2019 SECOND QUARTER

NAVISTAR® FINANCIAL

VARIATION ANALYSIS

COMMENTS ON THE RESULTS ABOUT THE FINANCIAL SITUATION

NAVISTAR FINANCIAL MEXICO

Navistar Financial came to Mexico in 1997 operating with the company Servicios Financieros Navistar, with the main goal of funding the Floor Plan of the Network of International Distributor, a group created in 1996.

Because of the increasing market demand to get retail funding, Arrendadora Financiera Navistar and Navistar Comercial were incorporated in 1998 to be able to offer a broader range of financial products.

On December 7, 2007, a merger was agreed between Arrendadora Financiera Navistar and Navistar Financial, which came into effect on January 1, 2008.

The main goal of this financial company in our country is to help its clients to be successful by offering them financial solutions based on a consistent and reliable service, as well as on a deep knowledge of the transport sector.

With the Financial Reform, which came into effect on January 10, 2014, some provisions were set, including that the SOFOMES ENR entities issuing debt must be entities regulated by the National Banking and Securities Commission (CNBV). Then, on January 12, 2015, the federal government published in the Official Gazette of the Federation, the secondary regulations modifying the general provisions applicable to SOFOMES ENR (CUIFE); consequently, Navistar Financial became an Entity Regulated ("E.R.") by the CNBV since March 1, 2015.

ITEMS INCLUDED IN THE BALANCE SHEET

The financial information about Navistar Financial, S.A. de C.V. SOFOM E.R. (Navistar Financial or the "Company") *submitted for the fiscal year 2018 includes changes in its presentation in order to make it comparable to the fiscal year 2019 (current regulations)*.

The Company's ***Assets*** show a positive variation of $2,256 million Mexican pesos (mmp) in comparison to the 2Q18; such variation is mainly explained by an increment in the current loan portfolio and in the availabilities.

Availabilities and Repurchases have a positive variation of $1.1649 bmp, with a total balance of $1.9117 bmp, comprised of (i) $113.5 mmp in cash restricted by the issue of Senior Trust Bonds ("CBF"), which may be used to pay the liabilities of this same issue, and (ii) $1,798.2 of availabilities.

On September 20, 2018, an interest rate option was hired. Compared to the closing of June 2018, the item **Derivatives** as of the closing of June 2019 shows a reduction of $7.6 mmp; this balance comprises three Interest Rate Options acquired in compliance with the Trust Agreements entered into as a result of the issues of CBF as follows: with a notional value of $12.7 mmp, an Interest Rate Option of notional value of $100.7 mmp, an Interest Rate Option of notional value of $319.4 mmp, and one Interest Rate Option hired on March 28, 2018 with a notional value of $154 mmp, on September 20, 2018 with a notional value of $225.8 mmp, and on September 20, 2018 with a notional value of $819.7 mmp; such instruments show a mark-to-market ("MTM") of $3.3 mmp.

The ***total Loan Portfolio (Net)*** shows an increment of $753.6 mmp, equivalent to a positive variation of 6.3%, compared to 2Q18, which is explained mainly through:

(i) The increment in the current loan portfolio in the amount of $689.4 mmp, which is explained mainly by: a) an increment in the floor plan portfolio in the amount of $1.0024 bmp, which purpose is to cover the needs of the network of distributors and of the market; and b) a decrease in the amount of $314.6 in the loan portfolio granted to manufacture and export trucks to the United States.

(ii) The **Non-Performing Loan Portfolio,** as of the closing of 2Q19, shows a balance of $409.0 mmp, representing 3.1% of the total portfolio, according to the Exhibit 34 of the Single Circular of the Bank (2Q18 2.4%). The increment in the non-performing portfolio is mainly explained by the overdue balance of one of our clients, which started a process of insolvency in 2018.

The ***Preventive Credit Risk Estimate*** shows an increment of $47.2 mmp, maintaining a hedge of 1 time ("x") the expected loss and 1.14x the non-performing portfolio (2T2018 1.40x). The Preventive Credit Risk Estimate is calculated according to the methodology of expected loss.

It is worth to mention that the Company, as of June 30, 2019, has executed 5 Trusts, which are described below:

A. On October 17, 2017, an Irrevocable Management Trust Agreement was entered into by Navistar Financial as Settlor and Beneficiary in Second Place, and Banco Invex, S.A., Institución de Banca Múltiple, Invex Grupo Financiero ("Invex"), as Fiduciary, and Monex Casa de Bolsa, S.A. de C.V., Monex Grupo Financiero, as Common Representative, related to the public offer of 7,370,000 CBF with a nominal value of MX$100.00. (one hundred 00/100, Mexican Pesos). The trust assets of this trust are comprised of a portfolio of $ 298 mmp as of June 30, 2019.

B. On September 5, 2016, an Irrevocable Management Trust Agreement was entered into by Navistar Financial as Settlor and Beneficiary in Second Place, and Banco Invex, S.A., Institución de Banca Múltiple, Invex Grupo Financiero ("Invex"), as Fiduciary, and Monex Casa de Bolsa, S.A. de C.V., Monex Grupo Financiero, as Common Representative, related to the public offer of 5,363,830 CBF with a nominal value of MX$100.00. (one hundred 00/100, Mexican Pesos). The trust assets of this trust are comprised of a portfolio of $106 mmp as of June 30, 2019.

C. In October 2014, Navistar Financial ("Settlor", "Beneficiary in Second Place") entered into an Irrevocable Escrow Agreement with (i) Export Development Bank of Canada (EDC) "Beneficiary in First Place" and (ii) Invex as "Fiduciary". The purpose of this guarantee is to back the line of credit granted by EDC. The trust assets of this Trust, as of June 30, 2019, amount to $2.603 bmp.

D. On January 30, 2015, an Irrevocable Escrow Agreement was entered into 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"), and it holds a 100% guarantee with the Export-Import Bank of the United States ("Exim"). Since March 15, 2019, the debt has been paid; currently, the parties are in process for terminating such trust.

E. In November 2013, Navistar Financial ("Settlor", "Beneficiary in Second Place" and "Commission Agent"), entered into an Irrevocable Escrow Agreement with (i) Nacional Financiera, Sociedad Nacional de Crédito, Institución de Banca de Desarrollo, Dirección Fiduciaria ("Fiduciary") and (ii) Nacional Financiera, Sociedad Nacional de Crédito, Institución de Banca de Desarrollo ("NAFIN" and "Beneficiary in First Place"). This trust was superseded on May 27, 2019 by a new escrow and payment source in Banco Monex S.A Institución de Banca Múltiple, Monex Grupo Financiero ("Monex"), ("Fiduciary"), transferring the Nafin trust portfolio to the new trust, which secures the guarantee to back up the line of credit in current account in favor of the Company. The trust assets of this Trust, as of June 30, 2019, amount to $1.989 bmp.

These amounts are presented under the item "loan portfolio", "other accounts receivable" and "property in operating lease" in the balance sheets.

The net of other **Accounts receivable** and **Accounts payable** shows a negative variation of $3.4897 bmp, which is mainly due to: a) foreign exchange trading transactions (swap) in the amount of $1.1323 bmp and b) $2.3234 bmp derived from the increase of the account payable with affiliates, in connection with the commercial floor plan.

Awarded Assets, as of the closing of June 2019, shows a negative variation in the portfolio award indicator of 50 pbs due to a lower stock rotation of the inventory of these assets: 1.18% in 2Q19, compared to 0.68% in 2Q18.

In relation to ***Equipment Intended for Operating Lease,*** as of 2Q19 there is a $500.6 mmp increment, compared to 2Q18, representing a growth of 22.8%; resulting from the Operating Lease program, permanently focused on big fleets targeted funding.

Other Assets shows a reduction of $28.5 mmp, caused mainly by the reduction in expenses derived from the credit instrument issue and by the adjustment in the value of an intangible asset corresponding to a canceled project of systems.

As of the closing of 2Q19, the Company's **Net Liabilities of Liquid Assets** reflect a reduction of $2.834 bmp, equivalent to 39.1% in comparison to the same period of the previous year.

"Stock Liability" shows a balance of $1.442 bmp, comprised of the equity and interest of a (i) CBF in the amount of $91.2, corresponding to the issue NAVISCB16 (Second issue under a $5 bmp, 5-year program), (ii) CBF in the amount of $248.3 mmp corresponding to the issue NAVISCB17 (Third issue under a $5-bmp program), and (iii) Short-Term Bonds ("CB") in the amount of $1.1020 bmp from a $3-bmp program.

Regarding **Bank Loans,** there is a reduction of $643.9 mmp, compared to 2Q18, consequence of the strategy implemented in the treasury area, which has resulted in resource efficiency and better management of such resources. As of June 30, 2019 and 2018, the 0% and 36%, respectively, of the balance of the aforementioned bank loans is guaranteed by Navistar International Corporation ("NIC") or by Navistar Financial Corporation ("NFC").

In 2Q19 and 2Q18, the bank liabilities are guaranteed by the loan portfolio and the transport equipment intended for operating lease in the amount of $8.685 and $9.827 bmp, respectively. Additionally, as of the closing of June 2019, the company has a free current portfolio in the amount of $8.174 bmp, obtaining a 7.43-time indicator of free current portfolio respect of the outstanding balance of the issue of the current commercial paper.

Moreover, **Deferred Loans and Advanced Collections** show a variation of $4.1 mmp, representing a negative variation of 3.2%, compared to 2Q2018. This is mainly because of an increment in the financial income to be accrued corresponding to the capitalizable operating lease and to decrease in the commissions because of the granting of loans.

The Company shows a financial soundness, which is reflected in a capitalization level (equity / total portfolio) equivalent to 30.6% (2Q18 27.7%) and a net leverage level of the liquid assets of 3.0x (2Q18 3.4x), based on bank covenants.

ITEMS INCLUDED IN THE INCOME STATEMENT

The financial information corresponding to the fiscal year 2018 includes changes in its presentation in order to make it comparable to the same period in 2019 (current regulations). Additionally, the percentages related to portfolio are arranged on an annual basis.

As of the closing of 2Q19, the ***Financial Margin***, not affected by the exchange rate fluctuations, reaches $327.4 mmp, which shows a positive variation of $21.8 mmp, compared to the same period the previous year, mainly explained by the increment of the income derived from the portfolio increment. The interest hedge ratio for 2Q19, not affected by the exchange rate fluctuation, is 1.7x (1.7x 2Q18); therefore, the Company is in compliance with the required bank obligations.

The ***Preventive Credit Risk Estimates*** show a negative variation, compared to the previous year, of $1.2 mmp, representing an increment of 1%; this is mainly because of an increment in the default probability of some clients, including a client who started a process of insolvency during 2018.

