2018
THIRD QUARTER

NAVISTAR® FINANCIAL

VARIATION ANALYSIS

COMMENTS ON THE RESULTS

ABOUT THE FINANCIAL SITUATION

NAVISTAR FINANCIAL MEXICO

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

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

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

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

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

BALANCE SHEET HEADINGS

The financial information about Navistar Financial, S.A. de C.V. SOFOM E.R. (Navistar Financial or the "Company") *submitted for the fiscal year 2017 includes changes in its presentation in order to make it comparable to the fiscal year 2018 (current regulations).*

The Company's ***Assets*** show a positive variation of $2.6459 bmp compared to the 3Q17; such variation is mainly explained by the increment in the current loan portfolio and in the equipment intended for operating lease.

The ***Availabilities and Repurchases*** have a positive variation of $101 mmp, with a total balance of $390.7 mmp, comprised of (i) $255.2 mmp in cash restricted by the issue of Senior Trust Bonds ("CBF"), which may be used to pay the liabilities of this same issue, and (ii) $135.5 of availabilities.

On September 20, 2018, two interest rate options were hired. Compared to the closing of September 2017, the heading **Derivatives** as of the closing of September 2018 shows an increment of $5.7 mmp; this balance comprises three Interest Rate Options acquired in compliance with the Trust Agreements entered into as a result of the issues of CBF as follows: with a notional value of $616.5 mmp, an Interest Rate Option of notional value of $536.4 mmp, an Interest Rate Option of notional value of $709.5 mmp, and three additional Interest Rate Options hired on March 28, 2018 with a notional value of $374.6 mmp, on September 20, 2018 with a notional value of $ 225.8 mmp, and on September 20, 2018 with a notional value of $ 819.7 mmp; such instruments show a mark-to-market ("MTM") of $(18.7) mmp.

The ***Net Loan Portfolio*** shows an increment of $1.5734 bmp, equivalent to a positive variation of 14.4%, compared to 3Q17, which is explained mainly through:

(i) An increment in the current loan portfolio of $1.6306 bmp, which consists almost completely of the increment in the retail portfolio of $1.1288 bmp, resulted from the company's commercial strategies to satisfy the market's needs, and from accomplishing this year financing goals.

(ii) The **Non-Performing Loan Portfolio,** as of the closing of 3Q18, shows a balance of $300.3 mmp, representing 2.4% of the total portfolio, according to the Exhibit 34 of the Single Circular of the Bank (3Q17 2.5%). This is a positive consequence of the company's collection strategies during this year, resulting into a healthier indicator, compared to the same period in the previous year.

The ***Preventive Credit Risk Estimate*** shows an increment of $80.5 mmp, maintaining a hedge of 1 time ("x") the expected loss and of 1.5 x the non-performing portfolio (3Q2017 1.3x). The appraisal of the preventive credit risk estimate is calculated according to the methodology of expected loss.

It is worth to mention that the Company, as of September 30, 2018, has executed 6 Trusts, which are described below:

A. On October 17, 2017, an Irrevocable Management Trust Agreement was executed by Navistar

Financial as Settlor and Beneficiary in Second Place, and Banco Invex, S.A., Institución de Banca Múltiple, Invex Grupo Financiero ("Invex"), as Fiduciary, and Monex Casa de Bolsa, S.A. de C.V., Monex Grupo Financiero, as Common Representative, with regard to the public offer of 7,370,000 CBF with a nominal value of MX$100.00. (one hundred 00/100, Mexican pesos). The trust assets of this trust are comprised of a portfolio of $478 mmp as of September 30, 2018.

B. On September 05, 2016, an Irrevocable Management Trust Agreement was executed by Navistar Financial as Settlor and Beneficiary in Second Place, and Banco Invex, S.A., Institución de Banca Múltiple, Invex Grupo Financiero ("Invex"), as Fiduciary, and Monex Casa de Bolsa, S.A. de C.V., Monex Grupo Financiero, as Common Representative, with regard to the public offer of 5,363,830 CBF with a nominal value of MX$100.00. (one hundred 00/100, Mexican pesos). The trust assets of this trust are comprised of a portfolio of $205 mmp as of September 30, 2018.

C. On November 05, 2015, an Irrevocable Management Trust Agreement was executed by Navistar Financial as Settlor and Beneficiary in Second Place, and Banco Invex, S.A., Institución de Banca Múltiple, Invex Grupo Financiero ("Invex"), as Fiduciary, and Monex Casa de Bolsa, S.A. de C.V., Monex Grupo Financiero, as Common Representative, with regard to the public offer of 6,165,500 CBF with a nominal value of MX$100.00. (one hundred 00/100, Mexican pesos). The trust assets of this trust are comprised of a portfolio of $122 mmp as of September 30, 2018.

D. On January 30, 2015, an Irrevocable Escrow Agreement was executed by Navistar Financial as Settlor and Beneficiary in second place, Banco Invex, S.A, Institución de Banca Múltiple, Invex Grupo Financiero (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 September 2018, the balance of the contributed portfolio is $106 mmp.

E. In October 2014, Navistar Financial ("Settlor", "Beneficiary in Second Place") entered into an Irrevocable Guarantee Trust Agreement with (i) Export Development Bank of Canada (EDC) "Beneficiary in First Place" and (ii) Invex as "Fiduciary". The purpose of this guarantee is to back the line of the credit granted by EDC. The trust assets of this Trust, as of September 30, 2018, amount to $2.493 bmp.

F. In November 2013, Navistar Financial (Settlor, Beneficiary in second place and Commission Agent), entered into an Irrevocable Escrow Agreement with (i) Nacional Financiera, Sociedad Nacional de Crédito, Institución de Banca de Desarrollo, Dirección Fiduciaria ("Fiduciary") and (ii) Nacional Financiera, Sociedad Nacional de Crédito, Institución de Banca de Desarrollo ("NAFIN" and "Beneficiary in first place"). The purpose of this guarantee is to back the line of credit in current account in favor of the Company. The trust assets of this Trust, as of September 30, 2018, amount to $2.643 bmp.

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

The net of other ***Accounts Receivable and Accounts Payable***, except for the effect of foreign exchange trading, show a positive variation of $40.1 mmp, which results mainly from the increment of security deposits for the loans granted, which have been higher in comparison to the previous year.

The heading ***Awarded Assets,*** as of the closing of September 2018, shows a positive variation in the portfolio award indicator of 45 pbs as a consequence of a higher stock rotation of these assets: 0.57% in 3Q18, compared to 1.02% in 3Q17.

In relation to ***Equipment Intended for Operating Lease,*** as of 3Q18, there is a $316.4 mmp increment, compared to 3Q17, representing a growth of 15.6%. This is derived from the financing program for big fleets that the Company has maintained up today as part the commercial offer thereof.

The heading ***Other Assets*** shows a reduction of $17.4 mmp, caused mainly by the amortization of intangible assets, adjusted in this quarter.

As of the closing of 3Q18, the Company's **Net Liabilities of Liquid Assets** reflect an increment of $1.3283 bmp, equivalent to an increment of 14.1%, in comparison to the same period in the previous year. The foregoing is a normal effect resulting from the increment in the portfolio.

The heading **Stock Liability** shows a balance of $2.1626 bmp, comprised of the equity and interest of a (i) CBF in the amount of $106.6 mmp for the issue NAVISCB15 (first issue under a $5.000 bmp, 5-year revolving program authorized on November 5, 2015), (ii) CBF in the amount of $168.6 mmp corresponding to the issue NAVISCB16 (second issue under the a $5.000 bmp program), (iii)CBF in the amount of $394.8 mmp corresponding to the NAVISCB17 issue (third issue under a 5,000 mmp program), and (iii) Short-Term Bonds ("CB") in the amount of $1.4926 bmp of a $1.800 bmp program.

In **Bank Loans** there is an increase of $1.6869 bmp against 3Q17, resulting from the hiring and availability of funding sources with the commercial and development bank during this year. As of September 30, 2018 and 2017, the 36% and 39%, respectively, of the balance of aforementioned bank loans is guaranteed by Navistar International Corporation ("NIC") or by Navistar Financial Corporation ("NFC").

