

NAVISTAR
FINANCIAL

ANNUAL REPORT 2023

NAVISTAR
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To Our Shareholders

Dear Shareholders,

It is a pleasure to share with you Navistar Financial's performance throughout 2023, a period marked by our commitment to innovation and sustainable value generation, as well as various challenges. In this regard, we have faced a complex economic environment, characterized by high interest rates and uncertainty in the credit markets. Additionally, the sector has experienced fluctuations in vehicle demand and changes in our clients' financing preferences.

Internally, we had changes in the Board of Directors and Management, with the purpose of responding to the challenges and interest in the future development of our business, particularly in key areas such as digital innovation, sustainability and continuity. This, within a

strong organization, focused on a specialized market and supported by a team of experts.

In this sense, based on best risk practices, having world-class processes, knowing our clients, and supporting their financing needs, delivering timely and high-quality service, we achieved significant financial and operational goals during the period. This is proof of the company's ability to adapt to a changing environment and highlights its commitment to innovation and value generation, even in challenging circumstances.

First, our revenues reached record levels, with an increase of 17.8% over the previous year. Additionally, our Profit Before Taxes amounted to P\$1,283 million, representing an 86.21% increase compared to pre-pandemic levels (P\$680m, 2019). This not only sets a historic milestone for the company, but also, combined with a ROE of 19.54% (vs. 16.12% in 2022) and a 45% reduction in non-performing loans compared to the previous period—which generated a positive effect on the allowance for

uncollectable accounts—demonstrates our operational capacity and ability to effectively manage strategic changes.

Furthermore, in response to the company's consistently strong financial results, it was decided to make the first dividend payment to our shareholders in the company's 26 years of operation. This measure not only reflects the company's important financial position, but also consolidates its reputation as a trustworthy player in the market, generating an environment of confidence and credibility among its investors.

Moreover, a notable improvement in the credit quality of our portfolio has been achieved by strengthening two of the company's main areas: Credit and Collections. Strengthening the origination process has resulted in a decreased delinquency rate. Additionally, the Collections area experienced one of the best years for recovering bad debts in Navistar Financial's history, contributing to the reduction of required reserves and, consequently, leading to double-digit growth in Profit Before Taxes.

Our digital channel for credit application has played a key role in achieving our results and streamlining processes. Along with its intuitive interface, it contributed to more than 40% of credit applications being made through our website, demonstrating the effectiveness of our digital strategies and our ability to adapt to the changing needs of our clients.



In this regard, committed to maximizing value generation for all our stakeholders, we launched our first services and subscriptions contract. Through this contract, we provide preventive and corrective maintenance services as well as training to our clients. Our approach goes beyond financing transportation equipment, offering our customers access to a variety of maintenance options to ensure the operability and efficiency of their fleets.

In the commercial field, we continued to advance in consolidating our positioning throughout the country, capitalizing on our team's extensive regional knowledge. With their expertise, we not only segment clients to provide more personalized and effective service, but we have also leveraged the inherent benefits of nearshoring.

In terms of sustainability, we have adopted a critical role as a facilitator, ensuring that our clients have access to the most advanced and environmentally friendly technology through our financing. The launch of the S13 truck, equipped with the last internal combustion engine (Euro 6) to be manufactured by the brand, is a clear example of this mission. This technology will enable

us to improve our fuel consumption efficiency, leading to a reduction in CO₂ emissions.

Our contribution to a positive impact on the sector is reflected in our strategy to drive the transition to more sustainable mobility, addressing a largely unbanked sector and promoting vehicle renewal across all segments of the transportation sector. In line with this commitment, we offer financial products with preferential terms for these more efficient vehicles (S13). The displacement of these vehicles, in addition to reducing their carbon footprint, will provide greater efficiencies to our clients, as they offer up to 10% better fuel performance compared to current engines, which translates into a reduction of approximately 1 ton of CO₂ for every 10,000 kilometers traveled.

To put this into context, neutralizing one ton of CO₂ has an impact equivalent to preserving around 5,000 square meters of forest for a year.

Through our financing plans and innovative strategies, we are providing the necessary tools for our clients to upgrade their fleets with this efficient engine, thereby

reducing their environmental impact and improving their performance on the road. This effort reflects our dedication not only to technological advancement, but also to facilitating the adoption of sustainable solutions.

As a brand, we have developed zero-emission vehicles such as the Electric MV International (eMV®), a 100% electric cargo vehicle produced entirely at the Escobedo plant in Nuevo Leon, and the eCE® International, a 100% electric bus for personnel transportation.

Our experience of over 25 years, combined with solid origination processes, strong portfolio quality and synergies within our group, uniquely position us to lead the transformation towards cleaner and more environmentally friendly mobility.

I am deeply grateful to our collaborators, distributors and business partners for their dedication and effort, which have been fundamental in making 2023 the most successful year in our history so far. To you, our investors, I extend my sincerest thanks for your trust and support.

I am confident that together we can continue the company's mission and progress towards increasingly sustainable mobility.

Sincerely,

**BERNARDO
VALENZUELA CADENA**

CEO and Chairman of the Board of
Directors of Navistar Financial S.A de C.V.
SOFOM, E.R

Profile

We are Navistar

With a solid track record of more than 25 years in Mexico, Navistar Financial, S.A. de C.V. SOFOM E.R. is positioned as a strong financial partner in the transportation market. It offers a wide range of financial services such as loans and leases for the acquisition of International® brand commercial trucks, proprietary diesel engines, as well as trucks and tractor trucks of various brands, along with auxiliary equipment and spare parts, through an extensive network of distributors. Since 2021, it has been part of the TRATON Group, a world leader in the transportation and truck services sector. Navistar Financial Mexico is listed on the Mexican Stock Exchange with long-term debt certificates, identified with the ticker symbol NAVISTS.

Our Services

A comprehensive portfolio of financial services has been developed, meticulously designed to fulfill the needs of the market. This portfolio comprises loans, leasing, working capital financing and floor plan solutions for Navistar distributors. Additionally, these are complemented with protection services through our insurance broker Transprotección® and telemetry solutions, thus ensuring a comprehensive and efficient response to our clients demands.

