2017

FOURTH QUARTER

NAVISTAR®
FINANCIAL

VARIATION ANALYSIS

COMMENTS ON THE RESULTS

ABOUT THE FINANCIAL SITUATION

NAVISTAR FINANCIAL MEXICO

Navistar Financial came to Mexico in 1997 and operated 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 issuing debt SOFOMES ENR must be entities regulated by the National Banking and Securities Commission (CNBV); later, on January 12, 2015, the federal government published on 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 financial information of Navistar Financial, S.A. de C.V. SOFOM E.R. (Navistar Financial or the "Company") *submitted for the fiscal year 2016 includes changes in its representation order to make it comparable to the fiscal year 2017 (current regulations)*.

The Company's ***Assets*** show a positive variation of $529.4 mmp compared to the 4Q16; such variation is mainly explained by the increment in the current loan portfolio and in the equipment intended for operating lease; increment in other accounts receivable (net) and reduction in the availabilities.

The ***Availabilities and Repurchases*** have a negative variation of $1,247.0 mmp, with a total balance of $518.5 mmp, comprised by (i) $367.6 mmp in cash restricted by the issuance of Senior Trust Bonds (CBF), which may be used to pay the liabilities of this same issues and (ii) $150.8 for availabilities.

On October 20, 2016, resulting from a new issue of CBF NAVISCB17, an Interest Rate Option was hired in compliance with the Trust Agreement entered into.

Consequently, the **Derivative** heading shows a reduction of $17.6 mmp compared to December 2016; the balance comprises four 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 $200 mmp, an Interest Rate Option of notional value of $222 mmp, an Interest Rate Option of notional value of $304 mmp, and a new Interest Rate Option with a notional value of $680 mmp; such instruments show a mark-to-market ("MTM") of $(17.7) mmp.

The ***Net Loan Portfolio*** reflects an increment of $1.3377 bmp, equivalent to a positive variation of 12.9%, compared to 4Q16, which is explained mainly through:

(i) Increment in the current loan portfolio $1.4091 bmp integrated by: Increase in the retail portfolio for $713.9 mmp and b) increment of $695.2 mmp in the commercial loan portfolio at short term of the International dealer network; both increments are a consequence of the positive results of the commercial strategies of the company to satisfy the market needs.

(ii) The **Non-Performing Loan Portfolio**, as of the closing of 4Q17, shows a balance of $287.1 mmp, representing 2.5% of the total portfolio, according to the Exhibit 34 of the Single Circular of the Bank (4Q16 2.6%). This reduction results from the strengthen of the collection area in the Company and the continued improvement of its strategies during the year 2017; which results into a healthier indicator compared to the same period the previous year.

The **Preventive Estimate for Credit Risk** shows a decrease of $37.8 mmp, maintaining a hedge of 1 time ("x") the expected loss and of 1.33 x the non-performing portfolio (4Q2016 1.06x). 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 December 31, 2017, has executed 6 Trusts, which are described below:

A. On October 17, 2017, an Irrevocable Management Trust Agreement was executed 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 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 by a portfolio of $774 mmp as of December 31, 2017.

B. On September 05, 2016, an Irrevocable Management Trust Agreement was executed 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 $374 mmp as of December 31, 2017.

C. On November 05, 2015, an Irrevocable Management Trust Agreement was executed 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 $289 mmp as of December 31, 2017.

D. 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 ()), 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 of the closing of December 2017, the balance of the contributed portfolio is $346 mmp.

E. 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, 2017, amount to $1.301 bmp.

F. In November 2013, Navistar Financial (Settlor, Beneficiary in second place and Commission Agent), entered into an Irrevocable Escrow Agreement with (i) Nacional Financiera, Sociedad Nacional de Crédito, Institución de Banca de Desarrollo, Dirección Fiduciaria (Fiduciary) and (ii) Nacional Financiera, Sociedad Nacional de Crédito, Institución de Banca de Desarrollo ("NAFIN" and "Beneficiary" in first place). 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, 2017, amount to $3.644 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 ***Accounts Payable*** shows a negative variation of $240.4 mmp, which mainly results from the increment in the balance payable to the dealer network, generated the last days of the months and from the increment of the security deposits for the granted loan.

The heading ***Awarded Assets,*** as of the closing of March 2017, shows a negative variation in the award indicator on the 34pbs portfolio as a consequence of a higher volume in the awarding, particularly in real property, and a less stock rotation of these assets: 0.89% in 4Q17 against 0.55% in 4Q16.

In relation to ***Equipment Intended to Operating Lease,*** as of 4Q17 there are an $95.0 mmp increment compared to 4Q16, representing a growth of 4.9%. This resulted from the Operating Lease program, permanently focused on big fleets targeted funding.

The headings ***Other Assets*** shows a reduction of $31.4 mmp, caused mainly by the increment in expenses for credit instrument issue and other differed expenses.

As of the closing of 4Q17, the Company's **Net liabilities of liquid assets** reflect a reduction of $726.1 mmp, equivalent to an increment of 7.9% in comparison to the same period of the previous year.

The heading **Stock Liability** show a balance of $2.9424 bmp comprised by the principal and interest of (i)CBF in the amount of $233.4 mmp in the NAVISCB15 issue (first issued under a $5.000 bmp, 5-year revolving program authorized on November 5, 2015), (ii) CBF in the amount of $301.5 mmp corresponding to the issue NAVISCB 16 (second issue under the $5.000 bmp program), (iii) CBF in the amount of $658.9 mmp corresponding to the NAVISCB17 issue (third issue under a $5.000 bmp program), and (iii) Short-Term Bonds ("CB") in the amount of $1.7486 bmp of a $1.800 bmp program.

Regarding **Bank Loans** there is a reduction of $486.5 mmp vs 4Q16, consequence of the strategy implemented in 2017 in the treasury area, which has resulted into resource efficiency and better management of such resources. As of December 31, 2017, and 2016, the 41%, respectively, of the bank loan balance described before are guaranteed by Navistar International Corporation) or by Navistar Financial Corporation ("NFC").

In 4Q17 and 4Q16, the bank liabilities are guaranteed by the loan portfolio and transport equipment intended to operating lease in the amount of $8.701 and $9.045 bmp, respectively. In addition, as of the closing of December 2017, the company has a free current portfolio of $3.835 bmp, getting a 2.20 times benchmark of free current portfolio, compared to the outstanding balance of the issue of the current commercial paper.

Moreover, the Deferred Loans and Advanced Collections show a variation of $17.0 mmp, representing a positive variation of 14.8% compared to 4Q2016. This is mainly because an increment in the financial accrual income and commissions collected in advance because the granting of loans.

The Company shows financial soundness, which is reflected on a capitalization level (equity/total portfolio) equivalent to 26.5% (4Q16 25.6%) and a net leverage level of the liquid assets of 3.6x (4Q16 3.7x), based on the bank covenants.

HEADINGS IN THE INCOME STATEMENT

The financial information corresponding to the fiscal year 2016 includes changes in its presentation in order to make it comparable to the same period in 2017 (current regulations). Additionally, the percentages related to portfolio are organized in an annual basis.

