



2010 RESULTS AND OUTLOOK

MEXICAN HOUSING DAY

1er. semestre del 2011





1. EXECUTIVE SUMMARY

2. 2010 RESULTS

- A. FINANCIAL RESULTS
- B. MARKET RECOVERY
- C. SOCIAL RESULTS

3. MARKET OUTLOOK

4. NEW STRATEGIC FOCUS

5. FINANCIAL PROJECTIONS

6. FINAL REMARKS

INSTITUTO DEL FONDO NACIONAL DE LA VIVIENDA PARA LOS TRABAJADORES



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EXECUTIVE SUMMARY



- In 2010, INFONAVIT achieved its main institutional goals for the benefit of workers and their families.
- In 2011, INFONAVIT plans to maintain the dynamism of its lending program, diversifying its product offering and channels to meet the housing needs of new segments of workers.
- Two major institutional challenges loom in medium and long-term:
 - Strengthen the sustainability initiatives to ensure better quality of life of workers.
 - Developing new mechanisms to enable INFONAVIT meet the housing demand of new segments of workers, thus maintaining the pace of loan origination.



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In 2010, **INFONAVIT** faced a **dual challenge**:

1. **FINANCIAL:** *Overcome consequences of 2009 crisis, particularly in its lending and collection programs.*
2. **SOCIAL:** *Consolidate its Vision, that aims at improving the quality of life of Mexican workers and their families.*

2010 RESULTS: FINANCIAL RESULTS

AMIDST CIRCUMSTANCES OF MARKET RECOVERY FROM 2009 CRISIS,
INFONAVIT HAS BEEN ABLE TO FULFILL ITS GOALS



		GOAL	RESULT	% Achieved
Number of Loans	Mortgages	475,000	475,072	100%
	Co-financing loans	125,000	93,724	75%
USD\$ MILLION	Lending program	USD\$8,298 *	USD\$9,172*	110%
	Government Subsidies	USD\$238	USD\$308	130%
	Securitization	USD\$1,254 *	USD\$1,228 *	98%
	NPL Ratio	5.0%	5.1%	0.1 pp

ON TARGET

* / USD\$1.00 = MXN\$12.3496 (December 31, 2010, Banxico)

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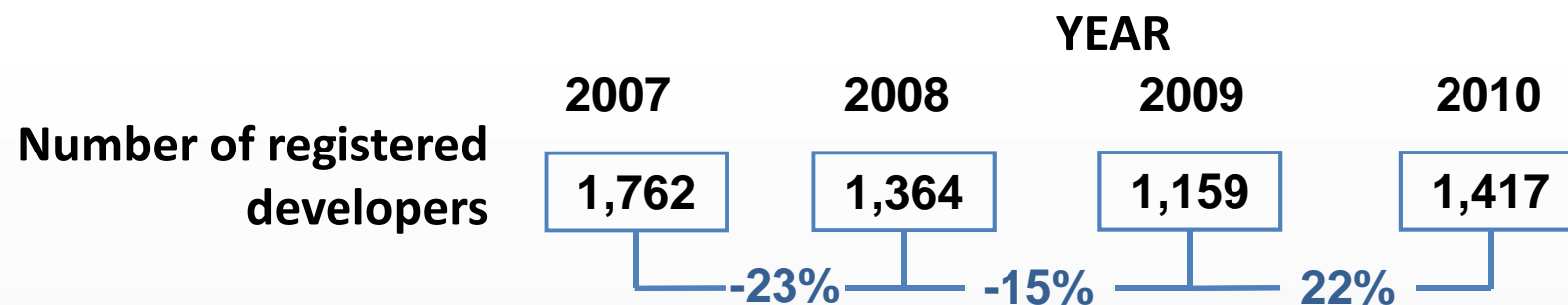
2010 RESULTS: MARKET RECOVERY

HOUSING STARTS AND REGISTERED DEVELOPERS



The housing starts and the number of developers building confirm the industry recovered in 2010.

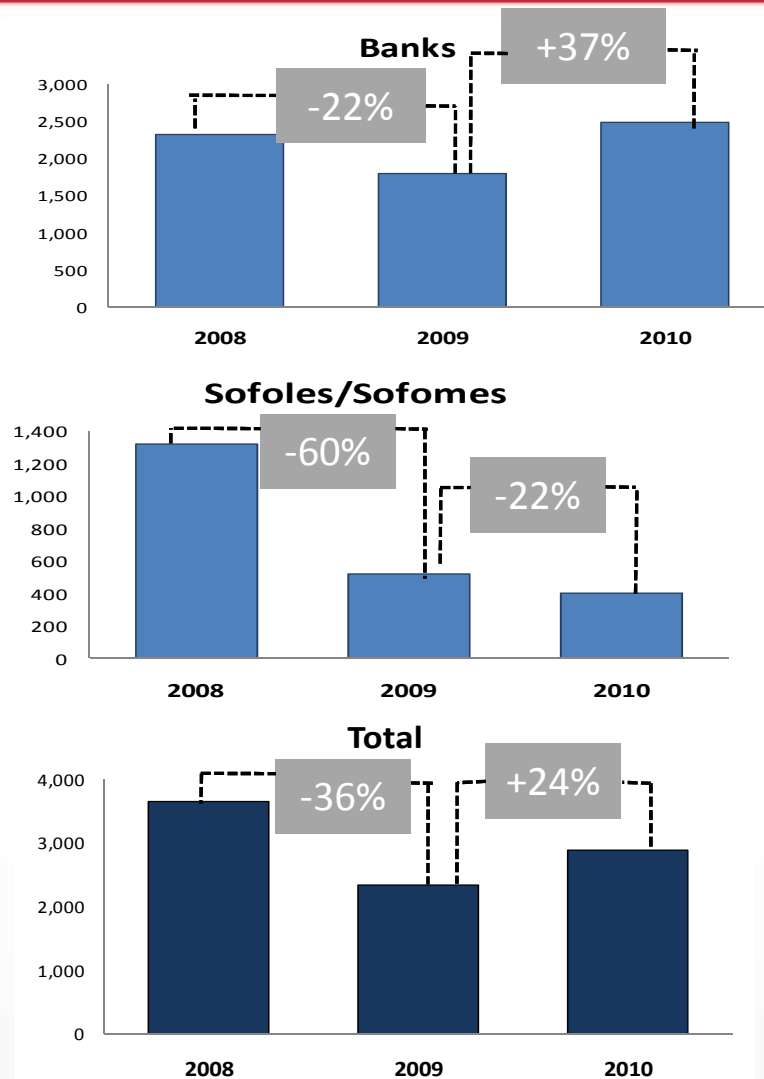
HOUSING STARTS: Number of houses						
	2008	2009	2009 vs 2008	2010	2010 vs 2009	2010 vs 2008
Q 1	164,280	93,406	-43%	123,928	33%	-25%
Q 2	171,004	110,259	-36%	119,614	8%	-30%
Q 3	177,573	115,496	-35%	100,965	-13%	-43%
Q 4	117,136	125,029	7%	159,211	27%	36%
Total	629,993	444,190	-29%	503,718	13%	-20%



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2010 RESULTS: MARKET RECOVERY

CONSTRUCTION FINANCING (AS OF 10/2010)



- Total construction financing recovered by 24% vs. 2009, driven by banks, as sofoles continued to contract.
- These figures show that support measures implemented in 2010 (eg. “Cartas Garantía”) yielded positive results and contributed to strengthen confidence in the housing sector.

