2019

FIRST QUARTER

VARIATION ANALYSIS

REMARKS ON 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 Dealer Network of International —a group created in 1996.

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

On December 7, 2017, 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 issuing debt SOFOMES ENR entities 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 which modified the general provisions applicable to SOFOMES ENR (CUIFE); consequently, Navistar Financial became an Entity Regulated ("E.R.") by the CNBV since March 1, 2015.

BALANCE SHEET HEADINGS

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 negative variation of $128.5 million Mexican pesos (mmp) in comparison to the 1Q18; such variation is mainly explained by a reduction in the current loan portfolio.

The ***Availabilities and Repurchases*** have a positive variation of $147.4 mmp, with a total balance of $758.4 mmp, comprised of (i) $220.5 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) $537.9 of availabilities.

On September 20, 2018, two interest rate options were hired. Compared to the closing of March 2017, the heading **Derivatives** as of the closing of March 2018 shows a reduction of $3.5 mmp; this balance comprises three Interest Rate Options acquired in compliance with the Trust Agreement entered into as a result of the issues of CBF as follows: with a notional value of $616.5 mmp, an Interest Rate Option of notional value of $536.4 mmp, an Interest Rate Option of notional value of $709.5 mmp, and three additional Interest Rate Options hired on March 28, 2018 with a notional value of $374.6 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 $8.4 mmp.

The ***Net Loan Portfolio*** reflects a reduction of $614.9 mmp, equivalent to a negative variation of 5.4%, compared to 1Q18, which is explained mainly through:

(i) Decrease in the current loan portfolio in the amount of$644.1 mmp which is comprised of: a) Increase in the retail trade portfolio in the amount of $1.062.8 bmp derived from the positive result of the Company's commercial strategies to satisfy the market needs, and b)Decrease of the Floor Plan portfolio in the amount of $524.8mmp, decrease of $289.4 mmp in the short-term: commercial loans portfolio for the sale of International trucks and buses manufactured in Mexico and exported to Colombia, and decrement in the amount of $881.1 in the portfolio of loans granted to manufacture and export trucks to United States.

(ii) The **Non-Performing Loan Portfolio,** as of the closing of 1Q19, shows a balance of $393.5 mmp, representing 3.5% of the total portfolio, according to the Exhibit 34 of the Single Circular of the Bank (1Q18 2.6%). The increment in the non-performing portfolio is mainly because the overdue balance of one of our clients, which started insolvency proceedings during 2018.

The ***Preventive Credit Risk Estimate*** shows an increment of $59.9 mmp, maintaining a hedge of 1 time ("x") the expected loss and 1.19x the non-performing portfolio (1Q20181.35x). The appraisal of the preventive credit risk estimate is calculated according to the methodology of expected loss.

It is worth to mention that the Company, as of March 31, 2018, has executed 6 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, with regard 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 $ 355 mmp as of March 31, 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, with regard 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 $136 mmp as of March 31, 2019.

C. On November 5, 2015, 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, with regard to the public offer of 6,165,500 CBF with a nominal value of MX$100.00. (one hundred 00/100, Mexican pesos). Once the principal balance of the bonds of this issue reached 10% of the initial principal balance, the Company decided to do an optional payment in advance on March 15, 2019. Currently, the parties are in process of reviewing to execute the Termination Agreement of this Trust.

D. On January 30, 2015, an Irrevocable Guarantee Trust 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"), and it holds a 100% guarantee with the Export-Import Bank of the United States ("Exim"). As for the closure of March 2019, the debt has been fully paid.

E. In October 2014, Navistar Financial ("Settlor", "Beneficiary in Second Place") entered into an Irrevocable Guarantee Trust 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 the credit granted by EDC. The trust assets of this Trust, as of March 31, 2019, amount to $2.511 bmp.

F. In November, 2013, Navistar Financial ("Settlor", "Beneficiary in Second Place" and "Commission Agent"), entered into an Irrevocable Guarantee Trust 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"). The purpose of this guarantee is to back the line of credit in current account in favor of the Company. The trust assets of this Trust, as of March 31, 2019, amount to $3.287 bmp.

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

The net of other **Accounts Receivable and AccountsPayable** shows a negative variation of $888.4 mmp, which is mainly attributable to the increment of the accounts payable with affiliates, related to the funding of the commercial floor plan.

The heading ***Awarded Assets,*** as of the closing of March 2019, shows a positive variation in the portfolio award indicator of 15 pbs due to a higher stock rotation of these assets: 0.66% in 1Q19, compared to 0.82% in 1Q18.

In relation to ***Equipment Intended for Operating Lease,*** as of 1Q19 there is a $548.7 mmp increment, compared to 1Q18, representing a growth of 26.1%; resulting from the Operating Lease program, permanently focused on big fleets targeted funding.

The heading ***Other Assets*** shows a reduction of $29.6 mmp, caused mainly by the reduction in expenses for credit instrument issue and the value adjustment to an intangible value corresponding to a system project which was canceled.

As of the closing of 1Q19, the Company's **Net Liabilities of Liquid Assets** reflect a reduction of $1,603.5 mmp, equivalent to 17.4% less in comparison to the same period of the previous year.

The heading **Stock Liabilities** shows a balance of $1,476.4 mmp, which is comprised of capital and interest of (i) CBF in the amount of $114.6 mmp, corresponding to the issue NAVISCB16 (Second issue under a 5.000 bmp program), ii) CBF in the amount of $295.6 mmp, corresponding to the issue NAVISCB17 (Third issue under a 5.000 bmp program), and (iii) Short-term Bonds ("CB") in the amount of $1.066.2 bmp of a $3.000 bmp program.

Regarding **Bank Loans** there is a reduction of $484.7 mmp, compared to 1Q18, consequence of the strategy implemented by treasury to improve the efficient use and management of resources. As of March 31, 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 1Q19 and 1Q18, the bank liabilities are guaranteed by the loan portfolio and the transport equipment intended for operating lease in the amount of $8.863 and $9.478 bmp, respectively. In addition, as of the closing of March 2018, the company has a free current portfolio of $4.726 bmp, getting a 4.46-time benchmark of free current portfolio, compared to the outstanding balance of the issue of the current commercial paper.

Moreover, the **Deferred Loans and Advanced Collection**s show a negative variation of $1.5 mmp, representing a variation of -1.1%, compared to 1Q2018. This is mainly because a slight reduction of the financial accrual income derived from capitalizable operating lease.

