2016
FIRST QUARTER

NAVISTAR® FINANCIAL

VARIATION ANALYSIS

COMMENTS ON THE RESULTS

ABOUT THE FINANCIAL SITUATION

NAVISTAR FINANCIAL MEXICO

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

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

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

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

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

BALANCE SHEET HEADINGS

The financial information about Navistar Financial, S.A. de C.V. SOFOM E.R. (Navistar Financial or the "Company") *submitted for the fiscal year 2015 includes changes in its presentation in order to make it comparable to the fiscal year 2016 (current regulations).*

The Company's ***Assets*** show an increment of $2.1450 billion Mexican pesos (bmp) in comparison to the 1Q15; such variation is mainly explained by an increment in the loan portfolio, the equipment intended for operating lease, availabilities and the net of other accounts receivable.

Availabilities and Repurchases have a positive variation of $90.7 mmp, with a total balance of $1.165 bmp, comprised of (i) $785 mmp in cash restricted by the issue of Senior Trust Bonds ("CBF"), ($562 mmp can be used for portfolio acquisition) and (ii) $ 380 mmp to pay liabilities and/or for portfolio creation.

On December 3, 2015, resulting from a new issue of CBF NAVISCB15, an Interest Rate Option was hired in compliance with the Trust Agreement entered into.

Consequently, the heading "**Derivatives**" shows a decrease of $4.3 mmp, compared to March 2015; the balance comprises of two Interest Rate Options acquired in compliance with the Trust Agreement entered into as a result of the issue of CBF, with a notional value of $1.8 bmp, and a new Interest Rate Option with a notional value of $616.5 mmp; such instruments show a mark-to-market (MTM) of $1.2 mmp.

The ***total Loan Portfolio (Net)*** shows an increment of $1.4242 bmp, equivalent to a positive variation of 15.3%, compared to 1Q15, which is explained mainly through:

(i) Increment due to Peso depreciation against Dollar and to a larger inventory of units in the network of International Distributors derived from a new commercial program implemented in this first quarter 2016.

(ii) The **Non-Performing Loan Portfolio,** as of the closing of 1Q16, shows a balance of $300.0 mmp, representing 2.8% of the total portfolio, according to the Exhibit 34 of the Single Circular of Banks (1Q15 2.2%). The performance of the non-performing portfolio is still being affected by factors such as: reduction of liquidity in the market, cutback of the public expenditure, and longer terms of credits granted by carriers to their clients.

The ***Preventive Credit Risk Estimate*** shows an increment of $13.6 mmp, maintaining a hedge of 1 time ("x") the expected loss and 1.27 x the non-performing portfolio (1Q2015 1.76x). The Preventive Credit Risk Estimate is calculated according to the methodology of expected loss.

It is worth to mention that the Company, as of March 31, 2016, has executed 5 Trusts, which are described below:

A. On November 05, 2015, an Irrevocable Management Trust Agreement was entered into by Navistar Financial as Settlor and Beneficiary in Second Place, and Banco Invex, S.A., Institución de Banca Múltiple, Invex Grupo Financiero ("Invex"), as Fiduciary, and Monex Casa de Bolsa, S.A. de C.V., Monex Grupo Financiero, as Common Representative, related 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 of a portfolio and cash which amount $730 mmp as of March 31, 2016.

B. On January 30, 2015, an Irrevocable Escrow Agreement was entered into by Navistar Financial as Settlor and Beneficiary in second place, Banco Invex, S.A, Institución de Banca Múltiple, Invex Grupo Financiero ("Invex"), as Fiduciary, and CITIBANK, N.A. as Beneficiary in first place. Such Agreement backs a line of credit hired with Banco Nacional de México S.A., member of Grupo Financiero BANAMEX ("BANAMEX"), and it holds a 100% guarantee with the Export-Import Bank of the United States ("Exim"). As of the closing of March 2016, the contributed portfolio amounts to $773 mmp.

C. In October 2014, Navistar Financial ("Settlor", "Beneficiary in Second Place") entered into an Irrevocable Escrow Agreement with (i) Export Development Bank of Canada (EDC) "Beneficiary in First Place" and (ii) Invex as "Fiduciary". The purpose of this guarantee is to back the line of credit granted by EDC. The trust assets of this Trust, as of March 31, 2016, amount to $891 mmp.

D. 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 security is to back the line of credit in current account in favor of the Company. The trust assets of this Trust, as of March 31, 2016, amount to $3.445 bmp.

E. In May 2013, an Irrevocable Management Trust Agreement was entered into by Navistar Financial as Settlor and Administrator, 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 (the "Securitization Trust"), related to the public offer of 18,000,000 CBF with a nominal value of MX$100.00. (One Hundred 00/100, Mexican Pesos), both executed by Invex. As of the closing of March 2016, the Trust is composed of a portfolio and cash which amount $2.424 bmp; such Trust include the contribution of new assets, which act as guarantees.

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*** show a variation of $171.1 mmp derived mainly from the decrease in the account receivable of the affiliated companies and from the increase in the intercompany accounts payable related to the wholesale transactions.

In order to comply with the secondary regulation issued by the CNBV and published in the Official Gazette of the Federation on January 12, 2015, from June 2015 the basic financial statements include a change in their presentation of the operating lease movements, and now it shows the accounts receivable derived from such transactions and the corresponding allowance under the heading "Other accounts receivable (net)".

Awarded Assets, as of the closing of March 2016, shows a positive variation in the portfolio award indicator of 63pbs due to the increase of the portfolio and a stable performance of the stock rotation of the inventory of these assets: 0.5% in 1Q16, compared to 1.1% in 1Q15 ($54.3 mmp).

In relation to ***Equipment Intended for Operating Lease,*** as of 1Q16 there is a $374.4 mmp increment, compared to 1Q15, representing a growth of 31.8%, resulting from the strengthening of the Operating Lease Program focused particularly on big fleets targeted funding.

The heading ***Other Assets*** shows an increase of $11.7 mmp; this variation is due mainly to deferred charges derived from expenses because of instrument issue and the installation of satellite localization devices in the financed units.

As of the closing of 1Q16, the Company's **Net Liabilities of Liquid Assets** reflect an increase of $1.2549 bmp, equivalent to an increment of 15.2% in comparison to the same period of the previous year, derived from the increase in bank loans due to the new wholesale commercial program.

The heading **"Stock Liability"** shows a balance of $3.8422 bmp, comprised of the equity and interest of a (i) CBF in the amount of $1.8047 bmp, corresponding to the issue NAVISCB13, (ii) CBF in the amount of $548.6 mmp for the issue NAVISCB15 (first issue under a $5 bmp, 5-year revolving program authorized on November 5, 2015), and (iii) Short-Term Bonds ("CB") in the amount of $1.4888 bmp from a $1.8 bmp program.

In **Bank Loans** there is an increase of $371.0 mmp against 1Q15, resulting from the hiring and availability of new funding sources with the commercial bank during this quarter. As of March 31, 2016 and 2015, the 44% and 47%, respectively, of the balance of the aforementioned bank loans is guaranteed by Navistar International Corporation ("NIC") or by Navistar Financial Corporation ("NFC").

