2016 FOURTH QUARTER

NAVISTAR® FINANCIAL

VARIATION ANALYSIS

REMARKS ON RESULTS

ABOUT THE FINANCIAL SITUATION

NAVISTAR FINANCIAL MEXICO

Navistar Financial came to Mexico in 1997, operating together with Servicios Financieros Navistar, with the main goal of funding the Floor Plan of the International Dealers Network — 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 in order to be able to offer a broader range of financial products.

On December 7, 2017, it was agreed to carry out a merger 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 established, including that the SOFOMES ENR issuing debt must be entities regulated by the National Banking and Securities Commission (CNBV); later, 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), by means of which Navistar Financial became an "E.R.", entity regulated by the CNBV since March 1, 2015.

BALANCE SHEET HEADINGS

The ***Availabilities and Repurchases*** have a positive variation of $978 mmp, with a total balance of $1.358 bmp, comprised by (i) $407 mmp in cash restricted by the issuance of Senior Trust Bonds (CBF), which may be used to pay the liabilities of this same issue.

On October 7, 2016, resulting from a new issue of CBF NAVISCB16, an Interest Rate Option was hired in compliance with the Trust Agreement entered into.

Consequently, the **Derivative** heading shows an increment of $28.5 mmp compared to December 2015; the balance comprises one CCSwap, two Interest Rate Options acquired in compliance with the Trust Agreement entered into as a result of the issue of CBF, with a notional value of $1.8 bmp, one Interest Rate Option with a notional value of $616.5 mmp and a new Interest Rate Option with a notional value of $536.3 mmp; such instruments show a mark-to-market (MTM) of $(35.3) mmp.

It is worth to mention that the company, as of December 31, 2016, has executed 6 Trusts, which are described below:

A. On September 5, 2016, an Irrevocable Management Trust Agreement was entered into by Navistar Financial as Settlor and Trustee 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 by a portfolio of $604.9 mmp as of December 31, 2016.

B. On November 5, 2015, an Irrevocable Management Trust Agreement was entered into by Navistar Financial as Settlor and Trustee 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). The trust assets of this trust are comprised by a portfolio of $527 mmp as of December 31, 2016.

C. On January 30, 2015, an Irrevocable Guarantee Trust Agreement was executed by Navistar Financial as Settlor and Trustee in second place, Banco Invex, S.A, Institución de Banca Múltiple, Invex Grupo Financiero ("Invex") as Fiduciary, and CITIBANK, N.A. as Trustee 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 the closing of December 2016, the balance of the contributed portfolio is $570 mmp.

D. In October, 2014, Navistar Financial ("Settlor", "Trustee in Second Place") entered into an Irrevocable Guarantee Trust Agreement with (i) Export Development Bank of Canada (EDC) "Trustee 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 December 31, 2016, amount to $1.370 bmp.

E. In November, 2013, Navistar Financial ("Settlor", "Trustee 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 ("Trustee") and (ii) Nacional Financiera, Sociedad Nacional de Crédito, Institución de Banca de Desarrollo ("NAFIN" and "Trustee 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 December 31, 2016, amount to $3.356 bmp.

F. In May, 2013, an Irrevocable Management Trust Agreement was entered into by Navistar Financial as Settlor and Trustee 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 18,000,000 CBF with a nominal value of MX$100.00 (one hundred 00/100, Mexican pesos), both executed by Invex. As of the closing of December, 2016, the Trust is comprised by a portfolio of $1.243 bmp; such issue is in the stage of amortization.

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

As of the closing of 4Q16, the Company's **net liabilities from liquid assets** reflect an increase of $584.4 mmp, equivalent to an increase of 6.8%, compared to the same period the previous year as result of an increase in the bank loans, which are a consequence of the increase in the operating lease program.

The heading **Stock Liability** shows a balance of $2.977 bmp, comprised by the equity and interest of (i) a CBF in the amount of $487.4 mmp, corresponding to the issue NAVISCB13, (ii) a CBF in the amount of $399.6 mmp for the issue NAVISCB15 (first issue under a program for $5 bmp, 5-year revolving program authorized on November 5, 2015), (iii) a CBF in the amount of $478.7 mmp corresponding to the issue NAVISCB16 (second issue under a program for $5 bmp), and (iii)[sic] Short-Term Bonds ("CB") in the amount of $1.611 bmp from a $1.8 bmp program.

