those vehicles and engines for marine and power generation applications (see “Note 19: Segment Reporting”). In addition, CNH Industrial’s Financial Services segment offers an array of financial products and services, including retail financing for the purchase or lease of new and used CNH Industrial and other manufacturers’ products and other retail financing programs and wholesale financing to dealers.

The Company was formed as a result of the business combination transaction between Fiat Industrial S.p.A. (“Fiat Industrial” and, together with its subsidiaries, the “Fiat Industrial Group”) and CNH Global N.V. (“CNH Global”).

The deeds of merger for the mergers of Fiat Industrial and CNH Global with and into CNH Industrial (the “Merger”) were executed, respectively, on September 27 and 28, 2013. The effective date of the Merger was September 29, 2013. A primary objective of the Merger was to simplify the capital structure of Fiat Industrial (CNH Industrial subsequent to the Merger) by creating a single class of liquid stock listed on the NYSE and on the MTA. The principal steps in the Merger were:

- the cross-border merger of Fiat Netherlands Holding N.V. (“FNH”) with and into Fiat Industrial (the “FNH Merger”), which occurred on August 1, 2013;
- the cross-border reverse merger of Fiat Industrial with and into FI CBM Holdings N.V. (now known as CNH Industrial) (the “FI Merger”); and
- the Dutch merger of CNH Global with and into FI CBM Holdings N.V. (the “CNH Merger”).

All the companies (i.e., Fiat Industrial, FI CBM Holdings N.V. (now known as CNH Industrial), FNH and CNH Global) involved in the Merger were part of Fiat Industrial. In particular:

- (i) FNH was a wholly-owned direct subsidiary of Fiat Industrial;
- (ii) FI CBM Holdings N.V. (now known as CNH Industrial) was a wholly-owned direct subsidiary of Fiat Industrial; and
- (iii) CNH Global was an indirect subsidiary of Fiat Industrial (controlled through FNH which owned approximately 87% of CNH Global’s capital stock).

In connection with the FI Merger, Fiat Industrial shareholders received one newly issued common share in CNH Industrial (having a nominal value of €0.01 each) for each ordinary share held in Fiat Industrial (having a nominal value of €1.57 each). In connection with the CNH Merger, CNH Global shareholders received 3.828 newly issued CNH Industrial common shares (having a nominal value of €0.01 each) for each common share held in CNH Global (having a nominal value of €2.25 each).

Prior to the Merger, Fiat Industrial owned approximately 87% of CNH Global’s outstanding common shares through FNH. As the Merger represents a “business combination involving entities or businesses under common control”, it is outside the scope of application of Accounting Standards Codification 805—Business Combinations. Accordingly, no adjustments were made to the carrying amounts of the assets and liabilities of Fiat Industrial. This resulted in the

amounts recognized in the consolidated balance sheet post-merger being equal to those reported in the consolidated balance sheet of Fiat Industrial pre-merger. The only significant accounting effect of the Merger was the post-merger attribution to owners of the parent company of the previous noncontrolling interests in CNH Global N.V. As a result of the Merger, \$1,053 million of noncontrolling interests were reclassified to equity attributable to the parent.

On January 1, 2011, Fiat S.p.A. (which effective October 12, 2014 was merged into Fiat Chrysler Automobiles N.V. or “FCA”) effected a “demerger” under Article 2506 of the Italian Civil Code (the “Demerger”). Pursuant to the Demerger, Fiat transferred its ownership interest in FNH to a new holding company, Fiat Industrial, including Fiat’s indirect ownership of CNH Global, as well as Fiat’s truck and commercial vehicles business and its industrial and marine powertrain business. Consequently, as of January 1, 2011, CNH Global became a subsidiary of Fiat Industrial. In connection with the Demerger, shareholders of Fiat received shares of capital stock of Fiat Industrial. Accordingly, as of January 1, 2011, Fiat Industrial owned approximately 89% of CNH Global’s outstanding common shares through FNH. Fiat Industrial was a corporation organized under the laws of the Republic of Italy whose stock was traded on the Milan stock exchange.

Following the Merger between Fiat Industrial and CNH Global, the Company realigned its reportable segments reflecting the five businesses now directly managed by CNH Industrial N.V., consisting of: (i) Agricultural Equipment, which designs, produces and sells agricultural equipment (ii) Construction Equipment, which designs, produces and sells construction equipment (iii) Commercial Vehicles, which designs, produces and sell trucks, commercial vehicles, buses, and specialty vehicles (iv) Powertrain, which produces and sells engines, transmissions and axles for those vehicles and engines for marine and power generation applications; and (v) Financial Services, which provides financial services to the customers of our products. The Company’s worldwide agricultural equipment, construction equipment, commercial vehicles, powertrain operations as well as corporate functions are collectively referred to as “Industrial Activities”.

Note 2: Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

CNH Industrial has prepared the accompanying consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The consolidated financial statements include CNH Industrial N.V. and its consolidated subsidiaries. The consolidated financial statements are expressed in U.S. dollars and, unless otherwise indicated, all financial data set forth in these consolidated financial statements are expressed in U.S. dollars. The consolidated financial statements include the accounts of CNH Industrial’s subsidiaries in which CNH Industrial 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 an entity or based on CNH Industrial’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.