The Company shows a financial soundness, which is reflected in a capitalization level (equity / total portfolio) equivalent to 34.3% (1Q18 27.9%) and a net leverage level of the liquid assets of 2.7x (1T18 3.4x), based on bank covenants.

HEADINGS 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 1Q19, the ***Financial Margin***, not affected by the exchange rate fluctuation, amounts to $151.8 mmp, which represent a negative variation of $5.7 mmp, compared to the same period in the previous year, which is mainly explained by an increment in the preventive reserve estimates. The interest hedge ratio for 1Q19, not affected by the exchange rate fluctuation, is 1.6x (1.7x 1Q18); therefore, the Company is in compliance with the required bank obligations.

The ***Preventive Credit Risk Estimates*** shows a negative variation, compared to the previous year of $42.2 mmp, representing an increment of 89%; this is mainly because of an increment in the default probability of some clients, including a client that started proceedings of insolvency in 2018.

Consequently, the ***Financial Margin Adjusted by the Credit Risks***, not affected by the exchange rate fluctuation, shows a negative variation of $47.9 mmp.

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

(i) The net of collected and paid fees and rates shows a positive variation reflected in income of $3.7 mmp, as a consequence of the increment in the heading "collected fees", mainly because of a higher volume of loan placement.

(ii) Intermediation income shows a negative impact of $17.0 mmp, resulting from:

a) A negative variation of $20.8 mmp, explained by the fluctuation in the exchange rate and derivative instruments. For analysis purposes the net effect of the currency position (excluded for the Financial Margin analysis) shall be taken into account, which, as of 1Q2019, is equivalent to a loss of $16.4 mmp, in comparison to a profit of $.7 in the same period the previous year.

b) A positive variation because of 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 1Q18, there were negative effects of $8.1 mmp on these instruments, and during 2019 there have been negative effects of $4.4 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.

The **Operating Lease Income** shows an increment of $20.7 mmp derived from the increment in operating lease as a consequence of the aforementioned fleet commercial approach.

Other operation income and expenses shows a positive variation of $43.1 mainly derived from higher income and other benefits related to the sale of units in operating lease, as well as an increment in the recognized income due to the writing off of preventive estimates different from loan portfolio,

(i) As for **Administrative Expenses,** the expenses indicator on the total administered portfolio is at a level of 1.97%, which is equal to 1Q18 (1.97%); this is a consequence of the appropriate control and monitoring of the administrative expenses.

Within the heading ***Caused and Deferred Income Taxes***, a negative variation of $1.7 mmp is shown; this effect is a consequence of the income tax provision which increase is directly related to the income of the fiscal year, which was 8% higher compared to 1Q18.

FUNDING SOURCES

As of March 31, 2018, the Company had $14.4522 bmp in authorized funding sources, which were distributed the following way: (i) 30.1% in domestic and foreign commercial bank, (ii) 59.8% in domestic and foreign development bank, (ii) 2.8% in CBF, and (iv) 7.3% in CB.

The Company maintains $6.1216 bmp in available lines 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 March, 2019, the line was not available as working capital

In November 2015, the first CBF issue was performed under the Senior Bond Certificate program authorized on November 5, 2015 for up to $5,000 mmp. This first issue, NAVISCB15 in the amount of 616.5 mmp, was executed through the Trust 2537, opened with Invex, with a 1893-day term and with monthly amortizations. As of the closing of March 2018, the balance of the contributed portfolio is $0 mmp. The Company holds 100% of the titles of trust assets of the aforementioned trust.

In September 2016, the second CBF issue was performed under the Senior Bond Certificate program authorized on November 5, 2015 for up to $5,000 mmp. 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 March 2019, the balance of the contributed portfolio is $114.6 mmp. The Company holds 100% of the titles of 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 $5.000 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 March 2019, the balance of the contributed portfolio is $295.5 mmp. The Company holds 100% of the titles of trust assets of the aforementioned trust.

Additionally, the Company has a short-term CBs program of $3,000 mmp; such program was renewed and extended on February 17, 2017, and its balance as of March 31, 2018 is $1.0662 bmp.

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

	Mar-19	%	Mar -18	%
Debt in Pesos fixed rate	4,271,349	52%	3,314,565	43%
Debt in pesos with CAP hedge	1,524,150	19%	1,003,709	15%
Debt in pesos variable rate	2,376,713	29%	3,415,567	44%
Subtotal pesos	**8,172,212**		**7,733,841**	
Interest payable	**42,209**		**35,471**	
TOTAL PESOS	**8,214,421**		**7,769,311**	
Debt in dollars fixed rate	0	0%	2,500	2%
Debt in dollars variable rate	8,168	100%	125,747	98%
Subtotal dollars	**8,168**		**128,247**	
Interest payable	**20**		**627**	
TOTAL DOLLARS	**8,188**		**128,874**	

The Company, within its risk management activities, frequently requires hiring financial derivative instruments such as Currency Swaps (CCSwap) that 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 March 31, 2019, the Company did not have 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 three Interest Rate Options, 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 entity, considering risk factors, economic soundness and commitment of each selected company.

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

Consolidated Financial Statements

March 31, 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 March 31, 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 dealer network 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 offered 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 preceeding 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 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 performed, 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 (accumulated 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 important 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 March 31, 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 heading “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 heading “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 and 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 heading “Other accounts receivable” and “Creditors for settlement of transactions”, as applicable.

(e) Security investment-

It includes the debt securities acquired for the Company Management’s purpose and 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 heading “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 heading “Intermediation Income, net”.

As for March 31, 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 assessment, until the repurchase maturity.

The interest accrual for repurchases derived from transactions is presented under the heading “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 heading "Intermediation income, net”.

Options-

The rights acquired (premium paid) by means of options are recorded in the consolidated balance sheet at their agreed value and adjusted at their fair value. The value fluctuations are recognized in the income under the heading "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 heading “Interest income”.

The lines of credit that have not been used are recorded in the memorandum accounts, under the heading "Loan commitments". The amount used by the borrowers 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 heading "Interest income".

The Company recognizes an account receivable for financial leasing when at least one of the following assumptions becomes real 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 offered; such call option is deemed reasonably certain to be executed at the beginning of the lease.

- The lease term covers the major part of the economic lifetime of the leased asset.

- At the beginning of the lease, the current value of the minimal lease payment amount, at least at the significantly all fair value of the leased asset.

- The leased asset is of so specialized nature that only the lessee can use them without important modifications.