In 1Q16 and 1Q15, the net liabilities of liquid assets are guaranteed by the loan portfolio and transport equipment intended for operating lease in the amount of $10.309 and 9.339 bmp, respectively. In addition, as of the closing of March 2016, the company has a free current portfolio of $3.227 bmp, getting a 2.17-time indicator of free current portfolio, compared to the outstanding balance of the issue of the current commercial paper.

On the other hand, the **Deferred Loans and Advanced Collections** decreased $5.9 mmp due to a reduction in the placement of retail agreements this quarter; this account is mainly comprised of initial fees charged to clients for granting loans.

The Company shows a financial soundness, which is reflected in a capitalization level (equity / total portfolio) equivalent to 22.3% (1Q15 21.7%) and a net leverage level of the liquid assets of 4.3x (1Q15 4.3x), based on bank covenants.

INCOME STATEMENT HEADINGS

The financial information corresponding to the fiscal year 2014 includes changes in its presentation in order to make it comparable to the same period in 2015 (current regulations). Additionally, the percentages related to portfolio are arranged on an annual basis.

As of the closing of 1Q16, the ***Financial Margin***, not affected by the exchange rate fluctuation, amounts to $135.9 mmp, which represent a positive variation of $0.3 mmp, compared to the same period in the previous year, which is explained by an increment in the portfolio. The interest hedge ratio for 1Q16, not affected by the exchange rate fluctuation, is 1.9x (2.1x 1Q15); therefore, the Company is in compliance with the required bank obligations.

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

As for the ***Preventive credit risk estimate***, a decrease is observed in comparison to the previous year in the amount of $3.2 mmp, owing to an improvement in the rating of the retail and wholesale client portfolios, as well as to the low levels of losses.

Consequently, the ***Financial Margin Adjusted by the Credit Risks***, not affected by exchange rate fluctuation, shows a positive variation of $2.9 mmp.

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

(i) The net collected fees and rates show a decrease in expenses in the amount of $8.1 mmp, due to a reduction in the portfolio because of the funding to other countries, which reduced the payment of the fee derived from management paid to Navistar Financial Corporation.

(ii) Intermediation income shows a positive impact of $12.5 mmp, resulting from:

a) A positive variation of $13.0 mmp, explained by the fluctuations in the exchange rate and derivative instruments. For analysis purposes, the net impact of the currency position (excluded in the Financial Margin Analysis) must be considered, which in 1T2016 amounts to $7.8 mmp, compared to the $4.0 mmp profit in this same period the previous year.

b) A negative variation resulting from the Interest Rate transactions. This instrument shows a decrease in its 2016 value derived from the volatility of the Interbank Balance Interest Rate ("TIIE") and the long-term curve. Aggregate as of 1Q15, there were positive effects of $0.5 mmp on these instruments, and during 2015 there have been negative effects of $2.1 mmp.

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

(i) ***Management Expenses***: the expenses indicator over the total managed portfolio is 1.9%, a figure 31 pbs lower than the 2.25% of 1Q15. A reduction of $0.3 mmp can be observed against the 1Q15, resulting from the saving strategies implemented by the company, started in 2016 and focused on optimizing resources.

Within the heading **Caused and Deferred Income Taxes**, a negative variation of $11.0 mmp is shown; this effect is mainly a consequence of the income tax provision, since the tax rate is directly related to the fiscal year income, which shows an increment in comparison to the same period of the previous year.

FUNDING SOURCES

As of March 31, 2016, the Company had $12.269 bmp in authorized funding sources, which were distributed the following way: (i) 19% in domestic and foreign commercial bank, (ii) 50% in domestic and foreign development bank, (iii) 19% in CBF, and (iv) 12% in CB.

The Company maintains $1.6323 bmp in lines available with funding banks.

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

Since May 2014, the company has a $12.5 mmp loan with DCI (a Navistar Financial's subsidiary).

There is an issue of CBF NAVISCB13 in the amount of $1.8 bmp through the Trust 1455, opened in Invex, with an 1,835-day term, considering a 36-month revolving period and 24 months for its amortization. This issue was carried out by means of two offers, the first in May 2013, in the amount of $1 bmp, and the second in November 2013 in the amount of $800 mmp. The Company holds 100% of the titles of the trust assets of the aforementioned trust.

In November 2015, the first CBF issue was performed under the Senior Bond Certificate program authorized on November 5, 2015, for up to $5 bmp. This first issue, NAVISCB15 in the amount of 616.5 mmp, was executed through the Trust 2537, opened with Invex, with a 1893-day term and with monthly amortizations. As of the closing of March 2016, the balance of this issue is $547.1 mmp. The Company holds 100% of the titles of the trust assets of the aforementioned trust.

Additionally, the Company has a short-term CBs program of $1.8 bmp; such program was renewed and extended on December 11, 2014, and its balance as of March 31, 2016 is $1.4855 bmp.

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

	Mar-16	%	Mar-15	%
Debt in Pesos fixed rate	2,287,556	22%	1,017,847	11%
Debt in Pesos with CAP	2,347,196	22%	1,800,000	20%
Debt in Pesos variable rate	2,859,410	27%	2,135,265	23%
TOTAL PESOS	**7,494,162**		**4,953,112**	

Debt in Dollars fixed rate	31,141	5%	19,935	3%
Debt in Dollars variable rate	151,194	24%	264,759	43%
TOTAL DOLLARS	**182,335**		**284,694**	

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

As of March 31, 2016, the Company has not hired any CCSwap.

Under 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
- Notional: 1 bmp
- Start date: May 31, 2013
- Maturity date: May 15, 2018
- Counterparty: BANCO NACIONAL DE MÉXICO S.A. MEMBER OF THE GRUPO FINANCIERO BANAMEX
- Strike: 6%
- Premium: 13.5 mmp

- CAP on TIIE
- Notional: 800.0 mmp
- Start date: November 29, 2013
- Maturity date: May 15, 2018
- Counterparty: BBVA BANCOMER S.A.
- Strike: 6%
- Premium: 12.1 mmp

Additionally, under the Trust Agreement entered into as a result of the issue of the CBF NAVISCB15, one Interest Rate Option was hired under the following conditions:

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

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

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

Notes to the Consolidated Financial Statements

On March 31, 2016 and 2015 (Thousands of pesos)

(1) Company's activity-

Activity-

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

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

(2) Authorization and presentation

basis-

Authorization

On March 15, 2016, José A. Chacón Pérez (Executive President), Claudia Isela Montiel Olivares (Accounting Manager) and Jorge Campos Bedolla (Financial Information Manager) authorized the issue of the attached consolidated financial statements and the notes thereof.

According to the General Business Companies Act, the provisions of the National Banking and Securities Commission (the Commission), as well as the bylaws of the Company, the shareholders and the Commission have the capacity to modify the consolidated financial statements after their issue. The 2015 consolidated financial statements will be submitted for approval in the next Shareholder's Meeting of the Company.

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Presentation basis

a) Compliance statement

On January 12, 2015, the resolution modifying the general provisions applicable to Regulated Multi-Purpose Financial Companies (SOFOMES) was published in the Official Gazette of the Federation (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 the transactions thereof, shall apply the accounting criteria for credit institutions in Mexico provided in Exhibit 33 of the general provisions applicable to credit institutions in Mexico, except for the series "D" of such criteria, since they shall apply series "D" regarding the criteria relative to the basic financial statements for SOFOMES, in force since 2015.