Comprehensive Solutions



We provide **financing** for the purchase of new equipment and auxiliary equipment.



We guarantee optimal **truck operation and safety** through advanced **telemetry** solutions.



Loans to distributors for the acquisition of **new International® trucks**.



Loans to distributors to cover their **working capital** needs.



With our insurance broker, we ensure the **protection of assets** and the **safety of drivers**.



Retail

Financial Leasing

Access to the use of a vehicle is facilitated with the option to purchase in the future through a monthly payment scheme that reflects the purchase cost. This scheme allows the deduction of interest for income tax purposes and the crediting of 100% of the VAT generated by each payment.



Operating Lease

The use of a vehicle is granted in exchange for a monthly payment, which is deductible for income tax purposes according to the rental invoice. VAT on rentals is recoverable and, at the end of the contract, the option is given to purchase the vehicle or return it.

Wholesale

Navistar Financial Mexico offers its distributors a variety of financing options in local currency and dollars for the acquisition of International® trucks, used trucks and tractor trucks, auxiliary equipment, and spare parts, as well as to cover the working capital required for their operation.



Simple Loans

After an initial payment corresponding to a specific percentage of the value of the vehicle, the purchase invoice is issued in the user's name. The interest paid monthly is deductible for income tax purposes and is exempt from VAT. Additionally, 100% of the loan is credited at the beginning of the financing.



Insurance

Transprotección®

Insurance agent specializing in the automotive transport industry that provides a distinctive accident prevention program, positioning us as a leader in the market by providing a complete service. This approach places us among the few providers that offer a comprehensive experience to our clients, making a significant difference in the industry.



* Figures as of December 31, 2023.

Timeline



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2023 Highlights



Navistar Financial announced the departure of José Alfredo Chacón Pérez as Chief Executive Officer and Chairman of the Board of Directors effective June 1, 2023.

In order to strengthen its corporate governance structure, Bernardo Valenzuela has been appointed to both roles, marking a strategic change in the company's management.



Historic levels of profits were reached.



During the first half of the year, Navistar Financial made its first dividend payment, reaffirming its commitment to generating value for its investors.



Establishment of the ESG committee.



Introduction of the service solutions model.

2023 in Figures ¹

Highlights

Managed portfolio	Authorized credit lines	Shareholders' Equity
P\$14,328	P\$24,417*	P\$4,025
Interest income	ROE	Financed Vehicles
P\$1,764	19.54%	P\$2,014
Operating Income	ROA	Clients
P\$1,283	6.51%	+1,790

Comparative Highlights

Financial information	2023	2022	Change in pesos	Chance in %
Managed portfolio	P\$14,328	P\$14,921	(P\$593)	(4%)
Operating income	P\$1,764	P\$1,506	P\$258	17%
Interest income	P\$1,283	P\$1,125	P\$158	14%
Authorized credit lines	P\$24,417*	P\$16,701	P\$7,716	46%
Shareholders' Equity**	P\$4,025	P\$5,838	(P\$1,813)	(31%)
ROE	19.54%	16.12%	3.42	21%
ROA	6.51%	6.30%	0.21	(3%)



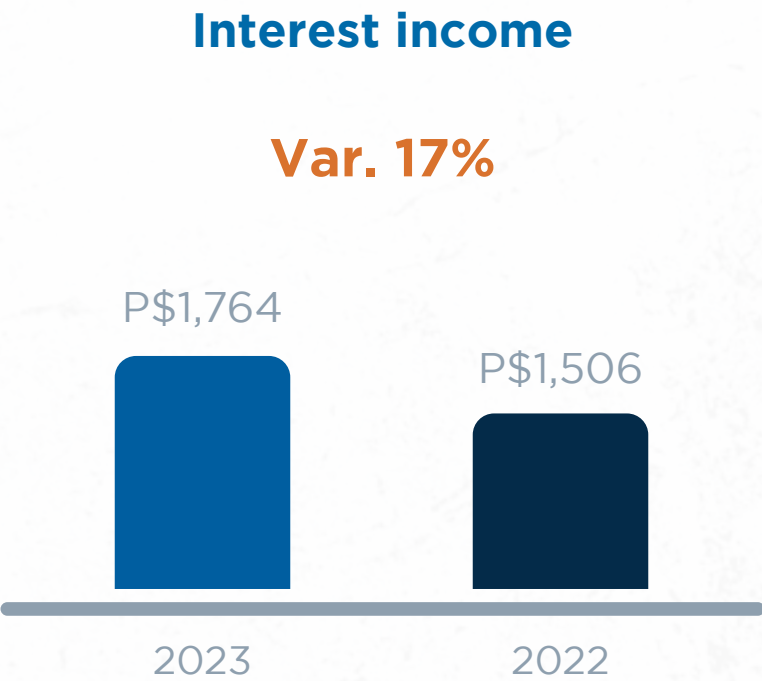
¹ All figures in this section are represented in millions of Mexican pesos.
* It includes a US\$50 million credit line with TRATON.

¹ All figures in this section are represented in millions of Mexican pesos.
** The decrease was due to the dividend payment made in 2023.