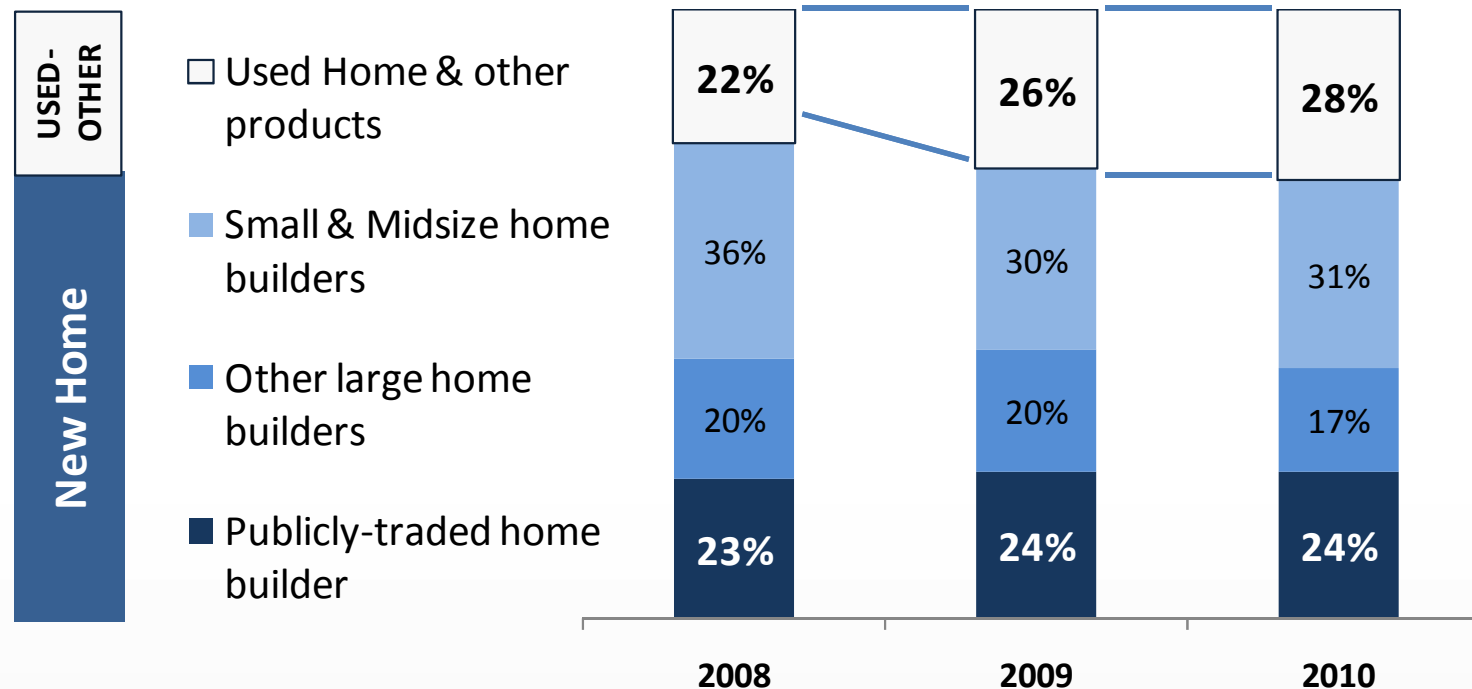
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2010 RESULTS: MARKET RECOVERY

HOUSING SUPPLY CONCENTRATION



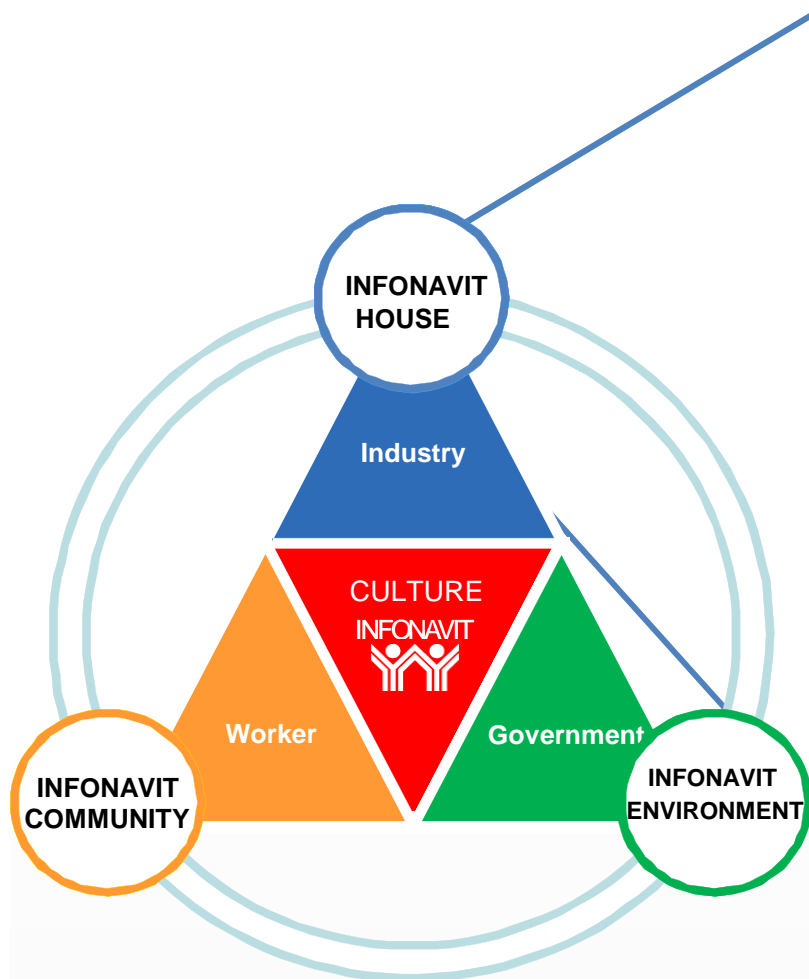
Alternatives to *new home mortgages* continue to rise; however, among the *new home* segment, publicly-traded homebuilders continue to concentrate a large share of total financing by INFONAVIT.



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2010 RESULTS: SOCIAL RESULTS

INFONAVIT LIFE QUALITY: SIGNIFICANT PROGRESS IN KEY INITIATIVES



HOME

ACTIONS

- “Green” mortgage: 169,639 in 2010.
- Digital homes: 71,029 houses registered to the pilot program.

RESULTS

- Customer Satisfaction Index (ISA-JD Power): 79.6% November '10
- *Beyond Banking Award 2010* by IDB for “Green” mortgage.

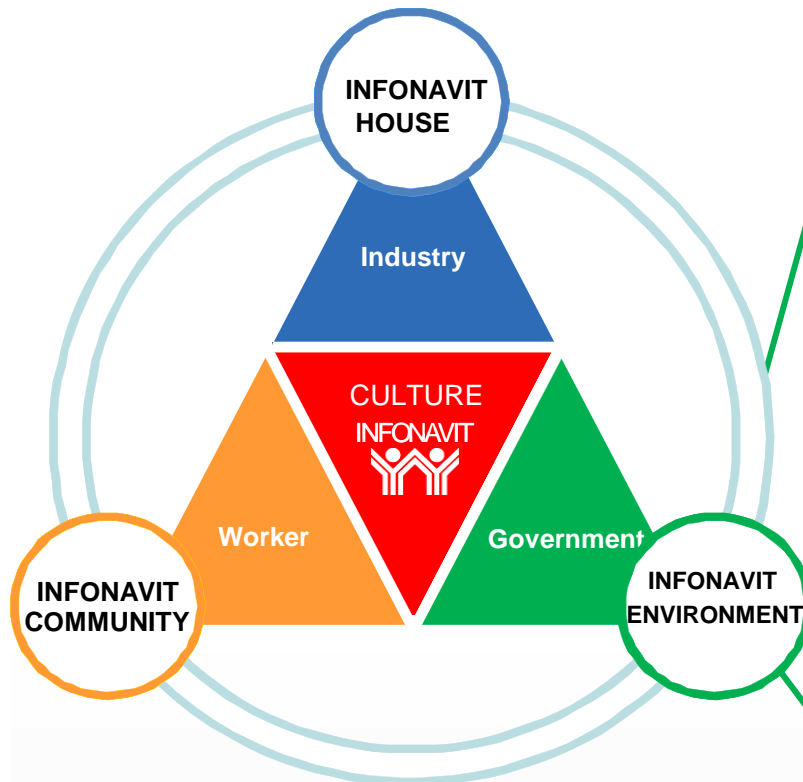
Savings in 2009-2010:

- Workers savings: 25% of home value.
- Government savings: 15% of subsidy.
- CO² emissions: 226kTon
 - Equivalent of 4 days without cars in Mexico City.
- Water: 21.7 million m³
 - Equivalent to 0.8% of Lake Ontario volume.
- Minimum housing area: 32m²

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2010 RESULTS: SOCIAL RESULTS

INFONAVIT LIFE QUALITY: SIGNIFICANT PROGRESS IN KEY INITIATIVES



URBAN ENVIRONMENT

ACTIONS

- **Municipal competitiveness assessment program:**
 - 118 municipalities and 4 delegations from Mexico City participated.
 - 84 municipalities evaluated.
 - Working with Sedesol, CONAVI, Banobras, IDB and CTS to strengthen joint action plans.

