

CNH CAPITAL CANADA WHOLESALE TRUST

**Financial Statements as at and for the years ended
December 31, 2017 and 2016 and Independent Auditors' Report**

CNH CAPITAL CANADA WHOLESALE TRUST

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CNH CAPITAL CANADA WHOLESALE TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2017 AND 2016 (In Canadian Dollars)

GENERAL

Management's Discussion and Analysis ("MD&A"), dated March 29, 2018, should be read in conjunction with the audited financial statements for the years ended December 31, 2017 and 2016. Management is responsible for the reliability and timeliness of the information disclosed in the MD&A.

BUSINESS OF THE TRUST

CNH Capital Canada Wholesale Trust (the "Trust") was established by Computershare Trust Company of Canada (formerly, The Canada Trust Company), as Issuer Trustee (the "Issuer Trustee"), under the laws of the Province of Ontario by Declaration of Trust dated April 30, 2004. BNY Trust Company of Canada is the Indenture Trustee, with its principal office at 1 York Street, 6th Floor, Toronto, Ontario M5J 0B6.

The Trust's activities are limited to the securing and administration of wholesale finance receivables originated by CNH Industrial Capital Canada Ltd. ("CNH Industrial Capital Canada", "Administrator", "Servicer" or "Seller") to finance the sale of goods to dealers and distributors of CNH Industrial Canada Ltd. The Trust issues asset-backed notes ("Notes") in Series ("Series") with varying terms to finance the acquisition of the receivables and uses collections on the receivables to pay its obligations.

Pursuant to the Administration Agreement between the Issuer Trustee and the Administrator, and the Sale and Servicing Agreement between the Issuer Trustee and the Servicer, CNH Industrial Capital Canada carries out certain administrative and management activities for and on behalf of the Trust, including the administration, servicing, and collection of the receivables. The Trust pays a nominal fee to CNH Industrial Capital Canada for the performance of the activities and fulfillment of its responsibilities under the Administration Agreement. No fee is payable by the Trust to CNH Industrial Capital Canada for the servicing activities since the receivables are sold to the Trust on a fully-serviced basis. The Trust has no employees.

The Trust benefits from Series-specific enhancements in the form of the Due to Seller and amounts deposited in a cash reserve account. The Due to Seller ("Due to Seller") represents the overcollateralization amounts funded by CNH Industrial Capital Canada. These amounts are the amounts by which the aggregate principal balance of the receivables, plus the balance of any restricted cash provided by CNH Industrial Capital Canada as a credit enhancement, exceeds the aggregate principal balance of the Notes. These interests are subordinated to the Notes issued by the Trust. Also included in Due to Seller is the excess spread due to CNH Industrial Capital Canada, which represents the monthly excess of all principal and interest collections on the receivables after the Trust's payment obligations are satisfied.

RESULTS OF OPERATIONS

The Trust's ownership interest in receivables decreased by \$11,652,781, from \$931,979,673 at December 31, 2016 to \$920,326,892 at December 31, 2017. The Trust acquired an ownership interest in receivables of \$2,525,967,916 and \$2,307,219,526, respectively, for the years ending December 31, 2017 and 2016, and principal collections were \$2,537,620,697 and \$2,216,032,330, respectively.

The Trust has no income other than scheduled interest income derived from the ownership interest in receivables and investment earnings from the restricted cash and cash equivalents. Interest income for the year ended December 31, 2017, totalled \$51,933,358 compared to \$51,158,300 for the year ended December 31, 2016.

In connection with the Notes and Due to Seller for the year ended December 31, 2017, the Trust incurred interest expense of \$51,926,158 compared to \$51,151,100 for the year ended December 31, 2016.

There were no credit losses incurred for the years ended December 31, 2017 and 2016.