As of December 31, 2014, the Company prepared and presented its financial statements according to the SOFOMES accounting criteria; however, as it was mentioned in the preceding paragraph, the Company will apply the accounting criteria for credit institutions in Mexico (the accounting criteria) and the criteria relative to SOFOMES basic financial statements.

As a consequence of the entry into force of the Provisions issued by the Commission, which is in charge of the inspection and surveillance of SOFOMES and Security Issuing Companies and which carries out the review of the financial information thereof, the company applies the accounting criteria applicable to credit institutions in Mexico instead of the accounting criteria applicable to SOFOMES. As a consequence derived from the change in the accounting bases aforementioned and from the criteria relative to SOFOMES financial statements, a reclassification in the presentation of the consolidated financial statement as of December 31, 2014 and for the year ended in the same date was done, as described in note 4.

(Continued)

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

b) Use of judgments and estimates

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

c) Operation and reporting currency

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

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

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(3) Summary of the main accounting policies-

The accounting policies set forth below have been applied uniformly when preparing the presented consolidated financial statements, and they have been consistently implemented by the Company (see note 4 to the consolidated financial statements relative to certain reclassifications in the financial statements of the year 2015):

(a) Recognition of the inflationary impact-

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

(b) Consolidation basis-

The consolidated financial statements include the financial statements of the Company and its subsidiary, Servicios Corporativos NFC, S. de R. L. de C. V., (which 99.97% of corporate equity is held by the Company). The major balances and transactions between the subsidiary and the Company have been removed in the preparation of the consolidated financial statements. The consolidation was carried out based on the Company's audited financial statements as of March31, 2016 and 2015.

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(c) Availabilities-

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

(d) Security investments-

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

(e) Repurchases-

The repurchase transactions are initially recorded 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 recognized at fair value. Their accountable treatment is described below:

Swaps and CCS-

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

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Options-

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

(g) Loan portfolio-

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

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

In the case of capitalizable lease, at the beginning of the agreement, the contract value of the lease portfolio is recognized against the cash outflows and the corresponding financial income to be accrued considering the difference of the leased property and the lease portfolio value.

Such financial income to be accrued is recorded as a deferred loan, which is recognized according to the lease portfolio outstanding balance, against the income of the year, under the heading "Interest income". Accounts receivable are recorded as direct funding, considering as account receivable the total of the outstanding rents, net of the corresponding interest to be accrued.

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

(h) Overdue loans and interest-

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

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

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

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

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

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

Any overdue loans which outstanding balance is completely paid (principal and interest, among other) or those any restructured or renewed loans with evidence of sustained payment, which means three consecutive monthly payment according to the original payment schedule, are transferred to the current loan portfolio.

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

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

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(i) Operating lease-

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

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

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

(j) Securitization transactions-

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

(k) Preventive credit risk estimates-

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

The Preventive Credit Risk Estimates are determined 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 to 14 million UDIs in Mexican Pesos, the estimate is performed as per the general methodology set in the Provisions of Credit Institutions.

In case of loans to entities and individuals with business activity, with income lower than 14 million UDIs in Mexican Pesos, the estimate is performed as per the internal methodology developed by the Company, according to the guidelines provided in the Provisions of Credit Institutions applicable to internal methodologies.

The classification by level of risk as of March 31, 2016 and 2015, is arranged as indicated below:

Level of risk	Description of level of risk	Preventive allowance percentage ranges
A1	Without 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, loan by loan, with the amounts corresponding to the last known payment term, as well as the quantitative and qualitative variable of the debtor, considering the default probability, the severity of the loss and the non-performance exposure of the n-th loan, as per the formula indicated below:

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

Where:

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

PIi= Default probability of the n-th loan.

SPi= Severity of the loss of the n-th loan.

EIi= Non-performance exposure of the n-th loan.

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

Internal methodology-

Such internal methodology consists in classifying and recording an allowance, loan by loan, with the amount corresponding to the last known payment term, considering the default probability, 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

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

(Continued)

(Thousands of pesos)

(l) Awarded assets-

The awarded assets are recorded at their cost or at their fair value calculated from the indispensable costs and expenses paid in their awarding, whichever is lower. The differences, in case the determined values are lower than the amount of the portfolio to be canceled, are considered losses, and, in the consolidated income of the year, these are recognized under the heading "Other operating (expenses), net". There are provisions created on a monthly basis to recognize the potential loss of value of assets due to the passage of time. The decrease in the value of the awarded assets and in allowances is reduced from the asset value and it is recognized as expenses in the consolidated income statement for the year.

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

Movable property:

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

Real property:

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

(Continued)

(m) Real property, furniture and equipment

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

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

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

	Rate
Real property	2.3%
Furniture	10%
Computing equipment	33%
Transport equipment	25%

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

The furniture and equipment are canceled upon their sale or when it is expected to obtain no future economic benefits from its use or sale. Any earning or loss at the time of the asset cancellation (estimated as the difference between the net income from the asset sale and its book value), is included in the consolidated income statement when the asset is canceled.

The Company assesses periodically the net book value of its own real 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 the recovery value, the Company records the necessary estimates

(Continued)

Navistar Financial, S. A. de C. V.,
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Notes to the consolidated financial statements

(Thousands of pesos)

(n) Other assets-

Other assets include expenses for allocation of debt which are amortized according to the term thereof, the asset derived from management of portfolio which is amortized during the term set in the corresponding agreements, as well as the net costs and expenses associated to the initial granting of the loan, derived from the fees charged for opening loans, according to the debt nature, amortized in straight line through 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 and the expenses, premiums and discounts related to the issue to be amortized during its term, based on the outstanding balance of the issue, and they are presented in the consolidated balance sheet under the heading "Stock liabilities".

Bank loans and loans from other institutions, both national and foreign, are recorded based on the contract value of the obligation. Interest is recognized as it is accrued.

(p) Employee benefits

The benefits of termination due to reasons other than restructuring and the retirement the employees are entitled are recognized in the income of each year, based on actuarial estimates in accordance with the projected unit credit method, considering the projected wages. As of December 31, 2015, for purposes of recognition of the benefits, the average remaining work life of the employees entitled to the plan benefits is approximately 12 years.

The actuarial profit or loss is directly recognized in the year consolidated income as they are accrued, while the employment obligation at retirement are amortized by the employees' average remaining work life.

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

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

(Continued)

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

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

The deferred income tax and the deferred PTU are recorded according to the asset and liability method that compares their carrying and fiscal values.

The deferred ISR and PTU (assets and liabilities) are recognized according to the future tax consequences, which are attributable to the temporary difference between the values reflected in the financial statements of the existing assets and liabilities, and their relative tax bases and, in the case of the income tax, according to the tax loss to be amortized and other fiscal loans to be recovered.

The assets and liabilities derived from deferred income tax and PTU are estimated using the rates provided by the corresponding law, to be applied to the taxable earnings in the years when it is expected the temporary differences to be reversed. The impact of the tax rate changes on the deferred income tax and PTU is recognized in the consolidated income of the year when such changes are approved.

(r) Deferred loans-

Deferred loans include net fees charged for opening loans of origination costs and expenses, amortized against the income of the year, under the heading "Interest income" in the case of fees for opening loans, and under the heading "Interest expense" in the case of the related cost and expenses, using the straight-line method during the life of the loan.

