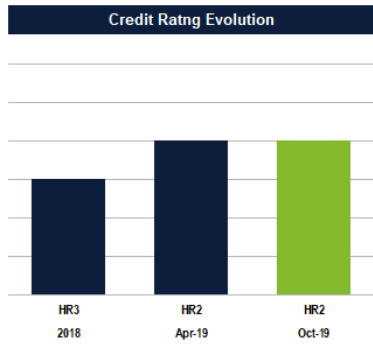




A NRSRO Rating*

Calificación

Short-Term Note Program **HR2**



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HR Ratings affirms the rating of HR2 for the P\$3.00bn Navistar Short-Term Notes (CEBURS) Program

The affirmation of the rating for the Navistar¹ Short-Term Notes (CEBURS) Program² is based on the short-term rating for the Issuer, which was affirmed on October 31st, 2019 at HR2, details of which are available for consult at www.hrratings.com. In turn, the affirmation of the Navistar rating is based on the HR B (G) equivalent rating, held by its Parent Company, Navistar International Corporation³. This is due to the Company operation being aligned with its parent company, therefore a capital injection can be requested, although this has historically not been necessary. The rating for the holding company considers improvements in their financial performance, increased market share and improved generation of UCF, as well as reduced leverage in recent periods. The characteristics of the Program are detailed below:

Navistar Short-Term Note Program Features

Issuer	Navistar Financial S.A. de C.V., SOFOM, E.R.
Type of Securities	Short-Term Notes (CEBURS)
Term of the Program	5 years
Total Authorized Amount	P\$3.0bn, or its equivalent in UDIs
Amortization Scheme	At maturity
Anticipated Amortization	The issuer holds the right to prepay the notes at par. An early amortization premium could be paid to the holders, which will be defined in each issuance.
Guarantee	Unsecured
Interest Rate	To be determined for each issuance. The notes can be either Zero-Coupon, or with interest coupon payments
Use of Resources	Working capital, funding of the portfolio or rollover of previous liabilities.
Term of the Issuances	To be determined for each issuance. The notes can have a term between 1 and 360 days.
Offering Amounts	To be determined for each issuance. The amounts will be established on the OM for each issuance.
Placement Agent	Intercam Casa de Bolsa, S.A. de C.V., Intercam Grupo Financiero; Actinver Casa de Bolsa, S.A. de C.V., Grupo Financiero Actinver
Common Representative	Monex Casa de Bolsa, S.A. de C.V., Monex Grupo Financiero

Source: HR Ratings with information provided by the Issuer.

Historic Performance

- **Improved solvency with an adjusted capitalization rate of 26.5% and an adjusted leverage ratio of 3.3x at 2Q19 (vs. 26.1% and 3.5x at 2Q18).** This comes as a result of the strengthened equity through an adequate generation of earnings, as well as low growth in the total portfolio, translating in an adequate payment capacity.

¹ Navistar Financial, S.A. de C.V., SOFOM, E.R. (Navistar and/or the Company).

² Short-Term Trust Certificates Program (the ST CEBURS Program and/or the Program).

³ Navistar International Corporation (NIC and/or the Parent Company).

- **Adequate profitability with ROAA of 3.6% and ROAA of 15.8% at 2Q19 (vs. 3.4% and 16.0% at 2Q18).** The lower margin is offset by improved operating cost control and lower loan loss provisions, resulting in a growth in the 12m net earnings.
- **Increased delinquency rates at 2Q19, at 3.1% and the adjusted at 3.8% (vs. 2.4% and 3.1% at 2Q18)** Due to default by small transport companies because of lower dynamism in the transportation sector, coupled with the default by a corporate client.

Future Outlook

- **Lower annual growth of the portfolio, compared with previous years, with an annual growth rate of 8.5% for the next three years.** There has been a decrease in demand for loans among small transport companies, which are being covered by fleets, therefore the growth would be expected to come from corporate or business loans and operating leasing.
- **Increased delinquency on par with the performance of the portfolio, reaching a default rate of 3.4% and an adjusted default rate of 4.0% at 2019 close.** The recovery and collection processes would be expected to mitigate the impairment in the asset quality.

Additional Factors Considered

- **Close financial link to the Parent Company, which maintains an average global rating of HR B (G) equivalent, given by other rating agencies.**
- **Improved liquidity profile with a Asset-Weighted Liquidity Gap of 62.5% and a Equity-Weighted Liquidity Gap of 31.9% at 2Q19 (vs. 37.0% and 26.9% at 2Q18).** This is the result of refinancing short-term liabilities with new longer-term liabilities, eliminating the mismatches previously observed in terms under one year.
- **Diversified funding tools, to close 2Q19 with P\$15.071bn authorized and an availability of 39.3% (vs. P\$13.077bn and 26.2% at 2Q18).** Coming from the development banks, commercial banks, commercial paper and securitizations. This gives greater flexibility to control funding costs and the availability is considered adequate to carry out the business plans.