Consequently, the ***Financial Margin Adjusted by the Credit Risks***, not affected by exchange rate fluctuation, shows a positive variation of $20.6 mmp.

As part of the Operating Income, the following items are included.

(i) The net of collected and paid fees and rates shows a positive variation reflected in an income of $31.7 mmp, as a consequence of the increment in "collected fees", due to the creation of new loans.

(ii) Intermediation income shows a negative impact of $4.5 mmp, resulting from:

a) A positive variation of $7.5 mmp, explained by the fluctuations in the exchange rate and derivative instruments. For analysis purposes, the net impact of the currency position (excluded in the Financial Margin Analysis) must be considered, which in 2Q2019 amounts to a profit of $3.0 mmp, compared to the $12.9 mmp profit in this same period the previous year.

b) A positive variation resulting from the Interest Rate transactions. This instrument shows an increment in its 2019 value derived from the volatility of the Interbank Balance Interest Rate ("TIIE") and the long-term curve. Aggregate as of 2Q18, there were negative effects of $26.2 mmp on these instruments, and during 2019 there have been negative effects of $38.2 mmp.

Such instrument is monthly appraised to Fair Value, based on models commonly used in the financial markets for this kind of operations, and the variations in the instrument appraisal are recorded in the intermediation income, because, once the TIIE reference rate exceeds the interest rate agreed (6%) for IRCAP hired in 2013 and (5%) for IRCAP hired in 2015, the difference in the interest amount associated with this rate will be reimbursed by the financial intermediary in exchange of the premium paid at the beginning of the operation.

Operating Lease Income shows an increment of $3.9, which derives from the increase in the operating lease resulting from the fleet approach mentioned above.

Other operating income and expenses shows a positive variation of $23.7 mmp, derived mainly from higher income and other benefits related to operating lease.

(i) ***Administrative Expenses*** shows an increment of $3.9 mmp (representing 3% vs 2Q18) and this is due to an increase in the fees paid for balance recovery from default clients; however, the expenses indicator on the total managed portfolio is at a level of 1.79% in comparison to 2Q18 (1.90%), derived from an appropriate control and monitoring of the administrative expenses.

Within the item ***Caused and Deferred Income Taxes***, a negative variation of $16.1 mmp is shown; this effect is a consequence of the income tax provision which increase is directly related to the fiscal year income, which was 21% higher in comparison to 2Q18.

FUNDING SOURCES

As of June 30, 2019, the Company had $15.0689 bmp in authorized funding sources, which were distributed the following way: (i) 33.5% in domestic and foreign commercial bank, (ii) 57.0% in domestic and foreign development bank, (iii) 2.2% in CBF, and (iv) 7.3% in CB.

The Company maintains $5.9231 bmp in lines available with funding banks.

The available lines with NIC and NFC are still being operated as guarantees of some bank lines and/or as working capital through intercompany loans intended for the acquisition of new units or spare parts of the Floor Plan; in this latter case, as of the end of June 2018, the line was not available as working capital

In September 2016, the second CBF issue was performed under the Senior Bond Certificate program authorized on November 5, 2015, for up to $5 bmp. This second issue, NAVISCB16 in the amount of $536.4 mmp, was executed through the Trust 2844, opened with Invex, with a 1985-day term and with monthly amortizations. As of the closing of June 2019, the balance of this issue is $91.2 mmp. The Company holds 100% of the titles of the trust assets of the aforementioned trust.

In October 2017, the third CBF issue was performed under the Senior Bond Certificate program authorized on November 5, 2015 for up to $5 bmp. This third issue, NAVISCB17 in the amount of $737 mmp, was executed through the Trust 3290, opened with Invex, with a 1972-day term and with monthly amortizations. As of the closing of June 2019, the balance of this issue is $248.3 mmp. The Company holds 100% of the titles of the trust assets of the aforementioned trust.

Additionally, the Company has a short-term CBs program of $3 bmp; such program was renewed on February 17, 2017 and extended on October 24, 2018, and its balance as of June 30, 2019 is $1.1021 bmp.

Below is a breakdown of the debt by currency and rate. The debt is expressed in thousands in the currency indicated.

	Jun -19	%	Jun -18	%
Debt in Pesos fixed rate	3,770,541	45%	3,747,208	46%
Debt in Pesos with hedge of CAP	1,439,160	18%	1,133,683	14%
Debt in Pesos variable rate	3,088,725	37%	3,221,232	40%
Subtotal Pesos	**8,298,426**		**8,102,123**	
Interest payable	**29,653**		**31,512**	
TOTAL PESOS	**8,328,079**		**8,133,635**	
Debt in Dollars fixed rate	0	0%	0	0%
Debt in Dollars variable rate	42,903	100%	135,821	100%
Subtotal Dollars	**42,903**		**135,821**	
Interest payable	**16**		**659**	
TOTAL DOLLARS	**42,919**		**136,480**	

The Company, among its risk management activities, frequently requires hiring financial derivative instruments such as Currency Swaps (CCSwap), which help Navistar Financial to keep optimal levels of safety, liquidity and costs without importing the currency in which the credit or loan operation is performed.

As of June 30, 2019, the Company has not hired any CCSwap.

Under the Trust Agreement entered into as a result of the issue of the CBF NAVISCB15, two Interest Rate Options were hired under the following conditions:

- CAP on TIIE
- Notional: 616.5 mmp
- Start date: December 3, 2015
- Maturity date: August 15, 2019
- Counterparty: BBVA BANCOMER S.A.
- Strike: 5%
- Premium: 3.6 mmp

Under the Trust Agreement entered into as a result of the issue of the CBF NAVISCB16, one

Interest Rate Option was hired under the following conditions:

- CAP on TIIE
- Notional: 536.3 mmp
- Start date: October 07, 2016
- Maturity date: September 15, 2020
- Counterparty: BBVA BANCOMER S.A.
- Strike: 6%
- Premium: 4.6 mmp

Under the Trust Agreement entered into as a result of the issue of the CBF NAVISCB17, one Interest Rate Option was hired under the following conditions:

- CAP on TIIE
- Notional: 709.5 mmp
- Start date: November 15, 2017
- Maturity date: August 15, 2022
- Counterparty: BBVA BANCOMER S.A.
- Strike: 9%
- Premium: 3.1 mmp

Additionally, the company hired an Interest Rate Option, with the following conditions:

- CAP on TIIE
- Notional: 374.6 mmp
- Start date: March 28, 2018
- Maturity date: April 14, 2021
- Counterparty: BBVA BANCOMER S.A.
- Strike: 8.25%
- Premium: 1.2 mmp

- CAP on TIIE
- Notional: 819.6 mmp
- Start date: September 19, 2018
- Maturity date: August 03, 2021
- Counterparty: BBVA BANCOMER S.A.
- Strike: 8.5%
- Premium: 11.6 mmp

- CAP on TIIE
- Notional: 225.8 mmp
- Start date: September 24, 2018
- Maturity date: August 03, 2021
- Counterparty: BBVA BANCOMER S.A.
- Strike: 8.5%
- Premium 3.2 mmp

Consistently, the Company carries out these transactions in the OTC market and, in compliance with its guidelines, the institutions with which the Company operates or executes the derivatives must be institutions with which the Company has entered into an ISDA (International Swap Dealers Association) Agreement. The counterparties must be financial institutions approved by Navistar Financial, in which case, each assignment is the result of a global relationship with the relevant institution, considering risk factors, economic soundness and commitment of each selected institution.

“The information published in this document can contain or refer to future projections, tendencies, results, facts or actions, which involves risk and uncertainties, so there is no guarantee or assurance that such projections, tendencies, results, facts or actions may happen or be accomplished under the terms described. Therefore, Navistar Financial, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada does not assume liability for the updating of the content of this document".

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

Sociedad Financiera de Objeto Múltiple,
Entidad Regulada and subsidiary

Consolidated Financial Statements

June 30, 2019 and 2018

(With Independent Auditor's Report)

Navistar Financial, S. A. de C. V.,
Sociedad Financiera de Objeto Múltiple, Entidad Regulada and subsidiary

Notes to the Consolidated Financial Statements

For years ended on June 30, 2019 and 2018

(Thousands of pesos)

(1) Company's activity-

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

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

Servicios Corporativos NFC, S. de R. L. de C. V. (Servicios Corporativos), a subsidiary of Navistar Financial) is a company incorporated under the Mexican law. The main activity of Servicios Corporativos is the provision with 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 April 29, 2019, José A. Chacón Pérez (Chief Executive Officer), Rafael M. Martínez Vila (Chief Financial and Administrative Officer), Jorge Campos Bedolla (Deputy Comptroller), Claudia I. Montiel Olivares (Accounting Manager) and Nancy H. Trejo González (Internal Control Manager), authorized the issue of the attached consolidated financial statements and the notes thereof.

According to the General Business Companies Act, the provisions of the National Banking and Securities Commission (the Commission), as well as the bylaws of the Company, the shareholders and the Commission have the capacity to modify the consolidated financial statements after their issue.

Presentation basis

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 (DOF), which set forth 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 the transactions thereof, shall apply the accounting criteria for credit institutions in Mexico (Accounting Criteria) provided by the Commission in Exhibit 33 of the general provisions applicable to credit institutions (the Provisions), except for the series "D" of such criteria, since they shall apply series "D" of the criteria relative to the basic financial statements for SOFOMES, in force since 2015.

The Accounting Criteria indicated in the previous paragraph set forth that in case there are not specific accounting criteria issued by the Commission for the credit institutions, and in a context broader than the Mexican Financial Reporting Standards (FRS), the general complementary rule bases provided in FRS A-8 shall apply, and only in case that the International Financial Reporting Standards (IFRS) referred to in FRS A-8 do not provide a solution to the accountable recognition, another complementary rule of any other regulatory framework may be applied, provided that such complementary rule complies with all the requirements indicated in the aforementioned FRS. 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 part of a formal and recognized group of standards, provided that such accounting standard complies with the requirements in the Commission's criterion A-4

b) Use of judgments and estimates

The preparation of the consolidated financial statements requires that Management carries out estimates and assumptions that affect the recorded 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 recorded amounts of income and expenses during the year. The actual income may differ from these estimates and assumptions.

Judgments-

The information regarding any judgment derived from the implementation of the accounting policies with the major effects on the amounts recognized in the consolidated financial statement are described in the following notes:

- Notes 3(h) and 3(j): Classification of leases;
- Note 3(o): Residual value of the assets in operating lease.