In 3Q18 and 3Q17, the bank liabilities are guaranteed by the loan portfolio and the transport equipment intended for operating lease in the amount of $9.827 and $8.550 bmp, respectively. In addition, as of the closing of September 2018, the company has a free current portfolio of $3.559 bmp, getting a 2.17-time benchmark of free current portfolio, compared to the outstanding balance of the issues of the current commercial paper.

Moreover, the **Deferred Loans and Advanced Collections** show a variation of $6.1 mmp, representing a positive variation of 5.0%, compared to 3Q2017. This is mainly because of the increment in the financial income to be accrued.

The Company shows a financial soundness, which is reflected in a capitalization level (equity / total portfolio) equivalent to 27.1% (3Q17 27.1%) and a net leverage level of the liquid assets of 3.6x (3Q17 3.4x), based on bank covenants.

HEADINGS IN THE INCOME STATEMENT

The financial information corresponding to the fiscal year 2017 includes changes in its presentation in order to make it comparable to the same period in 2018 (current regulations). Additionally, the percentages related to portfolio are arranged on an annual basis.

As of the closing of 3Q18, the ***Financial Margin***, not affected by the exchange rate fluctuation, amounts to $467.3 mmp, which represent a positive variation of $57.5 mmp, compared to the same period in the previous year, which is mainly explained by an increment in the commercial loan volume granted in 2018.
The interest hedge ratio for 3Q18, not affected by the exchange rate fluctuation, is 1.7x (1.6x 3Q17); therefore, the Company is in compliance with the required bank obligations.

The ***Preventive Credit Risk Estimates*** shows a negative variation, compared to the previous year, of $50.1 mmp, representing an increment of 52%; this is mainly because of an increment in the default probability of some clients, including a client who started a process of insolvency. The foregoing, in compliance with the current regulations.

Consequently, the ***Financial Margin Adjusted by the Credit Risks***, not affected by the exchange rate fluctuation, shows a positive variation of $7.4 mmp.

As part of the operation income, the following items are included.

(i) The net of collected and paid fees and rates shows a negative variation reflected in an income of $18.1 mmp, as a consequence of the reduction in the heading "collected fees", mainly because of the reduction in the volume of installation of geolocation devices in comparison to the previous year.

(ii) Intermediation income shows a positive impact of $79.4 mmp, resulting from:

a) A negative variation of $82.4 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. In 3Q2018, this reaches a profit of $12.1 mmp, compared to the loss of $28.9 mmp in this same period the previous year.

b) A positive variation because of the Interest Rate transactions. This instrument shows an increment in its 2018 value derived from the volatility of the Interbank Balance Interest Rate ("TIIE") and the long-term curve.

Aggregate as of 3Q17, there were negative effects of $46.9 mmp on these instruments, and during 2018 there have been negative effects of $44.0 mmp.

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

(i) ***Management Expenses***: the expenses indicator over the total managed portfolio is 1.88%, a figure 35 pbs lower than the 2.23% of 3Q17. A reduction of $7.4 mmp is shown in comparison to 3Q17, resulting from a decrease in the volume of expenses for marketing of the geolocation device launched in 2017.

Within the heading **Caused and Deferred Income Taxes**, a positive variation of $38.7 mmp is shown; this effect is, mainly, a consequence of the income tax provision, directly related to the result of the fiscal year, which is lower compared to the previous years.

FUNDING SOURCES

As of September 30, 2018, the Company had $14.8003 bmp in authorized funding sources, which were distributed in the following way: (i) 28.0% in domestic and foreign commercial bank, (ii) 57.5% in domestic and foreign development bank, (ii) 4.5% in CBF, and (iv) 10% in CB.

The Company maintains $3.7249 bmp in available lines with funding banks.

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

In November 2015, the first CBF issue was performed under the Senior Bond Certificate program authorized on November 5, 2015 for up to $5.000 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 end of September 2018, the balance of this issue amounts to $106.5 mmp. The Company holds 100% of the titles of trust assets of the aforementioned trust.

In September 2016, the second CBF issue was performed under the Senior Bond Certificate program authorized on November 5, 2015 for up to $5.000 bmp. This second issue NAVISCB16 in the amount of $536.4 mmp was executed through the Trust 2844, opened with Invex, with a 1985-day term and with monthly amortizations. As of the end of September 2018, the balance of this issue amounts to $168.6 mmp. The Company holds 100% of the titles of trust assets of the aforementioned trust.

In October 2017, the third CBF issue was performed under the Senior Bond Certificate program authorized on November 5, 2015 for up to $5.000 bmp. This third issue, NAVISCB17 in the amount of $737 mmp, was executed through the Trust 3290, opened with Invex, with a 1972-day term and with monthly amortizations. As of the end of September 2018, the balance of the issue amounts to $394.8 mmp. The Company holds 100% of the titles of trust assets of the aforementioned trust.

Additionally, the Company has a short-term CBs program of $1.800 bmp; such program was renewed and extended on February 17, 2017, and its balance as of September 30, 2018 is $1.4926 bmp.

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

	Sep -18	%	Sep -17	%
Debt in Pesos, fixed rate	3,463,929	40%	4,008,771	52%
Debt in pesos, with CAP coverage	1,955,302	23%	610,192	8%
Debt in pesos, variable rate	3,163,684	37%	3,055,049	40%
Subtotal pesos	**8,582,915**		**7,674,012**	
Interest payable	**42,919**		**30,530**	
TOTAL PESOS	**8,625,834**		**7,704,542**	
Debt in dollars, fixed rate	0	0%	0	0%
Debt in dollars, variable rate	133,119	100%	109,075	100%
Subtotal dollars	**133,119**		**109,075**	
Interest payable	**349**		**550**	
TOTAL DOLLARS	**133,468**		**109,625**	

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

As of September 30, 2018, the Company has not hired any CCSwap.

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

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

Under the Trust Agreement entered into as a result of the issue of the CBF NAVISCB16, one Interest Rate Option was hired under the following conditions:

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

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

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

Additionally, the company hired three Interest Rate Options, under the following conditions:

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

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

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

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

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

Consolidated Financial Statements

September 30, 2018 and 2017

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

Notes to the Consolidated Financial Statements

For years ended on September 30, 2018 and 2017

(Thousands of pesos)

(1) Company's activity-

Activity-

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

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

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

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

(2) Authorization and presentation basis -

Authorization-

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

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

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 15), for the registration of the transactions thereof, shall apply the accounting criteria for credit institutions in Mexico provided by the Commission in Exhibit 33 of the general provisions applicable to credit institutions, except for the series "D" of such criteria, since they shall apply series "D" criteria relative to the basic financial statements for SOFOMES, in force since 2015.

The accounting criteria indicated in the previous paragraph set forth that in case there are not specific accounting criteria issued by the Commission for the credit institutions, or in a context broader than the Mexican Financial Reporting Standards (FRS), the general complementary rule bases provided in FRS A-8 shall apply, and only in case the International Financial Reporting Standards (IFRS) referred to in FRS A-8 do not provide a solution to the accounting recognition, a complementary rule of any other regulatory framework may be used, 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 the Company's Management carries out estimates and assumptions that affect the recorded amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities up to the date of the consolidated financial statements, in addition to the recorded amounts of income and expenses during the year. The major headings, subject to these estimates and assumptions, include the evaluation of the security investments, repurchases and trading financial derivative instruments, preventive estimates for credit risk, residual value of the property in operating lease, estimate for non-recoverable accounts receivable and assets sale for income tax and employees' deferred profit sharing, as well as the determination of 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 "$", it refers to thousands of Mexican pesos and, when referring to Dollars, it refers to US Dollars.

(3) Summary of the main accounting policies-

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

(a) Recognition of the inflationary impact-

The attached consolidated financial statements were prepared in accordance with the accounting criteria for credit institutions which, considering that the Company operates in a non-inflationary economic environment since 2008 (the cumulative inflation in the last three year is less than 26%), 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 assessed based on the inflation determined by the Banco de Mexico (Banxico).

(b) Consolidation basis-

The consolidated financial statement includes information about Navistar Financials and its subsidiary Servicios Corporativos (which 99.97% of corporate equity is held by Navistar Financial). The important balances and transactions between Navistar Financial and Servicios Corporativos have been removed in the preparation of the consolidated financial statements. The consolidation was carried out based on the audited financial statements of Servicios Corporativos as of and for the year ended on September 30, 2018 and 2017.