Factors that could raise the rating

- **Upgraded rating for Navistar International Corporation given by at least two rating agencies.**

Factors that could lower the rating

- **Downgraded rating for the Parent Company given by at least two rating agencies.**
- **Continued pressure on the asset quality.** The rating could be impacted if the default rate were to exceed the levels projected under a base scenario, which would request larger loss provisions.
- **Reduced profitability.** The rating may be downgraded if profitability is reduced, due to increased loss provisions, decreased collection of commissions and fees, loss in the brokerage income, among others, which would affect the net earnings and, by extension, the profitability.

Rating and Issuer Profile

This rating action report offers an analysis and assessment of the relevant events occurring in recent months that could influence the credit quality of the Short-Term Notes Program for Navistar. For more information on the ratings HR Ratings has assigned to Navistar Financial, consult the initial rating report published December 15th, 2017 and the annual review published October 30th, 2018. These reports are available at: <http://www.hrratings.com>.

Navistar Financial is the financial arm in Mexico for the truck brand International, and its provider network, promoting sales of tractor-trailers, passenger buses, and light and heavy trucks. Navistar offers simple loans, financial leasing and pure leasing for trucks, serving both small and medium companies as well as individual transporters. The Company also offers a floor plan product for brand dealers.

Observed vs. Projected

The historic analysis of the financial situation of Navistar Financial over the last 12 months is detailed following, accompanied by a comparative against the financial situation projected by HR Ratings under both a base scenario and a stressed scenario as outlined in the October 30th, 2018 rating report.

Table 1. Navistar Observed vs. Projected Financial Performance	Observed Results		2018 Forecasts	
	1H18	1H19	1H19 Base*	1H19 Stress*
Current Portfolio	14,292.4	14,856.3	17,237.8	14,570.5
Non-Performing Loans	297.6	409.0	421.5	1,183.2
Provision for Net Losses 12m	92.1	163.8	281.8	1,526.9
Adjusted Financial Margin 12m	743.2	707.0	637.2	-778.1
Operating Income 12m	960.4	927.1	1,014.0	-485.0
Operating Expenses 12m	295.7	283.2	316.2	391.5
Net Income 12m	509.6	590.4	528.4	-876.5
Delinquency Ratio	2.4%	3.1%	2.8%	8.8%
Adjusted Delinquency Ratio	3.1%	3.8%	3.4%	10.4%
Coverage Ratio	1.4	1.1	1.4	1.4
Adjusted NIM	5.2%	4.5%	3.8%	-5.0%
Efficiency Ratio	28.1%	26.0%	24.4%	37.6%
Operating Efficiency Ratio	2.1%	1.8%	1.9%	2.5%
ROAA	3.4%	3.6%	3.0%	-5.6%
ROAE	16.0%	15.8%	14.3%	-30.4%
Capitalization Ratio	23.8%	26.1%	22.8%	17.8%
Adjusted Capitalization Ratio	26.1%	26.5%	24.7%	19.4%
Leverage Ratio	3.7	3.4	3.7	4.4
Adjusted Leverage Ratio	3.5	3.3	3.0	3.5
Current Portfolio to Net Debt Ratio	1.4	1.6	1.4	1.3
Active Interest Rate	15.0%	14.5%	16.2%	15.9%
Passive Interest Rate	9.3%	10.0%	10.8%	11.2%
Interest Rate Spread	5.7%	4.5%	5.5%	4.7%

Source: HR Ratings with financial statements provided by the Company and audited by KPMG Cárdenas Dosal, S.C.

Amounts in millions of Pesos.

*Forecasts made in the rating report published on October 31st, 2018

Evolution of the Loan Portfolio

Navistar Financial's reported a total portfolio balance of P\$15.265bn at 2Q19 with a current portfolio of P\$14.856bn, comprised of P\$13.177bn loan portfolio and the remainder is pure leasing (vs. P\$14.544bn, P\$14.247bn and P\$12.376bn at 2Q18). This represents a 4.6% increase year-over-year, which is below expectations under a base scenario (vs. 21.4% in the base scenario). The performance observed is explained by a lower demand for financing, primarily among small transport companies, as well as reporting a reduced portfolio of loans for the manufacturing and export of trucks to the United States.

In terms of the asset quality, the non-performing portfolio was P\$409m with a delinquency rate of 3.1% (vs. P\$298m and 2.4% at 2Q18). Meanwhile, the adjusted delinquency rate closed at 3.8%, at levels with greater pressure than those expected under a base scenario, where the projection would be 3.4%. This is because the default by a particular client was expected to be resolved, which was not the case. Additionally, the delinquent portfolio has increased due to slow economic activities. Despite the increased default rates, the quality of the portfolio remains at adequate levels, also noting that the portfolio is guaranteed by the financed assets.

Navistar Financial uses the expected loss methodology to calculate its loan loss provisions, generating total 12m provisions at P\$164m, representing a continued adequate coverage ratio of 1.1x (vs. 1.4x at 2Q18). The decrease from the previous year was due to changes in the proportions between corporate or business loans and retail loans, as the former tend to have a better risk rating, and on increasing this proportion, greater loss provisions are needed.

Income and Expenses

The Company's 12m financial margin was P\$871m, which is lower than that expected due to a lower rate spread than the 5.5% projected by HR Ratings, because of a lower lending rate, while the spread observed was 4.6%. This is the result of a decreased lending rate in the portfolio by concentrating on corporate or business loans to offset the reduced portfolio of small transport companies and, with this, the rates were lower. Meanwhile, the 12m cumulative depreciation was P\$434m representing a year-over-year increase of 16.6%, in keeping with the increased operating leasing.

