

Monthly Report on Banking and the Financial System

Mariana A. Torán, Iván Martínez Urquijo, Jorge A. Campos Soto

1. Banking and Financial System

Traditional bank lending regains momentum in February.

In February 2026, the balance of traditional bank deposits (demand + time deposits) reached a real annual growth of 2.1% (6.2% nominal), exceeding the growth observed the previous month (0.8%) and in line with the average recorded in Q4 2025 (2.0%). Demand deposits contributed 0.8 percentage points (pp) to the growth observed in February, while time deposits contributed 1.3 pp.

Bank deposit growth continues to show the negative impact associated with the exchange rate appreciation, which in February reduced growth by 2.4 percentage points. Once this effect is factored in, the recovery in balances is more noticeable, as real annual growth in the second month of the year would be 4.4% (8.6% nominal), exceeding the average of 3.4% (4.2% nominal) observed in Q4 2025.

In February, **demand deposits recorded a real annual growth of 1.2%** (5.3% nominal), slightly reducing its performance compared to the previous month and reaching a new low since August 2023. When discounting the accounting effect of the exchange rate, the growth observed in February (3.4%) was equal to the average recorded in Q4 2025.

By depositor type, demand deposits held by individuals increased their growth compared to the previous month, reaching a real annual increase of 3.5% in February (vs. 3.1% in January). For businesses, the real year-on-year change worsened, going from a 0.1% decline in January to a 0.5% decline in February. Financial institutions improved their performance, moving from a contraction of -9.0% in January to a real annual increase of 1.8% in February, while the non-financial public sector continued to decelerate, going from 5.5% growth in January to a 1.1% decline in February.

The greater growth in liquid balances in the case of households (46.2% of demand deposit balances) would be associated with better performance of formal employment (1.2% annually in January) and the reallocation of part of their term savings towards more liquid balances. In the case of businesses (38.2% of demand deposit balances), the slowdown in their growth rate is associated with weak revenue generation, which has been exacerbated by the greater accounting impact of exchange rate appreciation. For financial institutions and the non-financial

public sector, the reduction in their deposits is attributable to a reallocation of balances toward longer maturities.

In February, **Term deposits registered a real annual variation of 3.6%** (nominal growth of 7.8%), improving its performance compared to the previous month (-0.1%) and Q4 2025 (1.9%). The recovery is even deeper when the effect of exchange rate appreciation is discounted. After adjusting for this accounting effect, real growth in February reached 6.1%, significantly exceeding the result for January (2.1%) and the Q4 2025 average (3.4%).

By depositor, a recovery is observed, except in the time deposit balances of individuals, which slowed their growth from 1.2% in January to 0.9% in February. This slowdown is likely attributable to the decrease in interest rates. Conversely, the balances of corporations, the non-financial public sector, and other financial intermediaries (OFIs) showed increased growth. In the first two cases, this increase could be associated with delays in investment plans by both groups, as gross fixed capital formation indicators continue to show signs of weakness. This accumulation of resources is likely awaiting favorable investment conditions before being deployed. In the case of OFIS, the accumulation in their time deposit balances could be linked to weakness in their lending activity.

Holding shares in debt investment funds growth slowed in February, reaching a real annual growth rate of 9.5% (13.9% nominal), lower than the 10.7% real growth observed the previous month and the average recorded in the last quarter of 2025 (12.9% real). With this result, savings in these types of instruments moderated their growth after maintaining double-digit real growth rates for almost three years. As a result, total deposits (traditional plus investment funds) grew by 4.0% in February (8.2% nominal), below the average observed in Q4 2025 (4.8%).

The bank loan portfolio continued to slow down in February 2026 in the face of a less dynamic economic environment.

In February 2026, the outstanding loan portfolio granted by commercial banks to the non-financial private sector (NFPS) registered real annual growth of 1.4% (5.5% nominal), lower than the 1.9% recorded the previous month. The figure recorded in February is the lowest growth observed since April 2022 and accentuates the downward trend observed from the second half of 2025. The dynamism observed in the outstanding loan portfolio consists of a 1.8 percentage point contribution from consumer credit, while mortgage and business loans contributed 0.2 and -0.6 percentage points, respectively.