(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 consolidated financial statements, the interest is recognized in the income of the year as it is accrued.

(d) Investments in securities-

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

(e) Debtor for repurchases-

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

(f) Transactions with trading financial derivative instruments-

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

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

Interest rate swaps and CSS

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

Options-

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

(g) Loan portfolio-

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

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

In the case of capitalizable lease, at the beginning of the agreement, the contract value of the 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 earned.

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

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

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

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

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

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

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

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

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

(i) Operating lease-

In the case of operating leases, the due and payable rent amount that has not been fully settled is recognized as overdue at the 30th or more calendar days of default. 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 agreement 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 asset transfer requirements, in accordance with the provisions of the accounting criteria. If such asset transfer does not comply with the requirements to be canceled, the financial assets granted as guarantee or collateral are presented as restricted assets, the resources obtained by the securitization transaction are recognized under the heading "Availabilities", and the liabilities associated with this transaction due to the issue of the bond are recognized as liabilities under the heading "Stock liabilities”.

(k) Preventive credit risk estimates-

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

(Thousands of pesos)

Since March 30, 2017, the Management has been based on studies that analyze and classify the total commercial portfolio, as per the "Provisions", to carry out the Preventive Credit Risk Estimates applicable to Credit Institutions set forth by the Commission, which are described below:

- In case of loans to entities and individuals with business activity, with income higher or equal to 14 million UDIs in national currency, the estimate is performed as per the general methodology set in Exhibit 22 of such Provisions.

- In case of loans to entities and individuals with business activity, with net income or net sales lower than the equivalent in national currency to 14 million UDIs, the estimate is integrated as per the implementation of the methodology described in Exhibit 21 of the Provisions.

The classification of the loan portfolio by the level of risk as of September 30, 2018 and 2017, is arranged as indicated below:

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

General methodology-

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

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

Where:

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

PIi= Default probability of the n-th loan.

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

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

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

Until December 30, 2016, the Company's Management performed its estimates according to the following internal methodology, considering the guidelines set forth in the Provisions of Credit Institutions required to use the internal methodology, which sets that the severity of the loss and the default probability shall be estimated, and the non-performance exposure of each credit shall be obtained.

Internal methodology-

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

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

Where:

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

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

(l) Other accounts receivable-

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

The Management considers that the estimates for non-recoverable collection is enough to absorb losses according to the policy set forth in the Provisions issued by the Commission.

(m) Awarded assets-

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

(Thousands of pesos)

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	-
More than 6 and up to 12	10
More than 12 and up to 18	20
More than 18 and up to 24	45
More than 24 and up to 30	60
More than 30	100

Real property

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

(n) Real property, furniture and equipment-

The real property, furniture and equipment are registered at their acquisition cost and, up to December 30, 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 such items, as well as those incurred subsequently to replace them or increase their potential service. If a furniture and equipment item comprises different estimated lifespans, the major separate components are depreciated during their separate lifespans.

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

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

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

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

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

(o) Other assets-

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

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

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

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

(q) Income Tax (ISR) and employee profit sharing (PTU)-

The ISR and PTU incurred during this year is determined according to the current tax provisions.

The deferred ISR and PTU (assets and liabilities) are recognized according to the future tax consequences, which are attributable to the temporary difference between the values reflected in the consolidated financial statements of the existing assets and liabilities, as well as their relative tax basis 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 for deferred ISR and PTU are estimated using the rates provided in the corresponding law, applied to the taxable earnings in the year when it is expected the temporary differences to be reversed. The impact of the tax rate changes on the deferred ISR and PTU is recognized in the income of the year when such changes are approved.

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

(r) Deferred loans-

It includes the financial income to be earned from the financial lease transactions and the fees charged for opening the loans, which are amortized against the income of the year under the heading “Interest Income", 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.

(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 and liabilities hired in foreign currency are recorded in the income statement of the year.

(v) Contingencies-

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

(4) Implementation of accounting criteria and reclassification-

Implementation of accounting criteria-

The Company, since March 2017, adapted its internal methodology to the methodology set forth by the Commission to borrowers with net income or net sales lower or equal to 14 million UDIs, to determine the preventive credit estimates of the consolidated balance sheet.

Reclassifications-

The consolidated financial statements as of and for the year ended on September 30, 2017, include certain reclassifications to be standardized with the presentation used in the consolidated financial statement as of and for the year ended on September 30, 2018.

(5) Transactions in foreign currency-

The monetary assets and liabilities, in foreign currency, as of September 30, 2018 and 2017, are shown below:

	Thousands of dollars	
	2018	**2017**
Assets (loan portfolio mainly)	135,958	106,697
Liabilities (bank loans mainly)	(137,414)	(113,709)
Asset (liability) position, net	(1,456)	(7,012)
	======	======

As of September 30, 2018 and 2017, the Company has hired classified trading financial derivative instruments, which protect its exposure to exchange-rate risk (see note 9).

The dollar-peso exchange rate, as of September 30, 2018 and 2017, was $18.7231 and $18.1590 pesos per dollar, respectively.

(6) Availabilities-

This heading comprises, as of September 30, 2018 and 2017, the elements shown below:

	2018	**2017**
National bank deposits	$ 103,460	76,066
Foreign bank deposits	27,621	69,160
National bank restricted deposits(1)	4,396	2,228
	$ 135,477	147,454
	======	======

(1) It corresponds to the balances in banks of the security trust (see note 10c).

(7) Investments in securities-

As of September 30, 2018 and 2017, the notes in the amount of $374 and $77 have both a 3-day maturity, respectively, and a yield rate of 7.86% and 6.98%, respectively.

The interest yielded investments in securities increased to $3,256 and $635, respectively, for the years ended on September 30, 2018 and 2017 (see note 19).

(8) Repurchases-

As of September 30, 2018 and 2017, the investments in repurchases for $254,867 (including $187,997 in restricted securities) and $141,931 (including $98,127 in restricted securities), respectively, are mainly constituted of government paper (Bonds and Unibonds), both at a 3-day term, with a rate interest of 7.50% and of 6.80%-6.85%, respectively. As of September 30, 2018, the restricted securities correspond to the investments of the Irrevocable Trust No. 2537, Irrevocable Trust 2844 and Irrevocable Trust 3290 (until March 31, 2017, the Irrevocable Trust 1455 was also included —see note 10(c)—).

The Interest yielded by the investment in repurchase amounted to $22,778 in 2018, and $27,981 in 2017; which are reported in the consolidated income statement under the heading "Interest Income" (see note 19).

(9) Trading derivatives-

As of September 30, 2018 and 2017, the Company has hired financial derivative instruments of interest rate options, called Interest Rate Cap (IR CAP), referred to the Interbank Equilibrium Interest Rate (TIIE), which will allow the Company to receive the difference of the spot rate and the agreed rate. The IR CAP is amortized as the principal of the bonds is paid; however, the cash flows of the options are exercised only when the 28-day TIIE interest rate is above its 6% or 5% limit, as applicable.

(Thousands of pesos)

Additionally, as of September 30, 2017, the Company has hired financial derivative instruments that allowed to exchange rate flows and foreign currency (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 TIIE in pesos and pay the London InterBank Offered Rate (LIBOR) in Dollars.

The quantity of the notional amounts and the book value of the transactions with financial derivative instruments as of September 30, 2018 and 2017 is shown below:

					2018		2017	
Instrument	**Underlying**	**Initial notional(1)**	**Maturity**	**Premium**	**Impact on income**	**Fair value**	**Impact on income**	**Fair value**
IR CAP	28-day TIIE	1,000,000	2018	$ 13,496	(1,231)	-	(3,476)	1,594
IR CAP	28-day TIIE	800,000	2018	12,150	(708)	-	(2,759)	1,201
IR CAP	28-day TIIE	616,550	2019	3,690	(3,796)	1,434	(5,022)	5,218
IR CAP	28-day TIIE	536,383	2020	4,630	(3,655)	3,360	(4,979)	5,010
IR CAP	28-day TIIE	709,522	2022	3,150	(2,118)	1,385	-	-
IR CAP	28-day TIIE	374,649	2021	1,235	(448)	787	-	-
IR CAP	28-day TIIE	225,811	2022	3,195	(651)	2,544	-	-
IR CAP	28-day TIIE	819,644	2021	11,635	(2,429)	9,206	-	-
				$ 53,181	(15,036)	18,716	(16,236)	13,023

(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, rather than the loss or earning 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 exchange rate fluctuation, at the corresponding rates.