As of the closing of 4Q17, **the Financial Margin**, not effected because the exchange rate fluctuation amounts to $567.2 mmp, which represent a positive variation of $50.8 mmp vs the same period in the previous years, which is mainly explained by an increment in the commercial loan volume granted on 2017. The interest coverage ratio for 4Q17, not effected because of the exchange rate fluctuation, is 1.6x (1.7x 4Q16), so the Company is in compliance with the required bank obligations.

Regarding the ***Preventive estimates for credit risks,*** it shows positive variation in relation to the previous year in the amount of $105.4 mmp, representing a reduction of 46%; this is mainly because of the balance between the appropriate portfolio risk control and the implementation of criteria for the classification of non-performing portfolio of the single circular aforementioned.

Consequently, the ***Financial Margin adjusted by the credit risks***, not effected by the exchange rate fluctuation, shows a positive variation of $156.2 mmp.

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

(i) The net of commissions and tariffs collected and paid shows a positive variation reflected in the income of $4.3 mmp, because of the increment in the commissions collected for commercial loans derived from the increment in the retail loan portfolio.

(ii) Intermediation income shows a negative impact of $43.4 mmp, resulting from:

a) A positive variation of $96.2 mmp, explained by the rate exchange fluctuation and derivative instruments; for analysis issues, the net impact of the currency position (excluded in the Financial Margin) must be taken, in 4Q2017 it reaches a loss of $32.9 mmp against a profit of $43.4 mmp in this same period the previous year.

b) Negative variation because of the Interest Rate transactions, this instrument shows a decrease in its 2017 value derived from the volatility of the Interbank Balance Interest Rate ("TIIE") and the long-term curve.

Aggregate to 4Q16, there were positive effects of \$5.4 mmp on these instruments, but during 2017 there has been negative effects of \$47.4 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 connected to this rate will be reimbursed by the financial intermediary in exchange of the premium paid at the beginning of the operation.

(i) ***Management Expenses***; the expenses indicator over the total managed portfolio is 2.13%, a number 21 pbs higher than the 1.92% of 4Q16. An increment of \$57.0mdp is shown vs 4Q16, resulting mainly from an increment in the fees related to external consultancy, expenses related to the placement volume, payroll expenses because of the strength of the organizational structure and because of an extraordinary positive effect in 2016 which reduced the expenses of that year.

Under the heading ***Caused and Deferred Income Taxes*** there is a positive variation of \$10.3 mmp, such effect derives from the differed tax, which is lower this year as a consequence of the reduction of expenses provisions and advance payments, as well as an increment in the deferred income.

FUNDING SOURCES

As of December 31, 2017, the Company had $14.2502 bmp in approved funding sources, which were distributed the following way: (i) 29.9% in domestic and foreign commercial bank, (ii) 49.5% in domestic and foreign development bank, (ii) 8.3% in CBF, and (iv) 12.2% in CB.

The Company maintains $3.8459 bmp in available lines with funding banks.

The available lines with NIC and NFC are still being operated as guarantee of some bank lines and/or as work capital through intercompany loans intended to the acquisition of new units or spare parts of the Floor Plan; in this latter case, as of the end of December 2017, the line was not available as work capital.

In November 2015, the first CBF issuance was performed under the Senior Bond Certificate program authorized on November 5, 2015 for up to $5.000 bmp. 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 December 2017, the balance of the contributed portfolio is $233.4 mmp. The Company holds 100% of the property rights certificates of the aforementioned trust.

In November 2015, the first CBF issuance was performed under the Senior Bond Certificate program authorized on November 5, 2015 for up to $5.000 bmp. This first issue, NAVISCB16 in the amount of 616.5 mmp, was executed through the Trust 2844, opened with Invex, with a 1985-day term and with monthly amortizations. As of the closing of December 2017, the balance of the contributed portfolio is $301.5 mmp. The Company holds 100% of the property rights certificates of the aforementioned trust.

In October 2017, the third CBF issuance 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 December 2017, the balance of the contributed portfolio is $658.8 mmp. The Company holds 100% of the property rights certificates of the aforementioned trust.

Additionally, the Company has a short-term CBs program of $1.800 bmp; such program was renewed and extended on February 17, 2017, and its balance as of December 31, 2017 is $1.7486 bmp.

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

	Dec-17	%	Dec-16	%
Debt in pesos fixed rate	3,493,706	43%	2,956,485	38%
Debt in pesos with CAP coverage	1,188,675	15%	875, 474	11%
Debt in pesos variable rate	3,421,000	42%	3,860,558	51%
Subtotal pesos	**8,103,380**		**7,692,516**	
Interest payable	**35,188**		**27,187**	
TOTAL PESOS	**8,138,568**		**7,719,703**	
Debt in dollars fixed rate	3,750	3%	0	10%
Debt in dollars variable rate	13,267	97%	156,502	100%
Subtotal dollars	**117,017**		**156,502**	
Interest payable	**601**		**1,238**	
TOTAL DOLLARS	**117,618**		**157,741**	

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 may be performed.

As of December 31, 2017, the Company did not have hired any CCSwap.

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: 1,000.0 mmp
- 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

According to the Trust Agreement entered into as a result of the issue of the CBF NAVISCB16, one Interest Rate Options were hired under the following conditions:

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

According to the Trust Agreement entered into as a result of the issue of the CBF NAVISCB17, one Interest Rate Options were hired under the following conditions:

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

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

www.navistar-financial.com

(1) Company's activity-

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 with address in Ejército Nacional 904, Colonia Polanco, Delegación Miguel Hidalgo, Mexico City. Its main activity is the granting of loans and financial leasing to individuals or entities for the purchase of automotive vehicles, auto parts, and services related thereto and transport equipment operating lease, mainly of the brand International, through its dealer network all over the Mexican Republic.

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

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

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

(2) Authorization and presentation basis

Authorization –

On February 26, 2018, José A. Chacón Pérez (Chief Executive Officer), Rafael M. Martínez Vila (Chief Financial Officer), Jorge Campos Bedolla (Deputy Comptroller), Claudia I. Montiel Olivares (Accounting Manager) y Nancy H. Trejo González (Internal Control Manager), authorized the issue of the attached consolidated financial statements and their notes.

According to the General Law on Business Corporations, the provisions of the National Banking and Securities Commission's (the Commission) and the bylaws of the Company, the shareholders and the Commission have the capacity to modify the consolidated financial statements after their issue.

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Presentation bases

a) Compliance statement

On January 12, 2015, the resolution modifying the general provisions applicable to Regulated Multi-Purpose Financial Companies (SOFOMES) was published in the Official Gazette of the Federation (the Provisions), which set forth that those SOFOMES with debt securities registered in the National Security Registry, as it is the case of the Company (see note 14), for the registration of its transactions, will apply the accounting criteria for credit institutions in Mexico provided by the Commission in Exhibit 33 of the general provisions applicable to credit institutions, except for the series "D" of such criteria, since they shall apply series "D" criteria relative to the basic financial statements for SOFOMES, in force since 2015.

