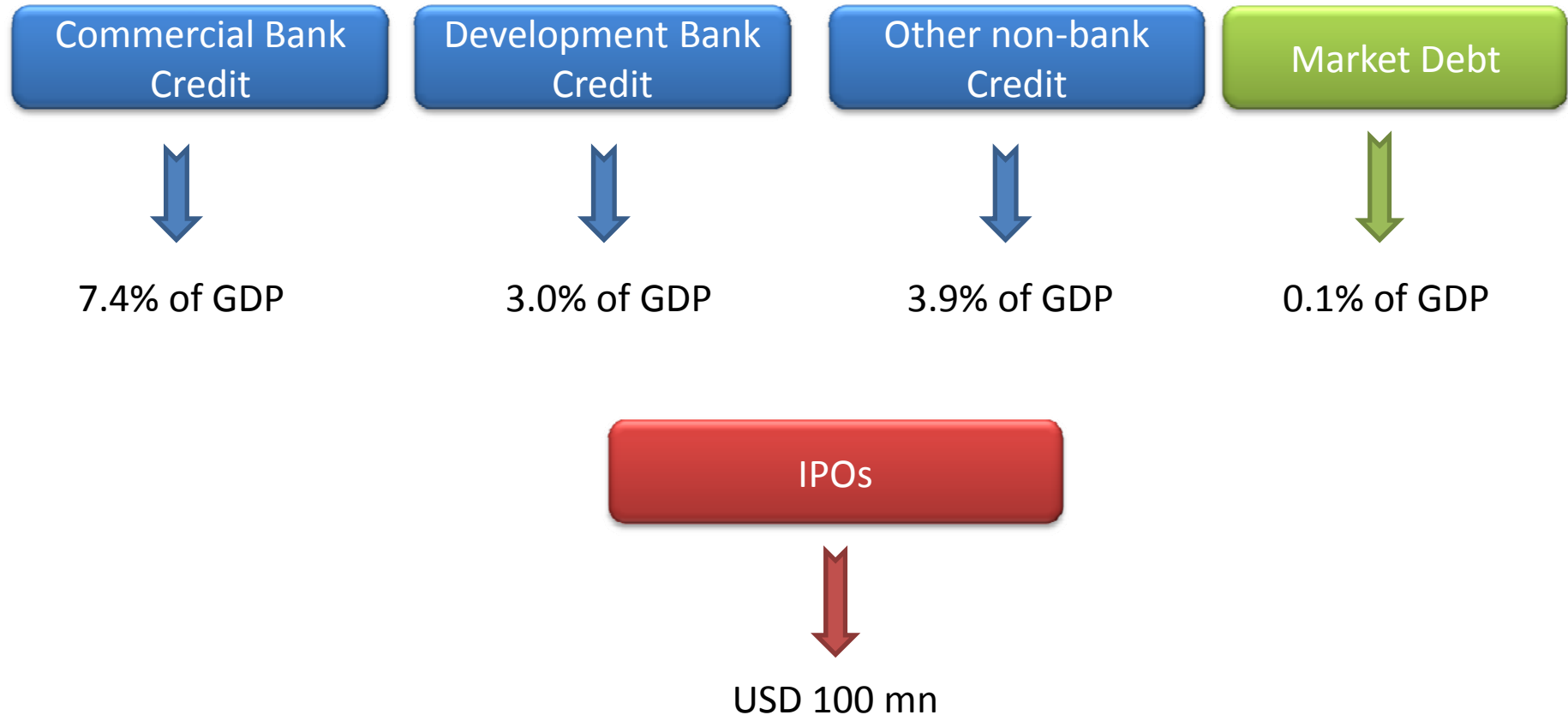




Development of Mexican Financial Markets

6th Annual Mexico Private Equity Summit

In 2000, the set of debt instruments available in Mexico had an outstanding amount of 14.4% of GDP; while there was only one IPO that raised 100 million dollars.



The Government has been successful in developing deep and liquid financial markets through a coordinated set of policies, based on the following 4 pillars:

1

Macroeconomic
Policy

2

Legal and
institutional
adjustments to
commercial and
development
banking

3

Regulatory
changes for the
creation of new
financial
instruments

4

Afores and
insurance
companies'
investment
regime
modifications

The Government has maintained an adequate management of macroeconomic policies.

1

Macroeconomic
Policy

- Responsible management of public finances
- New Federal Budget and Fiscal responsibility Law
- Low inflation environment
- Improvement of public debt structure
- Adoption of a comprehensive financial risk management strategy

A series of actions involving legal and institutional adjustments to commercial and development banking were taken by the Government.

