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Monthly Report on Banking and the Financial System

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1. Banking and the Financial System

Bank deposit growth continues its growth path

In October 2025, the balance of traditional bank deposits (sight deposits plus term deposits) posted annual real growth of 2.2% (5.9% nominal), below the average growth observed in Q3 2025 of 3.9% in real terms. Of the growth recorded in October, sight deposits contributed 0.9 percentage points, while term deposits contributed 1.3 percentage points. In the tenth month of the year, bank deposit growth continued to reflect the negative impact associated with exchange rate appreciation, as this accounting effect reduced momentum by 1.0 percentage point. Even after removing this effect, a slowdown in balance growth is still observed, since annual real growth in October reached 3.2% (6.9% nominal), below the average recorded in Q3 2025 of 4.5% when excluding inflation and exchange rate effects.

In October, **sight deposits** registered annual real growth of 1.4% (5.0% nominal), below the Q3 2025 average of 3.5% in real terms. After excluding the accounting effect of the exchange rate, the growth observed in October at 2.4% was also below the growth recorded during Q3 2025, when the average rate was 4.1%.

By holder, performance was somewhat mixed. **Except in the case of individuals, the rest of the holders increased their growth path**. In the case of individuals, annual real growth fell from 2.1% in September to −7.2% in October, the sharpest decline observed since February 2023. In contrast, for corporations this rate increased from −0.2% to 5.1% over the same period. For the non-public financial sector, annual real growth rose from 16.9% to 21.0%, whereas for other financial intermediaries (OFIs) the real growth rate increased from 0.8% in September to 3.7% in October.

The slower growth in liquid balances among households, which account for 40% of sight deposit balances, may be associated with higher spending, as reflected in the recent performance of private consumption. In September, the latest data available, this indicator posted annual real growth of 3.6%, the highest rate observed since April 2024. In addition, the ANTAD total store sales indicator also rebounded in October, showing real growth of 1.3% that month after the 0.9% annual contraction reported in the previous month.

For companies, which account for 41.1% of sight deposit balances, the stronger momentum in sight deposits may be associated with a recovery in revenues, as shown by indicators of income

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from the supply of goods and services. In wholesale trade, this index shifted from a contraction of 5.7% in August to annual growth of 2.7% in September, the latest data available. In retail trade, annual growth increased from 2.4% to 3.3% over the same period. In the services sector, an improvement was also recorded, as the revenue index showed annual growth of 4.7% in September, above the 3.9% observed in the previous month. In the case of OFIs, the increase in sight deposit balances is associated with a reallocation from term deposit holdings toward more liquid instruments.

In October, term deposits grew at an annual real rate of 3.8% (7.5% nominal), slightly above the 3.5% growth observed in September but below the average annual real rate of 4.8% recorded in Q3 2025. After excluding the accounting effect of the exchange rate, real growth in the tenth month of the year would be 4.9%. Thus, for the third consecutive month, the accounting effect of exchange rate appreciation negatively affected the momentum of term deposits.

By holder, improved performance relative to September is observed in most saving sectors. For households, term deposit balances showed expansion of 0.7%, marginally below the 0.8% recorded in September 2025. Corporate term deposit balances grew at an annual real rate of 0.1%, reversing the 0.2% decline observed in the previous month. The nonfinancial public sector increased its term deposit balances, recording an annual real growth rate of 25.1%, exceeding the average real growth of 17.8% observed in Q3 2025. OFIs, for their part, slightly reduced their momentum, from 19.3% in September to 17.1% in October.

For households and corporations, performance may be associated with the gradual decline in deposit interest rates, which have partly reflected competition among intermediaries to attract depositors. In the case of the non-financial public sector, the increase in term deposit balances would be associated with underspending, which is expected to be corrected toward the end of the fiscal year, with term deposit balances shifting toward more liquid instruments

Holdings of shares in debt mutual funds improved, registering annual real growth of 14.5% in October (18.6% nominal), above the 13.6% recorded in September and equal to the average observed in Q3 2025. Savings in this type of instrument have managed to maintain momentum despite the gradual slowdown in interest rates and weak income generation among households and corporations. An uncertain economic environment and higher risk aversion appear to be favoring investment in local debt instruments, whose market has gained greater depth in recent years.