In February, the **outstanding consumer credit** reached a real annual growth of 7.2% (11.5% nominal), lower than the 7.8% observed the previous month. The real annual growth rate recorded in February is in turn lower than that recorded during Q4 2025 when this loan portfolio grew at an average rate of 8.1%. To the real growth rate recorded in February, credit for the acquisition of durable consumer goods (ABCD) contributed 2.5 percentage points, credit through

cards contributed 2.1 percentage points, payroll credit and personal loans contributed 1.1 percentage points each, and other consumer credit contributed 0.4 percentage points.

The **credit segment for the acquisition of durable consumer goods** (ABCD, 21.6% of consumer credit) moderated its dynamism by registering an annual real growth rate of 11.9% (16.4% nominal), the lowest growth rate since July 2023. The segment that showed the greatest slowdown was that associated with automotive credit, while that related to the acquisition of movable goods continues with the signs of less dynamism shown from the 2H25.

Auto loan (89.2% of the total ABCD portfolio balance) continues to moderate its growth, registering a real annual variation of 13.1% in February. This represents a decrease in the real annual growth rate for the second month of the year compared to the growth recorded in the previous month (13.9%) and even more so compared to Q4 2025 (when an average real annual growth rate of 16.3% was reached).

The segment of **personal property** registered a real annual growth rate of 2.5%, lower than the growth recorded the previous month (MIA) when this credit segment grew at a rate of 4.2%, and only about a quarter of the average dynamism observed in 2025 (9.1%). The slowdown observed in the ABCD portfolio could indicate a weakening of household incomes, which discourages demand for medium-term financing and spending on non-essential goods.

Meanwhile, in the segment of **credit cards** in February the real annual growth reached 5.8% (10.1% nominal), lower than the performance shown in January when the growth rate was 7.1%. Thus, the real annual growth rate recorded in the second month of 2026 was below the average rate for credit through bank cards in Q4 2025 (7.1%).

Credit card usage indicators also reflect this slowdown. The total amount transacted in February 2026 grew at a real annual rate of 0.7%, significantly lower than the 3.8% recorded the previous month and, in turn, the lowest rate recorded since March 2021. Furthermore, the number of transactions also slowed in February, registering 241.8 million transactions, which translates to an annual growth rate of 5.2%, lower than the average rate for 2025 when the number of transactions grew at an average rate of 16.6%. In February, the categories that contributed most to the growth in transaction amounts were those associated with basic consumption (3.4 percentage points) and health (0.6 percentage points), while aggregators subtracted to the dynamism of the TDC balances (-1.9 pp); in fact, the amount operated by the aggregators registered a contraction of 24.0% in its year-on-year comparison.

Payroll and personal loan portfolios showed relatively stable growth compared to the previous month. Payroll loans registered a real annual growth rate of 4.8% in February (9.0% nominal), in line with the 4.9% observed in January, while personal loans saw a slight decrease in their real annual growth rate from 7.7% in January to 7.3% in February (11.7% nominal).

The relative stability of payroll loans could be associated with the fact that formal employment stopped slowing down, since in February this employment grew at an annual rate of 1.2%, higher than the 0.7% observed in the second half of 2025. In addition, the improvement in real wages

observed in the second month of the year could also have contributed to the performance of this portfolio.

The current housing loan registered in February a real annual growth rate of 1.0% (5.0% nominal), the lowest rate recorded since October 2004. With this, housing credit shows clear signs of slowing down, which began to be more evident from 3Q25.

By credit segment, the outstanding balance of credit for middle-income housing (97.1% of the total outstanding balance of housing credit) registered a real growth rate of 1.3% (5.4% nominal) in February, in line with the result registered in the immediately preceding month (MIA), whose rate was 1.2%. Conversely, credit for social interest housing registered a contraction at a real annual rate of 8.7%, deepening the slowdown observed in Q4 2025 (when the average annual variation was -4.8%).

The slower growth observed in housing credit could be explained by weak labor market indicators. Given that housing credit lags behind formal employment trends, the observed demand appears to be reflecting employment conditions in the second half of 2024, when employment growth rates began to decline, averaging 1.5% in that period. Meanwhile, real wages registered an annual growth rate of 3.0% in February 2026, below the average rate observed in the fourth quarter of 2025 (3.2% annually) and, in turn, lower than the rate observed in January, when growth reached 3.4%.

Additionally, mortgage interest rates have shown some downward rigidity, such that implied rates for the portfolio remain close to 10.0% annually. These factors suggest that, in the short term, demand for housing credit will continue to decelerate as the low growth rates of formal employment in 2025 persist, the recovery of real wages moderates, and there is no significant decrease in long-term interest rates.