Assumptions and uncertainties in the estimates-

The information about estimate assumptions and uncertainties with a significant risk of resulting in a material adjustment to the amounts of asset and liability books during the following year is included in the notes described below:

- Note 3(g) and 9: Valuation of the trading financial derivative instruments;
- Notes 3(l) and 10 (b): Preventive credit risk estimates;
- Notes 3(r) and 19: Recognition of deferred assets for income tax and employee profit sharing;
- Notes 3(u) and 14: Measurement of defined employee benefit obligations.

c) Operation and reporting currency

The aforementioned consolidated financial statements are shown in Mexican Pesos reporting currency, which is equal to the registration currency and its operation currency.

For disclosure purposes in the notes to the consolidated financial statements, when referring to pesos or "$", it refers to thousands of Mexican Pesos and, when referring to Dollars, it refers to US Dollars.

d) Recognition of assets and liabilities on the date of the deal

The attached consolidated financial statements recognize the assets and liabilities derived from foreign exchange trading, repurchases and transactions derived from trading, on the date in which the operation is made, regardless their date of settlement.

(3) Summary of the main accounting policies-

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

(a) Recognition of the inflationary impact-

The attached consolidated financial statements were prepared in accordance with the Accounting Criteria, which, considering that the Company operates in a non-inflationary economic environment since 2008 (cumulative inflation in the last three previous years is lower than 26%), include the recognition of the inflationary impact on the financial information as of December 31, 2007, based on the value of Mexico's Investment Units (UDIs), an accounting unit which value is determined by the Banco de Mexico (Banxico) based on the inflation.

(b) Consolidation basis-

The consolidated financial statements include the financial statements of Navistar Financials and its subsidiary, Servicios Corporativos (which 99.97% of corporate equity is held by Navistar Financial). The major balances and transactions between Navistar Financial and Servicios Corporativos have been removed in the preparation of the consolidated financial statements. The consolidation was carried out based on the audited financial statements of Servicios Corporativos as of June 30, 2019 and 2018.

(c) Availabilities-

Availabilities include deposits in Mexican-Peso and US-Dollar bank accounts, which are recognized at their par value, including at 24- and 48-hour foreign exchange trading transactions which, according to the applicable regulations, are not considered derivatives.

The foreign currency acquired in 24- and 48-hour trading transactions are recognized as restricted availability (currency to be received); while the foreign currency sold are recorded as a cash outflow (currency to be delivered). The rights and obligations derived from the foreign currency exchange aforementioned are recorded under the item “Other accounts receivable” and “Creditors for settlement of transactions”, respectively

As of the date of the consolidated financial statements, the interest is recognized in the income of the year as it is accrued under the item “Interest Income”.

(d) Settlement accounts-

The amounts receivable and payable derived from financial derivative instrument transactions and repurchase transactions, which, having reached their maturity, have not currently been settled, as well as the amounts receivable or payable derived from foreign exchange trading transactions in which no immediate settlement was agreed or in those of the same day value date, are registered in the settlement accounts under the item “Other accounts receivable” and “Creditors for settlement of transactions”, as applicable.

(e) Security investments-

Security investments include the debt securities acquired for the Company Management’s purpose and with the capacity of holding them until their maturity. They are classified using the following category:

Held to maturity securities-

These are debt securities with fixed or determinable payment and fixed maturity, with the purpose and capacity to hold them until their maturity.

These securities are initially recognized at their fair value, and then are valued at their amortized cost, which means that the interest amortization or discount, as well as the transaction costs, are included in the accrued interest recognized in income under the item “Interest income”. The interest is recognized in income as it is accrued after the securities are transferred. The trade income is recognized considering the difference between the net realizable value and the book value of the securities, under the item “Intermediation Income, net”.

As of June 30, 2019 and 2018, no security transfers between categories were performed.

(f) Repurchase transactions-

On the date when the repurchase transaction is hiring, the entity, acting as the repurchasing entity, recognizes either the cash outflow or a creditor settlement account, recording an account receivable initially measured at the agreed price, representing the right to recover the cash handed out. During the repurchase life, the mentioned account receivable is valued at its amortized cost through the recognition of the repurchase interest in the year income, as it is accrued, following the method of effective interest affecting such account receivable.

As for the collateral received, the Company recognizes it in memorandum accounts and, when it is other than cash, the Company will follow the guidelines set forth in Criterion B-9 "Property custody and management" for its valuation, until the repurchase maturity.

The interest accrual for repurchases derived from transactions is presented under the item “Interest income”.

(g) Transactions with trading financial derivative instruments-

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

Such instruments are initially and subsequently recognized at fair value. Their accountable treatment is described below:

Interest rate swaps and CSS-

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

Options-

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

(h) Loan portfolio-

It mainly 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, recognized in the income as they are accrued, under the item “Interest income”.

The lines of credit that have not been used are recorded in the memorandum accounts, under the item "Loan commitments". The amount used by the borrower will be included in the commercial loan portfolio.

The Company grants simple loan, fixed-asset loan 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 lease portfolio is recognized against the cash outflows and the corresponding financial income to be accrued considering the difference of the leased property and the lease portfolio value. Such financial income to be accrued is recorded as a deferred loan, which is recognized according to the lease portfolio outstanding balance, against the income of the year, under the item "Interest income".

The Company recognizes an account receivable for financial leasing when at least one of the following assumptions are met in the contracts.

- The lessor transfers the ownership of the asset to the lessee at the end of the lease term.
- The lease has a call option and a value lower than the asset fair value is expected to be given; such call option is deemed reasonably certain to be executed at the beginning of the lease.
- The lease term covers most part of the economic lifetime of the leased asset.
- At the beginning of the lease, the current value of the minimal lease payment amounts, at least substantially, to all fair value of the leased asset.
- The leased asset is of so specialized nature that only the lessee can use them without significant modifications.
- The lessee can cancel the lease, and the lessor's losses associated with this cancellation are at lessee's expenses.
- The loss and profit from the fluctuations in the fair value if the estimated residual value of the leased asset shall be in charge of the lessee.
- The lessee can offer the lease at a rent significantly lower than the market rent.

When at least one of the aforementioned assumptions does not become real, the Company recognizes the lease as an operating lease and registers it as a fixed asset, recognizing the rent income as it is accrued.

Additionally, the Company classifies its portfolio in wholesale and retail trade. The wholesale trade portfolio corresponds to those loans granted 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.

The fees charged for opening the loans are initially recorded as a deferred loan and they are recognized in income according to the loan term that originated them.

(i) Overdue loans and interest-

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

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

Loans which amortization of principal and interest 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 been 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 in bankruptcy.

The recognition of interest in the consolidated income statement is suspended upon transferring the loan to the non-performing portfolio. As long as the loan remains in the non-performing portfolio, the interest accrued are recorded in the memorandum account.

When such overdue interest is collected, they are recognized in the year income under the item “Interest income”.

As for the accrued non-collected interest corresponding to the loans deemed as non-performing portfolio, an estimate equivalent to the total thereof is performed when transferring the loan as non-performing portfolio. Such estimate is canceled when the interest is actually collected or when there is evidence of sustained payment.

Any overdue loans which outstanding balance is completely paid (principal and interest, among other) or those any restructured or renewed loans with evidence of sustained payment are transferred to the current loan 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 is recognized under the item “Interest income”.

Sustained payment-

It is deemed that a sustained payment exists when the borrower is in compliance with the payment without delay for the due and payable amount of principal and interest, of at least three consecutive amortizations of the loan payment schedule or, in case of loans with amortizations covering terms longer than 60 calendar days, the payment of one installment.

As for the loans with one single payment of capital at maturity, whether the interest payment is regular or not, the sustained payment evidence will be deemed met when the borrower had paid at least 20% of the original loan amount at the moment of the loan restructuring or renewal or if the accrued interest amount corresponding to a 90-day term, as per the payment schedule of the loan restructuring or renewal, has been paid. For this purpose, the accrued interest recognized in the memorandum accounts are not considered.

Charges to the allowance are done when a practical recovery impossibility is determined, charging off the corresponding amount in the non-performing portfolio. Occasionally, the Management determines, when at its opinion it may be necessary, that a current loan must be considered non-recoverable.

(j) Operating lease-

In the case of operating leases, the due and payable rent amount that has not been fully settled at the 30th or more calendar days of default is recognized as overdue. The recognition of the rents in the consolidated income statement is suspended when these rents present three monthly payments overdue and these are recorded since the fourth overdue rent in the memorandum account.

The assets to be leased are registered at their purchase costs and account for the properties acquired by the Company which corresponding lease contract is in the process of being executed.

The account receivable for operating lease represents the amounts of the outstanding accrued rents and the leased asset is subject to the fixed asset policies described in note 3(o).

(Thousands of pesos)

(k) Securitization transactions-

The Company performs loan portfolio securitization transactions where it assesses whether such transaction complies with the requirements of financial asset recognition and writing off, in accordance with the provisions of the Accounting Criteria. If such asset writing off does not comply with the requirements for its derecognition, the financial assets granted as guarantee or collateral are presented as restricted assets, the resources obtained by the securitization transaction are recognized under the item "Availabilities", and the liabilities associated with this transaction due to the issue of the bond are recognized as liabilities under the item "Stock liabilities".

(l) Preventive credit risk estimates-

The Company determines a preventive credit risk estimate, which, at Management's criterion, is enough to cover any loss of the loan portfolio.

The Management determines the preventive credit risk estimates based on the expected loss, applicable to the whole commercial portfolio, observing the Provisions for the preventive credit risk estimates applicable to Credit institutions, set forth by the Commission, which are described below:

– In the case of loans granted to entities or persons with business activities, with income higher or equal to the equivalent in Mexican Pesos to 14 million UDIs, the estimate is calculated according to the general methodology set forth in the Exhibit 22 of the Provisions; oh the other hand, in case an net income or sale income lower than the equivalent in Mexican Pesos to 14 million UDIs, as for estimate is calculated according to the general methodology described in the Exhibit 21 of the Provisions.
– In the case of the loans granted to states, municipalities and financial entities, such estimate is calculated according to the application of the general methodology described in the Exhibit 18 and Exhibit 20, respectively, of the Provisions.

The classification of the commercial loan portfolio by the level of risk as of June 30, 2019 and 2019, is arranged as indicated below:

Level of risk	**Preventive allowance percentage ranges**		
A-1	-	to	0.90%
A-2	0.901	to	1.50%
B-1	1.501	to	2.00%
B-2	2.001	to	2.50%
B-3	2.501	to	5.00%
C-1	5.001	to	10.00%
C-2	10.001	to	15.50%
D	15.501	to	45.00%
E	Higher than 45.01	to	100.00%

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:

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

Where:

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

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.

