

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

**FORM 10-Q**

**(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended January 31, 2003

OR

**( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_ to  
-----

Commission File Number 1-4146-1  
-----

**NAVISTAR FINANCIAL CORPORATION**

(Exact name of Registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

36-2472404  
(I.R.S. Employer Identification No.)

2850 West Golf Road Rolling Meadows, Illinois  
(Address of principal executive offices)

60008  
(Zip Code)

Registrant's telephone number including area code 847-734-4000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days Yes X No       

**APPLICABLE ONLY TO ISSUERS INVOLVED  
IN BANKRUPTCY PROCEEDINGS DURING  
THE PRECEDING FIVE YEARS:**

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15 (d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes        No       

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

As of February 28, 2003, the number of shares outstanding of the registrant's common stock was 1,600,000.

THE REGISTRANT IS A WHOLLY-OWNED SUBSIDIARY OF INTERNATIONAL TRUCK AND ENGINE CORPORATION AND MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTIONS H(1)(a) AND (b) OF FORM 10-Q AND IS THEREFORE FILING THIS FORM WITH THE REDUCED DISCLOSURE FORMAT.

**NAVISTAR FINANCIAL CORPORATION  
AND SUBSIDIARIES**

**INDEX**

	<u>Page</u>
<b>PART I. FINANCIAL INFORMATION</b>	
Item 1. Financial Statements:	
Statements of Consolidated Income and Retained Earnings -- Quarter Ended January 31, 2003 and 2002 .....	2
Statements of Consolidated Financial Condition -- January 31, 2003; October 31, 2002; and January 31, 2002 .....	3
Statements of Consolidated Cash Flow -- Quarter Ended January 31, 2003 and 2002 .....	4
Notes to Consolidated Financial Statements .....	5
Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition .....	14
Item 4. Controls and Procedures .....	19
<b>PART II. OTHER INFORMATION</b>	
Item 1. Legal Proceedings .....	20
Item 5. Other Information .....	20
Item 6. Exhibits and Reports on Form 8-K .....	20
99.1 CEO Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 .....	E-1
99.2 CFO Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 .....	E-2
<b>Signature</b> .....	19
<b>Certifications</b> .....	20

# **PART I - FINANCIAL INFORMATION**

## Item 1. Financial Statements

### **Navistar Financial Corporation and Subsidiaries**

<b>Statements of Consolidated Income and Retained Earnings (Unaudited)</b>		
<b>Quarter Ended</b>	<b>January</b>	<b>January</b>
Millions of Dollars	<b>2003</b>	<b>2002</b>
<b>Revenues</b>		
Retail Notes and Finance Leases. ....	\$ 9.8	\$ 10.8
Income Related to Sales of Finance Receivables .....	38.8	22.1
Operating Leases .....	17.9	17.8
Wholesale Notes. ....	7.5	6.5
Accounts .....	4.3	5.4
Servicing Fees .....	6.2	6.3
Other Revenue .....	<u>1.8</u>	<u>3.1</u>
<b>Total</b> .....	<b>86.3</b>	<b>72.0</b>
<b>Expenses</b>		
Cost of Borrowing		
Interest Expense. ....	13.5	14.5
Other. ....	1.8	1.9
Credit, Collection and Administrative. ....	10.1	10.0
Provision for Credit Losses. ....	4.2	4.3
Depreciation on Operating Leases. ....	12.7	13.3
Other Expense. ....	<u>2.0</u>	<u>0.8</u>
<b>Total</b> .....	<b>44.3</b>	<b>44.8</b>
<b>Income Before Taxes.</b> .....	<b>42.0</b>	<b>27.2</b>
Income Tax Expense. ....	<u>15.1</u>	<u>10.5</u>
<b>Income from Continuing Operations.</b> .....	<b>26.9</b>	<b>16.7</b>
Gain on Disposal of Discontinued Operations, (net of tax of \$0.0 and \$0.5). ....	<u>-</u>	<u>0.7</u>
<b>Net Income</b> .....	<b>26.9</b>	<b>17.4</b>
<b>Retained Earnings</b>		
Beginning of Period .....	197.1	163.4
Dividends Paid. ....	<u>(5.0)</u>	<u>-</u>
End of Period .....	<u><b>\$ 219.0</b></u>	<u><b>\$ 180.8</b></u>

See Notes to Consolidated Financial Statements.

**Navistar Financial Corporation and Subsidiaries**

**Statements of Consolidated Financial Condition (Unaudited)**

Millions of Dollars	January 2003	October 2002	January 2002
<b>ASSETS</b>			
Cash and Cash Equivalents .....	\$ 22.9	\$ 32.0	\$ 44.5
Finance Receivables			
Finance Receivables Held For Sale .....	444.9	1,006.7	580.1
Other Finance Receivables .....	301.6	307.0	168.9
Allowance for Losses .....	(13.4)	(16.0)	(13.7)
Finance Receivables, net .....	733.1	1,297.7	735.3
Amounts Due from Sales of Receivables .....	350.1	345.0	408.0
Net Investment in Operating Leases .....	226.2	248.2	273.8
Repossessions .....	33.6	26.0	67.9
Restricted Marketable Securities .....	504.8	104.6	455.6
Net Accounts Receivable from Affiliates .....	3.8	-	-
Other Assets .....	41.6	53.4	33.9
<b>Total Assets</b> .....	<b>\$ 1,916.1</b>	<b>\$ 2,106.9</b>	<b>\$ 2,019.0</b>
<b>LIABILITIES AND SHAREOWNER'S EQUITY</b>			
Net Accounts Payable to Affiliates .....	\$ -	\$ 52.2	\$ 86.1
Senior and Subordinated Debt .....	1,400.9	1,562.5	1,454.7
Other Liabilities .....	128.4	127.4	128.8
<b>Total Liabilities</b> .....	<b>1,529.3</b>	<b>1,742.1</b>	<b>1,669.6</b>
Shareowner's Equity			
Capital Stock (Par value \$1.00, 1,600,000 shares issued and outstanding) and Paid-In Capital .....	171.0	171.0	171.0
Retained Earnings .....	219.0	197.1	180.8
Accumulated Other Comprehensive Loss .....	(3.2)	(3.3)	(2.4)
<b>Total Shareowner's Equity</b> .....	<b>386.8</b>	<b>364.8</b>	<b>349.4</b>
<b>Total Liabilities and Shareowner's Equity</b> .....	<b>\$ 1,916.1</b>	<b>\$ 2,106.9</b>	<b>\$ 2,019.0</b>