2

Legal and
institutional
adjustments to
commercial and
development
banking

- Simplification of SME requirements to access development bank credit
- Improvement of banks' credit underwriting standards
- Expansion of the lenders universe
- Enhanced information to potential borrowers to assess the implied costs of a credit
- Improved loan guarantees' registry to transparent third-party claims
- Modernization of State Development Banks
- Creation of The National Infrastructure Fund

A key aspect of the Government actions involved the development of new financial instruments, which increased funding alternatives for companies and productive projects.

3

Regulatory changes for the creation of new financial instruments

- New Securities Market Law
- Update of financial regulation to include Cebures, CKDs, securitizations, among others, as new financial instruments
- Creation of Mexican REIT (FIBRA) within the Income Tax Law and adjustment of fiscal rules to allow its issuance

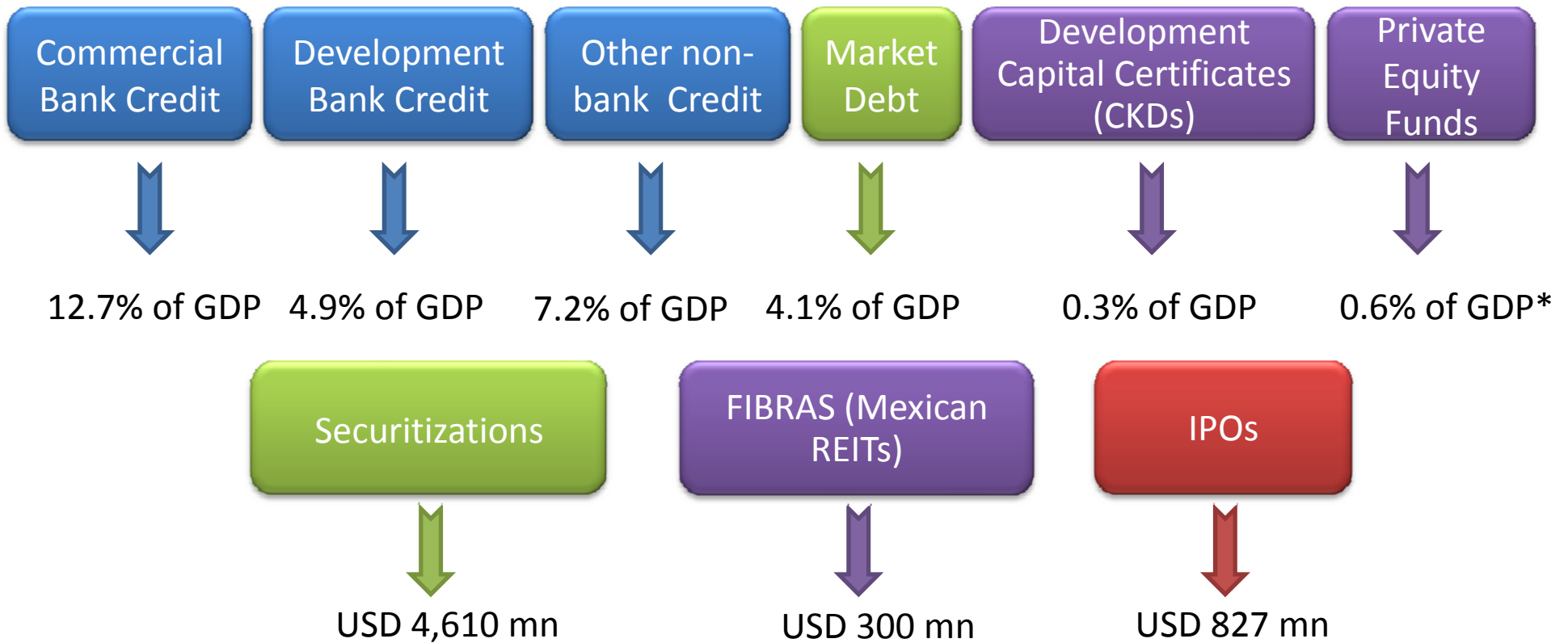
Investment regimes of institutional investors, Afores and insurance companies, were modified to make them more flexible.

4

Afores and insurance companies' investment regime modifications

- Inclusion of new financial instruments:
 - Direct stock investment
 - IPOs
 - CKDs
 - FIBRAS
 - Subordinated debt
- Higher investment limits for equity-based instruments
- Increase of limits consistency according to assets risk
- Adjustment to risk measures

