

INFONAVIT

February, 2007

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This presentation may contain forward-looking statements. These statements may include the plans and objectives of management for future operations and financial goals, loan portfolio growth, and availability of funds. These forward-looking statements are subject to the inherent uncertainties in predicting future results and conditions. Certain factors that could cause actual results to differ materially include the uncertainties of economic conditions, and future strategic decisions, all of which are difficult or impossible to predict accurately, and many of which are beyond the control of INFONAVIT. Although INFONAVIT believes that the assumptions underlying the forward-looking statements included herein are reasonable, any of the assumptions could be inaccurate and therefore there can be no assurance that the forward-looking statements included herein will prove to be accurate. Therefore, the inclusion of such information should not be regarded as a representation by INFONAVIT or any other person that the objectives and plans of INFONAVIT will be achieved.

- **Introduction to INFONAVIT**
- **Transformation 2001-2006**
- **Perspectives 2007-2011**
- **Conclusions**

- INFONAVIT is an autonomous institution; its corporate government comprises equal representation of the labor sector, the employer sector and the Federal Government
- INFONAVIT has a dual nature:
 - Pension Fund Manager: since 1992 it is part of the National Pension System (SAR); workers' funds are held in separate individual accounts with minimum guaranteed annual returns
 - Mortgage Bank: mortgage lender with a social mandate; up-to date, it has originated more than 4 million mortgages
- INFONAVIT is a fiscal authority in Mexico.

"To contribute to a better life for the Mexican workers by fulfilling the double social responsibility that has been entrusted us:

- Facilitating credit products so that they can acquire, with full liberty and transparency, the house that best suits their interests in terms of price, quality and location; thereby increasing their family's wealth
- Paying competitive returns to the workers' savings so that they have an adequate pension for their retirement through an efficient management of the funds of the National Housing Fund".

"To fulfill the founding vision that workers, specially those with lower income, satisfy their housing and retirement needs, being able to acquire, in successive stages of their life, the house that better suits their interests and possibilities.

To convert INFONAVIT into a creative, solid, tripartite and autonomous institution that contributes to the development of Mexico, faithful to its profound social mission that constitutes the essential reason of its origin, so that it is recognized as a world-class organization in terms of financial strength, transparency and quality of service.

Establishing a community through a network of alliances in which we align the interests of the different groups that participate: workers, employers, suppliers, and other strategic agents, sowing the Mexican geography of more human cities".