- The lessee can cancel the lease and the lessor lost associated with this cancellation are at lessee's expenses.

- The lost 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 principal and interest amortization – When 30 or more days have elapsed from the maturity date.

Loans which principal and interest amortization were 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 bankrupt.

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 received, they are recognized in the year income under the heading “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 heading “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 formalization.

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 heading "Availabilities", and the liabilities associated with this transaction due to the issue of the bond are recognized as liabilities under the heading "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 individuals with business activities, with income higher or equal to the equivalent to 14 million UDIs in national currency, the estimate is calculated according to the general methodology set forth in the Exhibit 22 of the Provisions. On the other hand, in the case of net income or sale income lower than the equivalent in national currency to 14 million UDIs, such estimate is calculated according to the general methodology described in the Exhibit 21 of the Provisions.
- In the case of the loans granted to state, municipal entities, as well as 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 according to its the level of risk as of March 31, 2019 and 2019, is arranged as indicated below:

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

$$Ri = PIi \ X \ SPi \ \ X \ EIi$$

Where:

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

PIi= Default probability of the n-th loan. *SPi*= Severity of

the loss of the n-th loan.

Ii= 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. In the event the determined values are lower than the amount of the portfolio to be canceled, they are deemed losses, and recognized in the year income under the heading "Other operating income, net"; otherwise, the value of the awarded asset is adjusted to the value of the portfolio being written off. There are provisions created on a monthly basis to recognize the potential value loss of assets due to the passage of time. The decrease in the value of the awarded assets and in provisions is reduced from the asset value and it is recognized as expenses in the consolidated income statement for the year under the heading “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 elapsed 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 elapsed 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 up to December 31, 2007. These were updated by using 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 real state, 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 shortest.

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 profit or loss derived from 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 heading “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 its 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 derived 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 heading "Stock liabilities”. The interest is recognized in income as it is accrued under the heading “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 heading “Interest expenses”.

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

The income tax and the employee profit sharing (PTU) incurred during the 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 amounts. The deferred ISR and PTU (assets and liabilities) are recognized according to the future tax consequences attributable to the temporary differences between the values reflected in the consolidated financial statements of the existing assets and liabilities, as well as 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 the deferred ISR and PTU are estimated using the rates provided in the corresponding law, to be applied to the taxable earnings in the years when the temporary differences are expected 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 year income, except for those derived from a transaction recognized in the Other Comprehensive Income (OCI) or directly under the heading 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 year income under the heading "Interest Income", using the straight-line method during the life of the loan.

(t) Provisions-

The Company recognizes, based on Management estimates, the liability provisions for those existing obligations in which the transfer of assets or the service provision is virtually unavoidable, and which are the 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 in which the services are provided. A liability is recognized in the amount expected to be paid if the Company has a legal or constructive obligation of paying such amount due to services provided in the past, and the obligation can be reasonably estimated.

Post-employment benefit

Established contribution plan

The obligations regarding the contributions to the 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 to 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 within the Company.

Defined benefits

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

The estimate of the defined benefit obligations 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 year cost of the employee benefits for having achieved one more year of work life based on the benefits, is recognized in the operating expenses. The company determines the net interest expenses (income) on the net liabilities (assets) derived from the year defined benefits multiplying the discount rate used to measure the defined benefit obligation by the net liabilities (assets) determined at the beginning of the reporting year is done, considering the changes in the net liabilities (assets) derived from defined benefits during the year, resulting from contribution estimates and benefit-payment estimates. The net interest is recognized under the heading “Administrative Expenses".

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

The remediations (previously, actuarial profits and losses) resulting from the differences between the actuarial projected 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 income-

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 heading "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 and liabilities hired in foreign currency are recorded in the income statement of the year under the heading "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 and assets are recognized until there is certainty about their realization.

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

a) Accounting changes

In December 2017, the Mexican Financial Reporting Standards Board (Consejo Mexicano de Normas de Información Financiera, A. C. , CINIF) issued the document "Improvements to FRSs 2018" which contains specific changes to some of the already existing FRSs. The FRS improvements mentioned below, which came into force on January 1, 2018, for the years indicated , did not produce significant effects on the Company's consolidated financial statements.

- FRS B-2 "Cash flow statement"
- FRS B-10 "Inflationary impact"

b) Reclassifications-

The consolidated financial statements as of and for the year ended on March 31, 2018, include certain reclassifications to be standardized with the presentation used in the consolidated financial statement as of and for the year ended on March 31, 2019.

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(5) Position foreign currency-

The monetary assets and liabilities, in foreign currency, as of March 31, 2019 and 2018, are shown below:

		Thousands of dollars	
Assets (mainly loan portfolio and foreign exchange trading).		64,808	127,027
Liabilities (bank loans mainly)		(65,169)	(132,853)
Asset (liability) position, net		(361)	(5,826)
		=====	======
Asset (liability) position appreciated in pesos, net	$	(6,995)	(106,446)
		=====	======

As of March 31, 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 March 31, 2019 and 2018, was $19.3779 and $18.2709 pesos per dollar, respectively.

(6) Availabilities-

This heading is, as of March 31, 2019 and 2018, as shown below:

		2019	2018
National bank deposits	$	66,248	64,854
Foreign bank deposits		43,761	137,912
Restricted availabilities:			
24- and 48-hour foreign exchange trading (note 17) (1)		426,314	475,043
National bank deposits (2)		1,524	4,607
	$	537,847	682,416
		=======	=======

(1) As of March 31, 2019 and 2018, the currency to be received for trades to be settled in 24 and 48 hours amounts 22,000 and 26,000 thousand dollars, respectively.
(2) These corresponds to the securitization trusts balances in banks (see note 10c).

(7) Security investment-

As of March 31, 2019 and 2018, the held to maturity securities corresponds to notes in the amount of $248 and $493 with a 3- to 5-day maturity, respectively, and a performance rate of 8.20% and 7.51%, respectively.

The interest yielded security investment increased to $2,162 and $1,797, respectively, for the years ended on March 31, 2019 and 2018 (see note 21).

(8) Repurchase transactions-

As of March 31, 2019 and 2018, the balance of “Debtors for repurchase” amounted $220,303 and $222,887, respectively, in which the positions of the restricted securities is mainly encompassed of government paper, corresponding to issues of CETES, BONDESD and UDIBONOS, at 3-, 5- and 1-day terms, respectively, with an interest rate of 7.85% to 8.10% and of 7.15% to 7.30%, respectively. As of March 31, 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 March15, 2019), the Irrevocable Trust No. 2844, and the Irrevocable Trust 3290 (see note 10c).