(m) Other accounts receivable, net-

Other accounts receivable mainly account for debit balance in portfolio, sundry debtors, refundable taxes and accounts receivable from related companies. In the case of accounts receivable relative to identified debtors, whose balance has not been recovered within 90 calendar days (60 days for non-identified debtors), an estimate for the total debt balance is calculated. Such estimate is not performed for tax balance in favor.

The Management considers that the estimates for non-recoverable collection is enough to absorb losses according to the policy set forth in the Accounting Criteria.

(n) Awarded assets, net-

The awarded assets are recorded at their awarding value 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 determined values are lower than the amount of the portfolio to be canceled, are considered losses, and, in the income of the year, these are recognized under the item "Other operation revenues, net"; otherwise, the value of the awarded asset is adjusted according to the value of the portfolio being writing of. 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 the value of the awarded assets and in allowances is reduced from the asset value and it is recognized as expenses in the consolidated income statement for the year under the item “Other operating income (expenses), net”.

(Thousands of pesos)

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

Movable property:

Time lapsed from the awarding or accord and satisfaction (months)	Allowance percentage
Up to 6	-
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 lapsed from the awarding or accord and satisfaction (months)	Allowance percentage
Up to 12	-
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

(o) Real property, furniture and equipment, net-

The real property, furniture and equipment in operating lease and owned by the Company are registered at their acquisition cost and up to December 31, 2007, these were updated by means of factors derived from the National Consumer price Index (INPC).

Real property, furniture and equipment owned by the Company-

The depreciation is estimated on the updated values with the straight-line method, based on the lifespans of the corresponding assets estimated by the Company's Management.

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

Real property	3%
Furniture and equipment	10%
Computing equipment	25%
Transport equipment	25%
Improvement to leased premises (1)	10%

(1) The improvements to leased premises are amortized during the useful time of the improvement or at the end of the agreement, whichever the lowest.

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

Leased real property, furniture and equipment-

As for the leased assets, the depreciation is estimated based on the lease term, considering the difference between the property acquisition value and its estimated residual value.

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

Real property	Varied
Transport equipment	25%
Computing equipment	25%

The real property, furniture and equipment are canceled upon their sale or when it is expected to obtain no future economic benefits from its 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 net book value), is included in the consolidated income statement, under the item "Other operating income (expenses), net".

The Company assesses periodically the net book value of its own property, furniture and equipment, as well as property intended for operating lease 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 their estimated recovery value, the Company records the corresponding deterioration.

(p) Other assets-

Other assets include, mainly, any expenses for allocation of debt, which are amortized according to the term thereof; any costs for management of portfolio, which are amortized during the term set in the corresponding agreements; any deferred charges for costs and expenses associated with the initial granting of the loan, which are amortized in straight line through the life of the loan; any intangibles corresponding to software licensing and development, which are amortized in a 3-5 year term; and any payments in advance corresponding to major medical expense insurance and vehicle insurance, which are amortized within a 1-2 year term, according to the policy validity.

(q) Stock liabilities, as well as bank loans and loans 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 issue, and they are presented in the consolidated balance sheet under the item "Stock liabilities”. The interest is recognized in income as it is accrued under the item “Interest expenses”.

Short- and long-term bank loans and loans from other institutions, both national and foreign, are recorded based on the contract value of the obligation. Interest is recognized in income as it is accrued under the item “Interest expenses”.

(r) Income tax and employee profit sharing (PTU)-

The income tax and the employee profit sharing (PTU) incurred during this year are determined according to the current tax provisions.

The deferred income tax and PTU (assets and liabilities) are recorded according to the asset and liability method that compares their carrying and fiscal values. The deferred ISR and PTU (assets and liabilities) are recognized according to the future tax consequences, which are attributable to the temporary difference between the values reflected in the consolidated financial statements of the existing assets and liabilities, and their relative tax bases and, in the case of the income tax, according to the tax loss to be amortized and other fiscal loans to be recovered. The assets and liabilities derived from deferred ISR and PTU are estimated using the rates provided by the corresponding law, to be applied to the taxable earnings in the years when it is expected the temporary differences to be reversed. The impact of the tax rate changes on the deferred ISR and PTU is recognized in the income of the year when such changes are approved.

The deferred and incurred ISR and PTU are shown and classified in the income of the year, except for those originated from a transaction recognized in the Other Comprehensive Income (OCI) or directly under the item of the shareholder's equity.

(s) Deferred loans-

It includes the financial income to be accrued from the financial lease transactions and the fees charged for opening the loans, which are amortized against the income of the year under the item “Interest Income", using the straight-line method during the life of the loan.

(t) Provisions-

The Company recognizes, based on Management estimates, liabilities provisions for those existing obligations in which the transfer of assets or the service provision are virtually unavoidable and resulting as a consequence of past events.

(u) Employee benefits-

Short-term direct benefits

The employee short-term direct benefits are recognized in the income of the year when the services are provided. A liability is recognized for the amount expected to be paid if the Company has a legal or constructive obligation of paying such amount derived from the pas provided services, and the obligation can be reasonably estimated.

Post-employment benefit

Established contribution plan

The obligations regarding contributions to established contribution plans are recognized in the year income as the related services are provided by the employees. The contributions paid in advance are recognized as an asset in the extent the payment in advance results in a reduction in the payments to be paid in the future or in a cash reimbursement.

The Company has an established contribution plan, where the employees with one year of seniority do voluntary contributions ranging 2% to 6% of its base monthly salary, depending on their age; the Company provides the 75% of their total contributions.

The employees can use the performed contributions on the first day of the immediate next month after the month the employee turns 60 years old or, with the Company's written consent, from the employee’s 55th birthday, provided that such employee has at least 20 years of active service in the Company.

Defined benefits

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

The estimate of the obligations derived from defined benefits is carried out annually by actuaries, using the projected unit credit method. When the estimate results in a possible asset for the Company, the recognized asset is limited to the current value of the economic benefits available in the way of future reimbursements of the plan or reductions of future contributions. To estimate the current value of the economic benefits, any minimal funding requirement shall 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 company determines the net interest expenses (income) on the net liabilities (assets) derived from the defined benefits in the year by multiplying the discount rate used to measure the defined benefit obligation by the net liabilities (assets) determined at the beginning of the year about which the reporting is being prepared, considering the changes in the net liabilities (assets) derived from defined benefits during the year as a consequence of the contribution and benefit-payment estimates. The net interest is recognized under the item “Administrative Expenses".

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

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

(v) Recognition of revenues-

The interest income 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 when the sale of vehicles of the brand "International" funded by the Company is executed.

The income for administrative services of Servicios Corporativos is recognized in the consolidated income statement as it is accrued under the item “Collected fees and rates”.

(w) Transactions in foreign currency-

Transactions in foreign currency are recorded at the exchange rate valid on the date of execution or settlement. Assets and liabilities in foreign currency are translated at the exchange rate valid on the date of the consolidated balance sheet. The differences in exchanges incurred in relation to the assets or liabilities hired in foreign currency are recorded in the income statement of the year under the item “Intermediation Income, net”.

(x) Contingencies-

The major 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 or assets are recognized until there is certainty about their realization.

(4) Accounting changes, accounting criteria implementation and reclassifications-

a) Accounting changes-

In October 2018, the Mexican Financial Reporting Standards Board (Consejo Mexicano de Normas de Información Financiera, A. C. , CINIF) issued the document "Improvements to FRSs 2019" which contains specific changes to some of the already existing FRSs. The FRS improvements mentioned below, which came into force for the years indicated on January 1, 2019, did not produce significant effects on the Company’s consolidated financial statement.

- FRS B-2 “Cash flow statement”
- FRS B-10 “Inflation impact”
- FRS C-1 “Cash and cash equivalent”

b) Reclassifications-

The consolidated financial statements as of and for the year ended on June 30, 2018, include certain reclassifications to be standardized with the presentation used in the consolidated financial statement as of and for the year ended on June 30, 2019.

(5) Foreign exchange position

The monetary assets and liabilities in foreign currency as of June 30, 2019 and 2018 are shown below:

		Thousands of dollars	
		2019	2018
Assets (mainly loan portfolio and foreign exchange trading)		139,311	137,394
Liabilities (bank loans mainly)		(153,739)	(138,909)
Asset (liability) position, net		(14,428)	(1,515)
		=====	======
Asset (liability) position appreciated in pesos, net	$	(277,143)	(29,832)
		=====	======

As of June 30, 2019 and 2018, the Company has hired classified trading financial derivative instruments, which protects its exposure to exchange-rate risk (see note 9).

The dollar-peso exchange rate, as of June 30, 2019 and 2018, was $19.2087 and $19.6912 pesos per dollar, respectively.

(6) Availabilities-

Availabilities comprise, as of June 30, 2019 and 2018, the elements shown below:

		2019	2018
National bank deposits	$	90,355	87,435
Foreign bank deposits		17,817	31,798
Restricted availabilities:			
24- and 48-hour foreign exchange trading (note 17)(1)		1,505,962	370,195
National bank deposits (2)		184,119	2,650
	$	1,798,253	492,078
		=======	=======

(1) As of June 30, 2019 and 2018, the currency to be received for trades to be settled in 24 and 48 hours amounts 78, 400 and 18,800 thousand dollars , respectively.

(2) It corresponds to security trust balances in banks (see note 10c).

(7) Security investments-

As of June 30, 2018, the held to maturity securities corresponds to notes in the amount of $434 with a 3-day maturity, and a performance rate of 7.81%.

The interest yielded by security investments increased to $4,739 and $4,576, respectively, for the years ended on June 30, 2019 and 2018 (see note 21).

(8) Repurchase transactions-

As of June 30, 2019 and 2018, the balance of “Repurchase debtors” amounted $113,518 and $254,394, respectively, where the position of the restricted bonds is compounded mainly of government paper corresponding to issues of CETES, BONDESD and UDIBONOS at 3-day term, respectively, with an interest rate from 7.85% to 8.03% and from 7.50% to 7.75%, respectively. As of June 30, 2019 and 2018, the restricted bonds correspond to investments of Servicios Corporativos and Investments of the Irrevocable Trust No. 2537 (this issue was paid on March 15, 2019), the Irrevocable Trust No. 2844, and the Irrevocable Trust 3290 (see note 10c).

As of June 30, 2019 and 2018, the bonds received as collateral in the repurchase transactions amount to $113,518 and $254,394, respectively, which correspond to government paper of issue of CETES, BONDESD and UDIBONOS.

The interest yielded by repurchase transactions amounted to $7,565 in 2019, and $13,432 in 2018; which are reported in the consolidated income statement under the item "Interest Income" (see note 21).

(9) Trading derivatives-

As of June 30, 2019 and 2018, the Company has hired financial derivative instruments of interest rate options, called Interest Rate Cap (IR CAP), referred to the Interbank Equilibrium Interest Rate (TIIE), which would allow the Company to receive the difference of the spot rate and the agreed rate. The premiums of the IR CAP are amortized as the principal of the bonds 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 applicable.