For their part, **outstanding business credit** (52.3% of the portfolio currently held by the SPNF) continued its slowdown and registered a real growth of -1.2% (2.8% nominal) in February, the lowest growth rate since April 2022. In turn, the Global Business Confidence Opinion Index (IGOEC) registered 48.8 points in the second month of the year, 0.7 points higher than the indicator of January 2026, and with this, it has accumulated 12 consecutive months below the threshold of 50 points.

By sector, in February, the services sector (56.6% of the total) contributed 1.1 percentage points to the growth rate of outstanding business loans; the construction sector marginally increased its contribution to 0.2 percentage points, while the remaining sectors (agriculture, mining, electricity, water and gas, and manufacturing) subtracted 2.3 percentage points from the overall growth rate due to the continued reduction in their loan balances. Furthermore, this marks the third consecutive month in which credit to the manufacturing sector has reduced the overall loan portfolio growth, although to a greater extent (-1.5 percentage points vs. -0.9 percentage points in January 2026), with the metal industry, non-metal products, and transportation equipment being the subsectors that most significantly detracted from portfolio growth.

In its composition by currency, it is noteworthy that the outstanding portfolio in local currency (76.7% of outstanding business loans) achieved real growth of 3.8% in February, lower than the rate observed the previous month. Meanwhile, the outstanding portfolio in foreign currency accentuated the pace of deceleration, going from a growth rate of -14.5% to a more pronounced decline of -15.4%.

As observed in recent months, exchange rate fluctuations dampened the dynamism of the foreign currency loan portfolio. Without considering this effect, the real growth rate for February would have been 1.6%, lower than the 2.4% observed the previous month (MIA). In other words, the accounting effect of the exchange rate appreciation on the foreign currency portfolio reduced growth by 16.9 percentage points. It should be noted that the foreign currency portfolio represents 23.3% of the corporate loan portfolio.

For the total outstanding business loan portfolio, after adjusting for the accounting effect of the exchange rate, an annual real growth rate of 3.3% is observed in February, which is lower than the real growth recorded the previous month and below the 5.0% observed in Q4 2025.

The slowdown observed in the various portfolios in February reflects the weakness of domestic demand, a reflection of lower economic activity and a labor market that has not yet recovered, so it is expected that credit will continue to show moderate growth in the coming months.

Stability conditions prevail in Multiple Banking at the close of 2025.

With data from the [*Annual report on the state of stability of the financial system in Mexico and on the activities carried out by the Financial System Stability Council*](#) (CESF) by the end of 2025, the weighted average capitalization index (ICAP) of multiple banks reached 20.2%, exceeding the minimum regulatory requirements. Furthermore, the ICAP registered a growth of 1.1 percentage points between December 2024 and December 2025. This increase is explained by the growth of the banking sector's loan portfolio, which raised the balance of total assets subject to risk (ASRT) by 3.0% nominally each year, and the faster growth rate of net capital of 8.9% during the same period.

The calculation of assets at risk is considered an adjustment to the total asset balance of each institution, weighted by the risk it represents. As of the end of 2025, assets at risk of credit (ASRC) represented 70% of total assets at risk of credit (ASRT), while assets at risk of market (ASRM) and assets at operational risk (ASRO) represented 18% and 12%, respectively.

Regarding credit risk, as of December 2025, the total loan portfolio balance of multiple banks registered a nominal rate of 6.6%, driven primarily by growth in the non-revolving consumer loan portfolio and the corporate loan portfolio. This growth does not reflect signs of deterioration in credit quality, since, at the end of 2025, 95.7% of the total portfolio balance corresponds to loans in stage 1, and only 2.2% of the balance is in loans in stage 3, which implies more than 90 days of delinquency.

The Adjusted Non-Performing Loan Ratio (IMORA), which includes loan write-offs in its calculation, stood at 4.5% at the end of 2025. While the IMORA for revolving and non-revolving consumer loan portfolios showed an upward trend, reaching 13.0% and 9.6% respectively, the indicators for business and mortgage loan portfolios remained relatively stable (registering levels of 2.2% and 3.7% respectively). Within the non-revolving consumer loan portfolio, auto loans and personal loans showed the largest year-over-year increases.