The 12m loan loss provisions for credit risks reported significant growth from P\$92m to P\$164m from 2Q18 to 2Q19, although this figure remains below that projected under a base scenario (vs. P\$282m base scenario). This was due to the pressure on the Company's asset quality, noting that one client began a bankruptcy process in 2018. As a result, with the lower rate spread, greater depreciation and higher provisions, the 12m adjusted financial margin experienced a decrease compared to the previous year, reporting P\$707m (vs. P\$743m at 2Q18 and P\$637m base scenario). This led to a lower Adjusted NIM compared to 2Q18 at 4.5% (vs. 5.2% in 2Q18).

The total operating income was P\$927m, representing a year-over-year decrease, and also against projections (vs. P\$960m at 2Q18 and P\$1.014bn base scenario). The total operating income includes net commissions and fees, brokerage income and other operating income and expenses. The net commissions and fees were raised to offset the lower lending rate, closing at P\$241.9m (vs. P\$198.5m at 2Q18). The total operating income levels were primarily due to the 12m brokerage income, which accumulated a loss of -P\$104.6m because of fluctuations in the exchange rate and derivatives, as well

as variances from interest rate operations carrying negative effects. Additionally, there were effects from the unrecoverable allowance and loss from asset impairment.

Meanwhile, administrative expenses experienced a decrease of 4.2% year-over-year, reporting levels below those expected under a base scenario, which projected growth in keeping with the growth in operations. With this, the 12-month cumulative was P\$283m (vs. P\$316m base scenario). The decrease was due to lower promotional expenses for the geolocation and telemetry product. As a result, the efficiency and the operating efficiency rates improved year-over-year to 26.0% and 1.8% (vs. 28.1% and 2.1% at 2Q18).

The payment of taxes accrued and deferred reported lower amounts than previous years and projections, due to increased exempt tax deductions, from accounts such as write-offs, unrecoverable accounts and other deferred credits. As a result, despite the lower financial margin, with the decreased loss provisions, administrative expenses and taxes, the Company's net earnings were above that projected under the base scenario prepared by HR Ratings.

Profitability and Solvency

The 12m net earnings were P\$590m, representing an annual growth of 15.9% (vs. P\$510m at 2Q18). As a result, the profitability reported improvement both year-over-year and against the base scenario with ROAA of 3.6% and ROAE of 15.8% (vs. 3.4% and 16.0% at 2Q18; 3.0% and 14.3% base scenario).

The Company's solvency also improved, with an adjusted capitalization rate of 26.5% due to strengthened equity from continued positive net earnings (vs. 23.8% at 2Q18). The adjusted leverage ratio improved to 3.3x, reflecting a reduced need for funding due to a more solid equity compared against the base scenario and, lastly, the current portfolio to net debt ratio was 2.0x, considered strong (vs. 3.5x and 1.4x at 2Q18).

Exhibit – Base Scenario

Balance Sheet: Navistar (Millions of Pesos)		Annual					1H18	1H19
Base Scenario	2016	2017	2018	2019P*	2020P	2021P		
ASSETS	14,659	15,198	16,017	18,149	18,678	20,155	15,776	18,032
Cash and Equivalents	741	554	566	1,629	915	806	492	1,798
Repurchase Agreements, Financial Investments and Derivatives	1,060	385	271	124	139	157	265	117
Net Loan Portfolio	10,331	11,669	12,073	12,835	13,622	14,670	11,958	12,712
Total Loan Portfolio	10,752	12,052	12,478	13,336	14,236	15,362	12,376	13,177
Current Loan Portfolio	10,355	11,764	12,128	12,880	13,698	14,727	12,078	12,768
Non-Performing Portfolio	396	287	350	456	538	635	298	409
Allowance for Loan Losses	(421)	(383)	(405)	(501)	(614)	(692)	(418)	(465)
Other Assets	2,527	2,590	3,107	3,561	4,001	4,521	3,060	3,405
Other Accounts Receivable ¹	225	229	376	417	434	452	580	409
Foreclosed Assets	60	107	76	149	138	127	84	155
Premises and Equipment	2,038	2,122	2,550	2,912	3,342	3,850	2,283	2,761
Deferred Taxes	49	7	0	0	0	0	5	0
Other Assets ²	156	125	104	82	87	93	108	80
LIABILITIES	11,905	11,961	12,226	13,762	13,632	14,417	12,346	14,006
Loans from Banks and Other Entities and Public Debt	10,972	10,451	10,711	9,092	8,872	9,566	10,821	9,152
Short-Term Loans	2,876	4,079	4,349	3,199	3,038	3,075	4,911	3,399
Long-Term Loans	5,120	3,429	4,612	4,456	4,473	4,960	3,444	4,312
Public Debt	2,977	2,942	1,750	1,436	1,362	1,530	2,466	1,442
Short-Term Notes	1,616	1,754	1,198	1,203	1,300	1,530	1,649	1,103
Structured Debt	1,361	1,189	553	233	62	0	817	338
Other Accounts Payable	818	1,377	1,378	4,533	4,623	4,714	1,397	4,717
Deferred Taxes	32	4	2	83	83	83	37	83
Other Accounts Payable & Suppliers ³	786	1,373	1,376	4,450	4,540	4,631	1,360	4,634
Stockholder's Equity	2,754	3,236	3,790	4,387	5,046	5,737	3,431	4,026
Equity	395	395	395	395	395	395	395	395
Capital Stock	283	283	283	283	283	283	283	283
Paid-In Capital	112	112	112	112	112	112	112	112
Gained Equity	2,359	2,841	3,395	3,992	4,651	5,342	3,036	3,631
Capital Reserves	123	123	123	123	123	123	123	123
Accumulated Results	1,891	2,236	2,720	3,269	3,866	4,525	2,720	3,269
Net Results	346	483	549	597	659	691	194	236
Net Debt	10,231	9,897	10,145	7,462	7,957	8,760	10,329	9,559
Total Portfolio (Credit + Financial Leasing + Pure Leasing)	12,687	14,068	14,901	16,103	17,411	19,019	14,590	15,265