See Notes to Consolidated Financial Statements.

**Navistar Financial Corporation and Subsidiaries**  
**Statements of Consolidated Cash Flow (Unaudited)**

Quarter Ended	January	January
Millions of Dollars	2003	2002
<b>Cash Flow From Operations</b>		
Net Income. ....	\$ 26.9	\$ 17.4
Adjustment to reconcile net income to cash provided from operations:		
Gains on sales of receivables .....	(32.5)	(17.2)
Depreciation, amortization and accretion .....	16.4	14.6
Provision for credit losses .....	4.2	4.3
Net change in accounts payable (receivables) to (from) affiliates .....	(56.0)	71.9
Other .....	25.4	20.0
Total. ....	<u>(15.6)</u>	<u>111.0</u>
<b>Cash Flow From Investing Activities</b>		
Originations of finance receivables held for sale .....	(196.2)	(175.5)
Proceeds from sale of finance receivables held for sale .....	824.2	499.9
Net change in restricted marketable securities. ....	(400.2)	(241.9)
Collections of retail notes and finance lease receivables, net of change in unearned finance income .....	(31.9)	(22.1)
Repurchase of sold retail receivables. ....	(17.5)	(13.5)
Repurchases, net of proceeds, of sold wholesale notes .....	(24.9)	(72.0)
Net change in wholesale notes and accounts receivables. ....	30.5	150.2
Change in amounts due from sales of receivables .....	(19.0)	(68.2)
Purchase of equipment leased to others. ....	(6.9)	(34.6)
Sale of equipment leased to others. ....	16.2	24.6
Proceeds from sale of discontinued operations .....	-	62.2
Total. ....	<u>174.3</u>	<u>109.1</u>
<b>Cash Flow From Financing Activities</b>		
Net change in bank revolving credit facility usage. ....	(156.0)	(193.0)
Proceeds from long-term debt. ....	27.9	31.2
Principal payments on long-term debt. ....	(34.7)	(36.1)
Dividends paid to International. ....	(5.0)	-
Total. ....	<u>(167.8)</u>	<u>(197.9)</u>
<b>Change in Cash and Cash Equivalents</b> .....	<b>(9.1)</b>	<b>22.2</b>
<b>Cash and Cash Equivalents, Beginning of Year</b> .....	<b>32.0</b>	<b>22.3</b>
<b>Cash and Cash Equivalents, End of Period</b> .....	<b><u>\$ 22.9</u></b>	<b><u>\$ 44.5</u></b>
<b>Supplementary disclosure of cash flow information:</b>		
Interest paid. ....	\$ 12.2	\$ 19.3
Income taxes paid, net of refunds .....	\$ (4.0)	\$ 2.3
<b>Noncash investing activities:</b>		
Transfers to repossessions .....	\$ 27.8	\$ 24.0

See Notes to Consolidated Financial Statements

**NAVISTAR FINANCIAL CORPORATION  
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)**

**1. BASIS OF PRESENTATION**

The consolidated financial statements include the accounts of Navistar Financial Corporation and its wholly-owned subsidiaries ("Corporation"). International Truck and Engine Corporation ("International"), which is wholly owned by Navistar International Corporation ("Navistar"), is the parent company of the Corporation.

The accompanying unaudited financial statements have been prepared in accordance with accounting policies described in the Corporation's 2002 Annual Report on Form 10-K, except for the accounting policy adopted in the first quarter of fiscal year 2003, and should be read in conjunction with the disclosures therein.

In November 2002, the Corporation adopted Statement of Position 01-6, *Accounting by Certain Entities that Lend to or Finance the Activities of Others*. The Statement requires that certain finance receivables be classified as held for sale. The Corporation classifies certain finance receivables as held for sale. Finance receivables held for sale are carried at the lower of cost or estimated market value in the aggregate. Net unrealized losses are recognized through a valuation allowance by charges to income.

In November 2002, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 45 ("FIN 45"), *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. FIN 45 requires that additional disclosures be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also requires a guarantor to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of FIN 45 are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002. The Corporation provided disclosures about guarantees in Note 9.

In January 2003, the FASB issued Interpretation No. 46 ("FIN 46"), *Consolidation of Variable Interest Entities*. FIN 46 addresses consolidation requirements of variable interest entities. Transferors to qualifying special purpose entities ("QSPE") subject to the reporting requirements of FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, are excluded from the scope of this interpretation. The Corporation currently sells receivables to entities meeting the requirements of QSPE's.

