Navistar Financial, S. A. de C. V.,
Sociedad Financiera de Objeto Múltiple,
Regulated Subsidiary Entity

Consolidated Financial Statements

December 31, 2016 and 2015

Navistar Financial. S. A. de C. V.•
Sociedad Financiera de Objeto Múltiple, Regulated Subsidiary Entity

Consolidated balance sheet

December 31, 2016 and 2015

(Thousands of pesos)

Assets	**2016**	**2015**
Availabilities (note 6)	740,806	359,206
Security investments (note 7):		
Securities held to maturity	8	19,883
Repurchase debtors (note 8)	1,024,688	1,030,024
Derivatives with trade purposes (note 9)	35,320	6,778
Current loan portfolio (notes 10a and 18)		
Commercial loans	10,355,341	9,880,296
Non-performing loan portfolio (note 10a)		
Commercial loans	396,223	300,421
Total loan portfolio, net	10,751,564	10,180,717
Less:		
Preventive credit risk estimates (note 10b)	(420,516)	(400,102)
Total loan portfolio, net	10,331,048	9,780,615
Other accounts receivable (notes 11 and 18)	224,868	379,112
Awarded assets, net (note 13)	59,522	64,017
Transport equipment intended to operating lease, net (note 12)	1,939,338	1,442,649
Property, furniture and equipment net (note 12)	98,197	100,668
Income tax and deferred employee profit sharing, net (note 19)	49,157	120,056
Other assets, net	156,011	165,203
	14,658,963	13,468,211

Liabilities and Shareholder's equity	**2016**	**2015**
Stock liabilities (note 15)	$ 2,976,875	3,757,372
Bank and other institutions loans (note 16):		
Short-term	2,875,844	4,138,419
Long-term	5,119,501	2,117,951
	7,995,345	6,256,370
Other accounts payable:		
Income tax payable	30,256	660
Employees profit sharing payable	1,665	3,597
Sundry creditors and other accounts payable (notes 17 and 18)	785,655	949,751
	817,576	954,008
Deferred loans (note 10g)	115,410	92,003
Total liabilities	11,905,206	11,059,753
Shareholder's equity (note 20):		
Contributed capital:		
Corporate equity	283,177	283,177
Assets subscription premium	111,961	111,961
	395,138	395,138
Earned capital:		
Equity allowance	122,535	122,535
Income from previous years	1,890,773	1,538,104
Employee benefits remediation, net	(372)	–
Net income	345,670	352,669
	2,358,606	2,013,308
Shareholder's equity - controlling interest	2,753,744	2,408,446
Minority interest	13	12
Total shareholder's equity	2,753,757	2,408,458
Commitments and contingencies (note 28)		
	14,658,963	13,468,211

Memorandum Accout

	2016	**2015**
Assets under administration	$ -	50,038
Notional amounts of derivative financial instruments (note 9)	3,679,183	2,416,550
Accrued non-collected rents derived from the operating lease	42,720	28,652
Accrued non-collected interests derived from the non-performing portfolio (note 10)	32,505	59,390
Lines of credit authorized not used by dealers	6,874,028	3,742,401
Other collateral received	11,555,698	12,155,759
Collateral received from repurchases (note 8)	1,024,688	1,030,024
Other memorandum account	11,075	-

See notes to the consolidated financial statements

"The historic corporate equity as of December 31, 2016 and 2015 amounts to $242,503, in both years".

"This consolidated balance sheet was prepared in compliance with the accounting criteria for the credit institutions and criteria relative to the basic financial statements for regulated multi-purpose financial companies issued by the National Banking and Securities Commission based on the provisions of articles 99, 101 and 102 of the Credit Institutions Act, which is of general observance and binding, consistently applied, reflecting all the transactions performed by the Company up to the dates mentioned above, and such transactions were performed and assessed in accordance with healthy bank practices and with the applicable legal and management provisions".

"This consolidated balance sheet was prepared by the Board of Directors under the responsibility of the officers who subscribe it".

/Signed/	/Signed/	/Signed/	/Signed/	/Signed/
José A. Chacón Chief Executive Officer	Rafael M. Martínez Vila Director of Finance & Administration	Jorge Campos Bedolla Deputy Comptroller	Claudia I. Montiel Olivares Accounting Manager	Nancy H. Trejo González Internal Control Manager

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Navistar Financial, S. A. de C. V.,
Sociedad Financiera de Objeto Múltiple, Regulated and Subsidiary Entity

Consolidated Income Statement

Years ended on December 31, 2016 and 2015

(Thousands of pesos)

		2016	2015
Revenues from interest (note 21)	$	1,339,698	1,118,114
Expenses from interest (note 21)		(716,393)	(543,221)
Financial spread		623,305	574,893
Preventive credit risk estimates (note 10b)		(229,020)	(99,167)
Financial spread adjusted by credit risks		394,285	475,726
Collected fees and rates (note 22)		242,777	167,360
Paid fees and rates (note 23)		(11,622)	(35,859)
Intermediation income, net (note 24)		(58,169)	(17,144)
Operating lease income (note 25)		162,080	88,593
Other operation income, net (note 26)		60,227	52,128
Management expenses (note 18)		(243,481)	(257,452)
Operating income		546,097	473,352
Income tax incurred (note 19)		(128,503)	(119,406)
Deferred income tax, net (note 19)		(71,923)	(1,276)
Net consolidated income		345,671	352,670
Minority interest		(1)	(1)
Net income of the controlling interest	$	345,670	352,669

See notes to the consolidated financial statements.

"This consolidated income statements were prepared in compliance with the accounting criteria for the credit institutions and criteria relative to the basic financial statements for regulated multi-purpose financial companies, issued by the National Banking and Securities Commission based on the provisions of articles 99, 101 and 102 of the Credit Institutions Act, which is of general observance and binding, consistently applied, reflecting all the revenues and expenses derived from the transactions performed by the Company during the years mentioned above, such transactions were performed and assessed in accordance with healthy bank practices and with the applicable legal and management provisions".

"This consolidated income statements were approved by the Board of Directors under the responsibility of the officers who subscribe them".

/Signed/
José A. Chacón
Chief Executive Officer

/Signed/
Rafael M. Martínez Vila
Director of Finance & Administration

/Signed/
Jorge Campos Bedolla
Deputy Comptroller

/Signed/
Claudia I. Montiel Olivares
Accounting Manager

/Signed/
Nancy H. Trejo González
Internal Control Manager

Navistar Financial, S. A. de C. V.,
Sociedad Financiera de Objeto Múltiple, Regulated Subsidiary Entity

Consolidated statements of changes in shareholder's equity

Years ended on December 31, 2016 and 2015

(Thousands of pesos)

		Contributed capital			Earned capital					
		Corporate equity remediation	Assets subscription Premium	Employee Equity Allowance	Previous years income	benefits	Net income	Controlling interest	Non-controlling interest	Total shareholder's equity
Income as of December 31, 2014	$	283,177	111,961	122,535	1,229,331	–	308,773	2,055,777	11	2,055,788
Movement inherent to the shareholder's decision:						–				
Net income transfer	308,773	–	–	–			(308,773)	–	–	–
Movement inherent to the recognition of the whole earning (note 20c):										
Net income		-	-	-	-	–	352, 669	352,669	1	352,670
Balances as of December 31, 2015		283,177	111,961	122,535	1,538,104	–	352,669	2,408,446	12	2,408,458
Movement inherent to the shareholder's decision:										
Net income transfer		–	–	–	352,669	–	(352,669)		–	
–		–								
Movements inherent to the recognition of the whole earning (note 20c):										
Net income		–	–	–		–	345,670	345,670	1	345,671
–										
Remediation of employee benefits, net (notes 4, 14 and 20)		–	–	–		(372)	-	(372)		(372)
–								-		
Balance as of December 31, 2016	$	283,177	111 961	122,535	1,890,773	(372)	345,670	2,753,744	13	2,753,757

See notes to the consolidated financial statements.

"This consolidated statements of changes in shareholder's equity were prepared in compliance with the accounting criteria for credit institutions and criteria relative to the basic financial statements for the regulated multi-purpose financial companies, issued by the National Banking and Securities Commission based on articles 99, 101 and 102 of the Credit Institutions Act, which is of general observance and bounding, consistently applied, reflecting all the movements of the shareholder's equity accounts derived from the operations performed by the Company during the above mentioned years, such operations were performed and assessed in accordance with healthy bank practices and with the applicable legal and management provisions".

"These consolidated statements of changes in shareholder's equity were approved by the Board of Directors under the responsibility of the officers who subscribe them".

/Signed/	/Signed/	/Signed/	/Signed/	/Signed/
José A. Chacón	Rafael M. Martínez Vila	Jorge Campos Bedolla	Claudia I. Montiel Olivares	Nancy H. Trejo González
Chief Executive Officer	Director of Finance & Administration	Deputy Comptroller	Accounting Manager	Internal Control Manager

Navistar Financial S. A. de C. V.,
Sociedad Financiera de Objeto Múltiple Regulated and Subsidiary Entity

Consolidated cash flow statements

Years ended on December 31, 2016 and 2015

(Thousands of pesos)

		2016	2015
Net income of the controlling interest	$	345,670	352,669
More (less) items that do not produce (require) cash:			
Depreciation and amortization		291,095	232,698
Provisions		95,682	138,102
Incurred and deferred income tax		200,426	120,682
Incurred and deferred employee sharing profit		1,238	3,760
Adjustments for item not involving cash flow		934,111	847,911
Changes in operation assets and liabilities			
Change in security investments		19,875	(19,880)
Change in debtors by repurchase		5,336	(406,323)
Change in derivatives (assets)		(28,542)	5,012
Change in loan portfolio, net		(550,433)	(105,438)
Change in equipment intended to lease		(774,431)	(473,683)
Change in awarded assets		4,495	54,362
Change in other operational assets, net		153,569	(61,849)
Change in stock liability		(780,497)	1,012,354
Change in interbank and other institutions loans		1,738,975	(479,772)
Change in derivatives (liabilities)			(1,370)
Change in other operational liabilities		(339,844)	(41,778)
Net cash flows of operational activities		382,614	329,546
Investment activities:			
Payments for real property, furniture and equipment purchase		(1,015)	(52,359)
Payments for intangible assets purchase		-	(12)
Net cash flows in investment activities		(1,015)	(52,371)
Cash flows of financing activities for increment in non-controlling interest.		1	1
Net availabilities increment (decrease)		381,600	277,176
Availabilities at the beginning of the term		359,206	82,030
Availabilities at the end of the term	$	740,806	359,206

See notes attached to the consolidated financial statements.

"This consolidated cash flow statements were elaborated in accordance with the accounting criteria for credit institutions and criteria relative to basic financial statements for regulated multi-purpose financial companies issued by the National Banking Securities Commission based on the provisions of articles 99, 101 and 102 of the Credit Institutions Act, which is of general observance and bounding, consistently applied, reflecting all the cash origins and applications derived from the operations performed by the Company during the above mentioned years, such operations were performed and assesses, in accordance with healthy bank practices, and with the applicable legal and management provisions".

"This consolidated cash flow statements were approved by the Board of Directors under the responsibility of the officers who subscribe them".