RESULTS

- 24 municipalities reached the basic level of sustainability.
- **Property Taxes Pilot Program** in 3 municipalities.

2010 RESULTS: SOCIAL RESULTS

INFONAVIT LIFE QUALITY: SIGNIFICANT PROGRESS IN KEY INITIATIVES



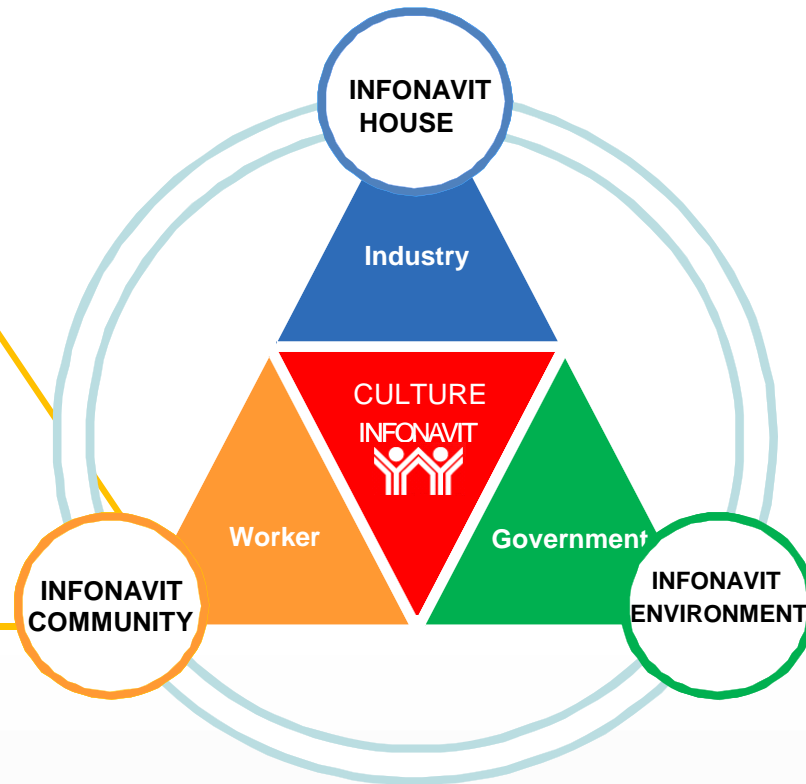
COMMUNITY

ACTIONS

- **Neighborhood Organization**
 - Labor competency standards of the local professional promoter.
- **Community equipment**
 - 100 on-going (**Community Block Benchmarking Pilot Program**).

RESULTS

- 292 graduates (12/2010).
- 34 community centers.



2010 RESULTS: SOCIAL RESULTS

ECUVE INDEX: HOME AND ENVIRONMENT QUALITATIVE ASSESSMENT

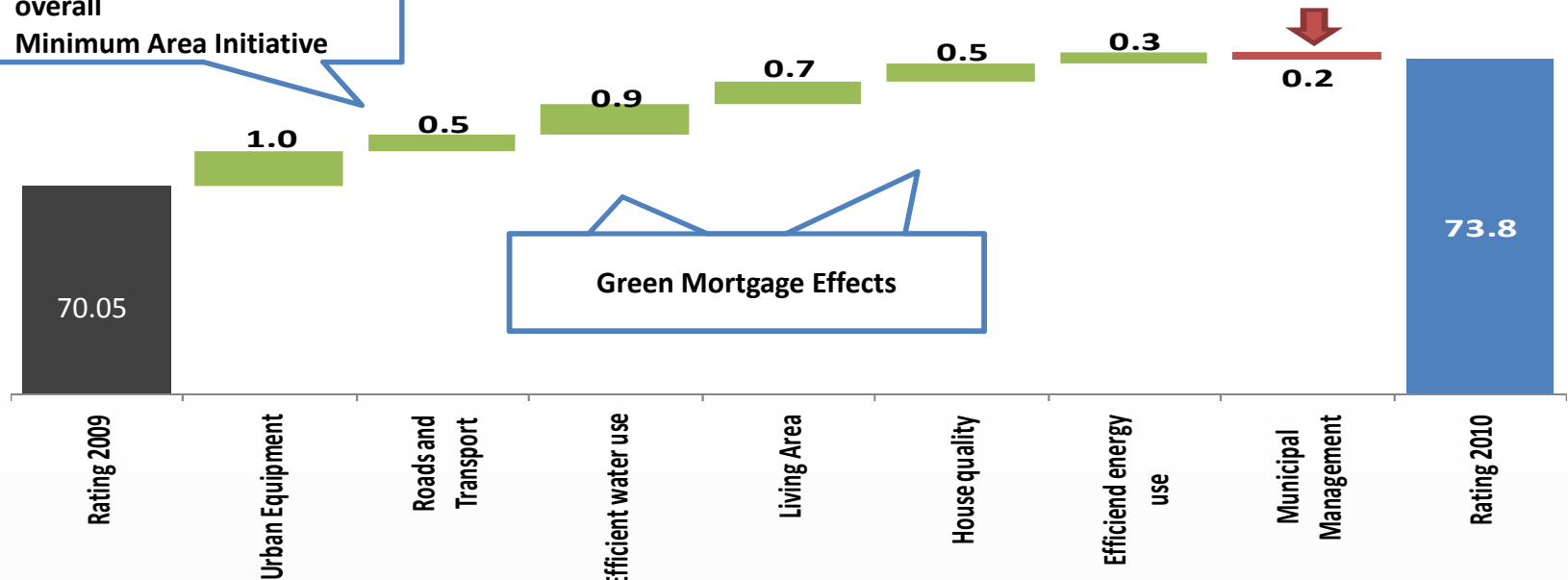


In 2010, the ECUVE Index* for newly financed homes improved 5%, mainly because of better located homes in the mix and “green” mortgages.

ECUVE INDEX
2009 vs 2010 (sept.): National Basis Comparison

- 1. More Used Homes in Mix
- 2. Better located housing overall
- 3. Minimum Area Initiative

Importance Scale per Category	
ENVIRONMENT	61%
HOME	27%
COMMUNITY	12%



*ECUVE Index is a metric developed in joint effort with Mexico’s Social Development Ministry and the National Housing Council to quantitatively assess Home & Environment qualitative attributes