The accounting criteria indicated in the previous paragraph set forth that in case there are not specific accounting criteria issued by the Commission for the credit institutions, or in a context broader than the Mexican Financial Reporting Standards (FRS), the general complementary rule bases in FRS A-8 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 accounting recognition, a complementary rule belonging to any other regulatory framework may be used, provided that it complies with all the requirements indicated in the aforementioned FRS, and the complementary rule shall be applied in the following order: generally accepted accounting principles in the United States of America (US GAAP) and any accounting standard that is part of a formal and recognized group of standards, as long as it complies with the requirements in the Commission's criterion A-4

b) Use of 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 significant headings, subject to these estimates and assumptions, include preventive estimates for credit risk, residual value of the property in operating lease, assets sold for income tax and employees' deferred profit sharing, assessment of financial derivative instruments, as well as assets and liabilities relative to employee benefits. The actual income may differ from these estimates and assumptions.

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c) Functional and reporting currency

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

For disclosure purposes in the notes to the consolidated financial statements, when referring to pesos, it refers to thousands of Mexican pesos and, and when referring to dollars, it refers to US dollars.

(3) Summary of the main accounting policies-

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

(a) Recognition of the inflationary impact-

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

(b) Consolidation bases-

The consolidated financial statement includes information 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 financial statements of Servicios Corporativos as of and for the years ended on December 31, 2017 and 2016.

(Continued)

(c) Availabilities-

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

(d) Investments in securities-

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

(e) Repurchases-

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

(f) Transactions with financial derivative instruments-

In order to mitigate the risks resulting from the fluctuations in the interest and exchange rates, the Company selectively uses 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; and their accounting treatment is described below:

Swaps y CCS-

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

(Continued)

Options-

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

(g) Loan portfolio-

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

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

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

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

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

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(h) Overdue loans and interest-

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

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

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, and it is recorded in the memorandum account.

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

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

(Continued)

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

(i) Operating lease-

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

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

The depreciation is estimated based on lease agreement terms on the difference between the property acquisition value and its estimated residual value.

(j) Securitization transactions-

The Company performs portfolio securitization transactions where it assesses whether such transaction complies with the asset transfer requirements, in accordance with the provisions of the accounting criteria. If such asset transfer does not comply with the requirements to be canceled, 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 stock certificates are recognized as liabilities under the heading "Stock liabilities”.

(k) Preventive estimates for credit risk-

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

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

(Continued)

(Thousands of pesos)

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

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

The classification of the loan portfolio by risk level as of December 31, 2017 and 2016, is assembled as indicated below:

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

(Continued)

General methodology-

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

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

Where:

Ri= Allowance amount to be integrated for the n-th loan.
PIi= Default probability of the n-th loan.

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

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

Internal methodology-

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

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

Where:

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

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

(Thousands of pesos)

(l) Awarded assets-

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

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

Real property

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

Real property

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

(m) Real property, furniture and equipment-

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

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

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

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

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

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

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

(Continued)

(n) Other assets-

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

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

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

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

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

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

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

The deferred and incurred income taxes and employee profit sharing are shown and classified in the income of the period, except for those originated from a transaction recognized in the OCI or directly under a heading of the shareholder's equity.

(Continued)

(q) Deferred loans-

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

(r) Provisions-

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

(s) Employee benefits-

Post-employment benefit

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

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

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

(Continued)

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

The remediations (previously, actuarial earnings and losses) resulting from the differences between the 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.

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

(t) Recognition of revenues-

The 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.

(u) Transactions in foreign currency-

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

(Continued)

(v) Contingencies-

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

(4) Reclassification-

For comparability purposes, the consolidated balance sheet 2016 was reclassified in order to be according to the presentation used as of December 31, 2017.

(5) Transactions in foreign currency-

The monetary assets and liabilities, in thousands of dollars, as of December 31, 2017 and 2016, are shown below:

	Dollars	
	2017	**2016**
Assets, loan portfolio mainly	115,005	125,362
Liabilities, bank loans mainly	(120,927)	(159,195)
Net asset position	(5,922)	(33,833)
Derivative optional	-	35,000
	(5,922)	1,317

The dollar-peso exchange rate, as of December 31, 2017 and 2016, was $19.6629 and $20.6194 pesos per dollar, respectively.

(Continued)

(Thousands of pesos)

(6) Availabilities-

This heading is, as of December 31, 2017 and 2016, as shown below:

		2017	2016
National bank deposits	$	90,098	334,767
Foreign bank deposits		53,269	396,781
Restricted deposits in national banks		7,437	9,258
	$	150,804	740,806

(7) Investments in securities-

As of December 31, 2017, and 2016, the notes in the amount of $14 and $8 have a 4- and 3-day maturity and a yield rate of 6.27% and 4.66%, respectively.

The interest earned by investments amounted to $3,977 and $5,618, respectively, in December 2017 and 2016.

(8) Repurchases-

As of December 31, 2017, and 2016, the investments in repurchases for $367,638 (including $237,214 in restricted repurchases) and $1,024,688 (including $407,213 in restricted repurchases), respectively, are mainly constituted of repurchases investment of government paper (Bonds and Unibonds), at 4- and 3-day terms, respectively, with a rate interest of 7%-7.05% and of 4.66%-5.70%, respectively.
The restricted repurchases correspond to investments of the Irrevocable Trust 2537, Irrevocable Trust 2844 and the Irrevocable Trust 3290 (see note 10c).

Interest earned by the investment in repurchase amounted to $34,273 in 2017, and $24,031 in 2016; which are reported in the unconsolidated income statement under the heading "Interest Income" (see note 19).

(Thousands of pesos)

(9) Trading derivatives-

As of December 31, 2017, and 2016, the Company has hired financial derivative instruments of rate interest rate options, called Interest Rate Cap (IR CAP), referred to the TIIE, which will allow it to receive the difference of the spot rate and the agreed rate. The IR CAP are amortized as the principal of the stock certificates is paid; however, the cash flows of the options are exercised only when the 28-day TIIE interest rate is above its 6% or 5% limit, as appropriate.

Additionally, as of December 31, 2016, the Company has hired financial derivative instruments that allowed exchange rate and currency flows (CCS), with the aim of optimizing their short-term yield in dollars. The difference between the paid exchange rate and the received exchange rate, as well as the fluctuation in the fair value, was recorded in the consolidated income statement under the heading "Intermediation Income". The CCS allows to receive TIIE in pesos and pay London InterBank Offered Rate (LIBOR) in dollars.

The quantity of the notional amounts and the book value as of December 31, 2017 and 2016 is shown below.