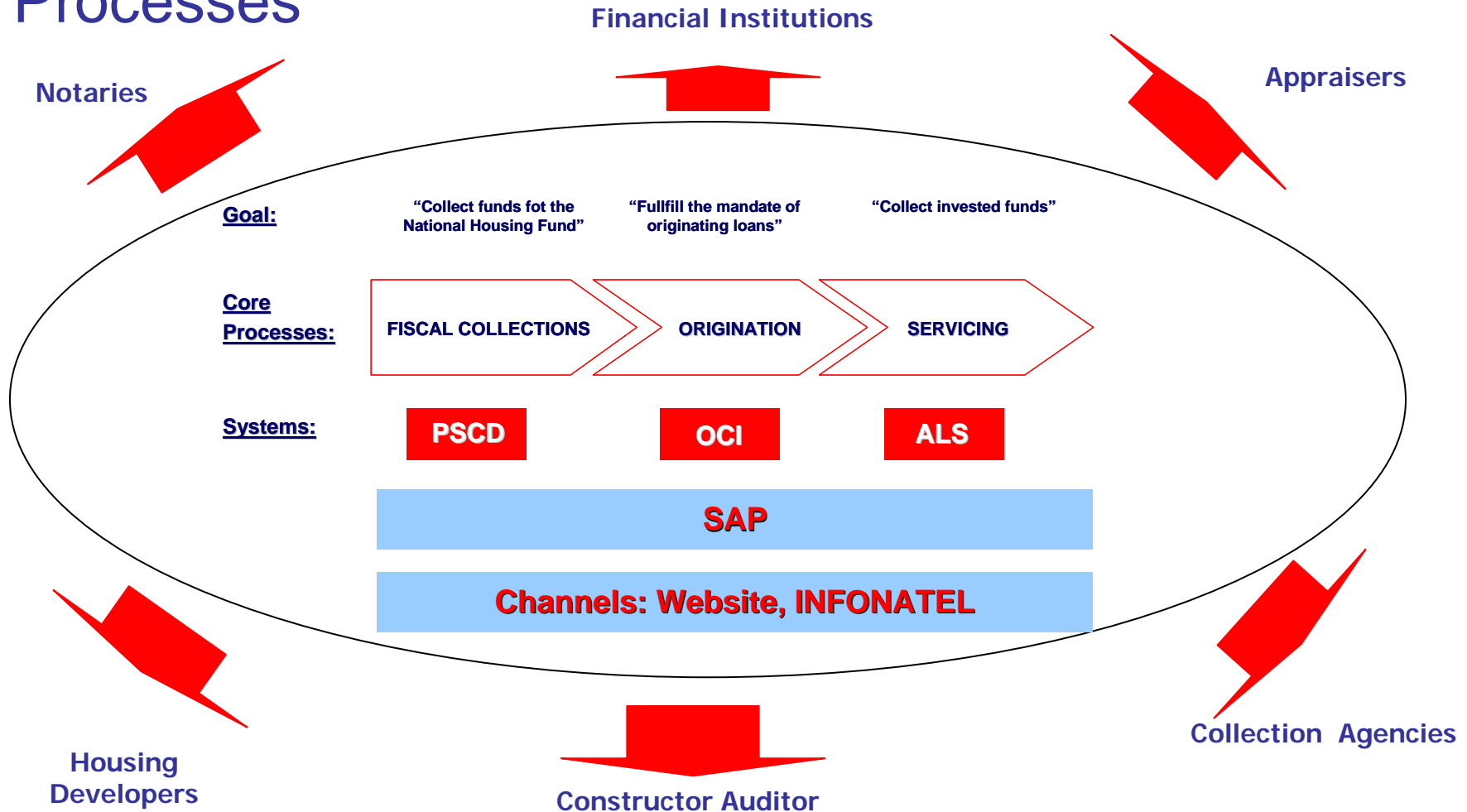
- Building strategic alliances with key actors of the Mexican society, in order to contribute to the economic and human development of the workers and their families
- Guaranteeing long-term financial stability of INFONAVIT, in order to benefit all the workers with more loans and better pensions
- Being accountable to the workers and to the Mexican society with total transparency
- Promoting family wellbeing as well as personal and professional development of the employees of INFONAVIT
- Providing a world-class service to our customers, through continuous improvement of the products and processes of INFONAVIT

- The strategy of INFONAVIT was developed across four balanced dimensions:
 - **Human:** securing the best work team
 - **Processes:** developing world-class processes and technology
 - **Financial:** securing long-term financial stability, in order to increase the lending program and to pay competitive returns to the workers' saving
 - **Institutional and Services:** fulfilling the social mandate that was given to us

○ Human	2000	2006	Var %
▪ # employees	4,941	3,823	-29%
▪ Productivity in origination (loans/person)	41	110	168%
▪ Productivity in servicing (loans/person)	314	754	140%
▪ Employee turnover	0.8%	1.8%	100bp
▪ Organizational Structure (levels)	120	16	-650%
▪ Renovation top management			87%

INFONAVIT's Professionalization and Development System

Processes



Outstanding Mortgages: 2,883,389

Loans originated per minute: 3.36

Financial	2000	2006	Var %
▪ NPL Ratio	21.7%	4.8%	-17pp
▪ Fiscal Collections (Millions of pesos)	\$ 1, 268	\$ 6,684	427%
▪ Cash inflows (Millions of pesos)	\$ 38,237	\$ 91,248	138%
▪ Expenses (% Loan Program)	6.61%	5.45%	-116 bp
▪ LLP	80.6%	204.5%	124.5pp
▪ Securitization (Millions of pesos)	\$0	\$6,000	100%

Rating S&P mxAAA

○ Institutional and Service	2000	2006	Var %
▪ Loans originated <small>(Accumulated, 000s)</small>	2,131	4,016	188%
▪ % loans < MX\$6,150 <small>(4 MW)</small>	50%	57%	700bp
▪ Real return paid to the housing found	2.0%	4.0%	200bp

Reforms to INFONAVIT law in order to strengthen corporate government, financial supervision, transparency and accountability

○ Total Loans (# Loans)

▪ Economic loans	129,847
▪ Traditional loans	106,025
▪ Traditional low-income loans	112,125
▪ Cofunding	52,557
▪ Apoyo INFONAVIT	21,191

TOTAL 421,745

○ NPL Ratio 4.85%

○ Real return paid to the housing fund* 4.00%

○ Today INFONAVIT :

- Is the largest mortgage lender in Mexico, originating 60% of the loans
- Pays competitive returns to the savings of 13 million affiliates
- Has a financial strength, technology and world-class processes
- Has a solid corporate government