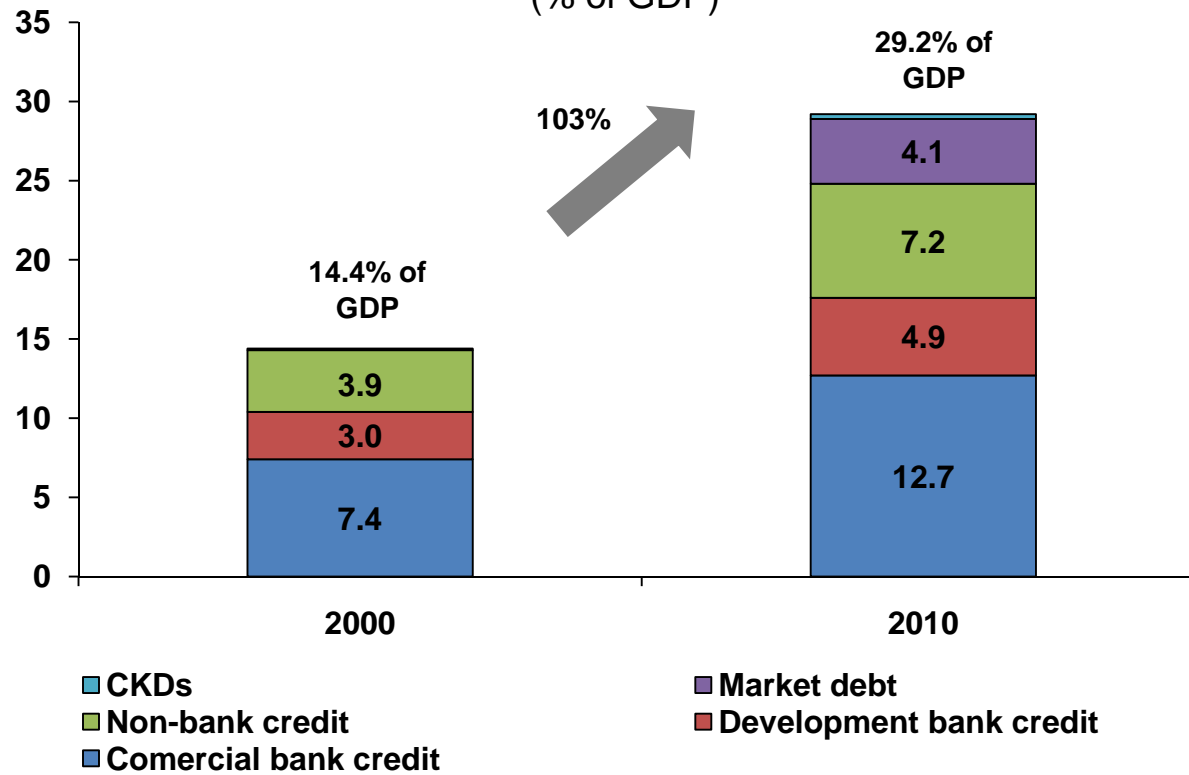
Changes fostered by financial authorities in recent years have created the widest ever set of financing options for Mexican corporations. Bank and non-bank credit to the private sector has grown 10% of GDP since 2000 while other financing markets have developed.



*Source: Deloitte and AMEXCAP "Estudio de fondos de capital privado", data as of 2009.

Total financing to the private sector through: bank and non-bank credit and debt related instruments more than doubled between 2000 and 2010.

Total credit to the private sector and outstanding amount of debt related instruments (% of GDP)