					2017		2016	
Instrument	**Underlying**	**Notional[1]**	**Maturity**	**Premium**	**Impact on income**	**Book value**	**Impact on income**	**Book value**
IR CAP	28-day TIIE	1,000,000	2018	$ 13,496	$ (3,839)	$ 1,231	3,899	5,070
IR CAP	28-day TIIE	800,000	2018	12,150	(3,252)	708	3,062	3,960
IR CAP	28-day TIIE	616,550	2019	3,690	(5,010)	5,230	5,531	10,240
IR CAP	28-day TIIE	536,383	2020	4,630	(2,974)	7,015	5,359	9,989
IR CAP	28-day TIIE	709,522	2022	3,150	353	3,503	-	-
				$ 37,116	$ (14,722)	$ 17,687	17,851	29,259

Type of instrument	**Notional amount[1]**	**Average term**	**Exchange rate agreed**	**Asset**
2016				
CCS-peso-dollar	$ 726,250	28 days	$ 20.75	$ 6,061

(1) The notional amounts of the agreements account for the reference on which the rates and exchange set in the agreement of the financial derivative instruments shall be applied, rather than the loss or earning associated with the market risk or credit risk of the instruments. The notional amounts represent the amount at which the rate or the price is applied to determine the amount of cash flow to be exchanged. Regarding the IR CAP, the notional amount is the reference quantity to which the agreed interest rate will be applied.

(Continued)

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As of December 31, 2017, and 2016, the loss for the trade of financial derivative instruments amounted to ($60,672) and $50,210, respectively (see note 22).

(10) Loan portfolio-

(a) Classification of the loan portfolio-

This heading is, as of December 31, 2017 and 2016, as shown below:

December 31, 2017	Current portfolio National currency	Current portfolio Appreciated Dollars	Current portfolio Total	Non-performing portfolio National currency	Non-performing portfolio Appreciated dollars	Non-performing portfolio Total	Total current and non-performing
Commercial loans	$ 5,490,965	$ 1,692,243	$ 7,183,208	$ 130,527	$ 2,060	$ 132,587	$ 7,315,795
Capitalizable lease portfolio	3,476,985	71,303	3,548,288	120,035	172	120,207	3,668,495
Financial income to be accrued	(581,539)	(4,882)	(586,421)	(10,008)	-	(10,008)	(596,429)
Funded insurances	190,945	4,003	194,948	31,473	427	31,900	226,848
Commercial loans - restricted(1)	556,294	-	556,294	5,275	-	5,275	561,569
Capitalizable lease portfolio restricted(1)	999,438	-	999,438	7,904	-	7,904	1,007,342
Financial income to be accrued of restricted portfolio[1]	(131,297)	-	(131,297)	(796)	-	(796)	(132,093)
	$ 10,001,791	$ 1,762,667	$ 11,764,458	$ 284,410	$ 2,659	$ 287,069	$ 12,051,527

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

[1] See section (e) of this note

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Non-performing portfolio:

The non-performing portfolio classification is presented below by seniority as of December 31, 2017 and 2016:

December 31	Days			More than 2	
	1 to 180	181 to 365	1 to 2 years	years	Total
2017	$ 126,217	$ 68,190	$ 92,406	$ 256	$ 287,069
2016	286,011	59,559	50,474	179	396,223

The analysis of the movements in the non-performing portfolio by quarter as of September 30, 2016 and 2017:

	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Balance at the beginning of the year	$ 276,982	366,502	395,857	396,223
Awards	(3,516)	(7,503)	-	(683)
Write-offs	(16,603)	(17,026)	(5,886)	(35,677)
Collection	(19,985)	(34,672)	(23,333)	(32,104)
Transfer from current to non-performing portfolio	58,448	56,288	72,694	98,350
Transfer from non-performing portfolio to current portfolio	(8,257)	(86,607)	(72,830)	(30,252)
Balance at the end of the year	$ 287,069	276,982	366,502	395,857

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

Maturity year	2017
2018	$ 7,852,401
2019	1,923,014
2020	1,307,294
2021	726,449
2022	233,154
2023	9,215
	$ 12,051,527

(Continued)

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Risk concentration:

As of December 31, 2017 and 2016, the Company's portfolio is comprised by the loans granted to individuals and medium-sized enterprises, and no debtor has a credit risk higher than 10% of the total portfolio, except for the loan granted during 2016 to a related company, which represents the 15% of the total portfolio as of December 31 and 2016 (see note 18).

The loan portfolio concentration by geographic zone as of December 31, 2017 and 2016, is detailed below: December 31, 2017 and 2016.

		2017			2016	
		Portfolio	**%**		**Portfolio**	**%**
Mexico City and State of Mexico	$	2,523,880	21%		2,598,169	25%
Center [1]		850,332	7%		781,408	7%
North [2]		5,309,233	44%		4,104,419	38%
West [3]		2,729,039	23%		2,604,384	24%
South[4]		639,043	5%		663,184	6%
	$	12,01,527	100%		10,751,564	100%

(1) It includes the states of Querétaro, Tlaxcala, Puebla, Hidalgo, Morelos, and Guerrero.

(2) It includes the states of Sonora, Chihuahua, Baja California, Coahuila, Durango, Nuevo León, Sinaloa, and Tamaulipas.

(3) It includes the states of Guanajuato, Jalisco, Colima, Aguascalientes, Nayarit, Michoacán, Zacatecas, and San Luis Potosí.

(4) It includes the states of Oaxaca, Veracruz, Chiapas, Tabasco, Quintana Roo, Campeche, and Yucatán.

(Thousands of pesos)

(b) ***Preventive estimates for credit risk-***

As of December 31, 2017 and 2016, the classification of the assessed portfolio and its preventive estimate is analyzed as it is shown below:

Risk level Assessed portfolio	**Portfolio 2017**	**Portfolio 2016**	**Preventive estimates for credit risk 2017**	**Preventive estimates for credit risk 2016**
A-1	$ 8,317,611	7,608,353	$ 48,631	49,116
A-2	1,258,928	1,151,453	12,544	13,190
B-1	577,255	237,269	10,604	4,190
B-2	405,610	173,403	9,020	3,839
B-3	443,120	317,232	14,656	10,870
C-1	188,633	152,591	14,482	10,664
C-2	244,527	389,777	30,657	56,397
D*	519,559	692,742	172,929	246,186
E*	96,284	28,744	69,237	26,064
Total	$ 12,051,527	10,751,564	$ 382,760	420,516

*Troubled portfolio.

An analysis of the movements in the preventive estimates for credit risk as of December 31, 2017 and 2016 is presented below:

	2017	**2016**
Balance at the beginning of the year	$ 420,516	400,102
Increase of the allowance	305,497	352,658
Release of the allowance	(251,038)	(123,638)
Write-offs	(92,215)	(208,606)
Balance at the end of the year	$ 382,760	420,516

(Continued)

(c) ***Portfolio securitization-***

NAVISCB 13

On September 30, 2013, the Company, as Settlor and Beneficiary in second place, and the Manager, Banco Invex, S.A Institución de Banca Múltiple, INVEX Grupo Financiero, as Fiduciary entered into an agreement to create the Irrevocable Trust Agreement Number 1455 (the Trust), with the purpose of establishing a program in Mexico for the issuance and public offer of Senior Trust Bonds

Such Trust consisted of the securitization of the current loans in Mexican pesos, through the assignment of the loan rights of the financial leasing operations and simple loans for purchasing transport equipment. As of the closing of September 2017, such issue has been paid in full, so the remnant assets in this Trust were charged back to Navistar Financial, as Settlor in second place.