Platform to meet the demand for housing of the Mexican workers,
as well as to create incentives for formalization of employment

- **Increasing the lending program to meet the demand for housing :**
 - Securitization (Cedevis)
 - Co-funding

- **Emphasis on quality**
 - Planning at local level: State plans
 - Quality of houses: INFONAVIT Quality House Index
 - Quality of service: Channels strategy

○ **Emphasis on equality**

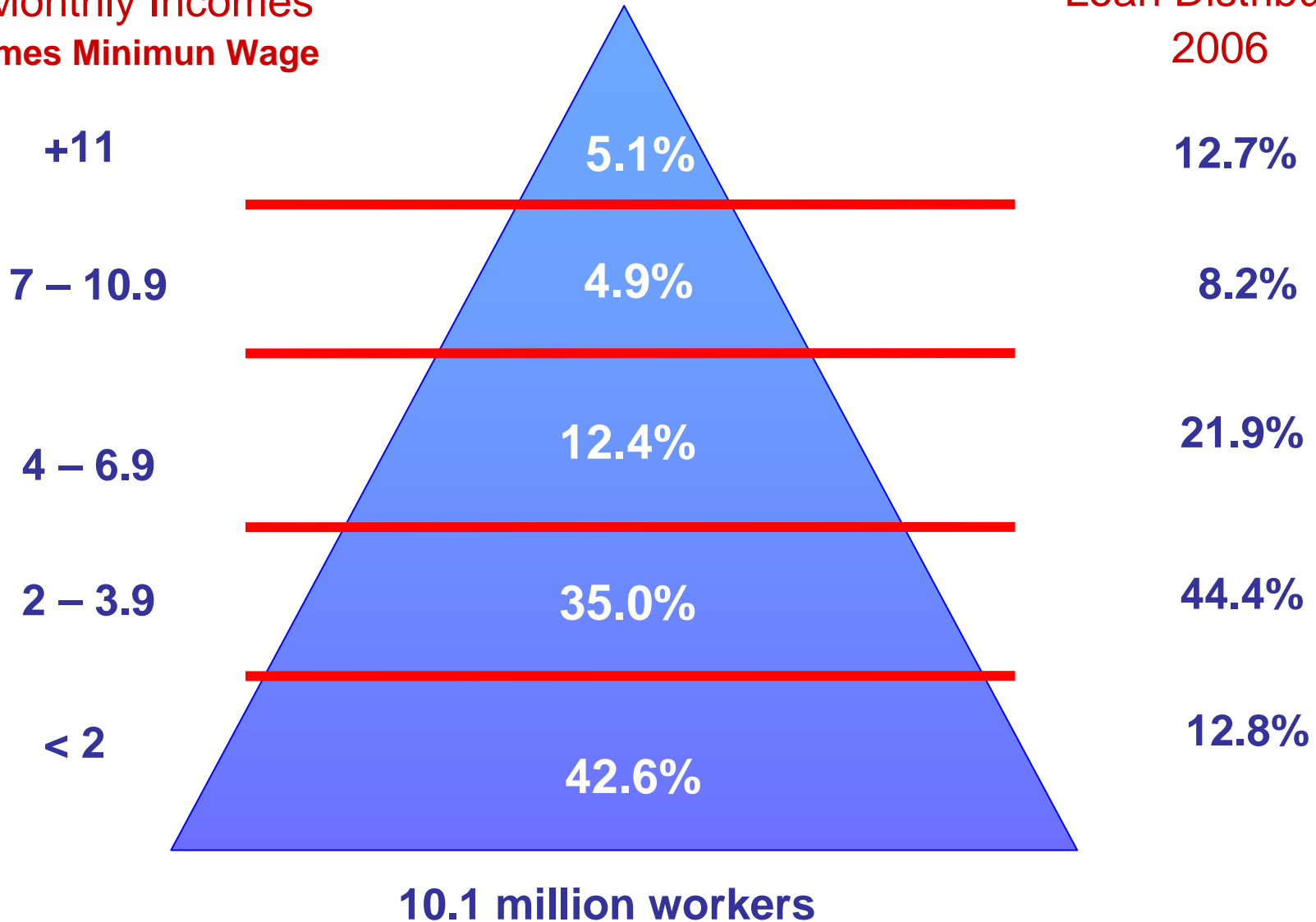
- Low income workers MX\$3,075 (2MW): subsidy program
- Attention to southeastern states