Traditional bank deposits and other savings instruments are expected to weaken in momentum going forward, reflecting both declining interest rates and slower income growth among economic agents, amid economic activity and employment indicators that have yet to show signs of recovery.

Credit portfolio growth moderates in October relative to the third-quarter average of the year

In October 2025, the outstanding balance of performing credit extended by commercial banks to the non-financial private sector (NFPS) recorded annual real growth of 4.5% (8.2% nominal), in line with the figure recorded in the immediately preceding month, though below the 5.3% average recorded in Q3 2025 The annual real growth rate in October is the second lowest recorded so far this year, only above the 4.4% reported in September, thereby reinforcing signs of a slowdown in the credit portfolio. Of the annual real growth rate observed in October, outstanding credit to corporations contributed 1.9 pp, while consumer and housing credit portfolios contributed 2.2 pp and 0.4 pp, respectively.

In October, **outstanding consumer credit** reached annual real growth of 8.8% (12.6% nominal), slightly below the 9.0% real rate observed in the previous month and below the 9.4% average recorded in Q3 2025. Loans for the acquisition of durable consumer goods (ADCG) contributed 3.2 pp to the real growth rate observed in October, while credit granted through cards accounted for 2.6 pp; payroll loans contributed 1.2 pp, personal loans 1.4 pp, and other consumer loans 0.4 pp.

The segment corresponding to credit for the acquisition of durable consumer goods (ADCG, 21.0% of total consumer credit) moderated its momentum, posting annual real growth of 16.5%, the lowest growth rate observed since March 2024. Both segments comprising this portfolio (automotive and household goods) reduced their momentum relative to September.

Automotive credit continued to moderate, registering annual real growth of 17.9% in October, the lowest rate observed since November 2023. The household goods segment slowed from real growth of 8.4% in September to 6.9% in October. The moderation in automotive credit growth reflects the slowdown in vehicle sales; however, as of October, the indicator of new vehicle retail sales showed a moderate recovery, posting annual growth of 1.0% after having contracted over the previous six months.

The **credit card** segment remained the second-largest contributor to growth in the consumer credit portfolio, reaching annual real growth of 7.1% in October (12.6% nominal), below the result recorded in September (7.7% real) and the Q3 2025 average (8.2%). The real growth rate observed in October is the lowest recorded in the past 37 months, reflecting the slowdown in this type of credit.

Credit card usage indicators show that, in October, growth in both transaction value and the number of transactions slowed relative to September. Among the various consumption categories, only those associated with basic consumption and transportation managed to marginally increase their momentum compared with the previous month.

Payroll and personal loan portfolios posted mixed performance in October. Payroll loans increased their annual real growth from 4.7% in September to 4.9% in October (8.7% nominal), while personal loans slowed from annual real growth of 10.1% in September to 9.1% in October (13.0% nominal). While the payroll loan portfolio shows relatively stable behavior compared with the average real rate recorded during the first nine months of the year (4.6%), the personal loan portfolio shows a slowdown relative to the average over the same period (9.7%), more clearly reflecting the slowdown in formal employment and real wages.

Outstanding housing credit posted annual real growth of 1.7% in October (5.3% nominal), marginally above the rate recorded in September (1.6%), though with weaker momentum than the average observed during the first nine months of the year, when annual real growth stood at 2.3%.

By segment, the balance of middle- and upper-income housing credit (97.1% of total housing credit) recorded annual real growth of 2.0% in October (5.7% nominal), above the result recorded in the previous month and marginally below the average observed in Q3 2025 (2.1%). In contrast, social housing credit further accentuated its slowdown, shifting from real growth of 0.4% in September to a contraction of 8.5% in October.