As of December 31, 2016, the collection rights given to the Trust amounted to $1,144,440.

As of December 31, 2016 obligation balance on the NAVISCB 13 amounted to $485,832 (see note 14). Additionally, the interest payable as of December 31, 2016, amounts to $1,629. The obligations on such certificates, which only payment source is the collection of collection rights, yields interest of $7,019 and $69,868 in December 2017 and 2016, respectively, which are recorded in

the consolidated income statement under the heading "Interest Expenses"(see note 19).

NAVISCB 15

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

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

According to the Trust Agreement, the Company began with a capacity of 1.20, which will grow to 1.30 (target capacity), in order for the Company to have the right of the surplus in the generated flows once the capacity exceeds the 1.30. As of December 31, 2016, the collection rights given to the Trust amounted to $1,144,440. $289,300 and $503,479, respectively.
Any remnant of the issue will be delivered to the Company once all stock certificates have been settled.

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

As of December 31, 2017 and 2016, the balance of the obligation on the NAVISCB 15 amounts to $232,412 and $398,325, respectively (see note 14). Additionally, the interest payable as of December 31, 2017 and 2016, amounts to $971 and $1,317, respectively. The obligations on such certificates, which only payment source is the collection of collection rights, yields interest of $26,315 and $29,521, respectively, which are recorded in the consolidated income statement under the heading "Interest Expenses"(see note 19).

The rating awarded on October 26, 2015 by HR Ratings de México S. A. de C. V. was "HR AAA(E)", which was ratified on December 31, 2016.
Additionally, the rating granted on October 21, 2015 to the NAVISCB 15 issue by Standard & Poors, S. A. de C. V. was "mxAAA(sf)", which was ratified in September 2017.

NAVISCB 16

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

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

According to the Trust Agreement, the Company began with a capacity of 1.215, which will grow to 1.305 (target capacity), in order for the Company to have the right of the surplus in the generated flows once the capacity exceeds the 1.305. As of December 31, 2016, the collection rights given to the Trust amounted to $1,144,440. $373,510 and $575,378, respectively. Any remnant of the issue will be delivered to the Company once all stock certificates have been settled.

The first issue of stock certificates was 5,363,830 of certificates with a par value of $100 pesos each, under the ticker symbol NAVISCB 16, for $536,383, which yield interest during the year of issue (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 December 31, 2017 and 2016, the balance of the obligation on the NAVISCB 16 amounts to $300,268 and $477,149, respectively (see note 14). Additionally, the interest payable as of December 31, 2017 and 2016, amounts to $1,276 and $1,611, respectively. The obligations on such certificates, which only payment source is the collection of collection rights, as of December 31, 2017 and 2016 yields interest of $32,475 and $10,678, respectively, which are recorded in the consolidated income statement under the heading "Interest Expenses”(see note 19).

The rating awarded on August 31, 2016 by HR Ratings de México S. A. de C. V. was "HR AAA(E)", which was ratified on September 25, 2017.
Additionally, the rating granted on August 31, 2016 to the NAVISCB 16 issue by Standard & Poors, S. A. de C. V. was "mxAAA(sf)".

NAVISCB 17

On September 17, 2017, the Company, as Settlor and Beneficiary in second place, and the Manager, Banco Invex, S.A Institución de Banca Múltiple, INVEX Grupo Financiero, as Fiduciary entered into an agreement to create the Irrevocable Trust Agreement Number 3290 (the Trust), with the purpose of establishing a program in Mexico for the issuance and public offer of Senior Trust Bonds This Trust will pay the Company · a monthly percentage over the amount of the managed assets.

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

According to 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 December 31, 2017, the collection rights given to the Trust amounted $774,008
Any remnant of the issue will be delivered to the Company once all stock certificates have been settled.

The first issue of stock certificates was 7,730,000 of certificates with a par value of $100 pesos each, under the ticker symbol NAVISCB 17, for $737,000, which yield interest during the year of issue (1,972 days) at an annual TIIE rate plus 1.80 percentage points. The issue pays interest and principal on a monthly basis.

(Continued)

As of December 31, 2017 obligation balance on the NAVISCB 17 amounts to $655,995, (see note 14). Additionally, the interest payable as of December 31, 2017, amounts to $2,865.

The obligations on such certificates, which only payment source is the collection of collection rights, as of December 31, 2017 yields interest of $13,092, which is recorded in the consolidated income statement under the heading "Interest Expenses"(see note 19).

The rating awarded on October 09, 2017 by HR Ratings de México S. A. de C. V. was "HR AAA(E)".
Additionally, the rating granted on October 06, 2017 to the NAVISCB 17 issue by Standard & Poors, S. A. de C. V. was "mxAAA(sf)".

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(Thousands of pesos)

A summary of the Trusts financial situation is presented below:

	Trust 2537		Tru. 2844		Tru3092
	2017	**2016**	**2017**	**2016**	**2017**
Balance sheet:					
Cash and cash equivalents	$ 34,160	43,641	$ 66,287	78,321	$ 143,852
Financial derivative instruments	5,230	10,240	7,015	9,989	3,503
Collection rights, net	246,214	446,904	334,854	533,337	688,432
Other accounts receivable	2,515	1,037	647	385	621
Total assets	$ 288,119	501,822	$ 408,803	622,032	$ 836,408
Obligations on stock certificates, net	$ 233,383	399,642	$ 301,543	478,760	$ 658,861
Accounts payable	5,798	8,958	6,956	10,721	17,180
Total assets	48,938	93,222	100,304	132,551	160,367
Total liabilities and assets	$ 288,119	501,822	$ 408,803	622,032	$ 836,408
Income statement:					
Financial income	$ 59,306	80,603	$ 65,604	27,538	$ 32,314
Financial expenses	(40,811)	(32,050)	(39,701)	(6,135)	(13,648)
Impact of collection rights impairment	10,278	(11,613)	75	(8,944)	(17,756)
Other income (expenses), net	417	610	489	72	131
Period income	$ 29,190	37,550	$ 26,467	12,531	$ 1,041

(Continued)

(d) ***Escrow-***

- On January 30, 2015, an Irrevocable Escrow Agreement was executed by Navistar Financial as Settlor and Beneficiary in second place, Banco Invex, S.A, Institución de Banca Múltiple, Invex Grupo Financiero ()), 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 ()), and it holds a 100% guarantee with the Export. As of December 31, 2017 and 2016, the Trust assets are represented by the secured collection rights to pay the loan obligations, which amount to $221,090 and $389,131, respectively.