CNH CAPITAL CANADA WHOLESALE TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2017 AND 2016 (In Canadian Dollars)

SUMMARY OF QUARTERLY RESULTS

The following is a summary of the Trust's unaudited quarterly financial information for the years ended December 31, 2017 and 2016:

	2017				
	Q1	Q2	Q3	Q4	Total
Interest income	\$ 13,004,316	\$ 12,713,082	\$ 12,722,767	\$ 13,493,193	\$ 51,933,358

	2016				
	Q1	Q2	Q3	Q4	Total
Interest income	\$ 12,620,439	\$ 14,134,590	\$ 12,588,369	\$ 11,814,902	\$ 51,158,300

TRANSACTIONS WITH RELATED PARTIES

For the years ended December 31, 2017 and 2016, the Trust's interest expense paid to CNH Industrial Capital Canada was \$40,855,059 and \$41,355,736, respectively, and the other expenses paid to CNH Industrial Capital Canada amounted to \$6,000 and \$6,000, respectively. The transactions are in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

As at December 31, 2017 and 2016, the Due to Seller was \$370,732,108 and \$374,294,990, respectively.

ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the financial statements, and revenues and expenses for the years reported. The key areas of estimation include the fair value of the ownership interest in receivables on acquisition and the estimation of credit losses on the ownership interest in receivables. At period end, the fair value of the Trust's ownership interest in receivables approximates its fair value due to its short-term nature and floating interest rate. Actual results could differ from those estimates.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Trust is exposed to the following risks as a result of holding financial instruments: market risk, credit risk and liquidity risk. The Trust's risk management policies are established by CNH Industrial Capital Canada and are reviewed regularly to reflect changes in market conditions and the Trust's activities.

Market Risk

Market risk is the possibility that changes in interest rates and foreign exchange rates will adversely affect the Trust's cash flow and/or fair value of the Trust's financial instruments.

Interest rate risk refers to the risk that the fair value or income and future cash flows of a financial instrument will vary as a result of changes in market interest rates. Both the ownership interest in receivables and the Notes are impacted by floating interest rates. Interest rate risk can arise because the pricing bases are not identical and the spread over prime charged to customers is not fixed. Therefore, the differential between the rate earned on the Trust's ownership interest in receivables and paid on the debt can vary. CNH Industrial Capital Canada has the ability to raise rates on the underlying receivables so that CNH Industrial Capital Canada can offset any adverse

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MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2017 AND 2016 (In Canadian Dollars)

increase in debt costs with an increase in the underlying receivables' income. However, if CNH Industrial Capital Canada chooses to allow net interest margin to narrow, a 1% increase or decrease applied to the Trust's ownership interest in receivables as at December 31, 2017 and 2016, with no change in the debt rate, would increase or decrease interest income by \$9,203,269 and \$9,319,797, respectively. A 1% increase or decrease in the rate on the Notes outstanding as at December 31, 2017 and 2016, with no change in interest rate of the ownership interest in receivables, would increase or decrease interest expense by \$5,782,950 and \$5,857,500, respectively.

CNH Industrial Capital Canada is required to maintain dealer interest rates at a level such that the amount paid by dealers and CNH Industrial Canada Ltd. equals or exceeds the rate of interest payable to investors of the Notes.

The Trust is not exposed to losses from foreign exchange rates as all of the Trust's transactions were denominated in Canadian dollars.

Credit Risk

Credit risk is the possibility of loss resulting from failure by a customer or counterparty to make payments according to contractual terms.

The Trust's ownership interest in receivables results in significant concentrations of credit risk in the agricultural and construction industries in Canada. Numerous factors can affect the future performance of the Trust. These factors include the general level of activity in the agricultural and construction industries, the rate of North American agricultural production and demand, weather conditions, commodity prices, consumer confidence, government subsidies for the agricultural sector and prevailing levels of construction (especially housing starts). The Trust manages this risk through amounts deposited in a cash reserve account and the Due to Seller, which provides the Trust with overcollateralization designed to minimize its credit risk.

As at December 31, 2017, the Trust's ownership interest in receivables by product line and by industry was as follows:

<u>Product Line</u>	<u>Agriculture</u>	<u>Construction</u>	<u>Total Portfolio</u>
Dealer floorplan	\$ 765,448,616	\$ 100,194,525	\$ 865,643,141
Parts	30,138,891	3,580,395	33,719,286
Rental equipment	12,560,375	8,404,090	20,964,465
	<u>\$ 808,147,882</u>	<u>\$ 112,179,010</u>	<u>\$ 920,326,892</u>

As at December 31, 2016, the Trust's ownership interest in receivables by product line and by industry was as follows:

<u>Product Line</u>	<u>Agriculture</u>	<u>Construction</u>	<u>Total Portfolio</u>
Dealer floorplan	\$ 816,762,283	\$ 58,062,619	\$ 874,824,902
Parts	29,504,426	3,086,847	32,591,273
Rental equipment	12,631,762	11,931,736	24,563,498
	<u>\$ 858,898,471</u>	<u>\$ 73,081,202</u>	<u>\$ 931,979,673</u>

There were no credit losses incurred for the years ended December 31, 2017 and 2016. The principal balance of accounts greater than 30 days delinquent was \$19,324 and \$4,584 at December 31, 2017 and 2016, respectively, which represented Nil% and Nil%, respectively, of the Trust's portfolio. In addition, when a receivable is greater than 120 days delinquent, the receivable is not eligible for funding from the Notes, rather, the funding must be provided through the Due to Seller.

CNH CAPITAL CANADA WHOLESALE TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2017 AND 2016 (In Canadian Dollars)

As at December 31, 2017 and 2016, the Trust's maximum credit exposure was \$949,602,791 and \$960,492,066, respectively, equal to the total of its assets recorded on the Statements of Net Assets.

Liquidity Risk

Liquidity risk is the possibility that the Trust may be unable to meet all current and future obligations in a timely manner. The Trust is engaged in financing asset-backed securities. The Trust is not exposed to liquidity risk apart from the risk that the Trust will not be able to satisfy its obligations because of exposure to credit risks. The Trust's exposure to liquidity risk is managed primarily through the process of selecting receivables that are expected to generate cash flows sufficient to meet the payment schedule of the Notes. The Trust expects to generate more proceeds than are necessary to fulfill its obligations. In addition, the Trust has access to the cash reserve accounts in case of a shortfall in collections.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS. Management of CNH Industrial Capital Canada assessed the design and operating effectiveness of the Trust's internal control over financial reporting as at December 31, 2017 and 2016, and based on that assessment determined that the Trust's internal control over financial reporting was effective. No changes were made in the Trust's internal control over financial reporting during the years ended December 31, 2017 and 2016, which have materially affected, or are reasonably likely to materially affect, the Trust's internal control over financial reporting.

ADDITIONAL INFORMATION

Additional information regarding the Trust is available at www.sedar.com.

INDEPENDENT AUDITORS' REPORT

To the Issuer Trustee of CNH Capital Canada Wholesale Trust

We have audited the accompanying financial statements of CNH Capital Canada Wholesale Trust, which comprise the statements of net assets as at December 31, 2017 and 2016, and the statements of net income and comprehensive income, changes in net assets and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of CNH Capital Canada Wholesale Trust as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Toronto, Canada
March 29, 2018

Ernst + Young LLP

Chartered Professional Accountants
Licensed Public Accountants



CNH CAPITAL CANADA WHOLESALE TRUST

STATEMENTS OF NET ASSETS AS AT DECEMBER 31, 2017 AND 2016 (In Canadian Dollars)

	Notes	2017	2016
ASSETS			
Restricted cash and cash equivalents	3	\$ 24,777,154	\$ 24,701,317
Accrued interest receivable.....		4,498,745	3,811,076
Ownership interest in receivables	4 & 6	920,326,892	931,979,673
TOTAL		<u>\$ 949,602,791</u>	<u>\$ 960,492,066</u>
LIABILITIES			
Accrued interest payable.....		\$ 575,487	\$ 446,880
Other accrued payables.....		196	196
Notes payable	5	578,295,000	585,750,000
Due to Seller	7	370,732,108	374,294,990
Total liabilities		949,602,791	960,492,066
NET ASSETS		—	—
TOTAL		<u>\$ 949,602,791</u>	<u>\$ 960,492,066</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

APPROVED BY CNH CAPITAL CANADA WHOLESALE TRUST,
by its Administrator,
CNH INDUSTRIAL CAPITAL CANADA LTD.