Source: HR Ratings with financial statements provided by the Company and audited by KPMG Cárdenas Dosal, S.C.

*Forecast made from 3Q19 under a base case scenario.

1. Other Accounts Receivable. Debtors, Collectable Taxes, FX Operations Receivable, Allowances for Pure Leasing, Related Companies.
2. Other Assets. Anticipated Fees Paid, Deferred Expenses, Advance Payments, Insurances and Intangibles.
3. Other Accounts Payable and Suppliers. Benefits to Employees, FX Operations Payable, Related Companies.



A NRSRO Rating*

Income Statement: Navistar (Millions of Pesos)	Annual						Semi-Annual	
	2016	2017	2018	2019P*	2020P	2021P	1H18	1H19
Base Scenario								
Financial Income	1,783	2,025	2,254	2,403	2,468	2,516	1,078	1,121
Financial Expenses	716	983	1,000	911	790	779	473	473
Depreciation of Leased Assets	281	345	391	437	540	607	189	224
Financial Margin	785	697	863	1,055	1,139	1,131	416	423
Provision for Loan Losses	229	117	163	196	210	188	90	92
Adjusted Financial Margin	556	580	701	860	929	943	326	332
Commissions and Fees Collected	243	246	226	277	299	329	98	130
Commissions and Fees Paid	12	13	20	23	27	30	9	6
Gain from Financial Investments	(58)	(15)	(100)	(92)	(91)	(85)	(34)	(39)
Other Operating Income ¹	60	129	58	96	101	110	38	62
Total Operating Income (Expenses)	790	929	866	1,118	1,211	1,268	418	479
Operating Expenses	243	302	279	299	321	333	138	142
Income Before Taxes	546	627	586	818	890	934	279	337
Income Taxes Paid	129	99	27	221	232	243	84	101
Income Taxes Deferred	(72)	(44)	(11)	0	0	0	(1)	0
Net Result	346	483	549	597	659	691	194	236

Source: HR Ratings with financial statements provided by the Company and audited by KPMG Cárdenas Dosal, S.C.

*Forecast made from 3Q19 under a base case scenario.

Financial Ratios: Navistar	2016	2017	2018	2019P*	2020P	2021P	1H18	1H19
Delinquency Ratio	3.7%	2.4%	2.8%	3.4%	3.8%	4.1%	2.4%	3.1%
Adjusted Delinquency Ratio	5.3%	3.1%	3.8%	4.0%	4.4%	4.8%	3.1%	3.8%
Coverage Ratio	1.1	1.3	1.2	1.1	1.1	1.1	1.4	1.1
Adjusted NIM	4.1%	4.1%	4.6%	5.1%	5.2%	4.9%	5.2%	4.5%
Efficiency Ratio	23.9%	28.9%	27.2%	22.8%	22.6%	22.9%	28.1%	26.0%
Operating Efficiency Ratio	1.8%	2.1%	1.8%	1.8%	1.8%	1.7%	2.1%	1.8%
ROAA	2.5%	3.4%	3.5%	3.5%	3.7%	3.6%	3.4%	3.6%
ROAE	13.4%	16.4%	15.9%	14.7%	13.9%	12.8%	16.0%	15.8%
Capitalization Ratio	20.7%	23.0%	25.7%	27.9%	29.8%	31.0%	23.8%	26.1%
Adjusted Capitalization Ratio	26.7%	26.1%	27.4%	28.4%	30.3%	31.7%	26.1%	26.5%
Leverage Ratio	4.4	3.9	3.5	3.2	2.8	2.6	3.7	3.4
Adjusted Leverage Ratio	4.1	3.7	3.4	3.1	2.7	2.6	3.5	3.3
Current Portfolio to Net Debt Ratio	1.2	1.4	1.4	2.1	2.1	2.1	1.4	1.6
Active Interest Rate	13.2%	14.4%	14.8%	14.3%	13.9%	13.1%	15.0%	14.5%
Passive Interest Rate	7.0%	9.6%	9.4%	9.8%	9.3%	8.5%	9.3%	10.0%
Interest Rate Spread	6.2%	4.7%	5.4%	4.5%	4.6%	4.6%	5.7%	4.5%