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MARKET OUTLOOK

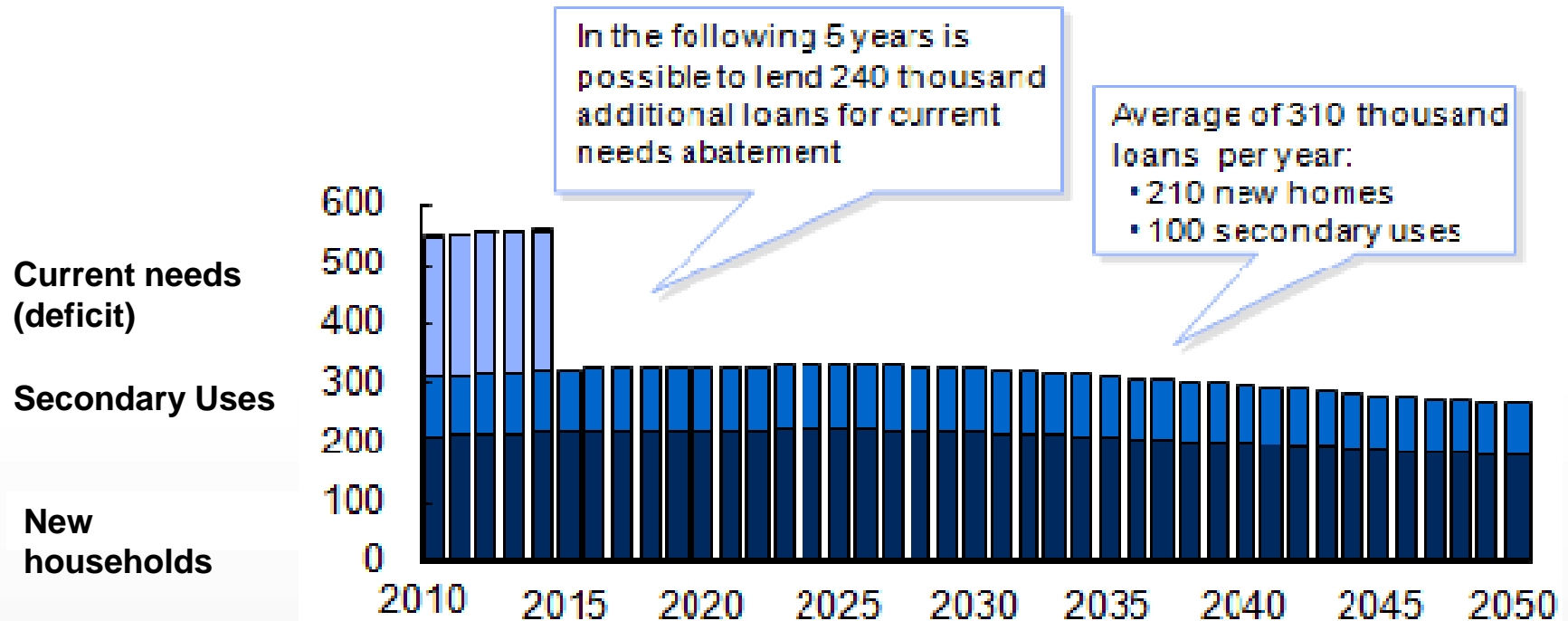
INFONAVIT MORTGAGE LONG-TERM DEMAND PROJECTIONS



Once *deficit* is abated, INFONAVIT's annual demand could set to a new level...

- **Demand Drivers:** Current needs (deficit), New households and Secondary uses (vacational and rental).

Mortgage Demand
Thousand loans



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MARKET OUTLOOK

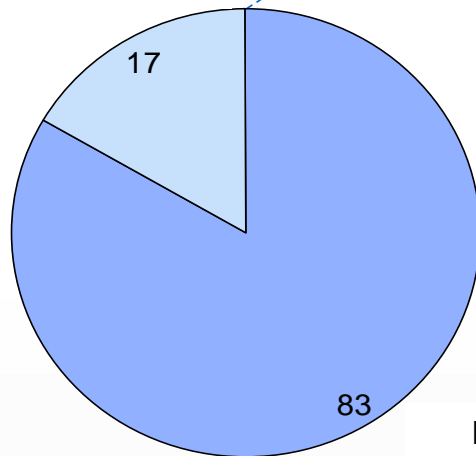
CURRENT DEMAND PREFERENCES



Home acquisition financing is not the only interest of affiliated workers...

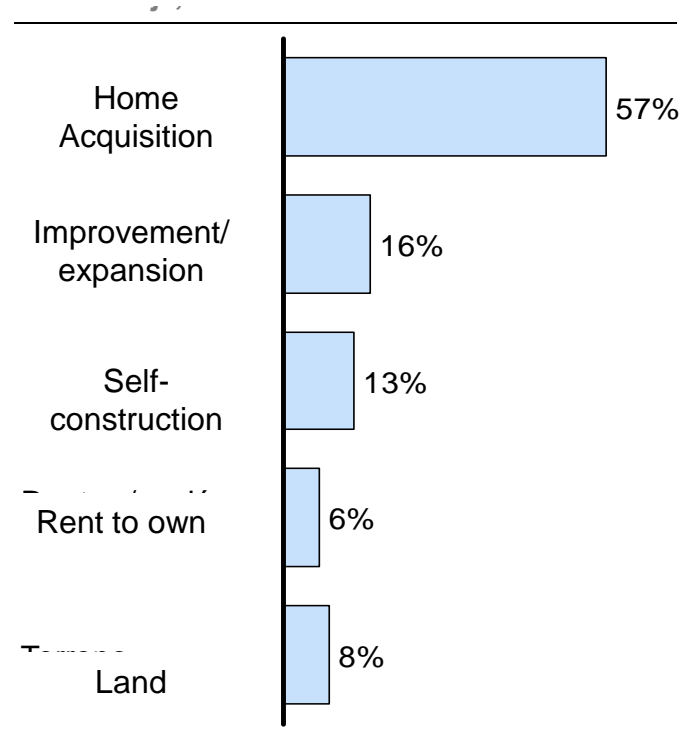
Financial preferences

Investment



Mortgage Financing

Mortgage Finance Products



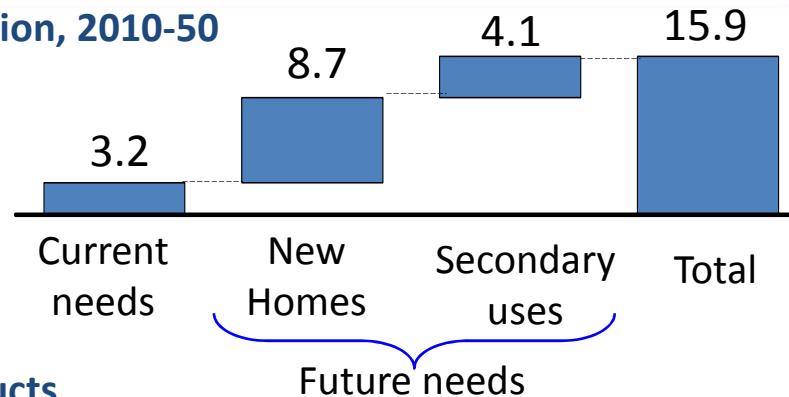
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MARKET OUTLOOK

INFONAVIT MORTGAGE LONG-TERM DEMAND & PREFERENCE PROJECTIONS



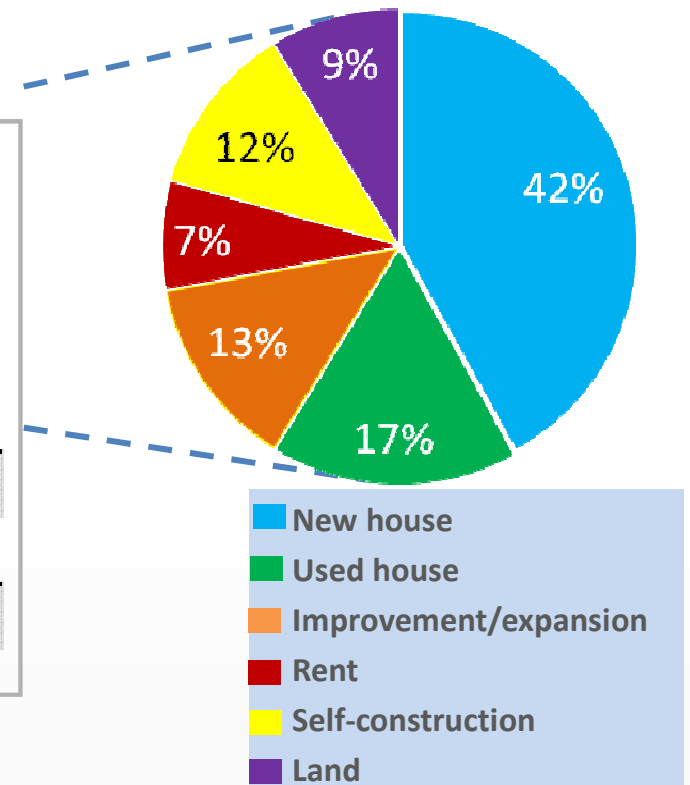
Demand characterization, 2010-50



Future Demand products

	Current needs	Future needs		Total
▪ New home Acquisition	1.1	3.3	1.3	5.7
▪ Used home Acquisition	0.3	1.4	0.6	2.3
▪ Improvement / expansion	0.4	0.8	0.6	1.8
▪ Rent to own	0.3	0.5	0.2	1.0
▪ Self-construction	0.3	1.0	0.3	1.6
▪ Land purchase	0.2	0.7	0.3	1.2
▪ Total attendible	2.7	7.7	3.3	13.6
▪ Saving products	0.5	1.0	0.8	2.3
▪ Total affiliates	3.2	8.7	4.1	15.9