As of March 31, 2019 and 2018, the bonds received as collateral in the repurchase transactions amount to $138,641 and $216,959, respectively, which correspond to government paper of issue of CETES, BONDESD and UDIBONOS.

The interest yielded by repurchase transactions amounted to $4,125 in 2019, and $7,547 in 2018; which are reported in the consolidated income statement under the heading "Interest Income" (see note 21).

(9) Trading derivatives-

As of March 31, 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 will 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.

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The quantity of the notional amounts and the book value of the transactions with financial derivative instruments as of March 31, 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	-	-	(911)	320
IR CAP	28-day TIIE	800,000	2018	12,150	-	-	(323)	385
IR CAP	28-day TIIE	616,550	2019	3,690	(534)	311	(1,742)	3,488
IR CAP	28-day TIIE	536,383	2020	4,630	(1,170)	2,009	(2,295)	4,720
IR CAP (2)	28-day TIIE	709,522	2022	3,150	(1,595)	351	(1,734)	1,769
IR CAP (2)	28-day TIIE	374,649	2021	1,235	(700)	303	39	1,274
IR CAP (2)	28-day TIIE	225,811	2021	3,195	(2,984)	1,139	-	-
IR CAP	28-day TIIE	819,644	2021	11,635	(11,038)	4,326	-	-
				$ 53,181	(18,021)	8,439	(6,966)	11,956
				=====	======	=====	|=====	=====

(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 March 31, 2019 and 2018, the profit (loss) for the trade of financial derivative instruments amounted to ($4,359) and ($8,101), respectively (see note 24).

(10) Loan portfolio-

(a) Classification of the loan portfolio-

The classification of the current and non-performing commercial loans as of March 31, 2019 and 2018 is shown below:

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	Current portfolio			**Non-performing portfolio**			
March 31, 2019	**National Currency**	**Appreciated Dollars**	**Total**	**National Currency**	**Appreciated Dollars**	**Total**	**Total current and non-performing**
Business or commercial activity (2):							
Commercial loans	$ 5,211,399	734,449	5,945,847	126,060	3,404	129,464	6,075,311
Capitalizable lease	4,849,661	22,917	4,872,578	225,066	3,712	228,778	5,101,356
Financial income to be accrued	(903,146)	(1,378)	(904,524)	(31,496)	-	(31,496)	(936,020)
Funded insurances	259,309	1,227	260,536	51,718	1,060	52,778	313,314
Restricted portfolio (1)		-	212,703	6,779	-	6,779	219,482
Commercial loans	212,703						
Capitalizable lease	372,311	-	372,311	7,598	-	7,598	379,909
Financial income to be accrued	(38,511)	-	(38,511)	(412)	-	(412)	(38,923)
Financial entities	168,153	-	168,153	-	-	-	168,153
Government entities	-	-	-	-	-	-	-
	$ 10,131,879	**757,215**	**10,889,093**	**385,313**	**8,176**	**393,489**	**11,282,582**
	========	=======	========	======	=====	======	========
March 31, 2018							
Business or commercial activity (2):							
Commercial loans	$ 5,417,128	1,642,656	7,059,783	137,956	1,914	139,870	7,199,653
Capitalizable lease	3,611,444	56,417	3,667,861	131,100	1,914	139,870	3,798,961
Financial income to be accrued	(645,026)	(3,624)	(648,650)	(12,006)	-	(12,006)	(660,656)
Funded insurances	211,620	2,949	214,569	34,794	562	35,356	249,925
Restricted portfolio (1)							
Commercial loans	488,056	-	488,056	2,791	-	2,791	490,847
Capitalizable lease	853,509	-	853,509	7,881	-	7,881	861,930
Financial income to be accrued	(106,208)	-	(106,208)	(631)	-	(631)	(106,839)
Financial entities	1,190	-	1,190	-	-	-	1,190
Government entities	3,053	-	3,053	-	-	-	3,053
	$ 9,834,766	**1,698,398**	**11,533,163**	**301,885**	**2,476**	**304,361**	**11,837,524**
	========	========	=========	=======	=====	======	=========

(1) See section (c) of this note.
(2) As of March 31, 2019 and 2018, there are restricted loans in the amount of $8,863,910 and $8,640,782, 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 March 31, 2019 and 2018:

March 31,		Days				
		1-180	181-365	1-2 years	More than 2 years	Total
2019	$	140,664	158,004	88,552	6,269	393,489
2018		113,849	93,353	95,220	1,939	304,361
		======	=====	=====	====	======

An analysis of the movements in the non-performing portfolio for the years ended on March 31, 2019 and 2018 is shown below:

		2019	2018
Balance at the beginning of the year	$	349,880	287,069
Warranties claimed		(30,389)	-
Awards		(7,623)	(393)
Write-offs		(11,955)	(15,576)
Collection		(31,223)	(32,618)
Transfer from current to non-performing portfolio		148,793	77,548
Transfer from non-performing to current portfolio		(23,994)	(11,669)
Balance at the end of the year	$	393,489	304,361
		======	======

As of March 31, 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 $69,238 and $58,731, respectively.

(Thousands of pesos)

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

Maturity year		2019	2018
2018		-	7,422,385
2019	$	5,707,611	1,977,302
2020		2,359,296	1,366,454
2021		1,755,196	776,308
2022		1,023,274	261,198
2023		356,664	18,126
2024		70,896	15,751
2025		9,645	-
	$	11,282,582	11,837,524
		=========	=========

Risk concentration:

As of March 31, 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 7% and 11% of the total portfolio as of March 31, 2019 and 2018, respectively (see note 18).