The relative stability in housing credit momentum may be explained by labor market indicators. Considering that housing credit responds with a lag to developments in formal employment, observed demand appears to reflect employment conditions recorded in mid-2024, when employment growth rates remained around 2.0%. Meanwhile, real wages have managed to sustain annual growth of approximately 3.5%. These factors suggest that, in the short term, housing credit demand will continue to slow as the loss of momentum in job creation becomes more evident and the recovery in real wages moderates.

Outstanding corporate credit (52.9% of total outstanding NFPS credit) recorded annual real growth of 3.5% in October (7.2% nominal), marginally higher than the previous month (3.3%) but more moderate than the Q3 2025 average (4.7%).

By sector of activity, in October the services sector (56.1% of the total) contributed 3.7 pp to growth in the outstanding corporate credit portfolio. Manufacturing reduced its contribution to 0.2 pp, while construction contributed 1.0 pp. The remaining sectors (agriculture, mining, electricity, water and gas, and others) subtracted 1.3 pp from overall momentum, as declines in their outstanding credit balances persisted. Although growth rates for the services, manufacturing, and construction sectors remain positive, they show a marked slowdown relative to the balances observed in the first half of the year.

By currency composition, outstanding credit denominated in domestic currency (75.5% of outstanding corporate credit) recorded annual real growth of 6.4% in October, in line with the rate recorded in Q3 2025 (6.3%). Outstanding credit denominated in foreign currency slowed its contraction, from a growth rate of −5.4% to a more moderate decline of −4.5%. As observed in recent months, exchange rate movements reduced momentum in foreign currency credit, by stripping out this effect, October growth would have stood at 3.3%. In other words, the accounting effect of exchange rate appreciation subtracted 7.8 pp from momentum.

For the total corporate portfolio, after adjusting for the accounting effect of the exchange rate, performance improved relative to the previous month, with annual real growth increasing from 5.1% in September to 5.6% in October.

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The slowdown observed across the different credit portfolios in October reflects weak domestic demand. As a result, credit growth is expected to remain moderate in the coming months.

The banking sector recorded slower asset growth, with contained risks and a solid capital and liquidity position

Based on information from Banco de México's Financial Stability Report – December 2025, as of the close of Q3 2025, assets of the Mexican financial system recorded annual real growth of 7.2%, below the rate observed at the close of Q1 2025. The growth observed in September was mainly associated with the performance of commercial banks, pension funds (Siefores), and investment funds. In September, Siefores grew at an annual real rate of 14.1%, contributing 2.8 pp to overall system asset growth, while commercial banking and investment funds each contributed 1.6 pp to this momentum. In particular, commercial banking, which represents 41.1% of total system assets, recorded annual real growth of 3.9%, below the 6.5% observed at the close of Q1 2025. Investment funds, which account for 13.0% of system assets, also showed a slowdown, recording annual growth of 12.7%, below the 20.3% observed at the close of March 2025.

Relative to March 2025, when the previous report was released, banking system credit risk registered a marginal increase, associated with higher risk in both the consumer and corporate loan portfolios. By contrast, market risk declined slightly compared with the level recorded in March 2025, decreasing from 5.5% to 5.3% in September. This behavior is attributed to changes in banks' portfolio composition that reflected lower risk in foreign exchange positions. Liquidity risk, meanwhile, remains stable.

The Mexican banking sector continues to show solvency and liquidity conditions well above regulatory minimums. In September 2025, the capital adequacy ratio (CAR, ICAP for its acronym in Spanish) stood at 20.38%, 48 bp above the level recorded in March of the same year. At the same time, the risk-adjusted capital adequacy ratio increased relative to the previous report, as the rise in the system-wide CAR offset and exceeded the impact of higher credit risk in the loan portfolio.