As of September 30, 2018 and 2017, the loss for the trade of financial derivative instruments amounted to $28,926 and $30,872 (see note 22).

(Thousands of

(10) Loan portfolio-

(a) Classification of the loan portfolio-

The classification of the current and non-performing loans as of September 30, 2018 and 2017 is shown below:

	Current portfolio			Non-performing portfolio			
September 30, 2018	**National currency**	**Appreciated dollars**	**Total**	**National currency**	**Appreciated dollars**	**Total**	**Total current and non-performing**
Commercial loans	$ 6,210,012	1,733,800	7,943,811	147,660	2,437	150,097	8,093,908
Capitalizable lease portfolio	4,441,988	41,853	4,483,841	113,346	-	113,346	4,597,187
Financial income to be accrued	(816,934)	(2,625)	(819,559)	(9,152)	-	(9,152)	(828,711)
Funded insurances	266,188	2,903	269,091	36,286	1,134	37,420	306,511
Commercial loans-restricted (1)	309,760	-	309,760	3,622	-	3,622	313,382
Restricted capitalizable lease portfolio (1)	557,710	-	557,710	5,261	-	5,261	562,971
Financial income to be accrued of restricted portfolio (1)	(64,526)	-	(64,526)	(313)	-	(313)	(64,839)
	$ 10,904,198	1,775,931	12,680,128	296,710	3,571	300,281	12,980,409
September 30, 2017							
Commercial loans	5,310,950	1,752,393	7,063,343	126,456	2,145	128,601	7,191,944
Capitalizable lease portfolio	3,590,895	70,733	3,661,628	117,074	784	117,858	3,779,486
Financial income to be accrued	(597,677)	(4,936)	(602,613)	(10,770)	(2)	(10,772)	(613,385)
Funded insurances	167,380	4,048	171,428	26,969	297	27,266	198,694
Commercial loans-restricted (1)	267,914	-	267,914	3,531	-	3,531	271,445
Restricted capitalizable lease portfolio (1)	550,732	-	550,732	11,706	-	11,706	562,438
Financial income to be accrued of restricted portfolio (1)	(62,929)	-	(62,929)	(1,208)	-	(1,208)	(64,137)
	9,227,265	1,822,238	11,049,503	273,758	3,224	276,982	11,326,485

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

(Thousands of

Non-performing portfolio:

The non-performing portfolio classification is presented below by seniority as of September 30, 2018 and 2017:

September 30,	**Days**				
	1-180	**181-365**	**1-2 years**	**More than 2 years**	**Total**
2018	$ 82,216	101,864	87,014	29,187	$ 300,281
2017	121,666	74,588	80,012	716	276,982
	======	=====	=====	=====	======

An analysis of the movements in the non-performing portfolio for the quarters ended on September 30 and March 31, 2018, is shown below:

	Q3 2018	**Q2 2018**	**Q1 2018**
Balance at the beginning of the year	$ 297,579	304,361	287,069
Awards	(611)	(2,866)	(392)
Write-offs	(20,423)	(31,117)	(15,576)
Collection	(28,862)	(6,593)	(32,819)
Transfer from current to non-performing portfolio	61,535	57,454	77,748
Transfer from non-performing to current portfolio	(8,937)	(23,660)	(11,669)
Balance at the end of the year	$ 300,281	297,579	304,361
	========	=======	=======

The accrued non-collected interest of the non-performing portfolio, which, according to the accounting criteria, is recorded in memorandum accounts and shall be recognized in the year income until its collection, as of September 30, 2018 and 2017, amounts to $71,449 and $43,335, respectively.

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

(Thousands of pesos)

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

Maturity year	2018	2017
2017	-	7,471,584
2018	$ 6,524,175	1,788,117
2019	2,433,545	1,214,281
2020	1,906,184	619,324
2021	1,292,150	219,461
2022	643,803	13,606
2023	153,674	112
2023	26,878	-
	$ 12,980,409	11,326,485
	========	========

Risk concentration:

As of September 30, 2018 and 2017, the Company's portfolio is comprised of the loans granted to individuals and medium-sized enterprises. No debtor has a credit risk higher than 10% of the total portfolio, except for the loan granted during 2016 to a related company, which represents the 11% and 15% of the total portfolio as of September 30, 2018 and 2017 (see note 17).

The loan portfolio concentration by geographic zone as of September 30, 2018 and 2017, is detailed below:

	2018		2017	
	Portfolio	%	Portfolio	%
Mexico City and the State of Mexico	$ 2,415,488	19%	3,014,502	27%
Center (1)	1,028,179	8%	782,803	7%
North (2)	5,498,428	42%	4,289,292	38%
West (3)	3,075,412	24%	2,558,054	22%
South (4)	962,902	7%	681,834	6%
	$ 12,980,409	100%	11,326,485	100%
	========	====	========	====

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

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

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

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

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

Notes to the Consolidated Financial Statements

(Thousands of pesos)

(b) Preventive credit risk estimates-

As of September 30, 2018 and 2017, the classification of the assessed portfolio and its preventive estimate is analyzed as shown below:

Level of risk of assessed portfolio	**Portfolio**		**Preventive credit risk estimates**	
	2018	**2017**	**2018**	**2017**
A-1	$ 9,107,980	7,488,311	$ 47,044	45,940
A-2	1,525,136	1,829,779	17,384	21,395
B-1	513,699	464,524	8,875	8,140
B-2	309,731	147,876	6,977	3,377
B-3	306,943	319,642	10,431	11,108
C-1	259,836	241,610	20,107	18,439
C-2	275,851	202,292	34,171	25,883
D*	543,066	559,156	190,267	187,484
E*	138,167	73,295	110,740	43,713
Total	$ 12,980,409	11,326,485	$ 445,996	365,479

* Troubled portfolio.

An analysis of the movements in the preventive estimates for credit risk for the years ended on September 30, 2018 and 2017 is presented below:

	Q3 2018	**Q2 2018**	**Q1 2018**
Balance at the beginning of the year	$ 417,552	410,093	382,760
Increment of the allowance in income	56,270	42,839	47.483
Release of preventive estimates in "Other operation income (expenses)" (see note 24)	(4,817)	(4,155)	(2,646)
Effect of the reassessment	(681)	1,466	(1,238)
Write-offs	(22,328)	(32,691)	(16,266)
Balance at the end of the year	$ 445,996	417,552	410,093

(c) Portfolio securitization-

NAVISCB 13

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

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

The obligations on such certificates, which only payment source is the collection of the collection rights, yielded interest of $7,019 in September 2016, respectively, which is recorded in the consolidated income statement under the heading "Interest Expenses" (see note 19).

NAVISCB 15

On November 5, 2015, the Company, as Settlor, Beneficiary in second place and Administrator, and Invex, as Fiduciary, entered into an agreement to create the Irrevocable Trust Agreement Number 2537 (the Trust), with the purpose of establishing a program for the Issue and public offer in Mexico of Senior Trust Bonds. This Trust shall pay the Company a monthly percentage on the amount of the managed assets.

Such Trust consisted of the securitization of current loans in Mexican pesos, through the assignment of the loan rights 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.

According to the Trust Agreement, the Company began with a capacity of 1.20, which will grow to 1.30 (target capacity), in order for the Company to have the right of the surplus in the generated flows once the capacity exceeds the 1.30. As of September 30, 2018 and 2017, the collection rights given to the Trust amounted to $123,964 and $343,975, respectively. Any remnant of the Issue shall be delivered to the Company once all bonds have been settled.