- In October 2014, the Company as Settlor and Beneficiary in second place, entered into an Irrevocable Management and Escrow Agreement No. F/2251 with Export Development Canada "EDC" as Beneficiary in first place, and Banco Invex, S.A Institución de Banca Múltiple, Invex Grupo Financiero as Fiduciary; such Trust is intended to back the line of credit with corporate purposes in favor of the Company in an amount up to 50 million dollars. As of December 31, 2017 and 2016, the assets of this Trust amount to $804,267 and $ 450,004, 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 as Fiduciary 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. As of December 31, 2017 and 2016, the assets of this Trust amount to $2,131,072 and $ 544,352, respectively.

(Continued)

(e) *Risk sharing fund-*

On October 24, 2008, the Company formalized, with Nacional Financiera, S. N .C. Institución de Banca de Desarrollo (NAFIN) -the later in its capacity as Fiduciary of the Trust 1148-0 of the Risk-Sharing Fund (the Fund)-, a fund-sharing agreement, 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. Therefore, the Fund shall share up to $20,000, in relation to the first losses of the loan portfolio registered in the Fund.

On November 17, 2010, the Company entered into, with NAFIN in its capacity as Fiduciary of the Risk Sharing Fund, a similar agreement, this time focused on federal freight transport. Therefore, the Fund shall share up to $23,000, in relation to the first losses of the loan portfolio registered in the Fund.

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

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

On November 11, 2016, the Company entered into an agreement with NAFIN for the Risk Sharing, focused on federal freight transport. In this agreement, the Fund will share up to $40,000, in relation to the first losses of the registered loan portfolio, which amounts to $1,000,000.

The outstanding balances of the portfolio secured under both schemes as of December 31, 2017 and 2016 was $781,888 and $485,977, respectively.

(Continued)

(Thousands of pesos)

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

As of December 31, 2017 and 2016, the Company has claimed $57,124 and $98,940, respectively, under the umbrella of such program. From which, $38,006 and $44,088, respectively, have been collected.

(f) *Restructured and renewed loans-*

As of December 31, 2017 and 2016, the restructured and renewed loans of the portfolio amounted to $225,030 and $659,468, respectively.

As of December 31, 2017 and 2016, the recovery income of the previously non-performing portfolio amounts to $33,179 and $8,067, respectively, which is recognized under the heading "Other operating (expenses) income, net" in the consolidated income statement (see note 24).

(g) *Fees for granting loans and origination costs-*

The movements in the balance of the fees for granting loans and origination costs for the years ended on December 31, 2017 and 2016 are shown below:

Fees for granting loans:		**2017**	**2016**
Initial balance	$	150,702	122,523
Collected fees		77,370	86,905
Amortization (note 19)		(56,611)	(58,726)
	$	171,461	150,702
Loan origination costs:			
Initial balance	$	35,292	30,520
Paid costs and expenses		22,005	20,438
Amortization (note 19)		(18,283)	(15,666)
	$	39,014	35,292
Net balance of fees and loan origination costs	$	132,447	115,410

(Continued)

(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:

– 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 · 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 has the authorization of a proper official.

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

(Continued)

(Thousands of pesos)

(11) Other accounts receivable-

As of December 31, 2017 and 2016, the accounts receivables are as follows:

		2017	**2016**
Portfolio debtors	$	106,136	96,139
Sundry debtors		455,597	38,556
Refundable taxes		4,239	60,556
Related companies (note 17)		33,308	43,004
		599,280	238,255
Less estimate of doubtful accounts payable		(17,299)	(13,387)
	$	581,981	224,868

(Thousands of pesos)

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

As of December 31, 2017 and 2016, the investment in real property, furniture and equipment, as well as equipment intended for operating lease is analyzed as shown below:

Real property, furniture and equipment for own use:		**2017**	**2016**	**Annual depreciation rate**
Real property	$	49,638	56,634	2.30%
Transport equipment		2,930	3,092	25%
Furniture and computing equipment		21,598	17,652	10% and 33%
		74,166	77,379	
Accumulated depreciation		(26,926)	(20,350)	
		47,240	57,028	
Land		40,846	41,169	
	$	88,086	98,197	

Transport equipment intended to operating lease:		**2017**	**2016**	**Annual depreciation rate**
Leased transport equipment	$	2,792,375	2,486,121	Various
Accumulated depreciation and amortization		(758,066)	(546,783)	
	$	2,034,309	1,939,338	

For the years ended on December 31, 2017 and 2016, the charge to income for real property and equipment depreciation amounted to $3,438 and $$3,486, respectively, and for the equipment intended to operating lease amounted to $331,210 and $277,742, respectively.

(Continued)

(Thousands of pesos)

(13) Awarded assets-

As of December 31, 2017 and 2016, the accounts receivables are as follows:

	2017	2016
Transport equipment	$ 64,006	75,822
Furniture	51,627	18,280
	115,633	94,102
Less:		
Awarded assets allowance	(2,194)	(17,203)
Deterioration	(6,066)	(17,377)
	$ 107,373	59,522

(14) Stock liabilities-

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 with February 15, 2022 (1,985 days) as maturity date. On November 10, 2015 the Company carried out a securitization of credit claims under the ticker symbol NAVISCB 15 which final maturity date is January 15, 2021 (1,893 days).

(Continued)

(Thousands of pesos)

As of December 31, 2017 and 2016, the stock liabilities at short- and long-term are integrated as shown below:

Issue	2017	Maturity	Rate
Short-term:			
NAVISTS01417	$ 70,000	08/02/2018	TIIE+2.00%
NAVISTS01917	230,000	08/02/2018	TIIE+1.80%
NAVISTS02117	355,000	22/03/2018	TIIE+1.70%
NAVISTS02217	85,000	25/01/2018	TIIE+2.00%
NAVISTS02317	50,000	25/01/2018	TIIE+1.50%
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%
NAVISTS02717	180,000	25/01/2018	TIIE+1.60%
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%
Accrued interest	6,628		
NAVISCB15*	152,928	15/01/2021	TIIE+1.40%
NAVISCB16*	145,317	15/02/2022	TIIE+1.55%
NAVISCB17*	339,423	15/03/2023	TIIE+1.80%
Accrued interest	5,113		
Subtotal	$ 2,391,409		
Long-term:			
NAVISCB15	$ 79,484	15/01/2021	TIIE+1.40%
NAVISCB16	154,951	15/02/2022	TIIE+1.55%
NAVISCB17	316,572	15/03/2023	TIIE+1.80%
	$ 551,006		
Total stock liability	$ 2,942,415		

* Current portion of long-term stock certificates

(Continued)