/Signed/	/Signed/
José A. Chacón Chief Executive Officer	Rafael M. Martínez Vila Director of Finance & Administration

/Signed/	/Signed/	/Signed/
Jorge Campos Bedolla Deputy Comptroller	Claudia I. Montiel Olivares Accounting Manager	Nancy H. Trejo González Internal Control Manager

Navistar Financial, S. A. de C. V.,

Sociedad Financiera de Objeto Múltiple, Regulated Subsidiary Entity

Notes to the Consolidated Financial Statements

Corresponding to the years ended on December, 31, 2016 and 2015

(Thousands of pesos)

(1) Company's activity

Activity

Navistar Financial, S. A. de C. V., Sociedad Financiera de Objeto Múltiple, Regulated Entity (Navistar Financial), is a company incorporated under the Mexican law with address in Ejército Nacional 904, Colonia Polanco, Delegación Miguel Hidalgo, Mexico City. Its main activity is granting loans and financial leasing to individuals or entities for the purchase of automotive vehicles, auto parts, services related thereto and transport equipment operating lease, mainly of the brand International, through its dealers network all over the Mexican Republic.

Navistar Financial is subsidiary of Navistar International Corporation and Navistar Comercial, S. A. de C. V., which own 90.63% and 9.37% of the Company's corporate equity, respectively.

Servicios Corporativos NFC, S. de R. L. de C. V. (Servicios Corporativos, subsidiary of Navistar Financial) is a company incorporated under the Mexican law. The main activity of Servicios Corporativos is the provision of management services to its related parties. Such services are provided in Mexico City.

Navistar Financial and its subsidiary are hereinafter referred to as "the Company".

(2) Authorization and presentation basis

Authorization

On March 29, 2017, José A. Chacón Pérez (Chief Executive Officer), Rafael M. Martínez Vila (Director of Finance and Administration), Jorge Campos Bedolla (Deputy Comptroller), Claudia I. Montiel Olivares (Accounting Manager) and Nancy H. Trejo González (Internal Control Manager) authorized the issuance of the attached consolidated financial statements and their notes.

In compliance with the General Law on Business Corporations, the provisions of the National Banking and Securities Commission (the Commission) and the bylaws of the Company, the

(Continued)

shareholders and the Commission have the capacity to modify the consolidated financial statements after their issuance. The consolidated financial statements of 2016 issued separately with this same date will be presented for their approval during the next Shareholders' Meeting of the Company.

Presentation bases

a) Compliance statement

On January 12, 2015, the resolution modifying the general provisions applicable to Regulated Multi-Purpose Financial Companies (SOFOMES) was published in the Official Gazette of the Federation (the Provisions), which establish that those SOFOMES with debt securities registered in the National Security Registry, as it is the case of the Company (see note 15), for the registration of its transactions, will apply the accounting criteria for credit institutions in Mexico established by the Commission in Exhibit 33 of the general provisions applicable to credit institutions, except for the series "D" of such criteria, since they shall apply series "D" —criteria relative to the basic financial statements for SOFOMES—, in force since 2015.

The accounting criteria indicated in the previous paragraph establish that in case there are no specific accounting criteria issued by the Commission for the credit institutions, or in a context broader than the Mexican Financial Reporting Standards (FRS), the general complementary rule bases in FRS A-8 will apply, and only in case the International Financial Reporting Standards (IFRS). referred to in FRS A-8, do not provide a solution to the accounting recognition, a complementary rule belonging to any other regulatory framework may be used, provided that it complies with all the requirements indicated in the aforementioned FRS, and the complementary rule shall be applied in the following order: generally accepted accounting principles in the United States of America (US GAAP) and any accounting standard that is part of a formal and recognized group of standards, as long as it complies with the requirements in the Commission's criterion A-4.

b) Use of judgements and estimates

The preparation of the consolidated financial statements requires that Management carries out estimates and assumptions that affect the registered amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities up to the date of the consolidated financial statements, in addition to the registered amounts of income and expenses during the year. The important headings, subject to these estimates and assumptions include preventive estimates for credit risk, residual value of the property in operating lease, assets sold for income tax and employees' deferred profit sharing, assessment of financial derivative instruments, as well as the assets and liabilities relative to employee benefits. The actual income may differ from these estimates and assumptions.

c) Functional and reporting currency

The consolidated financial statements mentioned before are shown in Mexican pesos as reporting currency, which is equal to the registration currency and its functional currency.

For disclosure purpose in the notes to the consolidated financial statements, when referring to pesos or "$", these are thousands of Mexican pesos and, when referring to dollars, these are US dollars.

(3) Summary of the main accounting policies

The accounting policies set forth below have been applied uniformly when preparing the consolidated financial statements presented, and they have been consistently applied by the Company.

(a) Recognition of the inflationary impact

The attached consolidated financial statements were prepared in accordance with the accounting criteria for credit institutions which, since the Company operates in a non-inflationary economic environment since 2008 (aggregate inflation in the last three years is less than 26%), include the recognition of the inflationary impact on the financial information as of December 31, 2007, based on Mexico's Investment Units (UDIs),

(Continued)

(Thousands of pesos)

which is an accounting unit which value is determined based on the inflation by the Banco de Mexico (Central Bank).

The percentage of the annual and aggregate inflation in the last three years, as well as the UDIs value to determine the inflation are shown below:

		Inflation	
December 31	**UDI**	**Annual**	**Accumulated**
2016	$ 5.5628	3.37%	9.97%
2015	5.3812	2.10%	10.39%
2014	5.2704	4.18%	12.34%
	======	=====	=====

(b) Consolidation bases

The consolidated financial statements include those of Navistar Financial and of its subsidiary, Servicios Corporativos, of which it owns 99.97% of its corporate equity. The important balances and transactions between Navistar Financial and Servicios Corporativos have been removed in the preparation of the consolidated financial statements.

(c) Availabilities

These include peso or dollar deposits in bank accounts, as well as foreign exchange trading in spot transactions. As of the date of the financial statements, interest is recognized in the income of the year as accrued

(d) Investments in securities

These are debt securities acquired with the purpose and capacity of holding them until maturity; they are registered at their acquisition cost and assessed at amortized cost and its performance accrual is done based on the effective interest method.

(Continued)

(e) Repurchases

The repurchase transactions are initially recorded as an account receivable at the agreed cost and are valued at their amortized cost by recognizing the premium in the income of the year, in accordance with the effective interest method; the financial assets received as collateral are recorded in memorandum accounts.

(f) Transactions with financial derivative instruments

In order to mitigate the risks resulting from the fluctuations in the interest and exchange rates, the Company selectively uses financial derivative instruments with trade purposes, such as interest rate swaps, Cross Currency Swaps (CCS) and interest rate options (CAP).

Such instruments are initially and subsequently recognized at fair value; and their accounting accountable treatment is described below:

Swaps and CCS

The flow exchange or asset performance transactions (swaps and CCS) are recorded in the assets and the liabilities for the rights and obligations under the contract. Both the asset positon and the liability position are valued at fair value, reflecting the swap net value in the consolidated balance sheet and the corresponding earnings or loss in the consolidated income under the heading "Intermediation income, net".

Options

The rights acquired (paid premium) from options are recorded in the consolidated balance sheet at their agreed value and adjusted at their fair value. The value fluctuations are recognized in the consolidated income under the heading "Intermediation Income, net".

(Continued)

(g) Loan portfolio

It comprises the balance of commercial loans granted to individuals and entities, including the funded amount plus the accrued not-collected interest of the current portfolio, which are recognized in the consolidated income as they are accrued.

The Company grants term, fixed asset and unsecured loans, as well as capitalizable lease, mainly to acquire vehicles of the brand International.

In the case of capitalizable lease, at the beginning of the agreement, the contract value of the leasing portfolio is recognized against the cash outflows and the corresponding financial accrual income, multiplied by the difference of the leased property and the leasing portfolio value. Such financial accrual income is registered as a deferred loan, which is recognized according to the leasing portfolio outstanding balance, against the income of the year, under the heading "Interest income".

Accounts receivable are recorded as direct funding, considering as account receivable the total of the net outstanding rents, net of the corresponding interest to be earned.

Additionally, the Company classifies its portfolio in wholesale and retail trade. The wholesale trade portfolio corresponds to those loans grated to authorized dealers for the commercialization of the International-brand vehicles; the retail trade portfolio consists of loans granted to individuals and entities other than authorized dealers.

(h) Overdue loans and interest

The loan and interest outstanding balance is classified as overdue, according to the criteria described below:

Loans with one sole principal and interest amortization – When 30 or more days have elapsed from the maturity date.

(Continued)

Loans which principal and interest amortization was agreed in installments – When the amortization of principal and interest has not been collected and 90 or more calendar days have elapsed from the maturity date.

Loans with one sole amortization of principal and interest paid in installments – When 90 or more calendar days have elapsed from the maturity date of interest or the principal has 30 or more days overdue.

Additionally, a loan is classified as overdue when it is known that the debtor is declared bankrupt.

The recognition of interest in the consolidated income statement is suspended upon transferring the loan to the non-performing portfolio, and it is recorded in the memorandum account.

Those overdue loans in which the outstanding balance (principal and interest, among others) is fully settled or those restructured or renewed loans for which there is evidence of sustained payment (i.e., payment of three consecutive monthly payments of the original payment schedule) are transferred under the heading current portfolio.

The restructured or renewed overdue loans will remain in the non-performing portfolio as long as there is no evidence of sustained payment. Upon collection of the loan and interest, the accrued interest recorded in memorandum accounts are recognized in income.

Allocations to preventive estimation are done when the practical recovery impossibility is determined, writing off the non-performing portfolio against such estimate.

(i) Operating lease

In the case of operating leases, the due and payable rent amount that has not been fully settled is recognized as overdue at the 30 or more calendar days of default. The recognition of the rents in the consolidated income statement is suspended when these

(Continued)

present three monthly payments overdue and they are recorded since the fourth rent in the memorandum account.

The assets to be leased are recorded at their purchase costs and account for the properties acquired by the Company that are in process of formalization of the corresponding lease.

The depreciation is estimated based on the lease term, considering the difference between the property acquisition value and its estimated residual value.

(j) Securitization transactions

The Company performs portfolio securitization transactions where it assesses whether such transaction complies with the asset transfer requirements, in accordance with the provisions of the accounting criteria. If such asset transfer does not comply with the requirements to be cancelled, the financial assets granted as guarantee or collateral are presented as restricted assets, the resources obtained by the securitization transaction are recognized under the heading "Availabilities" and the liabilities associated with this transactions due to the issue of the stock certificate are recognized as liabilities under the heading "Stock liabilities".

(k) Preventive credit risk estimates

The Company determines the preventive credit risk estimates, which, under the Management judgement, are enough to cover any loss of the loan portfolio.

The preventive credit risk estimates are determined by using methodologies based on an expected loss model, which are described below.

In case of loans to entities and individuals with business activity, with income higher or equal in national currency to 14 million UDIs, the estimate is integrated as per the general methodology established in the provisions for preventive credit risk estimates applicable to Credit Institutions.

(Continued)

(Thousands of pesos)

In case of loans for entities and individuals with business activities with income lower than 14 million UDIs in national currency, such estimate is integrated as per the internal methodology developed by the Company following the guidelines established in the Provisions of the Credit Institutions required to use the internal methodologies, which requires to estimate the severity of the loss, the default probability and to obtain the non-compliance exposure of each loan.