The loan portfolio concentration by geographic zone as of March 31, 2019 and 2018, is detailed below:

		2019		2018	
		Portfolio	%	Portfolio	%
Mexico City and State of Mexico	$	2,560,703	23%	2,140,554	18%
Center [(1)]		822,008	7%	848,810	7%
North [(2)]		3,889,507	34%	5,278,914	45%
West [(3)]		3,113,435	28%	2,815,914	24%
South (4)		896,929	8%	754,051	6%
	$	11,282,582	100%	11,837,524	100%
		=========	====	=========	====

(1) It includes the states of Queretaro, Tlaxcala, Puebla, Hidalgo, Morelos, and Guerrero.
(2) It includes the states of Sonora, Chihuahua, Baja California, Coahuila, Durango, Nuevo Leon, Sinaloa, and Tamaulipas.
(3) It includes the states of Guanajuato, Jalisco, Colima, Aguascalientes, Nayarit, Michoacan, Zacatecas, and San Luis Potosi.
(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 March 31, 2019 and 2018, the classification of the assessed portfolio and its preventive estimate is analyzed as shown below:

Valuated portfolio level of risk		Portfolio		Preventive credit risk estimates	
		2019	2018	2019	2018
A-1	$	6,951,771	7,536,331	30,330	42,500
A-2		1,652,430	1,587,120	17,746	16,249
B-1		507,508	577,057	8,604	9,265
B-2		271,074	588,372	5,790	12,924
B-3		430,028	505,720	14,767	18,228
C-1		399,053	218,435	27,991	17,134
C-2		292,067	165,803	37,168	20,955
D*		603,117	564,590	221,190	186,566
E*		175,534	114,096	106,431	86,272
Total	$	11,282,582	11,837,524	470,017	410,093
		=========	=========	======	======

* Troubled portfolio.

The analysis of the movements in the preventive credit risk estimates for the years ended as of March 31, 2019 and 2018 is shown below:

		2019	2018
Balance at the beginning of the year	$	405,248	382,760
Increment of allowance in income		89,661	47,483
Release of preventive estimates "Other operating income, net" (See note 26)		(10,581)	(2,646)
Effect of preventive estimate in year income		79,080	44,837
Write-offs		(14,311)	(17,504)
More:			
Year movements, net		64,769	27,333
Balance at the end of the year	$	470,017	410,093
		=======	======

(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 was paid; however, the remnant assets in this Trust are in processes or reinvestment, so as of March 31 they continue in the Trust waiting for the trust termination agreement.

As of March 31, 2019 and 2018, the collection rights given to the Trust amounted $63,188 and $237,572, respectively.

As of March 31, 2018, obligation balance on the NAVISCB 15 amounted to $192,462, respectively (see note 14). Additionally, the interest payable as of March 31, 2019 and 2018, amounts to $543 and $839, respectively. The obligations on such certificates, which only payment source is the collection of collection rights, in 2019 and 2018, yielded interest of $1,242 and $4,806, respectively, which is recorded in the consolidated income statement under the heading "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 heading "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 March 31, 2019 and 2018, the collection rights given to the Trust amounted $137,632 and $329,388, respectively. Any remnant of the issue shall be delivered to the Company once all bonds had 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, for $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 March 31, 2019 and 2018, the balance of the obligation in the NAVISCB 16 amounts to $114,106 and $264,915, respectively (see note 14). Additionally, the interest payable as of March 31, 2019 and 2018, amounts to $1,433 and $1,173, respectively. The obligations on such certificates, which only payment source is the collection of collection rights, for the years ended on March 31, 2019 and 2018 yielded interest of $3,171 and $6,499, respectively, which is recorded in the consolidated income statement under the heading "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 heading "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 March 31, 2019 and 2018, the collection rights given to the Trust amounted $359,648 and $774,008, respectively. Any remnant of the issue shall be delivered to the Company once all bonds had been settled.

The first issue of bonds was 7,370,000 of certificates with a par value of $100 pesos each, under the ticker symbol NAVISCB 17, for $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 March 31, 2019 and 2018, the balance of the obligations respect to NAVISCB 17 amounts to $294,122 and $546,333, respectively (see note 14).

Additionally, the interest payable as of March 31, 2019 and 2018 amount to $ 1,927 and $2,487, respectively. The obligations respect to such certificates, which only payment source is the collection of collection rights for the years ended on March 31, 2019 and 2018, yielded interest of $8,134 and $14,325, respectively, which is recorded in the consolidated income statement under the heading "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.

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

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(Thousands of pesos)

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

		Trust 2537		Trust 2844		Trust 3290	
		2019	2018	2019	2018	2019	2018
Balance sheet:							
Cash and cash equivalents	$	$17,550	30,805	43,322	60,864	78,855	129,459
Financial derivative instruments		311	3,488	2,009	4,721	351	1,769
Collection rights, net		41,598	196,957	111,725	290,909	300,371	602,707
Other accounts receivable		2,479	2,332	1,193	1,702	2,831	1,544
Total assets	$	61,938	233,582	158,249	358,196	382,408	735,479
		======	======	======	======	======	======
Obligation on stock certificates, net	$	-	183,613	109,157	257,238	286,196	535,468
Accounts payable		1,252	1,042	339	231	844	2,392
		1,252	184,655	109,496	257,469	287,040	537,860
Assets		60,686	48,927	48,753	100,727	95,368	197,619
Total liabilities and assets	$	61,938	233,582	158,249	358,196	382,408	735,479
		======	======	======	======	======	======
Income statement:							
Financial income	$	3,889	11,064	7,068	13,274	15,713	28,023
Financial expenses		(3,289)	(7,361)	(4,630)	(7,835)	(9,810)	(15,805)
Change in the fair value of financial derivative instruments		(534)	(1,742)	(1,170)	(2,294)	(1,596)	(1,735)
Impact of collection rights impairment		(3,435)	1,191	(480)	(199)	(5,416)	1,306
Other income (expenses), net		1,304	10	744	69	1,075	2,309
General expenses		(20)	(19)	(13)	(15)	(20)	(13)
Year income	$	(2,085)	3,143	1,519	3,000	(54)	14,085
		=====	=====	=====	=====	=====	=====

(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 March 31, 2018, the Trust assets are represented by the collection rights that the Company offered as security to pay the loan obligations, which amount to $207,263, 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 March 31, 2019 and 2018, the assets of this Trust amount to $890,001 and $700,202, 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 March 31, 2019 and 2018, the assets of this Trust amounted to $2,565,375 and $2,137,038, respectively.

As of March 31, 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, with respect 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 will 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, with respect to the first losses of the registered loan portfolio, which amounts to $1,000,000.

On November 15, 2012, the Company executed another agreement with NAFIN for the Risk Sharing, focused on federal freight transport. In this agreement, the Fund will share up to $30,000, with respect 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, with respect 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, with respect 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 March 31, 2019 and 2018 were $1,492,566 and $708,710, 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 March 31, 2019 and 2017, there are 525 and 327 contracts, respectively, registered in the pari-passu program with NAFIN, with an outstanding balance of $710,703 and $484,372, and a paid fee equivalent to 1.8%.