The first issue of bonds was 6,165,500 of certificates with a par value of $100 pesos each, under the ticker symbol NAVISCB 15, for $616,550, which yield interest during the 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 September 30, 2018 and 2017, the balance of the obligation in the NAVISCB 15 amounts to $106,180 and $272,636, respectively (see note 14). Additionally, the interest payable as of September 30, 2018 and 2017, amounts to $393 and $1,063, respectively. The obligations on such certificates, which only payment source is the collection of the collection rights, yielded interest of $11,871 and $26,647, respectively, which is recorded in the consolidated income statement under the heading "Interest Expenses” (see note 19).

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

<u>NAVISCB 16</u>

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

Such Trust consisted of the securitization of current loans in Mexican pesos, through the assignment of the loan rights 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.

According to the Trust Agreement, the Company began with a capacity of 1.215, which will grow to 1.305 (target capacity), in order for the Company to have the right of the surplus in the generated flows once the capacity exceeds the 1.305. As of September 30, 2018 and 2017, the collection rights given to the Trust amounted to $206,078 and $425,771, respectively. Any remnant of the Issue shall be delivered to the Company once all bonds have been settled.

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

As of September 30, 2018 and 2017, the balance of the obligation in the NAVISCB 16 amounts to $167,969 and $337,556, respectively (see note 14). Additionally, the interest payable as of September 30, 2018 and 2017, amounts to $632 and $1,338, respectively. The obligations on such certificates, which only payment source is the collection of collection rights, as of September 30, 2018 and 2017 yielded interest of $17,110 and $25,188, respectively, which is recorded in the consolidated income statement under the heading "Interest Expenses” (see note 19).

The rating awarded on September 25, 2018 and on October 11, 2017 by HR Ratings de México S. A. de C. V. was "HR AAA(E)" on both dates.

NAVISCB 17

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

Such Trust consisted of the securitization of current loans in Mexican pesos, through the assignment of the loan rights 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.

According to the Trust Agreement, the Company began with a capacity of 1.195, which will grow to 1.295 (target capacity), in order for the Company to have the right of the surplus in the generated flows once the capacity exceeds the 1.295. As of September 30, 2018 collection rights given to the Trust amounted to $481,472. Any remnant of the Issue shall be delivered to the Company once all bonds have been settled.

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

As of September 30, 2018 obligation balance on the NAVISCB 17 amounts to $393,338, (see note 14). Additionally, the interest payable as of September 30, 2018, amounts to $1,517.

The obligations on such certificates, which only payment source is the collection of collection rights, as of September 30, 2018 yielded interest of $37,147, which is recorded in the consolidated income statement under the heading "Interest Expenses" (see note 19).

The rating awarded on September 15, 2018 by HR Ratings de México S. A. de C. V. was "HR AAA(E)". Additionally, the rating granted on October 6, 2018 to the NAVISCB 17 Issue by Standard & Poors, S. A. de C. V. was "mxAAA(sf)".

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

Notes to the Consolidated Financial Statements

(Thousands of pesos, unless otherwise indicated)

A summary of the Trusts financial situation is presented below:

	Trust 2537		Trust 2844		Trust 3092
Balance sheet:	**2018**	**2017**	**2018**	**2017**	**2018**
Cash and cash equivalents	$ 31,883	34,308	$ 54,620	64,791	$ 105,434
Financial derivative instruments	1,434	5,219	3,359	5,010	1,385
Collection rights, net	116,806	329,794	199,346	413,144	468,658
Other accounts receivable	2,693	2,674	886	1,010	1,675
Total assets	$ 152,816	371,995	$ 258,211	483,955	$ 577,152
Obligations on bonds, net	$ 101,633	260,297	$ 161,029	327,849	$ 384,622
Accounts payable	1,551	799	287	883	2,474
Total obligations on bonds	$ 103,184	261,096	$ 161,316	328,732	$ 387,096
Assets(1)	49,632	110,899	96,895	155,223	190,056
Total liabilities and assets	$ 152,816	371,995	$ 258,211	483,955	$ 577,152
Income statement:					
Financial income	$ 24,892	44,139	$ 32,602	48,300	$69,005
Financial expenses	(19,428)	(27,602)	(20,935)	(28,094)	(41,862)
Change in the fair value of financial derivative instruments	(3,796)	(5,021)	(3,656)	(4,979)	(2,118)
Impact of collection rights impairment	4,606	7,868	2,108	(3,684)	4,876
Other income (expenses), net	2,214	226	2,000	284	6,425
General expenses	(52)	(66)	(41)	(47)	(49)
Year income	$ 8,436	19,544	$ 12,078	11,780	$ 36,277

(1) The Trust 1455 ended in May 2017, under the contract of termination issued by Invex as Fiduciary.

(d) Escrow-

- On January 30, 2015, an Irrevocable Escrow Agreement was executed by Navistar Financial as Settlor and Beneficiary in second place, Banco Invex, S.A, Institución de Banca Múltiple, Invex Grupo Financiero (Invex), as Fiduciary, and CITIBANK, N.A. as Beneficiary in first place. Such agreement backs a line of credit hired with Banco Nacional de México S.A., member of Grupo Financiero BANAMEX ("BANAMEX"), which holds a 100% guarantee with the Export-Import Bank of the United States ("Exim"). As of September 30, 2018 and 2017, the Trust assets are represented by the secured collection rights to pay the loan obligations, which amount to $108,645 and $243,981, respectively.

- In October 2014, the Company as Settlor and Beneficiary in second place, entered into an Irrevocable Management and Escrow Agreement No. F/2251 with Export Development Canada "EDC", as Beneficiary in first place, and Banco Invex, S.A Institución de Banca Múltiple, Invex Grupo Financiero as Fiduciary. Such Trust is intended for back the line of credit with corporate purposes in favor of the Company in an amount up to 55 million dollars. As of September 30, 2018 and 2017, the assets of this Trust amount to $1,547,963 and $525,404, 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 September 30, 2018 and 2017, the assets of this Trust amounted to $1,661,047 and $2,013,270, respectively.

(e) Risk sharing fund-

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

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

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

On November 26, 2011, the Company entered into an agreement with NAFIN, and again on November 26, 2016, for the Risk Sharing, focused on federal freight transport. In this agreement, the Fund will share up to $40,000, in relation to the first losses of the registered loan portfolio, which amounts to $1,000,000.

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

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

The outstanding balances of the portfolio secured under both schemes as of September 30, 2018 and 2017 was $1,392,567 and $227,269, respectively.

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

Notes to the consolidated financial statements

(Thousands of pesos)

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

As of September 30, 2018 and 2017, the Company has claimed $22,559 and $57,235, respectively, under the umbrella of such program. From which, $12,965 and $40,060, have been respectively collected.

(f) Restructured and renewed loans-

As of September 30, 2018 and 2017, the restructured and renewed loans of the portfolio amounted to $450,221 and $224,014, respectively.

For the years ended as of September 30, 2018 and 2017, the recovery income of the previously non-performing portfolio amounts to $42,929 and $17,736, respectively, which is recognized under the heading "Other operation income, net" in the consolidated income statement (see note 24).

(g) Fees for granting loans and origination costs-

The movements in the balance of the fees for granting loans and origination costs for the years ended on September 30, 2018 and 2017 are shown below:

Fees for granting loans:	**2018**	**2017**
Initial balance	$ 171,461	150,702
Collected fees	58,006	50,428
Amortization (note 19)	(51,941)	(43,083)
Subtotal of fees for granting of loan to the next page	$ 177,526	158,047

(Thousands of pesos)

	2018	2017
Loan origination costs:		
Initial balance	$ 39,014	35,292
Paid costs and expenses	26,878	15,627
Amortization (note 19)	(15,594)	(13,986)
	50,298	36,933
Net balance of fees and loan origination costs	$ 127,228	121,114

(h) Policies and procedures to grant loans-

The main policies and procedures set forth to grant, acquire, assign, control and recovery loans, as well as those regarding the assessment and follow-up of the credit risk are mentioned below:

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

- The loan process includes promotion, request, assessment, approval, implementation, use, follow-up, control, portfolio rating, as well as administrative and legal recovery.

- The loan and risk official analyzes the common risk of the partner borrowers integrating a business group or corporation of companies linked among them.

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

- Any withdrawal under a specific line of credit or specific transaction of commercial loan 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.