The aggregate Liquidity Coverage Ratio (LCR) for the banking sector remains close to 190%, showing that banks have sufficient liquid assets to meet their liquidity needs for 30 days during a stress event. Faced with a stress scenario involving severe outflows of deposits from the system, most banks (with assets accounting for 94% of total system assets) have an LCR that is higher than the regulatory 100%.

As of November 2025, the investment fund system comprises 247 fixed-income funds and 384 equity funds. Total assets under management amount to 4.9 trillion pesos, representing a 5.4% increase relative to the end of the first half of the year. Both liquidity conditions and market risk exposure of investment funds remain at levels similar to those observed in the previous report.

Finally, consistent with earlier reports, the stress tests conducted by the central bank indicate that, at an aggregate level, the financial system is resilient to shocks arising from three macroeconomic scenarios (weakening domestic consumption and investment, a slowdown in global economic activity, and a sovereign credit rating adjustment) and three historical scenarios

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(paths of key macroeconomic variables similar to those observed during the 1995 crisis, the 2008 global financial crisis, and the COVID-19 episode). In all cases, aggregate solvency (CAR) and leverage ratios remain above regulatory minimums, underscoring the soundness of the Mexican financial system.

Trade uncertainty and regulatory changes moderated regional credit demand in Q3 2025.

According to Banco de México's *Report on Regional Economies*, in Q3 2025, financial services in Mexico exhibited similar dynamics across regions[1], strongly influenced by trade uncertainty with the United States and changes in the legal framework.

In the northern region, lower demand for bank credit was observed due to economic uncertainty and a slowdown in manufacturing activity, coupled with stricter risk assessments by financial institutions. In the north-central region, demand for personal loans increased, associated with weakness in formal employment, which is also reflected in higher delinquency rates for this type of credit reported by banks. In the central region, the persistence of uncertainty stemming from trade tensions with the United States moderated credit uptake by large corporations. In contrast, credit demand from SMEs continued to rise, a trend that has been particularly leveraged by Sofomes. Finally, in the southern region, a slowdown in corporate credit issuance was observed, attributable both to uncertainty in trade relations with the United States and to legal uncertainty arising from changes in the regulatory framework. These conditions have mainly affected the port, transportation, and trade sectors.

In this context, performing commercial bank credit to nonfinancial private sector companies continued to grow in all regions of the country, although at a slower pace than observed at the close of Q1 2025 (from 12.03% to 4.42%).

The central region (52% of the total) remains the largest contributor to growth in performing credit, recording annual real growth of 4.3% in Q3 2025. The northern region (23% of the total) ranked second with growth of 2.3% as of September, followed by the southern region (8% of the total) with growth of 18.0%, and finally the north-central region (17% of the total), which showed more modest growth of 2.0% in Q3 2025.

By sector of activity, the industrial sector exhibited a slowdown in the growth rate of performing credit in the northern (from 9.1% to 3.8%), central (from 11.7% to −0.2%), and southern (from 18.1% to 8.3%) regions compared with Q1 2025. The services sector also showed lower growth rates across all regions: northern (from 6.6% to 2.0%), north-central (from 15.6% to 3.6%), central (from 14.6% to 7.9%), and southern (from 30.1% to 24.3%). Finally, the agricultural sector performed more weakly, even registering contractions in three of the four regions analyzed (north, north-central, and central).

1: Regionalization in the report: the Northern region includes Baja California, Chihuahua, Coahuila, Nuevo León, Sonora and Tamaulipas; the North-Central region includes Aguascalientes, Baja California Sur, Colima, Durango, Jalisco, Michoacán, Nayarit, San Luis Potosí, Sinaloa and Zacatecas; the Central region is made up of Mexico City, State of Mexico, Guanajuato, Hidalgo, Morelos, Puebla, Querétaro and Tlaxcala; and the Southern region comprises Campeche, Chiapas, Guerrero, Oaxaca, Quintana Roo, Tabasco, Veracruz and Yucatán.