The classification of the loan portfolio by risk level as of December 31, 2016 and 2015, is indicated below:

Risk level	**Risk level description**	**Percentage range for preventive allowance**
A1	No risk	0 to 0.90%
A2	Minimum risk	0.901 to 1.50%
B1	Low risk	1.501 to 2.00%
B2	Moderate risk	2.001 to 2.50%
B3	Average risk	2.501 to 5.00%
C1	Risk with administrative focus	5.001 to 10.00%
C2	Partially potential risk	10.001 to 15.50%
D	Potential risk	15.501 to 45.00%
E	High risk	Higher than 45.00%

General methodology

The Company classifies and records a provision per each loan with the amounts corresponding to the last known payment term, as well as the quantitative and qualitative variable of the debtor, considering the default probability, the severity of the loss and the non-performance exposure of the n-th loan, as per the formula indicated below:

$$R_i = PI_i \, x \, SP_i \, x \, EI_i$$

Where:

Ri= Allowance amount to be integrated for the n-th loan.

Navistar Financial, S. A. de C. V.,
Sociedad Financiera de Objeto Múltiple, Regulated Subsidiary Entity

Notes to the Consolidated Financial Statements

(Thousands of pesos)

PIi= Default probability of the n-th loan.
SPi= Severity of the loss of the n-th loan.
EIi= Non-performance exposure of the n-th loan.

$$PI_i = \frac{1}{1+e^{-(500-\text{ Total Credit Score}_i)\times\frac{\ln(2)}{40}}}$$

Internal methodology

The internal methodology consists of classifying and recording a provision per loan with the amount corresponding to the last known payment term, as per the formula mentioned below:

$$R_i = PI_i \times SP_i \times EI_i$$

Where:

R_i= Amount of the allowance to be comprised.
P_i = Default probability
SPi= Severity of the loss
EI_i = Non-performance exposure.

$$P_i = \frac{1}{1+e^z}$$

(l) Awarded assets

The awarded assets are recorded at their awarding or accord and satisfaction value or at their fair value calculated from the indispensable costs and expenses paid in their awarding, whichever is lower. The differences, in case the estimated values are lower than the amount of the portfolio to be cancelled, are considered losses, and the consolidated income of the year are recognized under the heading "Other operation revenues (expenses), net"; otherwise, the value of the latter will be adjusted to the net asset value. There are provisions created on a monthly basis to recognize the potential loss of value of assets due to the passage of time. The decrease in value of the awarded assets and in provisions are reduced from the asset value and they are recognized as expenses in the consolidated income statement for the year.

(Thousands of pesos)

The time elapsed and the allowance percentage for movable and real property is shown below:

Movable property

Time elapsed from the awarding or accord and satisfaction (months)	Allowance percentage
Up to 6	0
More than 6 and up to 12	10
More than 12 and up to 18	20
More than 18 and up to 24	45
More than 24 and up to 30	60
More than 30	100

Real property

Time elapsed from the awarding or accord and satisfaction (months)	Allowance percentage
Up to 12	0
More than 12 and up to 24	10
More than 24 and up to 30	15
More than 30 and up to 36	25
More than 36 and up to 42	30
More than 42 and up to 48	35
More than 48 and up to 54	40
More than 54 and up to 60	50
More than 60	100

(m) Real property, furniture and equipment

The real property, furniture and equipment are recorded at their acquisition cost and, up to December 31, 2007, were updated by means of factors derived from the National Consumer Price Index (INPC). The depreciation is estimated over the updated values with the straight-line method, based on the lifespans of the corresponding assets calculated by the Company Management.

The acquisition value of property, furniture and equipment, includes all the costs initially incurred to acquire or develop them, as well as those incurred subsequently to replace them or increase their potential service. If a furniture and equipment item comprises different estimated lifespans, the major separate components are depreciated during their separate lifespans.

The depreciation annual rate of the main asset groups is shown below:

Building	2.3%
Furniture	10%
Transport equipment	25%
Computing equipment	33%

The expenses for maintenances and minor repairs are recorded when incurred in income.

Furniture and equipment are cancelled upon their sale or when it is not expected to obtain future economic benefits from their use or sale. Any earning or loss at the time of the asset cancellation (estimated as the difference between the net income from the asset sale and its book value) is included in the consolidated income statement.

The Company assesses periodically the net book value of its own property, furniture and equipment in order to determine the existence of any sign that such value exceeds the recovery value. The recovery value accounts for the amount of net potential income which is reasonably expected to be obtained as a consequence of the asset use or sale. If it is determined that the net book value exceeds recovery value, the Company records the necessary estimates.

(Continued)

(n) Other assets

Other assets include debt allocation expenses that are amortized according to their term, the portfolio administration cost is amortized during the term established in the corresponding agreements, as well as the deferred charges for costs and expenses associated with the initial granting of a loan, which is amortized in straight line during the life of the loan.

(o) Stock liabilities, as well as bank loans and from other institutions

The financial liabilities from the issue of financial debt instruments are recorded at the value of the obligation they represent, based on the outstanding balance of the issuance, and they are presented in the consolidated balance sheet under the heading "Stock liabilities". Interest is recognized in income as they are accrued.

Bank and other institution loans, both national and foreign, are recorded based on the contractual value of the obligation. Interest is recognized in income as it is accrued.

(p) Tax on earnings and employee profit sharing (PTU)

The tax on earnings and employee profit sharing incurred during this year is determined according to the current fiscal provisions.

The deferred income tax and employee profit sharing (assets and liabilities) are recognized due to the future tax consequences attributable to the temporary difference between the values reflected on the consolidated financial statements of the existing assets and liabilities and their corresponding tax bases and, in the case of the income tax, by the tax loss to be amortized and other fiscal loans to be recovered. The assets and liabilities for deferred income tax and employee profit sharing are estimated using the rates established in the corresponding law, rates that will be applied to the taxable earnings in the years when it is foreseen that the temporary differences will reverse the impact of the tax rate changes on the deferred income tax and employee profit sharing is recognized in the consolidated income statement of the term when such changes are approved.

(Continued)

The deferred and incurred income taxes and employee profit sharing are shown and classified in the income of the period, except for those originated from a transaction not recognized in the OCI or directly under a heading the shareholder's equity.

(q) Deferred loans

It includes the financial income to be earned from the financial leasing transactions and the fees charged for opening the loans, that are amortized against the income of the year under the heading "Income from interest," using the straight-line method during the life of the loan.

(r) Provisions

The Company recognizes, based on Management estimates, as liabilities provisions those current obligations where the transfer of assets or the service provision is virtually unavoidable and it is a consequence of past events.

(s) Employee benefits

Post-employment benefit

The Company's net obligation, corresponding to benefits determined by seniority premium and benefits for legal compensation, is estimated separately per each concept, by calculating the amount of future benefits earned by the employees in the current year and previous years, discounting such amount.

The estimate of the benefit obligations defined is annually carried out by actuaries, using the projected unit credit method. When the estimate results in a possible asset for the Company, the asset recognized is limited to the present value of the economic benefits available in the way of future reimbursements of the plan or reductions of future contributions. In order to estimate the present value of the economic benefits, any minimal funding requirement must be considered.

The labor cost of the current service, which accounts for the cost of the employee’s benefit term for having achieved one more year of work life based on the benefits, is recognized in the operation expenses. The net interest is recognized under the heading "Comprehensive financial income, net."

Changes affecting the past service cost are immediately recognized in the consolidated income statement in the year when the change occurs, without possibility of deferring it in subsequent years. Likewise, the impact due to settlement events or obligation reductions during the term, which significantly reduce the cost of future services and/or significantly reduce the population subject to the benefits, respectively, is recognized in the consolidated income statement of the year.

The remediations (previously, actuarial earnings and losses) resulting from the differences between the actuarial projected hypothesis and the actual ones at the end of the period are recognized in the year in which they are incurred, as part of the OCI in shareholder's equity.

Additionally, the Company has an established contribution plan, where the employees with one year of seniority do voluntary contributions ranging from 2% to 6% of its base salary, and which depends on their age; the Company contributes an amount equivalent to 75% of the total contributions.

(t) Recognition of revenues

The income from interest derived from the loan portfolio and capitalizable leases, as well as the rents for operating lease, are recognized in the consolidated income statement as they are accrued.

Interest from the non-performing loan portfolio is recognized in income until effectively collected.

The placement service fees are recognized in the consolidated income statement as the sale of International-brand vehicles, funded by the Company, is formalized.

(u) Transactions in foreign currency

Transactions in foreign currency are recorded at the exchange rate current on the date of formalization or settlement. Assets and liabilities in foreign currency are translated at the exchange rate current on the date of the consolidated balance sheet. The differences in exchanges incurred in relation to the assets and liabilities hired in foreign currency are recorded in the consolidated income statement of the year.

(v) Contingencies

The important obligations or losses related to contingencies are recognized when it is likely that their effect materializes and there are reasonable elements for their quantification. If there are no reasonable elements, their disclosure is qualitatively included in the notes to the consolidated financial statements. Contingent income, profits and assets are recognized until there is certainty about their realization.

(4) Accounting changes and reclassification

Accounting changes

The accounting changes recognized by the Company in 2016 resulted from the adoption of the following FRS issued by the Consejo Mexicano de Normas de Información Financiera, A. C. (CINIF):

FRS D-3 "Employee benefits"

Prospective implementation of the adoption of the new FRS D-3 "Employee benefit"

Especially due to its relative importance, as well as to the impracticality of reprocessing reports and consolidated financial statements, the Company's Management made the decision of beginning the recognition of balances of the FRS D-3 prospectively, as of January 1, 2016. Therefore, the accounting consequences of this adoption were as follows:

Amendments to the plan – retained losses of previous years due to amendments to the plan were recognized as part of the year net cost in the amount of $1,039.

Remediation for defined employee benefits (before, actuarial losses and earnings) – a positive impact of $2,236 was recognized in the OCI of 2016, corresponding to actuarial losses and earnings of previous years (see note 14).

Changes in the general provisions applicable to credit institutions, issued by the Commission.

Dated November 9, 2015, the Commission published on the Official Gazette of the Federation the resolution amending the general provisions for credit institutions, particularly, the adjustments regarding the accounting criteria for credit institutions (Exhibit 33) and the changes to the reporting forms applicable to these financial entities. This Resolution came into force on January 1, 2016. The main changes were the following:

B-1 *"Availabilities"*

The concepts corresponding to restricted availabilities and items with negative balance are presented under the heading "Other accounts payable."

B-6 *"Loan portfolio"*

It includes new concept definitions, and details standards for restructure recognition and assessment.

C-3 *"Related parties"*

Different definitions which converge with that established in the FRSs issued by the CINIF are added or modified.

There was no effect on the Company's financial information due to the implementation of the previously mentioned changes in the general provisions applicable to credit institutions.

Reclassification

The consolidated statement of cash flow for the year ended on December 31, 2015, includes a reclassification to present as a separate heading within the operation activities the "Changes in the equipment intended for lease" in the amount of $473,683, to make it conform with the presentation used in the year ended on December 31, 2016.

(Continued)

(5) Position in foreign currency

The monetary assets and liabilities, in thousands of dollars, as of December 31, 2016 and 2015, are shown below:

	2016	2015
Assets, mainly loan portfolio	125,362	222,675
Liabilities, mainly bank loans	(159,195)	(219,465)
Active (passive) position, net	(33,833)	3,210
	=====	====

As of December 31, 2016, and 2015, the Company has hired classified financial derivative instruments with trade purposes, which hedge its exposure to exchange risk (see note 9).

The dollar-peso exchange rate, as of December 31, 2016 and 2015, was $20.6194 and $17.2487 pesos per dollar, respectively. As of March 29, 2017, date of the issuance of consolidated financial statements, the exchange rate was $18.8092 pesos per dollar.

(6) Availabilities

This heading comprises, as of December 31, 2016 and 2015, is shown below.