Investments in unconsolidated subsidiaries and affiliates are accounted for using the equity method when CNH Industrial does not have a controlling interest, but exercises significant influence. Under this method, the investment is initially recorded at cost and is increased or decreased by CNH Industrial’s proportionate share of the entity’s respective net income or loss. Dividends received from these entities reduce the carrying value of the investments.

Business Combinations

Business combinations are accounted for by applying the acquisition method. Under this method, the consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred and liabilities assumed by the Company and the equity interests issued in exchange

for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

On November 26, 2014, the Company completed the acquisition of substantially all of the assets of Miller-St. Nazianz, Inc. (“Miller”) for a total consideration of \$106 million. The acquisition was funded using existing cash balances. Miller is a leading manufacturer of precision spraying equipment. The results of the acquired business for the period from the acquisition date are included in the accompanying consolidated financial statements and are reported in the Agricultural Equipment segment. Pro forma results of operations related to this acquisition have not been presented because they are not material to the Company’s consolidated statements of operations.

Of the \$106 million purchase price, \$12 million was attributable to accounts receivable, \$18 million to inventory, \$16 million to property, plant, and equipment, \$8 million to goodwill, \$62 million to other intangible assets and \$10 million to liabilities assumed.

For the intangible assets acquired, the dealer network has a useful life of 20 years, trademarks have a useful life of 3 years, the order backlog has a useful life of 1 year, the patent portfolio has a useful life of 10 years, and developed technology has a useful life of 10 years.

Goodwill generated from the business acquisition is primarily attributable to access to Miller technology and expected synergies from geographic and network expansion, utilization of Powertrain engines in Miller sprayers and cost savings as a result of increased purchasing power and operational synergies. Goodwill of \$8 million was deductible for tax purposes.

There were no significant business combinations in 2015.

Use of Estimates in the Preparation of Financial Statements

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and reported amounts of revenues and expenses. Significant estimates in these consolidated financial statements include the realizable value of property, plant and equipment, goodwill and other intangibles; residual values of equipment on operating leases; allowance for credit losses; tax contingencies; liabilities for warranties; sales allowances; and assets and obligations related to employee benefits.

Revenue Recognition

Industrial Activities record sales of equipment and replacement parts when title and all risks of ownership have transferred to the independent dealer or other customer according to the terms of sale, generally upon shipment or delivery of goods. Revenue for certain transactions is recognized when the special order goods are available for a limited pickup period when requested in advance by a qualifying customer and risks and rewards of ownership have transferred. Dealers may not return equipment while the applicable dealer contract remains in place. Replacement parts may be returned on a limited basis. In the U.S. and Canada, if a dealer contract is terminated for any reason, CNH Industrial may be obligated to repurchase new equipment from the dealer.

For all sales, no significant uncertainty exists surrounding the purchaser's obligation to pay for the equipment and replacement parts. CNH Industrial records appropriate allowance for credit losses and anticipated returns as necessary. Receivables are due upon the earlier of payment terms discussed below or sale to the retail customer. Fixed payment schedules exist for all sales to dealers, but payment terms vary by geographic market and product line. In connection with these payment terms, CNH Industrial offers wholesale financing to many of its dealers including "interest-free" financing for specified periods of time which also vary by geographic market and product line. Interest is charged to dealers after the end of the "interest-free" period. Sales to dealers that do not qualify for an "interest-free" period are generally subject to payment terms of 30 days or less.

New vehicle sales with a buy-back commitment are not recognized at the time of delivery but are accounted for as operating leases. More specifically, vehicles sold with a buy-back commitment by Commercial Vehicles are accounted for as property, plant and equipment because agreements usually have a long-term buy-back commitment. The difference between the carrying value (corresponding to the manufacturing cost) and the estimated resale value (net of refurbishing costs) at the end of the buy-back period is depreciated on a straight-line basis over the same period. The initial sale price received is recognized as an advance payment in "Other liabilities". The difference between the initial sale price and the buy-back price is recognized as rental revenue on a straight-line basis over the term of the operating lease.

Revenues from the sale of extended warranties and maintenance contracts are recognized over the life of the contract and matched to related costs. Given their nature, profit on these contracts is recognized only when all associated costs can be estimated reliably, which is generally in the final period of the contractual term. In the event that estimated costs to fulfill the contract obligations exceed contract revenues, the estimated contract loss is recognized as soon as it is identified and recorded in "Other liabilities."

Shipping and other transportation costs are recorded in “Cost of goods sold.”

Finance and interest income on retail and other notes receivables and finance leases is recorded using the effective yield method. Deferred costs on the origination of financing receivables are recognized as a reduction in finance revenue over the expected lives of the receivables using the effective yield method. Recognition of income on loans is suspended when management determines that collection of future income is not probable or when an account becomes 120 days delinquent, whichever occurs earlier. Interest accrual is resumed when and if the receivable becomes contractually current and collection becomes probable. Previously suspended income is recognized at that time. The Company applies cash received on nonaccrual financing receivables to first reduce any unrecognized interest and then the recorded investment and any other fees. 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. 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.