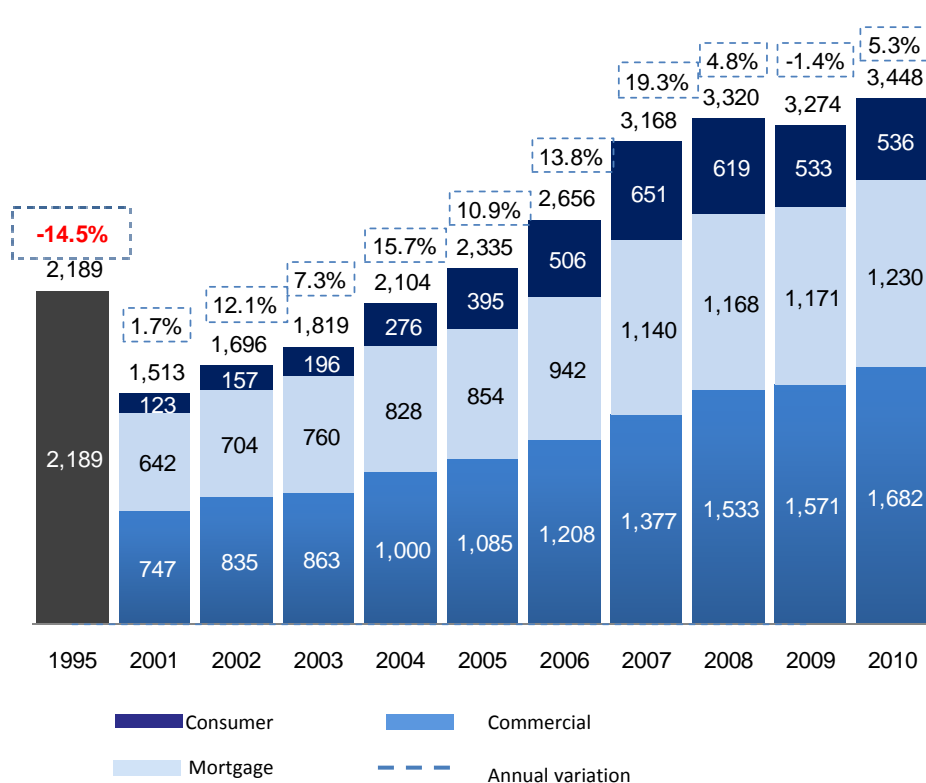
Boost of Commercial Bank Credit



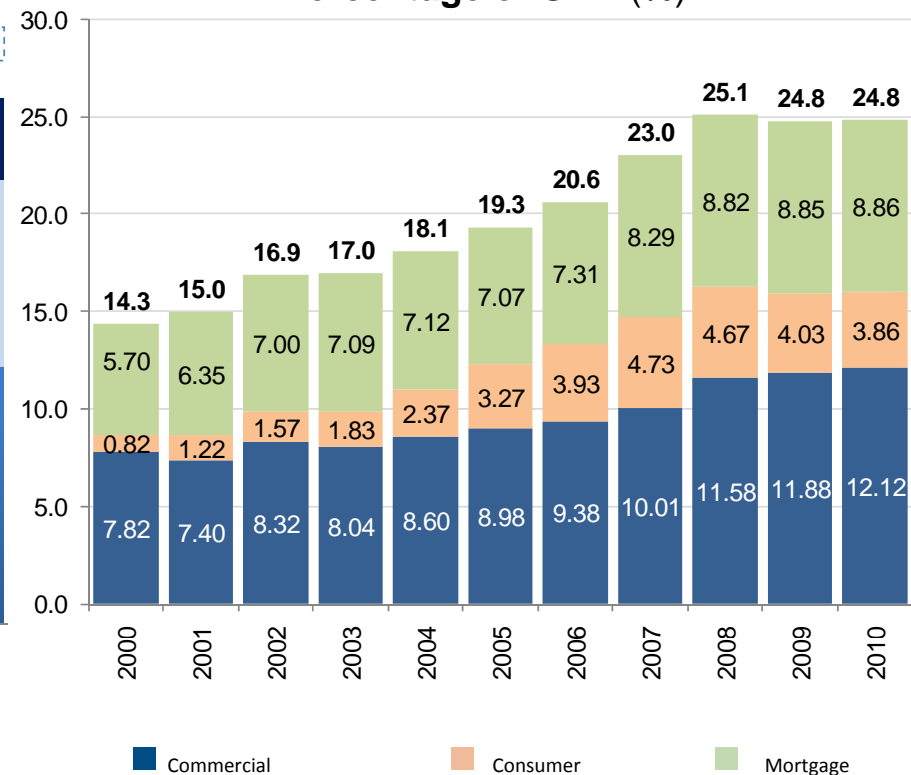
SHCP

The changes on financial regulatory framework have contributed to boost financing to the private sector, which has maintained a positive trend in the past years. Overall, the different credit portfolios have increased significantly over the past 10 years.

Financing to the Private Sector by Portfolio
(Bmxp as of December 2010; real annual variations)