○ **Quality of life for INFONAVIT employees**

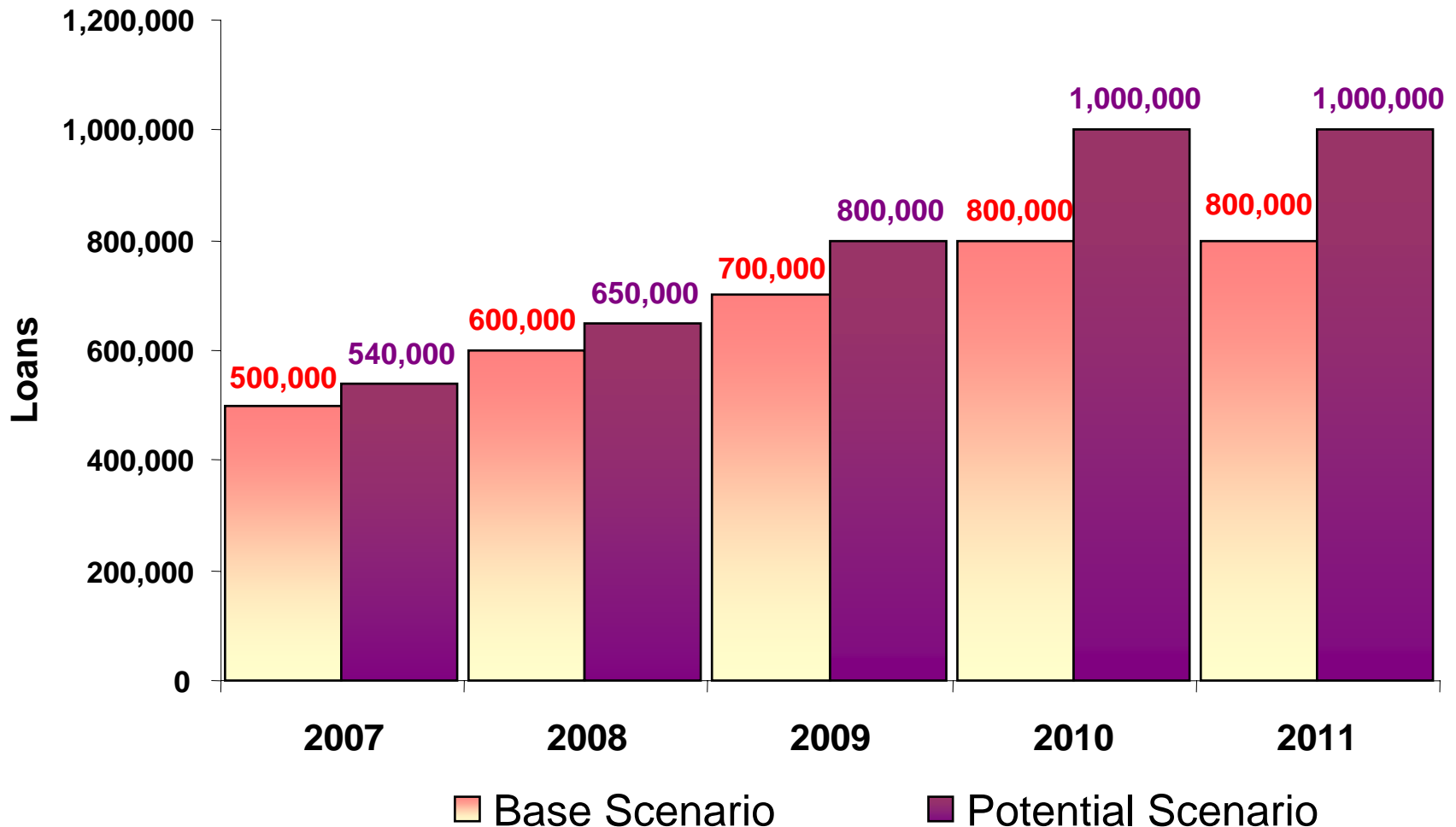
Accessible and sustainable quality housing program
for Mexican workers

Monthly Incomes
Times Minimun Wage

Loan Distribution
2006



“One million loans in 2010”