Income from operating leases is recognized over the term of the lease on a straight-line basis.

Sales Allowances

CNH Industrial grants certain sales incentives to support sales of its products to retail customers. The expense for such incentive programs is recorded as a deduction in arriving at the net sales amount at the time of the sale of the product to the dealer. The expense for new programs is accrued at the inception of the program. The amounts of incentives to be paid are estimated based upon historical data, estimated future market demand for products, field inventory levels, announced incentive programs, competitive pricing and interest rates, among other things.

Warranty Costs

At the time a sale of equipment or parts to a dealer is recognized, CNH Industrial records the estimated future warranty costs for the product, primarily basic warranty coverage. CNH Industrial determines its total warranty liability by applying historical claims rate experience, while considering specific contractual terms, to the park of equipment that has been sold and is still under warranty. Campaigns are formal post-production modification programs approved by management. The liabilities for such programs are recognized when approved, based on an estimate of the total cost of the program.

Advertising

CNH Industrial expenses advertising costs as incurred. Advertising expense totaled \$155 million, \$218 million, and \$241 million for the years ended December 31, 2015, 2014, and 2013, respectively.

Research and Development

Research and development costs are expensed as incurred.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized and amortized over the useful life of the class of assets to which they refer.

All other borrowing costs are expensed when incurred.

Government Grants

Government grants are recognized in the financial statements when there is reasonable assurance that the company concerned will comply with the conditions for receiving such grants and that the grants themselves will be received. Government grants are recognized as income over the periods necessary to match them with the related costs which they are intended to offset.

The benefit of a government loan at a below-market rate of interest is treated as a government grant. The benefit of the below-market rate of interest is measured as the difference between the initial carrying amount of the loan (fair value plus transaction costs) and the proceeds received, and is accounted for in accordance with the policies already used for the recognition of government grants.

Foreign Currency

Certain of CNH Industrial's non-U.S. subsidiaries and affiliates maintain their books and accounting records using local currency as the functional currency. Assets and liabilities of these non-U.S. subsidiaries are translated into U.S. dollars at period-end exchange rates, and net exchange gains or losses resulting from such translation are included in "Accumulated other comprehensive income (loss)" in the accompanying consolidated balance sheets. Income and expense accounts of these non-U.S. subsidiaries are translated at the average exchange rates for the period. Gains and losses from foreign currency transactions are included in net income in the period during which they arise. Net foreign currency transaction gains and losses are reflected in "Other, net" in the accompanying consolidated statements of operations. For the years ended December 31, 2015, 2014, and 2013, the Company recorded a net loss of \$581 million, \$340 million and \$68 million, respectively. Included in the net loss in 2015 and 2014 was the re-measurement charges of \$150 million and \$71 million, respectively, on the Venezuelan bolivar fuerte ("Bs.F., or "bolivars") rate described below, as well as a charge of \$40 million due to the devaluation of net monetary assets of Argentinian subsidiaries. As described in "Note 14: Financial Instruments", the Company uses hedging instruments to mitigate foreign currency risk. Net of the gains realized on foreign currency hedging instruments, the Company recorded a loss of \$289 million, \$132 million and \$40 million for the three years ended December 31, 2015, 2014 and 2013, respectively.

The functional currency of CNH Industrial's Venezuelan subsidiary is the U.S. dollar. At the end of each period, CNH Industrial re-measures the net monetary assets of its Venezuelan subsidiary from the bolivars to the U.S. dollar at the rate it believes is legally available to the Company. As of December 31, 2015, there was a three-tiered exchange rate mechanism in Venezuela for exchanging bolivars into U.S. dollars: (1) the government-operated National Center of Foreign Commerce (CENCOEX), which has a fixed exchange rate of 6.3 bolivars per U.S. dollar mainly intended for the import of essential goods and services by designated industry sectors; (2) the auction-based Supplementary Foreign Currency Administration System (SICAD), which is intended for certain transactions, including foreign investments with a rate of 13.5 Bs.F. per U.S. dollar; and (3) an open market Marginal Foreign Exchange System (SIMADI), established in February 2015, which is available to companies and individuals to exchange foreign currency based on supply and demand, with a rate of 198.70 Bs.F. per U.S. dollar.

Based on changes to the way Venezuela's exchange rate mechanism operated, in 2014 CNH Industrial changed the Bs.F. rate used to re-measure its Venezuelan subsidiary's financial statements in U.S. dollars. Effective March 31, 2014, CNH Industrial began using the exchange rate determined by U.S. dollar auctions conducted under the SICAD I. As a result, in the first quarter of 2014, CNH Industrial recorded a pre- and after-tax re-measurement charge of \$64 million.

Until June 30, 2015, CNH Industrial considered the SICAD rate the appropriate rate to use to convert the net monetary assets denominated in bolivars of its Venezuelan subsidiary. The SICAD exchange rate used at June 30, 2015 was 12.8 Bs.F. to the U.S. dollar, the latest rate at which, at the beginning of July 2015, bolivars were exchanged for U.S. dollars in a SICAD auction to which the Venezuelan subsidiary was admitted.