		2016	2015
National bank deposits	$	334,767	282,122
Foreign bank deposits		396,781	65,983
National restricted bank deposits (1)		9,258	11,101
	$	740,806	359,206
		=====	=====

(1) These correspond to the balances of securitization trusts in banks (see note 10c).

(7) Investments in securities

As of December 31, 2016 and 2015, the notes in the amount of $8 and $19,883 have a 3- to 4 - day maturity, respectively, and a yield rate of 4.66% and 3.19%, respectively.

The interest earned by investments in securities amounted to $5,618 and $2,254, respectively, for the years ended on December 31, 2016 and 2015 (see note 21).

(8) Repurchases

As of December 31, 2016 and 2015, repurchase investments in the amount of $1,024,688 (including $407,213 in restricted repurchase agreements) and $1,030,024 (including $750,024 in restricted repurchase agreements) comprise mainly government paper (Bondes and Udibonos), at 3- and 4-day terms, respectively, with an interest rate of 4.66% to 5.70% and of 2.15% to 3%, respectively. The restricted repurchases correspond to investments of the Irrevocable Trust No. 1455, the Irrevocable Trust 2537, and the Irrevocable Trust 2844 (see note 10c).

Interest earned by the investment in repurchase agreements amounted to $24,503 in 2016, and $18,094 in 2015; which are reported in the unconsolidated income statement under the heading "Income from interest" (see note 21).

(9) Derivatives with trade purpose

As of December 31, 2016 and 2015, the Company has hired financial derivative instruments of interest rate options, called Interest Rate Cap (IR CAP), referred to the Interbank Balance Interest Rate (TIIE), which will allow it to receive the difference of the sport rate and the agreed rate. The IR CAP are amortized as the principal of the stock certificates is paid; however, the cash flows of the options are exercised only when the 28-day TIIE interest rate is above its 6% or 5% limit, as appropriate.

Moreover, as of December 31, 2016, the Company has hired financial derivative instruments that allowed exchanging rate and currency flows (CCS), with the aim of optimizing their performance in dollars at short term. The differences between the rate paid and the rate received, as well as the fluctuation in the fair value are recorded in the consolidated income statement under the heading "Intermediation income." The CCS allows receiving the TIIE using pesos and paying the London InterBank Offered Rate (LIBOR) using dollars.

(Continued)

Navistar Financial, S. A. de C. V.,
Sociedad Financiera de Objeto Múltiple, Regulated Subsidiary Entity

Notes to the Consolidated Financial Statements

(Thousands of pesos)

The quantity of the notional amounts and the book value as of December 31, 2016 and 2015, is shown below.

					2016			2015	
Instrument	**Underlying**	**Notional(1)**	**Maturity**		**Premium**	**Impact on income**	**Book value**	**Impact on income**	**Book value**
IR CAP	28-day TIIE	1,000,000	2018	$	13,496	3,899	5,070	(5,425)	1,171
IR CAP	28-day TIIE	800,000	2018		12,150	3,062	3,960	(4,296)	898
IR CAP	28-day TIIE	616,550	2019		3,690	5,531	10,240	1,019	4,709
IR CAP	28-day TIIE	536,383	2020		4,630	5,359	9,989	-	-
				$	33,966	17,851	29,259	(8,702)	6,778
					=====	=====	=====	=====	====

Type of instrument		**Notional amount(1)**	**Average term**	**Exchange rate agreed**	**Assets**
2016					
Peso-dollar CCS	$	726,250	28 days	20.75	6,061
		=====	=====	====	====

(1) The notional amounts of the contracts represent the reference on which the exchange rates and types will be applied in the contract of financial derivative instruments, rather than the loss or earning associated with the market risk or credit risk of the instruments. The notional amounts represent the amount at which the rate or the price is applied to determine the amount of cash flow to be exchanged. Regarding the IR CAP, the notional amount is the reference quantity to which the agreed interest rate will be applied. In the case of CSS, the notional amount is exchanged at the maturity of the agreement, together with the currency exchange fluctuation at the corresponding rates.

For the years ended on December 31, 2016 and 2015, the loss for the trade of financial derivative instruments amounted to $50,210 and $5,261, respectively (see note 24).

Navistar Financial, S. A. de C. V.,
Sociedad Financiera de Objeto Múltiple, Regulated Subsidiary Entity

Notes to the Consolidated Financial Statements

(Thousands of pesos)

(10) Loan portfolio

(a) Classification of the loan portfolio

The classification of the current and non-performing loans as of December 31, 2016 and 2015 is shown below:

December 31, 2016	Current portfolio National Currency	Current portfolio Appreciated Dollars	Current portfolio Total	Non-performing portfolio National Currency	Non-performing portfolio Appreciated Dollars	Non-performing portfolio Total	Total current and non-performing
Commercial loans	$ 4,051,650	1,885,850	5,937,500	115,268	65,526	180,794	6,118,294
Capitalizable lease portfolio	2,432,306	127,664	2,559,970	100,015	2,738	102,753	2,662,723
Financial accrual income	(394,874)	(10,256)	(405,130)	-	-	-	(405,130)
Funded insurances	125,970	2,698	128,668	23,642	70	23,712	152,380
Commercial loans – restricted [1]	712,296	-	712,296	32,648	-	32,648	744,944
Restricted capitalizable lease portfolio [1]	1,631,214	-	1,631,214	56,316	-	56,316	1,687,530
Financial accrual income of restricted portfolio [1]	(209,177)	-	(209,177)	-	-	-	(209,177)
	$ 8,349,385	2,005,956	10,355,341	327,889	68,334	396,223	10,751,564
	=======	========	========	======	=====	======	========

December 31, 2015	Current portfolio National Currency	Current portfolio Appreciated Dollars	Current portfolio Total	Non-performing portfolio National Currency	Non-performing portfolio Appreciated Dollars	Non-performing portfolio Total	Total current and non-performing
Commercial loans	$ 2,563,704	3,332,200	5,895,904	73,036	6,554	79,590	5,975,494
Capitalizable lease portfolio	1,384,932	168,556	1,553,488	167,315	-	167,315	1,720,803
Financial accrual income	(237,223)	(17,902)	(255,125)	-	-	-	(255,125)
Funded insurances	95,799	3,195	98,994	32,750	999	33,749	132,743
Commercial loans – restricted [1]	927,167	-	927,167	8,919	-	8,919	936,086
Restricted capitalizable lease portfolio [1]	1,933,413	-	1,933,413	10,848	-	10,848	1,944,261
Financial accrual income of restricted portfolio[1]	(273,545)	-	(273,545)	-	-	-	(273,545)
	$ 6,394,247	3,486,049	9,880,296	292,868	7,553	300,421	10,180,717
	=======	=======	=======	======	=====	======	========

[1] See section (c) of this note.

Navistar Financial, S. A. de C. V.,
Sociedad Financiera de Objeto Múltiple, Regulated Subsidiary Entity

Notes to the Consolidated Financial Statements

(Thousands of pesos)

The annual average performance rate of the loan portfolio in pesos as of December 31, 2016 and 2015, is of 11.05% and 11.34%, respectively, and the loan portfolio in dollars of 8.01% and 8.70%, respectively.

Non-performing portfolio:

A non-performing portfolio classification is presented below by seniority, as of December 31, 2016 and 2015.

		Days			More than 2	
		1 to 180	**181 to 365**	**1 to 2 years**	**years**	**Total**
2016	$	286,011	59,559	50,474	179	396,223
2015		127,863	84,190	55,072	33,296	300,421
		=====	=====	=====	=====	======

An analysis of the movements in the non-performing portfolio for the years ended on December 31, 2016 and 2015, is shown below:

		2016	**2015**
Balance at the beginning of the year	$	300,421	199,544
Awards		(25,050)	(48,415)
Write-offs		(149,451)	(24,179)
Collection		(114,441)	(100,883)
Transfer from current to non-performing portfolio		461,932	310,899
Transfer from non-performing to current portfolio		(77,188)	(36,545)
Balance at the end of the year	$	396,223	300,421
		=====	=====

The loan portfolio maturities by year are analyzed as follows:

(Continued)

Navistar Financial, S. A. de C. V.,
Sociedad Financiera de Objeto Múltiple, Regulated Subsidiary Entity

Notes to the Consolidated Financial Statements

(Thousands of pesos)

Maturity year		**2016**	**2015**
2016	$	-	6,917,414
2017		6,839,803	1,521,889
2018		1,757,409	1,026,084
2019		1,283,951	562,995
2020		644,654	146,593
2021		212,783	5,742
2022		12,964	-
	$	10,751,564	10,180,717

Risk concentration:

As of December 31, 2016 and 2015, the Company's portfolios are integrated by the loans granted to individuals and medium-size entities, without debtors with credit risk higher than 10% of the total portfolio, except for the loan granted during 2016 to the related company, which accounts for 15% of the total portfolio as of December 31, 2016 (see note 18).

The concentration by geographic zone of the loan portfolio as of December 31, 2016 and 2015, is detailed below:

		2016		**2015**	
		Portfolio	**%**	**Portfolio**	**%**
Mexico City and State of Mexico	$	2,598,169	25%	2,765,505	27%
Center[1]		781,408	7%	685,131	6%
North[2]		4,104,419	38%	3,136,897	31%
West[3]		2,604,384	24%	2,710,153	27%
South[4]		663,184	6%	883,031	9%
	$	10,751,564	100%	10,180,717	100%

(1) It includes the states of Querétaro, Tlaxcala, Puebla, Hidalgo, Morelos, and Guerrero.
(2) It includes the states of Sonora, Chihuahua, Baja California, Coahuila, Durango, Nuevo León, Sinaloa, and Tamaulipas.

(Continued)

(Thousands of pesos)

(3) It includes the states of Guanajuato, Jalisco, Colima, Aguascalientes, Nayarit, Michoacán, Zacatecas, and San Luis Potosí.
(4) It includes the states of Oaxaca, Veracruz, Chiapas, Tabasco, Quintana Roo, Campeche, and Yucatán.

(b) Preventive estimates for credit risk

As of December 31, 2016 and 2015, the classification of the assessed portfolio and its preventive estimate is analyzed as it is shown below:

Risk level assessed portfolio		Portfolio		Preventive estimates for credit risk	
		2016	2015	2016	2015
A-1	$	7,608,353	5,085,312	49,116	36,129
A-2		1,151,453	2,868,675	13,190	31,510
B-1		237,269	260,709	4,190	4,595
B-2		173,403	205,133	3,839	4,685
B-3		317,232	527,297	10,870	17,276
C-1		152,591	163,531	10,664	11,462
C-2		389,777	511,680	56,397	64,907
D*		692,742	471,525	246,186	152,673
E*		28,744	86,855	26,064	76,865
Total	$	10,751,564	10,180,717	420,516	400,102

*Troubled portfolio.

An analysis of the movements in preventive estimates for credit risk for the years ended on December 31, 2016 and 2015 is shown below:

Navistar Financial, S. A. de C. V.,
Sociedad Financiera de Objeto Múltiple, Regulated Subsidiary Entity

Notes to the Consolidated Financial Statements

(Thousands of pesos)

		2016	2015
Balance at the beginning of the year	$	400,102	327,310
Increase of the allowance		352,658	298,935
Release of the allowance		(123,638)	(199,768)
Write-offs		(208,606)	(26,375)
Balance at the end of the year	$	420,516	400,102
		=====	=====

(c) *Portfolio securitization*

NAVISCB 13

On April 30, 2013, the Company, as Settlor and Beneficiary in second place and Administrator, Banco Invex, S.A Institución de Banca Múltiple, INVEX Grupo Financiero, as Fiduciary, entered into an agreement to create the Irrevocable Trust Agreement Number 1455 (the Trust), with the purpose of establishing a program for the issuance and public offer in Mexico of senior trust bonds. This Trust will pay the Company a monthly percentage over the amount of the managed assets.