In the opinion of management, these interim financial statements reflect all adjustments, consisting of normal recurring items, necessary to present fairly the results of operations, financial condition and cash flow for the interim periods presented. Interim results are not necessarily indicative of results to be expected for any other interim period or for the full year. Certain amounts in the prior period financial statements have been reclassified to conform with current period presentations.

**NAVISTAR FINANCIAL CORPORATION  
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)**

**2. DISCONTINUED OPERATIONS**

On November 30, 2001, the Corporation completed the sale of all of the stock of Harco National Insurance Company ("Harco"), a wholly-owned insurance subsidiary, to IAT Reinsurance Syndicate Ltd., a Bermuda reinsurance company. Cash proceeds of \$63.3 million were received. The Harco insurance segment was accounted for as a discontinued operation, and accordingly, amounts in the consolidated financial statements and notes thereto, for all periods affected, have been restated to reflect discontinued operations accounting.

**3. COMPREHENSIVE INCOME**

The Corporation's total comprehensive income for the quarter ended January 31 was:

Millions of Dollars	2003	2002
Net income .....	\$ 26.9	\$ 17.4
Change in net unrealized gain on derivatives .....	.1	0.7
Total comprehensive income .....	<u>\$ 27.0</u>	<u>\$ 18.1</u>

**4. FINANCE RECEIVABLES**

Finance receivables are summarized as follows:

Millions of Dollars	January 31, 2003	October 31, 2002	January 31, 2002
Retail notes, net of unearned income .....	\$ 294.4	\$ 827.1	\$ 366.6
Finance leases, net of unearned income .....	150.5	179.6	213.5
Wholesale notes .....	67.5	50.5	36.1
Accounts:			
Retail .....	158.4	181.1	55.2
Wholesale .....	75.7	75.4	77.6
Total accounts .....	<u>234.1</u>	<u>256.5</u>	<u>132.8</u>
Total finance receivables .....	<u>746.5</u>	<u>1,313.7</u>	<u>749.0</u>
Less: Allowance for losses .....	<u>13.4</u>	<u>16.0</u>	<u>13.7</u>
Total finance receivables, net .....	<u>\$ 733.1</u>	<u>\$ 1,297.7</u>	<u>\$ 735.3</u>

Finance receivables held for sale consisted of \$444.9 million, \$1,006.7 million, and \$580.1 million in retail notes and finance leases, net of unearned income, as of January 31, 2003, October 31, 2002, and January 31, 2002, respectively.

**NAVISTAR FINANCIAL CORPORATION  
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)**

**5. ALLOWANCE FOR LOSSES**

The allowance for losses is summarized as follows for the fiscal period ended:

Millions of Dollars	January 31, 2003	October 31, 2002	January 31, 2002
Allowance for losses, beginning of period.....	\$ 16.0	\$ 13.3	\$ 13.3
Provision for credit losses.....	4.2	20.5	4.3
Net losses charged to allowance.....	(1.9)	(5.3)	-
Transfers to finance receivables sold.....	(4.9)	(12.5)	(3.9)
Allowance for losses, end of period.....	<u>\$ 13.4</u>	<u>\$ 16.0</u>	<u>\$ 13.7</u>

The average outstanding balance of impaired finance receivables was not material during the quarter ended January 31, 2003 and 2002 or for the year ended October 31, 2002. Interest income that would have been recognized on impaired finance receivables during the quarters ended January 31, 2003 and 2002 or for the year ended October 31, 2002 was not material.

Principal past due over 90 days on owned finance receivables, including held for sale, totaled \$13.1 million as of January 31, 2003.

**6. SUBORDINATED AND SENIOR DEBT**

Senior and subordinated debt outstanding is summarized as follows:

Millions of Dollars	January 31, 2003	October 31, 2002	January 31, 2002
Bank revolving credit facility, at variable rates, due December 2005.....	\$ 426.0	\$ 582.0	\$ 499.0
Revolving retail warehouse facility, at variable rates, due October 2005.....	500.0	500.0	500.0
Borrowings secured by operating leases, 3.71% to 6.65%, due serially through December 2010.....	300.8	307.8	355.7
Convertible debt, 4.75%, due April 2009.....	174.1	172.7	-
Senior subordinated notes, 9%, due June 2002.....	-	-	100.0
Total senior and subordinated debt.....	<u>\$ 1,400.9</u>	<u>\$ 1,562.5</u>	<u>\$ 1,454.7</u>

As of January 31, 2003 and October 31, 2002, the Corporation had unaccreted discount of \$45.9 million and \$47.3 million, respectively, related to the convertible debt.



**NAVISTAR FINANCIAL CORPORATION  
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)**

**7. DERIVATIVE FINANCIAL INSTRUMENTS**

The Corporation uses derivative financial instruments as part of its overall interest rate risk management strategy as further described under Footnote 13 of the 2002 Annual Report on Form 10-K.

The Corporation manages its exposure to fluctuations in interest rates by limiting the amount of fixed rate assets funded with variable rate debt. This is accomplished by selling fixed rate receivables on a fixed rate basis and by utilizing derivative financial instruments. These derivative financial instruments may include forward contracts, interest rate swaps, and interest rate caps. The fair value of these instruments is estimated based on quoted market prices and is subject to market risk as the instruments may become less valuable due to changes in market conditions or interest rates. The Corporation manages exposure to counter-party credit risk by entering into derivative financial instruments with major financial institutions that can be expected to fully perform under the terms of such agreements. The Corporation does not require collateral or other security to support derivative financial instruments with credit risk. The Corporation's counter-party credit exposure is limited to the positive fair value of contracts at the reporting date. As of January 31, 2003, the Corporation's derivative financial instruments had a negative net fair value. Notional amounts of derivative financial instruments do not represent exposure to credit loss.