During the third quarter of 2015, due to the progressively deteriorating economic conditions in Venezuela, and the limited availability of U.S. dollars, CNH Industrial determined that the SIMADI exchange rate is the most appropriate rate to use as of September 30, 2015. As a result, the Company adopted the SIMADI exchange rate in the third quarter to re-measure the net monetary assets denominated in bolivars and to convert revenues and expenses of its Venezuelan subsidiary adopting the SIMADI rate of Bs.F 199.42 per U.S. dollar. The Company now considers the SIMADI rate more reflective of the current economic environment in Venezuela and future transactions at the SICAD rate appear highly unlikely. As a result, CNH Industrial recorded in "Other, net" in the consolidated statement of operations, for the three and nine months ended September 30, 2015, a pre- and after-tax charge of \$150 million primarily related to this re-measurement. In this context, the Company assessed the non-monetary assets of its Venezuelan operations for impairment, which resulted in no additional charges. Following the adoption of the SIMADI rate and related re-measurement, CNH Industrial's results of operations in Venezuela in the six months ended December 31, 2015 generated less than 1% of both the Company's net revenues and operating profit.

As of December 31, 2015, the Company continues to control and therefore consolidate its Venezuelan operations. Despite the significant macroeconomic challenges in the country, CNH Industrial intends to continue its presence in the Venezuelan market for the foreseeable future. CNH Industrial continues to monitor the Venezuelan economic situation and is actively engaged in discussions with the Venezuelan government agencies concerning its ongoing business activities. If, in the future, it concludes that it no longer maintains control over its operations in Venezuela, CNH Industrial may need to de-consolidate its operations in Venezuela, which would result in a pre- and after-tax charge of approximately \$130 million using the December 31, 2015 rate of 198.70 Bs.F. per U.S. dollar.

On February 17, 2016, the Venezuelan government devalued its currency and introduced further changes to its exchange rate mechanism. See "Note 23: Subsequent Events" for further information.

The functional currency of CNH Industrial's Argentinian subsidiaries is the U.S. dollar. At the end of each period, CNH Industrial translates the net monetary assets of its Argentinian subsidiaries from the Argentine Peso into the U.S. dollar. During the month of December 2015, CNH Industrial recorded a \$40 million charge following the devaluation

of Argentine Peso. Additionally in December 2015, CNH Industrial subscribed \$50 million bonds offered to importers by the Argentinian government in order to help importers settle their backlog of payments that had ballooned under the previous government's capital controls. These bonds yield a 6% interest rate and will be repaid in eight monthly installments between May 2016 and December 2016. These financial instruments should facilitate the settlement, by CNH Industrial's Argentinian subsidiaries, of payables due to other non-Argentinian subsidiaries, having fixed the exchange rate at the bond issuance.

Cash and Cash Equivalents

Cash equivalents are highly liquid investments with an original maturity of three months or less. The carrying value of cash equivalents approximates fair value because of the short maturity of these investments.

Restricted Cash

Restricted cash includes principal and interest payments from retail notes, wholesale receivables and commercial revolving accounts receivable owned by the consolidated VIEs that are payable to the VIEs' investors, and cash pledged as a credit enhancement to the same investors. These amounts are held by depository banks in order to comply with contractual agreements.

Cash Flow Information

All cash flows from the changes in trade accounts and notes receivable are classified as operating activities in the consolidated statements of cash flows as these receivables arise from sales to CNH Industrial's customers. Cash flows from financing receivables that are related to sales to CNH Industrial's dealers are also included in operating activities. CNH Industrial's financing of receivables related to equipment sold by dealers is included in investing activities.

CNH Industrial paid interest of \$945 million, \$944 million, and \$1,013 million for the years ended December 31, 2015, 2014, and 2013, respectively.

CNH Industrial paid taxes of \$345 million, \$744 million, and \$521 million in 2015, 2014, and 2013, respectively.

Receivables

Receivables are recorded at amortized cost, net of allowances for credit losses and deferred fees and costs.

Periodically, the Company sells or transfers retail notes, wholesale receivables and commercial revolving accounts receivable to funding facilities or in securitization transactions. In accordance with the accounting guidance regarding transfers of financial assets and the consolidation of VIEs, the retail notes, wholesale receivables and commercial revolving accounts receivable sold in securitizations do not qualify as sales and are recorded as secured borrowings with no gains or losses recognized at the time of securitization. Receivables associated with these securitization transactions and receivables that the Company has the ability and intent to hold for the foreseeable future are classified as held for investment. The substantial majority of our receivables, which include unrestricted receivables and restricted receivables for securitization investors, are classified as held for investment.

Allowance for Credit Losses

The allowance for credit losses is the Company's estimate of probable losses on 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 of the contractual principal and interest. 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 present value of expected future cash flows discounted at the receivables' effective interest rate or the fair value of the collateral for collateral-dependent receivables.

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 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 allowance for wholesale credit losses is based on loss forecast models that consider the same factors as the retail models plus dealer risk ratings. 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.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out method. The cost of finished goods and work-in-progress includes the cost of raw materials, other direct costs and production overheads.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation. Expenditures for maintenance and repairs are expensed as incurred.