As of March 31, 2019 and 2018, the Company has claimed $51,293 and $49,740, respectively, under the umbrella of such program. From which, $39,909 and $40,060, 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 March 31, 2019 and 2018, the Company carried out 128 and 89 loan restructuring and renewals, respectively, which outstanding balance as of the restructuring date amounted to $18,888 and $131,658, after modifying the payment schedule and the loan terms, without impact on the year income.

For the years ended on March 31, 2019 and 2018, the recovery income of the previously non-performing portfolio amounts to $3,656 and $10,976, respectively, which is recognized under the heading "Other operation 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 cost fees for the years ended on March 31, 2019 and 2018 are shown below:

		2019	2018
Fees for granting loans:			
Initial balance	$	187,815	171,461
Collected fees		14,912	19,747
Amortization (note 19)		(15,567)	(18,936)
		187,160	171,461
Loan origination costs:			
Initial balance		55,774	39,014
Paid costs and expenses		6,534	6,409
Amortization (note 19)		(5,469)	(4,938)
		56,839	40,485
Net balance of fees and loan origination costs	$	130,321	131,787
		======	======

(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 withdrawal under 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 March 31, 2019 and 2018, the accounts receivable are as follows:

		2019	2018
Portfolio debtors	$	158,103	113,879
Sundry debtors		70,214	78,844
Refundable taxes		173,125	66,122
Related companies (note 17)		62,185	27,037
		463,627	285,882
Less:			
Estimate of doubtful accounts payable		(41,615)	(33,532)
	$	422,012	252,350
		======	======

(Thousands of pesos)

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

As of March 31, 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		3,460,938	2,767,856	Various
Computing equipment		3,244	3,244	25%
		3,649,518	2,928,532	
Less:				
Accumulated depreciation		(994,617)	(822,375)	
	$	2,654,901	2,106,157	
		=======	=======	
Real property, furniture and equipment for own use:				
Real property [1]	$	21,734	49,638	3%
Transport equipment		2,930	2,930	25%
Modifications and improvements		433	433	10%
Furniture and computing equipment		19,764	19,131	10% and 25%
		44,861	72,132	
Less:				
Accumulated depreciation		(23,380)	(26,664)	
		21,481	45,468	
Land		40,846	40,846	
	$	62,327	86,314	
		======	======	

For the years ended on March 31, 2019 and 2018, the amount charged in income corresponding to the depreciation of real property, transport equipment and computing equipment in operating lease amounted to $110,680 and $88,473, respectively, (see note 23) and for the real property, furniture and equipment for t own use amounted $704 and $683, respectively

(Thousands of pesos)

(13) Awarded assets, net-

As of March 31, 2019 and 2018, the awarded assets are integrated as shown below:

		2019	2018
Transport equipment	$	38,484	59,849
Real property		51,627	51,627
		90,111	111,476
Less:			
Allowance of awarded assets		(8,623)	(7,178)
Deterioration		(6,524)	(7,739)
	$	74,964	96,559
		======	======

(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 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 bond 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 2015, the Company performed a securitization of credit claim with ticker symbol NAVISCB 15, which maturity date was January 15, 2021 (1,893 days), once the principal balance of the stock certificates of this issue reached 10% of the Principal's initial balance, the company decided to perform an optional payment in advance on March 15, 2019.

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(Thousands of pesos, unless otherwise indicated)

As of March 31, 2019 and 2018, the stock liabilities at short- and long-term are integrated 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	12/05/2019	TIIE+1.60%
NAVISTS00319		300,000	05/02/2019	TIIE+1.35%
NAVISTS00718		160,000	04/04/2019	TIIE+1.55%
NAVISTS01018		300,000	06/27/2019	TIIE+1.60%
Accrued interest		6,215		
		1,066,215		
Securitized portfolio-				
NAVISCB16*		107,019	15/02/2022	TIIE+1.55%
NAVISCB17*		201,045	15/03/2023	TIIE+1.80%
Accrued interest		1,976		
Total Short-term		1,376,255		
Long-term:				
Securitized portfolio-				
NAVISCB16		7,087	15/02/2022	TIIE+1.55%
NAVISCB17		93,077	15/03/2023	TIIE+1.80%
Total Long-term		100,164		
Total stock liability	$	1,476,419		
		========		

* Current portion of securitized portfolio bond issues at long term.

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Issue		Amount 2018	Date of Maturity	Rate
Short-term:				
Company's-				
NAVISTS02417	$	170,000	13/09/2018	TIIE+2.00%
NAVISTS02517		120,000	19/04/2018	TIIE+1.70%
NAVISTS02617		100,000	05/04/2018	TIIE+1.90%
NAVISTS02817		120,000	19/04/2018	TIIE+1.85%
NAVISTS02917		95,000	13/09/2018	TIIE+1.90%
NAVISTS03017		167,000	23/08/2018	TIIE+1.90%
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%
Accrued interest		9,396		
		1,734,396		
Securitized portfolio-				
NAVISCB15*		143,837	15/01/2021	TIIE+1.40%
NAVISCB16*		137,281	15/02/2022	TIIE+1.55%
NAVISCB17*		294,369	15/03/2023	TIIE+1.80%
Accrued interest		4,499		
Total Short-term		2,314,382		
Long-term:				
Securitized portfolio-				
NAVISCB15		48,625	15/01/2021	TIIE+1.40%
NAVISCB16		127,634	15/02/2022	TIIE+1.55%
NAVISCB17		251,964	15/03/2023	TIIE+1.80%
Total Long-term		428,223		
Total stock liability	$	2,742,605		
		========		

* Current portion of securitized portfolio bond issues at long term.

(Thousands of pesos, unless otherwise indicated)

As of March 31, 2019 and 2018, the issuing expenses balance to be amortized amounts $20,898 and $42,519, respectively, and it is recorded under the heading "Other assets, net" in the consolidated balance sheet. The charge to income from the amortization of such expenses in the years ended on March 31, 2019 and 2018 amounts to $8,876 and $10,495, respectively (see note 21).