As of January 31, 2003, the notional amounts and fair values of the Corporation's derivatives are summarized as follows:

(Millions of Dollars)				
<u>Inception</u>	<u>Maturity</u>	<u>Instrument</u>	<u>Notional</u>	<u>Fair Value</u>
November 1999	February 2003	Interest rate swap*	\$ 24.9	\$ 1.5
October 2000	November 2012	Interest rate cap	500.0	(3.5)
	November 2012	Interest rate cap	500.0	3.5
December 2000	January 2004	Interest rate swap*	15.1	(0.6)
July 2001	April 2006	Interest rate swap	30.9	(2.0)
November 2001	June 2004	Interest rate swap*	179.0	(2.1)
	July 2006	Interest rate swap*	179.0	2.8
November 2002	March 2007	Interest rate swap*	-	-

\* Accounted for as non-hedging instruments.

The fair values of all derivatives are recorded in Other Liabilities on the Statements of Consolidated Financial Condition.

In November 2002, the Corporation entered into an interest rate swap agreement in connection with a sale of retail notes and lease receivables. The purpose of the swap was to convert the floating rate portion of the asset-backed securities issued into fixed rate interest to match the interest basis of the receivables pool sold to the owner trust, and to protect the Corporation from interest rate volatility. The notional amount of this swap is calculated as the difference between the actual pool balances and the projected pool balances. At January 31, 2003, the notional amount was zero. The outcome of the swap results in the Corporation paying a fixed rate of interest on the projected balance of the pool. To the extent that actual pool balances differ from the projected balances, the Corporation has retained interest rate exposure on this difference. This transaction is accounted for as non-hedging derivative instrument.

**NAVISTAR FINANCIAL CORPORATION  
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)**

**8. SALES OF RECEIVABLES**

The Corporation securitizes and sells receivables through Navistar Financial Retail Receivables Corporation ("NFRRC"), Navistar Financial Securities Corporation ("NFSC"), Truck Retail Accounts Corporation ("TRAC") and Truck Engine Receivables Financing Corporation ("TERFCO"), all special purpose, wholly-owned subsidiaries ("SPC's") of the Corporation. The sales of receivables in each securitization constitute sales under accounting principles generally accepted in the United States of America, with the result that the sold receivables are removed from the Corporation's balance sheet and the investor's interests in the related trust or conduit are not reflected as liabilities.

The SPC's have limited recourse on the sold receivables. The SPC's assets are available to satisfy the creditors' claims prior to such assets becoming available for the SPC's own uses or to the Corporation or affiliated companies. The terms of receivable sales generally require the Corporation to provide credit enhancements in the form of over collateralizations and/or cash reserves with the trusts and conduits. The use of such cash reserves by the Corporation is restricted under the terms of the securitized sales agreements. The maximum exposure under all receivable sale recourse provisions as of January 31, 2003 was \$350.1 million. The allowance for losses allocated to sold receivables is recorded in Other Liabilities in the Corporation's Statements of Financial Condition and totaled \$16.6 million, \$14.0 million, and \$16.3 million at January 31, 2003, October 31, 2002, and January 31, 2002, respectively.

The SPC's residual interests in the related trusts or assets held by the trusts are reflected on the Corporation's Statement of Consolidated Financial Condition in Amounts Due From Sales of Receivables. The following is a summary of retained interests included in Amounts Due from Sales of Receivables:

Millions of Dollars	January 31, 2003	October 31, 2002	January 31, 2002
Cash held and invested by trusts.....	\$ 141.9	\$ 105.6	\$ 166.7
Subordinated retained interests in wholesale notes.....	126.4	126.2	127.2
Subordinated retained interests in retail notes and finance leases .....	40.6	96.4	91.9
Interest only receivables.....	41.2	16.8	22.2
Total amounts due from sales of receivables.....	<u>\$ 350.1</u>	<u>\$ 345.0</u>	<u>\$ 408.0</u>

Subordinated retained interests in wholesale notes consist principally of wholesale notes or marketable securities. Subordinated retained interests in retail notes and finance leases consist principally of collections held as cash and marketable securities. Due to the short-term nature of these assets, their fair value approximates carrying value.

Management estimates the prepayment speed for the receivables sold and the discount rate used to present value the interest-only receivables in order to calculate the gain or loss. Estimates of prepayment speeds and discount rates are based on historical experience and other factors and are made separately for each securitization transaction. In addition, the Corporation estimates the fair value of the interest-only receivables on a quarterly basis. The fair value of the interest-only receivables is based on updated estimates of prepayment speeds and discount rates.

**NAVISTAR FINANCIAL CORPORATION  
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)**

**8. SALES OF RECEIVABLES (continued)**

Key economic assumptions used in measuring the interest only receivables at the date of the sale for sales of retail notes and finance leases completed during the quarter ended January 31 were:

	<b>2003</b>	<b>2002</b>
Prepayment speed (annual rate).....	<b>1.2 - 1.4</b>	1.2 - 1.4
Weighted average life.....	<b>41 months</b>	41 months
Interest only receivable discount rate.....	<b>5.35%</b>	6.41%

The impact of hypothetical 10% and 20% adverse changes in these assumptions would have no material effect on the fair value of the interest-only receivables as of January 31, 2003. These sensitivities are hypothetical and should be used with caution. The effect of a variation of a particular assumption on the fair value of the interest only receivables is calculated without changing any other assumption; in reality, changes in one factor may result in changes in another.