Property, plant and equipment also include vehicles sold with a buy-back commitment, which are recognized under the method described in the paragraph Revenue Recognition.

Assets held under capital leases, which the Company assumes substantially all the risks and rewards of ownership, are recognized as assets of the Company at the lower of fair value or present value of the minimum lease payments. The corresponding liability to the lessor is included in the financial statements as debt.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the respective assets as follows:

Category	Lives
Buildings and improvements	10 — 40 years
Plant, machinery and equipment	5 — 25 years
Other equipment	3 — 10 years

CNH Industrial evaluates the recoverability of the carrying amount of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. If circumstances require a long-lived asset to be tested for possible impairment, CNH Industrial compares the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If the carrying amount of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value.

Equipment on Operating Leases

Financial Services purchases leases and equipment from CNH Industrial dealers and other independent third parties that have leased equipment to retail customers under operating leases. Financial Services' investment in operating leases is based on the purchase price paid for the equipment. Income from these operating leases is recognized over the term of the lease. The equipment is depreciated on a straight-line basis over the term of the lease to the estimated residual value at lease termination, which is estimated at the inception of the lease. Realization of the residual values is dependent on Financial Services' future ability to re-market the equipment under then prevailing market conditions. Model changes and updates, as well as market strength and product acceptance, are monitored and adjustments are made to residual values in accordance with the significance of any such changes. Management believes that the estimated residual values are realizable. Expenditures for maintenance and repairs of the applicable equipment are the responsibility of the lessee.

Equipment returned to the Company upon termination of leases and held for subsequent sale or lease is recorded in inventory at the lower of net book value or estimated fair value of the equipment, less cost to sell, and is not depreciated.

Goodwill and Other Intangibles

Goodwill represents the excess of the aggregate purchase price over the fair value of the net assets acquired. Goodwill and indefinite-lived intangible assets are reviewed for impairment at least annually. During 2015 and 2014, the Company performed its annual impairment review as of December 31 and concluded that there was no impairment in either year.

Other intangibles consist primarily of acquired dealer networks, trademarks, product drawings, patents, and software. Other intangibles with indefinite lives principally consist of acquired trademarks which have no legal, regulatory, contractual, competitive, economic, or other factor that limits their useful life. Intangible assets with an indefinite useful life are not amortized. Other intangible assets with definite lives are being amortized on a straight-line basis over 5 to 25 years.

Reference is made to “Note 8: Goodwill and Other Intangibles” for further information regarding goodwill and other intangible assets.

Income Taxes

The provision for income taxes is determined using the asset and liability method. CNH Industrial recognizes a current tax liability or asset for the estimated taxes payable or refundable on tax returns for the current year and tax contingencies estimated to be settled with taxing authorities within one year. A deferred tax liability or asset is recognized for the estimated future tax effects attributable to temporary differences and tax loss carry forwards. The measurement of current and deferred tax liabilities and assets is

based on provisions of enacted tax law. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized based on available evidence.

Retirement and Postemployment Benefits

CNH Industrial sponsors numerous defined benefit and defined contribution pension plans, the assets of which are held in separate trustee-administered funds. The pension plans are funded by payments from CNH Industrial. The cost of providing defined benefit pension and other postretirement benefits is calculated based upon actuarial valuations. The liability for termination indemnities is accrued in accordance with labor legislation in each country where such benefits are required. CNH Industrial contributions to defined contribution plans are charged to the income statement during the period of the employee's service.

Derivatives

CNH Industrial's policy is to enter into derivative transactions to manage exposures that arise in the normal course of business and not for trading or speculative purposes. CNH Industrial records derivative financial instruments in the consolidated balance sheets as either an asset or a liability measured at fair value. The fair value of CNH Industrial's foreign exchange derivatives is based on quoted market exchange rates, adjusted for the respective interest rate differentials (premiums or discounts). The fair value of CNH Industrial's interest rate derivatives is based on discounting expected cash flows, using market interest rates, over the remaining term of the instrument. Changes in the fair value of derivative financial instruments are recognized in current income unless specific hedge accounting criteria are met. For derivative financial instruments designated to hedge exposure to changes in the fair value of a recognized asset or liability, the gain or loss is recognized in income in the period of change together with the offsetting loss or gain on the related hedged item. For derivative financial instruments designated to hedge exposure to variable cash flows of a forecasted transaction, the effective portion of the derivative financial instrument's gain or loss is initially reported in other comprehensive income (loss) and is subsequently reclassified into income when the forecasted transaction affects income. The ineffective portion of the gain or loss is recorded in income immediately. For derivative financial instruments that are not designated as hedges but held as economic hedges, the gain or loss is recognized immediately in income.

For derivative financial instruments designated as hedges, CNH Industrial formally documents the hedging relationship to the hedged item and its risk management strategy for all derivatives designated as hedges. This includes linking all derivatives that are designated as fair value hedges to specific assets and liabilities contained in the consolidated balance sheets and linking cash flow hedges to specific forecasted transactions or variability of cash flow. CNH Industrial assesses the effectiveness of its hedging instruments both at inception and on an ongoing basis. If a derivative is determined not to be highly effective as a hedge, or the underlying hedged transaction is no longer probable of occurring, or the derivative is terminated, the hedge accounting described above is discontinued and the derivative is marked to fair value and recorded in income through the remainder of its term.