Regarding liquidity risk, as of December 2025, all multiple banking institutions registered a Liquidity Coverage Ratio (LCR) exceeding 100%. In fact, the median daily LCR average reached 322%. Finally, the market risk of the securities portfolio of multiple banking institutions is adequately contained, and these institutions have complied with the prudential rules established by the Bank of Mexico. Therefore, considering that interest rates and the peso/dollar exchange rate are the main market risk factors, no alarm bells are observed when making estimates for various scenarios.

2. Financial Markets

What was the behavior of government bond holdings in the wake of the conflict in Iran?

The increased volatility stemming from the conflict in Iran generated an increase in risk aversion, which in turn was reflected in a considerable rise in nominal interest rates in the local market, particularly in the middle and long end of the curve.

Specifically, the 30-day volatility observed for the yield to maturity of the 10-year Mbono averaged 17.9% during March, an increase of almost eight percentage points compared to the February average. Consequently, the yield of this instrument fluctuated between 8.79% and 9.45%.

Given this context, it is relevant to review the behavior of holdings of nominal fixed-rate government bonds during this episode of volatility, as an approximation of the degree of sensitivity of investors.

In March, non-resident holdings of M bonds at face value increased by USD 679 million, a rise of approximately USD 219 million compared to February, marking the fifth consecutive month of increased holdings by these investors. With this figure, the first quarter of the year closed with an increase in holdings of approximately USD 2.907 billion, the largest increase since the first quarter of 2025, when the rise exceeded USD 3 billion. It should be noted that these figures discount the maturity of a Mbond issue on March 5.

Thus, non-resident holdings closed the month of March with 27.3% of the total outstanding amount of M bonds, slightly below the 28.4% average recorded during 2025 and far from the 58.3% level of 2019, the year prior to the pandemic.

Throughout the weeks of March, it can be seen that the movements of foreign investors seem to have coincided with the ebb and flow of expectations regarding the duration of the conflict in Iran, rather than with any movement of a particular variable.

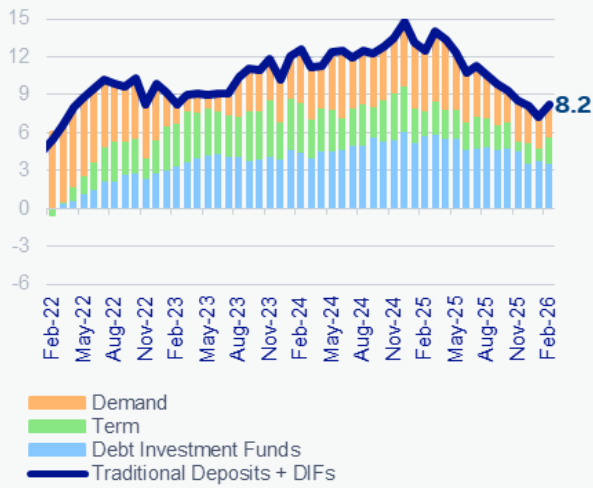
Regarding domestic investors, and taking into account the maturity of an M bond issue on March 5, banking institutions, investment funds, and insurance companies all increased their holdings of government bonds in March. In fact, in all three cases, the first quarter saw an increase in M bond holdings of between \$1 billion and \$2.7 billion.

In the case of the SIEFORES (Specialized Pension Funds for Retirement Savings), a reduction of approximately USD 1.38 billion in holdings of M bonds was recorded during March. Alongside this movement, the SIEFORES increased their holdings of real-rate bonds, suggesting that, given the potential impact on prices in the coming months due to the conflict in the Middle East, Udibonos (inflation-indexed bonds) have become more attractive. It should be noted that this type of investor focuses on the long term.

Thus, given the high uncertainty of the conflict in Iran, investors, for the moment, seem to have maintained a cautious tone regarding variations in the holding of government securities at nominal fixed rates with tactical movements in the face of market volatility.

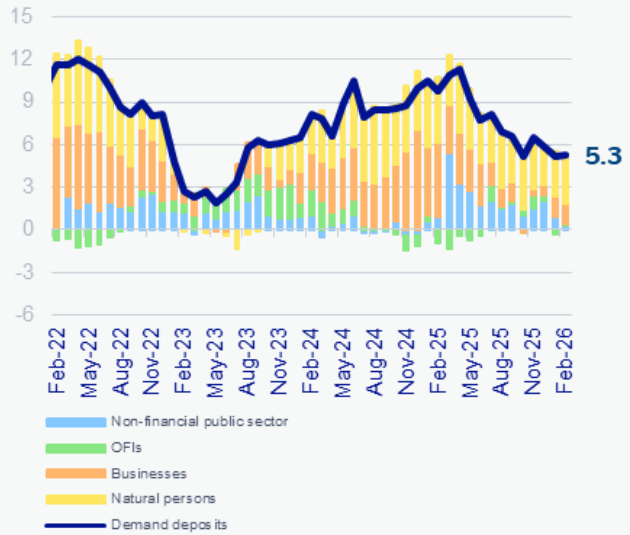
Deposits: Graphics

TOTAL DEPOSITS FROM COMMERCIAL BANKS
(ANNUAL NOMINAL VAR,%)