(Thousands of pesos)

The quantity of the notional amounts and the book value of the transactions with financial derivative instruments as of June 30, 2019 and 2018 is shown below:

Instrument	Underlying	Notional(1)	Maturity	Premium	2019 Impact on income	2019 Fair value	2018 Impact on income	2018 Fair value
IR CAP	28-day TIIE	1,000,000	2018	$ 13,496	-	-	(1,231)	-
IR CAP	28-day TIIE	800,000	2018	12,150	-	-	(708)	-
IR CAP	28-day TIIE	616,550	2019	3,690	(793)	52	(2,561)	2,669
IR CAP	28-day TIIE	536,383	2020	4,630	(1,984)	1,195	(2,297)	4,718
IR CAP (2)	28-day TIIE	709,522	2022	3,150	(1,840)	106	(1,344)	2,159
IR CAP (2)	28-day TIIE	374,649	2021	1,235	(902)	101	50	1,285
IR CAP (2)	28-day TIIE	225,811	2021	3,195	(3,760)	363	-	-
IR CAP	28-day TIIE	819,644	2021	11,635	(13,931)	1,433	-	-
				$ 53,181	(23,210)	3,250	(8,091)	10,831
				=====	======	=====	=====	=====

(1) The notional amounts of the agreements account for the reference on which the rates and exchange rates set in the agreement of the financial derivative instruments shall be applied, and they do not represent the loss or profit associated with the market risk or credit risk of the instruments. The notional amounts represent the amount to which the rate or the price is applied, in order 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.

(2) On March 27 and September 20, 2018, the Company hired three new IR CAP with maturity date of April 15, 2021(with a premium value of $1,235) and August 3, 2021 (with a premium value of $11,635 and $3,195, respectively).

For the years ended on June 30, 2019 and 2018, the profit (loss) for the trade of financial derivative instruments amounted to ($15,012) and ($18,100), respectively (see note 22).

(10) Loan portfolio-

(a) Classification of the loan portfolio-

The classification of the current and non-performing commercial loans as of June 30, 2019 and 2018 is shown below:

Navistar Financial, S. A. de C. V.,
Sociedad Financiera de Objeto Múltiple, Entidad Regulada and subsidiary

Notes to the consolidated financial statements

(Thousands of pesos)

		Current portfolio			Non-performing portfolio			
June 30, 2019		**Mexican Pesos**	**Appreciated Dollars**	**Total**	**Mexican Pesos**	**Appreciated Dollars**	**Total**	**Total current and non-performing**
Business or Commercial activity [2]:								
Commercial loans	$	6,976,405	1,064,096	**8,040,500**	127,282	-	**127,282**	8,167,782
Capitalizable lease		4,756,128	18,283	**4,774,411**	268,322	-	**268,322**	5,042,733
Financial income to be accrued		(862,232)	(990)	**(863,222)**	(34,216)		**(34,216)**	(897,438)
Funded insurances		255,945	1,932	**257,877**	36,830	333	**37,163**	295,040
Restricted portfolio[1]:								
Commercial loans		159,776	-	**159,776**	2,812	-	**2,812**	162,588
Capitalizable lease		267,964	-	**267,964**	8,212	-	**8,212**	276,176
Financial income to be accrued		(27,538)	-	**(27,538)**	(562)	-	**(562)**	(28,100)
Financial entities		157,914	-	157,914	-	-	-	157,914
Government entities		-	-	-	-	-	-	-
	$	**11,684,362**	**1,083,321**	**12,767,682**	**408,680**	**333**	**409,013**	**13,176,695**
		========	=======	========	======	=====	======	========
June 30, 2018								
Business or Commercial activity [2]:								
Commercial loans	$	5,489,001	1,914,245	**7,403,245**	140,298	3,373	**143,671**	7,546,916
Capitalizable lease		4,076,769	50,059	**4,126,828**	112,495	-	**112,495**	4,239,323
Financial income to be accrued		(758,034)	(3,014)	**(761,048)**	(8,736)	-	**(8,736)**	(769,784)
Funded insurances		234,222	2,578	**236,800**	36,671	932	**37,603**	274,403
Restricted portfolio[1]:								
Commercial loans		404,506	-	**404,506**	7,811	-	**7,811**	412,317
Capitalizable lease		684,833	-	**684,833**	5,241	-	**5,241**	690,074
Financial income to be accrued		(82,547)	-	**(82,547)**	(506)	-	**(506)**	(83,053)
Financial entities		63,655	-	**63,655**	-	-	-	63,655
Government entities		1,961	-	**1,961**	-	-	-	1,961
	$	**10,114,366**	**1,963,868**	**12,078,233**	**293,274**	**4,305**	**297,579**	**12,375,812**
		========	========	=========	=======	=====	======	=========

[1] See section (c) of this note.
[2] As of June 30, 2019 and 2018, there are restricted loans in the amount of $8,685,365 and $9,827,184, respectively, to guarantee most of the lines of credits granted to the Company (see note 15b).

(Thousands of pesos)

Non-performing portfolio:

The non-performing portfolio classification is presented below by seniority as of June 30, 2019 and 2018:

June 30,		Days				
		1-180	181-365	1-2 years	More than 2 years	Total
2019	$	111,727	191,708	91,506	14,072	409,013
2018		83,563	96,381	114,043	3,592	297,579
		======	=====	=====	====	======

An analysis of the movements in the non-performing portfolio for the years ended on June 30, 2019 and 2018, is shown below:

		2019	2018
Balance at the beginning of the year	$	349,880	287,069
Awards		(9,853)	(3,259)
Write-offs		(23,893)	(21,263)
Collection		(123,519)	(62,877)
Transfer from current to non-performing portfolio		250,199	133,176
Transfer from non-performing to current portfolio		(33,801)	(35,267)
Balance at the end of the year	$	409,013	297,579
		======	======

As of June 30, 2019 and 2018, the accrued non-collected interest of the non-performing loan portfolio, recognized in the memorandum accounts and which will be recognized in the year income until being collected, amount to $80,681 and $63,192, respectively.

(Thousands of pesos)

The maturity by year of the loan portfolio is analyzed as follows:

Maturity year		2019	2018
2018		-	6,668,913
2019	$	7,072,515	2,274,332
2020		2,495,681	1,709,758
2021		1,891,963	1,094,830
2022		1,156,895	502,598
2023		446,622	101,645
2024		97,602	23,754
2025		15,417	-
	$	13,176,695	12,375,812
		=========	=========

Risk concentration:

As of June 30, 2019 and 2018, the Company's portfolio is comprised of the loans granted to individuals and medium-sized enterprises. No debtor has a credit risk higher than 10% of the total portfolio, except for the loan granted to a related company, which represents 6% and 13% of the total portfolio as of June 30, 2019 and 2018, respectively (see note 17).

The loan portfolio concentration by geographic zone as of June 30, 2019 and 2018, is detailed below.

		2019		2018	
		Portfolio	%	Portfolio	%
Mexico City and State of Mexico	$	2,309,626	17%	2,210,662	18%
Center [1]		902,911	7%	905,465	7%
North [2]		5,497,730	42%	5,527,740	45%
West [3]		3,383,660	26%	2,932,308	24%
South [4]		1,082,768	8%	799,637	6%
	$	13,176,695	100%	12,375,812	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.
(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 Yucatan.

(Thousands of pesos)

(b) Preventive credit risk estimates-

As of June 30, 2019 and 2018, the classification of the assessed portfolio and its preventive estimate is analyzed as shown below:

Level of risk of assessed portfolio		Portfolio		Preventive estimates for credit risks	
		2019	2018	2019	2018
A-1	$	9,252,804	8,166,022	49,707	46,558
A-2		1,297,819	1,614,406	14,749	19,162
B-1		651,156	597,080	13,907	10,370
B-2		308,628	237,827	24,271	5,328
B-3		480,272	713,268	17,285	23,374
C-1		261,870	172,391	19,855	12,264
C-2		302,333	238,361	38,363	29,070
D*		566,884	499,477	231,714	163,165
E*		54,929	136,980	54,929	108,261
Total	$	13,176,695	12,375,812	464,780	417,552
		=========	=========	======	======

* Troubled portfolio.

An analysis of the movements of the preventive credit risk estimates for the years ended on June 30, 2019 and 2018 is presented below.

		2019	2018
Balance at the beginning of the year	$	405,248	382,760
Increment of the allowance in income		91,553	90,322
Release of preventive estimates in "Other operating income, net" (see note 26)		-	(6,801)
Effect of the preventive estimate on the year income		91,553	83,521
Write-offs		(32,021)	(48,729)
More:			
Year movements, net		59,532	34,792
Balance at the end of the year	$	464,780	417,552
		=======	======

(c) Portfolio securitization-

NAVISCB 15

On November 5, 2015, the Company, as Settlor, Beneficiary in second place and Administrator, and Invex, 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 issue and public offer in Mexico of Senior Trust Bonds. This Trust will pay the Company a monthly percentage on the amount of the managed assets.

Such Trust consisted of the securitization of current loans in Mexican pesos, through the assignment of the credit claims of financial lease operations and simple loans for purchasing transport equipment. On March 15, 2019, such issue has been paid, so the remnant assets in this Trust were charged back to Navistar Financial, as Settlor in second place.

As of June 30, 2018 collection rights given to the Trust amounted to $165,656.

As of June 30, 2018, obligation balance on the NAVISCB 15 amounts to $153,551, respectively (see note 14). Additionally, the interest payable as of June 30, 2019 and 2018, amounts to $330 and $633, respectively. The obligations on such bonds, which only payment source is the collection of collection rights, in 2019 and 2018, yielded interest of $1,242 and $8,859, respectively, which is recorded in the consolidated income statement under the item "Interest Expenses" (see note 19).

NAVISCB 16

On September 5, 2016, the Company, as Settlor, Beneficiary in second place and Administrator, and Invex, as Fiduciary, entered into an agreement to create the Irrevocable Trust Agreement Number 2844 (the Trust), with the purpose of establishing a program for the issue and public offer in Mexico of Senior Trust Bonds. This Trust will pay the Company a monthly percentage on the amount of the managed assets.

Such Trust consisted of the securitization of current loans in Mexican pesos, through the assignment of the credit claims of financial lease operations and simple loans for purchasing transport equipment. These loans are recorded as restricted in the consolidated balance sheet under the item "Loan portfolio", because they do not comply with the requirements for asset cancellation set in the accounting criteria.