Reference is made to "Note 14: Financial Instruments," for further information regarding CNH Industrial's use of derivative financial instruments.

Share-Based Compensation Plans

CNH Industrial recognizes all share-based compensation as an expense based on the fair value of each award on the grant date. CNH Industrial recognizes share-based compensation costs on a straight-line basis over the requisite service period for each separately vesting portion of an award.

Earnings per Share

Basic earnings per share is based on the weighted average number of shares outstanding during each period. Diluted earnings per share is based on the weighted average number of shares and dilutive share equivalents outstanding during each period. Unvested performance-based awards are considered outstanding and included in the computation of diluted earnings per share based on the number of shares that would vest if the end of the reporting period were the end of the contingency period.

New Accounting Pronouncements

Adopted

Comprehensive Income

In February 2013, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU 2013-02”), Comprehensive Income (Topic 220), Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (“ASU 2013-02”). ASU 2013-02 requires preparers to report information about reclassifications out of accumulated other comprehensive

income. For significant items reclassified out of accumulated other comprehensive income to net income in their entirety in the same reporting period, reporting (either on the face of the statement where net income is presented or in the notes) is required about the effect of the reclassifications on the respective line items in the statement where net income is presented. For items that are not reclassified to net income in their entirety in the same reporting period, a cross reference to other disclosures currently required under U.S. GAAP (e.g., pension amounts that are included in inventory) is required in the notes. The above information must be presented in one place (parenthetically on the face of the financial statements by income statement line item or in a note). Please see “Note 18: Accumulated Other Comprehensive Income (Loss)” for the disclosures required under this pronouncement.

Not Yet Adopted

Revenue Recognition

In May 2014, the FASB issued ASU 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. The standard requires that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. 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. The guidance can be applied retrospectively to each prior reporting period presented (full retrospective method) or retrospectively with a cumulative effect adjustment to retained earnings for initial application of the guidance at the date of initial adoption (modified retrospective method). Early application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that period. The Company is in the process of assessing the method of adoption it will elect and the impact of the adoption of ASU 2014-09 on its financial position, results of operations and cash flows.

Going Concern

In August 2014, the FASB issued ASU 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 consolidated financial statements.

Consolidation

In February 2015, the FASB issued ASU 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 corporations and securitized structures. The new standard eliminates the previous deferral in Accounting Standards Codification (“ASC”) 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 is effective for annual periods beginning after December 15, 2015. The Company does not believe the adoption of this standard will have a material impact on its consolidated financial statements.

Debt Issuance Costs

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs (“ASU 2015-03”). This standard amends existing guidance to require the presentation of debt issuance costs in the balance sheet as a deduction from the carrying amount of the related debt liability instead of a deferred charge. It is effective for annual reporting periods beginning after December 15, 2015, but early adoption is permitted. The Company does not believe the adoption of this standard will have a material impact on its consolidated financial statements.

In August 2015, the FASB issued ASU 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 should be adopted concurrent with adoption of ASU 2015-03, which is effective for annual and interim periods beginning after December 15, 2015. The Company does not believe the adoption of this standard will have a material impact on its consolidated financial statements.

Fair Value Disclosures

In May 2015, the FASB issued ASU 2015-07, Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (“ASU 2015-07”). This standard removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. It also removes the requirement to make certain disclosures for all investments that are eligible for such fair value measurement using the practical expedient, and instead only requires these disclosures for investments that are elected by the entity to measure the investment at fair value using that practical expedient. It is effective for annual reporting periods beginning after December 15, 2015 on a retrospective basis for all periods presented, and early adoption is permitted. The Company does not believe the adoption of this standard will have a material impact on its consolidated financial statements.

Inventory

In July 2015, the FASB issued ASU 2015-11, Simplifying the Measurement of Inventory (“ASU 2015-11”). This standard amends the subsequent measurement of inventory for all methods other than last-in, first-out (LIFO) or the retail inventory method to measure at the lower of cost and net realizable value (estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation) instead of the lower of cost and market. It is effective for annual reporting periods beginning after December 15, 2016, but early adoption is permitted on a prospective basis as of the beginning of an interim or annual reporting period. The Company is currently evaluating the impact the adoption of this standard will have on its consolidated financial statements.

Defined Contribution Pension Plans

In July 2015, the FASB issued ASU 2015-12, Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965) (“ASU 2015-12”). The amendments in Part II: Plan Investment Disclosures of ASU 2015-12 seek to simplify and increase the effectiveness of the required disclosures for investments related to employee benefit plans. The amendments in Part II of ASU 2015-12 will require that investments of employee benefit plans be grouped only by general type, eliminating the need to disaggregate the investments in multiple ways. Part II of ASU 2015-12 is effective for annual reporting periods beginning after December 15, 2015, but early adoption is permitted on a retrospective basis for all financial statements presented. The Company does not believe the adoption of this standard will have a material impact on its consolidated financial statements.