Sold receivables balances are summarized below.

<u>Millions of Dollars</u>	<b>January 31, 2003</b>	October 31, 2002	January 31, 2002
Retail notes, net of unearned income.....	\$ 2,016.3	\$ 1,521.8	\$ 2,041.9
Finance leases, net of unearned income.....	25.2	-	-
Wholesale notes.....	764.0	788.7	713.4
Retail accounts.....	102.9	126.9	200.0
 Total sold finance receivables, net.....	<b>\$ 2,908.4</b>	<b>\$ 2,437.4</b>	<b>\$ 2,955.3</b>

Serviced portfolio balances are summarized below.

<u>Millions of Dollars</u>	<b>January 31, 2003</b>	October 31, 2002	January 31, 2002
Gross serviced receivables			
Retail notes.....	\$ 2,552.0	\$ 2,529.1	\$ 2,612.1
Finance leases.....	200.4	205.7	248.5
Wholesale notes.....	831.5	839.2	749.5
Accounts.....	337.0	383.4	332.8
Total gross serviced receivables.....	3,920.9	3,957.4	3,942.9
Net investment in operating leases.....	226.2	248.2	273.8
 Total serviced portfolio.....	<b>\$ 4,147.1</b>	<b>\$ 4,205.6</b>	<b>\$ 4,216.7</b>

**NAVISTAR FINANCIAL CORPORATION  
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)**

**8. SALES OF RECEIVABLES (continued)**

Additional financial data for gross serviced portfolio as of January 31, 2003 and for the quarter then ended is summarized below.

<u>Millions of Dollars</u>	<u>Retail Notes</u>	<u>Finance and Operating Leases</u>	<u>Wholesale Notes</u>	<u>Accounts</u>
Principal past due over 60 days.....	\$ 18.9	\$ 4.1	\$ 0.7	\$ 6.0
Credit losses (net of recoveries).....	3.5	0.4	0.1	-

The following table summarizes certain cash flows received from (paid to) securitization trusts/conduits during the quarter ended January 31:

<u>Millions of Dollars</u>	<u>2003</u>	<u>2002</u>
Proceeds from sales of finance receivables held for sale.....	\$ 824.2	\$ 499.9
Proceeds from sales of finance receivables into revolving facilities.....	1,111.1	1,128.8
Servicing fees received.....	6.2	6.3
Repurchase of sold retail receivables.....	(17.5)	(13.5)
Cash used in exercise of purchase option.....	-	-
All other cash received from trusts.....	49.7	45.2

During the first quarter of 2003, the Corporation sold \$824.3 million of retail receivables for a pretax gain of \$32.5 million, or \$20.8 million net of tax. During the first quarter of 2002, the Corporation sold \$500.0 million of retail receivables for a pre-tax gain of \$17.2 million, or \$11.0 million net of tax.

The following table summarizes, for the quarter ended January 31, income related to sales of finance receivables:

<u>Millions of Dollars</u>	<u>2003</u>	<u>2002</u>
Gains on sales of receivables.....	\$ 32.5	\$ 17.2
Excess spread.....	5.1	5.1
Swap gains (losses).....	.8	(.3)
Interest income from retained securities and other.....	.4	.1
Total income related to sales of finance receivables.....	<u>\$ 38.8</u>	<u>\$ 22.1</u>

**NAVISTAR FINANCIAL CORPORATION  
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)**

**9. COMMITMENTS AND CONTINGENCIES**

**Leases**

The Corporation is obligated under non-cancelable operating leases for the majority of its office facilities. These leases are generally renewable and provide that property taxes and maintenance costs are to be paid by the lessee. As of January 31, 2003, future minimum lease commitments under non-cancelable operating leases with remaining terms in excess of one year are as follows:

<u>Twelve month period ended January 31,</u>	<u>(Millions of Dollars)</u>
2004.....	\$ 2.0
2005.....	1.8
2006.....	1.5
2007.....	<u>0.7</u>
Total.....	<u>\$ 6.0</u>

The total operating lease expense for the three month period ended January 31, 2003 and 2002 was \$0.6 million and \$0.6 million, respectively.

**Guarantees of Debt**

The Corporation periodically guarantees the outstanding debt of affiliates. The guarantees allow for diversification of funding sources for the affiliates. As of January 31, 2003, the Corporation has four outstanding guarantees related to Navistar's three Mexican finance subsidiaries, Servicios Financieros Navistar, S.A. de C.V. ("SOFOL"), Arrendadora Financiera Navistar, S.A. de C.V. ("Arrendadora"), and Navistar Comercial S.A. de C.V. ("Comercial"). The Corporation has no recourse as guarantor in case of default.

The Corporation has an \$820.0 million contractually committed bank revolving credit facility that will mature in December 2005. Under the revolving credit agreement, SOFOL, Arrendadora and Comercial are permitted to borrow up to \$100.0 million in the aggregate, which is guaranteed by the Corporation. As of January 31, 2003, the outstanding balance on this portion of the bank revolving credit facility was \$28.0 million.

On October 21, 2002, the Corporation entered into an agreement to guarantee the 200.0 million peso-denominated bank facility of SOFOL and Arrendadora, as co-borrowers. The due date of the longest loan maturity is January 31, 2006. As of January 31, 2003, the total outstanding balance of the debt was equivalent to \$18.3 million in U.S. dollars (equivalent to 200.0 million pesos).