/s/ Brett D. Davis
Brett D. Davis
President

/s/ Robert Keating
Robert Keating
Controller

CNH CAPITAL CANADA WHOLESALE TRUST

STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Canadian Dollars)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Interest income		\$ 51,933,358	\$ 51,158,300
Interest expense:			
Interest expense to third parties	5	11,071,099	9,795,364
Interest expense to affiliate	7	40,855,059	41,355,736
Total interest expense		<u>51,926,158</u>	<u>51,151,100</u>
Other expenses	7	<u>6,000</u>	<u>6,000</u>
Total expenses		<u>51,932,158</u>	<u>51,157,100</u>
TOTAL NET INCOME AND COMPREHENSIVE INCOME		<u>\$ 1,200</u>	<u>\$ 1,200</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

CNH CAPITAL CANADA WHOLESALE TRUST

STATEMENTS OF CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Canadian Dollars)

	<u>2017</u>	<u>2016</u>
NET ASSETS, BEGINNING OF YEAR	\$ —	\$ —
Net income and comprehensive income for the year.....	1,200	1,200
Distribution to beneficiary.....	<u>(1,200)</u>	<u>(1,200)</u>
NET ASSETS, END OF YEAR	<u>\$ —</u>	<u>\$ —</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

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STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Canadian Dollars)

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES		
Net income and comprehensive income for the year.....	\$ 1,200	\$ 1,200
Working capital adjustments:		
Change in accrued interest receivable.....	(687,669)	904,352
Change in accrued interest and other accrued payables.....	128,607	58,599
Cash from (used in) operating activities.....	<u>(557,862)</u>	<u>964,151</u>
INVESTING ACTIVITIES		
Acquisition of ownership interest in receivables.....	(2,525,967,916)	(2,307,219,526)
Collections on ownership interest in receivables	2,537,620,697	2,216,032,330
Change in restricted cash and cash equivalents.....	<u>(75,837)</u>	<u>229,372</u>
Cash from (used in) investing activities	<u>11,576,944</u>	<u>(90,957,824)</u>
FINANCING ACTIVITIES		
Proceeds from issuance of notes and Due to Seller.....	183,864,522	318,380,967
Payment of notes and Due to Seller	(194,882,404)	(228,386,094)
Distribution to beneficiary.....	<u>(1,200)</u>	<u>(1,200)</u>
Cash from (used in) financing activities.....	<u>(11,019,082)</u>	<u>89,993,673</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	—	—
CASH AND CASH EQUIVALENTS		
Beginning of year	—	—
End of year	<u>\$ —</u>	<u>\$ —</u>
CASH RECEIVED DURING THE YEAR FOR INTEREST	<u>\$ 51,245,689</u>	<u>\$ 52,062,652</u>
CASH PAID DURING THE YEAR FOR INTEREST	<u>\$ 51,797,551</u>	<u>\$ 51,092,501</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

CNH CAPITAL CANADA WHOLESALE TRUST

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016 (In Canadian Dollars)

NOTE 1: NATURE OF OPERATIONS

CNH Capital Canada Wholesale Trust (the “Trust”) was established by Computershare Trust Company of Canada (formerly The Canada Trust Company), as Issuer Trustee (the “Issuer Trustee”), under the laws of the Province of Ontario by Declaration of Trust dated April 30, 2004. BNY Trust Company of Canada is the Indenture Trustee, with its principal office at 1 York Street, 6th Floor, Toronto, Ontario M5J 0B6.

The Trust’s activities are limited to the securing and administration of wholesale finance receivables originated by CNH Industrial Capital Canada Ltd. (“CNH Industrial Capital Canada”, “Administrator”, “Servicer” or “Seller”) to finance the sale of goods to dealers and distributors of CNH Industrial Canada Ltd. The Trust issues asset-backed notes (“Notes”) in Series (“Series”) with varying terms to finance the acquisition of the receivables and uses collections on the receivables to pay its obligations.

Pursuant to the Administration Agreement between the Issuer Trustee and the Administrator, and the Sale and Servicing Agreement between the Issuer Trustee and the Servicer, CNH Industrial Capital Canada carries out certain administrative and management activities for and on behalf of the Trust, including the administration, servicing, and collection of the receivables. The Trust pays a nominal fee to CNH Industrial Capital Canada for the performance of the activities and fulfillment of its responsibilities under the Administration Agreement. No fee is payable by the Trust to CNH Industrial Capital Canada for the servicing activities since the receivables are sold to the Trust on a fully-serviced basis. The Trust has no employees.

The Trust’s financial statements for the year ended December 31, 2017 were authorized for issue by CNH Industrial Capital Canada, as Administrator, on March 29, 2018.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The financial statements are presented in Canadian dollars, which is the Trust’s functional currency.