(s) Provisions-

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

(Continued)

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

(v) Contingencies-

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

(Continued)

(4) Foreign exchange position-

The monetary assets and liabilities in thousands of dollars, as of March 31, 2015 and 2014, are shown below:

	Dollars	
	2016	**2015**
Assets, loan portfolio mainly	184.879	293,055
Liabilities, bank loans mainly	(190,743)	(293,021)
Asset position, net	(5,864)	34
	=======	=======

As of March 31, 2016 and 2015, the Company has hired financial derivative instruments, which protects its exposure to exchange-rate risk (see note 9).

The dollar-peso exchange rate, as of March 31, 2016 and 2015, was $17.2370 and $15.2649 pesos per dollar, respectively.

(5) Availabilities-

Availabilities comprise, as of March 31, 2016 and 2015, the elements shown below:

		2016	**2015**
National bank deposits	$	167,602	187,417
Foreign bank deposits		128,695	260,839
Restricted national bank deposits		10,239	8,704
	$	306,536	456,960
		=======	======

(6) Security investments-

As of March 31, 2016 and 2015, the notes in the amount of $191 and $3 have a maturity of 1 and 4 days and a performance rate of 3.69% and 1.98%, respectively.

(7) Repurchases-

As of March 31, 2016 and 2015, the investments in repurchases for $858,275 (restricted repurchases) and $617,376 (including $492.376 in restricted repurchases) are mainly constituted of investment in repurchase of government paper (Bondes and Udibonos), at 1-day term, with a rate interest of 3.68% and of 3.0% - 2.85%, respectively. The restricted repurchases correspond to Investments of the Irrevocable Trust No. 1455 and the Irrevocable Trust No. 2537 (see note 10 c).

The interest yielded by repurchase investments in repurchases and restricted repurchases amounted to $2,148 and $6,664, respectively, in 2016, and $1,431 and $3,440, respectively, in 2015 which are reported in the consolidated income statement under the heading "Interest Income." (See note 21).

(8) Trading derivatives-

As of March 31, 2016 and 2015, the Company has hired financial derivative instruments of interest rate options, called Interest Rate Cap (IR CAP), referred to the Interbank Equilibrium Interest Rate (TIIE), which would allow the Company to receive the difference of the spot rate and the agreed rate. The IR CAP are amortized as the principal of the bonds is paid; however, the cash flows of the options are exercised only when the 28-day TIIE interest rate is above its or limit, as applicable.

Additionally, as of March 31, 2016, the Company has hired financial derivative instruments that allowed to exchange rate flows and foreign currency (Cross-Currency Swaps or 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 allow to receive the Interbank Equilibrium Interest Rate TIIE in pesos and pay the London InterBank Offered Rate (LIBOR) in dollars.

(Continued)

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The quantity of the notional amounts and the book value as of March 31, 2016 and 2015, are shown below:

				2016		2015	
Instrument	Underlying	Notional[1]	Premium	Impact on income	Book value	Impact on income	Book value
IR CAP	28-day TIIE	1,000,000	13,496	(478)	693	1,642	4,953
IR CAP	28-day TIIE	800,000	12,150	(367)	531	1,187	4,007
IR CAP	28-day TIIE	616,550	3,690	(1,306)	3,403	2,829	8,960
				(2,151)			

(1) The notional amounts of the agreements account for the reference on which the rates and exchange rates set in the agreement of the financial derivative instruments shall be applied, and they do not represent the loss or profit associated with the market risk or credit risk of the instruments. The notional amounts represent the amount to which the rate or the price is applied, in order to determine the amount of cash flow to be exchanged. Regarding the IR CAP, the notional amount is the reference quantity to which the agreed interest rate will be applied. For the CCS, the notional amount is exchanged at the termination of the contract, together with the accrued interest, at the corresponding rates.

As of March 31, 2016 and 2015, the profit derived from the trade of financial derivative instruments amounted to $8,777 and $9,535, respectively (see note 24).

(Continued)

(Thousands of pesos)

(9) Loan portfolio-

(a) Classification of the loan portfolio-

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

March 31, 2016	**Current portfolio**			**Non-performing portfolio**			
	Mexican Pesos	**Appreciated Dollars**	**Total**	**Mexican Pesos**	**Appreciated Dollars**	**Total**	**Total current and non-performing**
Commercial loans	4,295,899	2,539,673	**6,835,572**	92,892	4,536	**97,428**	6,933,000
Capitalizable lease portfolio	1,439,414	154,979	**1,594,393**	146,146	-	**146,146**	1,740,539
Financial income to be accrued	(242,271)	(15,735)	**(258,006)**	-	-	**-**	(258,006)
Funded insurances	103,052	2,644	**105,696**	29,543	789	**30,332**	136,028
Commercial loans- restricted [(1)]	869,973	-	**869,973**	8,972	-	**8,972**	878,945
Restricted capitalizable lease portfolio [(1)]	1,934,205	-	**1,934,205**	17,138	-	**17,138**	1,951,343
Financial income to be accrued of restricted portfolio [(1)]	(263,819)	-	**(263,819)**	-	-	**-**	(263,819)
	8,136,453	2,681,561	**10,818,014**	294,691	5,325	**300,016**	**11,118,030**

March 31, 2015	**Current portfolio**			**Non-performing portfolio**			
	Mexican Pesos	**Appreciated Dollars**	**Total**	**Mexican Pesos**	**Appreciated Dollars**	**Total**	**Total current and non-performing**
Commercial loans	1,835,406	3,910,262	5,745,668	48,938	6,705	55,643	
Capitalizable lease portfolio	1,963,432	106,650	2,070,082	129,590	53	129,643	2,199,725
Financial income to be accrued	(362,711)	(11,019)	(373,730)	-	-	(373,730)	(373,730)
Funded insurances	99,734	2,758	102,492	31,136	462	31,598	134,090
Commercial loans - restricted [(1)]	820,928	-	820,928	3,608	-	3,608	824,536
Restricted capitalizable lease portfolio [(1)]	1,290,338	-	1,290,338	7,753	-	7,753	1,298,091
Financial income to be accrued of restricted portfolio [(1)]	(162,210)	-	(162,210)	-	- -	-	(162,210)
	5,484,917	4,008,651	9,493,568	221,025	7,220	228,245	9,721,813

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

(Continued)

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Non-performing portfolio:

The non-performing portfolio classification is presented below by seniority as of March 31, 2016 and 2015:

		Days				
December 31,		**1 - 180**	**1 - 365**	**1-2 years**	**More than 2 years**	**Total**
2016	$	103,698	104,034	68,221	24,063	300,016
2015		48,215	67,795	110,535	1,700	228,245
		======	======	=====	=====	======

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

		2016	**2015**
Balance at the beginning of the year	$	300,421	199,544
Awards		(7,463)	(7,425)
Write-offs		(34,061)	(2,382)
Collection		(27,129)	(21,601)
Transfer from current to non-performing portfolio		76,859	67,103
Transfer from non-performing to current portfolio		(8,611)	(6,993)
Balance at the end of the year	$	300,016	228,246
		======	======

(Continued)

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

Maturity year	2016
2016	7864957
2017	$ 1521298
2018	1040344
2019	562678
2020	126853
2021	1900
	$ 11,118,030
	========

Risk concentration:

As of March 31, 2016 and 2015, the Company's portfolio is comprised of the loans granted to individuals and medium-sized enterprises. No debtor has a credit risk higher than the risk of the total portfolio.