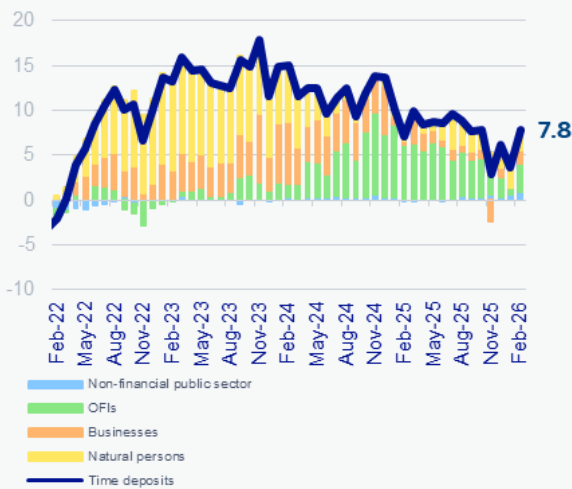
Source: BBVA Research with data from Banxico

SIGHT CAPTURE
(ANNUAL NOMINAL VAR,%)



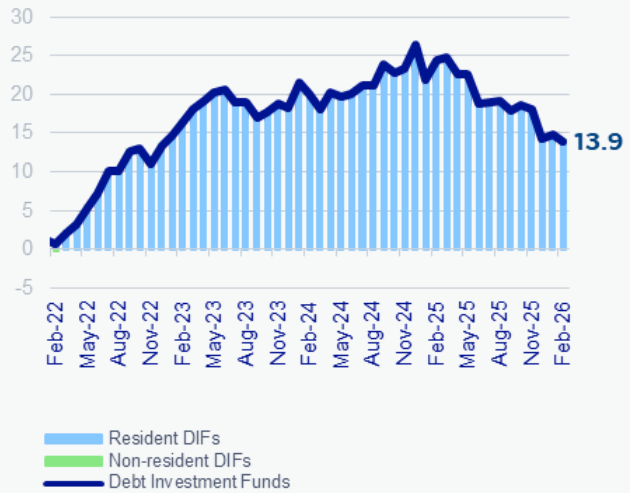
Source: BBVA Research with data from Banxico

TERM DEPOSITS
(ANNUAL NOMINAL VAR,%)



Source: BBVA Research with data from Banxico

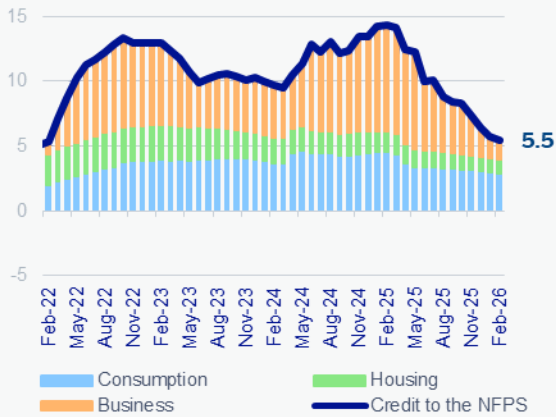
DEBT INVESTMENT FUNDS (DIFs)
(ANNUAL NOMINAL VAR,%)



Source: BBVA Research with data from Banxico

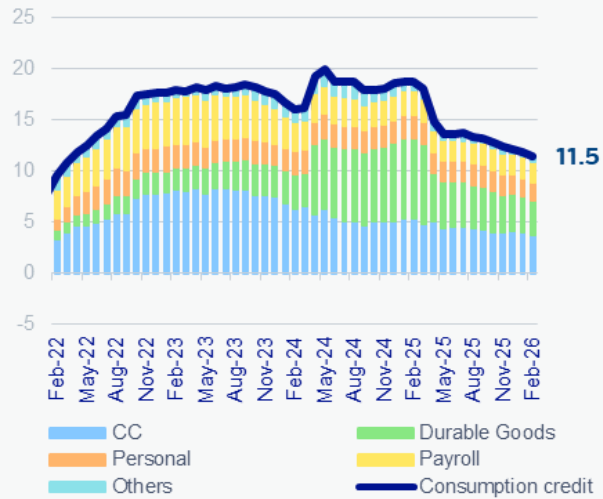
Credit: Graphics

CURRENT BANK CREDIT TO THE SPNF
(ANNUAL NOMINAL VAR,%)