A NRSRO Rating*

Cash Flow: Navistar (Millions of Pesos)	Annual						Semi-Annual	
	2016	2017	2018	2019P*	2020P	2021P	1H18	1H19
Base Scenario								
Net Income (Loss)	346	483	549	597	659	691	194	236
Non-Cash Related Operation	326	185	186	610	210	188	290	505
Reserves	96	67	15	413	0	0	200	413
Provision for Loan Losses	229	117	163	196	210	188	90	92
Other Non-Cash Movements	1	2	8	1	0	0	0	1
Investment-Related Activities	291	345	396	439	540	607	187	226
Depreciation and Amortization	291	345	396	439	540	607	187	226
Financing Activities	72	44	11	0	0	0	1	0
Deferred Taxes	72	44	11	0	0	0	1	0
Adjusted Net Income	1,035	1,057	1,141	1,646	1,409	1,486	672	967
Flows Generated (Used) in the Operation	(836)	(151)	(566)	1,835	(934)	(1,174)	(699)	2,257
Decrease (Increase) in Financial Investments	20	(0)	(0)	0	0	0	(0)	0
Decrease (Increase) in Other Accounts Receivable	0	569	123	121	(21)	(23)	113	131
Decrease (Increase) in Derivatives	(29)	3	(16)	0	0	0	(1)	0
Decrease (Increase) in Loan Portfolio	(779)	(1,305)	(567)	(958)	(997)	(1,236)	(406)	(731)
Decrease (Increase) in Other Assets	310	249	(128)	4	(17)	(18)	(242)	12
Decrease (Increase) in Foreclosed Assets	4	(48)	31	(73)	12	11	23	(79)
Increase (Decrease) in Other Accounts Payable	(362)	381	(10)	2,740	90	91	(186)	2,924
Cash Flows Net of Operating Activities	199	907	575	3,481	475	312	(27)	3,224
Flows Generated (Used) in Investment Activities	(775)	(573)	(823)	(798)	(970)	(1,114)	(1)	(434)
Sale (Purchase) of Premises and Equipment	(774)	(569)	(822)	(799)	(970)	(1,114)	(1)	(436)
Decrease (Increase) of Intangible Assets	(1)	(4)	(1)	1	0	0	(0)	1
Cash Remaining (Required) for Financing Activities	(577)	334	(248)	2,683	(495)	(803)	(29)	2,790
Flows Generated (Used) for Financing Activities	958	(521)	260	(1,619)	(219)	694	370	(1,558)
Bank Loans	1,739	(486)	1,452	1,350	6,350	7,900	846	(1,250)
Public Debt Issuances	(780)	(34)	(1,192)	(209)	1,300	1,530	(476)	(309)
Payment of Bank Loans	0	0	0	(2,656)	(6,495)	(7,375)	0	0
Public Debt Amortization	0	0	0	(105)	(1,374)	(1,361)	0	0
Net Increase (Decrease) in Cash	382	(187)	12	1,064	(714)	(109)	341	1,231
FX Effects	0	0	0	0	0	0	0	1
Cash and Cash Equivalent at the Beginning of the Period	359	741	554	566	1,629	915	554	566
Cash and Cash Equivalent at the End of the Period	741	554	566	1,629	915	806	895	1,797
Unrestricted Cash Flow	645	822	948	1,121	1,282	1,347	397	515

Source: HR Ratings with financial statements provided by the Company and audited by KPMG Cárdenas Dosal, S.C.

*Forecast made from 3Q19 under a base case scenario.

Unrestricted Cash Flow	2016	2017	2018	2019P*	2020P	2021P	1H18	1H19
Net Income (Loss)	345.7	483.4	548.9	596.9	658.9	691.3	194.4	235.9
+ Provision for Loan Losses	229.0	116.7	162.6	195.6	209.8	187.7	90.3	91.6
+ Depreciation and Amortization	291.1	344.7	396.2	439.1	540.1	606.6	186.6	226.5
- Write-offs	188.6	92.2	129.4	80.5	97.5	109.6	49.0	13.1
+ Changes in Working Capital*	(32)	(31)	(30)	(30)	(29)	(29)	(26)	(26)
UCF	645.2	821.6	948.2	1,121.2	1,282.2	1,346.9	396.8	515.3

*Excluding effects from FX Transactions.