The loan portfolio concentration by geographic zone as of March 31, 2016 and 2015, is detailed below.

	2016		2015	
	Portfolio	%	Portfolio	%
Mexico City and State of Mexico	$ 2,880,680	25%	$ 1,905,398	19%
Center (1)	731,595	6%	661,746	7%
North (2)	3,464,944	31%	3,707,020	38%
West (3)	3,008,998	27%	2,452,680	25%
South (4)	1,031,813	9%	994,969	11%
	$ 11,118,030	100%	$ 9,721,813	100%
	========	====	========	====

(1), (2), (3), (4), see next page.

(Continued)

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

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

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

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

(b) Preventive credit risk estimates-

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

Level of risk assessed portfolio	**Portfolio**		**Preventive estimates for credit risks**	
	2016	**2015**	**2016**	**2015**
A-1	6,856,626	5,118,045	79,448	24,316
A-2	2,015,660	1,375,932	21,632	14,569
B-1	572,567	305,272	9,527	3,740
B-2	263,036	478,145	8,425	7,439
B-3	266,002	1,096,261	10,436	80,255
C-1	216,111	633,190	15,933	34,965
C-2	470,217	201,439	62,256	28,345
D*	414,263	178,578	135,132	34,103
E*	43,548	334,951	38,602	145,531
Total	**11,118,030**	9,721,813	**381,391**	373,263
	========	========	======	======

* Troubled portfolio.

(Continued)

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An analysis of the movements of the preventive credit risk estimates for the years ended on December 31, 2015 and 2014, is shown below:

		2016	**2015**
Balance at the beginning of the year	$	400,102	328,322
Increment of the allowance		66,177	69,467
Release of the allowance		(30,943)	(22,143)
Write-offs		(53,945)	(2,383)
Balance at the end of the year	$	381,391	373,263
		======	======

(c) *Portfolio securitization-*

NAVISCB 13

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

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

In accordance with the Trust Agreement, the Company shall keep a minimal capacity of 1.15. As of March 31, 2016 and 2015, the collection rights given to the Trust amounted to $1,896,671 and $960,417, respectively. Any remnant of the issue will be delivered to the Company once all bonds have been settled.

(Continued)

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

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

As of March 31, 2016 and 2015, the balance of the obligation on the NAVISCB 13 amounts to 1,800,000. The obligations on such bonds, which only payment source is the collection of collection rights, yielded interest of $23,317 and $22,065, respectively, which is recorded in the consolidated income statement under the heading “Interest Expenses”.

The rating awarded on December 18, 2014 by HR Ratings de México S. A. de C. V. was "HR AAA(E)." Additionally, the rating granted on April 24, 201 [SIC] to the first issue by Standard & Poors, S. A. de C. V. was "mxAAA(sf)".

<u>NAVISCB 15</u>

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

(Continued)

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

Under the Trust Agreement, the Company began with a capacity of 1.20, 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 March 31, 2016 collection rights given to the Trust amounted to $66,939. Any remnant of the issue will be delivered to the Company once all bonds have been settled.

The first issue of bonds was of bonds with a par value of $100 pesos each, under the ticker symbol NAVISCB 15, in the amount of $616,550, which yield interest during the issue term (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 March 31, 2016, obligation balance on the NAVISCB 15 amounts to $593,290, respectively (see note 14). The obligations on such bonds, which only payment source is the collection of collection rights, yielded interest of $7,190, which is recorded in the consolidated income statement under the heading "Interest Expenses".

The rating awarded on October 26, 2015 by HR Ratings de México S. A. de C. V. was "HR AAA(E)." Additionally, the rating granted on October 21, 2015 to the NAVISCB 15 Issue by Standard & Poors, S. A. de C. V. was "mxAAA(sf)".

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A summary of the Trust financial situation is presented below:

		Trust 1455		Tru. 2537
		2016	**2015**	**2016**
Balance sheet:				
Cash and cash equivalents		$31,569	26,746	-
Financial derivative instruments		752,968	474,334	83,977
Collection rights, net		1,660,971	1,902,769	621,184
Other accounts receivable		10,421	9,042	278
Total asset	$	**2,455,929**	**2,412,891**	**705,439**
		=======	=======	======
Obligations on bonds, net	$	1,785,008	1,773,630	524,120
Accounts payable		38,759	225,730	13,485
				167,833
Total assets		632,161	413,531	167,833
Total liabilities and assets	$	**2,455,928**	**2,412,891**	**705,439**
		=======	=======	======
Income statement:				
Financial income	$	67,070	70,028	22,281
Financial expenses		(27,021)	(26,608)	(10,387)
Impact of collection rights impairment		(3,220)	(6,919)	(1,080)
Other income, net		3,794	2,795	202
Year income	$	**40,624**	**39,296**	**11,017**
		======	======	======

(Continued)

(d) Escrows-

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

- 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, Instituto de Banca Múltiple, Invex Grupo Financiero as Fiduciary. Such Trust is intended for back the line of credit with corporate purposes in favor of the Company in an amount up to 50 million dollars. As of March 31, 2016 and 2015, the assets of this Trust amount to $1,008,184 and $699,820, 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 Trust is to back the line of credit in current account in favor of the Company. As of March 31, 2016 and 2015, the assets of this Trust amounted to $3,190,145 and $2,759,732, respectively.

(Continued)

- In December 2010, an Irrevocable Guarantee Trust Agreement was entered into by and between the Company in its capacity as Settlor and Beneficiary in second place, Banco Nacional de México S.A., in its capacity as Fiduciary, and CITIBANK, N.A., in its capacity as Beneficiary in first place, in order for the Company to guarantee, by means of the collection rights of certain loans of Mexican clients, resulting from the vehicle founding, acquisition or lease, the compliance with every Company's current and future obligation, resulting from the execution of a loan agreement up to a total amount equivalent to $94.4 million dollars, entered into by and between the Company as borrower, Banco Nacional de México S.A. as lender, Citibank, N.A. as line of credit agent and Export-Import Bank of the United States, institution which provides funds warranty to the borrower. This agreement terminated on October 30, 2015.

  As of December 31, 2014, the Trust assets are represented by the secured collection rights to pay the loan obligations, which amount to $302,206. The amounts derived from the collection rights aforementioned, according to the accounting provisions applicable to the Company, does not meet the criteria to be derecognized and, consequently, they are presented under the heading “current loan portfolio” in the consolidated balance sheets.

(e) Risk sharing fund-

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

(Continue

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

On November 26, 2011, the Company entered again 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 another agreement with NAFIN for the Risk Sharing, focused on federal freight transport. In this agreement, the Fund will share up to $30,000, in relation to the first losses of the loan portfolio registered in the Fund, which amounts to $750,000, effective on January 11, 2013.

The outstanding balances of the portfolio secured under both schemes as of March 31, 2016 and 2015 was $200,933 and $480,914, respectively.

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

As of March 31, 2016 and 2015, the Company has claimed $93472 and $53,927, respectively, under such program.