The financial statements have been prepared on the historical cost basis, except for restricted cash and cash equivalents, which are measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise judgment in the process of applying the Trust’s accounting policies. The key areas of estimation include the fair value of the ownership interest in receivables on acquisition and the estimation of credit losses on the ownership interest in receivables. At year-end, the fair value of the Trust’s ownership interest in receivables approximates its fair value due to its short-term nature and floating interest rate. Actual results could differ from those estimates.

Classification of Financial Assets and Liabilities

The Trust recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. Purchases of financial assets are recognized on the settlement date, which is the date the financial assets are received by the Trust. The Trust derecognizes financial assets when the rights to receive cash flows from the assets have expired or have been transferred, and derecognizes the financial liabilities when the obligation specified in the contract is discharged or expires.

CNH CAPITAL CANADA WHOLESALE TRUST

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016 (In Canadian Dollars)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The classification of financial assets and financial liabilities is determined at initial recognition. The classification of financial assets depends on the purpose for which they were acquired. The Trust classifies its assets at fair value through profit or loss or as loans and receivables. The Trust has not classified any financial assets as available for sale or held to maturity. The Trust classifies its financial liabilities as other financial liabilities, which are recorded at amortized cost.

Financial Assets at Fair Value Through Profit or Loss

This category consists of restricted cash and cash equivalents. Due to the short-term nature of this financial instrument, the fair value equals carrying value. Changes in fair value are recorded in interest income.

Loans and Receivables

This category consists of ownership interest in receivables and accrued interest receivable. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These assets are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method.

Financial Liabilities

This category consists of notes payable, Due to Seller, accrued interest payable and other accrued payables. These liabilities are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents comprise cash and highly liquid investments with an original maturity of three months or less. Restricted cash includes principal and interest payments received by the Trust that are payable to the investors of the Notes and cash pledged as a credit enhancement to those same investors.

Accrued Interest Receivable

Accrued interest receivable represents the interest income earned on the restricted cash accounts and the ownership interest in receivables during the year and not yet received by the Trust as at December 31.

Ownership Interest in Receivables

The Trust does not recognize the receivables purchased from CNH Industrial Capital Canada as an asset because the transactions do not meet the transfer criteria of International Accounting Standards (“IAS”) 39, *Financial Instruments: Recognition and Measurement* (“IAS 39”), and CNH Industrial Capital Canada continues to carry the receivables on its statements of financial position. As such, the Trust accounts for its ownership interest in receivables as a secured loan with the Seller. Principal collections and credit losses reduce the carrying amount of the ownership interest in receivables.

Credit losses are determined monthly by CNH Industrial Capital Canada in accordance with specified criteria. When a recoverable amount becomes impaired as a result of deterioration in credit quality and there is no longer reasonable assurance of timely collection of the full amount of the receivable and any outstanding interest, an impairment charge equal to the difference between the carrying amount and the net realizable amount is recognized in interest expense, offset by a corresponding adjustment to the Due to Seller. Losses incurred in excess of the Due to Seller are absorbed by the Trust.

CNH CAPITAL CANADA WHOLESALE TRUST

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016 (In Canadian Dollars)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Due to Seller

Due to Seller represents the Series-specific overcollateralization amounts funded by CNH Industrial Capital Canada. These amounts are the amounts by which the aggregate principal balance of the receivables, plus the balance of any restricted cash provided by CNH Industrial Capital Canada as a credit enhancement, exceeds the aggregate principal balance of the Notes. These interests are subordinated to the Notes issued by the Trust. In addition, the Due to Seller includes the excess spread, which is the monthly excess of all principal and interest collections on the receivables after the Trust payment obligations are satisfied.

Income Taxes

The Trust is subject to federal and provincial income tax under the *Income Tax Act* (Canada) on the amount of its taxable income for the year and is permitted a deduction in computing its income taxes for all amounts paid or payable to the Trust's beneficiary in determining income for tax purposes. No provision for income taxes has been reflected in these financial statements as the entire net income of the Trust is payable to the beneficiary.

Other Expenses

Other expenses include administration and trustee fees, and other operating expenses, which are recorded on an accrual basis.