(15) Bank loans and loans from other institutions-

As of March 31, 2019 and 2018, bank loans and loans from other institutions at short- and long- term are integrated as shown below:

		2019	2018
Direct loans in dollars accruing interest at an average weighted rate of 2.59% and 3.10% on LIBOR at the closure of March 2019 and 2018, respectively, and an average fixed weighted rate of 5.25% in March 2018 (see section "a" of this note").	$	158,277	2,343,193
Direct loans in national currency accruing interest at an average weighted rate of 2.02% and 2.26% on 28-day TIIE in March 2019 and 2018, respectively, and an average fixed weighted rate of 9.36% and 8.37% in March 2019 and 2018, respectively.		6,703,985	5,005,132
Accrued interest		34,402	33,027
Total of bank loans		6,896,664	7,381,352
Less: Current portion of the debt		2,448,153	1,306,041
Total of bank loans and loans from other institutions at long-term	$	4,448,511 ========	6,075,311 ========

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 March 31, 2019 and 2018 amounts $210,367 and $173,263, respectively, which is recorded in the consolidated income statement under the heading "Interest Expenses" (see note 19).

As of March 31, 2019 and 2018, the balance for paid fees due to the use of loans pending to be amortized amounts $19,376 and $19,740, respectively, and it is recorded under the heading "Other assets, net" in the consolidated balance sheet. The charge to income from the amortization of such fees in the years ended on March 31, 2019 and 2018 amounts to $6,471 and $5,836, respectively (see note 21).

As of March 31, 2019 and 2018, the Company holds 11% 36%, 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 March 31, 2019 and 2018, there are lines of credit hired with national and foreign financial institutions for 395 and 304 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 80.5 million dollars at variable rate. As of March 31, 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. Additionally, 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.

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 new units or spare parts (floor plan). As of the end March 2019 and 2018, this line was not used.

(b) *Bank loans in national currency:*

As of March 31, 2019 and 2018, there are lines of credit denominated in pesos hired by the Company to national financial institution for $5.320 and $5.037 billion pesos respectively.

As of March 31, 2019 and 2018, most of the lines of credit in dollars and in national currency are secured by the loan portfolio in the amount of $8,863,910 and $8,640,782, Pesos respectively. (Note 10a).

(Thousands of pesos)

The lines of credit require compliance with certain obligations, restrictions and financial indexes, which the Company has duly met as of March 31, 2019 and 2018.

As of March 31, 2019, maturities of the bank and other institution loans are as follows:

Maturity year		Pesos	Appreciated dollars
2020	$	2,293,083	155,070
2021		1,146,229	3,592
2022		2,860,166	-
2023		303,486	-
2024		100,567	-
2025		34,471	-
	$	6,738,002	158,662
		$ 6,896,664	
		=======	

(16) Sundry creditors and other accounts payable-

As of March 31, 2019 and 2018, the sundry creditors and other accounts payable are as shown below:

		2019	2018
Creditors for settlement of transactions:			
24- and 48-hour foreign exchange trading (note 6)	$	427,474	475,415
Sundry creditors and other accounts payable:			
Sundry creditors		57,179	63,642
Security deposits		723,606	588,865
Income tax payable		-	1,784
Trust portfolio deposits and collection to be delivered to the Trust		1,666	3,359
Payable tax (Income Tax and Value-Added Tax)		3,071	27,359
Provisions for different obligations		7,707	13,985
Related companies (note 17)		1,095,761	122,119
Employee benefits		34,610	34,824
Other taxes		2,195	1,859
Deposits and balance in favor of clients		87,627	58,024
Employee profit sharing payable		2,684	2,805
Other		68,704	60,195
	$	2,512,284	1,454,235
		========	========

(Thousands of pesos)

(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 March 31, 2019 and 2018, are integrated as shown below:

		2019	2018
Balances receivable (note 10):			
Loan portfolio:			
Navistar México, S. de R. L. de C. V.	$	192,153	1,370,687
International Parts Distribution, S. A. de C. V.		2,369	1,671
Navistar Financial Corporation		1,865	2,938
	$	196,387	1,375,296
		======	=======
Other accounts receivable (note 11):	**$**	26,481	503
Navistar Comercial, S. A. de C. V.			
Navistar México, S. de R. L. de C. V.		25,467	18,150
Navistar International Corporation		6,630	4,757
Transprotección Agente de Seguros, S. A. de C. V.		1,917	1,552
Navistar Inc.		1,565	1,479
International Parts Distribution, S. A. de C. V.		64	69
Navistar Financial Corporation		61	527
	$	62,185	27,037
		=====	=====
Balances payable (note 17):			
Navistar México, S. de R. L. de C. V.	$	1,070,441	47,588
Navistar Inc.		22,736	2,114
Navistar Financial Corporation		2,090	9,927
Navistar International Corporation		452	448
Transprotección Agente de Seguros, S. A. de C. V.		42	61,672
International Parts Distribution, S. A. de C. V.		-	370
	$	1,095,761	122,119
		========	=======

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)

Below are the transactions carried out with associated companies for the years ended on March 31, 2019 and 2018.

		2019	2018
Revenues:			
Interest accrued in favor:			
Navistar México, S. de R. L. de C. V.	$	42,906	84,666
International Parts Distribution, S. A. de C. V.		7,250	5,305
Navistar Financial Corporation		6,787	4,873
Navistar Comercial, S.A de C.V.		546	41
Placement service fees:			
Navistar México, S. de R. L. de C. V. (note 22)		27,593	26,566
Administrative services:			
Transprotección Agentes de Seguros, S. A de C. V.		4,903	4,718
Navistar Comercial, S. A. de C. V.		993	-
Navistar México, S. de R. L. de C. V.		445	160
Other income:			
Navistar México, S. de R. L. de C. V.		218	209
International Parts Distribution, S. A. de C. V.		145	141
		=======	======
Expenses:			
Technical assistance and telephone service expenses:			
Navistar México, S. de R.L. C.V.	$	61	90
Other service fees and service rates:			
Navistar Financial Corporation (note 23)	$	2,689	2,429
Interest expenses for granting securities:			
Navistar International Corporation		267	262
Navistar Financial Corporation		241	5,459
Navistar México, S. de R. L. de C. V.		89	238

	2019	2018
Other management expenses		
Navistar México, S. de R. L. de C. V.	261	228
Accrued interest:		
Transprotección Agentes de Seguros, S. A de C. V.	305	689
	=====	======

(18) Shareholder's equity-

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

(a) Structure of corporate equity-

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

		Thousands of pesos	
	Number of shares (1)	Corporate equity	Additional paid-in capital
Figures as of March 31, 2019 and 2018	2,425,035	$ 283,177	111,961
		======	======

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

(b) Shareholder's equity restrictions-

The year profit is subject to the separation of 10% to comprise the legal reserve, until it represents one fifth of the corporate equity. The legal reserve as of March 31, 2019 and 2018 amounts $122,535m reaching the minimal required.