On May 27, 2002, the Corporation entered into an agreement to guarantee the dollar- and/or peso-denominated medium term notes of SOFOL and Arrendadora, as co-borrowers, up to the amount of 600.0 million pesos (equivalent to \$55.0 million in U.S. dollars). The due date of the longest loan maturity is March 10, 2006. As of January 31, 2003, the total outstanding balance of the debt was equivalent to \$24.3 million in U.S. dollars.

**NAVISTAR FINANCIAL CORPORATION  
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)**

**9. COMMITMENTS AND CONTINGENCIES (continued)**

**Guarantees of Debt (continued)**

On November 18, 2001, the Corporation entered into an agreement to guarantee the 500.0 million peso-denominated bank credit facility of SOFOL. The due date of the longest loan maturity is November 18, 2004. As of January 31, 2003, the outstanding balance of peso-denominated debt was \$45.8 million in U.S. dollars (equivalent to 500.0 million pesos).

**Other**

The Corporation has entered into an agreement for the repurchase of equipment. Under this agreement, which matures in August 2004, the Corporation would be required to make a maximum potential future payment of \$11.9 million. Under the provisions of this agreement, the Corporation can liquidate the repurchased assets to recover all or a portion of the payment. The Corporation has potential exposure to the extent that there is a difference between the fair value of the repurchased asset and the guaranteed repurchase amount. The Corporation's current exposure under this agreement is estimated to be immaterial.

As part of its sales agreement with IAT Reinsurance Syndicate Ltd. ("IAT"), the Corporation has agreed to guarantee the adequacy of Harco's loss reserves as of November 30, 2001, the close date of the sale. There is no limit to the potential amount of future payments required under this agreement, which is scheduled to expire November 2008. As security for its obligation under this agreement, the Corporation has escrowed \$5.0 million, which is included in Other Assets in the Consolidated Statements of Financial Condition. The escrowed funds will become available for use in February 2004. The carrying amount of the Corporation's liability under this guarantee is estimated at \$2.0 million as of January 31, 2003 and is included in Other Liabilities in the Consolidated Statements of Financial Condition. Management believes this reserve is adequate to cover any future potential payments to IAT.

**10. SUBSEQUENT EVENTS**

In February 2003, the Corporation entered into two forward starting swap agreements, with notional amounts of \$500.0 million and \$300.0 million, in connection with anticipated sales of retail notes and finance leases. The purpose of these swaps is to limit the Corporation's interest rate exposure during the period it is accumulating receivables for the anticipated sales of receivables.

## **NAVISTAR FINANCIAL CORPORATION AND SUBSIDIARIES**

### **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

Certain statements under this caption purely constitute "forward-looking statements" under the Securities Reform Act. Navistar Financial Corporation's ("Corporation") actual results may differ significantly from the results discussed in such forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed under the heading "Business Outlook."

#### **Overview**

Navistar Financial Corporation, was incorporated in Delaware in 1949 and is a wholly-owned subsidiary of International Truck and Engine Corporation ("International"), which is a wholly-owned subsidiary of Navistar International Corporation ("Navistar"). As used herein, the "Corporation" refers to Navistar Financial Corporation and its wholly-owned subsidiaries unless the context otherwise requires.

The Corporation is a commercial financing organization that provides wholesale, retail and lease financing in the United States for sales of new and used trucks sold by International and International's dealers. The Corporation also finances wholesale accounts and selected retail accounts receivable of International. Sales of new products (including trailers) of other manufacturers are also financed regardless of whether they are designed or customarily sold for use with International's truck products.

#### **Critical Accounting Policies**

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the use of estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. In preparing these financial statements, management has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. The significant accounting principles which management believes are the most important to aid in fully understanding the Corporation's financial results are:

- Sales of Receivables
- Allowance for Losses

Details regarding the Corporation's use of these policies and the related estimates are described in the Corporation's 2002 Annual Report on Form 10-K.

**NAVISTAR FINANCIAL CORPORATION  
AND SUBSIDIARIES**

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS  
AND FINANCIAL CONDITION**

**Results of Continuing Operations**

*First Quarter 2003 Compared with First Quarter 2002*

Net income was \$26.9 million in the first quarter of 2003, up \$9.5 million or 55% compared with net income of \$17.4 million in the first quarter of 2002. The increase in earnings was primarily attributable to a greater gain on the sale of retail receivables. During the first quarter of 2003, the Corporation sold \$824.3 million of retail receivables for a pretax gain of \$32.5 million, or \$20.8 million net of tax. During the first quarter of 2002, the Corporation sold \$500.0 million of retail receivables for a pre-tax gain of \$17.2 million, or \$11.0 million net of tax. The increase in the amount of receivables sold was primarily due to higher retail note originations in the second half of fiscal 2002 compared with fiscal 2001, inclusion of finance leases in the fiscal 2003 sale, and the timing of our sales in fiscal 2002 compared with fiscal 2001.

**Financial Condition**

*Finance Volume and Finance Market Share*

During the first quarter of fiscal 2003, the Corporation's net retail notes and leases originations were \$203.1 million, compared with \$210.1 million in first quarter fiscal 2002. Net serviced retail notes and leases balances were \$2,712.6 million and \$2,895.8 million in the first quarter of 2003 and 2002, respectively. The Corporation's finance market share of new International trucks sold in the U.S. decreased to 17.1% in the first quarter of fiscal 2003 from 23.0% in the first quarter of fiscal 2002, primarily due to the financing of a purchase by a large truck customer in the first quarter of 2002, which was not present in the first quarter of fiscal 2003.