Estimated future mix of INFONAVIT products



* Million loans

SOURCE: ENGIH; CONAPO; ENAVI survey

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MARKET OUTLOOK

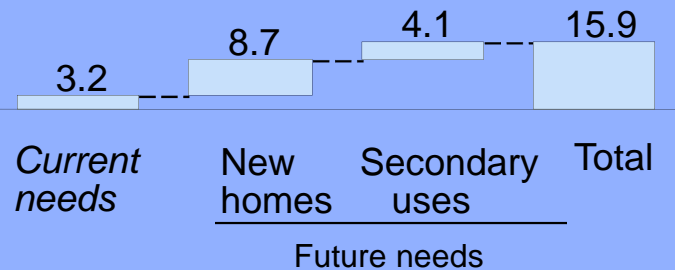
INFONAVIT MORTGAGE LONG-TERM DEMAND PROJECTIONS: NEW SEGMENTS



INFONAVIT Demand (2010 – 2050)

Million of loans

~310 thousand loans annually + *current needs*

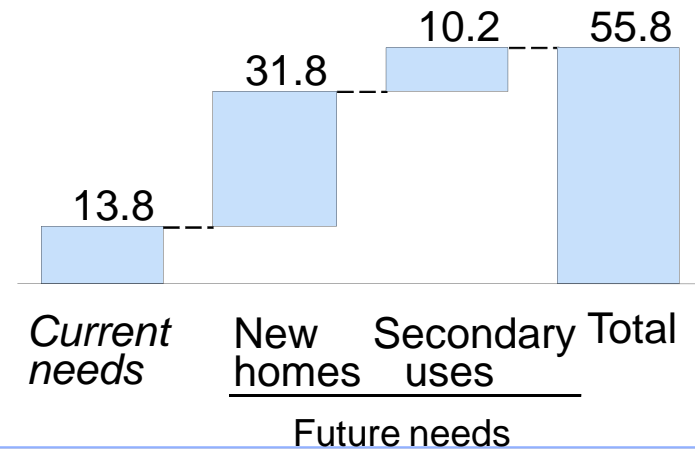


■ INFONAVIT Demand

Mexico: Total Demand (2010 – 2050)

Millions of loans

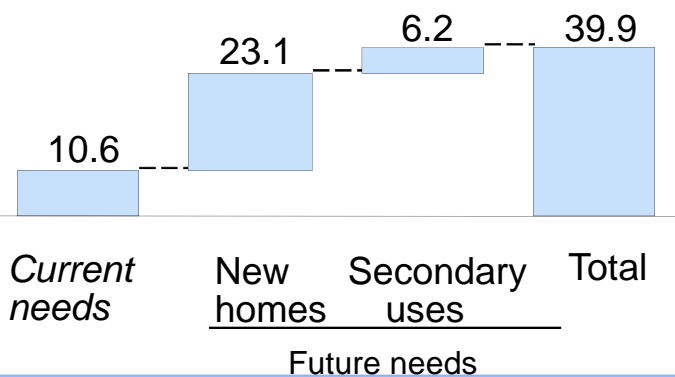
~1.0 million loans annually + *current needs*



Non-Affiliated Demand (2010 – 2050)

Million loans

~714 thousand loans annually + *current needs*



Going forward, housing demand will come mainly from new segments.

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MARKET OUTLOOK

NEW ORINATION MODELS FOR NEW SEGMENTS



INFONAVIT is already operating a pilot program nationwide called “**Infonavit para Todos**”, that brings opportunities to housekeepers, gardeners, chauffeurs and other domestic workers to become INFONAVIT affiliates in order to qualify for mortgage loans.

A marketing campaign was launched on December.

*Ella cuida de tu casa...
y sueña con la suya*

Apóyala

Programa voluntario sin obligaciones patronales

Infórmate al 9171 5050
o al 01800 008 3900 www.infonavit.org.mx

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NEW STRATEGIC FOCUS

ONCE THE OPERATIONAL AND SCALE CHALLENGES HAVE BEEN SORTED OUT, INFONAVIT NEEDS TO SET A NEW DEFINITION FOR SUCCESS



Latin America

MEXICO

CAN FOX MAKE MEXICO A NATION OF HOMEOWNERS?

The first task: vastly boost mortgage lending



Each year, 700,000 weddings take place in Mexico. The vast majority of these newly married couples have nowhere to live and start out bunking with in-laws. Many will go on to build their own homes, one cinder block at a time. A lucky few may eventually qualify for a government-subsidized mortgage. Only the wealthiest will be able to buy a house outright, usually with the help of relatives.

With Mexico's baby boomers now coming of age, the housing shortfall is estimated at some 6 million. Mexico's new president, Vicente Fox, has vowed to attack the problem. His ambitious goal: to more than double con-

deepen the pool of capital available to public and private home lenders.

To make mortgage-backed securities attractive to institutional investors, including Mexico's pension funds, the government will initially have to act as a guarantor, says Romero. In time, that role could be assumed by a national mortgage bank, along the lines of Fannie Mae in the U.S. "It has been proven that no country on the planet has been able to generate a secondary market for mortgages without the selective temporary intervention of the government," Romero says.

Still, there are plenty of hurdles. For starters, it's still unclear who is in charge of Fox's housing policy, since Romero was recently appointed to head the national export development bank, Bancomext. Besides, creation of a secondary market for mortgages may be hampered by the poor quality of existing credits. Delinquency rates at the largest government housing program, Infonavit, run at 23%, while some banks saw their share of nonperforming loans surge to as high as 40% in the aftermath of the peso crash. What's more, the courts frown on foreclosures, so creditors' chances of recouping assets in cases of nonpayment is virtually nil.

Mexican banks are only beginning to grant new mortgages after a six-year hiatus. And this time around they are being extremely cautious. Banca Serffin, for instance, requires borrowers to have a monthly income to be at least \$3,500—a staggering sum in a country where annual GDP per capita is under \$1,000, says Roberto Torres, director of consulting at the bank. In 2000, estimates banks in Mexico raised about \$5 billion this year to fund 100,000 homes, but only 50,000 were involved in securitized mortgages, says Infonavit's ready pioneers. In Casita, a mortgage company, said \$18 million in 10-year securities backed by future mortgage flows. The money raised will be used to finance credit for 400 new homes in Mexico City. "They crossed the line and set a precedent," says Donald Forseeck, finance director at Consorcio Ara, a leading Mexican housing developer. That's a precedent the Fox administration can build on.

By Elisabeth Malkin in Mexico City

TIGHT MARKET: Mexico needs monthly income to be at least \$3,500—a staggering sum in a country where annual GDP per capita is under \$1,000, says Roberto Torres, director of consulting at the bank. In 2000, estimates banks in Mexico raised about \$5 billion this year to fund 100,000 homes, but only 50,000 were involved in securitized mortgages, says Infonavit's ready pioneers. In Casita, a mortgage company, said \$18 million in 10-year securities backed by future mortgage flows. The money raised will be used to finance credit for 400 new homes in Mexico City. "They crossed the line and set a precedent," says Donald Forseeck, finance director at Consorcio Ara, a leading Mexican housing developer. That's a precedent the Fox administration can build on.

By Elisabeth Malkin in Mexico City

BusinessWeek

JANUARY 15, 2001

government intervention, but Fox's adviser on housing, José Luis Romero, maintains it's the right prescription: "We have to stop fearing the words [government] guarantee and subsidy," he says.

A key goal of the reforms is to bolster Mexico's anemic mortgage market, which now revolves almost entirely around government-financed programs targeted at the lower class. Members of the middle class, in contrast, have been unable to get bank mortgages since the December 1994 peso devaluation, which sparked a massive wave of debt defaults. According to Softec, a Mexico City real estate consultancy, big trick to getting the mortgage market going is if you can securitize," says Christopher Albi, Latin American housing analyst at Merrill Lynch & Co. in New York. That means bundling some of Mexico's \$50 billion in outstanding public and private mortgage loans into tradable securities with an interest yield high enough to attract institutional investors. In turn, the money raised from the sale of this paper would

finance company, said \$18 million in 10-year securities backed by future mortgage flows. The money raised will be used to finance credit for 400 new homes in Mexico City. "They crossed the line and set a precedent," says Donald Forseeck, finance director at Consorcio Ara, a leading Mexican housing developer. That's a precedent the Fox administration can build on.