(f) Restructured and renewed loans-

As of March 31, 2016 and 2015, the restructured and renewed loans of the portfolio amount to and [SIC]. Derived from such restructuring during 2016 and 2015, additional securities were received in the amount of $122,848 and $15,690, respectively.

As of March 31, 2016 and 2015, the recovery income of the previously non-performing portfolio amounts to $1,448 and $2,025, respectively, which is recognized under the heading "Other operating income (expenses), net" in the consolidated income statement.

(Continue

(Thousands of pesos)

(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 March 31, 2016 and 2015 are shown below.

Fees for granting loans:		**2016**	**2015**
Initial balance		122,523	127,467
Collected fees		17,020	12,190
Amortization		(14,775)	(12,286)
		124,768	127,371
Loan origination costs:			
Initial balance		23,900	20,632
Paid costs and expenses		4,549	4,103
Amortization		(3,794)	(3,327)
		24,655	21,408
Net balance of fees and loan origination cost	$	100,113	105,965
		=====	======

As of March 31, 2016, the average amortization term of the net fees for granting loans of its origination costs was 40 months.

(h) Policies and procedures to grant loans (not audited)-

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 area official analyzes the common risk of the partner borrowers integrating a business group or corporation of companies linked among them.

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

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

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

(10) Other accounts receivable-

As of March 31, 2016 and 2015, the accounts receivable are as follows:

		2016	2015
Portfolio debtors	$	91,882	85,523
Sundry debtors		396,786	44,675
Refundable taxes		8,044	10,218
Related companies		26,610	118,346
		91,882	258,763
Less estimate of doubtful accounts payable		(20,731)	(11,518)
	$	502,591	247,244
		======	======

(Continued)

Navistar Financial, S. A. de C. V.,
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Notes to the consolidated financial statements

(Thousands of pesos)

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

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

Real property, furniture and equipment for own use:		**2016**	**2015**	**Annual depreciation rate**
Real property	$	56,634	39,631	2.30%
Furniture and computing equipment		18,144	17,388	10% and 33%
Transport equipment		2,598	2,237	25%
		77,346	59256	
Accumulated depreciation		(18,726)	(17,202)	
		58,620	42,054	
Land		41,169	9,279	
	$	99,789	51,333	
		======	=====	

(Continued)

(Thousands of pesos)

Transport equipment intended to operating lease:	**2016**	**2015**	**Annual depreciation rate**
Leased transport equipment	$ 1,982,487	1,505,299	Various
Accumulated depreciation and amortization	(430,331)	(327,552)	
	$ 1,552,156	1,229,080	
	=======	=======	

For the years ended on March31, 2016 and 2015, the charge to income derived from real property, furniture and equipment depreciation amounted to $877 and $1,334, respectively, and for the equipment intended for operating lease amounted to $3,255 and $49,391, respectively.

(12) Awarded assets-

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

		2016	**2015**
Transport equipment	$	66166	105,215
Real property		18280	45,951
		82446	151,166
Less:			
Allowance of awarded assets		(17,322)	(27,792)
Wear and tear		(9,981)	(13,975)
	$	55,143	109,399
		=====	=====

(Continued)

(Thousands of pesos)

(13) Stock liabilities-

On November 10, 2015 the Company carried out a securitization of credit claims under the ticker symbol NAVISCB 15 with January 15, 2021 (1,893 days) as final maturity date. During 2014, the Company performed a securitization of credit claims at a 1,835-day term, under the ticker symbol NAVISCB 13.

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

Issue	2016	Maturity	Rate
NAVISTS01215	236,500	05/05/2016	TIIE+2.35%
NAVISTS01815	159,000	07/04/2016	TIIE+2.25%
NAVISTS01915	50,000	08/04/2016	TIIE+2.25%
NAVISTS02015	200,000	21/04/2016	TIIE+2.30%
NAVISTS02115	250,000	28/04/2016	TIIE+2.25%
NAVISTS00116	60,000	29/09/2016	TIIE+2.35%
NAVISTS00216	330,000	02/06/2016	TIIE+2.20%
NAVISTS00316	100,000	01/03/2017	TIIE+2.40%
NAVISTS00416	100,000	27/09/2016	TIIE+2.25%
Accrued interest	3,384		
NAVISCB 13	750,000	15/05/2018	TIIE+1.50%
NAVISCB 15	185,194	15/01/2021	TIIE+1.40%
Accrued interest	6,137		
Subtotal	2,436,352		
Long-term:			
NAVISCB 13	1,050,000	15/05/2018	TIIE + 1.50%
NAVISCB 15	362,001	15/01/2021	TIIE + 1.40%
Total stock liability	$ 3,842,216		

* Current portion of long-term bonds.

(Continued)

(Thousands of pesos)

Issue 2015			**Maturity**	**Rate**
Short-term:				
NAVISTS 01514	$	236,500	04/06/2015	TIIE + 2.40
NAVISTS 01714		213,500	25/06/2015	TIIE + 2.40
NAVISTS 00215		90,000	09/04/2015	TIIE + 2.20
NAVISTS 00315		100,000	21/05/2015	TIIE + 2.20
NAVISTS 00415		188,000	28/05/2015	TIIE + 2.20
NAVISTS 00515		233,000	02/07/2015	TIIE + 2.20
Accrued interest		3,018		
Subtotal		1,064,018		
Long-term:				
NAVISCB 13		1,800,000	15/05/2018	TIIE + 1.50%
Accrued interest		3,600		
Total stock liability	$	2,867,618		

As of March 31, 2016 and 2015, the balance of issue expenses to be amortized amount to $29,844 and $34,071, respectively. The charge to income derived from the amortization of such expenses amounts to $4,751 and $6,637, respectively

(Continued)

(Thousands of pesos)

(14) Bank loans and loans from other institutions-

As of March 31, 2016 and 2015, the bank loans and loans from other institutions, at short- and long-term, are composed as shown below:

	2016	**2015**
Direct loans in dollars accruing interest at an average weighted rate of 3.12% and 3.08% on LIBOR as of the closing of March 2016 and 2015, respectively, and an average fixed weighted rate of 2.7 % and 2.7% in March 2016 and 2015, respectively.	$3,142,914	$4,345,768
Direct loans in Mexican Pesos accruing interest at an average weighted rate of 2.46% and 2.37% on 28-day TIIE in March 2016 and 2015, respectively, and an average fixed weighted rate of 6.15% and 6.54% in March 2016 and 2015, respectively.	$3,661,467	$2,092,112
Accrued interest	23,845	19,332
Total of bank loans	$6,828,226	$6,457,212
Less current portion of the debt	$4,216,812	$5,050,135
Total of bank loans and loans from other institutions at long-term	$2,611,413	1,407,077
	=======	========

As of March 31, 2016 and 2015, the 45% and 47%, respectively, of the Company's lines of credit were secured by Navistar International Corporation (holding company) or by Navistar Financial Corporation (affiliated company).

(Continued)

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

As of March 31, 2016 and 2015, there are lines of credit hired with national and foreign financial institutions in the amount of 417 and 399 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 200 million dollars at variable rate. As of March 31, 2016 and 2015, this line was fully available.