The corporate equity refunding and the retained earning distributions, as well as other shareholders' equity accounts respect to which the income tax had already been paid, may be performed without any burden. Other refunding and distribution in excess of than the amounts intended for tax purposes are subject to ISR.

(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 March 31, 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	$	74,479	68,257
Non-controlling interest		1	1
Comprehensive income	$	74,480	68,258
		======	======

(19) Financial margin-

The elements of the financial margin for the years ended on March 31, 2019 and 2018 are analyzed below:

		2019	2018
Interest Income:			
From:			
Loan portfolio	$	234,052	244,389
Intercompany loans		546	41
Financial lease		142,465	111,989
Investments and repurchase debtors (notes 7 and 8)		6,287	9,344
Fees for granting loans (note 10g)		15,567	18,979
Exchange income		7,269	3,027
Total interest income		406,186	387,769
Interest expenses:			
Bond Interest expenses (note 10c)		(12,547)	(25,631)
Amortization of debt issue expenses (note 14)		(8876)	(10,495)
Other debt issue expenses		(597)	(5,959)
Interest expenses derived from bank loans and loans from other institutions, as well as Company's security liabilities (note 15)		(210,367)	(173,263)
Amortization of expenses derived from bank loans and loans from other institutions (note 15)		(6,471)	(5,836)
Amortization of origination costs (note 10g)		(5,469)	(4,938)
Other origination costs		(2,822)	(1,152)
Exchange income		(967)	(1,766)
		(248,116)	(229,040)
Total financial margin	$	158,070	158,729
		======	======

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)

(20) Collected fees and rates-

For the years ended on March 31, 2019 and 2018, the accounts receivable are integrated as shown below:

		2019	2018
Placement service fees collected from related companies (note 17)	$	27,593	26,566
Placement service fees		3,728	3,296
Other collected fees and rates		15,135	12,916
	$	46,456	42,778
		======	======

(21) Paid fees and rates-

For the years ended on March 31, 2019 and 2018, paid fees and rates are as shown below:

		2019	2018
Fees for collection service and others (note 17)	$	(2,689)	(2,429)
Bank fees		(809)	(1,193)
	$	(3,498)	(3,622)
		=====	=====

(22) Intermediation income, net

For the years ended on December 31, 2019 and 2018, the intermediation income is as shown below:

		2019	2018
Assessment of trading derivatives (note 9)	$	(18,021)	(6,966)
Loss derived from the trade of derivative instruments (note 9)		(4,359)	(8,101)
Foreign exchange (loss) due to currency valuation		(4,713)	5,007
	$	(27,093)	(10,060)
		======	=====

(23) Operating lease income-

For the years ended on March 31, 2019 and 2018, the operating lease income is as shown below:

		2019	2018
Operating lease income	$	161,314	118,400
Depreciation of property in operating lease (note 12)		(110,680)	(88,473)
	$	50,634	29,927
		=======	======

(Thousands of pesos)

The Company works only the loan segments and the operating lease segment. The operating lease income in 2019 and 2018 amounted to $50,634 and $29,927, 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 March 31, 2019 and 2018, other operating income is comprised as shown below:

		2019	2018
Other operating income, net:	$	11,178	1,235
Release of preventive estimate (note 10b)		10,581	2,646
Other lease benefits (purchase option at reduced price)		8,490	5,258
Effect of estimate and deterioration of the awarded assets		(3,674)	(6,656)
Awarded sale income		4,552	887
Recovery of previously non-performing loan portfolio (note 10f)		3,656	10,976
Effect of the estimate corresponding to non-recoverable or difficult collection		5,299	(17,406)
Income derived from real property, furniture and equipment sales		4	10
Total of other operating income, net	$	40,086	(3,050)
		=====	======

(Thousands of pesos)

(25) Financial indicators-

The major financial indicators as of December 31, 2019 and 2018 are presented below:

	2019	2018
Delinquency rate	3.49%	2.57%
Hedge ratio of non-performing loan portfolio	119.45%	134.74%
Operational efficiency *(management and promotion expenses/ total average assets)*	1.78%	1.81%
ROE (*average net earnings/shareholder's equity*)	7.78%	8.35%
ROA (*average net earnings/total assets*)	1.93%	1.81%
Liquidity (*liquid assets/liquid liabilities*) *	21.97%	11.23%
*Year risk-adjusted financial margin / average performing assets***	2.22%	3.54%

* *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 investment, 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) Commitments and contingent 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 tax limitations and obligations regarding the determination of agreed prices, since these shall be comparable to those performed by or between independent parties in similar transactions.

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

(d) The Company rents the premises occupied by its administrative offices, as well as the employee's parking lots, according to lease agreements with set expiration dates. For the years ended on March 2019 and 2018, the expenses derived from leasing administrative offices and parking lots amounted $2,078 and $1,961, respectively. The total rents are included under the heading “Administrative Expenses” in the consolidated income statement.

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

(28) Regulatory pronouncement recently issued-

(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 estimate, determined for the year when such modification occurred, as well as the recoveries corresponding to previously non-performing loans or eliminated loans, may be recognized in the year income under the heading these estimates were originally registered (which is, in both cases, “Preventive credit risk estimates”), instead of under the heading “Other operating income, net”, where these 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 be applicable to credit institutions at their implementation deadline, so these financial entities may be able to comply with such Standards. The mentioned FRSs are the following: B-17 “Fair value determination”, C-3 “Accounts receivable”, C-9 “Provisions, contingencies and commitments2, C-16 “Deterioration of the financial instruments receivable”, C-19 “Financial instruments payable”, C-20 “Financial instrument to collect 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, published on December 27, 2017 was published in the DOF. Such modifications referred to section b) Accounting Criteria A-2 “Application of specific standards”, extending the implementation deadline of the referred FRSs previously set on 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, allowing its early application. 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. The major changes include:

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

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

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

- It modifies the recognition of profit or loss when a seller-lessee transfer 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.

Improvements to FRS 2019

In December 2018, the CINIF issued the document "Improvements to FRSs 2019" which contains specific changes to some of the already existing FRSs. The improvements done to the FRSs do not cause accounting changes in the annual consolidated financial statements.

The Company's Management is in the process of estimating the impact of implementing these FRSs and FRS improvements on the Company's consolidated financial statement.