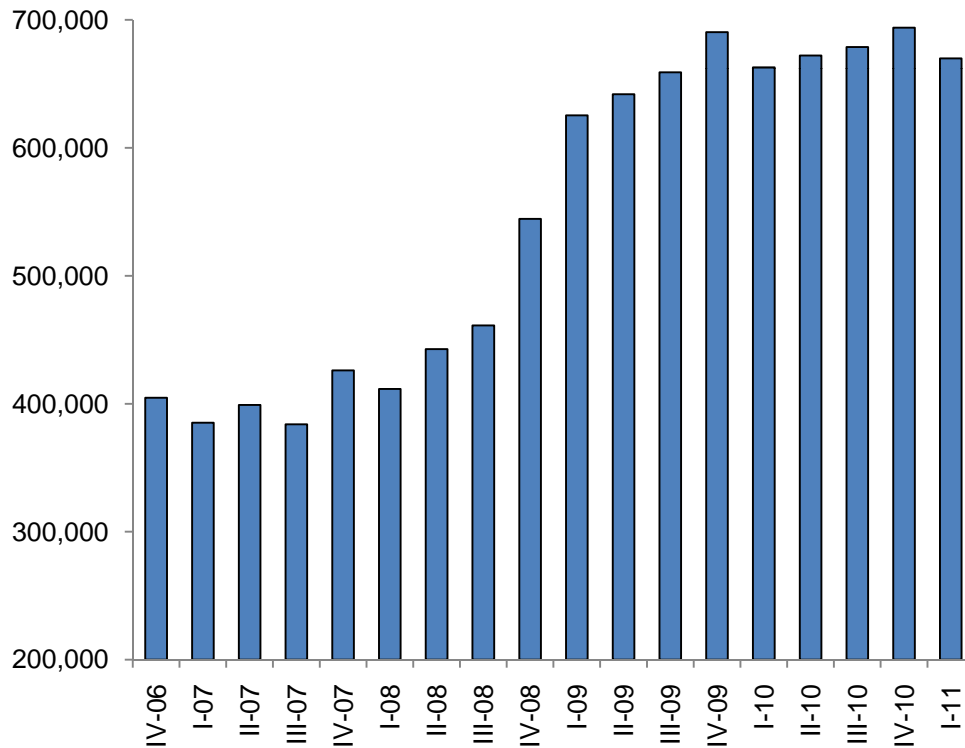


Financing to the Private Sector as a Percentage of GDP (%)



Development bank's financing to the private sector has maintained a positive trend under sustainable conditions in the past years.

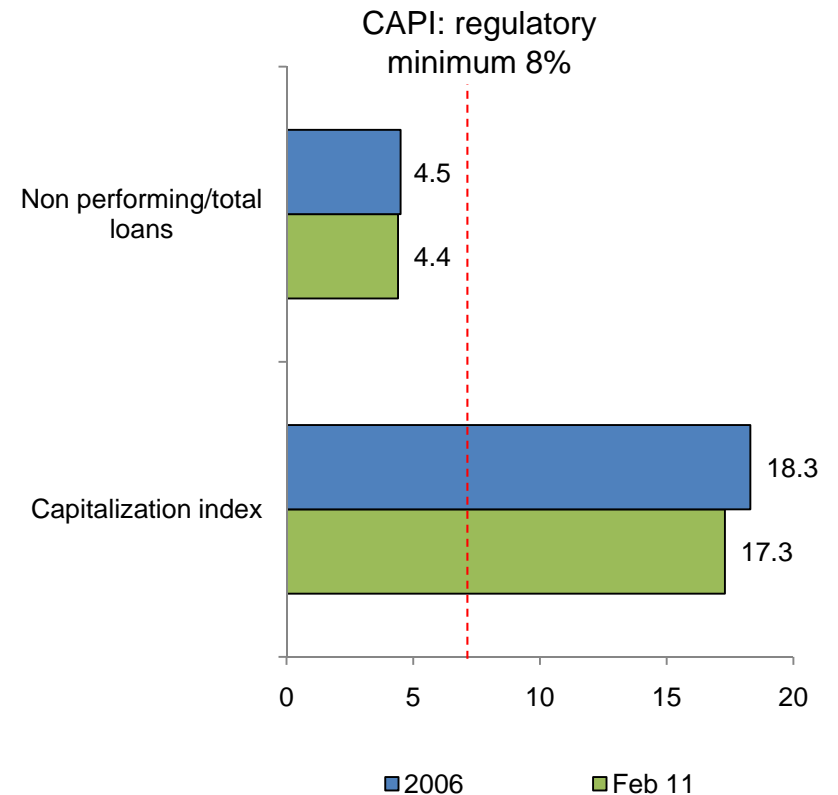
Direct and induced* credit balance of the Development Banks
(million pesos of march 2011)



