



Syndicated Debt Issuance

March 16th, 2010

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Introduction

With the current Government Auction Calendar, it takes about 5¹ months for the 10 and 30 year inflation linked bonds to reach an outstanding amount of 2.3 billion udis (10 billion pesos), which is considered adequate for the securities to have reasonable liquidity in the secondary local market.

Debt syndication is an issuance process designed to place an adequate amount of securities with a broad universe of investors. This strategy has gained popularity among a number of Eurozone countries which have the objective of accelerating the creation of domestic benchmark bonds.

Some of the advantages of the syndication strategy are as follows:

- New benchmark bonds reach an adequate outstanding amount at the initial issue time
- Benchmark bonds become eligible for inclusion in the fixed income indices²

¹ During Q4 2009, every four weeks the Federal Government issued UDI 500 million of both the 10 year and 30 year benchmarks Udibonos.

² Nowadays, Udibonos are included in several indices such as, Emerging Market Government Inflation Linked Bond Index of Barclays and Global Government Inflation-Linked Index of Merrill Lynch.

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- ❑ The issuance process is strengthened given the certainty of price, amount and broad investor distribution
- ❑ A broad investor base ensures liquidity of the new benchmark in the secondary market

In its Annual Borrowing Program the Federal Government announced the syndication process as a new issuance method for inaugural benchmark securities. In that context, in the auction calendar for the Q1 2010 the Federal Government decided to implement this method of issuance for the new 10 year domestic fixed rate benchmark, which was already issued in February 2010, and now for the new 30 year domestic fixed rate inflation linked benchmark (udibono).

The syndicated issuance process represents an additional step in the development of the local market.

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Managers

For the syndicated issuance of the new 30 year udibono benchmark, the Federal Government has appointed the following institutions as Lead Managers and Co-Managers. These institutions actively participate in the Market-Makers Program of local government securities.

Lead Managers:



Banco Nacional de México, S.A.,
Institución de Banca Múltiple,
Grupo Financiero Banamex.



HSBC, México, S.A.,
Institución de Banca Múltiple,
Grupo Financiero HSBC.



ING Bank (México), S.A.,
Institución de Banca Múltiple,
ING Baring Grupo Financiero (México).



Bank of America México S.A.
Institución de Banca Múltiple
Grupo Financiero Bank of America.

Co- Managers:



Banco Santander (México), S.A.,
Institución de Banca Múltiple,
Grupo Financiero Santander.



BBVA Bancomer S.A.,
Institución de Banca Múltiple,
Grupo Financiero BBVA Bancomer



Banco JP Morgan, S.A.,
Institución de Banca Múltiple,
JP Morgan Grupo Financiero.

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New Benchmark

In this transaction, the Federal Government will issue a new 30 year inflation linked fixed rate bond benchmark. Once this process has been carried out, the udibono will be reopened on a regular basis at the primary auctions starting Q2 2010.

Security Description

	United Mexican States
Security Type:	Inflation linked Fixed Rate Federal Government Development Bond (Udibono)
Financial Agent:	Banco de México
Security Series:	S 401115
Coupon rate:	4.00%
Coupon frequency:	Semi-annually
Coupon basis:	Act/360
Maturity Date:	November 15th, 2040
Face Value	100 udis

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Timeline

The syndicated issuance will be carried out according to the following schedule:

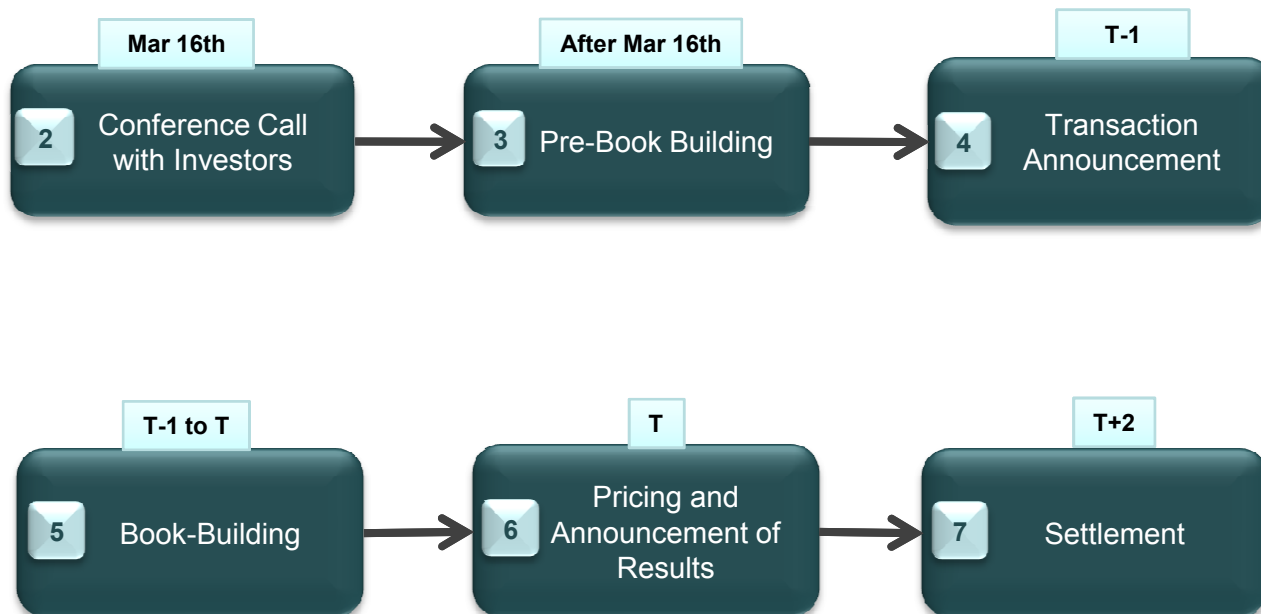
Date	United Mexican States
March 16th, 2010	Conference Call with Investors
After March 16th, 2010	Pre - Book Building
T-1	Transaction Announcement
T-1 to T	Book - Building
T	Pricing and Announcement of Results
T+2	Settlement

“T” is a date to be announced

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Execution Process



“T” is a date to be announced

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Final Remarks

- ❑ The Government Debt Strategy for 2010 contemplates syndicated issuance process of the new domestic benchmark bonds. This strategy does not have the objective of increasing the total amount of issuance, it is designed to enhance the liquidity of the new benchmark in the domestic market
- ❑ The Federal Government believes it is important for the new benchmark to have adequate secondary liquidity and a broad investor distribution at the time of issuance
- ❑ Larger initial issuance amounts of new benchmarks will lead to the improvement of their liquidity, as well as their earlier inclusion in the relevant fixed income indices
- ❑ The syndicated issuance process of domestic debt securities has proven to be effective in various countries. It is expected that this method will become a regular debt issuance tool in the Federal Government domestic debt strategy



http://www.hacienda.gob.mx/ucp_ingles/Paginas/presentacion.aspx