Financial Instruments

In January 2016, the FASB issued ASU 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) in the balance sheet and 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 evaluating the impact the adoption of this standard will have on its consolidated financial statements.

Leases

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) (“ASU 2016-02”). The new guidance 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 annual reporting periods beginning after December 15, 2018 including interim periods within those fiscal years, but early adoption is permitted. The ASU requires a modified retrospective transition approach and provides certain optional transition relief. The Company is currently evaluating the impact the adoption of this standard will have on its consolidated financial statements.

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Note 3: Receivables

Trade Receivables, net

As of December 31, 2015 and 2014, the Company had trade receivables of \$580 million and \$1,054 million, respectively. Trade receivables are shown net of allowances for doubtful accounts of \$174 million and \$207 million at December 31, 2015 and 2014 respectively. Trade accounts have significant concentrations of credit risk in the Agricultural Equipment, Construction Equipment and Commercial Vehicles segments. On a geographic basis, there is not a disproportionate concentration of credit risk in any area.

The Industrial Activities businesses sell a significant portion of their trade receivables to Financial Services and provide compensation to Financial Services at approximate market interest rates.

Financing Receivables, net

A summary of financing receivables included in the consolidated balance sheets as of December 31, 2015 and 2014 is as follows:

	2015	2014
	(in millions)	
Retail	\$ 10,344	\$ 11,978
Wholesale	8,611	9,400
Other	46	94
Total	\$ 19,001	\$ 21,472

CNH Industrial provides and administers financing for retail purchases of new and used equipment sold through its dealer network. The terms of retail and other notes and finance leases generally range from two to six years, and interest rates on retail and other notes and finance leases vary depending on prevailing market interest rates and certain incentive programs offered by Industrial Activities.

Wholesale receivables arise primarily from the sale of goods to dealers and distributors and, to a lesser extent, the financing of dealer operations. Under the standard terms of the wholesale receivable agreements, these receivables typically have “interest-free” periods of up to twelve months and stated original maturities of up to twenty-four months, with repayment accelerated upon the sale of the underlying equipment by the dealer. During the “interest free” period, Financial Services is compensated by Industrial Activities for the difference between market interest rates and the amount paid by the dealer. After the expiration of any “interest-free” period, interest is charged to dealers on outstanding balances until CNH Industrial receives payment in full. The “interest-free” periods are determined based on the type of equipment sold and the time of year of the sale. Interest rates are set based on market factors and based on Euribor or the equivalent financial market rate (e.g. FHBR, Finance House Base Rate for UK). CNH Industrial evaluates and assesses dealers on an ongoing basis as to their credit worthiness. CNH Industrial may be obligated to repurchase the dealer’s equipment upon cancellation or termination of the dealer’s contract for such causes as change in ownership, closeout of the business, or default. There were no significant losses in 2015, 2014 or 2013 relating to the termination of dealer contracts.

Financing receivables generally have significant concentrations of credit risk in the agriculture, construction and truck industries. On a geographic basis, there is not a disproportionate concentration of credit risk in any area. The

Company typically retains as collateral a security interest in the equipment associated with retail notes, wholesale notes and finance leases.

As part of our overall funding strategy, the Company periodically transfers certain receivables into VIEs that are special purposes entities (“SPEs”) as part of its asset-back securitization program and are not available to the Company’s general creditors. Please see the securitization discussion at the end of this footnote.

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Contractual maturities of financing receivables as of December 31, 2015 are as follows:

	Amount (in millions)
2016	\$ 11,475
2017	2,895
2018	2,209
2019	1,377
2020	781
2021 and thereafter	264
Total	\$ 19,001

It has been the Company's experience that substantial portions of retail receivables are repaid before their contractual maturity dates. As a result, the above table should not be regarded as a forecast of future cash collections.

Past due balances of financing receivables still accruing finance income represent the total balance held (principal plus accrued interest) with any payment amounts 30 days or more past the contractual payment due date. Non-performing financing receivables represent loans for which the Company has ceased accruing finance income. These receivables are generally 120 days delinquent. Finance income for non-performing receivables is recognized on a cash basis. Accrual of finance income is resumed when the receivable becomes contractually current and collections are reasonably assured.

The aging of financing receivables as of December 31, 2015 and 2014 is as follows (in millions):

	2015			30-5960-89		Total Past Due	Total Current	Total Performing	Non Performing	Total
	Past Due	Past Due	Greater Than 90 Days	Past Due	Current					
Retail										
NAFTA	\$ 17	\$ —	\$ —	\$ 17	\$ 7,869	\$ 7,886	\$ 36	\$ 7,922		
EMEA	—	—	—	—	572	572	1	573		
LATAM	6	—	—	6	1,286	1,292	44	1,336		
APAC	1	3	—	4	509	513	—	513		
Total Retail	\$ 24	\$ 3	\$ —	\$ 27	\$ 10,236	\$ 10,263	\$ 81	\$ 10,344		
Wholesale										
NAFTA	\$ —	\$ —	\$ —	\$ —	\$ 3,656	\$ 3,656	\$ 79	\$ 3,735		
EMEA	33	2	—	35	3,613	3,648	26	3,674		
LATAM	3	—	—	3	595	598	4	602		
APAC	6	4	26	36	518	554	46	600		
Total Wholesale	\$ 42	\$ 6	\$ 26	\$ 74	\$ 8,382	\$ 8,456	\$ 155	\$ 8,611		