Income Statement Summary

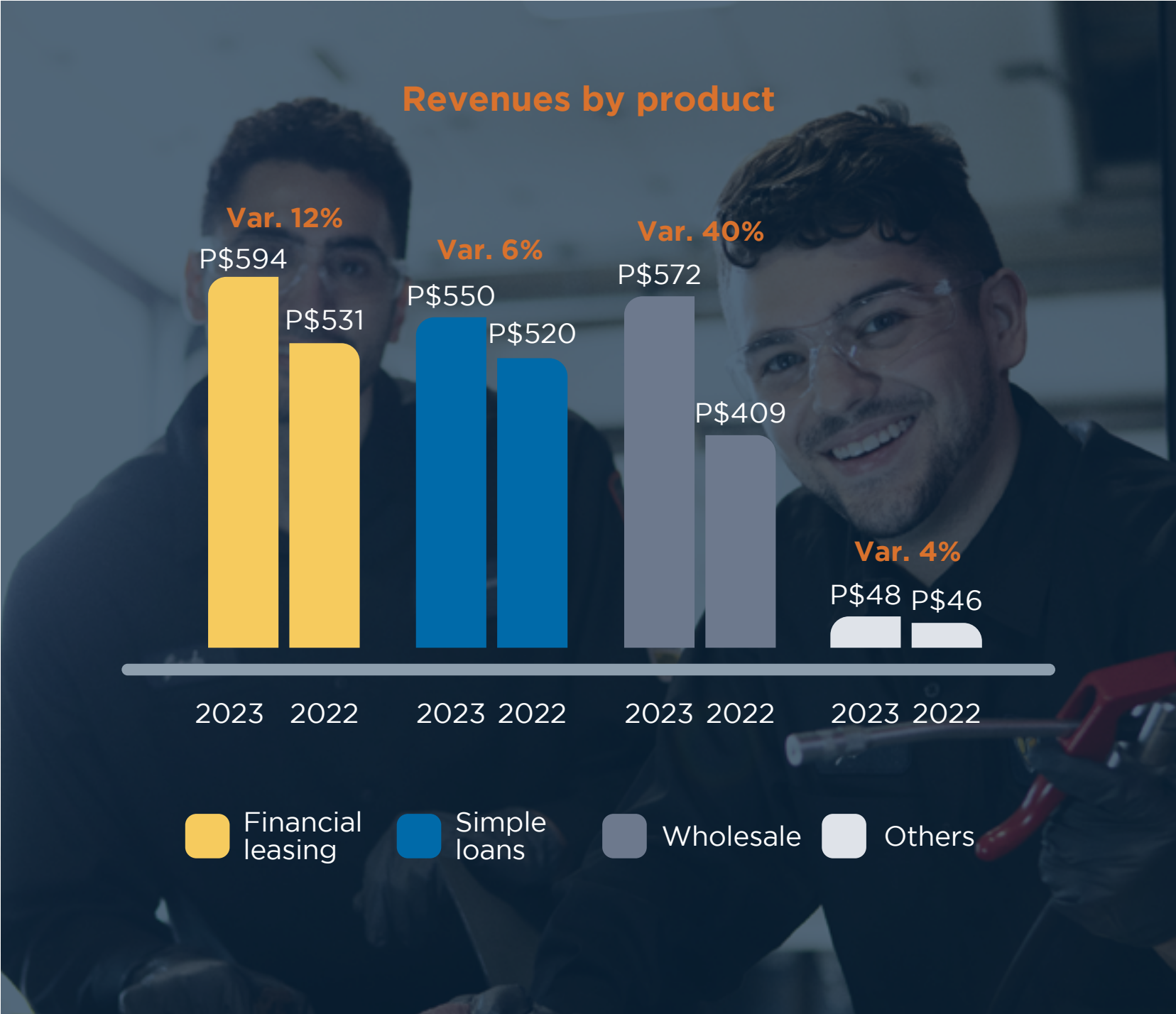
Interest income

In 2023, the company recorded interest income totaling P\$1,764 million, an increase of 17% compared to the previous year. This rise is mainly attributable to a P\$260 million increase in income generated by the loan and lease portfolio, as a result of a higher placement of these products. Despite facing a negative variation of (P\$4.6) million, due to an exchange rate fluctuation at the end of 2023, net income amounted to P\$7.7 million. Furthermore, there was an increase in income from securities repurchase agreements and investments, reaching P\$20.1 million, which represents an increase of P\$6.7 million compared to 2022. Additionally, a P\$3.8 million reduction in the amortization of credit fees contributed to this result.



¹ All figures in this section are represented in millions of Mexican pesos.

At the end of FY 2023, revenues are composed as follows: P\$ 1,764 million related to interest income, P\$223 million in commissions and fees collected, P\$15 million in brokerage income, P\$363 million in net operating lease income, and P\$216 million in total other operating income.

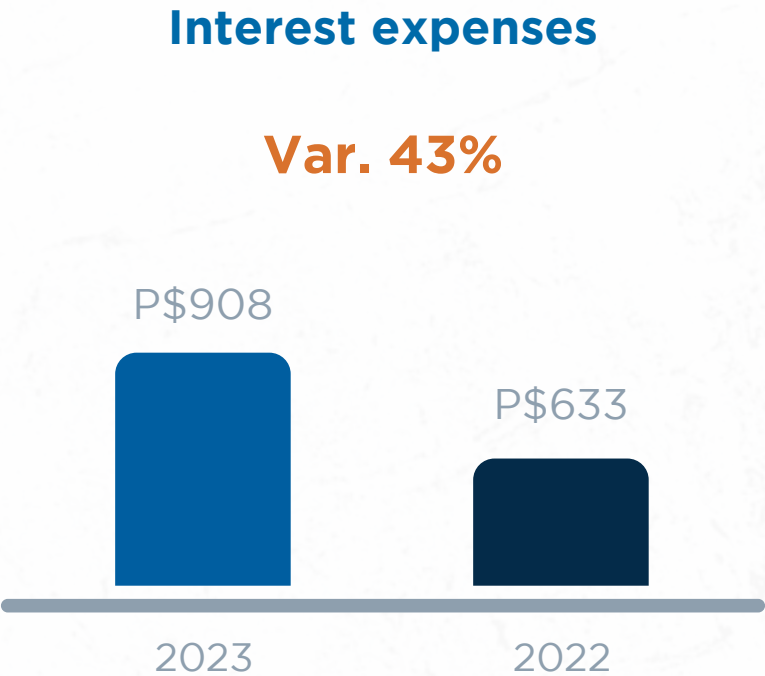


Interest expenses

During 2023, there was a significant increase in interest expense, which grew 43% over the previous year, rising from P\$633 million in 2022 to P\$908 million. This increase was primarily due to higher costs associated with bank lending, which increased by P\$153.5 million, and additional amortization expense.