Such Trust consisted of the securitization of the loan, through the assignment of the loan rights from the financial leasing transactions and simple loans in Mexican pesos for the purchase of transport equipment. These loans are recorded in the consolidated balance sheet under the heading "Loan portfolio," as restricted, because they do not comply with the requirements for asset cancelation established in the accounting criteria.

In accordance with the Trust Agreement, the Company shall keep a minimum capacity of 1.15. As of December 31, 2016 and 2015, the collection rights given to the Trust amounted to $1,144,440 and $1,883,646, respectively. Any remaining of the issuance will be delivered to the Company once all stock certificates have been settled.

The first issuance of stock certificates was 10,000,000 certificates with a par value of $100 pesos each, under the ticker symbol NAVISCB 13 for $1,000,000, which earn interest during the issuance term (1,835 days) at an annual TIIE rate plus 1.5 percentage points.

(Continued)

Additionally, on November 29, 2013, the Trust performed a reopening of the issuance corresponding to 8,000,000 certificates, with a par value of $100 pesos each, under the ticker symbol NAVISCB 13 for $800,000, which earn interest during the issuance term (1,628 days) at a TIIE rate plus 1.5 percentage points. The issuances have a 36-month revolving period during which interest is paid on the 15th day of each month. During such period, the Company will be able to substitute the loans, provided that they comply with the eligibility criteria established in the Trust Agreement. After this period, the equity amortization will be carry out on a monthly basis.

As of December 31, 2016 and 2015, the balance of the NAVISCB 13 amounts to $485,832 and $1,800,000, respectively (see note 15). The obligations on such certificates, which only payment source is the collection of collection rights, yields interest of $69,868 and $91,871, respectively, which are recorded in the consolidated income statement under the heading "Interest expense" (see note 21).

The rating granted on October 5, 2016 and December 2, 2015 by HR Ratings de México, S. A. de C. V. was “HR AAA(E)”, on both dates.

NAVISCB 15

On April 5, 2015, the Company, as Settlor and Beneficiary in second place and Administrator, Banco Invex, S.A Institución de Banca Múltiple, INVEX Grupo Financiero, as Fiduciary, entered into an agreement to create the Irrevocable Trust Agreement Number 2537 (the Trust), with the purpose of establishing a program for the issuance and public offer in Mexico of trustee stock certificates. This Trust will pay the Company a monthly percentage over the amount of the managed assets.

Such Trust consisted of the securitization of the loan, through the assignment of the loan rights from the financial leasing operations and simple loans in Mexican pesos for the purchase of transport equipment. These loans are recorded in the consolidated balance sheet under the heading "Loan portfolio", as restricted, because they do not comply with the requirements for asset cancelation established in the accounting criteria.

According to the Trust Agreement, the Company began with a capacity of 1.20, which will grow to 1.30 (target capacity), in order for the Company to have the right of the surplus in the generated flows once the capacity exceeds the 1.30. As of December 31, 2016 and 2015, the collection rights given to the Trust amounted to $503,479 and

(Continued)

$722,847, respectively. Any remnant of the issuance will be delivered to the Company once all stock certificates have been settled.

The first issuance of stock certificates was 6,165,500 of certificates with a par value of $100 pesos each, under the ticker symbol NAVISCB 15 for $616,550, which yield interest during the issuance term (1,893 days) at an annual TIIE rate plus 1.4 percentage points. The issuance pays interest and capital on a monthly basis.

As of December 31, 2016 and 2015, the balance of the NAVISCB 15 amounts to $398,325 and $593,290, respectively (see note 15). The obligations on such certificates, which only payment source is the collection of collection rights, yields interest of $29,521 and $2,817, respectively, which is recorded in the consolidated income statement under the heading "Interest expense" (see note 21).

The rating granted on October 30, 2016 and December 26, 2015 by HR Ratings de México, S. A. de C. V. was “HR AAA(E)”, on both dates.

NAVISCB 16

On September 5, 2016, the Company, as Settlor and Beneficiary in second place and Administrator, Banco Invex, S.A Institución de Banca Múltiple, INVEX Grupo Financiero, as Fiduciary, entered into an agreement to create the Irrevocable Trust Agreement Number 2844 (the Trust), with the purpose of establishing a program in Mexico for the public issuance and offer of senior trust bonds. This Trust will pay the Company a monthly percentage over the amount of the managed assets.

Such Trust consisted of the securitization of the loan, through the assignment of the loan rights from the financial leasing operations and simple loans in Mexican pesos for the purchase of transport equipment. These loans are recorded in the consolidated balance sheet under the heading "Loan portfolio", as restricted, because they do not comply with the requirements for asset cancelation established in the accounting criteria.

According to the Trust Agreement, the Company began with a capacity of 1.215, which will grow to 1.305 (target capacity), in order for the Company to have the right of the surplus in the generated flows once the capacity exceeds the 1.305. As of December 31,

Navistar Financial, S. A. de C. V.,
Sociedad Financiera de Objeto Múltiple, Regulated Subsidiary Entity

Notes to the Consolidated Financial Statements

(Thousands of pesos, unless otherwise indicated)

2016, the collection rights given to the Trust amounted to $503,479. Any remnant of the issuance will be delivered to the Company once all stock certificates have been settled.

The first issuance of stock certificates was 5,363,830 of certificates with a par value of $100 pesos each, under the ticker symbol NAVISCB 16 for $536,383, which yield interest during the issuance term (1,985 days) at an annual TIIE rate plus 1.55 percentage points. The issuance pays interest and capital on a monthly basis.

As of December 31, 2016, the balance of the NAVISCB 16 amounts to $477,149 (see note 15). The obligations on such certificates, which only payment source is the collection of collection rights as of December 31, 2016, yielded interest of $10,678, which is recorded in the consolidated income statement under the heading "Interest expense" (see note 21).

The rating granted on August 31, 2016 by HR Ratings de México, S. A. de C. V. was “HR AAA(E)”, which was ratified on October 11, 2016. Additionally, the rating granted on August 31, 2016, to the NAVISCB 16 issuance by Standard & Poors, S. A. de C. V. was “mxAAA(sf)”.

A summary of the Trusts financial situation is presented below:

	Trust 1455		Trust 2537		Trust 2844
	2016	**2015**	**2016**	**2015**	**2016**
Balance sheet:					
Cash and cash equivalents	$ 294,509	726,496	43,641	34,518	78,321
Financial derivative instruments	9,030	2,069	10,240	4,709	9,989
Collection rights, net	962,924	1,642,578	446,904	712,241	533,337
Other accounts receivable	9,872	6,018	1,037	1	385
Total assets	$ 1,276,335	2,377,161	501,822	751,469	622,032
	=======	=======	=====	=====	=====
Obligations on stock certificates, net	$ 487,461	1,784,438	399,642	581,034	478,760
Accounts payable	26,075	140,656	8,958	10,639	10,721
Total assets	762,799	452,067	93,222	159,796	132,551
Total liabilities and assets	$ 1,276,335	2,377,161	501,822	751,469	622,032
	=======	=======	=====	=====	=====
Income statement					

(Continued)

(Thousands of pesos, unless otherwise indicated)

Financial income	$	231,522	256,348	80,603	14,040	27,538
Financial expenses		(75,558)	(87,786)	(32,050)	(4,221)	(6,135)
Impact of collection rights impairment		(8,752)	3,510	(11,613)	(8,697)	(8,944)
Other income (expenses), net		15,326	92,473	610	(300)	72
Period income	$	162,538	264,545	37,550	822	12,531
		=====	=====	=====	===	=====

(d) Escrow

- On January 30, 2015, an Irrevocable Escrow Agreement was executed by Navistar Financial as Settlor and Beneficiary in second place, Banco Invex, S.A, Institución de Banca Múltiple, Invex Grupo Financiero ("Invex"), as Fiduciary and CITIBANK, N.A. as Beneficiary in first place. Such agreement backs a line of credit hired with Banco Nacional de México S.A., member of Grupo Financiero BANAMEX ("BANAMEX"), which holds a 100% guarantee with the Export-Import Bank of the United States ("Exim"). As of December 31, 2016 and 2015, the Trust assets are represented by the secured collection rights to pay the loan obligations, which amount to $389,131 and $367,156, respectively.

- In October 2014, the Company as Settlor and Beneficiary in second place entered into an Irrevocable Management and Escrow Agreement No. F/2251 with Export Development Canada "EDC" as Beneficiary in first place and Banco Invex, S.A Institución de Banca Múltiple, Invex Grupo Financiero as Fiduciary; such Trust is intended to back the credit line with corporate purposes in favor of the Company in an amount up to 50 million dollars. As of December 31, 2016 and 2015, the assets of this Trust amount to $450,004 and $1,008,184, respectively.

- In November 2013, the Company as Settlor, Beneficiary in second place and Commission Sgent, entered into an Irrevocable Escrow Agreement with Nacional Financiera, Sociedad Nacional de Crédito, Institución de Banca de Desarrollo, Dirección Fiduciaria as Fiduciary and Beneficiary in first place.

  The purpose of this Trust is to back the line of credit in current account in favor of the Company. As of December 31, 2016 and 2015, the assets of this Trust amounted to $544,352 and $3,190,145, respectively.

(Continued)

- In December 2010, an Irrevocable Escrow Agreement was entered into by and between the Company in its capacity as Settlor and Beneficiary in second place, Banco Nacional de México S.A., in its capacity as Fiduciary, and CITIBANK, N.A., in its capacity as Beneficiary in first place, in order for the Company to guarantee, by means of the collection rights of certain loans of Mexican clients, resulting from the funding, purchase or lease of vehicles, the compliance of each and every of the current and future obligations of the Company, resulting from the execution of a loan agreement up to a total amount equivalent to $94.4 million dollars, entered into by and between the Company as Borrower, Banco Nacional de México S.A. as Lender, Citibank, N.A. as line of credit agent and the Export-Import Bank of the United States, an institution that provides guarantee of the funds to the Borrower. This agreement expired on October 30, 2015.

(e) Risk sharing fund

On October 24, 2008, the Company signed with Nacional Financiera, S. N.C. Institución de Banca de Desarrollo (NAFIN), this later in its capacity as Fiduciary of the Trust 1148-0 of the Risk Sharing Fund (the Fund), a sharing agreement of the Fund, which purpose is to recover the loss of the first losses of the portfolio that the Company grants to small and medium enterprises registered in the Fund and, consequently, subject to its support. Therefore, the Fund will share up to $20,000, in relation to the first losses of the portfolio registered in the Fund.

On November 17, 2010, the Company signed with NAFIN in its capacity as fiduciary of the Risk Sharing Fund a similar agreement, this time focused on federal freight transport. In this agreement, the Fund will share up to $23,000, in relation to the first losses of the portfolio registered in the Fund.

On November 26, 2011, the Company signed again an agreement with NAFIN for the Risk Sharing focused on federal freight transport. In this agreement, the Fund will share up to $40,000, in relation to the first losses of the portfolio registered in the Fund, which amounts to $1,000,000.