2. Financial Markets

What factors have supported the recent appreciation of the Mexican peso?

During 2025, the Mexican peso has appreciated by 13.5%, placing the exchange rate below 18 pesos per dollar for the first time since July 2024. To find a comparable annual appreciation, one must go back to 2023, when the local context was characterized by economic growth exceeding 3.0% and investment growth in double digits. This contrasts with the weak economic scenario and tariff threats that marked 2025, making it worth briefly reviewing some of the factors that supported the currency's appreciation.

First, broad U.S. dollar depreciation. The high U.S. fiscal deficit, limited near-term prospects for reduction, a trade policy with potential inflationary risks, and a cycle of monetary easing together led to a depreciatory movement of the dollar.

This was compounded by the need for Asian and European pension funds and insurers to hedge their exposure to the U.S. dollar, which further amplified the movement. Overall, the dollar depreciated by 9.3% against developed market currencies and 7.9% against emerging market (EM) currencies. To illustrate the widespread nature of this depreciation, it is worth noting that this is the first time since 2017 that 12 EM currencies have registered a dollar appreciation with only 13 days remaining in the year.

Second, a reduction in volatility. Outside of the volatility of the stock markets, measured by the VIX index, the volatility of bonds and mainly currencies has registered a fall. Beyond equity market volatility, as measured by the VIX index, volatility in bonds and particularly in currencies has declined.

Following the increase in April linked to "*Liberation Day*", market participants appear to have incorporated a tariff scenario that remains distant from worst-case expectations and without inflationary effects at present, reducing uncertainty. This was also likely supported by a degree of predictability in U.S. government behavior (*TACO trade*) which limited what had seemed like total unpredictability from the new U.S. administration.

Third, an attractive *carry trade*. Although Banxico continued and even accelerated the reduction of its policy rate during 2025, Mexico's *carry trade* was higher than in countries such as Colombia and Chile. This is related to the volatility reduction noted above. The significant fall in implied exchange rate volatility translated into a higher return per unit of risk, reaching levels similar to those of a year ago, when Mexico's policy rate was around 10.0%.

It is relevant to note that, in relative terms, recent market expectations for further FED easing in 2026, combined with expectations that Banxico could reduce the pace of rate hikes or even pause next year, are favorable in terms of risk-adjusted returns for the Mexican peso.

Additionally, the peso benefits from a high level of liquidity. According to the most recent BIS survey, the Mexican peso ranks as the 14th most traded currency globally, with an average daily turnover of 153 billion US dollars. This represents an increase of approximately 35% relative to the 2022 survey.

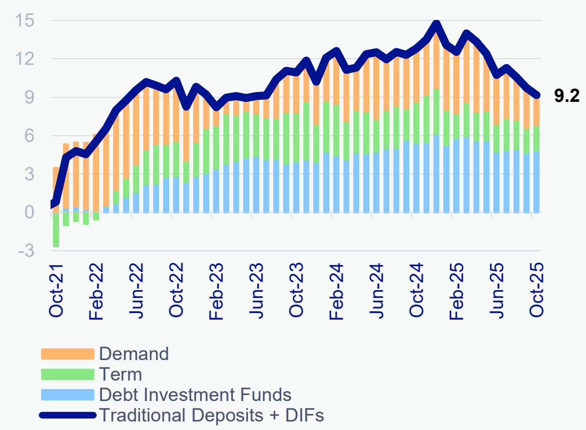
Some of these factors appear to be temporary and could reverse or at least diminish, which may compromise the peso's appreciation trend in 2026. The formal renegotiation of the USMCA, scheduled to begin in the second half of next year, represents the main upside risk to the exchange rate, since part of Mexico's differentiated trade treatment currently derives entirely from this agreement. While the most likely scenario is ratification, any modifications or threats of cancellation could be reflected in the foreign exchange market.