New Accounting Pronouncements to be Adopted

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which supersedes existing revenue recognition guidance under current IFRS. The new standard requires an entity to recognize revenue upon transfer of control of goods or services to a customer at an amount that reflects the consideration that the entity expects to receive. This new revenue recognition model defines a five-step process to achieve this objective. The new standard also requires additional disclosures to enable users to understand the nature, amount, timing and uncertainty of revenue and cash flow arising from contracts with customers. In September 2015, the IASB amended the effective date to be the first quarter of fiscal year 2018 with early adoption permitted in 2017. The IASB subsequently issued several amendments in 2016 clarifying various aspects of IFRS 15, including revenue transactions that involve a third party, goods or services that are immaterial in the context of the contract, licensing arrangements, certain transition practical expedients, disclosure of performance obligation and provisions for losses on construction-type and production-type contracts. Entities have the option to apply the new guidance under a retrospective approach to each prior reporting period presented, or a modified retrospective approach with the cumulative effect of initially applying the new guidance recognized at the date of initial application within the Statements of Changes in Net Assets.

The new standard is effective January 1, 2018. The adoption does not impact the timing or measurement of the Trust's revenue recognition as it is consistent with the Trust's current accounting treatment for contracts within the scope of the new standard. The adoption of this standard will not have a material impact on the Trust's financial position or results of operations and will not have a material impact on the disclosures in the Notes to Financial Statements.

IFRS 9, Financial Instruments ("IFRS 9")

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*, which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all

CNH CAPITAL CANADA WHOLESALE TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(In Canadian Dollars)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 includes revised guidance on the classification and measurement of financial instruments using a principles-based approach based on an entity's business model and the instruments' cash flows, including a new expected credit loss model for calculating impairment on financial assets not as at fair value through profit or loss, and the new general hedge accounting requirements that better align accounting for hedge relationships with an entity's risk management activities. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of this standard will not have a material impact on the Trust's financial position or results of operations.

NOTE 3: RESTRICTED CASH AND CASH EQUIVALENTS

The Trust held restricted cash and cash equivalents in the following accounts as at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Reserve account	\$ 20,243,803	\$ 20,502,320
Collection accounts.....	1,279,143	1,377,305
Cash in transit	<u>3,254,208</u>	<u>2,821,692</u>
Total restricted cash and cash equivalents.....	<u>\$ 24,777,154</u>	<u>\$ 24,701,317</u>

As at December 31, 2017 and 2016, these amounts were maintained in bank balances or were invested in highly liquid investments with a financial institution at an average rate of 0.71% and 0.26% with maturities on or before January 11, 2018 and January 12, 2017, respectively.

The Servicer is required to collect payments on the ownership interest in receivables and deposit these collections into the Series-specific collection accounts within two business days of receipt from the obligors and processing by the Servicer. These amounts are available to cover payments of principal and interest on the Notes and Due to Seller or any operating expenses.

The reserve account is a Series-specific account funded at the time of issuance of the relevant Series from the proceeds of the issuance. Amounts on deposit in the reserve account for a Series are available to cover any shortfalls in funds available to meet specific payments for that Series as outlined in the related transaction documents and will not be released until that Series is paid in full.

NOTE 4: OWNERSHIP INTEREST IN RECEIVABLES

The ownership interest in receivables is secured by wholesale contracts that bear interest at the Canadian prime rate plus a spread and have maturities of one year or less.

Concentrations of credit risk exist if a number of counterparties are engaged in similar activities and have similar economic characteristics that may cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. As at December 31, 2017 and 2016, all of the Trust's ownership interest in receivables represents exposure to the agricultural and construction industries.

There were no credit losses incurred for the years ended December 31, 2017 and 2016. 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. The principal balance of

CNH CAPITAL CANADA WHOLESALE TRUST

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016 (In Canadian Dollars)

NOTE 4: OWNERSHIP INTEREST IN RECEIVABLES (Continued)

accounts greater than 30 days delinquent was \$19,324 and \$4,584, which represented Nil% and Nil%, respectively, of the Trust's portfolio as at December 31, 2017 and 2016, respectively.

NOTE 5: NOTES PAYABLE

The Notes bear interest at a commercial paper rate plus a spread as determined at issuance. The payment of principal and interest on the Notes is distributed in accordance with the prioritization outlined in the Sales and Servicing Agreement based on total collections received. As a result, payments of principal on the Notes will vary with the amount of collections and losses, which may reduce the principal to zero prior to the scheduled maturity date.