(Thousands of pesos)

(11) Other accounts receivable-

As of September 30, 2018 and 2017, the accounts receivable are as follows:

	2018	2017
Portfolio debtors	$ 123,562	100,134
Sundry debtors	769,342	52,509
Refundable taxes	42,176	1,300
Related companies (note 17)	75,303	57,220
	1,010,383	211,163
Less estimate of doubtful accounts payable	(46,866)	(19,219)
	$ 963,517	191,944
	=======	=======

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

As of September 30, 2018 and 2017, the investment in property, furniture and equipment, as well as equipment and real property intended for operating lease is analyzed as shown below:

(Thousands of pesos)

Real property, furniture and equipment for own use:		**2018**	**2017**	**Annual depreciation rate**
Real property	$	21,734	56,634	2.30%
Transport equipment		2,930	2,930	25%
Furniture and computing equipment		20,840	18,354	10% and 33%
		45,504	77,918	
Accumulated depreciation		(25,091)	(22,857)	
		20,413	55,061	
Land		40,846	41,169	
	$	61,259	96,230	

Transport equipment and furniture intended to operating lease:		**2018**	**2017**	**Annual depreciation rate**
Leased transport equipment	$	3,083,937	2,591,200	Various
Leased computing equipment		3,244	3,244	Various
Leased real property		185,336	150,112	Various
		3,272,517	2,774,556	
Accumulated depreciation and amortization		(928,593)	(717,004)	
	$	2,343,924	2,027,552	

For the years ended on September 30, 2018 and 2017, the charge to income from real property, furniture and equipment depreciation amounted to $2,102 and $2,622, respectively, and for the equipment and real property intended for operating lease amounted to $285,523 and $245,238, respectively.

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

Notes to the consolidated financial statements

(Thousands of pesos)

(13) Awarded assets-

As of September 30, 2018 and 2017, the awarded assets are as follows:

		2018	2017
Transport equipment	$	39,517	80,007
Real property		51,627	51,627
		91,144	131,634
Less:			
Allowance of awarded assets		(8,683)	(6,574)
Wear and tear		(8,411)	(9,111)
	$	74,050	115,949

(14) Stock liabilities-

On October 20, 2017 the Company carried out a securitization of credit claims under the ticker symbol NAVISCB 17, stating September 15, 2023 (1,972 days) as maturity date. On September 5, 2016, the Company carried out a securitization of credit claims under the ticker symbol NAVISCB 16, stating February 15, 2022 (1,985 days) as maturity date. On November 10, 2015 the Company carried out a securitization of credit claims under the ticker symbol NAVISCB 15 which final maturity date is January 15, 2021 (1,893 days).

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

Notes to the consolidated financial statements

(Thousands of pesos)

As of September 30, 2018 and 2017, the stock liabilities at short- and long-term are integrated as shown below:

Issue	2018	Maturity	Rate
Short-term:			
NAVISTS00118	$ 315,000	29/ 11/ 2018	TIIE+1.79%
NAVISTS00918	180,000	28/03/2019	TIIE+1.55%
NAVISTS00618	140,000	13/12/2018	TIIE+1.60%
NAVISTS00718	160,000	04/04/2019	TIIE+1.55%
NAVISTS00818	90,000	15/11/2018	TIIE+1.30%
NAVISTS00418	300,000	24/01/2018	TIIE+1.60%
NAVISTS00218	300,000	18/10/2018	TIIE+1.60%
Accrued interest	7,620		
NAVISCB15*	106,180	15/01/2021	TIIE+1.41%
NAVISCB16*	118,424	15/02/2022	TIIE+1.55%
NAVISCB17*	262,380	15/03/2023	TIIE+1.80%
Accrued interest	2,542		
Subtotal	$ 1,982,146		
Long-term:			
NAVISCB15	-	15/01/2021	TIIE+1.41%
NAVISCB16	49,545	15/02/2022	TIIE+1.55%
NAVISCB17	130,958	15/03/2023	TIIE+1.80%
Subtotal	180,503		
Total stock liability	$ 2,162,649		

* Current portion of long-term bonds.

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

Notes to the consolidated financial statements

(Thousands of pesos)

Issue	2017	Maturity	Rate
Short-term:			
NAVISTS00517	200,000	12/10/2017	TIIE+2.20%
NAVISTS00617	225,000	14/12/2017	TIIE+2.25%
NAVISTS00817	220,000	12/10/2017	TIIE+2.20%
NAVISTS01017	85,000	23/11/2017	TIIE+2.20%
NAVISTS01317	100,000	09/11/2017	TIIE+2.15%
NAVISTS01417	70,000	08/02/2018	TIIE+2.00%
NAVISTS01817	180,000	01/10/2017	TIIE+1.80%
NAVISTS01917	230,000	08/02/2018	TIIE+1.80%
NAVISTS02017	50,000	05/10/2018	TIIE+1.40%
NAVISTS02117	355,000	22/03/2018	TIIE+1.70%
NAVISTS02217	85,000	25/01/2018	TIIE+2.00%
Accrued interest	7,394		
NAVISCB15*	157,562	15/01/2021	TIIE+1.40%
NAVISCB16*	151,655	15/02/2022	TIIE+1.55%
Accrued interest	2,401		
Subtotal	2,119,012		
Long-term:			
NAVISCB15	115,074	15/01/2021	TIIE+1.40%
NAVISCB16	185,901	15/02/2022	TIIE+1.55%
Subtotal	300,975		
Total stock liability	2,419,987		

As of September 30, 2018 and 2017, the issue expenses balance to be amortized amounts $45,584 and $56,706, respectively, and it is recorded under the heading "Other assets, net" in the consolidated balance sheet. The charge to income from the amortization of such expenses in the years ended on September 30, 2018 and 2017 amounts to $69,817 and $74,911, respectively (see note 19).

(Thousands of pesos, unless otherwise indicated)

(15) Bank loans and loans from other institutions-

As of September 30, 2018 and 2017, the bank loans and loans from other institutions at short-term and long-term are integrated as shown below:

		2018	2017
Direct loans in Dollars accruing interest at an average weighted rate of 2.80% and 3.15% on LIBOR, at the closure of September 2018 and 2017, respectively (see section "a" of this note").	$	2,492,392	1,980,684
Direct loans in national currency accruing interest at an average weighted rate of 2.16% on 28-day TIIE, in September 2018 and 2017, respectively, and an average fixed weighted rate of 8.84% and 8.02% in September 2018 and 2017, respectively.		6,430,428	5,263,820
Accrued interest		39,300	30,713
Total bank loans		8,962,120	7,275,217
Less current portion of the debt		5,069,273	3,682,813
Total of bank loans and loans from other institutions at long-term	$	3,892,847	3,592,404
		=======	========

As of September 30, 2018 and 2017, the 32% and 37%, respectively, of the Company's approved credit lines were secured by Navistar International Corporation (holder company) or by Navistar Financial Corporation (affiliated company).

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

As of September 30, 2018 and 2017, there are lines of credit hired with national and foreign financial institutions for 396 and 303 million dollars, respectively. Such lines include a credit line in dollars, hired by the Company and by Navistar Financial Corporation with JP Morgan Chase Bank, N.A. The line of credit allows the Company to obtain up to 80.5 million dollars at variable rate. As of September 30, 2018 and 2017, this line was fully available.

Since August 2012, the Company has granted short-term commercial loans to sell International trucks and buses manufactured in Mexico and exported to Colombia, supported by a line of credit of 95 million dollars from Banco Nacional de Comercio Exterior, S.N.C. (Bancomext). Since August 2013, this line has also been available to be used to fund units placed in Mexico. Additionally, in August 2015, an extension of the discount term for export operation, as well as the inclusion of other countries were authorized. On March 4, 2016, an increase in this line of credit of 25 million dollars was recorded. On May 10, 2017 the extension of term of the line of 120 million dollars was authorized. On September 28, 2018, an increment of 40 million dollars was authorized, resulting in a total of 160 million.

The Company has lines available with Navistar International Corporation and Navistar Financial Corporation, which continue to be operated as guarantees of some bank lines and/or as working capital through intercompany loans intended for acquiring new units or spare parts (floor plan). As of the end of September 2018 and 2017, this line has not been used.