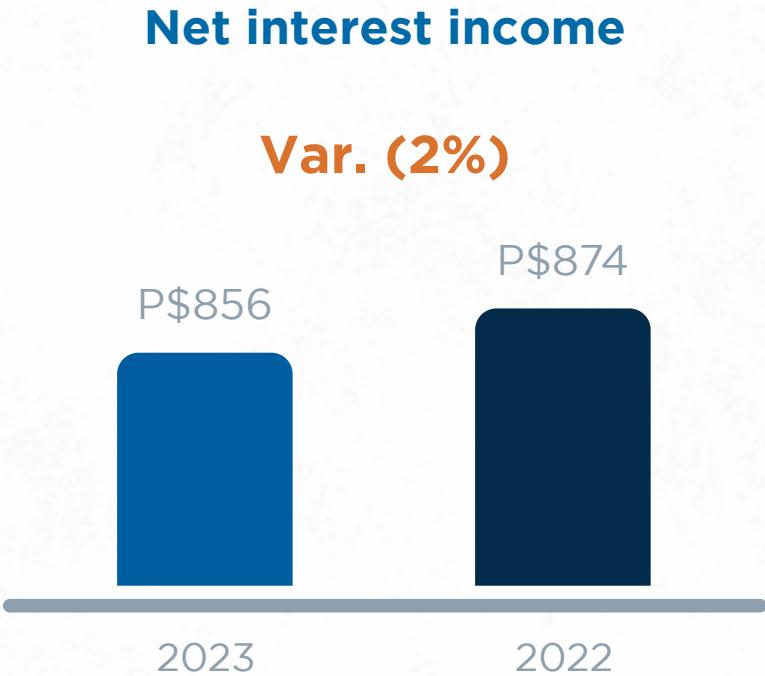
In addition, exchange rate fluctuations had a negative impact, resulting in a loss of P\$8.4 million and a net negative effect of P\$12.1 million at the end of the year. There was also an increase of P\$115.5 million in interest expense on debt certificates and the amortization of debt issuance costs.

However, some progress was made, such as a reduction in the amortization of origination costs of P\$1.4 million and a decrease in interest on lease liabilities of P\$0.6 million, thanks to payments made during the year.



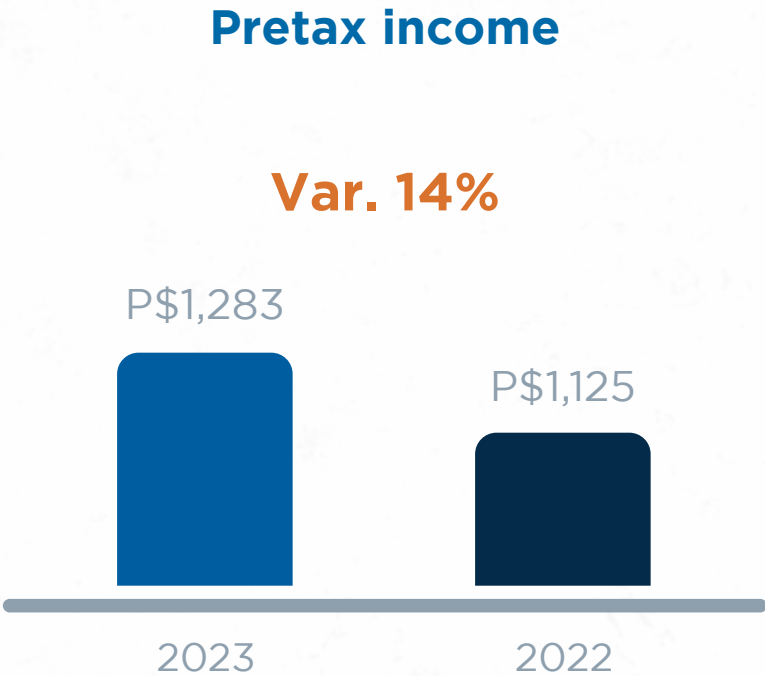
Net interest income

The net interest income for 2023 amounted to P\$856 million, remaining at comparable levels to the P\$874 million recorded in FY2022.



Pretax income

2023 was a milestone year for Navistar Financial Mexico, recording a historic pretax profit, reflecting a continued positive trend and a fast recovery from the operational challenges encountered during the pandemic. In addition, improved management of non-performing accounts contributed to a decrease in the non-performing loan ratio, allowing us to reduce the necessary reserves. This effective management of resources led to double-digit growth in pretax income.

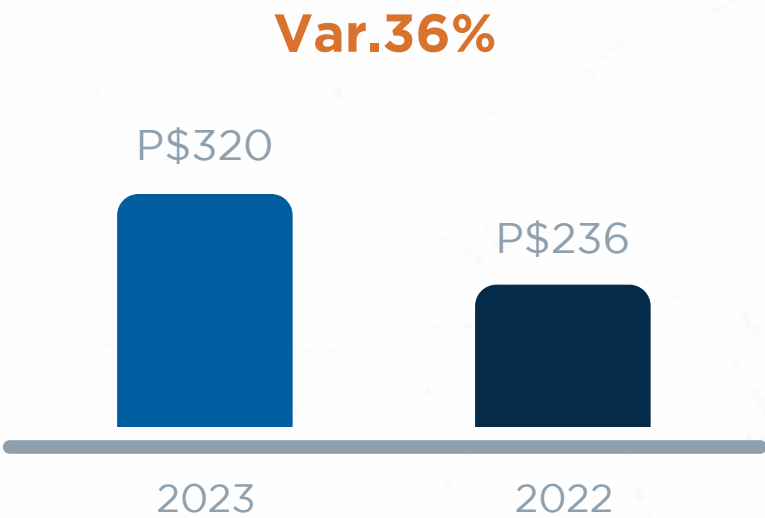


¹ All figures in this section are represented in millions of Mexican pesos.