In **Bank Loans,** there is an increase of $1,514 bmp compared to 4Q15, a consequence of the hiring and availability of funding sources with the commercial bank during this year. As of December 31, 2016 and 2015, 26% and 46%, respectively, of the bank loan balance described before are guaranteed by Navistar International Corporation ("NIC") or by Navistar Financial Corporation ("NFC").

In 4Q16 and 4Q15, the bank liabilities are guaranteed by the loan portfolio and transport equipment intended to operating lease in the amount of $11.245 and $9.895 bmp, respectively. In addition, as of the closing of December, 2016, the company has a free current portfolio of $2.837 bmp, getting a 2.09 times benchmark of free current portfolio, compared to the outstanding balance of the issue of the current commercial paper.

HEADINGS IN THE INCOME STATEMENT

The financial information corresponding to the 2015 period includes changes in its presentation in order to make it comparable to the same period in 2016 (current regulations). Additionally, the percentages related to portfolio are organized in an annual basis.

As of the closing of 4Q16 the ***Financial Margin,*** without effect due to the exchange rate fluctuations, reaches $516.3 mmp, which means a negative variation of $39.4 mmp compared to the same period of the previous year, which is mainly explained by the raise in the funding rates of one year in comparison to the other. The interest-hedging ratio, without effect due to the exchange rate fluctuation, changed in 4Q16, it is 1.9x (2.0x 4Q15), so the Company is in compliance with the required bank obligations.

In order to comply with the secondary regulation issued by the CNBV and published in the Official Gazette of the Federation on January 12, 2015, from June 2015 the basic financial statements include a change in the presentation of the operating lease movements, and it shows the operating lease income, as well as its depreciation, under the heading "Income from operating lease", within the heading "Operating income".

Regarding the ***Preventive Credit Risk Estimate***, a significant variation of $129.9 mmp is observed in comparison to the previous year, which represents a 131%; mainly, because of the implementation of criteria for the classification of non-performing portfolio of the Single Circular of Banks previously mentioned.

Consequently, ***Financial Margin adjusted by the credit risks,*** without effect due to exchange rate fluctuation, shows a negative variation of $169.3 mmp. As part of the Operating Income, the following items are included:

(i) Net fees and commissions collected and paid show a positive variation reflected in an income of $51.8 mmp, resulting from the rise in the commissions collected for commercial credits derived from the program increment in the loan portfolio.

(ii) Intermediation Income shows a positive impact of $41.2 mmp derived from:

a) A positive variation of $50.0 mmp, explained by the exchange rate fluctuation and derivative instruments; for analysis issues, the net impact of the currency position (excluded in the Financial Margin) must be taken, which, as of 4Q2016, reaches a profit of $43.4 mmp against a loss of $1.9 mmp in this same period the previous year.

b) Negative variation because of the Interest Rate, this instrument shows an increment in its 2016 value derived from the volatility of the Interbank Balance Interest Rate ("TIIE"), and the long-term curve. Aggregate to 3415 [sic], there were negative effects of $3.4 mmp on these Instruments and, during 2016, positive effects of $5.4 mmp has been maintained.

Such instrument is monthly appraised to Fair Value, based on the models commonly used in the financial markets for this type of transactions, 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 connected to this rate will be reimbursed by the financial intermediary in exchange of the premium paid at the beginning of the transaction.

(i) ***Management Expenses***: the expenses indicator over the total managed portfolio is 1.93%, a number 29 pbs lower than that of the 4Q15 (2.21%). A reduction of $13.0 mmp can be observed against 4Q15, derived from the saving strategies implemented by the company in 2016, focused on optimizing resources.

Within the heading **Caused and Deferred Income Taxes,** a negative variation of $74.6 mmp is shown; this effect is consequence of: i) the income provision which increase is directly related to the result of the fiscal year and ii) an increase in the deferred tax, resulting from a decrease in the fixed assets in 4Q2015

FUNDING SOURCES

As of December 31, 2016, the Company had $14.359 bmp in approved funding sources, which were distributed as follows: (i) 31.7% in domestic and foreign commercial bank, (ii) 47.6% in domestic and foreign development bank, (iii) 9.5% in CBF, and (iv) 11.2% in CB.