(b) *Bank loans in national currency:*

As of September 30, 2018 and 2017, there are lines of credit denominated in pesos hired by the Company to national financial institution for $5.240 and $5.160 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 September 30, 2018, this line has been fully used.

(Thousands of pesos, unless otherwise indicated)

As of September 30, 2018 and 2017, most of the lines of credit in dollars and in national currency are secured by the loan portfolio in the amount of $9,910,850 and $8,687,806, respectively.

The lines of credit require compliance with certain obligations, restrictions and financial indexes, which the Company has duly met as of September 30, 2018 and 2017.

As of September 30, 2018, maturities of the bank loans and loans from other institution are as follows:

Maturity year	Pesos	Appreciated Dollars
2019	$ 3,231,578	$ 1,837,695
2020	907,171	4,925
2021	1,951,461	656,317
2022	270,418	-
2023	90,001	-
2024	11,737	-
2025	818	-
	$ 6,463,184	$ 2,498,937
	$ 8,962,121	

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

subsidiary Notes to the Consolidated Financial Statements

(Thousands of pesos)

(16) Sundry creditors and other accounts payable-

As of September 30, 2018 and 2017, the sundry creditors and other accounts payable are as shown below:

	2018	2017
Sundry creditors	$ 69,874	43,263
Security deposits	657,357	540,544
Trust portfolio deposits and collection to be delivered to the Trust	4,332	7,491
Tax payable (VAT)	2,771	39,234
Income tax payable	38,760	31,428
Provisions for different obligations	9,434	11,071
Related companies (note 17)	82,381	101,946
Employee benefits	38,422	32,518
Other taxes	1,994	1,786
Deposits and balance in favor of clients	175,021	57,624
Employee profit sharing payable	1,796	1,582
Other	655,914	100,151
	$ 1,738,056	968,638

(17) Transactions and balance with related companies-

In the normal course of its operation, the Company carries out transactions with related companies, such as management services and fees for granting loans.

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

subsidiary Notes to the Consolidated Financial Statements

(Thousands of pesos)

The balances receivable and payable with related companies as of September 30, 2018 and 2017, are integrated as shown below:

		2018	2017
Balances receivable (note 10):			
Loan portfolio:			
Navistar México, S. de R. L. de C. V.	$	1,521,911	1,262,785
International Parts Distribution, S. A. de C. V.		2,047	1,719
Navistar Financial Corporation		1,727	775
	$	1,525,685	1,265,279
Other accounts receivable (note 11):			
Navistar México, S. de R. L. de C. V.	$	45,270	39,194
Navistar Comercial, S. A. de C. V.		20,541	10,027
Navistar International Corporation		4,919	3,589
Transprotección Agente de Seguros, S. A. de C. V.		1,642	1,469
Navistar Inc.		1,516	1,468
Navistar Financial Corporation		1,283	1,386
International Parts Distribution, S. A. de C. V.		132	87
	$	75,303	57,220
Balances payable (note 16):			
Navistar México, S. de R. L. de C.V.	$	27,320	47,344
Transprotección Agentes de Seguros, S.A de C.V.		22,050	42,079
Navistar Inc.		21,958	2,097
Navistar Financial Corporation		10,577	9,681
Navistar International Corporation		476	745
	$	82,381	101,946

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

subsidiary Notes to the Consolidated Financial Statements

(Thousands of pesos)

Below are the transactions carried out with related companies in the years ended on September 30, 2018 and 2017.

		2018	2017
Revenues:			
Interest accrued in favor:			
Navistar México, S. de R. L. de C. V.	$	237,427	303,991
Navistar Financial Corporation		24,850	9,197
International Parts Distribution, S. A. de C. V.		16,501	19,285
Navistar Comercial, S. A. de C. V.		-	688
		======	======
Placement service fees:			
Navistar México, S. de R. L. de C. V. (note 20)	$	111,342	142,465
		======	======
Administrative services:			
Trasproteccion Agentes de Seguros, S. A. de C. V.	$	14,256	12,317
Navistar México S. A. de C. V.		1,162	907
International Parts Distribution, S. A. de C. V.		423	-
		======	======
Other income:			
Navistar Comercial, S. A de C. V.	$	893	-
Navistar México, S. de R. L. de C. V.		645	269
International Parts Distribution, S. A. de C. V.		52	329
		======	======

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

subsidiary Notes to the Consolidated Financial Statements

(Thousands of pesos)

		2018	2017
Expenses:			
Technical assistance and telephone service expenses:			
Navistar International Corporation	$	(274)	-
		======	======
Other service fees and service rates:			
Navistar Financial Corporation (note 21)	$	(9,901)	(3,891)
		======	======
Interest expenses for granting securities:			
Navistar Financial Corporation	$	(16,161)	(15,257)
Navistar International Corporation		(846)	(1,375)
Navistar México, S. de R. L. de C. V.		(511)	-
		======	======
Other expenses:			
Navistar México, S. de R. L. de C. V.	$	(683)	(1,660)
Navistar Financial Corporation		-	(848)
		======	======
Accrued interest:			
Transprotección Agente de Seguros, S. A. de C. V.	$	(2,806)	(1,938)
Navistar México, S. de R.L. de C. V.		-	(141)
		======	======

(18) Shareholder's equity-

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

(a) Structure of corporate equity-

The main characteristics of the balance constituting the corporate equity and the share issue premium are described below:

		Thousands of pesos	
	Number of shares [1]	Corporate equity	Share issue premium
Figures as September 30, 2018 and 2017	2,425,035	$ 283,177	111,961
		======	======

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

(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 September 30, 2018 and 2017, is $122,535, an amount which has reached the minimum required.

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

(Thousands of pesos)

(c) Comprehensive income-

The comprehensive income, showed in the consolidated statements of variations in shareholder's equity for the years ended on September 30, 2018 and 2017, accounts for the income of the Company's total activity during the year and shown below.

	2018	2017
Net earnings	$ 277,562	319,463
Non-controlling sharing	3	2
Comprehensive income	$ 277,565	319,465
	======	======

(19) Financial margin-

The elements of the financial margin for the years ended on September 30, 2018 and 2017 are analyzed below:

		2018	2017
Interest Income:			
From:			
Loan portfolio	$	707,851	646,242
Financial lease		390,464	337,817
Investments and debtors for repurchase (notes 7 and 8)		26,034	28,616
Fees for granting loans (note 10g)		51,941	43,083
Exchange income		68,494	20,211
	$	1,244,784	1,075,969

(Thousands of pesos)

Interest expenses:

Interest expenses of bonds (note 10c)		(66,128)	(52,854)
Amortization of debt issue expenses (note 14)		(69,817)	(74,910)
Interest expenses of bank loans		(557,470)	(504,213)
Amortization of origination costs (note 10g)		(15,594)	(13,986)
Exchange income		(18,122)	(93,328)
		(727,131)	(739,291)
Total financial margin	$	517,653	336,678
		======	======

(20) Collected fees and rates-

For the years ended on September 30, 2018 and 2017, the collected fees and rates are integrated as shown below:

		2018	**2017**
Placement service fees (note 17)	$	111,342	142,465
Other collected fees and rates		51,365	44,299
	$	162,707	186,764
		======	======

(Thousands of pesos)

(21) Paid fees and rates-

For the years ended on September 30, 2018 and 2017, the paid fees and rates are integrated as shown below:

	2018	2017
Fees for collection service and others (note 17)	$(9,901)	(4,739)
Bank fees	(4,472)	(3,672)
	$(14,373)	(8,411)

(22) Intermediation income, net-

For the years ended on September 30, 2018 and 2017, the intermediation income is incorporated as shown below:

		2018	2017
Trading derivatives (note 9)	$	(15,036)	(16,236)
Derivate trade (note 9)		(28,926)	(30,872)
Foreign exchange loss due to currency valuation		(38,226)	44,348
	$	(82,188)	(2,760)

(Thousands of pesos)

(23) Operating lease income-

For the years ended on September 30, 2018 and 2017, the operating lease income is incorporated as shown below:

		2018	2017
Operating lease income	$	415,136	387,706
Leased property depreciation in operating lease (note 12)		(285,523)	(245,238)
	$	129,613	142,468
		======	======

The Company works only with segments of loans and operating lease. The operating lease income in 2018 and 2017 amounted to $129,613 and $142,468, respectively, as shown in this note. The difference of this income against the net consolidated income constitutes the loan segment.