* With guarantees and securitizations

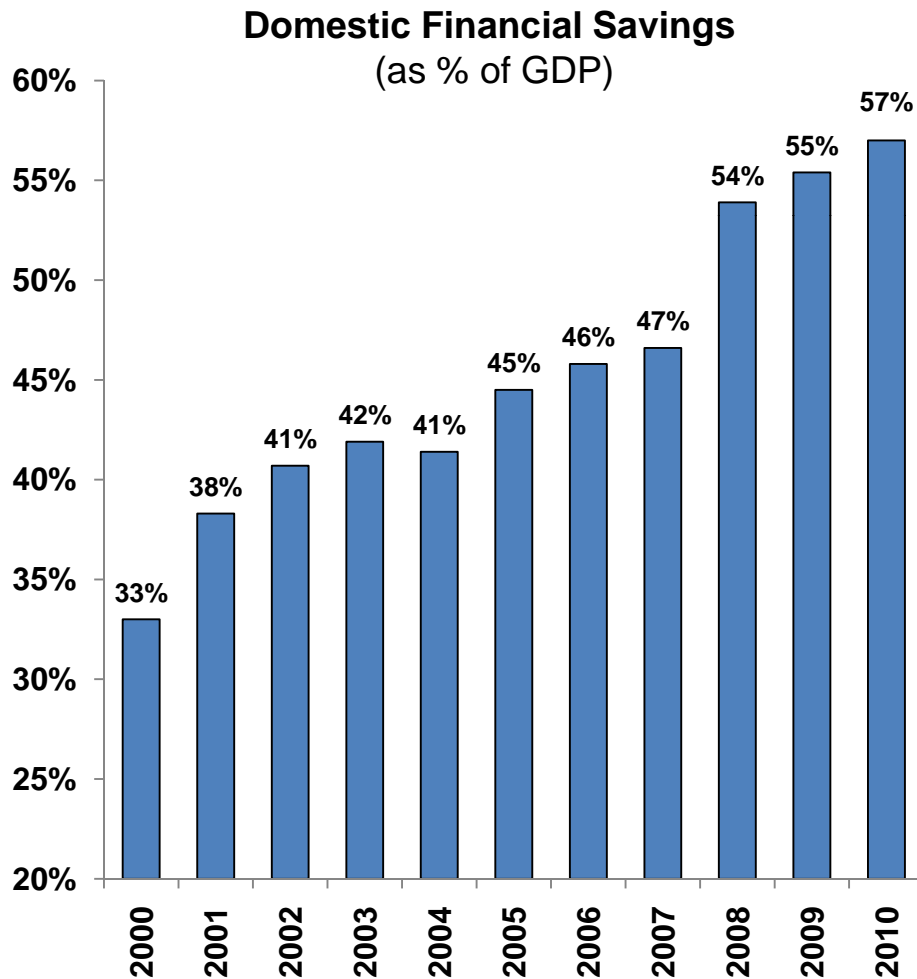
Source: SHCP

Capitalization Index and Non-performing loans/total loans (%)

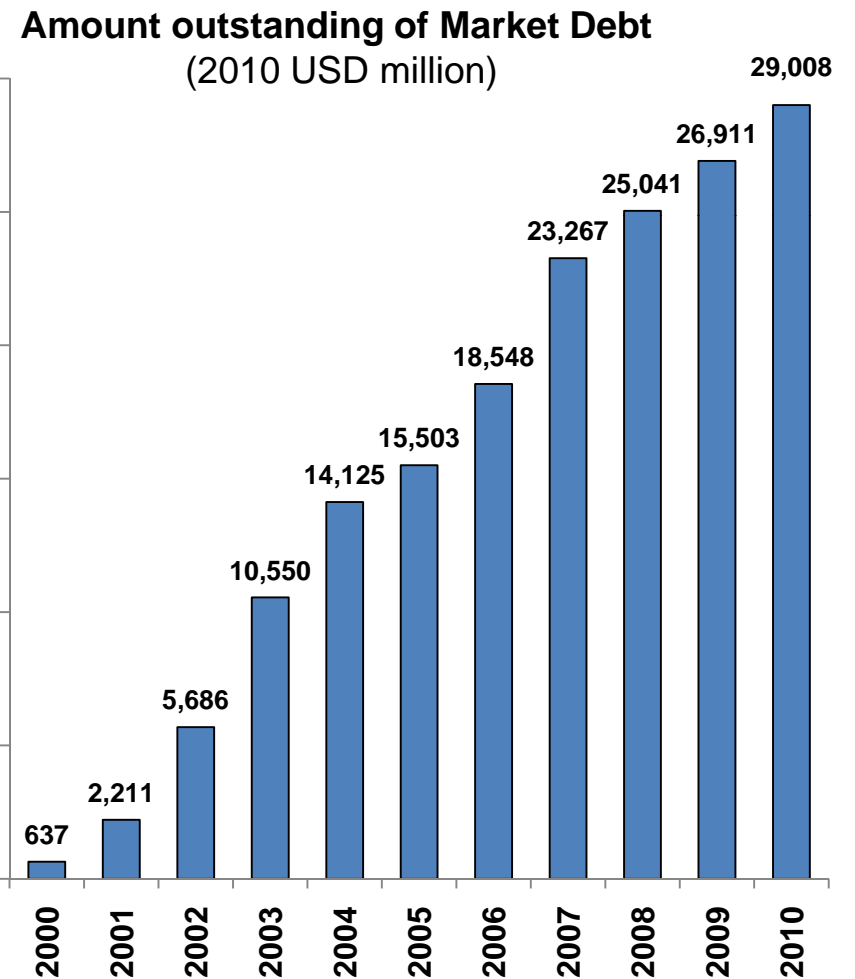


Source: Banxico

Domestic financial savings and market debt (obligaciones and certificados bursatiles) had a significant growth in recent years.



Source: SHCP and Banxico.



Source: Banxico.

CKDs have been an important source of financing for productive projects since their creation, two years ago.