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Issue	2016	Maturity	Rate
Short-term:			
NAVISTS00316	100,000	01/03/2017	TIIE+2.40%
NAVISTS00916	100,000	06/04/2017	TIIE+2.35%
NAVISTS01416	78,000	06/04/2017	TIIE+2.30%
NAVISTS01616	220,000	09/03/2017	TIIE+2.25%
NAVISTS01816	100,000	30/03/2017	TIIE+2.25%
NAVISTS01916	100,000	23/03/2017	TIIE+2.25%
NAVISTS02116	75,855	19/01/2017	TIIE+2.20%
NAVISTS02216	84,145	11/05/2017	TIIE+2.25%
NAVISTS02316	160,000	27/04/2017	TIIE+2.25%
NAVISTS02416	85,000	05/04/2017	TIIE+2.25%
NAVISTS02516	302,819	09/02/2017	TIIE+2.40%
NAVISTS02716	200,000	23/02/2017	TIIE+2.40%
Accrued interest	5,193		
NAVISCB13*	485,832	15/05/2018	TIIE+1.50%
NAVISCB15*	166,298	15/01/2021	TIIE+1.40%
NAVISCB16*	176,096	15/02/2022	TIIE+1.55%
Accrued interest	4,557		
Subtotal	2,443,795		
Long-term:			
NAVISCB15	232,027	15/01/2021	TIIE+1.40%
NAVISCB16	301,053	15/02/2022	TIIE+1.55%
Subtotal	533,080		
Total stock liability	2,976,875		

* Current portion of long-term stock certificates

(Continued)

(Thousands of pesos)

(15) Bank loans and loans from other institutions-

As of December 31, 2017 and 2016, bank loans and loans from other institutions at short- and long- term are integrated as shown below:

		2017	2016
Direct loans in dollars accruing interest at an average weighted rate of 3.12% and 3.26% on LIBOR at the closure of September 2017 and 2016, respectively, and an average fixed weighted rate of 5.25% in December 2017 (see section "a" of this note").	$	2,300,885	3,226,983
Direct loans in national currency accruing interest at an average weighted rate of 2.25% and 2.19% on 28-day TIIE in December 2017 and 2016, respectively, and an average fixed weighted rate of 8.23% and 6.93% in December 2017 and 2016, respectively.		5,172,706	4,725,391
Accrued Interest		35,273	42,971
Total bank loans	$	7,508,864	7,995,345
Less current portion of the debt		2,167,894	2,875,844
Total bank and other institutions loans Long-term	$	5,340,970	5,119,501

As of December 31, 2017 the Company holds 35% of the lines of credit approved and secured by Navistar International Corporation (holding company) or by Navistar Financial Corporation (affiliated company), the same level showed as of December 31, 2016.

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

As of December 31, 2017 and 2016, there are lines of credit hired with national and foreign financial institutions for 306 and 331 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 December 31, 2017 and 2016, this line was fully available.

Since August 2012, the Company grants short-term commercial loans to sell International trucks and buses manufactured in Mexico and exported to Colombia, supported by a line of credit of 95 million from Banco Nacional de Comercio Exterior, S.N.C. (Bancomext). Since August 2013, this line can also be used to fund units placed in Mexico. Additionally, in August 2015, an extension of the discount term for export operation, as well as other countries' inclusion were authorized. On March 4, 2016, an increase in this line of credit of 25 million dollars was recorded. On May 10, 2017 the extension of term 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 guarantee of some bank lines and/or as work capital through intercompany loans intended to the acquisition of new units or spare parts (floor plan). As of the end of December 2017 and 2016, this line was not used.

(b) *Bank loans in national currency:*

As of December 31, 2017 and 2016, there are lines of credit denominated in pesos hired by the Company to national financial institution for $5,298 and $4,575 mmp respectively.

As of December 31, 2017 and 2016, most of the lines of credit in dollars and in national currency are secured by the loan portfolio for approximately $8,701,252 and $7,105,575, respectively.

(Continued)

(Thousands of pesos)

The lines of credit require compliance with certain obligations, restrictions and financial indexes, which the Company has dully met as of December 31, 2017 and 2016.

As of December 31, 2017, maturities of the bank and other institution loans are as follows:

Year of Maturity		Pesos		Appreciated Dollars
2018	$	2,878,482	$	1,200,968
2019		1,466,734		1,106,806
2020		567,785		4,728
2021		219,761		209
2022		60,532		-
2023		2,858		-
	$	5,196,153	$	2,312,711
		$ 7,508,864		

(Thousands of pesos)

(16) Sundry creditors and other accounts payable-

As of December 31, 2017 and 2016, the accounts receivables are as follows:

		2017	2016
Sundry creditors	$	166,849	81,055
Security deposits		567,945	487,638
Trust portfolio deposits and collection to be delivered to Trust		15,172	18,333
Tax payable (Income Tax and Value-Added Tax)		49	158
Obligation for sharing losses(*)		-	1,507
Provisions for different obligations		33,903	29,699
Related companies (note 17)		51,277	13,782
Employee benefits		33,025	27,741
Other taxes		4,108	4,816
Deposits and balance in favor of clients		28,994	58,779
Other		471,668	62,147
	$	1,373,010	785,655

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

(Continued)

(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 December 31, 2017 and 2016, are integrated as shown below:

		2017	2016
Balance receivable:			
Loan portfolio:			
Navistar México, S. de R.L. de C.V.	$	1,336,076	1,629,852
International Parts Distribution, S.A. de C.V.		1,869	1,568
Navistar Financial Corporation		1,434	967
Navistar Comercial, S. A. de C. V.		-	-
	$	1,339,379	1,632,387

		2017	2016
Other accounts receivable (note 11):			
Navistar México, S. de R.L. de C.V.	$	16,466	26,859
Navistar Comercial, S.A. de C. V.		10,055	10,030
Navistar International Corporation		3,652	2,851
Navistar Inc.		1,591	1,904
Transprotección Agentes de Seguros, S.A de C.V.		1,504	1,309
International Parts Distribution, S. A. de C.V.		40	51
	$	33,308	43,004

		2017	2016
Balances payable (note 16):			
Navistar México, S. de R. de C.V.	$	41,879	6,286
Navistar Financial Corporation		5,179	4,063
Navistar Inc.		2,274	2,378
Transprotección Agentes de Seguros, S.A de C.V.		1,726	-
Navistar International Corporation		219	277
Navistar Comercial, S. A. de C. V.		-	778
	$	51,277	13,782

(Continued)

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Below is the transactions carried out with associated companies in the years ended on December 31, 2017 and 2016.