Income taxes

Income taxes

In FY 2023, income taxes amounted to P\$385 million, an increase of 63% compared to the previous year.

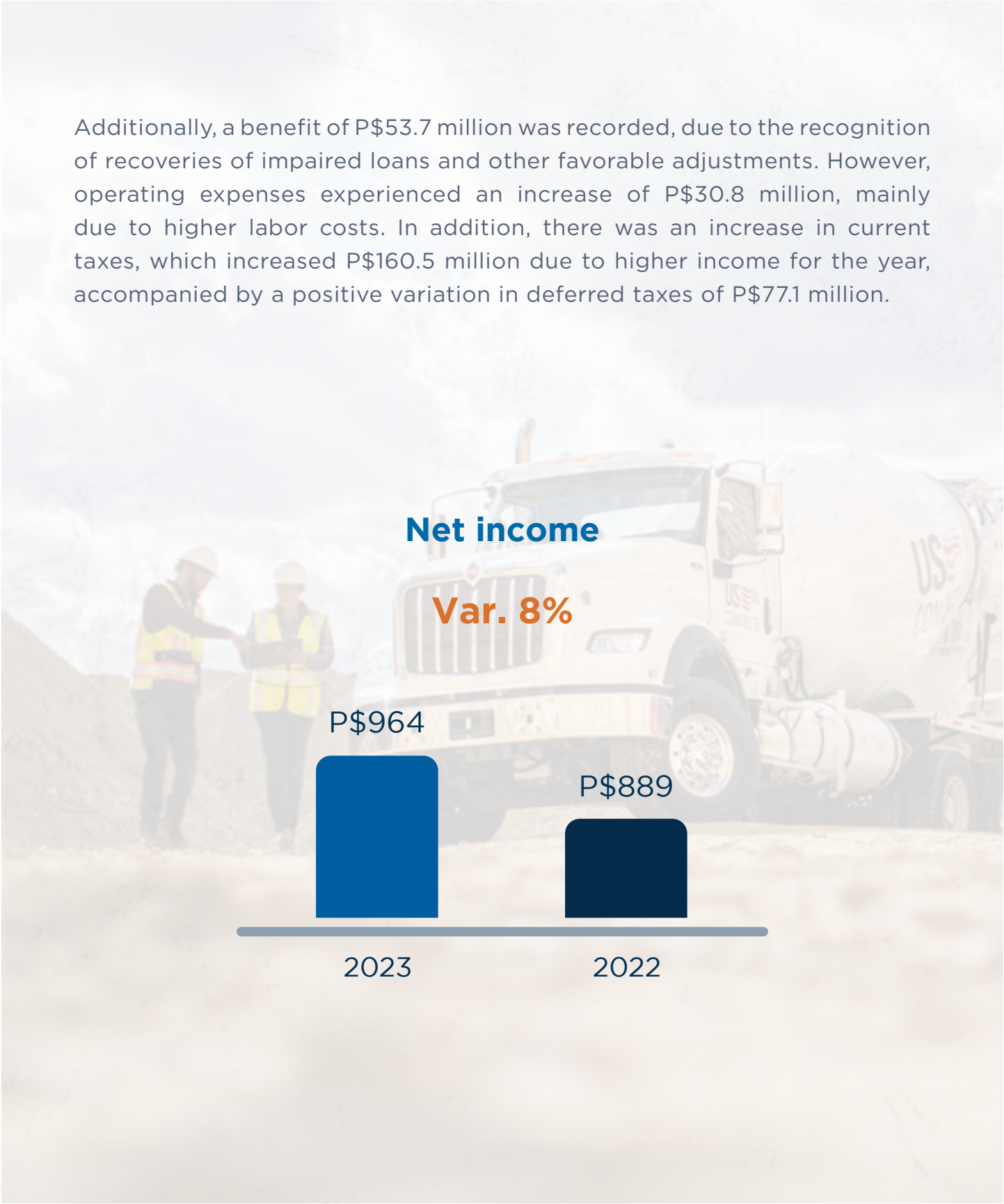


Net income

Net income increased from P\$889 million in 2022 to P\$964 million in 2023, an increase of 8.4%. This increase is due to improvements in several aspects. First, there was a significant increase in the adjusted financial income, which rose to P\$69.5 million, driven by an increase in interest income on loan and lease portfolios. In addition, improvements in credit quality and collection management efficiency were observed, resulting in a reduction in loan loss provisions.

Although there was an increase in commercial loan commissions and bank fees, a P\$12.8 million gain in net interest income was achieved, thanks to effective strategies in interest rate and foreign exchange risk management. In addition, the P\$78.8 million increase in operating lease income reflects improvements in client payment behavior.

Additionally, a benefit of P\$53.7 million was recorded, due to the recognition of recoveries of impaired loans and other favorable adjustments. However, operating expenses experienced an increase of P\$30.8 million, mainly due to higher labor costs. In addition, there was an increase in current taxes, which increased P\$160.5 million due to higher income for the year, accompanied by a positive variation in deferred taxes of P\$77.1 million.



¹ All figures in this section are represented in millions of Mexican pesos.

Balance Sheet Summary

ASSETS

The composition of Navistar Financials’ assets is based primarily on the value of the portfolio, which is detailed below:

Managed portfolio

The portfolio consists of the company’s three offerings, Wholesale, Retail and Simple Leasing. During 2023, the portfolio under management experienced a 4% decrease, mainly driven by a 21% decrease in the wholesale portfolio.