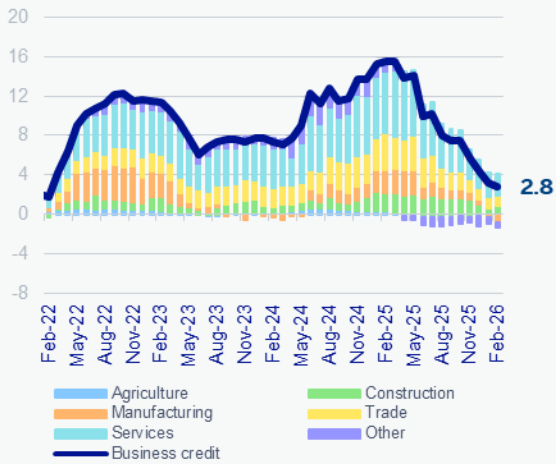
Source: BBVA Research with data from Banxico

CURRENT CONSUMER CREDIT
(ANNUAL NOMINAL VAR,%)



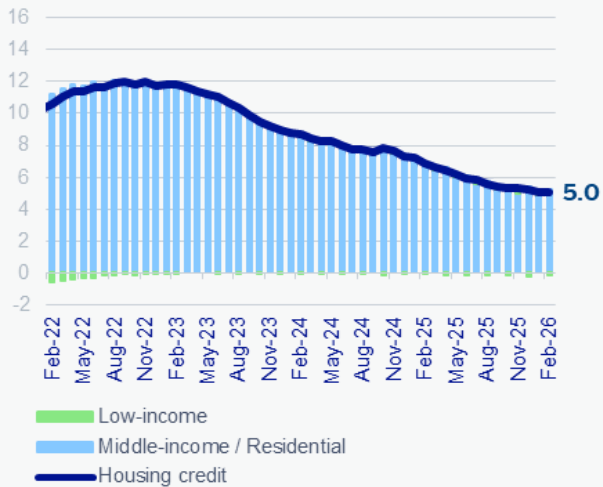
Source: BBVA Research with data from Banxico

CURRENT CREDIT FOR COMPANIES
(ANNUAL NOMINAL VAR,%)



Source: BBVA Research with data from Banxico

CURRENT HOUSING LOAN
(ANNUAL NOMINAL VAR,%)



Source: BBVA Research with data from Banxico

LEGAL NOTICE

This document does not constitute an "Investment Recommendation" as defined in Article 3.1(34) and (35) of Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse ("MAR"). In particular, this document does not constitute an "Investment Report" or an "Advertising Communication" for the purposes of Article 36 of Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to organisational requirements and operating conditions for investment firms ("MiFID II").

Readers should be aware that under no circumstances should they take this document as a basis for making their investment decisions and that the persons or entities that may potentially offer them investment products will be legally obligated to provide them with all the information they need for this decision-making.

This document, prepared by the BBVA Research Department, is for informational purposes and contains data and opinions as of the date of publication, either of our own making or from sources we consider reliable, but which have not been independently verified by BBVA. Therefore, BBVA makes no warranty, express or implied, as to its accuracy, completeness, or correctness.

The content of this document is subject to change without notice, depending, for example, on the economic context or market fluctuations. BBVA assumes no obligation to update this content or communicate such changes.

BBVA assumes no responsibility for any loss, direct or indirect, that may result from the use of this document or its content.

Neither this document nor its contents constitute an offer, invitation, or solicitation to acquire, divest, or obtain any interest in assets or financial instruments, nor can they serve as the basis for any contract, commitment, or decision of any kind.

The content of this document is protected by intellectual property law. Its reproduction, transformation, distribution, public communication, making available, extraction, reuse, forwarding, or use of any kind, by any means or procedure, is expressly prohibited, except where legally permitted or expressly authorized by BBVA on its website www.bbva-research.com.