Under 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 June 30, 2019 and 2018, the collection rights given to the Trust amounted to $108,272 and $269,490, respectively. Any remnant of the issue shall be delivered to the Company once all bonds have been settled.

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

As of June 30, 2019 and 2018, the balance of the obligation on the NAVISCB 16 amounts to $90,892 and $222,365, respectively (see note 14). Additionally, the interest payable as of June 30, 2019 and 2018, amounts to $921 and $932, respectively. The obligations on such bonds, which only payment source is the collection of collection rights, for the years ended on June 30, 2019 and 2018, yielded interest of $5,718 and $12,319, respectively, which is recorded in the consolidated income statement under the item "Interest Expenses" (see note 19).

The rating awarded on November 15, 2018 and on September 25, 2017 by HR Ratings de México S. A. de C. V. was "HR AAA(E)" on both dates.

NAVISCB 17

On October 17, 2017, the Company, as Settlor, Beneficiary in second place and Administrator, and Invex as Fiduciary entered into an agreement to create the Irrevocable Trust Agreement Number 3290 (the Trust), with the purpose of establishing a program for the issue and public offer in Mexico of Senior Trust Bonds. This Trust will pay the Company a monthly percentage on the amount of the managed assets.

Such Trust consisted of the securitization of current loans in Mexican pesos, through the assignment of the credit claims of financial lease operations and simple loans for purchasing transport equipment. These loans are recorded as restricted in the consolidated balance sheet under the item "Loan portfolio", because they do not comply with the requirements for asset cancellation set in the accounting criteria.

Under the Trust Agreement, the Company began with a capacity of 1.195, which will grow to 1.295 (target capacity), in order for the Company to have the right of the surplus in the generated flows once the capacity exceeds the 1.295. As of June 30, 2019 and 2018, the collection rights given to the Trust amounted to $302,392 and $584,192, respectively. Any remnant of the issue shall be delivered to the Company once all bonds have been settled.

The first issue of bonds was 7,370,000 of bonds with a par value of $100 pesos each, under the ticker symbol NAVISCB 17, in the amount of $737,000, which yield interest during the issue term (1,972 days) at an annual TIIE rate plus 1.80 percentage points. The issue pays interest and principal on a monthly basis.

As of June 30, 2019 and 2018, the balance of the obligation on the NAVISCB 17 amounts to $247,404 and $441,763, respectively (see note 14). Additionally, the interest payable as of June 30, 2019 and 2018, amount to $ 1,251 and $1,901, respectively. The obligations on such certificates, which only payment source is the collection of collection rights for the years ended on June 30, 2019 and 2018 yielded interest of $15,129 and $26,421, respectively, which is recorded in the consolidated income statement under the item "Interest Expenses" (see note 19).

The rating awarded on November 15, 2018 and on December 15, 2017 by HR Ratings de México S. A. de C. V. was "HR AAA(E)" on both dates.

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(Thousands of pesos)

A summary of the Trusts financial situation is presented below (figures not audited):

	Trust 2537[1]	Trust 2844		Trust 3290	
	2018	2019	2018	2019	2018
Balance sheet:					
Cash and cash equivalents	$ 48,664	34,630	69,515	73,865	116,008
Financial derivative instruments	2,669	1,195	4,718	106	2,159
Collection rights, net	131,470	88,098	233,808	259,013	516,356
Other accounts receivable	2,322	1,440	821	3,329	2,253
Total asset	$ 185,125	125,363	308,862	336,313	636,776
Obligations on bonds, net	$ 147,016	87,097	215,766	240,304	431,833
Accounts payable	2,232	1,060	316	956	1,506
	149,248	88,157	216,082	241,260	433,339
Assets	35,877	37,206	92,780	95,053	203,437
Total liabilities and assets	$ 185,125	125,363	308,862	336,313	636,776
Income statement:					
Financial income	$ 20,383	12,305	25,323	28,305	52,813
Financial expenses	(13,933)	(8,082)	(14,976)	(17,576)	(29,512)
Change in the fair value of financial derivative instruments	(2,561)	(1,983)	(2,297)	(1,841)	(1,345)
Impact of collection rights impairment	4,092	1,309	1,188	7,979	1,129
Other income (expenses), net	574	1,757	310	2,221	4,641
General expenses	(40)	(24)	(31)	(39)	(33)
Year income	$ 8,515	5,282	9,517	19,049	27,693

(d) Escrows-

- 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 June 30, 2018, the Trust assets are represented by the collection rights that the Company offered as security to pay the loan obligations, which amount to $172,241, 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 for back the line of credit with corporate purposes in favor of the Company in an amount up to 55 million dollars. As of June 30, 2019 and 2018, the assets of this Trust amount to $919,889 and $690,810, respectively.

- In November 2013, the Company as Settlor, Beneficiary in second place and Commission Agent, executed an Irrevocable Escrow Agreement with Nacional Financiera, Sociedad Nacional de Crédito, Institución de Banca de Desarrollo, Dirección Fiduciaria (NAFIN) 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 June 30, 2019 and 2018, the assets of this Trust amounted to $1,601,831 and $1,723,144, respectively.

As of June 30, 2019 and 2018, the assets of the Escrows entered into with Exim, EDC and NAFIN, previously described, correspond to the collection rights of the commercial loan portfolio granted by the Company as security, which are restricted.

(e) Risk sharing fund-

On October 24, 2008, the Company entered into a fund-sharing agreement with NAFIN -the latter in its capacity as Fiduciary of the Trust 1148-0 of the Risk-Sharing Fund (the Fund)-, which purpose is to recover the amount of the first losses of the portfolio that the Company grants to small- and medium-sized enterprises registered in the Fund and, consequently, subject to its support. In this Agreement, the Fund shall share up to $20,000, in relation to the first losses of the loan portfolio registered in the Fund.

On November 17, 2010, the Company entered into, 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 shall share up to $23,000, in relation to the first losses of the loan portfolio registered in the Fund.

On November 26, 2011, the Company entered into an agreement with NAFIN, and again on November 26, 2016, 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 registered loan portfolio, which amounts to $1,000,000.

On November 15, 2012, the Company entered into another agreement with NAFIN for the Risk Sharing, focused on federal freight transport. In this agreement, the Fund will share up to $30,000, in relation to the first losses of the loan portfolio registered in the Fund, which amounts to $750,000, effective on January 11, 2013.

On November 11, 2016, the Company entered into 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 registered loan portfolio, which amounts to $1,000,000.

On June 22, 2018, the Company entered into an agreement with NAFIN for the Risk Sharing, focused on federal freight transport. In this agreement, the Fund will share up to $42,000, in relation to the first losses of the registered loan portfolio, which amounts to $1,218,250.

The outstanding balances of the portfolio secured under both schemes as of June 30, 2019 and 2018 was $1,349,845 and $593,701, respectively.

The fee paid by the hired first-loss schemes amounted to $12,240, which is amortized in straight line based on the life of the registered contracts.

As of June 30, 2019 and 2017, there are 506 and 415 contracts, respectively, registered in the pari-passu program with NAFIN, with an outstanding balance of $626,505 and $634,163, and a paid fee equivalent to 1.8%.

As of June 30, 2019 and 2018, the Company has claimed $57,615 and $22,559, respectively, under such program. From which, $43,198 and $14,908, respectively have been collected, which were applied against the loan portfolio that is part of the program.

(Thousands of pesos)

(f) Restructured and renewed loans-

During the years ended on June 30, 2019 and 2018, the Company did 103 and 69 loan restructurings and renewals, respectively, which outstanding balance as of the restructuring date amounted to $38,683 and $300,229, after modifying the payment schedule and the loan terms, without impact on the year income.

For the years ended on June 30, 2019 and 2018, the recovery income of the previously non-performing portfolio amounts to $10,431 and $36,539, respectively, which is recognized under the item "Other operating income, net" in the consolidated income statement (see note 24).

(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 June 30, 2019 and 2018 are shown below.

		2019	2018
Fees for granting loans:			
Initial balance	$	187,815	171,461
Collected fees		32,382	36,960
Amortization (note 19)		(32,175)	(36,058)
		188,022	172,363
Loan origination costs:			
Initial balance		55,774	39,014
Paid costs and expenses		17,461	16,383
Amortization (note 19)		(16,603)	(10,311)
		56,632	40,086
Net balance of fees and costs for loan origination	$	131,390	127,277
		======	======

(h) Policies and procedures to grant loans-

The main policies and procedures set forth 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:

(Thousands of pesos)

- The general policies governing the Company's credit activity are included in the Loan Brochure.

- The loan process includes promotion, request, assessment, approval, implementation, use, 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.

- Officials and employees refrain from participating in loan approvals where there may exist a conflict of interest.

- Any use of a specific line of credit or specific transaction of commercial loan shall have the authorization of a proper official.

- The execution of any kind of loan is performed in the legal instruments (contracts, agreements or credit instruments) authorized by the Company's legal department.

(11) Other accounts receivable, net-

As of June 30, 2019 and 2018, the accounts receivables are as follows:

		2019	**2018**
Portfolio debtors	$	147,905	110,317
Sundry debtors		50,646	78,524
Refundable taxes		140,806	61,041
Related companies (note 17)		102,226	366,781
		441,583	616,663
Less:			
Estimate of doubtful accounts payable		(32,313)	(37,153)
	$	409,270	579,510
		======	======

(Thousands of pesos)

(12) Real property, furniture and equipment, net-

As of June 30, 2019 and 2018, the investment in real state, furniture and equipment, intended for operating lease and to be used by the Company is analyzed as shown below:

		2019	2018	Annual depreciation rate depreciation
Real property, transport equipment and computing equipment in operating lease:				
Real property	$	185,336	157,432	Various
Transport equipment		3,572,821	2,912,192	Various
Computing equipment		3,244	3,244	25%
		3,761,401	3,072,868	
Less:				
Accumulated depreciation		(1,063,692)	(875,751)	
	$	2,697,709	2,197,117	
		=======	=======	
Real property, furniture and equipment for own use:				
Real property [1]	$	21,734	49,638	3%
Transport equipment		2,712	2,930	25%
Modifications and improvements		433	433	10%
Furniture and computing equipment		18,433	19,096	10% and 25%
		43,312	72,097	
Less:				
Accumulated depreciation		(20,826)	(27,406)	
		22,486	44,691	
Land		40,846	40,846	
	$	63,332	85,537	
		======	======	

For the years ended on June 30, 2019 and 2018, the charge to income for depreciation of real property, transport equipment and computing equipment in operating lease amounted to $224,318 and $184,068, respectively (see note 23) and for real property, furniture and equipment for own use amounted to $1,414 and $1,454, respectively.