Furthermore, the possibility that U.S. tariffs could affect domestic prices remains present. If this occurs, the FED could reduce or pause its rate cuts, given the resilience of the U.S. economy, which would likely reduce expectations regarding the yield differential between Mexico and the United States.

Finally, after some episodes such as those in April, the U.S. dollar has largely recovered its role as a safe-haven currency during global uncertainty. Therefore, while a reversal of the dollar's weakness is not expected in the short term, episodes of dollar strengthening cannot be ruled out.

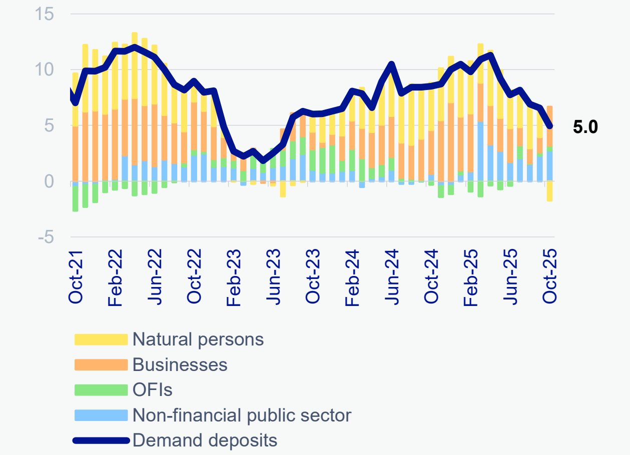
Deposits: Figures

COMMERCIAL BANKING TOTAL DEPOSITS
(NOMINAL ANNUAL CHANGE, %)



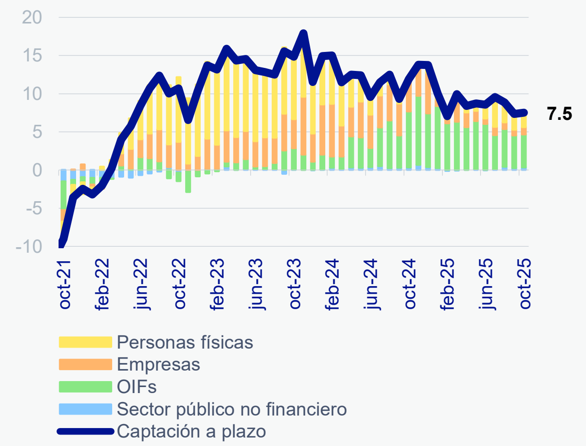
Source: BBVA Research, with data from Banxico

SIGHT DEPOSITS
(NOMINAL ANNUAL CHANGE, %)



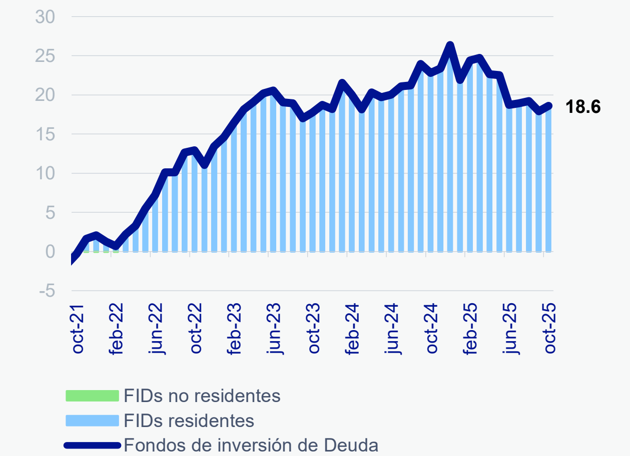
Source: BBVA Research, with data from Banxico

TERM DEPOSITS
(NOMINAL ANNUAL CHANGE, %)