Since August 2012, the Company has granted short-term commercial loans to sell International trucks and buses manufactured in Mexico and exported to Colombia, supported by a line of credit of 95 million from Banco Nacional de Comercio Exterior, S.N.C. (Bancomext). Since August 2013, this line has also been available to be used to fund units placed in Mexico. Additionally, in August 2015, an extension of the discount term for export operation, as well as the inclusion of other countries, were authorized. On March 4, 2016, an increase in this line of credit of 25 million dollars was recorded.

Additionally, the Company has lines available with Navistar International Corporation and Navistar Financial Corporation, which are still being operated as guarantees of some bank lines and/or as working capital through intercompany loans intended for the acquisition of spare parts or new units (floor plan), in this last case, as of the closing of March 2016 and 2015, this line was fully available as working capital.

(b) *Bank loans in Mexican Pesos:*

As of March 31, 2016 and 2015, there are lines of credit denominated in pesos hired by the Company to national financial institution for $4,694 and $4,619 billion pesos respectively.

On January 30, 2015, a new line of credit was executed with a 100% guarantee of the Export-Import Bank of the United States, for $41 million Dollars, to use its equivalent in pesos. As of March 31, 2016, this line has been fully used.

As of March 31, 2016 and 2015, most of the lines of credit in dollars and in Mexican Pesos are secured by the loan portfolio in the amount of $7,791,426 and $7,412,624, respectively.

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

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As of March 31, 2016, the maturities of the bank loans and loans from other institution are as follows:

Maturity year	Pesos	Appreciated Dollars
2016	3,693,007	2,281,348
2017	2,010,509	550,084
2018	1,194,765	297,833
2019	436,771	8,920
2020	147,960	4,545
2021	10,721	183
2022	428	0

(Continued)

(Thousands of pesos)

(15) Sundry creditors and other accounts payable-

As of March 31, 2016 and 2015, the sundry creditors and accounts payable are as follows:

	2016	2015
Sundry creditors	20,088	27,741
Security deposits	440,557	436,098
Trust portfolio deposits and collection to be delivered to the Trust	18,385	-
Tax payable (Income Tax and Value-Added Tax)	22,608	11,168
Obligation for sharing losses(*)	1,507	1,994
Provisions for different obligations	19,612	26,483
Related companies (note 17)	132,681	31,134
Employee benefits (note 18)	23,910	30,413
Other taxes	3,277	3,377
Deposits and balance in favor of clients	57,494	40,358
Other	401,050	107,355
	1,141,169	716,121
	======	======

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

(16) Transactions and balances 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.

(Continued)

(Thousands of pesos)

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

		2016	2015
Balance receivable:			
Loan portfolio:			
Navistar México S. A. de C. V	$	729,749	1,407,295
Navistar Comercial, S. A. de C. V.		-	5,013
Navistar Financial Corporation		1,594	-
International Parts Distribution, S. A. de C. V.		1,451	1,146
	$	732,794	1,413,454
		======	=======

		2016	2015
Other accounts receivable:			
Navistar México S. A. de C. V	$	21,640	17,130
Navistar Inc.		1,597	98,062
Navistar Comercial, S. A. de C. V.		13	10
Transprotección Agente de Seguros, SA de CV		863	1,949
Navistar International Corporation		2,401	1,085
International Parts Distribution, S. A. de C. V.		96	110
	$	26,610	118,346
		======	======

		2016	2015
Balance payable:			
Navistar México S. A. de C. V	$	103,356	15,009
International Parts Distribution, S. A. de C. V.		-	-
Navistar Financial Corporation		8,693	22,313
Navistar Inc.		1,997	1,661
Navistar International Corporation		1,031	931
Navistar Comercial, S. A. de C. V.		-	11
Distribuidora de Camiones International, S. de R. L. de C. V.		12,589	12,586
Transprotección Agentes de Seguros, S. A. de C. V.		5,015	19,124
	$	132,681	71,635
		======	=====

(Continued)

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(Thousands of pesos)

Below are the transactions carried out with associated companies for the years ended on March 31, 2016 and 2015:

		2016	2015
Revenues:			
Administrative services:			
Trasproteccion Agentes de Seguros, S. A. de C. V.	$	4,396	4,200
Navistar México S. A. de C. V		140	1,002
Interest accrued in favor:			
Navistar México S. A. de C. V		78,135	65,919
Navistar Financial Corporation		7,451	-
International Parts Distribution, S. A. de C. V.		4,304	3,367
Navistar Comercial, S. A. de C. V.		51	82
Placement-service fees:			
Navistar México, S. A. de C. V.		23,589	18,137
Portfolio administration fees:			
Navistar Comercial, S. A. de C. V.		3	28
Other income:			
International Parts Distribution, S. A. de C. V.		-	753
Navistar México S. A. de C. V		100	94
		=====	=====

(Continued)

Navistar Financial, S. A. de C. V.,
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Notes to the consolidated financial statements

(Thousands of pesos)

	2016	2015
Expenses:		
Other service fees and rates:		
Navistar Financial Corporation	3,300	-
Fees for granting securities:		
Navistar Financial Corporation	(5075)	(5,275)
Navistar International Corporation	(750)	(643)
Other expenses:		
Navistar Inc.	(483)	(7)
Accrued interest:		
Transprotección Agentes de Seguros, S.A de C.V.		(264)
Distribuidora de Camiones Internacional, S. de R.L de C.V.		(172)
Navistar México, S. A. de C. V.	(125)	(23)
Navistar Financial Corporation	-	
	=====	====

(Continued)

(17) Shareholder's equity-

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

(a) Structure of corporate equity-

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

		Thousands of pesos	
	Number of shares[1]	**Corporate equity**	**Additional paid-in capital**
Figures as of March 31 2016 and 2015	2,425,035	$ 283,177	111,961

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

(b) Shareholder's equity restrictions-

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

The corporate equity refunding and the retained earning distributions, as well as other shareholder’s equity accounts, which income tax had already been covered, can be performed without any burden. Other refunding and distributions in excess of the amounts intended for tax purposes are subject to income tax.

(Continued)

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(c) Comprehensive income-

The comprehensive income showed in the consolidated statements of variations in shareholder's equity represents the income of the Company's total activity during the year and it is shown below.

		2016	2015
Net profit	$	72,439	352,669
Non-controlling interest			1
Comprehensive income	$	72.439	352,670
		======	======

(18) Financial margin-

The elements of the financial margin as of March 31, 2016 and 2015, are analyzed below:

		2016	2015
Interest Income:			
Derived from:			
Loan portfolio	$	179,581	680,127
Financial lease		81,684	329,280
Investments and debtors derived from repurchase		8,812	20,348
Fees for granting loans		14,775	64,734
Exchange income			23,625
		284,852	1,118,114
Interest expenses:			
Interest expenses derived from bonds		(30,506)	(94,688)(
Amortization of debt issue expenses		(4,751)	(12,636)(
Interest expenses of bank loans		(109,924)(	(409,231)
Amortization of origination costs (note 10g)		(3,794)	(14,907)
Exchange income		(17,421)	(11,759)
		(166,396)	(543,221)
Total financial margin	$	118,456	574,893
		======	======

(Continued)

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(19) Collected fees and rates-

As of March 31, 2016 and 2015, the collected fees and rates are composed as shown below:

		2016	2015
Asset administration	$	3	28
Placement service fee		23,589	18,137
Other fees and rates collected		16,090	18,252
	$	39,682	36,417
		======	======