The Corporation provided 96.0% of the wholesale financing of new trucks sold to International's dealers in the first quarter of fiscal 2003 and 2002. Wholesale notes originations were \$719.5 million for the quarter ended January 31, 2003, compared with \$584.1 million in the same period of fiscal 2002. Serviced wholesale notes balances were \$831.5 million and \$749.5 million in the first quarter of 2003 and 2002, respectively.

*Allowance for Losses*

The allowance is maintained at an amount management considers appropriate in relation to the outstanding portfolio based on factors such as overall portfolio credit risk quality, historical loss experience, and current economic conditions. Finance receivables and investments in operating leases are charged off to the allowance for losses when amounts due from the customers are determined to be uncollectible.

Allowance for losses, including the portion allocated to sold notes, as a percentage of net serviced finance receivables and investments in operating leases was 0.77% in the first quarter of fiscal 2003, compared with 0.75% in the first quarter of fiscal 2002.



**NAVISTAR FINANCIAL CORPORATION  
AND SUBSIDIARIES**

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS  
AND FINANCIAL CONDITION**

**Funds and Liquidity Management**

The Corporation has traditionally obtained the funds to provide financing to International's dealers and retail customers from sales of finance receivables, commercial paper, short and long-term bank borrowings, medium and long-term debt and equity capital. The Corporation's current debt ratings have made sales of finance receivables the most economical source of funding.

***Credit Ratings***

The Corporation's current debt ratings are as follows:

	<u>Fitch</u>	<u>Moody's</u>	<u>Standard and Poor's</u>
Senior unsecured debt	BB	Ba3	BB-
Subordinated debt	B+	B2	B
Outlook	Negative	Stable	Stable

In December 2002, Fitch IBCA, Standard and Poor's, and Moody's lowered the Corporation's senior unsecured and subordinated debt ratings. Fitch IBCA lowered the Corporation's senior unsecured debt to BB from BB+ and the subordinated debt rating to B+ from BB-. Standard and Poor's lowered the Corporation's senior unsecured debt rating to BB- from BB and the subordinated debt rating to B from B+. Moody's lowered the Corporation's senior unsecured debt rating to Ba3 from Ba1 and the subordinated debt rating to B2 from Ba2.

***Funding Facilities***

Receivable sales are a significant source of funding. Through the asset-backed public market and private placement sales, the Corporation has been able to fund fixed rate retail notes and finance leases at rates which are more economical than those available to the Corporation in the public unsecured bond market. The Corporation sold retail notes and finance leases through Navistar Financial Retail Receivables Corporation ("NFRRC"). During the first quarter of fiscal 2003 and 2002, the Corporation sold \$824.3 million and \$500.0 million of retail notes and finance leases to an owner trust which, in turn, issued asset-backed securities that were sold to investors. As of January 31, 2003, the remaining shelf registration available to NFRRC for the public issuance of asset-backed securities was \$1,650.0 million.

Truck Engine Receivables Financing Corporation, a special purpose, wholly-owned subsidiary of the Corporation, has in place a trust that provides for the funding of \$100.0 million of unsecured trade receivables generated by the sale of diesel engines and engine service parts from International ("International") to Ford Motor Company. The facility matures in 2006. As of January 31, 2003, the Corporation had utilized \$100.0 million of this facility.

**NAVISTAR FINANCIAL CORPORATION  
AND SUBSIDIARIES**

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS  
AND FINANCIAL CONDITION**

*Funding Facilities (continued)*

Truck Retail Accounts Corporation, a special purpose, wholly-owned subsidiary of the Corporation, has in place a revolving retail account conduit that provides for the funding of \$100.0 million of eligible retail accounts. As of January 31, 2003, the Corporation had utilized \$2.9 million of this facility. The facility expires in August 2003 and is renewable upon mutual consent of the parties.

Navistar Financial Securities Corporation, a special purpose, wholly-owned subsidiary of the Corporation, has in place a revolving wholesale note trust that provides for the funding of \$1,012.0 million of eligible wholesale notes. It is comprised of three \$200.0 million tranches of investor certificates maturing in 2003, 2004 and 2008, a \$212.0 million tranche of investor certificates maturing in 2005 and variable funding certificates with a maximum capacity of \$200.0 million maturing in January 2004. As of January 31, 2003, the Corporation had utilized \$763.6 million of the revolving wholesale note trust.

As of January 31, 2003, available funding under the bank revolving credit facilities, the revolving retail warehouse facility and the revolving wholesale note trust was \$852.5 million. When combined with unrestricted cash and cash equivalents, \$875.4 million was available to fund the general business purposes of the Corporation.

The weighted average borrowing rate on all debt outstanding during the first quarter of 2003 decreased to 3.78% from 3.89% for the same period in 2002. The decrease in the Corporation's weighted average interest rate is primarily a result of lower LIBOR rates.

*Liquidity and Cash Flows*

During the first quarter of 2003, cash and cash equivalents decreased \$9.1 million from \$32.0 million at the end of fiscal year 2002. For the first quarter ended January 31, 2003, the Corporation used \$15.6 million to fund operating activities and generated \$174.3 million from investing activities. The Corporation also utilized \$167.8 million in financing activities during the quarter. See also the Statements of Consolidated Cash Flow on page 4.

Total cash used to fund operating activities was \$15.6 million during first quarter of 2003. The Corporation used cash primarily to decrease the net amount payable to affiliates.