Exhibit – Stress Scenario

Balance Sheet: Navistar (Millions of Pesos)	Annual						1H18	1H19
	2016	2017	2018	2019P*	2020P	2021P		
Stress Scenario								
ASSETS	14,659	15,198	16,017	15,942	14,641	15,874	15,776	18,032
Cash and Equivalents	741	554	566	1,447	523	332	492	1,798
Repurchase Agreements, Financial Investments and Derivat	1,060	385	271	124	139	157	265	117
Net Loan Portfolio	10,331	11,669	12,073	11,077	10,495	11,675	11,958	12,712
Total Loan Portfolio	10,752	12,052	12,478	13,301	13,675	14,829	12,376	13,177
Current Loan Portfolio	10,355	11,764	12,128	11,077	10,495	11,675	12,078	12,768
Non-Performing Portfolio	396	287	350	2,223	3,180	3,154	298	409
Allowance for Loan Losses	(421)	(383)	(405)	(2,223)	(3,180)	(3,154)	(418)	(465)
Other Assets	2,527	2,590	3,107	3,294	3,483	3,711	3,060	3,405
Other Accounts Receivable ¹	225	229	376	369	327	302	580	409
Foreclosed Assets	60	107	76	152	146	140	84	155
Premises and Equipment	2,038	2,122	2,550	2,690	2,923	3,176	2,283	2,761
Deferred Taxes	49	7	0	0	0	0	5	0
Other Assets ²	156	125	104	82	87	93	108	80
LIABILITIES	11,905	11,961	12,226	13,391	12,880	14,109	12,346	14,006
Loans from Banks and Other Entities and Public Debt	10,972	10,451	10,711	8,721	8,555	10,103	10,821	9,152
Short-Term Loans	2,876	4,079	4,349	2,924	2,888	3,413	4,911	3,399
Long-Term Loans	5,120	3,429	4,612	4,360	4,306	5,160	3,444	4,312
Public Debt	2,977	2,942	1,750	1,436	1,362	1,530	2,466	1,442
Short-Term Notes	1,616	1,754	1,198	1,203	1,300	1,530	1,649	1,103
Structured Debt	1,361	1,189	553	233	62	0	817	338
Other Accounts Payable	818	1,377	1,378	4,533	4,188	3,869	1,397	4,717
Deferred Taxes	32	4	2	83	83	83	37	83
Other Accounts Payable & Suppliers ³	786	1,373	1,376	4,450	4,105	3,786	1,360	4,634
Stockholder's Equity	2,754	3,236	3,790	2,551	1,761	1,765	3,431	4,026
Equity	395	395	395	395	395	395	395	395
Capital Stock	283	283	283	283	283	283	283	283
Paid-In Capital	112	112	112	112	112	112	112	112
Gained Equity	2,359	2,841	3,395	2,156	1,366	1,370	3,036	3,631
Capital Reserves	123	123	123	123	123	123	123	123
Accumulated Results	1,891	2,236	2,720	3,269	2,029	1,240	2,720	3,269
Net Results	346	483	549	(1,240)	(790)	4	194	236
Net Debt	10,231	9,897	10,145	7,274	8,032	9,772	10,329	9,559
Total Portfolio (Credit + Financial Leasing + Pure Leasing)	12,687	14,068	14,901	15,856	16,452	17,846	14,590	15,265

Source: HR Ratings with financial statements provided by the Company and audited by KPMG Cárdenas Dosal, S.C.

*Forecast made from 3Q19 under a stress case scenario.

1. Other Accounts Receivable. Debtors, Collectable Taxes, FX Operations Receivable, Allowances for Pure Leasing, Related Companies.
2. Other Assets. Anticipated Fees Paid, Deferred Expenses, Advance Payments, Insurances and Intangibles.
3. Other Accounts Payable and Suppliers. Benefits to Employees, FX Operations Payable, Related Companies.



A NRSRO Rating*

Income Statement: Navistar (Millions of Pesos)	Annual						Semi-Annual	
	2016	2017	2018	2019P*	2020P	2021P	1H18	1H19
Financial Income	1,783	2,025	2,254	2,371	2,240	2,215	1,078	1,121
Financial Expenses	716	983	1,000	965	830	880	473	473
Depreciation of Leased Assets	281	345	391	433	489	531	189	224
Financial Margin	785	697	863	973	922	804	416	423
Provision for Loan Losses	229	117	163	1,994	1,478	578	90	92
Adjusted Financial Margins	556	580	701	(1,020)	(557)	227	326	332
Commissions and Fees Collected	243	246	226	239	283	290	98	130
Commissions and Fees Paid	12	13	20	19	26	27	9	6
Gain from Financial Investments	(58)	(15)	(100)	(126)	(111)	(99)	(34)	(39)
Other Operating Income ¹	60	129	58	96	101	106	38	62
Total Operating Income (Expenses)	790	929	866	(831)	(308)	497	418	479
Operating Expenses	243	302	279	408	481	493	138	142
Income Before Taxes	546	627	586	(1,239)	(790)	4	279	337
Income Taxes Paid	129	99	27	0	0	0	84	101
Income Taxes Deferred	(72)	(44)	(11)	0	0	0	(1)	0
Net Result	346	483	549	(1,240)	(790)	4	194	236

Source: HR Ratings with financial statements provided by the Company and audited by KPMG Cárdenas Dosal, S.C.

*Forecast made from 3Q19 under a stress case scenario.