Source: BBVA Research, with data from Banxico

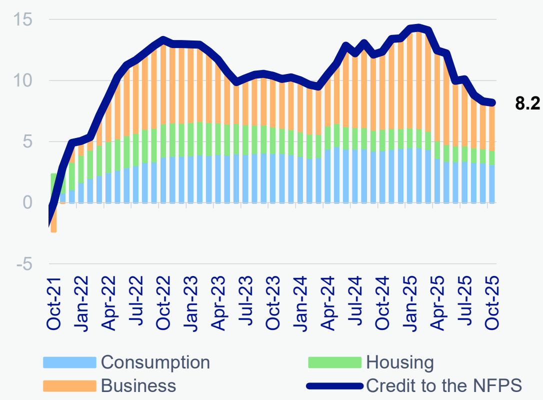
DEBT INVESTMENT FUNDS (FIDs)
(NOMINAL ANNUAL CHANGE, %)



Source: BBVA Research, with data from Banxico

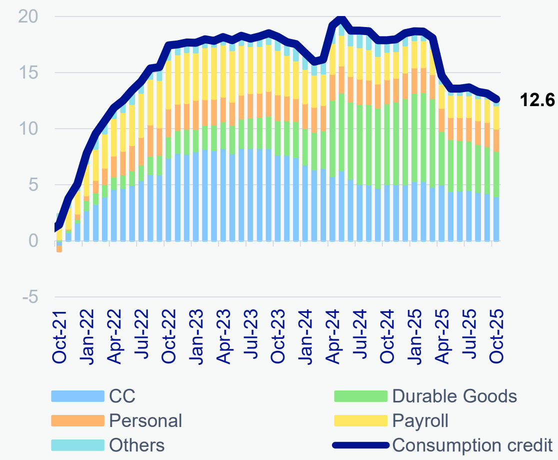
Credit: Figures

OUTSTANDING BANK CREDIT TO THE NFPS
(NOMINAL ANNUAL CHANGE, %)



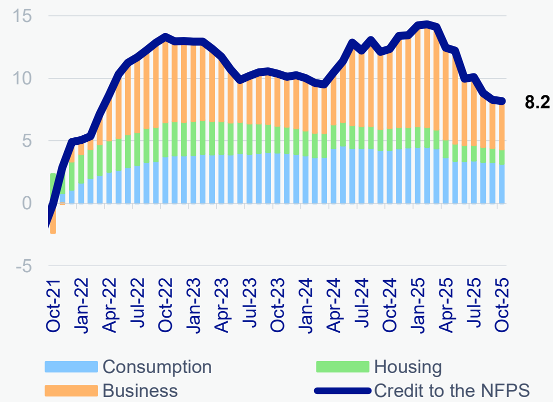
Source: BBVA Research, with data from Banxico

OUTSTANDING CONSUMER CREDIT
(NOMINAL ANNUAL CHANGE, %)



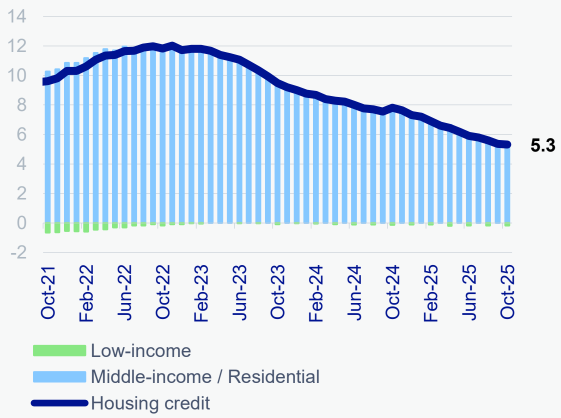
Source: BBVA Research, with data from Banxico

OUTSTANDING LENDING TO COMPANIES
(NOMINAL ANNUAL CHANGE, %)



Source: BBVA Research, with data from Banxico

OUTSTANDING MORTGAGE LOANS
(NOMINAL ANNUAL CHANGE, %)



Source: BBVA Research, with data from Banxico

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