Portfolio by risk level (IFRS 9)

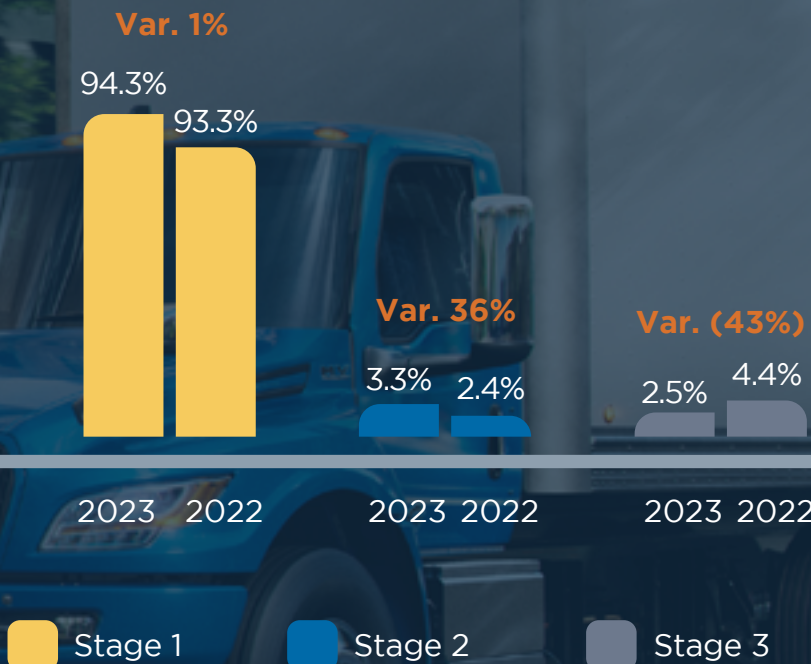
During 2022, in order to adopt international best practices for the efficient management of the loan portfolio, new accounting criteria were implemented for the Mexican financial system, in accordance with the Financial Reporting Standards and the main indicators, aligned with IFRS9 regulations. These changes included the classification of the loan portfolio into risk stages 1, 2 and 3, as well as the adoption of a new expected loss model for each stage, in order to assess the impairment of financial instruments more accurately.

In 2023, the Stage 3 Portfolio was reduced from 4.4% in 2022 to 2.5%, representing a decrease of 43%. This significant reduction is primarily attributable to improvements in collection strategies, as well as an improvement in the payment behavior of some clients.

Assets



Portfolio by risk level

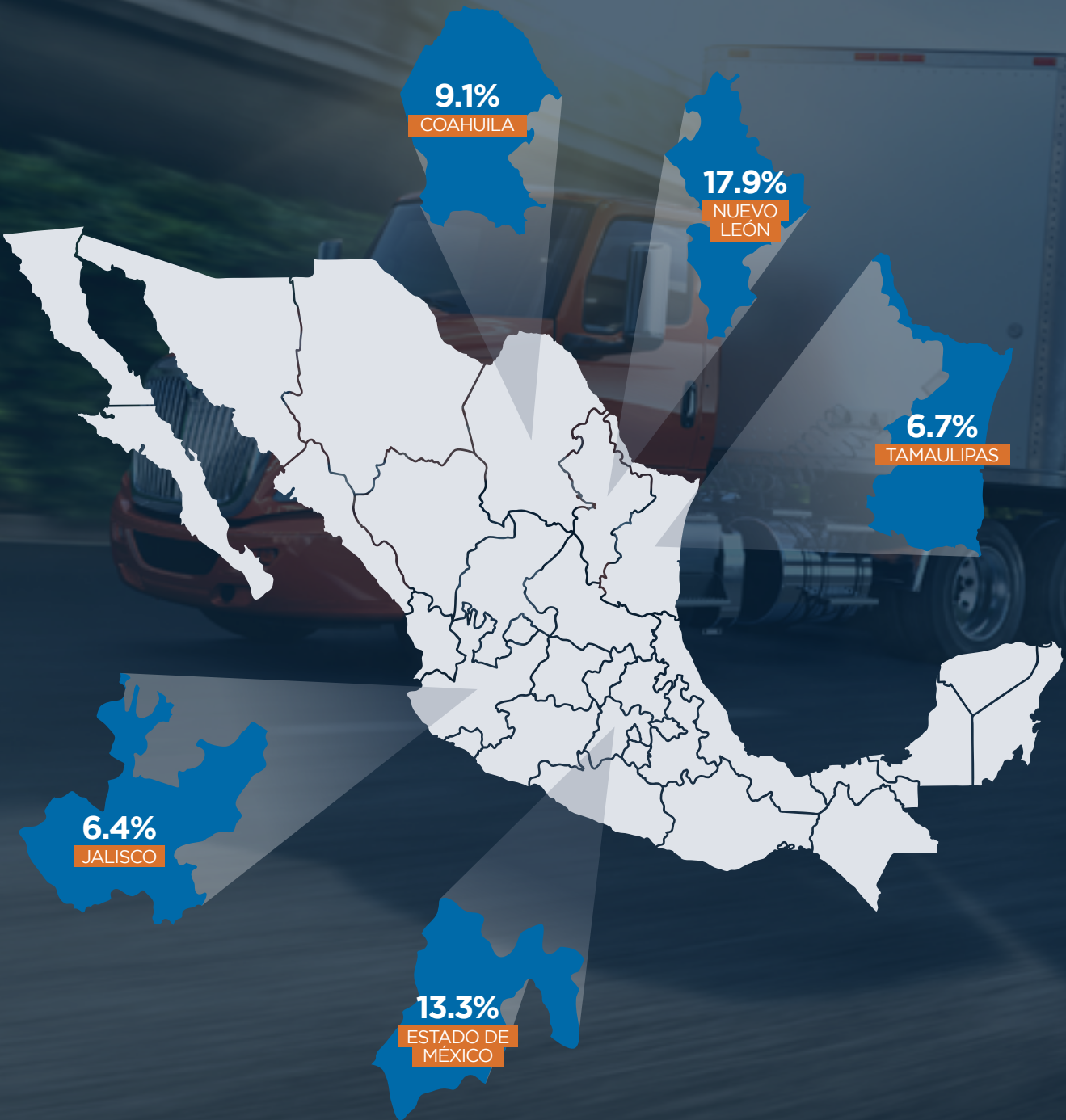


¹ All figures in this section are represented in millions of Mexican pesos.