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	2014 30-5960-89 Days Days		Greater Than	Total Past		Total	Non	
	Past Due	Past Due	90 Days	Due	Current	Performing	Performing	Total
Retail								
NAFTA	\$31	\$ 2	\$ —	\$33	\$8,596	\$ 8,629	\$ 10	\$8,639
EMEA	14	8	—	22	881	903	58	961
LATAM	3	—	—	3	1,762	1,765	37	1,802
APAC	2	—	2	4	572	576	—	576
Total Retail	\$50	\$ 10	\$ 2	\$62	\$11,811	\$ 11,873	\$ 105	\$11,978
Wholesale								
NAFTA	\$1	\$ —	\$ —	\$1	\$4,079	\$ 4,080	\$ 52	\$4,132
EMEA	72	4	—	76	3,874	3,950	6	3,956
LATAM	1	—	—	1	861	862	—	862
APAC	16	3	30	49	372	421	29	450
Total Wholesale	\$90	\$ 7	\$ 30	\$127	\$9,186	\$ 9,313	\$ 87	\$9,400

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Allowance for credit losses activity for the three years ended December 31, 2015, 2014 and 2013 is as follows (in millions):

	December 31, 2015			
	Retail	Wholesale	Other	Total
Opening balance	\$468	\$ 182	\$ —	\$650
Provision	81	27	—	108
Charge-offs, net of recoveries	(92)	(13)	—	(105)
Foreign currency translation and other	(63)	(38)	—	(101)
Ending balance	394	158	—	552
Ending balance: Individually evaluated for impairment	187	125	—	312
Ending balance: Collectively evaluated for impairment	207	33	—	240
Receivables:				
Ending balance	10,344	8,611	46	19,001
Ending balance: Individually evaluated for impairment	416	767	—	1,183
Ending balance: Collectively evaluated for impairment	\$9,928	\$ 7,844	\$ 46	\$17,818

	December 31, 2014			
	Retail	Wholesale	Other	Total
Opening balance	\$613	\$ 112	\$ 1	\$726
Provision	86	71	2	159
Charge-offs, net of recoveries	(135)	(24)	(2)	(161)
Foreign currency translation and other	(96)	23	(1)	(74)
Ending balance	468	182	—	650
Ending balance: Individually evaluated for impairment	233	115	—	348
Ending balance: Collectively evaluated for impairment	235	67	—	302
Receivables:				
Ending balance	11,978	9,400	94	21,472
Ending balance: Individually evaluated for impairment	484	758	—	1,242
Ending balance: Collectively evaluated for impairment	\$11,494	\$ 8,642	\$ 94	\$20,230

	December 31, 2013			
	Retail	Wholesale	Other	Total
Opening balance	\$661	\$ 120	\$1	\$782
Provision	62	1	—	63
Charge-offs, net of recoveries	(111)	(8)	—	(119)
Foreign currency translation and other	1	(1)	—	—
Ending balance	613	112	1	726
Ending balance: Individually evaluated for impairment	292	101	—	393
Ending balance: Collectively evaluated for impairment	321	11	1	333
Receivables:				
Ending balance	12,730	9,111	135	21,976
Ending balance: Individually evaluated for impairment	569	742	—	1,311
Ending balance: Collectively evaluated for impairment	\$12,161	\$ 8,369	\$ 135	\$20,665

Financing receivables are considered impaired when it is probable the Company will be unable to collect all amounts due according to the contractual terms. Receivables reviewed for impairment generally include those that are either past due, or have provided bankruptcy notification, or require significant collection efforts. Receivables, which are impaired, are generally classified as non-performing.

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	2015			2014				
	Unpaid			Unpaid				
	Recorded	Principal	Related	Recorded	Principal	Related	Average	
Investment	Balance	Allowance	Investment	Balance	Allowance	Investment		
(in millions)								
With no related allowance								
Retail								
NAFTA	\$41	\$ 40	\$ —	\$ 37	\$24	\$ 24	\$ —	\$ 22
EMEA	\$74	\$ 74	\$ —	\$ 79	\$91	\$ 91	\$ —	\$ 95
LATAM	\$—	\$ —	\$ —	\$ —	\$—	\$ —	\$ —	\$ —
APAC	\$—	\$ —	\$ —	\$ —	\$—	\$ —	\$ —	\$ —
Wholesale								
NAFTA	\$—	\$ —	\$ —	\$ —	\$12	\$ 12	\$ —	\$ 21
EMEA	\$33	\$ 33	\$ —	\$ 35	\$35	\$ 35	\$ —	\$ 39
LATAM	\$—	\$ —	\$ —	\$ —	\$—	\$ —	\$ —	\$ —
APAC	\$—	\$ —	\$ —	\$ —	\$—	\$ —	\$ —	\$ —
With an allowance recorded								