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MEXICO'S MORTGAGE SHORTFALL

Country	Outstanding Mortgage Debt as a Share of GDP (%)
U.S.	54%
Spain	22%
Chile	17%
Mexico	8%

DATA: SOFTEC

“10 years ago, INFONAVIT’s challenge was to erradicate inefficiency and ramp up its financial and operational capacity to abate the deficit and meet demand”

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NEW STRATEGIC FOCUS

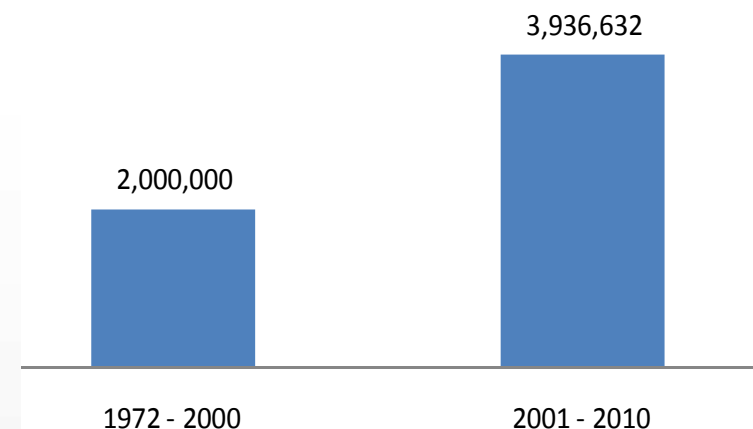
2000 - 2010 HIGHLIGHTS



- Loan investment since 2000 reaches up to USD\$77.4 billion.
- Co-financing products with private sector have originated more than 542,000 loans.
- Currently, more than 20% of Mexican population lives in a home that INFONAVIT financed.
- To serve the low income population, INFONAVIT lent more than one million loans for affordable housing.
- In the last 3 years, more than 292 thousand families have benefited with water, energy and electricity savings in their monthly payments through “green” mortgages.
- INFONAVIT has raised USD\$5.1 billion through securitization, to fund 332,000 loans.

Figures in USD\$ million	2000	2010	Change
Cash flow	2,602	9,088	249%
Net profit	236	821	247%
Total assets	19,087	53,874	182%
Equity	1,650	5,654	243%
NPL ratio	21.7%	5.1%	16.6 pp
LLP / NPL	81%	245%	164 pp
Securitization	-	1,229	

Loans originated



* / USD\$1.00 = MXN\$12.3496 (December 31, 2010, Banxico)

NEW STRATEGIC FOCUS

LIFE QUALITY ASSURANCE & TOTAL DEFICIT ABATEMENT ARISE AS THE NEW DEFINITION OF SUCCESS



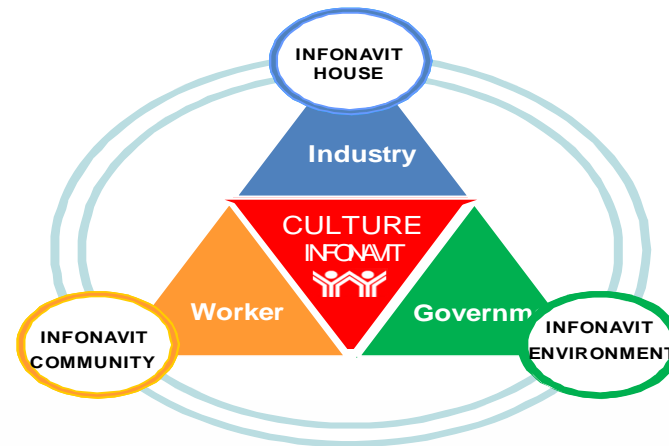
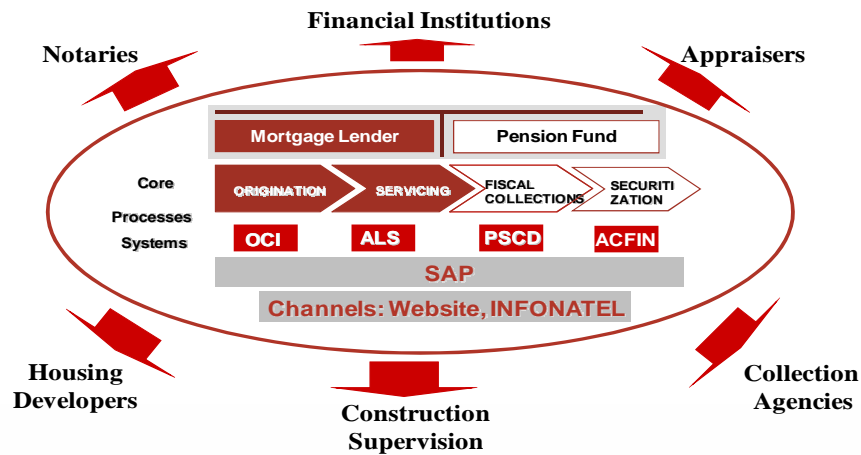
2001

Financial and operational strengthening with alliance to facilitate opportunities for homeownership
INFONAVIT Way
"Ser Infonavit"

2007

Maximizing social development through mortgage lending, aiming at a better quality of life for workers.
INFONAVIT Lifestyle
"Vivir Infonavit"

2012



YESTERDAY'S SUCCESS:
Be able to provide a massive amount of loans

SCALE

TODAY'S SUCCESS:
Abate Deficit + Promote & Assure Better Life Quality

ACCURACY

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NEW STRATEGIC FOCUS

FORESEEN INITIATIVES TOWARD STATED OBJECTIVES



DEFICIT ABATEMENT

- **Targeted Loan Program Allocation** (Regional and by worker segment)
- **Diversified Product Portfolio:** Beyond mono-product (Home Acquisition Financing)
- **Need-based oriented processes**
- **Improved Subsidy Policy**
- **Foreclosed Housing Sale Program**

BETTER LIFE QUALITY

- ***Sustainability Unbounded Program***
- **Mandatory Green Flexible Attributes:** in all homes financed
- **Sustainability-Driven Loan Collection Processes**
- **Life Quality Minimum Standard**
- **Community Rescue Programs:** in coordination with Government and Private Sector.

NEW STRATEGIC FOCUS

SUSTAINABILITY UNBOUNDED: A PROGRAM DEVISED TO INCENTIVIZE BETTER-SUITED HOUSING



Prosperous environment		Housing Quality		Responsible and cohesive communities	
Services	Kindergarten or Primary school or Medical center < 2Km and Transport services < 0.8km	Walkable	Paved roads, Sidewalks, Public lightning	Community center	Community center for residential complex > 5000 inhabitants or sport court > 1400 inhabitants
Amenities	Market or departm. store < 2km and Small garden or square < 0.3km	Dense	Home complex with more than 50 houses per hectare	Community organizer	Maintenance fee and/or property taxes to Infonavit. Both schemes require a community organization and neighborhood professional developer management. Property taxes mechanisms work only within municipalities with BLS
Productive	Housing located in Zip code with formal jobs	Inclusive	Mixed housing by developer at state level (previous 6 months) at least 10% to <2 TMW and at least 40% to <4 TMW	Community maintenance	
Planned*	Municipality evaluated with Basic Level of Sustainability (BLS)	Spacious	House surface larger than 38 sq. meters (409 sq.feet)	Enforced** property tax	Informative course about INFONAVIT products and sustainable homes looking after the best selection of homes in terms of loans
Vibrant	Outside 15 municipalities with highest level of unoccupied homes, except for those with BLS	Green	Eco-home with/without Green mortgage + saving energy devices	Informed decision	
Best Developers					
Satisfactory	Developer with ISA > 75, or Housing Quality Index > 72		Positively post-evaluated	*Not a requirement yet **Required only in municipalities with BSL	

The Institute will promote via incentives, homes that comply to its current definition of *Sustainable Housing*.

The Goal in 2011: 100,000 sustainable homes.

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FINANCIAL PROJECTIONS

2011 PROGRAM



Based on its funding projections for 2011, INFONAVIT could finance up to 480,000 loans.