(20) Paid fees and rates-

As of March 31, 2016 and 2015, the paid fees and rates are composed as shown below:

		2016	2015
Fees for collection service and others	$	(23,098	(14,149)
Bank fees		(1,627)	(1,238)
	$	(4,025)	(15,387)
		======	======

(21) Intermediation income, net-

As of March 31, 2016 and 2015, the intermediation income is comprised as shown below:

		2016	2015
Trading derivatives	$	(2,151)	(1,551)
Derivate trade		8,777	(5,261)
Foreign exchange loss due to currency valuation		3,018	(3,907)
		$9,664	(2,905)
		======	======

(Continued)

(Thousands of pesos)

(22) Operating lease income-

As of March 31, 2016 and 2015, the operating lease income is comprised as shown below:

		2016	2015
Operating lease income	$	94,481	73,762
Leased property depreciation		(62,166)	(49,390)
Costs and expenses related to loan granting			-
Allowance for operating lease portfolio		-	-
	$	32,315	24,372
		=====	=====

The Company works only with loan and operating lease segments. The operating lease income in 2016 and 2015 amounted to $32,315 and $24,372, respectively, as shown in this note. The difference of this income against the net consolidated income constitutes the loan segment.

(Continued)

(Thousands of pesos)

(23) Other operating income, net-

As of March 31, 2016 and 2015, the accounts receivable are composed as shown below:

		2016	**2015**
Other operating income (expenses), net-	$	5,205	(762)
Other lease benefits			
Loss for awarded assets valuation		1,346	8,415
Awarded sale income		(3,401)	2,247
Recovery of loan portfolio		(6,420)	(6,275)
Impact of the estimate for non-recoverable or difficult collection		(5,785)	5,446
			(32)
Real property, furniture and equipment sale earnings (loss)		(2)	
			4,488
Allowance for operating lease portfolio			
Other		(506)	(355)
Total of other operating income	$	(9,563)	13,172
		=====	=====

(Continued)

(Thousands of pesos)

(24) Financial indicators-

The main financial indicators as of March 31, 2016 and 2015 are presented below.

	2016	2015
Delinquency rate	2.79	2.95%
Hedge ratio of loan portfolio		
Non-performing	1.27%	1.33%
Operational efficiency (*management and promotion expenses/ average total assets*)	1.76%	1.99%
ROE (*net earnings/average shareholder's equity*)	11.85%	15.8%
ROA (*net earnings/average total assets*)	2.08%	2.73%
Liquidity (*liquid assets/liquid liabilities*) *	7.27%	8.68%
Year credit-risk-adjusted financial margin/ average performing assets **	2.70%	4.36%

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

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

(25) Commitments and contingencies-

(a) The Company rents the premises occupied by its administrative offices, according to lease agreements with set term. The total expense corresponding to rent amounted $1,373 in 2016 and $1,422 in 2015.

(b) The Company is involved in several trials and claims resulting from the normal course of its business. 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 [SIC], there is an obligation of losses 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 tax returns from the last five years up to the last submitted income tax return.

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

(Continued)

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

(26) Recently issued regulatory pronouncements-

Dated November 9, 2015, the Banking Commission published in the Official Gazette of the Federation the resolution modifying the general provisions for credit institutions, particularly, the adjustments regarding the accounting criteria for credit institutions (Exhibit 33) and the modification to the reporting forms applicable to these financial entities. This Resolution will come into force on January 1, 2016. The main modifications are enlisted below:

B-1 *"Availabilities"*

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

B-6 *"Loan portfolio"*

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

C-3 *"Related parties"*-

Different definitions in accordance to the established in the FRSs issued by CINIF are added or modified.

The Company, in order to comply with the provisions in fractions I and II of Article 72 bis 3 of the General Auxiliary Financial Institutions Law, since January 1, 2017, will implement in all its agreement the general methodology set in section fourth of chapter I, and in sections first to third and fifth of chapter V of Title Second of the Single Circular of Banks, removing the internal methodology applied to loans lower than 14 million UDIs. No material adjustments to the estimates currently set are expected.

(Continued)

The Mexican Financial Reporting Standards Board (Consejo Mexicano de Normas de Información Financiera, A. C., CINIF) has issued the following FRSs and Improvements:

FRS C-3 "Accounts receivable"- It comes into force in the year beginning on January 2018, with retrospective effects, allowing its application in advance, since January 1, 2016, provided that such application is carried out together with the application of the FRSs relative to financial instruments which effectiveness and probability to be applied in advance are similar to those indicated in this FRS. Its main changes include:

- It specifies that the accounts receivable based on an agreement account for a financial instrument, since some of the other accounts receivable, created by a legal or tax provisions, can have certain characteristics of financial instrument, such as the capacity to yield interest, but they are not actual financial instruments.

- It provides that the estimate for uncollectability in commercial accounts receivable must be recognized since the moment the income is accrued, based on the expected credit loss, presenting the estimate under a heading of expenses, separately when the amount is significant, in the comprehensive income statement.

- It provides that, from the initial recognition, the value of the money in the time must be considered so, if the effect of the present value of the account receivable is significant respect of its term, it must be adjusted considering such present value.

- It requires a reconciliation of the initial and final balance of the estimate corresponding to uncollectability per each fiscal year being presented.

FRS C-9 *"Provisions, contingencies and commitments"*- It comes into force in 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.

(Continued)

- It reduces the scope by relocating the issue 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” and including the term "probable".

- The terminology is updated throughout the whole standard in order to have a presentation consistent with the other FRSs.

FRS C-19 *“Financial Instruments payable”*- It comes into force in the year beginning on January 1, 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”. Its main changes include:

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

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

In December 2015, the CINIF issued the document "Improvements to FRSs 2016" which contains specific changes to some of the already existing FRSs. The main improvement producing accounting changes is shown below:

(Continued)

FRS C-20 *"Financial Instruments receivable"*- It comes into force in the year beginning on January 1 2018, with retrospective effects, allowing its application in advance from January 1, 2016, provided that such application is carried out together whit the application of the FRSs relative to financial instruments which effectiveness and probability to be applied in advance are similar to those indicated for this FRS. The main aspects it covers are the following:

- The classification of financial instruments in the assets. It removes the concept of acquisition intention and possession thereof to determine the assets classification. Instead of it, the concept of management business model is implemented, whether to obtain a contractual performance, produce a contractual performance and sell to accomplish certain strategical objectives, or to produce profits derived from their trade, in order to classify them according to the corresponding model.

- The effect of the valuation of the investments in financial instruments is also focused on the business model.

- The reclassification of the financial instruments between the classes financial instruments receivable, financial instruments for collection and sale and the trading instruments is not allowed, unless the entity's business model changes.

- The implicit derivative instrument modifying the principal and interest flows of the host financial instrument receivable (IDFC) is not separated, but all the IDFC will be valuated at its fair value, as if it was a trading financial instrument.

FRS C-7 "Investment in associates, joint venture and other permanent investments"- It provides that the investment or contribution in kind must be recognized based on their fair value. This improvement is effective for the year beginning on January 1, 2016, and the accounting changes resulting from it must be retrospectively recognized.

The Company's Management considers that accounting criteria, the new FRS and the improvements to the existing FRS will not produce significant impact on the Company's Financial Statements.

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