On November 15, 2012, the Company signed other agreement with NAFIN for the Risk Sharing focused on federal freight transport. In this agreement, the Fund will share up to

(Thousands of pesos)

$30,000, in relation to the first losses of the portfolio registered in the Fund, which amounts to $750,000, effective sin January 11, 2013.

The outstanding balances of the portfolio secured under both schemes as of December 31, 2016 and 2015, was $485,977 and $263,576, respectively.

The premium paid by the schemes hired in 2012 amounted to $2,784, which is amortized in straight line in a 48-month term.

As of December 31, 2016 and 2015, the Company has claimed $87,994 and $49,888, respectively, under the umbrella of such program. From which, $44,088 and $50,044, respectively, has been collected.

(f) Restructured and renewed loans

As of December 31, 2016 and 2015, the restructured and renewed loans of the portfolio amounted to $659,468 and $152,261, respectively. Resulting from such restructuring during 2016 and 2015, additional guaranties were received for $107,952 and $265,269, respectively.

For the years ended on December 31, 2016 and 2015, the recovery income of the previously non-performing portfolio amounted to $8,067 and $6,715, respectively, which is recognized under the heading "Other operating income, net" in the consolidated income statement (see note 26).

(g) Fees for granting loans and origination costs

The movements in the balance of the fees for granting loans and origination costs for the years ended on December 31, 2016 and 2015 are shown below:

Fees for granting loans:		**2016**	**2015**
Initial balance	$	122,523	127,467
Collected fees		86,905	59,790
Amortization (note 21)		(58,726)	(64,734)
		150,702	122,523

(Thousands of pesos)

Loan origination costs:

Initial balance		30,520	25,504
Paid costs and expenses		20,438	19,923
Amortization (note 21)		(15,666)	(14,907)
		35,292	30,520
Net balance of fees and loan origination costs	$	115,410	92,003
		======	=====

As of December 31, 2016, the average amortization term of the net fees for granting loans and origination net costs was 32 months (22 moths as of December 31, 2015).

(h) Policies and procedures to grant loans

The main policies and procedures established to grant, acquire, assign, control and recovery loans, as well as those regarding the assessment and follow-up of the credit risk are mentioned below:

- The general policies governing the Company's credit activity are included in the Loan Brochure.
- The loan process includes promotion, request, assessment, approval, implementation, withdrawal, follow-up, control, portfolio rating, as well as administrative and legal recovery.
- The loan and risk area official analyzes the common risk of the partner borrowers integrating a business group or corporation of companies linked among them.
- The officials and employees refrain from participating in loan approvals where there may exist a conflict of interests.
- Every withdrawal under a specific line of credit or specific transaction of commercial loan has the authorization of a proper official.

(Thousands of pesos)

– The execution of any kind of loan performed on the legal instruments (contract, agreements or credit instrument) authorized by the Company's legal department.

(11) Other accounts receivable

As of December 31, 2016 and 2015, accounts receivables are as follows:

		2016	2015
Portfolio debtors	$	96,139	96,984
Sundry debtors		38,556	61,196
Taxes receivable		60,556	6,906
Related companies (note 18)		43,004	232,385
		238,255	397,471
Less estimate of doubtful accounts receivable		(13,387)	(18,359)
	$	224,868	379,112
		======	======

(12) Real property, furniture and equipment for own use, as well as transport equipment intended for operating lease

As of December 31, 2016 and 2015, the investment in property, furniture and equipment, as well as equipment intended for operating lease is analyzed as shown below:

Real property, furniture and equipment for own use:		**2016**	**2015**	**Annual depreciation rate**
Real property	$	56,634	56,634	2.30%
Transport equipment		3,092	2,598	25%
Furniture and computing equipment		17,652	18,244	10% and 33%
		77,378	77,476	
Accumulated depreciation		(20,350)	(17,977)	

(Continued)

(Thousands of pesos)

		57,028	59,499	
Land		41,169	41,169	
	$	98,197	100,668	
		=====	=====	
Transport equipment intended to operating lease:				
Leased transport equipment	$	2,486,121	1,825,128	Various
Accumulated depreciation		(546,783)	(382,479)	
	$	1,939,338	1,442,649	
		=======	=======	

For the years ended on December 31, 2016 and 2015, the charge to income due to depreciation of real property, furniture and equipment amounted to $3,486 and $$3,276, respectively, and of the equipment intended for operating lease amounted to $277,742 and $219,368, respectively.

(13) Awarded assets

As of December 31, 2016, and 2015, the awarded assets are as follows:

		2016	**2015**
Transport equipment	$	75,822	72,180
Real property		18,280	18,280
		94,102	90,460
Less:			
Allowance of awarded assets		(17,203)	(16,336)
Deterioration		(17,377)	(10,107)
	$	59,522	64,017
		=====	=====

(Continued)

(Thousands of pesos)

(14) Employee benefits

Currently, the Company recognizes the benefit of the seniority premium, the legal compensation before retirement, as well as the legal compensation upon retirement, covering all the full-time staff. The previously mentioned benefits are based on the years of service and on the amount of the employee compensation.

The cost elements of the defined benefits for the years ended on December 31, 2016 and 2015 are shown below:

	2016	2015
Current service cost (CLSA)	$ 3,532	3,583
Net interest on NDBL*	1,606	1,521
Labor cost of past service recognized in the year	-	527
Amortization of earnings	-	(2,927)
Recycling remediation of NDBA recognized in OCI	(186)	-
Effect of reduction	770	-
Losses retained in previous years, recognized in comprehensive income of 2016	1,039	-
Defined benefit cost	$ 6,761	2,704
	====	====

*Net Defined Benefit Liabilities (NDBL).

	2016	2015
Initial balance of NDBA remediations	$(2,236)	-
Remediations generated in the year	2,553	-
Recycling of recognized remediations of OCI in the year	186	-
Final balance of remediations of NDBL	$ 503	-
	===	=====
Initial balance of the NDBL	$23,869	21,165
Defined benefit cost	6,761	2,704
Contributions to the plan	-	-

Payments collected from NDBA	(3,392)	-
OCI	503	-
Final balance of NDBL (note 17)	**$27,741**	**23,869**
	=====	=====

As of December 31, 2016 and 2015, the Company has not funded the defined benefit obligation. The most important assumptions used to determine the net projected liabilities are shown below:

	2016	**2015**
Nominal discount rate used to estimate the present value of the obligation	7.90%	7.40%
Nominal increase rate in the salary levels	5.80%	5.80%
Average remaining work life of the employees	12 years	12 years

For the years ended on December 31, 2016 and 2015, the charge to income corresponding to the Company's contributions due to the defined contribution plan amounted to $1,176 and $1,405, respectively, under the heading "Management expenses" in the consolidated income statement.

(15) Stock liabilities

On September 5, 2016, the Company performed a securitization of the credit rights of the commercial portfolio under the ticker symbol NAVISCB 16, with maturity on February 15, 2022 (1,985 days). On November 10, 2015, the Company performed other securitization of the credit rights under the ticker symbol NAVISCB 15, which final maturity date is January 15, 2021 (1,893 days). During 2014, the Company performed other securitization of credit rights at a 1,835-day term, under the ticker symbol NAVISCB 13.

As of December 31, 2016, and 2015, the stock liabilities at short- and long-term are integrated as shown below:

Issuance	**2016**	**Maturity**	**Rate**
Short-term:			
NAVISTS00316	$ 100,000	01/03/2017	TIIE+2.40%
NAVISTS00916	100,000	06/04/2017	TIIE+2.35%

(Continued)

Navistar Financial, S. A. de C. V.,
Sociedad Financiera de Objeto Múltiple, Regulated Subsidiary Entity

Notes to the Consolidated Financial Statements

(Thousands of pesos)

NAVISTS01416		78,000	06/04/2017	TIIE+2.30%
NAVISTS01616		220,000	09/03/2017	TIIE+2.25%
NAVISTS01816		100,000	30/03/2017	TIIE+2.25%
NAVISTS01916		100,000	23/03/2017	TIIE+2.25%
NAVISTS02116		75,855	19/01/2017	TIIE+2.20%
NAVISTS02216		84,145	11/05/2017	TIIE+2.25%
NAVISTS02316		160,000	27/04/2017	TIIE+2.25%
NAVISTS02416		85,000	05/04/2017	TIIE+2.25%
NAVISTS02516		302,819	09/02/2017	TIIE+2.40%
NAVISTS02716		200,000	23/02/2017	TIIE+2.40%
Accrued interest		5,193		
NAVISCB13*		485,832	15/05/2018**	TIIE+1.50%
NAVISCB15*		166,298	15/01/2021	TIIE+1.40%
NAVISCB16*		176,096	15/02/2022	TIIE+1.55%
Accrued interest		4,557		
Subtotal		2,443,795		
Long-term:				
NAVISCB15		232,027	15/01/2021	TIIE+1.40%
NAVISCB16		301,053	15/02/2022	TIIE+1.55%
Subtotal		533,080		
Total stock liabilities	$	2,976,875		
		=======		

* Current portion of long-term stock certificates.
** The issuance expires in 2018; however, the Management considers settling early the short-term obligation.

|||re		2015	Maturity	Rate
Short-term:				
NAVISTS00615	$	100,000	30/03/2016	TIIE+2.40%
NAVISTS01715		50,000	31/03/2016	TIIE+2.25%
NAVISTS01215		236,500	05/05/2016	TIIE+2.35%
NAVISTS01515		60,000	18/02/2016	TIIE+2.35%

(Continued)

Navistar Financial, S. A. de C. V.,
Sociedad Financiera de Objeto Múltiple, Regulated Subsidiary Entity

Notes to the Consolidated Financial Statements

(Thousands of pesos)

NAVISTS01815		159,000	07/04/2016	TIIE+2.25%
NAVISTS01915		50,000	08/04/2016	TIIE+2.25%
NAVISTS02015		200,000	21/04/2016	TIIE+2.30%
NAVISTS02115		250,000	28/04/2016	TIIE+2.25%
NAVISTS02215		250,000	10/03/2016	TIIE+2.20%
Accrued interest		3,129		
NAVISCB 13*		525,000	15/05/2018	TIIE+1.50%
NAVISCB 15*		207,197	15/01/2021	TIIE+1.40%
Accrued interest		5,453		
Subtotal		2,096,279		
Long-term:				
NAVISCB 13		1,275,000	15/05/2018	TIIE+1.50%
NAVISCB 15		386,093	15/01/2021	TIIE+1.40%
Subtotal		1,661,093		
Total stock liabilities	$	3,757,372		
		=======		

* Current portion of long-term stock certificates.

As of December 31, 2016 and 2015, the balance of the issuance expenses for amortization amounts to $47,439 and $54,495, respectively, and it is recorded under the heading "Other assets, net" in the consolidated balance sheet. The charge to income for amortization of such expenses for the years ended on December 31, 2016 and 2015, amounts to $21,527 and $12,636, respectively (see note 21).