		2017	2016
Revenues:			
Administrative services:			
Trasproteccion Agentes de Seguros, S. A. de C. V.	$	16,862	19,530
Navistar México S. A. de C. V.		1,401	955
Interest accrued in favor:			
Navistar México, S. de R.L. de C.V.		413,547	362,187
International Parts Distribution, S. A. de C.V.		24,852	20,367
Navistar Financial Corporation		13,678	12,934
Navistar Comercial, S. A. de C.V.		-	51
Placement service fees:			
Navistar México, S. de R.L. de C.V. (note 20)		185,204	177,154
Portfolio administration fees:			
Navistar Comercial, S. A. de C. V.		-	8
Other income:			
International Parts Distribution, S. A. de C. V.		409	379
Navistar México, S. de R.L. de C.V.		485	-
Navistar Comercial, S.A de C.V.		990	472

(Continued)

		2017	2016
Expenses:			
Interest expenses for granting guarantees:			
Navistar Financial Corporation	$	(20,964)	(21,207)
Navistar International Corporation		(1,785)	(2,420)
Other fees and service tariffs:			
Navistar Financial Corporation (note 21)		(6,004)	(5,621)
Technical assistance and telephone service expenses			
Navistar International Corporation		(180)	(890)
Other expenses:			
Navistar México, S. de R.L. de C.V.		(2,025)	(1,588)
Navistar Financial Corporation (note 21)		(1,250)	(1,280)
Navistar Inc.		-	(12)
Accrued interest:			
Transprotección Agentes de Seguros, S.A de C.V.		(2,934)	(692)
Navistar México, S. de R.L. de C.V.		(208)	(218)
Distribuidora de Camiones Internacional, S. de R.L de C.V.		-	(791)

(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 shareholder's equity is described below:

	Number of assets(1)	Thousands of pesos: Corporate equity	Thousands of pesos: Asset Issue premium
Figures as of December 31 2017 and 2016	2,425,035	$ 283,177	$ 111,961

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

(Continued)

(Thousands of pesos)

(b) Shareholder's equity restrictions-

The year profit is subject to the separation of 10% to comprise the legal reserve, until it represents one fifth of the corporate equity. The legal reserve as of December 31, 2017 and 2016, is $122,535, an amount which has reached the minimum required. The corporate equity refunding and the retained earning distributions, as well as other shareholder's equity accounts for which the income tax that had already been covered, can be done without any lien. Other refunding and distribution higher than the amounts intended for fiscal purposes are subject to income tax.

(c) Comprehensive income-

The comprehensive income, showed in the consolidated statements of changes in shareholder's equity represents the income of the Company's total activity during the year.

		2017	**2016**
Net profit	$	436,928	345,670
Non-controlling sharing		3	1
	$	436,931	345,671
Employee benefit remediation			
Remediation		(1,107)	(503)
Deferred income tax			80
Deferred PTU			51
	$	(1,107)	(372)
Comprehensive	$	435,824	345,299

(Continued)

(Thousands of pesos)

(19) Financial margin-

The components of the financial margin as of September 31, 2017 and 2016, are analyzed below:

		2017	2016
Income from interest:			
From:			
Loan portfolio	$	954,548	778,131
Financial lease		402,068	344,202
Investments and debtors for repurchase (notes 7 and 8)		38,249	29,649
Fees for granting loans (note 10g)		56,611	58,726
Exchange income		32,905	128,990
	$	1,484,381	1,339,698

		2017	2016
Interest expenses:			
Interest expenses of stock certificates (note 10c)	$	(78,901)	(110,067)
Amortization of debt Issue expenses		(27,483)	(21,527)
Interest expenses of bank loans		(759,657)	(547,076)
Amortization of origination costs (note 10g)		(18,283)	(15,666)
Exchange income		(98,449)	(22,057)
	$	(982,773)	(716,393)
Total financial margin	$	501,608	623,305

(20) Collected fees and rates-

As of December 31, 2017 and 2016, the collected fees and rates are integrated as it is shown below:

		2017	2016
Placement service fees (note 17)	$	185,204	177,154
Other collected fees and rates		60,955	65,615
Asset administration		-	8
	$	246,159	242,777

(Continued)

(Thousands of pesos)

(21) Paid fees and rates-

As of December 31, 2017 and 2016, the paid fees and rates are integrated as it is shown below:

	2017	2016
Collection service fees and others (note 17)	$ (7,254)	(6,901)
Bank fees	(5,272)	(4,721)
	$ (12,526)	(11,622)

(22) Intermediation income, net-

As of December 31, 2017 and 2016, the intermediation income is comprised as follows:
as follows:

	2017	2016
Trading derivatives (note 9)	$ (14,722)	17,851
Derivatives purchase and sale (note 9)	(60,672)	(50,210)
Foreign exchange loss for currency valuation	60,635	(25,810)
	$ (14,759)	(58,169)

(23) Operating lease income-

As of December 31, 2017 and 2016, operating lease income is integrated as it is shown below:

	2017	2016
Operating lease income	$ 526,760	439,822
Leased property depreciation in operating lease	(331,210)	(277,742)
	$ 195,550	162,080

(Continued)

(Thousands of pesos)

The Company works only with loan segments and the operating lease. The operating lease income in September 2017 and 2016 amounted to $ 195,550 and $ 162,080, respectively, which are shown in this note. The difference of this income against the net consolidated income constitutes the loan segment.

(24) Other operation income, net-

As of September 31, 2017 and 2016, other operation income is integrated as shown below: as follows:

		2017	2016
Other operation (expenses) income, net-	$	85,277	28,103
Other lease benefits		24,806	24,093
Impact of estimates and awarded assets deterioration		1,642	(8,908)
Awarded sale income		(7,768)	7,103
Recovery of loan portfolio (note 10f)		33,179	8,067
Impact of the estimate for non-recoverable or difficult collection		(2,080)	1,786
Furniture and equipment sale earnings		97	(17)
Total of other operation income	$	135,153	60,227

(25) *Financial indicators-*

The main financial indicators as of December 31, 2017 and 2016:

	Q4 2017	Q4 2016
Delinquency rate	2.38%	3.69%
Margin rate of non-performing loan portfolio	133.33%	1.06%
Operational efficiency *(management and promotion expenses/ total average assets)*	2.13%	2.05%
ROE (*average net earnings/shareholder's equity*)	15.00%	9.53%
ROA (*average net earnings/total assets*)	3.24%	1.81%
Liquidity (*liquid assets/liquid liabilities*) *	6.96%	25.76%
MIN *(Year risk-adjusted financial margin / average performing assets*)**	4.68%	2.61%

* *Liquid assets*– Availabilities, securities to trade and available to sale.
Liquid liabilities– Immediately payable deposits, interbank and other institutions, immediately payable, and short-term loans.

** *Average performing assets*– Availabilities, investments in securities, security and derivative transactions and current loan portfolio.

(Continued)

(26) Commitments and contingencies-

(a) The Company rents the premises occupied by its administrative offices, according to lease agreements with defined expiration dates. The total expense for rent of December amounted $5,266 in 2017 and $5,268 in 2016.

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

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

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

(e) Under the Income Tax Law, the companies performing transactions with the related parties are subject to tax restrictions and obligations relative to the determination of the agreed prices, since these shall be comparable to those performed by or between the independent parties in similar transactions.

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

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

(Continued)

(27) Recently issued regulatory pronouncements-

The CINIF has issued the following FRSs and Improvements:

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

- It reduces the scope by relocating the topic relative to the accounting treatment of the financial liabilities in the FRS C-19 Financial instruments payable.
- It modifies the definition of "liabilities" by removing the characteristic of "virtually unavoidable" by including the term.
- The terminology is updated in the whole standard for a presentation consistent with the other FRSs.

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

Its main characteristics include:

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

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

- It includes provisions in IFRIC 19 "Financial liabilities extinction with equity instruments", a topic not included in the existing regulations.

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

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

Improvements to FRS 2017

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

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

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

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