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Portfolio's geographic distribution

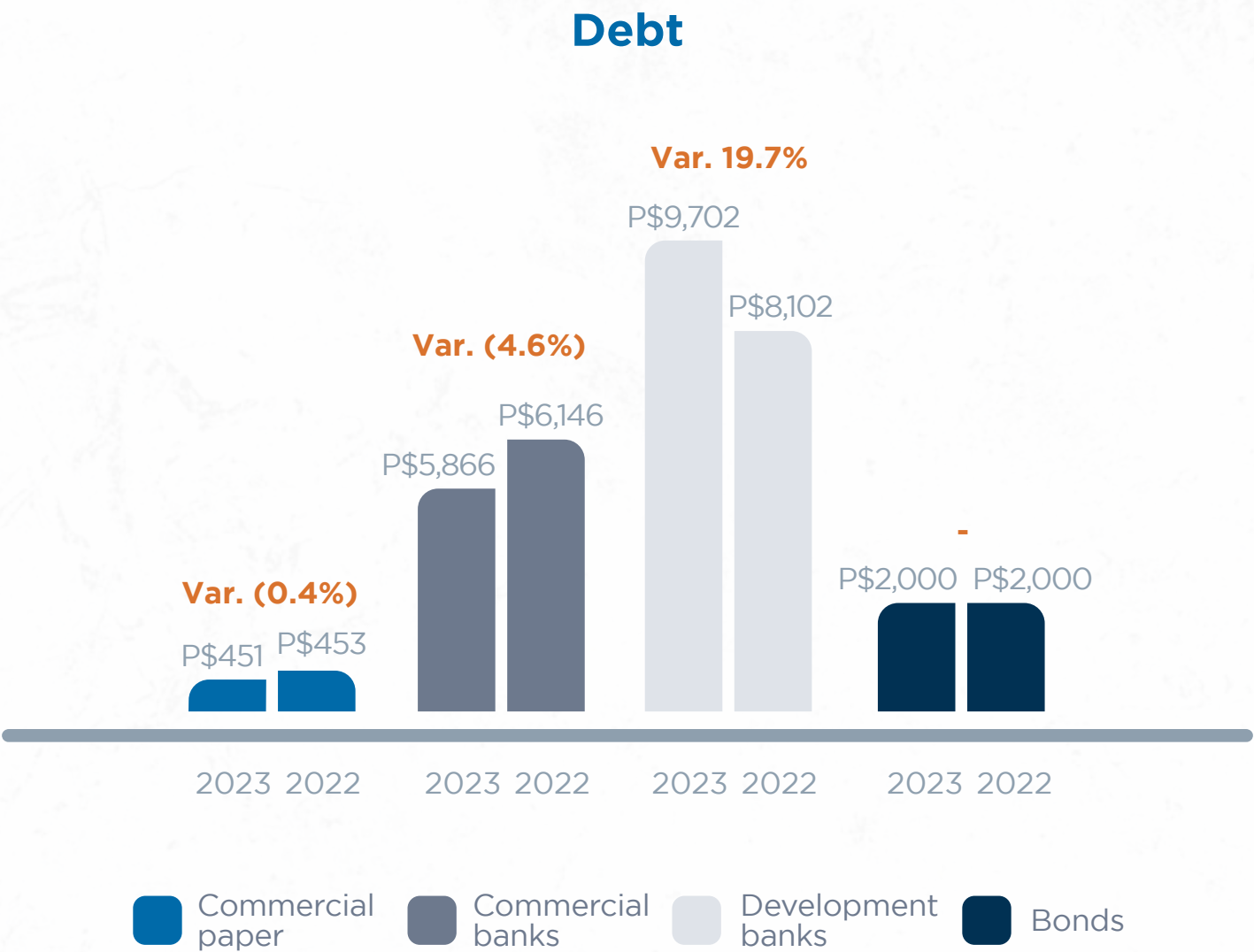
At the end of 2023, our portfolio is spread across the 32 states of the Mexican Republic, with the states of Nuevo León representing 17.9%, Estado de México 13.3%, Coahuila 9.1%, Tamaulipas 6.7% and Jalisco 6.4%, being those with the highest concentration.



LIABILITIES

Funding sources

As with assets, the main component of the company's liabilities is the debt used to finance the portfolio. The breakdown of debt is presented below:



¹ All figures in this section are represented in millions of Mexican pesos.

Credit Ratings

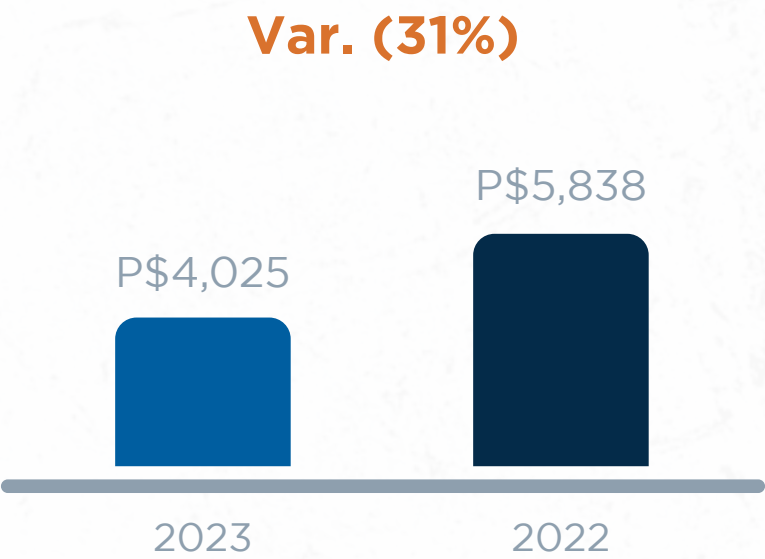
Below are the credit ratings assigned to Navistar Financial Mexico, which allow it to access rates and lines of credit with highly competitive conditions.

	S&P Global Rating	Fitch Ratings	HR Ratings	VERUM
Long-term	mxAA+	mxAAA	HR AAA	AAA/M
Short-term	mxA-1+	mxF1+	HR + 1	1+M

Shareholders' Equity

Navistar Financials' Shareholders' Equity experienced a 32% reduction from P\$5,838 in 2022 to P\$3,961 in 2023, due to the dividend payment made during the year.