The Notes are secured by the Trust's Series-specific ownership interest in receivables and other Trust assets. Each Series of Notes benefits from Series-specific enhancement in the form of overcollateralization, excess spread, and amounts deposited in a reserve account.

The following are the outstanding notes payable issued by the Trust as at December 31, 2017:

<u>Notes Description</u>	<u>Principal Amount</u>	<u>Annual Interest Rate</u>	<u>Scheduled Final Payment Date</u>
Series CW2010-1 VFN.....	\$ 543,000,000	Cost of funds rate plus 0.75%	December 16, 2019
Series CW2010-1 Class B-2.....	35,295,000	Cost of funds rate plus 1.60%	December 16, 2019
Total notes payable.....	<u>\$ 578,295,000</u>		

The following are the outstanding notes payable issued by the Trust as at December 31, 2016:

<u>Notes Description</u>	<u>Principal Amount</u>	<u>Annual Interest Rate</u>	<u>Scheduled Final Payment Date</u>
Series CW2010-1 VFN.....	\$ 550,000,000	Cost of funds rate plus 0.70%	December 17, 2018
Series CW2010-1 Class B-2.....	35,750,000	Cost of funds rate plus 1.50%	December 17, 2018
Total notes payable	<u>\$ 585,750,000</u>		

In December 2017, the Trust extended the Purchase Termination Date under the Note Purchase Agreements with respect to the Trust's Variable Funding Notes ("VFN"), Series CW2010-1 and Class B-2 Notes from December 17, 2018 to December 16, 2019.

Interest expense to third parties on the outstanding Notes for the years ended December 31, 2017 and 2016 was \$11,071,099 and \$9,795,364, respectively.

NOTE 6: RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Trust is exposed to the following risks as a result of holding financial instruments: market risk, credit risk and liquidity risk. The Trust's risk management policies are established by CNH Industrial Capital Canada and are reviewed regularly to reflect changes in market conditions and the Trust's activities.

Market Risk

Market risk is the possibility that changes in interest rates and foreign exchange rates will adversely affect the Trust's cash flow and/or fair value of the Trust's financial instruments.

CNH CAPITAL CANADA WHOLESALE TRUST

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016 (In Canadian Dollars)

NOTE 6: RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Interest rate risk refers to the risk that the fair value or income and future cash flows of a financial instrument will vary as a result of changes in market interest rates. Both the ownership interest in receivables and the Notes are impacted by floating interest rates. Interest rate risk can arise because the pricing bases are not identical and the spread over prime charged to customers is not fixed. Therefore, the differential between the rate earned on the Trust's ownership interest in receivables and paid on the debt can vary. CNH Industrial Capital Canada has the ability to raise rates on the underlying receivables so that CNH Industrial Capital Canada can offset any adverse increase in debt costs with an increase in the underlying receivables' income. However, if CNH Industrial Capital Canada chooses to allow net interest margin to narrow, a 1% increase or decrease applied to the Trust's ownership interest in receivables as at December 31, 2017 and 2016, with no change in the debt rate, would increase or decrease interest income by \$9,203,269 and \$9,319,797, respectively. A 1% increase or decrease in the rate on the Notes outstanding as at December 31, 2017 and 2016, with no change in interest rate of the ownership interest in receivables, would increase or decrease interest expense by \$5,782,950 and \$5,857,500, respectively.

CNH Industrial Capital Canada is required to maintain dealer interest rates at a level such that the amount paid by dealers and CNH Industrial Canada Ltd. equals or exceeds the rate of interest payable to investors of the Notes.

The Trust is not exposed to losses from foreign exchange rates as all of the Trust's transactions were denominated in Canadian dollars.

Credit Risk

Credit risk is the possibility of loss resulting from failure by a customer or counterparty to make payments according to contractual terms.

The Trust's ownership interest in receivables results in significant concentrations of credit risk in the agricultural and construction industries in Canada. Numerous factors can affect the future performance of the Trust. These factors include the general level of activity in the agricultural and construction industries, the rate of North American agricultural production and demand, weather conditions, commodity prices, consumer confidence, government subsidies for the agricultural sector and prevailing levels of construction (especially housing starts). The Trust manages this risk through amounts deposited in a cash reserve account and the Due to Seller, which provide the Trust with overcollateralization designed to minimize its credit risk.