(24) Other operation income, net-

For the years ended on September 30, 2018 and 2017, other operation income is integrated as shown below.

		2018	2017
Other operation (expenses) income, net	$	30,174	7,142
Release of preventive estimate (note 10b)		11,618	72,371
Other lease benefits		20,491	17,865
(Loss) profit for awarded assets valuation		(13,393)	9,694
Awarded sale income		2,304	(1,828)
Recovery of loan portfolio (note 10f)		42,929	17,736
Impact of the estimate for non-recoverable or difficult collection		(35,806)	(5,461)
Furniture and equipment sale earnings		5	91
Loss for deterioration		(31,765)	-
Total of other operation income	$	26,557	117,610
		======	=====

(Thousands of pesos)

(25) Financial indicators (not audited)-

The main financial indicators as of September 30, 2018 and 2017 are presented below:

	2018	2017
Delinquency rate	2.31%	2.45%
Hedge ratio of non-performing loan portfolio	148.53%	131.95%
Operational efficiency (management and promotion expenses/ total average assets)	1.91%	2.22%
ROE (average net earnings/shareholder's equity)	9.58%	20.19%
ROA (average net earnings/total assets)	2.06%	4.26%
Liquidity (liquid assets/liquid liabilities) *	2.67%	8.96%
MIN (Year risk-adjusted financial margin / average performing assets)**	4.20%	5.93%

* 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, investments in securities, security transactions, derivative transactions and current loan portfolio.

(26) Commitments and contingent liabilities-

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

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

(c) Under the current tax law, the authorities have the power to review the tax returns submitted for the last five years.

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

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

(e) The Company rents the premises occupied by its administrative offices, according to lease agreements with set expiration dates. The total expense corresponding to this rent amounted $4,142 in 2018 and $3,951 in 2017.

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

(27) Recently issued regulatory pronouncements-

Improvements to FRS 2018

In December 2017, the CINIF issued the document "Improvements to FRSs 2018" which contains specific changes to some of the already existing FRSs. The main improvements producing accounting changes are shown below:

FRS B-2 *"Cash flow statement"-* It requires new disclosures about the liabilities associated with funding activities that had or had not required the use of cash or cash equivalent, preferably through a reconciliation of their initial and final balance. This improvement comes into force in the year beginning on January 1, 2018, allowing its early application. The accounting changes resulting from it must be retrospectively recognized.

The Company's Management considers that the implementation of this improvement to FRSs does not involve a significant impact on the Company's consolidated financial statements.

FRS B-10 "Inflation impact"- It requires to disclose the cumulative inflation percentage of the three previous fiscal years, which were used as basis to assess the economic environment in which the company has worked during the current year whether as inflationary or non-inflationary, and the cumulative inflation percentage of three years, including the two previous years and the current year, which shall be used as basis to assess the economic return with which the company will work during the next year. This improvement comes into force in the year beginning on January 1, 2018, allowing its early application. The accounting changes resulting from it must be retrospectively recognized.

The Company's Management considers that the implementation of this improvement to FRSs does not involve a significant impact on the Company's consolidated financial statements.

New issued regulatory statements, in force on January 1, 2019-

According to the modifications to the General Provisions Applicable to the Bonded Warehouses, Currency Exchange Brokers, Credit Unions, and Regulated Multi-Purpose Financial Companies, published by the CNBV in the Official Gazette of the Federation on December 27, 2017, and as per the transitory article four, the following FRS shall enter into force on January 1, 2019.

FRS B-17 "Fair value determination" - It provides the regulations to determine the fair value and disclosure thereof. This Standard sets the regulations on the following:

a) Fair value definition
b) Establishment of a regulatory framework to determine the fair value
c) Standardization of the disclosures of the fair value determination

It is important to highlight that this FRS applies when other FRS requires or allows valuations at fair value and/or disclosures, becoming a reference framework, according to which the company is in compliance with this FRS.

FRS C-3 "Accounts receivable"- It provides the regulations to value, present and disclose the initial and subsequent recognition of the commercial accounts receivable and other accounts receivable in the financial statements of an economic entity.

It states that the accounts receivable based on a contract represent a financial instrument. The loan portfolio is recorded based on the contract value of every contract according to the CNBV guidelines set in Bulletin B-6, as well as to the guidelines to determine the uncollectibility estimates for the commercial accounts receivable.

The Company's Management estimates that these changes shall not significantly affect the company's financial statements.

FRS C-9 "Provisions, contingencies and commitments"- It provides the regulations to value, present and disclose liabilities, provisions and commitments, removing from its scope the aspects relative to the accountable treatment of financial liabilities, and relocating this topic into FRS C-19.
It modifies the definition of "liabilities" by removing the characteristic of "virtually unavoidable" and including the term "probable".

FRS C-16 "Deterioration of the financial instruments receivable"- It provides the regulations for the assessment, accountable recognition, presentation and disclosure of the initial and subsequent recognition of the financial instruments receivable.

The main changes include the details about when and how the loss for deterioration of the financial instruments receivable shall be recognized.

The company employs the method of the expected loss, as per the provisions set by the CNBV for the credit risk estimate applicable to Credit Institutions.

FRS C-19 "Financial instruments payable"- It provides the regulations to value, present and disclose the initial and subsequent recognition of the financial instruments payable of an economic entity.

It is added the possibility to value certain financial liabilities at their fair value after its initial recognition, provided that certain exceptional conditions are met; as well as the valuation of long-term liabilities at their current value in their initial recognition.

On the other hand, in restructuring liabilities, without substantially modifying the future cash flows to settle them, the costs and payments in this process shall affect the liability amount and they shall be amortized on a modified effective interest rate, instead of directly affecting the net profit or loss; and the amortized cost for the financial liability valuation, based on the actual interest rate, shall be included to perform such valuation.

FRS C-20 "Financing instruments receivable"- It provides the regulations to value, present and disclose the initial and subsequent recognition of the financing instruments receivable in the financial statements of an economic entity performing financing activities. It removes the concept of acquisition intention and possession of the financial instrument to determine the assets classification. It adds the concept of Management Business Model. The financial instruments receivable are valuated according to the CNBV guidelines.

FRS D-1 "Revenue from Contracts with Customers"- It provides the regulations to value, present and disclose the revenue earned from obtaining or performing Contracts with Customers. It sets the most significant aspects for the recognition of the revenues through the control transfer, identification of the obligations to be complied with derived from a contract, assignment of any operation amount, and recognition of collection rights. This FRS eliminates the complementary application of the Accounting International Standards (AIS) 18 "Revenue", and the interpretations thereof, according to the provisions in FRS A-8 "Complementary Application". Currently, the Company is preparing an analysis on the line of revenues between rents and interest.

FRS D-2 "Costs from Contracts with Customers"- It provides the regulations to value, present and disclose the expenses derived from Contracts with Customers. It sets the regulations relative to the recognition of the expenses derived from Contracts with Customers and includes the accountable treatment of the expenses related to the contracts for construction and manufacture of capital goods, including any expenses related to contracts with customers. This FRS, together with the FRS D-1 "Revenue from Contracts with Customers", derogates the Bulletin D-7 "Contracts for construction and manufacture of certain capital goods", as well as the FRSI 14 "Contracts for construction, sale, and service provision, associated with real property".

FRS D-5 "Leases"- It provides de regulations for valuations, presentation and disclosure of the leases by the Lessee through a unique accounting model. It requires the Lessee to recognize, from the beginning of the lease: a) a liability for the lease (rents payable at current value), and b) for this same amount, an asset called right-of-use asset, representing the right to use the leased underlying asset.

It modifies the presentation of the cash flow statement, presenting the payments to reduce the liabilities for lease in the financing activities. Additionally, it modifies the recognition of the leaseback, requiring the seller-lessee to recognize as a sale the rights transferred to the purchaser-lessor which are not leased back.

The Management estimates that the application and implementation of the best standards mentioned in the previous paragraph, in force since January 1, 2019, shall not produce any important impact on the Company's consolidated financial statements.