(Thousands of pesos)

(13) Awarded assets, net-

As of June 30, 2019 and 2018, the awarded assets are as follows:

		2019	2018
Transport equipment	$	120,330	49,855
Real property		51,627	51,627
		171,957	101,482
Less:			
Allowance of awarded assets		(9,755)	(9,332)
Wear and tear		(6,890)	(7,713)
	$	155,312	84,437
		======	======

(14) Stock liabilities-

On February 17, 2017, through official letter No. 153/10007/2017, the Commission authorized the Company to create a program to place revolving short-term term bonds for the amount of $1,800,000 or its equivalent in UDIs. Additionally, on October 23, 2018, through official letter No. 153/12389/2018, the Commission authorized the updating of the bonds program previously describe, only to increment the total amount authorized for the program in the amount of $1,200,000 or its equivalent in UDIs, resulting in a total authorized amount of up to $3,000,000 or its equivalent in UDIs.

On October 20, 2017 the Company carried out a securitization of credit claims under the ticker symbol NAVISCB 17 with March 15, 2023 (1,972 days) as maturity date. On September 5, 2016 the Company carried out a securitization of credit claims under the ticker symbol NAVISCB 16, stating February 15, 2022 (1,985 days) as maturity date. On November 10, 2015 the Company carried out a securitization of credit claims under the ticker symbol NAVISCB 15 which final maturity date is January 15, 2021 (1,893 days), once the principal balance of the bonds of this issue reached 10% of the principal initial balance, the Company decided to make an optional payment in advance on March 15, 2019.

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As of June 30, 2019 and 2018, the stock liabilities at short- and long-term are composed as shown below:

Issue		Amount 2019	Date of maturity	Rate
Short-term:				
Company's-				
NAVISTS00119	$	200,000	08/08/2019	TIIE +1.60%
NAVISTS00219		100,000	05/12/2019	TIIE +1.73%
NAVISTS00419		300,000	25/07/2019	TIIE + 0.90 %
NAVISTS00519		400,000	19/09/2019	TIIE +0.80%
NAVISTS00619		100,000	06/02/2020	TIIE +0.95%
Accrued interest		2,062		
		1,102,062		
Securitized portfolio-				
NAVISCB16*		90,892	15/02/2022	TIIE+1.55%
NAVISCB17*		167,336	15/03/2023	TIIE+1.80%
Accrued interest		1,252		
Total Short-term		1,361,542		
Long-term:				
Securitized portfolio-				
NAVISCB16		-	15/02/2022	TIIE+1.55%
NAVISCB17		80,068	15/03/2023	TIIE+1.80%
Total Long-term		80,068		
Total stock liability	$	1,441,610		
		========		

* Current portion of issues of long-term bonds of securitized portfolio.

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Issue		Amount 2018	Date of maturity	Rate
Short-term:				
Company's-				
NAVISTS02417	$	170,000	13/09/2018	TIIE+2.00%
NAVISTS02917		95,000	13/09/2018	TIIE+1.90%
NAVISTS03017		167,000	23/08/2018	TIIE+1.90%
NAVISTS03517		115,000	23/08/2018	TIIE+1.50%
NAVISTS00118		315,000	29/11/2018	TIIE+1.79%
NAVISTS00218		300,000	18/10/2018	TIIE+1.60%
NAVISTS00318		38,000	23/08/2018	TIIE+1.59%
NAVISTS00418		300,000	24/01/2019	TIIE+1.60%
NAVISTS00618		140,000	13/12/2018	TIIE+1.60%
Accrued interest		5,136		
		1,645,136		
Securitized portfolio-				
NAVISCB15*		129,225	15/01/2021	TIIE+1.40%
NAVISCB16*		127,021	15/02/2022	TIIE+1.55%
NAVISCB17*		274,784	15/03/2023	TIIE+1.80%
Accrued interest		3,466		
Total Short-term		2,179,632		
Long-term:				
Securitized portfolio-				
NAVISCB15		24,326	15/01/2021	TIIE+1.40%
NAVISCB16		95,344	15/02/2022	TIIE+1.55%
NAVISCB17		166,979	15/03/2023	TIIE+1.80%
Total Long-term		286,649		
Total stock liability	$	2,466,281		

* Current portion of long-term issues of bonds of securitized portfolio.

(Thousands of pesos, unless otherwise indicated)

As of June 30, 2019 and 2018, the balance of issue expenses to be amortized amounts $15,743 and $34,938, respectively, and it is recorded under the item "Other assets, net" in the consolidated balance sheet. The charge to income derived from the amortization of such expenses in the years ended on June 30, 2019 and 2018, amounts to $15,300 and $20,796, respectively (see note 21).

(15) Bank loans and loans from other institutions-

As of June 30, 2019 and 2018, the bank loans and loans from other institutions, at short- and long-term, are composed as shown below:

		2019	2018
Direct loans in Dollars accruing interest at an average weighted rate of 2.56% and 3.07% on LIBOR at the closing of June 2019 and 2018, respectively (see section "a" of this note").	$	824,112	2,674,482
Direct loans in Mexican Pesos accruing interest at an average weighted rate of 2.01% and 2.13% on 28-day TIIE in June 2019 and 2018, respectively, and an average fixed weighted rate of 9.52% and 8.73% in June 2019 and 2018, respectively.		6,860,129	5,644,445
Accrued interest		26,639	35,877
Total of bank loans		7,710,880	8,354,804
Less:			
Current portion of the debt		3,398,834	4,911,140
Total of bank loans and loans from other institutions at long-term	$	4,312,046	3,443,664
		========	========

The interest expense derived from bank loans and loans from other institutions, as well as the Company's stock liabilities, for the years ended on June 30, 2019 and 2018 amounts to $400,844 and $358,634, respectively, which is recorded in the consolidated income statement under the item "Interest Expenses" (see note 19).

As of June 30, 2019 and 2018, the balance of paid fees due to the use of loans pending to be amortized amounts $16,586 and $16,849, respectively, and it is recorded under the item "Other assets, net" in the consolidated balance sheet. The charge to income from the amortization of such fees in the years ended on June 30, 2019 and 2018 amounts to $11,818 and $11,822, respectively (see note 19).

As of June 30, 2019 and 2018, the Company holds 13% and 35%, respectively, of the lines of credit approved and secured by Navistar International Corporation (holding company) or by Navistar Financial Corporation (affiliated company).

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

As of June 30, 2019 and 2018, there are lines of credit hired with national and foreign financial institutions in the amount of 430 and 341 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 June 30, 2019 and 2018, this line was fully available.

Since August 2012, the Company has granted 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). Since August 2013, this line has also been available to be used to fund units placed in Mexico. Additionally, in August 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 recorded. On May 10, 2017 the extension of term to 5 years, beginning on August 7, 2017 of the line of 120 million dollars was authorized. On June 28, 2018, an increment of 40 million dollars was authorized, resulting in a total of 160 million.

The Company has lines available with Navistar International Corporation and Navistar Financial Corporation, which are still being operated as guarantees of some bank lines and/or as working capital through intercompany loans intended for the acquisition of spare parts or new units (floor plan), in this last case, as of the closing of June 2019 and 2018, this line has not been used.

(b) *Bank loans in Mexican Pesos:*

As of June 30, 2019 and 2018, there are lines of credit denominated in pesos hired by the Company to national financial institution for $5.370 and $5.226 billion pesos respectively.

As of June 30, 2019 and 2018, most of the lines of credit in dollars and in Mexican Pesos are secured by the loan portfolio in the amount of $8,685,365 and $9,827,184 Mexican pesos, respectively (Note 10a).

(Thousands of pesos, unless otherwise indicated)

The lines of credit require compliance with certain obligations, restrictions and financial indexes, which the Company has duly met as of June 30, 2019 and 2018.

As of June 30, 2019, maturities of the bank loans and loans from other institution are as follows:

Maturity year		Pesos	Appreciated Dollars
2020	$	2,576,720	822,114
2021		1,159,851	2,297
2022		2,803,025	-
2023		257,280	-
2024		69,566	-
2025		20,027	-
	$	6,886,469	824,411
	$	7,710,880	
		=======	

(16) Sundry creditors and other accounts payable-

As of June 30, 2019 and 2018, the sundry creditors and accounts payable are as follows:

		2019	2018
Creditors for settlement of transactions:			
24- and 48-hour foreign exchange trading (note 6)	$	1,506,040	373,754
Sundry creditors and other accounts payable:			
Sundry creditors		9,705	54,920
Security deposits		724,479	640,375
Income tax payable		81,693	36,259
Trust portfolio deposits and collection to be delivered to the Trust		1,846	3,579
Tax payable (Income Tax and Value-Added Tax)		3,046	15,119
Provisions for different obligations		9,120	8,545
Related companies (note 17)		2,204,574	100,885
Employee benefits		35,507	36,623
Other taxes		2,142	2,160
Deposits and balance in favor of clients		73,090	58,399
Employee profit sharing payable		1,159	963
Other		64,182	65,577
	$	4,716,583	1,397,158
		========	========

Navistar Financial, S. A. de C. V.,
Sociedad Financiera de Objeto Múltiple, Entidad Regulada and subsidiary

Notes to the consolidated financial statements

(Thousands of pesos, unless otherwise indicated)

(17) 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 balances receivable and payable with related companies as of June 30, 2019 and 2018, are composed as shown below:

		2019	2018
Balances receivable (note 10):			
Loan portfolio:			
Navistar México, S. de R. L. de C. V.	$	850,888	1,655,029
Navistar Comercial, S. A. de C. V.		6,189	-
International Parts Distribution, S. A. de C. V.		2,400	1,557
Navistar Financial Corporation		308	3,199
	$	859,785	1,659,785
		======	=======
Other accounts receivable (note 11):			
Navistar México, S. de R. L. de C. V.		63,685	337,263
Navistar Comercial, S. A. de C. V.	**$**	27,215	20,552
Navistar International Corporation		6,522	5,152
Navistar Financial Corporation		1,721	564
Navistar Inc.		1,549	1,598
Transprotección Agente de Seguros, S. A. de C. V.		1,442	1,564
International Parts Distribution, S. A. de C. V.		92	88
	$	102,226	366,781
		======	======
Balances payable (note 17):			
Navistar México, S. de R. L. de C. V.	$	2,078,693	20,955
Transprotección Agente de Seguros, S. A. de C. V.		102,346	71,177
Navistar Inc.		22,532	2,289
Navistar Financial Corporation		609	6,278
Navistar International Corporation		212	186
International Parts Distribution, S. A. de C. V.		182	-
	$	2,204,574	100,885
		========	=======

Navistar Financial, S. A. de C. V.,
Sociedad Financiera de Objeto Múltiple, Entidad Regulada and subsidiary

Notes to the consolidated financial statements

(Thousands of pesos, unless otherwise indicated)

Below are the transactions carried out with associated companies for the years ended on June 30, 2019 and 2018.