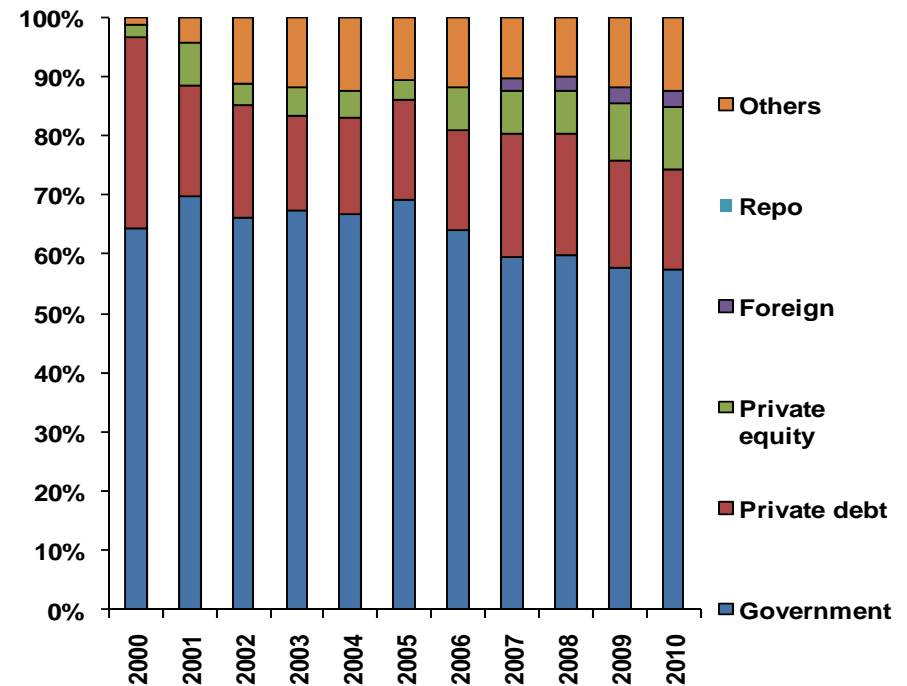
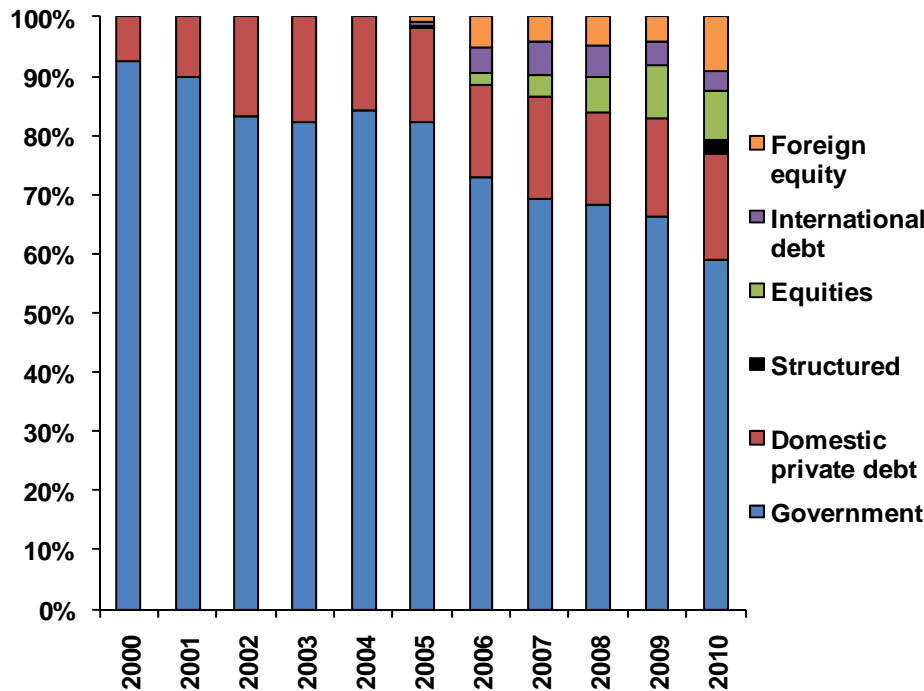
Issuing Fund	Amount issued (USD mn)	AFORES investment as % of total amount issued	FONADIN investment as % of total amount issued
1 Red de Carreteras de Occidente	504	97.0	0.0
2 Wamex Capital, S.A.P.I. de C.V.	58	80.0	0.0
3 Macquarie México Infrastructure	263	100.0	0.0 */
4 Atlas Discovery México, S. de R.L. de C.V.	89	88.8	0.0
5 Nexxus Capital IV General Partner, S.A. de C.V.	208	95.8	0.0
6 AMB México Manager, S. de R.L. de C.V.	261	81.0	17.2
7 Promecap Capital de Desarrollo, S.A. de C.V.	198	94.4	0.0
8 PLA Inmuebles Industriales (Prudential)	245	80.6	19.4
9 Artha Operadora, S. A. de C.V.	193	60.4	20.5
10 Navix de México, S.A. de C.V.	317	98.5	0.0
11 Infraestructura Institucional (I2)	217	82.9	14.1
12 Inmar del Noreste (Marhnos)	79	70.3	0.0
13 EMX Capital I, S.C.	128	99.3	0.0
14 Vertex Real State	139	99.7	0.0
15 Capital I Reserva I	128	79.3	0.0
Total	3,027	90.1	8.1

*/ FONADIN invested USD 80 million directly in Maquaire's private equity fund.
Source: CONSAR , FONADIN and BMV.