The Company maintains $3.439 bmp in lines available with funding banks.

The lines available with NIC and NFC are still being operated as collateral of some bank lines and/or as work capital through intercompany loans intended to the acquisition of new units or spare parts of the Floor Plan; in this latter case, as of the end of December, 2016, the line was not available as work capital.

Since November 2016, the Company settled the loan with DCI (a Navistar Financial affiliate); therefore, at the closing of December, 2016, there is no outstanding balance with this affiliate.

There is an issue of CBF NAVISCB13 in the amount of $1.8 bmp through Trust 1455, opened in Invex, with a 1835-day term, considering a 36-month revolving period and 24 months for its amortization. This issuance was carried out by means of two offers, the first in May, 2013, in the amount of $1 bmp, and the second in November, 2013 in the amount of $800 mmp. The Company holds 100% of the property rights of the aforementioned trust assets. The balance as of December 31, 2016, amounts to $485.8 mmp.

In November 2015, the first CBF issue was performed under the Senior Bond Certificate program authorized on November 5, 2015 for up to $5 bmp. This first issue, NAVISCB15 in the amount of 616.5 mmp, was executed through Trust 2537, opened with Invex, with a 1893-day term and monthly amortizations. As of the closing of December, 2016, the balance of the contributed portfolio is $398.3 mmp. The Company holds 100% of the property rights of the aforementioned trust assets.

In September, 2016, the second CBF issue was performed under the Senior Bond Certificate program authorized on November 5, 2015 for up to $5 bmp. This second issue, NAVISCB16, in the amount of $477.1 mmp, was executed through Trust 2844, opened with Invex, with a 1985-day term and monthly amortizations. The Company holds 100% of the property rights of the aforementioned trust assets.

Additionally, the Company had a short-term CBs program of $1.8 bmp; such program was renewed and extended on February 17, 2017, and its balance as of December 31, 2016, is $1.605 bmp.

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

	Dec-16	%	Dec-15	%
Debt in pesos fixed rate	2,956,484	38%	1,036,518	11%
Debt in pesos with CAP	1,361,306	18%	1,800,000	19%
Debt in pesos variable rate	3,379,919	44%	2,649,113	28%
TOTAL PESOS	**7,697,709**		**5,485,631**	
Debt in US dollars fixed rate	0	0%	21,198	4%
Debt in US dollars variable rate	156,502	100%	219,117	38%
TOTAL US DOLLARS	**156,502**		**240,315**	

The Company, within its risk management activities, frequently requires to hire financial derivative instruments such as Currency Swaps (CCSwap) that help Navistar Financial to keep optimum levels of safety, liquidity and costs regardless of the currency in which the credit or loan transaction may be performed.

As of December 31, the Company hired a CCSwap with a par value of 35 mmd.

According to the Trust Agreement entered into as a result of the issue of the CBF NAVISCB13, two Interest Rate Options were hired under the following conditions:

- CAP on TIIE
- Par value: 1.0 bmp
- Start Date: May 31, 2013
- Maturity Date: May 15, 2018
- Counterparty: BANCO NACIONAL DE MÉXICO S.A. MEMBER OF GRUPO FINANCIERO BANAMEX
- Strike: 6%
- Premium: 13.5 mmp

- CAP on TIIE
- Par value: 800.0 mmp
- Start Date: November 29, 2013
- Maturity Date: May 15, 2018
- Counterparty: BBVA BANCOMER S.A.

- Strike: 6%
- Premium: 12.1 mmp

According to 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
- Par value: 616.5 mmp
- Start Date: December 3, 2015
- Maturity Date: August 15, 2019
- Counterparty: BBVA BANCOMER S.A.
- Strike: 5%
- Premium: 3.6 mmp

Additionally, and according to 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
- Par Value: 536.3 mmp
- Start Date: October 07, 2016
- Maturity Date: September 15, 2020
- Counterparty: BBVA BANCOMER S.A.
- Strike: 6%
- Premium: 4.6 mmp

Consistently, the Company carries out these transactions in the OTC market and, as part of its guidelines, the institutions with which it operates or executes the derivatives must be institutions with which it 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 respective entity, besides considering risk factors, economic soundness and commitment of each selected company.

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