Wage level	Base scenario
Less than 4 TMW	290,000
From 4 to 11 TMW	120,000
More than 11 TMW	40,000
“Apoyo Infonavit” Program	30,000
Total	480,000

TMW: Times the Minimum Wage

35,000 additional loans are considered in the Potential Scenario, raising the total up to 515,000

Objectives:
New housing: (300 – 340) thousand
Used housing: (80 – 120) thousand

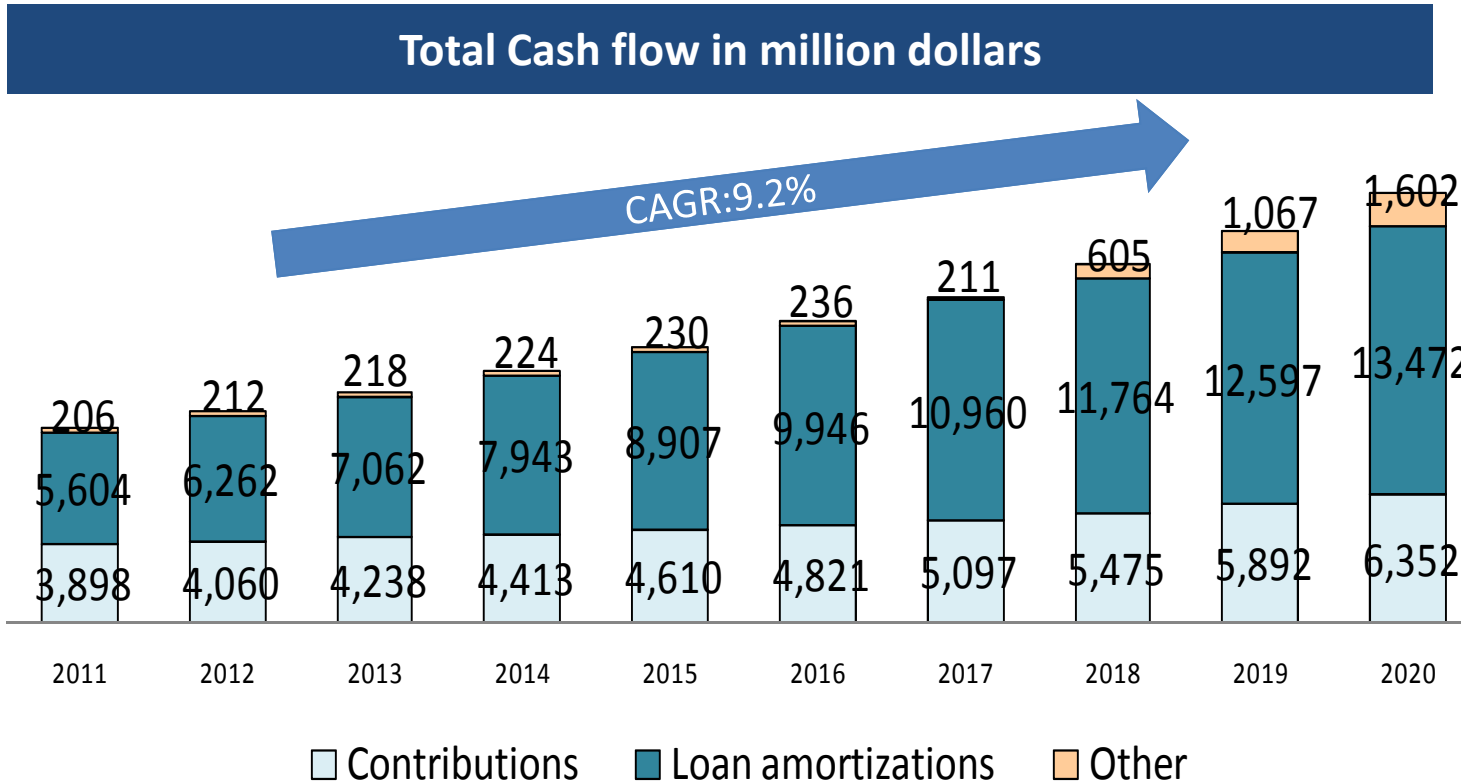
2011 +: New Products, Segments & Channels.

FINANCIAL PROJECTIONS

CASH INFLOW 2011-2020



Ordinary income is projected to grow around 9% annually.



CAGR 2011 – 2020

- Employer contributions: 5.6%
- Loan amortizations: 10.2%

CAGR: Constant Annual Grow Rate

*USD\$1.00 = MXN\$12.3496
(December 31, 2010, Banxico)

The forward looking statements in this presentation are subject to uncertainty inherent in any prediction condition or future results, so the displayed results may differ. The information herein shall not be deemed discharged as i) a statement of certainty by INFONAVIT or any other person that the objectives and plans will be achieved and ii) an offer for sale of any security issued by INFONAVIT.

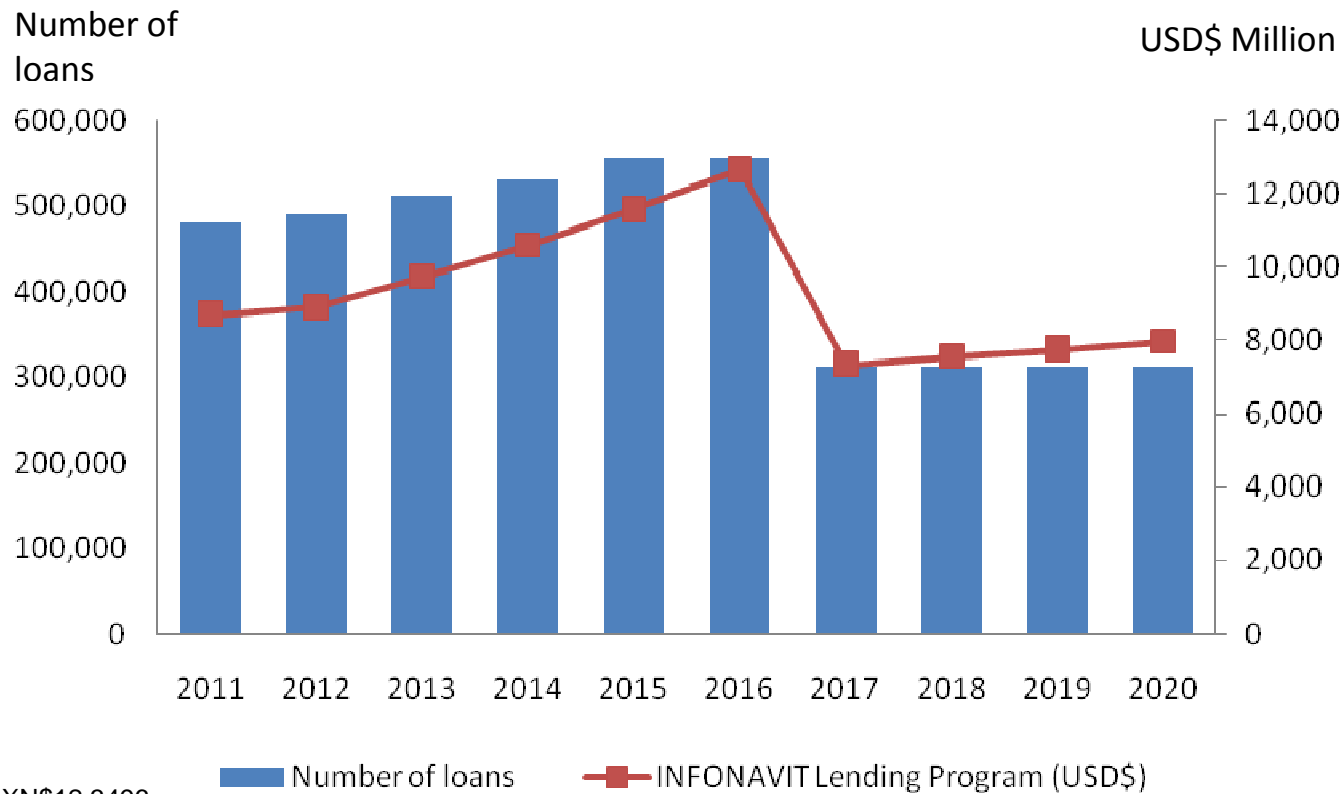
FINANCIAL PROJECTIONS

LENDING GOALS 2011-2020 (BASE SCENARIO)



As deficit is abated, the demand is expected to decrease in the formal market.