Adjustments to investment regulations of institutional investors have led to a more flexible regime, which has diversified their portfolios, allowing them to reach higher risk adjusted returns and channel resources to productive projects and companies.

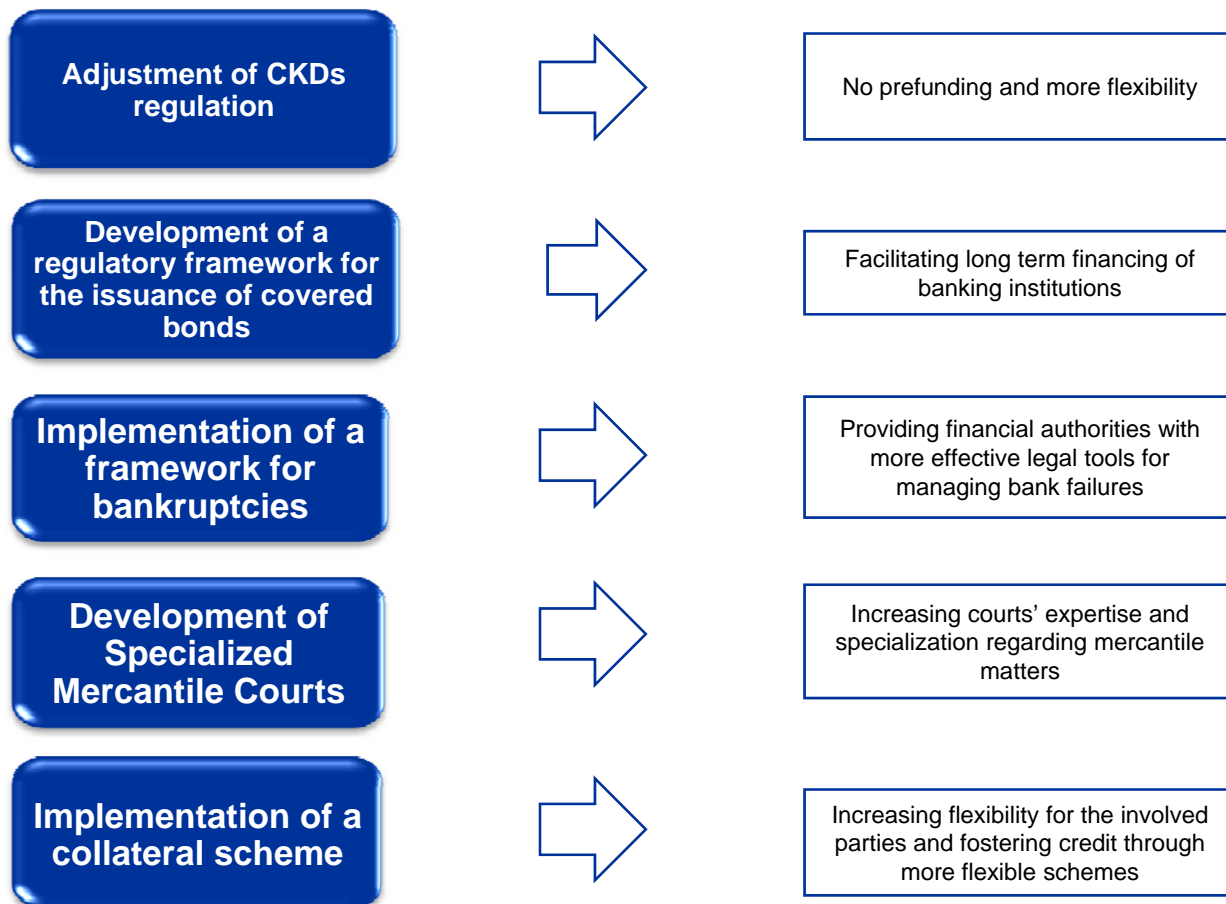
AFORES investments
(as % of total)

Insurance companies investments
(as % of total)



Source: CONSAR and CNSF.

Adjustments to the regulatory framework are still being carried out to continue improving the design of the regulatory framework and to increase the number of financial instruments available for private sector financing.



Solid fundamentals support an improving economic outlook.

- Mexico's banking system is sound and solvent.
- Credit growth to the private sector is gaining momentum.
- Domestic financial savings are growing at a rapid pace.
- It is necessary to keep deepening financial intermediation mechanisms in order to channel savings more efficiently.
- The financial system has to become a more powerful growth engine for the Mexican economy.