As at December 31, 2017, the Trust's ownership interest in receivables by product line and by industry is as follows:

<u>Product Line</u>	<u>Agriculture</u>	<u>Construction</u>	<u>Total Portfolio</u>
Dealer floorplan	\$ 765,448,616	\$ 100,194,525	\$ 865,643,141
Parts	30,138,891	3,580,395	33,719,286
Rental equipment	12,560,375	8,404,090	20,964,465
	<u>\$ 808,147,882</u>	<u>\$ 112,179,010</u>	<u>\$ 920,326,892</u>

As at December 31, 2016, the Trust's ownership interest in receivables by product line and by industry is as follows:

<u>Product Line</u>	<u>Agriculture</u>	<u>Construction</u>	<u>Total Portfolio</u>
Dealer floorplan	\$ 816,762,283	\$ 58,062,619	\$ 874,824,902
Parts	29,504,426	3,086,847	32,591,273
Rental equipment	12,631,762	11,931,736	24,563,498
	<u>\$ 858,898,471</u>	<u>\$ 73,081,202</u>	<u>\$ 931,979,673</u>

CNH CAPITAL CANADA WHOLESALE TRUST

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016 (In Canadian Dollars)

NOTE 6: RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

There were no credit losses incurred for the years ended December 31, 2017 and 2016. The principal balance of accounts greater than 30 days delinquent was \$19,324 and \$4,584 as at December 31, 2017 and 2016, respectively, which represented Nil% and Nil%, respectively, of the Trust's portfolio. In addition, when a receivable is greater than 120 days delinquent, the receivable is not eligible for funding from the Notes, rather, the funding must be provided through the Due to Seller.

As at December 31, 2017 and 2016, the Trust's maximum credit exposure was \$949,602,791 and \$960,492,066, respectively, equal to the total of its assets recorded on the Statements of Net Assets.

Liquidity Risk

Liquidity risk is the possibility that the Trust may be unable to meet all current and future obligations in a timely manner. The Trust is engaged in financing asset-backed securities. The Trust is not exposed to liquidity risk apart from the risk that the Trust will not be able to satisfy its obligations because of exposure to credit risk. The Trust's exposure to liquidity risk is managed primarily through the process of selecting receivables that are expected to generate cash flows sufficient to meet the payment schedule of the Notes. The Trust expects to generate more proceeds than are necessary to fulfill its obligations. In addition, the Trust has access to the cash reserve accounts in case of a shortfall in collections.

Measurement of Fair Values and Categorization of Financial Instruments

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. The Trust determines fair value using available market information or other appropriate valuation methodologies such as discounted cash flow analysis. Fair values using valuation models require the use of assumptions concerning the amount and timing of estimated cash flows and discount rates. In determining those assumptions, the Trust looks primarily to external observable market inputs including factors such as interest yield curves and price or rate volatilities, as applicable.

IFRS requires that all financial instruments measured at fair value be categorized into one of three hierarchy levels for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities.

The Trust uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1* – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Trust can access at the measurement date.
- Level 2* – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar instruments in active markets; quoted prices in inactive markets for identical or similar instruments; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3* – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

CNH CAPITAL CANADA WHOLESALE TRUST

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016 (In Canadian Dollars)

NOTE 6: RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based on the lowest level of input that is significant to the measurement of fair value.

The carrying amounts of restricted cash and cash equivalents, accrued interest receivable and accrued interest payable approximate their fair values, and are classified as Level 1. The carrying amounts of ownership interest in receivables, notes payable and Due to Seller also approximate their fair values due to their short-term nature and floating interest rates, and are classified as Level 2. During the years ended December 31, 2017 and 2016, there were no transfers between the Level 1, Level 2 and Level 3 hierarchy levels.

NOTE 7: RELATED PARTY TRANSACTIONS

For the years ended December 31, 2017 and 2016, the Trust's related party transactions are as follows:

	<u>2017</u>	<u>2016</u>
Interest expense	\$ 40,855,059	\$ 41,355,736
Other expenses.....	6,000	6,000

The transactions are in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties. Interest expense paid to CNH Industrial Capital Canada represents the interest on the residual indebtedness. Other expenses represent the administration fee paid to CNH Industrial Capital Canada.

As at December 31, 2017 and 2016, the amounts Due to Seller were \$370,732,108 and \$374,294,990, respectively.