Shareholders' Equity





ESG

Navistar Financial has defined and aligned its strategies to transform the transportation industry in the country. During 2023, Navistar Financial continues with its project aimed at placing the company at the vanguard in terms of ESG initiatives. As part of this effort, in 2023 the ESG Committee was formed, which supervising, monitoring and evaluating the measures that will be carried out related to these issues.

A dual materiality assessment was conducted to identify the most relevant issues for the organization and its stakeholders. This assessment aims to deepen the strategy and actions needed to improve ESG performance will be deepened. Below are the main actions undertaken in each area:

Environmental

As a brand, different solutions have been developed, one of them being the launching and circulation of the first S13 (S13 Integrated Powertrain) trucks in the local market, which produces up to 80% less NOX emissions and 10% less CO₂ than those established in current regulations.

Additionally, we have developed a plan for product launches and the development of technologies that promote electromobility. To date, we have a 100% electric bus and a medium-range truck for distribution that is 100% electric and produced in Mexico.



At the brand level, **54 trucks** have been produced with the **International S13 Integrated Powertrain.**



Social

In 2023, the company reaffirmed its commitment to equity, inclusion, and social responsibility towards the community through various initiatives. For the second time, we organized the ‘Women’s Day’ event, dedicated to promoting gender equity and inclusion in our work environment. This effort has been widely recognized, positioning us 29th in the ‘Super Companies for Women’ ranking by Expansión, reflecting our continued commitment to creating an inclusive and equitable work environment for all.

Furthermore, Navistar Financial maintained its participation in the “tapitas” collection, an initiative aimed at supporting care programs for children under the age of 21 diagnosed with cancer, where 647 kg of plastic caps were donated at the beginning of 2023. This figure represents the equivalent of

36 doses of chemotherapy, thus contributing to the support and treatment of people affected by this disease.

In the same context, we donated 11 hair braids and a wig to the Rapunzel Movement, a program that collects hair braids to make free oncological wigs for young girls and adult women.

In the context of breast cancer prevention, Navistar Financial believes in the importance of early detection and access to medical care. Therefore, we donated a CT® unit to FUCAM A.C., which will serve as a mobile unit to perform free mammograms throughout Mexico.

This initiative reflects our ongoing commitment to community health.



Another action taken under ESG factors, specifically in the social aspect, involved all employees in a volunteer activity at a dog shelter. In this activity, 250 kg of food, leashes, bowls, cleaning supplies and essential healing items were donated to the Qariño Animal, A.C. dog shelter in El Marqués, Querétaro. Volunteers not only made material donations, but also dedicated themselves to deep cleaning the spaces for the dogs, feeding and walking them, thus contributing to the well-being and care of the animals and strengthening the company’s social commitment to the community and the environment.

Likewise, another action in the social scope was the launch of the

“Abriguemos y Compartamos” campaign at the end of 2023, aimed towards the donation of blankets to the Caritas Foundation. A total of 314 blankets were collected, to be delivered in January 2024.

Navistar Financial also implemented employee-led volunteer groups (Employee Resource Groups (ERG’s)) that foster a diverse and inclusive workplace aligned with our mission, values, goals, business practices and organizational objectives.

Within Navistar Financial there are 3 ERG’s that seek to provide a sense of community, personal and professional development, volunteer opportunities, partnerships and more:

- Navistar Young Professionals México
- Women in Navistar México
- Vonlunteers

These actions are an inherent part of our strategy to generate a positive impact on society and strengthen our commitment to community well-being.

Governance

Navistar Financial has a strong and transparent Corporate Governance structure closely aligned with the Code of Best Corporate Practices established by the National Banking and Securities Commission. Beyond complying with regulatory requirements, the company is actively committed to transparency and open communication of relevant information to both investors and other stakeholders. Additionally, specific policies and procedures are implemented to ensure integrity, ethics and accountability in all business operations and decisions. Active involvement of directors and adherence to governance standards ensure solid and effective management, which contributes to strengthening stakeholder confidence and maximizing long-term value for all parties involved.

During 2023, more than 1,000 hours of compliance training courses were delivered.



Corporate Governance Structure

In accordance with the Company's bylaws, the Board of Directors represents the highest authority in corporate management. Its main responsibility is to guide the course of the Company by aligning it with the strategies, guidelines and goals established to achieve the institutional objectives. To facilitate these functions, the Board is supported by various specialized Committees, which are responsible for examining particular issues and making recommendations that contribute to the achievement of expected results.



Board of Directors

The highest governance body within the company, responsible for defining its direction.



Credit Committee

Reviews and analyzes credit proposals submitted by specialists to establish the final terms of each operation and issue a verdict.



Compensation Committee

Establishes technical objectives to define the compensation scheme, salary increases and benefits for the Company's employees.



Risk Committee

Defines strategies and actions to effectively manage business risks and communicates risk management policies, acceptable risk levels, and procedures for implementing corrective actions to the Board of Directors.



Pension Plan Committee

Analyzes the pension plan's yields, performance, new initiatives and economic prospects.



ESG Committee

Responsible for integrating environmental, social and governance considerations into business decisions, seeking sustainable practices and monitoring their impact.



Communication and Control Committee

Responsible for resolving issues related to the prevention of money laundering.



Management Committee

Formulates and executes strategies to achieve the goals and purposes established by the Board of Directors.



Identification and Response Committee for Sensitive Information Security Incidents

Ensures the security of the company's information against cyber threats by identifying vulnerabilities and establishing incident response protocols.



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ANNUAL REPORT

2023

Investor Information:

Cristina Téllez Gutiérrez
maria.tellez@navistar.com

Tel: 800 7000 123

Av. Ejército Nacional No. 904 Piso 11, Col. Polanco V Sección,
Miguel Hidalgo, Mexico City, CP. 11560, Mexico.