(Continued)

Navistar Financial, S. A. de C. V.,
Sociedad Financiera de Objeto Múltiple, Regulated Subsidiary Entity

Notes to the Consolidated Financial Statements

(Thousands of pesos)

(16) Bank loans and from other institutions

As of December 31, 2016 and 2015, short- and long-term bank loans and from other institutions are integrated as shown below:

		2016	2015
Direct loans in dollars accruing interest at an average weighted rate of 3.26% and 3.13% on LIBOR at the closing of December 2016 and 2015, respectively, and an average fixed weighted rate of 2.65% in December 2015 (see section "a" of this note).	$	3,226,983	3,687,388
Direct loans in national currency accruing interest at an average weighted rate of 2.19% and 2.25% on 28-day TIIE in December 2016 and 2015, respectively, and an average fixed weighted rate of 6.93% and 6.12% in December 2016 and 2015, respectively.		4,725,391	2,551,740
Accrued interest		42,971	17,242
Total bank loans and from other institutions		7,995,345	6,256,370
Less current portion of the debt		2,875,844	4,138,419
Total long-term bank loans and from other institutions	$	5,119,501	2,117,951
		========	========

As of December 31, 2016, and 2015, 35% and 36%, respectively, of the Company's approved lines of credit were secured by Navistar International Corporation (holding company) or by Navistar Financial Corporation (affiliate).

(a) Bank loans and from other institutions in dollars:

As of December 31, 2016, and 2015, there are lines of credit hired with national and foreign financial institutions for 331 and 398 million dollars, respectively. Such lines include a credit line in dollars, hired by the Company and by Navistar Financial Corporation with JP Morgan Chase Bank, N.A. The line of credit allows the Company to obtain up to 100 million dollars at variable rate. As of December 31, 2016 and 2015, this line was fully available.

The Company grants short-term commercial loans to sell International trucks and buses manufactured in Mexico and exported to Colombia, supported by a line of credit of 95 million dollars from Banco Nacional de Comercio Exterior, S.N.C. (Bancomext). This line can also be used to fund units placed in Mexico. Additionally, in July 2015, an extension of the discount term for export operation, as well as the inclusion of other countries were authorized. On March 4, 2016, an increase in this line of credit of 25 million dollars was approved resulting in 120 million dollars.

Moreover, the Company has lines available with Navistar International Corporation and Navistar Financial Corporation which are still being operated as guarantee of some bank lines and/or as work capital through intercompany loans intended to the acquisition of new units or spare parts (floor plan) in this latter case, as of the end of December 2016 and 2015, the line was not used.

(b) *Bank loans in national currency:*

As of December 31, 2016 and 2015, there are lines of credit in pesos hired by the Company to national financial institution for $4,575 and $4,395, respectively.

On January 30, 2015, a new line of credit was executed with the 100% guarantee of the Export-Import Bank of the United States for 41 million dollars, to use its equivalent in pesos. As of December 31, 2016, this line has been fully used. As of December 31, 2015, it had an available balance equivalent to 17 million dollars.

As of December 31, 2016 and 2015, most of the lines of credit in dollars and in national currency are secured by the loan portfolio for approximately $7,105,575 and $6,349,017, respectively.

The lines of credit require compliance with certain restrictions and financial indexes, which the Company has met as of December 31, 2016 and 2015.

Navistar Financial, S. A. de C. V.,
Sociedad Financiera de Objeto Múltiple, Regulated Subsidiary Entity

Notes to the Consolidated Financial Statements

(Thousands of pesos, unless otherwise indicated)

As of December 31, 2015, the maturities of bank and other institutions loans are as follows:

Maturity year		Pesos	Amount in appraised dollars
2017	$	2,169,373	2,015,527
2018		1,398,205	69,722
2019		962,417	1,161,730
2020		179,037	5,319
2021		24,178	219
2022		9,618	-
		4,742,828	3,252,517
	$	7,995,345	
		=======	

(17) Sundry creditors and other accounts payable

As of December 31, 2016, and 2015, the sundry creditors and other accounts payables are as shown below:

		2016	2015
Sundry creditors	$	81,055	15,789
Security deposits		487,638	441,861
Trust portfolio deposits and collection to be delivered to Trust		18,333	27,802
Tax payable (Income Tax and Value-Added Tax)		31,443	67,395
Obligation for sharing losses (*)		1,507	1,507
Provisions for different obligations		29,699	46,769
Related companies (note 18)		13,782	87,213
Employee benefits (note 14)		27,741	23,869
Other taxes		4,816	6,307
Deposits and balance in favor of clients		58,779	158,324
Other		30,862	72,915
	$	785,655	949,751
		=====	=====

(Continued)

(Thousands of pesos)

(*) It corresponds to the estimate of the joint loss sharing resulting from factoring agreements executed by the Company.

(18) Transactions and balance with related companies

In the normal course of its operation, the Company carries out transactions with related companies, such as management services and fees for granting loans.

The receivable and payable balances with related companies as of December 31, 2016 and 2015, are as shown below:

		2016	2015
Receivable balances (note 10):			
Loan portfolio:			
Navistar México, S. de R. L. de C. V.	$	1,629,852	717,621
International Parts Distribution, S. A. de C. V.		1,568	1,913
Navistar Financial Corporation		967	4,412
Navistar Comercial, S. A. de C. V.		-	5,011
	$	1,632,387	728,957
		=====	=====

		2016	2015
Other accounts receivable (note 11):			
Navistar México, S. de R. L. de C. V.	$	26,859	228,112
Navistar Inc.		1,904	1,589
Navistar Comercial, S. A. de C. V.		10,030	5
Transprotección Agente de Seguros, S. A. de C. V.		1,309	414
Navistar International Corporation		2,851	2,213
International Parts Distribution, S. A. de C.V.		51	52
	$	43,004	232,385
		=====	=====

		2016	2015
Payable balances (note 17):			
Navistar Financial Corporation	$	4,063	6,614
Navistar México, S. de R. L. de C. V.		6,286	52,758
Navistar Comercial, S. A. de C. V.		778	23

(Continued)

Navistar Financial, S. A. de C. V.,
Sociedad Financiera de Objeto Múltiple, Regulated Subsidiary Entity

Notes to the Consolidated Financial Statements

(Thousands of pesos)

Navistar International Corporation		277	417
Navistar Inc.		2,378	1,965
Distribuidora de Camiones International, S. de R. L. de C.V.		-	12,585
Transprotección Agentes de Seguros, S. A. de C. V.		-	5,003
International Parts Distribution, S. A. de C. V.		-	7,848
	$	13,782	87,213
		=====	=====

Below are the transactions carried out with related companies in the years ended on December 31, 2016 and 2015.

		2016	**2015**
Revenues:			
Interest accrued in favor:			
Navistar México, S. de R. L. de C. V.	$	362,187	292,055
International Parts Distribution, S. A. de C. V.		20,367	16,132
Navistar Financial Corporation		12,934	24,372
Navistar Comercial, S. A. de C. V.		51	248
Placement service fees:			
Navistar México, S. de R. L. de C. V. (note 22)		177,154	88,924
Administrative services:			
Trasproteccion Agentes de Seguros, S. A. de C. V.		19,530	16,317
Navistar México, S. de R. L. de C. V. (note 22)		955	5,637
Portfolio administration fees:			
Navistar Comercial, S. A. de C. V.		8	69
Other income:			
International Parts Distribution, S. A. de C. V.		379	387
Navistar México, S. de R. L. de C. V. (note 22)		-	88
Navistar Comercial, S. A. de C. V.		472	-
		=====	=====

	2016	**2015**
Expenses:		

(Continued)

(Thousands of pesos)

Expenses for technical service and telephone:		
Navistar México, S. de R. L. de C. V.	$ 890	3,791
Other fees and service rates:		
Navistar Financial Corporation (note 23)	5,621	25,479
Expenses for interests due to granting of guarantees		
Navistar Financial Corporation	21,207	21,156
Navistar International Corporation	2,420	2,687
Other management expenses		
Navistar México, S. de R. L. de C. V.	1,588	1,174
Navistar Financial Corporation (note 23)	1,280	8,493
Navistar Inc.	12	52
Accrued interest:		
Distribuidora de Camiones Internacional, S. de R. L de C. V.	791	701
Transprotección Agentes de Seguros, S. A de C. V.	692	914
Navistar México, S. de R. L. de C. V.	218	328
	=====	=====

(19) Income tax and employee profit sharing

The valid Income Tax Law establishes an income tax rate of 30% for 2016 and subsequent years.

The expense due to income tax for the years ended on December 31, 2016 and 2015, is as shown below:

	2016	**2015**
Income tax on fiscal base	$ 128,503	119,406
Deferred income tax	71,923	1,276
	$ 200,426	120,682
	=====	=====

The Company did not apply the tax consolidation with its subsidiary, in accordance with the current tax provisions.

(Thousands of pesos)

The employee profit sharing expense (income) for the years ended on December 31, 2016 and 2015, which is included in the consolidated income statement under the heading "Management expense," is as follows:

	2016	2015
Employee profit sharing from subsidiary		
Legal	$ 1,665	3,597
Deferred	(893)	163
	$ 772	3,760

The reconciliation between the accounting income and the income for income tax and employee profit sharing purposes is summarized below:

	2016		2015	
	Income tax	PTU	Income tax	PTU
Income before income tax	$ 546,097	546,097	473,352	473,352
Income before taxes from holding company	-	(537,695)	-	(457,799)
(Less) plus differences between the accounting income and fiscal income:				
Fiscal impact due to inflation, net.	(10,177)	(2,392)	(18,145)	(1,136)
Preventive credit risk estimates	229,020	-	99,167	-
Deduction from uncollectible accounts receivable	(87,864)	-	(34,795)	-
Difference between accounting and fiscal depreciation	(239,449)	(535)	(173,113)	1,550
Cost and expenses of debt issuance	(14,342)	-	(5,016)	-
Income from sale of fixed asset	-	-	10,565	-
Net income from sale of leased equipment	(8,060)	-	-	-
Provisions	1,237	(2,227)	39,906	10,002
Other deferred loans, net	(2,336)	-	(9,274)	-
Non-deductible expenses and expired taxes	12,892	1,679	4,030	3,673
Legal and deferred employee profit sharing	-	-	-	2,874
Other	1,324	9,725	11,344	3,460
Fiscal income	428,342	16,652	398,021	35,976
Income tax rate and employee sharing profit rate	30%	10%	30%	10%
Incurred income tax and employee sharing profit	$ 128,503	1,665	119,406	3,597

(Continued)

Navistar Financial, S. A. de C. V.,
Sociedad Financiera de Objeto Múltiple, Regulated Subsidiary Entity

Notes to the Consolidated Financial Statements

(Thousands of pesos)

The tax effects of the temporary difference that produces significant portions of the deferred tax assets and liabilities as of December 31, 2015 and 2014, are detailed below:

		Assets as of December 31		Movement in the year	
		2016	**2015**	**2016**	**2015**
Income tax:					
Preventive credit risk estimates, awarded assets and other accounts receivable	$	126,155	97,008	29,147	(7,493)
Fixed assets		(91,261)	1,164	(92,425)	1,889
Sundry provisions		(1,826)	4,268	(6,094)	3,670
Deferred charges (loans)		6,318	(7,813)	14,131	(14,293)
Assets from portfolio administration		-	(150)	150	(748)
Employee benefit provision		6,035	7,044	(1,009)	816
Deductible employee profit sharing		(1,490)	(639)	(851)	279
Other		9,470	24,909	(15,439)	21,926
		53,401	125,791	(72,390)	6,046
Valuation allowance		(10,877)	(11,424)	547	(7,322)
Total deferred income tax		42,524	114,367	(71,843)	(1,276)
Total deferred income tax		42,524	114,367	(71,843)	(1,276)
Employee profit sharing:					
Furniture and equipment		2,622	388	2,234	(1,530)
Employee benefit provision		3,316	2,387	929	(613)
Liabilities provision		923	1,233	(310)	73
Other assets and advanced payments		(228)	1,681	(1,909)	1,907
Deferred employee profit sharing		6,633	5,689	944	(163)
Deferred assets, net		$ 49,157	120,056	(70,899)	(1,439)
		=====	======	=====	=====

The valuation allowance of deferred assets as of December 31, 2016 and 2015, was $10,877 and $11,424, respectively. The net change in the valuation allowance, for the years ended on

(Continued)

December 31, 2016 and 2015, was a decrease and increase of $547 and $7,322, respectively. To evaluate the deferred asset recovery, Management considers the probability that a portion or all of them are not recovered.