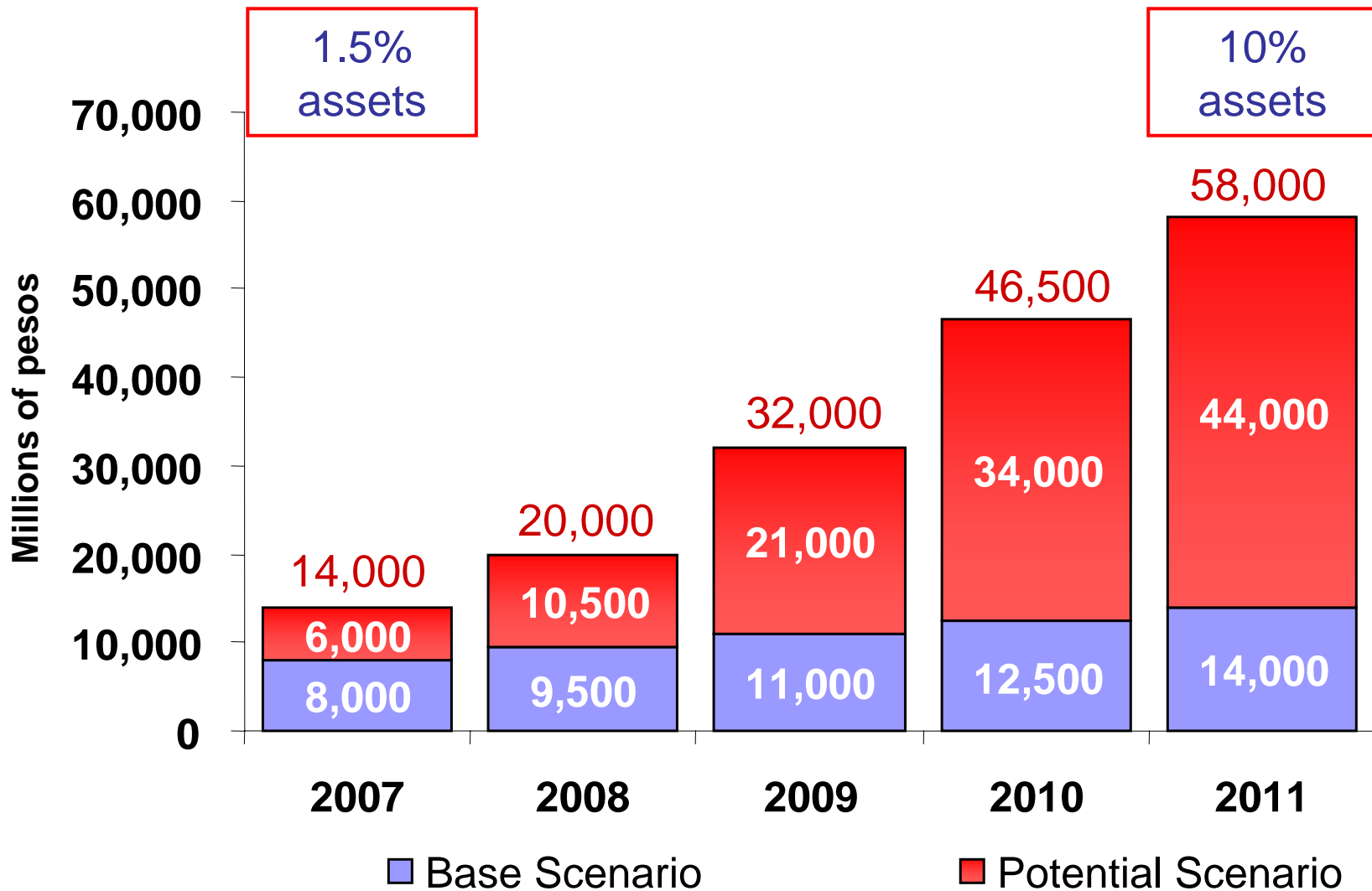
○ Base Scenario

– Economic loan	155,000
– Traditional loan	97,500
– Traditional low-income loan	135,000
– Co-funding loan additional income	17,500
– Co-funding loan	67,500
– Apoyo INFONAVIT	27,500