		2019	2018
Revenues:			
Interest accrued in favor:			
Navistar México, S. de R. L. de C. V.	$	103,043	152,383
International Parts Distribution, S. A. de C. V.		14,814	10,490
Navistar Financial Corporation		8,976	15,873
Navistar Comercial, S.A de C.V.		1,279	356
Placement-service fees:			
Navistar México, S. de R. L. de C. V. (note 22)		93,790	63,834
Administrative services:			
Transprotección Agentes de Seguros, S. A de C. V.		9,221	9,449
Navistar Comercial, S. A. de C. V.		1,976	-
Navistar México, S. de R. L. de C. V.		911	614
Other income:			
Navistar México, S. de R. L. de C. V.		436	430
International Parts Distribution, S. A. de C. V.		291	308
		=======	======
Expenses:			
Technical assistance and telephone service expenses:			
Navistar México, S. de R.L. C.V.	$	122	184
Other service fees and rates:			
Navistar Financial Corporation (note 23)	$	3,458	6,324
Interest expenses for granting securities:			
Navistar International Corporation		567	578
Navistar Financial Corporation		524	11,165
Navistar México, S. de R. L. de C. V.		118	388
Other management expenses			
Navistar México, S. de R. L. de C. V.		522	456
Accrued interest:			
Transprotección Agentes de Seguros, S. A de C. V.		1,271	1,835
		=====	=====

(18) Shareholder's equity-

The main characteristics of the shareholder's equity are described below.

(a) Structure of corporate equity-

The main characteristics of the balance constituting the corporate equity and the additional paid-in capital are described below:

		Thousands of pesos	
	Number of shares(1)	**Corporate equity**	**Additional paid-in capital**
Figures as of June 30, 2019 and 2018	2,425,035	$ 283,177	111,961
		======	======

(1) It includes 561,786 shares of 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 June 30, 2019 and 2018, 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, which income tax had already been covered, can be performed without any burden. Other refunding and distributions in excess of the amounts intended for fiscal purposes are subject to ISR tax.

(Thousands of pesos)

(c) Comprehensive income-

The comprehensive income, showed in the consolidated statements of variations in shareholder's equity for the years ended on June 30, 2019 and 2018, accounts for the income of the Company's total activity during the year and it is shown below.

		2019	2018
Net controlling interest income	$	235,904	194,364
Non-controlling interest		2	2
Comprehensive income	$	235,906	194,366
		======	======

(19) Financial margin-

The elements of the financial margin for the years ended on June 30, 2019 and 2018, are analyzed below:

		2019	2018
Interest Income:			
Derived from:			
Loan portfolio	$	467,830	485,230
Intercompany loans		1,090	356
Financial lease		281,817	230,980
Investments and debtors derived from repurchase (notes 7 and 8)		12,304	18,008
Fees for granting loans (note 10g)		32,175	36,058
Exchange income		8,817	29,523
Total interest income		804,033	800,155
Interest expenses:			
Interest expenses derived from bonds (note 10c)		(22,089)	(47,599)
Amortization of debt issue expenses (note 14)		(15,300)	(20,796)
Other debt issue expenses		(1,209)	(12,131)
Interest expenses derived from bank loans and loans from other institutions, as well as from the Company's security liabilities (note 15)		(400,844)	(358,634)
Amortization of expenses derived from the use of bank loans and loans from other institutions (note 15)		(11,818)	(11,822)
Amortization of origination costs (note 10g)		(11,123)	(10,311)
Other origination costs		(5,480)	(3,793)
Exchange income		(5,124)	(8,467)
		(472,987)	(473,553)
Total financial margin	$	331,046	326,602
		======	======

(Thousands of pesos)

(20) Collected fees and rates-

For the years ended on June 30, 2019 and 2018, the collected fees and rates are composed as shown below:

		2019	2018
Placement service fees collected from related companies (note 17)	$	93,790	63,834
Placement service fees		8,355	8,253
Other fees and rates collected		27,972	26,298
	$	130,117	98,385
		======	======

(21) Paid fees and rates-

For the years ended on June 30, 2019 and 2018, the paid fees and rates are composed as shown below:

		2019	2018
Fees for collection service and others (note 17)	$	(3,458)	(6,324)
Bank fees		(2,296)	(2,915)
	$	(5,754)	(9,239)
		=====	=====

(22) Intermediation income, net

For the years ended on June 30, 2019 and 2018, the intermediation income is comprised as shown below:

		2019	2018
Valuation of trading derivatives (note 9)	$	(23,210)	(8,091)
Loss derived from the trade of derivative instruments (note 9)		(15,012)	(18,100)
Foreign exchange (loss) due to currency valuation (note 6)		(694)	(8,178)
	$	(38,916)	(34,369)
		======	======

(23) Operating lease income-

For the years ended on June 30, 2019 and 2018, the operating lease income is composed as shown below:

		2019	2018
Operating lease income	$	316,764	272,576
Depreciation of property in operating lease (note 12)		(224,318)	(184,068)
	$	92,446	88,508
		=======	======

(Thousands of pesos)

The Company works only with loan and operating lease segments. The operating lease income in 2019 and 2018 amounted to $92,446 and $88,508, respectively, as shown in this note. The difference of this income against the net consolidated income constitutes the loan segment.

(24) Other operating income, net-

For the years ended on June 30, 2019 and 2018, other operating income is composed as shown:

		2019	2018
Other operating income, net:	$	35,707	14,815
Release of preventive estimate (note 10b)		-	6,801
Other lease benefits (purchase option at reduced price)		15,853	12,482
Impact of estimates and deterioration of awarded assets		(9,964)	(10,629)
Awarded sale income		5,414	197
Recovery of the previously non-performing loan portfolio (note 10f)		10,431	36,539
Impact of the estimate for non-recoverable or difficult collection		4,504	(21,976)
Real property, furniture and equipment sale earnings		9	5
Total of other operating income, net	$	61,954	38,234
		=====	======

(Thousands of pesos)

(25) Financial indicators-

The main financial indicators as of June 30, 2019 and 2018 are presented below.

	2019	**2018**
Delinquency rate	3.10%	2.40%
Hedge ratio of non-performing loan portfolio	113.63%	140.32%
Operational efficiency *(management and promotion expenses/ average total assets)*	1.79%	1.81%
ROE (*net earnings/average shareholder's equity*)	16.37%	14.98%
ROA (*net earnings/average total assets*)	3.92%	3.28%
Liquidity (*liquid assets/liquid liabilities*) *	52.91%	10.02%
Year credit-risk-adjusted financial margin / average performing assets)**	5.92%	4.05%

* *Liquid assets*– Availabilities, held-to-maturity securities.
Liquid liabilities– Immediately payable and short-term interbank loans and loans from other institutions.

** *Average performing assets*: Availabilities, security investments, security transactions, derivative transactions and current loan portfolio.

(26) Rating-

The ratings awarded on October 30, 2018, and December 15, 2017, to Navistar Financial by HR Ratings de México S. A. de C. V. were HR BBB with positive prospective for both years.

(27) Contingent commitments and liabilities-

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

(b) Under the current tax law, the authorities have the power to review tax returns from the last five years up to the last submitted income tax return.

(c) As per the Income Tax Law, the companies performing transactions with related parties are subject to fiscal limitations and obligations regarding the setting of agreed prices, since these shall be comparable to those performed by or between 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 (restatement and surcharges), fines on the missed contributions, which could be up to 100% of the restated contribution amount.

(d) The Company rents the premises occupied by its administrative offices, as well as the employee parking lots, according to lease agreements with set expiration dates. For the years ended on June 30, 2019 and 2018, the expenses derived from administrative office and parking lot rents amounted to $4,258 and $3,940, respectively. The total rents are included in the item “Administrative Expenses” in the consolidated income statement.

(e) There is a contingent liability derived from the employee benefits mentioned in note 3(u)

(28) Recently issued regulatory pronouncement-

(a) Commission’s resolutions-

On December 27, 2017, the resolution modifying the Accounting Criteria was published in the DOF; such modifications come into force on January 1, 2019, according to the following provisions:

i. Accounting Criteria B-6, “Loan portfolio” and D-2 “Income Statement” of the Exhibit 33 of the Accounting Criteria.

The Accounting Criteria are adjusted for the writing-off of surplus in the credit risk estimates determined for the year when such modification occurred, as well as for the recoveries corresponding to previously non-performing or eliminated loans may be recognized in the year income under the item such estimates were originally registered, which in both cases is “Preventive credit risk estimates”, instead of under the item “Other operating income, net”, where they were recognized prior to the modification.

i. Accounting Criteria A-2 “Application of specific standards”

Certain Financial Reporting Standards issued by CINIF are included for they to be applicable to credit institutions at their implementation deadline, so these financial entities may be able to comply with such Standards. Such FRSs are as follows: B-17 “Fair value determination”, C-3 “Accounts receivable”, C-9 “Provisions, contingencies and commitments”, C-16 “Deterioration of the financial instruments receivable”, C-19 “Financial instruments payable”, C-20 “Financial instrument receivable, principal and interest”, D-1 “Revenue from Contracts with Customers” and D-2 “Expenses derived from Contracts with Customers”.

On November 15, 2018, the modifying resolution of the resolution modifying the Accounting Criteria previously mentioned, which was published on December 27, 2017, was published in the DOF. Such modifications consisted of the content relative to section b) Accounting Criteria A-2 “Application of specific standards”, extending the implementation deadline of the referred FRSs from January 1, 2019 to January 1, 2020, and adding to this resolution the FRS D-5 “Leases”, which implementation deadline is also January 1, 2020.

(b) New FRSs and improvement to the existing FRSs-

FRS D-5 "Lease"- This improvement comes into force in the year beginning on January 1, 2019. The application for the first time of this FRS causes accounting changes in the financial statements, mainly for the lease, and provides different options for its recognition. Its main changes include:

- It eliminates the classification of leases as operating lease and capitalizable lease, and a liability per lease at the payment current values must be recognized, as well as a right-to-use asset in the same amount, of any lease with a term longer than 12 months, unless the underlying asset is a low value asset.

- It is recognized an expense derived from depreciation or amortization of the right-to-use assets and an expense derived from the interest on the lease liability.

- It modifies the presentation of cash outflows related, since the cash outflows derived from operating activity decrease, and the cash outflows derived from financial activities increase.

- It modifies the recognition of profit and loss when a seller-lessee transfers an asset to another entity or leaseback that asset.

- The accounting recognitions by the lessor does not have changes respect to the prior Bulletin D-5, and only some disclosure requirements are added.