

# Mexico Banking Flash

## ICAP: banks pass the first Basel III test

A few days ago, the Mexican National Banking and Securities Commission (CNBV) published the banks' capital ratio (ICAP for its acronym in Spanish) as of January 2013, which for the first time was calculated under the new Basel III guidelines. All the banking institutions are in category I, which means that their ICAP is higher than the 10.5% minimum regulatory ratio established in Basel III.

- Net capital ratio: all the banks exceeded the 10.5% established by Basel III**

At the end of January 2013, the ICAP average was 28.5%, slightly lower than the 29.7% registered at the end of 2012, when the Basel III guidelines had not yet come into effect. For most banks, including BBVA Bancomer, the result was better than expected, since according to CNBV estimates the ICAP under the new rules was expected to be around 15.5%. BBVA Bancomer's ICAP was 16.3% as of January 2013.

- Core capital: banks on sound footing**

The core capital average was 29.2%. The percentage was much higher than the minimum required by Basel III (8.5%). This result is due mainly to the high ratio of Tier 1 capital (average 23.8%), which includes the most solid capital elements, and shows that Mexican banks maintain healthy levels of capital.

Table 1:

### Capital ratios by bank

Bank	Basel II		Basel III	
	ICAP (%) Dec '12	ICAP (%) Jan '13	Core capital (%)	Tier 1 capital (%)
The Bank of New York Mellon	215.7	205.9	218.8	180.2
UBS	145.0	95.1	101.1	83.2
Bank of Tokyo-Mitsubishi UFJ	108.8	83.4	88.2	72.7
The Royal Bank of Scotland	62.4	76.6	81.3	66.9
ING	15.6	46.6	49.5	40.7
American Express	44.3	45.6	47.4	35.0
Banco Base	36.4	41.2	43.6	35.9
Compartamos	33.8	34.8	36.9	30.4
JP Morgan	43.7	30.9	32.8	27.0
Consurbanco	21.8	23.6	24.1	19.9
Actinver	22.3	22.6	23.5	19.4
Deutsche Bank	22.2	22.2	23.5	19.3
BanCoppel	20.6	22.1	22.4	18.5
Bank of America	22.5	20.6	21.8	18.0
Inbursa	20.2	19.9	21.1	17.4
Agrofinanzas	22.5	19.4	20.6	16.9
Monex	20.4	19.5	20.5	16.9
Barclays	19.6	18.1	19.3	15.9
Bansi	16.1	17.8	18.5	15.3
Banco Credit Suisse	19.0	16.9	17.9	14.8
Scotiabank	15.8	17.0	17.8	14.6
Autofin	15.7	16.5	17.5	14.4
Invex	16.1	16.2	17.0	14.0
Inter Banco	14.7	16.2	17.0	14.0
Banamex	15.0	15.7	16.5	13.6
Santander	14.8	15.1	15.7	13.0
ABC Capital	15.6	14.9	15.3	9.5
Volkswagen Bank	12.6	14.4	15.2	12.5
HSBC	14.5	16.4	14.1	11.6
CIBanco	14.0	13.3	14.1	11.6
Multiva	19.1	18.5	14.0	11.6
Banco Azteca	12.5	13.7	13.9	10.4
Banco Ahorro Famsa	13.1	13.1	13.9	11.4
Banregio	14.6	14.2	13.6	11.2
Ve por Más	17.9	17.8	13.4	11.1
Banco del Bajío	13.4	12.8	13.1	10.8
<b>BBVA Bancomer</b>	<b>15.8</b>	<b>16.3</b>	<b>13.0</b>	<b>10.7</b>
Interacciones	16.4	16.2	12.2	10.1
Banco Wal-Mart	13.1	12.1	12.1	9.9
Ixe	15.5	14.6	11.1	8.1
Banorte	14.8	13.2	11.1	8.0
Afirme	14.1	12.6	9.8	8.1
Banca Mifel	13.8	13.2	9.4	7.8
<b>Average</b>	<b>29.7</b>	<b>28.5</b>	<b>29.2</b>	<b>23.8</b>

Source: BBVA Research with CNBV data

The Capital Ratio, or ICAP, is defined as the net capital (core capital + supplementary capital) divided by the risk-weighted assets.

Core capital consists of Tier 1 capital and Tier 2 capital. Tier 1 capital includes: common stock, contributions for future capital increases, capital reserves, earnings from previous years, net profit and capital valuation. Tier 2 capital consists of preferred stock and other instruments.

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Chart 1

### ICAP and Basel III requirements

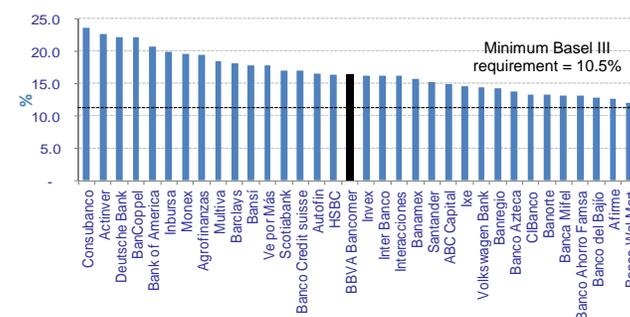
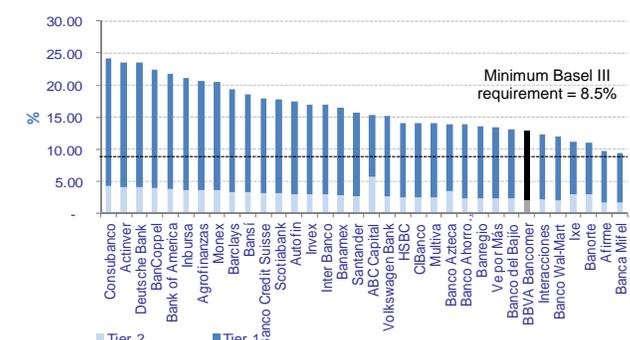


Chart 2

### Core capital and Basel III requirements



Source: BBVA Research with CNBV data

Note: The charts do not include banks with percentages above 25%.

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