Financial Ratios: Navistar	2016	2017	2018	2019P*	2020P	2021P	1H18	1H19
Delinquency Ratio	3.7%	2.4%	2.8%	16.7%	23.3%	21.3%	2.4%	3.1%
Adjusted Delinquency Ratio	5.3%	3.1%	3.8%	17.7%	26.1%	24.3%	3.1%	3.8%
Coverage Ratio	1.1	1.3	1.2	1.0	1.0	1.0	1.4	1.1
Adjusted NIM	4.1%	4.1%	4.6%	-6.1%	-3.3%	1.3%	5.2%	4.5%
Efficiency Ratio	23.9%	28.9%	27.2%	35.1%	41.1%	45.9%	28.1%	26.0%
Operating Efficiency Ratio	1.8%	2.1%	1.8%	2.5%	2.8%	2.8%	2.1%	1.8%
ROAA	2.5%	3.4%	3.5%	-7.6%	-5.2%	0.0%	3.4%	3.6%
ROAE	13.4%	16.4%	15.9%	-35.5%	-35.8%	0.2%	16.0%	15.8%
Capitalization Ratio	20.7%	23.0%	25.7%	18.5%	13.1%	11.9%	23.8%	26.1%
Adjusted Capitalization Ratio	26.7%	26.1%	27.4%	18.9%	13.5%	12.3%	26.1%	26.5%
Leverage Ratio	4.4	3.9	3.5	3.7	5.8	7.5	3.7	3.4
Adjusted Leverage Ratio	4.1	3.7	3.4	3.6	5.8	7.5	3.5	3.3
Current Portfolio to Net Debt Ratio	1.2	1.4	1.4	1.9	1.7	1.5	1.4	1.6
Active Interest Rate	13.2%	14.4%	14.8%	14.2%	13.1%	12.5%	15.0%	14.5%
Passive Interest Rate	7.0%	9.6%	9.4%	10.5%	9.9%	9.5%	9.3%	10.0%
Interest Rate Spread	6.2%	4.7%	5.4%	3.7%	3.2%	3.0%	5.7%	4.5%

Source: HR Ratings with financial statements provided by the Company and audited by KPMG Cárdenas Dosal, S.C.

*Adjusted Leverage Ratio: (Average Liabilities 12m - Average Structured Debt Outstanding 12m) / Average Stockholder's Equity 12m.

**Capitalization Ratio: (Risk Weighted Assets - Portfolio in Trusts) / Stockholder's Equity.



A NRSRO Rating*

Cash Flow: Navistar (Millions of Pesos) Stress Scenario	Annual						Semi-Annual	
	2016	2017	2018	2019P*	2020P	2021P	1H18	1H19
Net Income (Loss)	346	483	549	(1,240)	(790)	4	194	236
Non-Cash Related Operation	326	185	186	2,408	1,478	578	290	505
Reserves	96	67	15	413	0	0	200	413
Provision for Loan Losses	229	117	163	1,994	1,478	578	90	92
Other Non-Cash Movements	1	2	8	1	0	0	0	1
Investment-Related Activities	291	345	396	435	489	531	189	226
Depreciation and Amortization	291	345	396	435	489	531	189	226
Financing Activities	72	44	11	0	0	0	1	0
Deferred Taxes	72	44	11	0	0	0	1	0
Adjusted Net Income	1,035	1,057	1,141	1,603	1,177	1,113	674	967
Flows Generated (Used) in the Operation	(836)	(151)	(566)	1,840	(1,214)	(2,068)	(724)	2,257
Decrease (Increase) in Financial Investments	20	(0)	(0)	0	0	0	(0)	0
Decrease (Increase) in Other Accounts Receivable	0	569	123	121	(21)	(23)	113	131
Decrease (Increase) in Derivatives	(29)	3	(16)	0	0	0	7	0
Decrease (Increase) in Loan Portfolio	(779)	(1,305)	(567)	(998)	(896)	(1,758)	(380)	(731)
Decrease (Increase) in Other Assets	310	249	(128)	52	42	25	(218)	12
Decrease (Increase) in Foreclosed Assets	4	(48)	31	(76)	6	6	23	(79)
Increase (Decrease) in Other Accounts Payable	(362)	381	(10)	2,740	(345)	(319)	(269)	2,924
Cash Flows Net of Operating Activities	199	907	575	3,443	(36)	(955)	(50)	3,224
Flows Generated (Used) in Investment Activities	(775)	(573)	(823)	(572)	(722)	(784)	(349)	(434)
Sale (Purchase) of Premises and Equipment	(774)	(569)	(822)	(573)	(722)	(784)	(348)	(436)
Decrease (Increase) of Intangible Assets	(1)	(4)	(1)	1	0	0	(0)	1
Adquisición de otras inversiones permanentes	0	0	0	0	0	0	0	0
Cash Remaining (Required) for Financing Activities	(577)	334	(248)	2,871	(758)	(1,740)	(399)	2,790
Flows Generated (Used) for Financing Activities	958	(521)	260	(1,990)	(165)	1,548	370	(1,558)
Bank Loans	1,739	(486)	1,452	950	6,250	8,850	846	(1,250)
Public Debt Issuances	(780)	(34)	(1,192)	(209)	1,300	1,530	(476)	(309)
Payment of Bank Loans	0	0	0	(2,626)	(6,341)	(7,471)	0	0
Public Debt Amortization	0	0	0	(105)	(1,374)	(1,361)	0	0
Net Increase (Decrease) in Cash	382	(187)	12	881	(923)	(192)	(29)	1,231
FX Effects	0	0	0	0	0	0	0	1
Cash and Cash Equivalent at the Beginning of the Period	359	741	554	566	1,447	523	554	566
Cash and Cash Equivalent at the End of the Period	741	554	566	1,447	523	332	525	1,797
Unrestricted Cash Flow	645	822	948	1,002	627	480	399	515

Source: HR Ratings with financial statements provided by the Company and audited by KPMG Cárdenas Dosal, S.C.