Total cash generated from investing activities was \$174.3 million. The Corporation's primary source of cash during the first quarter of 2003 was proceeds from sales of finance receivables held for sale. The aggregate investing cash flow related to the sale of finance receivables held for sale was \$227.8 million. This includes cash proceeds of \$824.2 million, offset by cash utilization resulting from a net change in restricted marketable securities of \$400.2 million and originations of finance receivables held for sale of \$196.2 million. See Footnote 1 of the 2002 Annual Report on Form 10-K for further descriptions of the Corporation's Restricted Marketable Securities.

Total cash utilization from financing activities during first quarter of 2003 was \$167.8 million. During the first quarter of 2003, the Corporation's primary use of cash was due to \$156.0 million less utilization of the bank revolving credit facility than at the end of fiscal year 2002.

**NAVISTAR FINANCIAL CORPORATION  
AND SUBSIDIARIES**

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS  
AND FINANCIAL CONDITION**

**New Accounting Pronouncements**

In November 2002, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 45 ("FIN 45"), *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. FIN 45 requires that additional disclosures be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also requires a guarantor to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of FIN 45 are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002. The Corporation provided disclosures about guarantees in Note 9.

In January 2003, the FASB issued Interpretation No. 46 ("FIN 46"), *Consolidation of Variable Interest Entities*. FIN 46 addresses consolidation requirements of variable interest entities. Transferors to qualifying special purpose entities ("QSPE") subject to the reporting requirements of FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, are excluded from the scope of this interpretation. The Corporation currently sells receivables to entities meeting the requirements of QSPE's.

**Subsequent Events**

In February 2003, the Corporation entered into two forward starting swap agreements, with notional amounts of \$500.0 million and \$300.0 million, in connection with anticipated sales of retail notes and finance leases. The purpose of these swaps is to limit the Corporation's interest rate exposure during the period it is accumulating receivables for the anticipated sale of receivables.

**Business Outlook**

Certain statements, which involve risks and uncertainties, constitute "forward-looking statements" under the Securities Reform Act. The Corporation's actual results may differ significantly from the results discussed in such forward-looking statements.

Navistar currently projects 2003 U.S. and Canadian Class 8 heavy truck demand to be down 4% from 2002. Class 6 and 7 medium truck demand, excluding school buses, is forecasted to be 13% higher than in 2002. Demand for school buses is expected to be consistent with 2002. Mid-range diesel engine shipments by the company to original equipment manufacturers in 2003 are expected to be 10% higher than 2002.

Management believes that collections on the outstanding finance receivables portfolio plus cash available from the Corporation's various funding sources will permit the Corporation to meet the financing requirements of International's dealers and retail customers through 2003 and beyond.

**NAVISTAR FINANCIAL CORPORATION  
AND SUBSIDIARIES**

**ITEM 4. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

The Corporation's principal executive officer and principal financial officer evaluated the Corporation's disclosure controls and procedures (as defined in rule 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended) as of a date within 90 days before the filing of this quarterly report (the "Evaluation Date"). Based on that evaluation, the principal executive officer and principal financial officer of the Corporation concluded that, as of the Evaluation Date, the disclosure controls and procedures in place at the Corporation were adequate to ensure that information required to be disclosed by the Corporation, including its consolidated subsidiaries, in reports that the Corporation files or submits under the Exchange Act, is recorded, processed, summarized and reported on a timely basis in accordance with applicable rules and regulations. Although the Corporation's principal executive officer and principal financial officer believe the Corporation's existing disclosure controls and procedures are adequate to enable the Corporation to comply with its disclosure obligations, the Corporation intends to formalize and document the procedures already in place and establish a disclosure committee.

**Changes in Internal Controls**

The Corporation has not made any significant changes to its internal controls subsequent to the Evaluation Date. The Corporation has not identified any significant deficiencies or material weaknesses or other factors that could significantly affect these controls, and therefore, no corrective action was taken.

**NAVISTAR FINANCIAL CORPORATION  
AND SUBSIDIARIES**

**PART II - OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

There were no material pending legal proceedings other than ordinary, routine litigation incidental to the business of the Corporation.

**ITEM 5. OTHER INFORMATION**

Effective March 1, 2003, Phyllis E. Cochran became Chief Executive Officer and General Manager of the Corporation upon the retirement of John J. Bongiorno, President and Chief Executive Officer.

**ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K**

No reports on Form 8-K were filed during the quarter ended January 31, 2003.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Navistar Financial Corporation  
(Registrant)

Date March 14, 2003

/s/Ronald D. Markle  
Ronald D. Markle  
Vice President and Controller  
(Principal Accounting Officer)

**NAVISTAR FINANCIAL CORPORATION  
AND SUBSIDIARIES**

**CERTIFICATIONS**

I, Phyllis E. Cochran, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Navistar Financial Corporation, subsidiary of International Truck and Engine Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

**NAVISTAR FINANCIAL CORPORATION  
AND SUBSIDIARIES**

**CERTIFICATIONS**

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date March 14, 2003

/s/Phyllis E. Cochran  
Phyllis E. Cochran  
(Principal Executive Officer)

**NAVISTAR FINANCIAL CORPORATION  
AND SUBSIDIARIES**

**CERTIFICATIONS**

I, Andrew J. Cederoth, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Navistar Financial Corporation, subsidiary of International Truck and Engine Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and



**NAVISTAR FINANCIAL CORPORATION  
AND SUBSIDIARIES**

**CERTIFICATIONS**

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date March 14, 2003

/s/ Andrew J. Cederoth  
Andrew J. Cederoth  
(Principal Financial Officer)