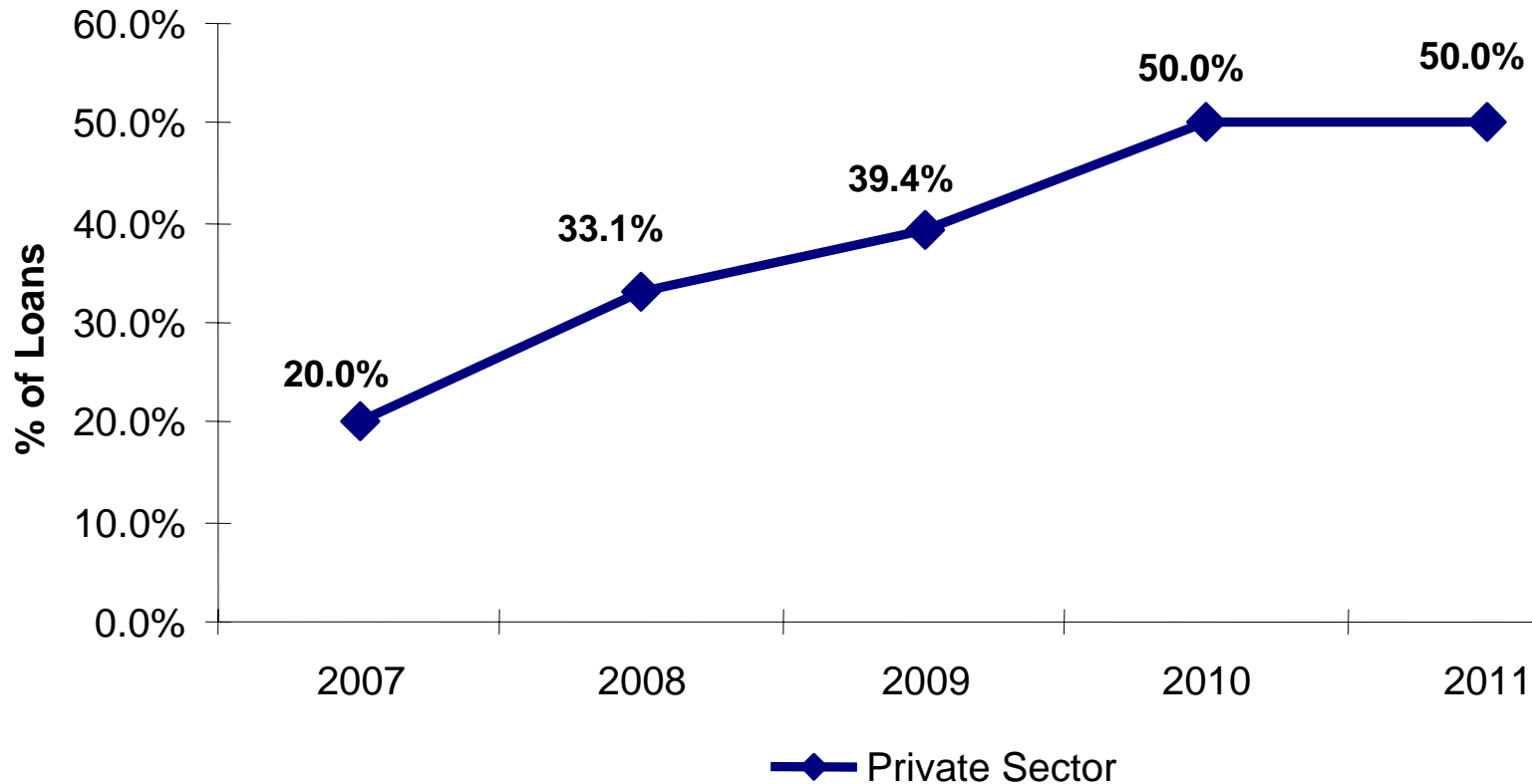
TOTAL

500,000

Perspectives 2007-2011: Securitization (CEDEVIS)



Private sector loans focus on workers with salaries up to 4 minimum wages (MX\$6,150)



○ **Loan Origination**

Sustainable lending strategy with products to meet the housing needs of each segment of the market

- Increasing purchasing capacity: co-funding, recognition of additional income
- Workers with income lower than MX\$3,075 (2 MW): subsidy program
- Housing mobility: Option "Cambio de Casa"
- Promotion of used housing
- House prices liberalization

o **Fiscal Collections**

- Redesign national system of tax collections to increase its levels of efficiency and efficacy
- Increase of the base of affiliates

o **Servicing**

- Promote the social collections model with best practices: servicing rating
- Expand outsourcing model

o **Extended INFONAVIT**

- Service levels of the Extended INFONAVIT according to internal processes
- Establishment of alliances to align Extended INFONAVIT to institutional goals

o **Service Channels**

- Customers as the center of everything we do: the reason of being of INFONAVIT

- **2001-2006:** How a public institution can become as profitable and efficient as a private institution, preserving and increasing its social commitment

- **2007-2011:** How a world-class institution can implement a housing financing strategy to meet the demand with equality, by income level and region, and to contribute to a better development of the Mexican cities, thus improving the quality of life of workers

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