The final sold deferred asset depends on the yield of the taxable earnings in the terms in which the temporary difference is deductible. In performing this assessment, Management considers the expected review of the deferred liabilities, the projected taxable earnings and the planning strategies.

(20) Shareholder's equity

The main characteristics of the shareholder's equity is described below:

(a) Structure of corporate equity

The main characteristics of the balance comprising the corporate capital and the share issuance premium are described below:

		Thousands of pesos	
Figures as of December 31,	Number of shares [1]	Corporate equity	Share issuance premium
2016 and 2015	2,425,035	$ 283,177	111,961
		======	======

[1] It includes 561,786 shares from series "A", corresponding to the fixed portion, and 1,863,249 from series "B", corresponding to the variable portion, all of them with a par value of $100 pesos each.

(b) Shareholder's equity restrictions

The year profit is subject to the separation of 10% to comprise the legal reserve, until it represents one fifth of the corporate equity. The legal reserve as of December 31, 2016 and 2015, is $122,535, an amount which has reached the minimum required.

The corporate equity refunding and the retained earning distributions, as well as other shareholder's equity accounts for which the income tax that had already been covered, can be done without any lien. Other refunding and distribution higher than the amounts intended for tax purposes are subject to income tax.

(Thousands of pesos, unless otherwise indicated)

(c) Comprehensive income

The comprehensive income, showed in the consolidated statements of changes in shareholder's equity, for the years ended on December 31, 2016 and 2015, represent the income of the Company's total activity during the year and it is shown below.

		2016	2015
Net earnings	$	345,670	352,669
Minority interest		1	1
Remediation for employee benefits:			
Remediation		(503)	-
Deferred income tax		80	-
Deferred employee profit sharing		51	-
		372	-
Comprehensive income	$	345,299	352,670
		======	======

(21) Financial spread

The components of financial spread for the years ended on December 31, 2016 and 2015, are analyzed below:

		2016	2015
Income from interest:			
From:			
Loan portfolio	$	777,659	680,127
Financial lease		344,202	329,280
Investments and debtors for repurchase (notes 7 and 8)		30,121	20,348
Fees for granting loans (note 10g)		58,726	64,734
Exchange income		128,990	23,625
		1,339,698	1,118,114
Interest expenses:			
Interest expenses of stock certificates (note 10c)		(110,067)	(94,688)
Amortization of expenses of debt issuance (note 15)		(21,527)	(12,636)

(Continued)

Navistar Financial, S. A. de C. V.,
Sociedad Financiera de Objeto Múltiple, Regulated Subsidiary Entity

Notes to the Consolidated Financial Statements

(Thousands of pesos)

Interest expenses of bank loans		(547,076)	(409,231)
Amortization of origination costs (note 10g)		(15,666)	(14,907)
Exchange income		(22,057)	(11,759)
		(716,393)	(543,221)
Total financial spread	$	623,305	574,893
		======	======

(22) Collected fees and rates

For the years ended on December 31, 2016 and 2015, the collected fees and rates are as shown below:

		2016	2015
Asset administration	$	8	69
Placement service fees (note 18)		177,154	88,924
Other collected fees and rates		65,615	78,367
	$	242,777	167,360
		======	======

(23) Paid fees and rates

For the years ended on December 31, 2016 and 2015, the paid fees and rates are as shown below:

		2016	2015
Collection service fees and other (note 18)	$	(6,901)	(33,972)
Bank fees		(4,721)	(1,887)
	$	(11,622)	(35,859)
		=====	=====

(24) Intermediation income, net

For the years ended on December 31, 2016 and 2015, intermediation income is as shown below:

(Continued)

Navistar Financial, S. A. de C. V.,
Sociedad Financiera de Objeto Múltiple, Regulated Subsidiary Entity

Notes to the Consolidated Financial Statements

(Thousands of pesos)

		2016	2015
Assessment of derivatives with trade purposes (note 9)	$	17,851	(8,702)
Derivatives purchase and sale (note 9)		(50,210)	(5,261)
Foreign exchange loss due to currency valuation		(25,810)	(3,181)
	$	(58,169)	(17,144)
		=====	=====

(25) Operating lease income

For the years ended on December 31, 2016 and 2015, operating lease income is as shown below:

		2016	2015
Operating lease income	$	431,440	320,726
Leased property depreciation in operating lease (note 12)		(277,742)	(219,368)
Costs and expenses related to loan granting		(782)	(715)
Allowance for operating lease portfolio		9,164	(12,050)
	$	162,080	88,593
		=====	=====

The Company only operates with loan and operating lease segments. The income from operating leases in 2016 and 2015 amounts to $162,080 and $88,593, respectively, which is shown in this note. The difference of this income against the net consolidated income corresponds to the loan segment.

(26) Other operating income, net

For the years ended on December 31, 2016 and 2015, other operating income is comprised as shown below:

		2016	2015
Other operating income, net	$	24,917	24,516

(Continued)

(Thousands of pesos)

Other lease benefits (purchase option at reduced price)		24,093	20,769
Effect for estimate and impairment of the awarded assets		(8,908)	6,819
Income from awarded sales		7,103	(10,161)
Recovery of the previously non-performing loan portfolio (note 10f)		8,067	6,715
Impact of the estimate for non-recoverable or difficult collection		4,972	(5,445)
Real property, furniture and equipment sale earnings		(17)	8,915
Total of other operation income	$	60,227	52,128
		=======	=======

(27) Financial indicators

The main financial indicators as of December 31, 2016 and 2015, are displayed below.

	2016	**2015**
Delinquency rate	3.69%	2.95%
Margin rate of non-performing loan portfolio	106.13%	133.18%
Operational efficiency *(average management and promotion expenses/ total assets)*	1.73%	1.99%
ROE (*average net earnings/shareholder's equity*)	13.52%	15.8%
ROA (*average net earnings/total assets*)	2.48%	2.73%
Liquidity (*liquid assets/liquid liabilities*) *	25.76%	8.68%
Year financial spread adjusted by average credit risk/ productive assets) **	3.36%	4.36%

* *Liquid assets*− Availabilities, securities to trade and available to sale.
Liquid liabilities− Immediately payable deposits, interbank loans and from other institutions, immediately payable loans, and short term loans.
** *Average productive assets*− Availabilities, investments in securities, security and derivative operations, and current loan portfolio.

(28) Commitments and contingent liabilities

(a) The Company is involved in several trials and claims resulting from the normal course of its operations. From the point of view of the defense attorneys, it is unlikely that such claims may have any impact on the Company's income.

(b) As mentioned in note 10, there is an obligation of loss sharing derived from the portfolio sales performed by the Company in the previous years.

(c) Under the current tax law, the authorities have the power to review up to five previous years and up to the last income tax return that has been submitted.

(d) Under the Income Tax Law, the companies performing transactions with related parties are subject to fiscal limitations and obligations regarding the establishment of agreed prices, since these shall be comparable to those performed by or between the independent parties in similar transactions.

If the tax authorities review the prices and reject the amounts agreed, they could require, in addition to the corresponding payment of tax and accessories (updates and surcharges), fines on the missed contributions, which could be up to 100% of the updated contribution amount.

(e) (a) The Company rents the premises occupied by its administrative offices, under defined term leases. The total expense for rent amounted $5,268 in 2016 and $5,816 in 2015.

(f) There is a contingent liability derived from the employee benefits mentioned in note 3(s).

(29) Recently issued regulatory pronouncements

The CINIF has issued the following FRSs and Improvements:

FRS C-9 ***"Provisions, contingencies and commitments"***- It comes into force for the year beginning on January 1, 2018, allowing its application in advance, provided that it is done together with the initial application of the FRS C-19 "Payable financial instruments". It supersedes Bulletin C-9 "Liabilities, provision, contingent assets and liabilities, and commitments". The first application of this FRS does not involve accounting changes in the financial statements. Some of the main aspects covered by this FRS are shown below:

- It reduces the scope by relocating the topic relative to the accounting treatment of the financial liabilities in the FRS C-19 “Payable financial instruments”.

- It modifies the definition of “liabilities” by removing the characteristic of “virtually unavoidable” and by including the term “probable”.

- The terminology is updated in the whole standard to make consistent its presentation, according to the other FRSs.

FRS C-19 ***“Payable financial instruments”-*** It comes into force for the year beginning on January 2018, with retrospective effects, allowing its application in advance, provided that it is done together with the application of the FRS C-9 "Provisions, contingencies and commitments", and of the FRSs relative to financial instruments which effectiveness and probability to be applied in advance are similar to those indicated for this FRS.

Its main characteristics include:

- It establishes the possibility of appraising, after its initial recognition, certain financial liabilities at their fair value when some conditions are met.

- To appraise long-term liabilities at their current value in their initial recognition.

- In restructuring liabilities, without substantially modifying the future cash flows to settle them, the costs and fees paid in this process will affect the liability amount and they will be amortized on a modified effective interest rate, instead of directly affecting the net profit or loss.

- It integrates that established in IFRIC 19 “Financial liabilities extinction with equity instruments”, a topic which was not included in the previous regulations.

- The effect of extingishing a financial liability must be presented as a financial income in the comprehensive income statement.

- It introduces the concepts of amortized cost to assess the financial liabilities and of effective interest method, based on the effective interest rate.

(Continued)

Improvements to FRS 2017

In October 2016, the CINIF issued the document "Improvements to FRSs 2017", which contains specific changes to some of the already existing FRSs. The main improvements that result in accounting changes are shown below:

FRS C-11 *"Shareholder's equity"*- It establishes that the expenses for stock exchange registration of entity assets, which by the date of such registration were already owned by the investors and for which the issuing entity have already received the corresponding funds, must be recognized in its net earnings or loss at the time of their accrual, rather than in the shareholder's equity. This improvement is effective for the year beginning on January 1, 2017, and the arising accounting changes must be prospectively recognized.

FRS D-3 *"Employee benefits"*- It establishes that the interest rate to be used to determine the current value of the long-term employment-related liabilities must be a market rate free from credit risk or with a very low credit risk, which represents the money value in the time, such as *the market rate of government bonds and the market rate of corporate bonds of high quality in absolute terms and deep market*, respectively, and that the chosen rate must be used consistently through time. Additionally, it allows the recognition of the OCI remediations, requiring their subsequent recycling into the earning or loss or directly in the net earning or loss on the date they originated. These improvements will be effective for the year beginning on January 1, 2017, allowing its application in advanced, and the accounting changes derived from the change in the discount rate must be prospectively recognized, and those arising from the change in the remediations recognition option must be retrospectively recognized.

The Company's Management considers that the new FRSs and the improvements to FRSs do not involve significant impact on the Company's consolidated financial statements.

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Emma Sentíes Miranda, Perito Traductora autorizada por el Consejo de la Judicatura Federal, por acuerdo publicado en el Diario Oficial de la Federación de fecha 16 de diciembre de 2016, certifico que la anterior traducción contenida en 64 fojas útiles por su anverso es a mi juicio fiel y completa

Ciudad de México a 28 de abril de 2017