*Forecast made from 3Q19 under a base case scenario.

Unrestricted Cash Flow	2016	2017	2018	2019P*	2020P	2021P	1H18	1H19
Net Income (Loss)	345.7	483.4	548.9	-1,239.6	-789.5	4.0	194.4	235.9
+ Provision for Loan Losses	229.0	116.7	162.6	1,993.6	1,478.4	577.8	90.3	91.6
+ Depreciation and Amortization	291.1	344.7	396.2	434.9	488.5	530.9	188.9	226.5
- Write-offs	188.6	92.2	129.4	156.6	521.6	603.9	49.0	13.1
+ Changes in Working Capital*	(32)	(31)	(30)	(30)	(29)	(29)	(26)	(26)
UCF	645.2	821.6	948.2	1,002.3	626.8	479.7	399.1	515.3

*Excluding effects from FX Transactions.

Non-Bank Financials Glossary

Active Interest Rate. Interest Income 12m / Average Productive Assets 12m.

Adjusted Capitalization Ratio. Stockholder's Equity / (Risk-Weighted Assets – Portfolio in Trusts).

Adjusted Delinquency Ratio. (Non-Performing Ratio + Write-Offs 12m) / (Total Loan Portfolio + Write-Offs 12m).

Adjusted Leverage Ratio. (Average Liabilities 12m – Average Structured Debt 12m) / Average Stockholder's Equity 12m.

Adjusted NIM. Adjusted Financial Margin 12m / Average Productive Assets 12m.

Asset-Weighted Liquidity Gap. Weighted Sum of Liquidity Gaps / Weighted Sum of Liabilities.

Capitalization Ratio. Stockholder's Equity / Risk-Weighted Assets.

Coverage Ratio. Allowance for Loan Losses / Non-Performing Portfolio.

Current Portfolio to Net Debt Ratio. (Current Loan Portfolio + Current Leasing Portfolio) / (Debt with Cost - Financial Investment – Cash and Equivalents).

Debt with Cost. Bank Loans + Short-Term Notes + Structured Debt.

Delinquency Ratio. Non-Performing Loans / Total Portfolio.

Efficiency Ratio. Operating Expenses 12m / Total Operating Income 12m.

Equity-Weighted Liquidity Gap. Weighted Sum of Liquidity Gaps / Weighted Sum of Stockholder's Equity.

Interest Rate Spread. Active Interest Rate – Passive Interest Rate.

Leverage Ratio. Average Liabilities 12m / Average Stockholder's Equity 12m.

Operating Efficiency Ratio. Operating Expenses 12m / Average Assets 12m.

Passive Interest Rate. Financial Expenses 12m / Average Debt with Cost 12m.

Productive Assets / Risk-Weighted Assets. Financial Investments + Total Loan Portfolio + Pure Leasing Portfolio.

ROAA. Net Income 12m / Average Assets 12m.

ROAE. Net Income 12m / Average Stockholder's Equity 12m.

Total Portfolio. Current Loan Portfolio + Non-Performing Loans + Pure Leasing Portfolio.

Unrestricted Cash Flow. Net Income (Loss) + Provision for Loan Losses + Depreciation and Amortization – Write-Offs + Changes in Working Capital.



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A NRSRO Rating*

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The rating given by HR Ratings de México, S.A. de C.V. to this entity, issuer and/or offering is supported by the analysis conducted using base and stressed scenarios in accordance with the following methodology/methodologies developed by the rating agency:

General Methodological Criteria (Mexico), March 2019
Rating Methodology for Non-Bank Financial Institutions (Mexico), Mayo 2009
ADDENDUM – Rating Methodology for Financial Leasing Agents and Pure Leasing Agents (Mexico), January 2010

For more information on this methodology, visit <https://www.hrratings.com/methodology/>

Complementary information in compliance with section V, subsection (A), of Appendix 1 to the General provisions applicable to securities rating agencies.

Previous rating	HR2
Date of last rating action	April 10th, 2019
Period for the financial information HR Ratings used to assign this rating	1T12 – 2T19
Information sources used, including those provided by third parties	Quarterly and audited financial statements by KPMG Cárdenas Dosal, S.C., provided by the Company
Ratings given by other rating agencies that were used by HR Ratings (where applicable)	Credit rating to Navistar International Corporation of B(G) with Stable Outlook by Fitch Ratings on March 2019 Credit rating to Navistar International Corporation en B(G) with Stable Outlook by S&P on January 2019. Credit rating to Navistar International Corporation en B(G) with Stable Outlook by Moody's on April 2019.
On assigning or monitoring the rating, HR Ratings considered the existence of mechanisms to align the incentives between the originator, servicer, and guarantor, and potential buyers of the Securities (where it applies)	N/A

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Credit
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NAVISTS

Short-Term Notes (CEBURS)

Navistar Financial, S.A. de C.V., SOFOM, E.R.

HR2

Financial Institutions
October 31st, 2019

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