**Lending goals 2011-2020
Base Scenario**



*USD\$1.00 = MXN\$12.3496
(December 31, 2010, Banxico)

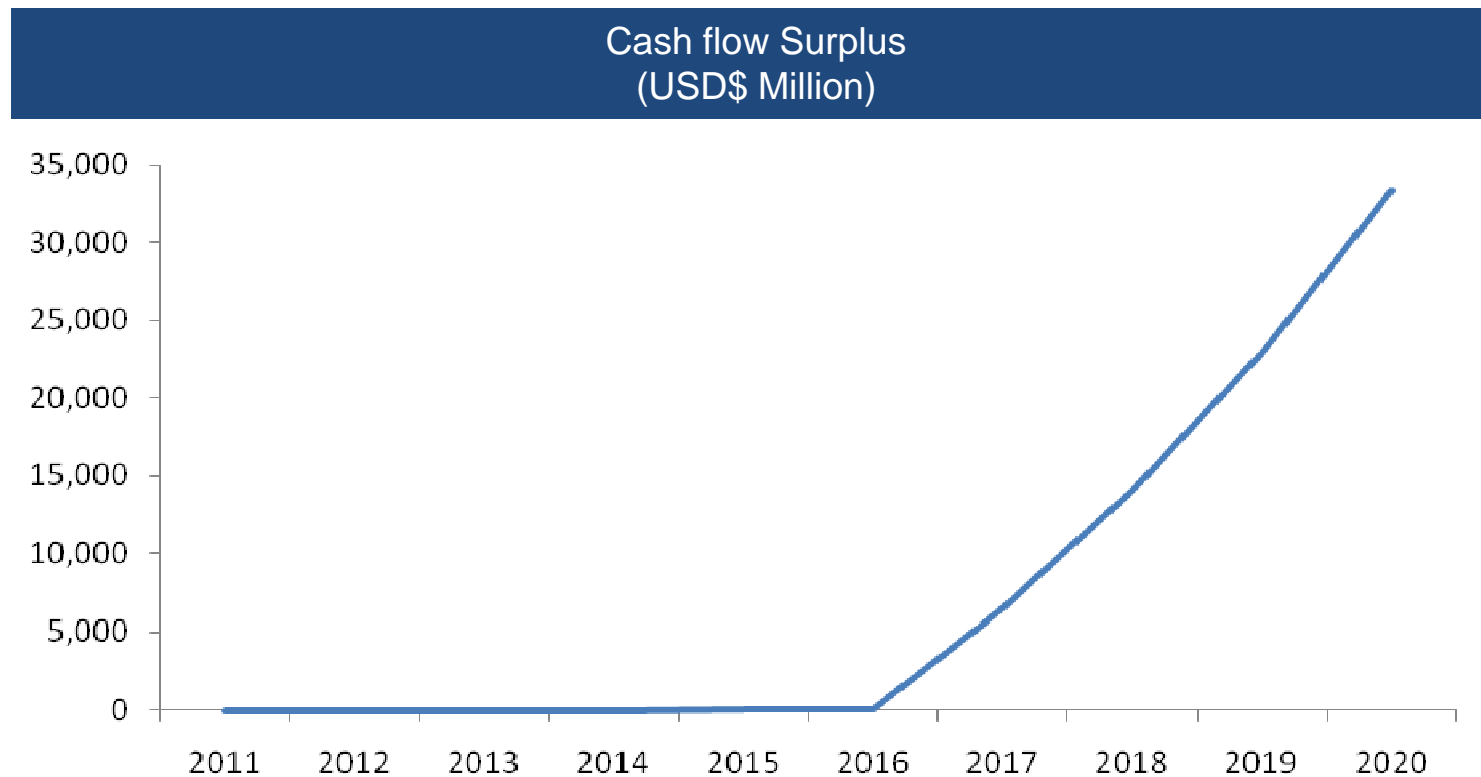
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FINANCIAL PROJECTIONS

LIQUIDITY 2011-2020 (BASE SCENARIO)



A reduction in demand could translate into a cash surplus...



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FINANCIAL PROJECTIONS

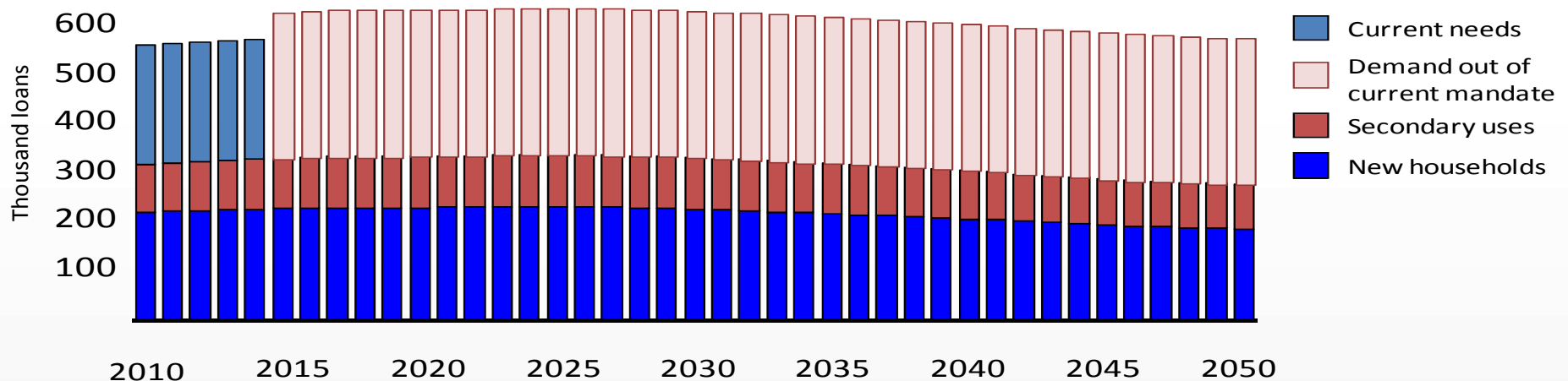
LENDING GOALS 2011-2020



However, changes to the legal mandate could increase loan demand significantly.

Demand	Thousand loans
Current mandate	310
Repecos	197
Migration to non-formal jobs	81
States and municipalities	16
Total	604

Lending goals 2011-2020: Demand with new mandate



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FINANCIAL PROJECTIONS

CONCLUSIONS



- Infonavit expects to maintain the pace of its lending program in the short term and projects to maintain a healthy growth of its ordinary income
- However, for the long-term, loan demand from Infonavit's affiliates is expected to decline within the next 5-6 years, given the current rate of abatement of the housing deficit of this group of individuals and the rate of formal household creation
- Such a decline would result in a reduction of its lending program and, therefore, in accumulation of cash surplus
- A potential modification of Infonavit's legal mandate could allow the institution to serve new segments of the population, thus maintaining the pace of loan origination at around 500-600 thousand loans per year

AGENDA



1. EXECUTIVE SUMMARY
2. 2010 RESULTS
 - A. FINANCIAL RESULTS
 - B. MARKET RECOVERY
 - C. SOCIAL RESULTS
3. MARKET OUTLOOK
4. STRATEGIC FOCUS
5. FINANCIAL PROJECTIONS
6. FINAL REMARKS

FINAL REMARKS

GUIDING PRINCIPLES OF INSTITUTIONAL TRANSFORMATION, 10 YEARS OF ACCUMULATED LEARNING



1. “Collaborate with the market but use incentives as key to guide its action”
2. “With the private sector, it’s better to collaborate than to collide, for the benefit of workers.”
3. “To accelerate productivity, it is necessary to rely on external strategic suppliers”
4. “For financial strength, orthodoxy is the only prescription. To be creative in all but risk-taking.”
5. “Also for developing strength and efficiency, the key to success is to persevere, persevere, persevere ...”
6. “Transparency is a competitive advantage, its presence eliminates corruption.”
7. “Technology is a great driver of efficiency but also of transparency.”

8. “Social initiatives require both capital and financial stability to be pursued.”
9. “A compelling vision moves people’s wills.”
10. “In the long-term, everything is possible if we achieve a little every day”
11. “The most important success factor is people.”
12. “Different opinions enrich decision-making; tripartism is not an obstacle, but a competitive advantage.”
13. It takes more of social commitment, social commitment, social commitment... and then, social commitment
14. “Politics is a means to achieve a vision, not an objective by itself.”
15. “We must not only build strong and sustainable institutions, but also ensure knowledge transfer schemes.”



2010 RESULTS AND OUTLOOK

MEXICAN HOUSING DAY

1er. semestre del 2011

