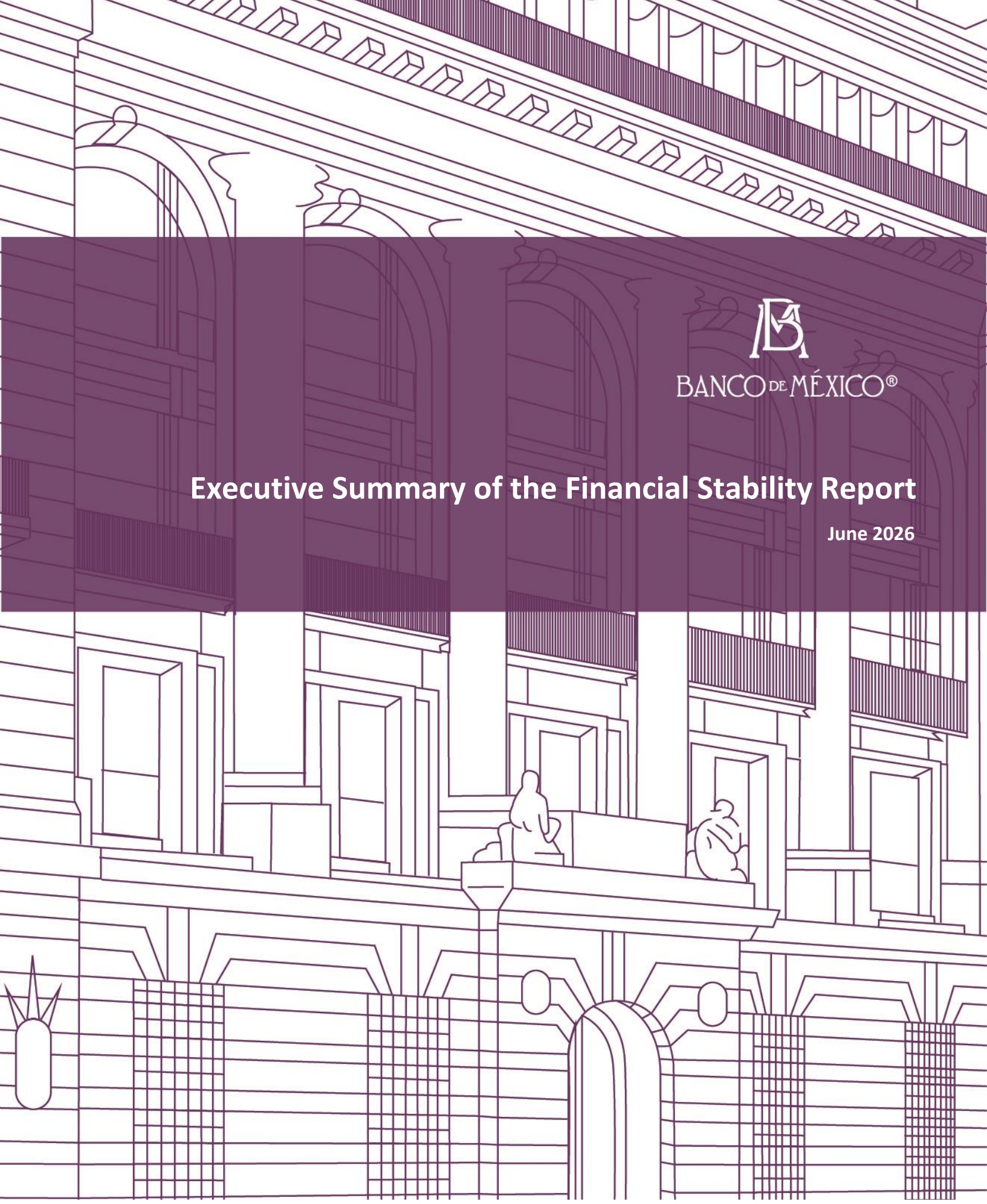


BANCO DE MÉXICO®

Executive Summary of the Financial Stability Report

June 2026

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Executive summary

Since our last *Report*, the Mexican financial system remains sound and resilient overall, despite the volatile international environment for global financial markets caused by the escalation of geopolitical tensions in the Middle East since late February. This conflict has curtailed transportation and distribution of oil and oil-derived products, thereby leading to a sharp rise in their prices. The uncertainty stemming from this conflict led to an upward revision in expectations around the future path of global monetary policy. Although market conditions have improved since April amid prospects of an end to the conflict and the resumption of normal shipping traffic through the Strait of Hormuz, this positive scenario has not yet materialized.

Macro-financial conditions

Global economic activity showed signs of greater expansion in the first quarter of 2026 compared with the preceding quarter. However, the escalation of geopolitical tensions in the Middle East has exerted pressure on energy markets, and their impact on economic growth and inflation remain uncertain. Against this backdrop, in April 2026, the International Monetary Fund (IMF) revised downwards its global growth projections for 2026 compared with its January estimates, noting that further adjustments could be required depending on the duration and severity of the conflict.

Headline inflation continued trending downwards in various advanced and emerging economies during the first months of 2026. However, since March, a significant number of these economies have experienced an inflationary spike, driven by rising energy prices.

In Mexico, following some improvement at the end of 2025, economic activity slowed down significantly during the first quarter of 2026, mainly due to the reversal of the moderate recovery in secondary activities, as well as to a contraction in the primary and tertiary sectors. Headline inflation rebounded between the fourth quarter of 2025 and the first quarter of 2026, driven mainly by non-core inflation, and subsequently reached 4.11% in the first half of May. Given this scenario, at its May meeting, Banco de México's Governing Board judged it appropriate to lower the reference rate to 6.5%, bringing the rate-cutting cycle to an end, and signaled that said level of the reference rate is adequate to address the challenges of the macroeconomic environment, including those arising from a prolonged and escalating conflict in the Middle East and its repercussions.

The evolution of the Mexican peso has undergone two distinct phases during the reporting period. During the first two months of 2026, it appreciated against the US dollar due to a decline in implied volatility and the adoption of carry trade strategies. Subsequently, starting in late February, the national currency depreciated due to the conflict in the Middle East and risk aversion. Following the announcement of a ceasefire, the Mexican peso recovered significantly to stabilize around its previous level.

The Financial Markets Stress Index (IEMF, for its acronym in Spanish) declined until March, when it then spiked due to the armed conflict. However, in early April, it resumed its downward trend due to reduced stress in all of its components, except for the foreign exchange market variables, which show increased stress. Compared to the previous *Report*, the index stands at a lower level, driven by a reduction in all of its components, except for that related to the foreign exchange market. The Financial Conditions Index (ICF, for its acronym in Spanish) remains in the easing zone due to the behavior of macroeconomic variables, and developments in fixed-income markets, as well as other financial markets.

Likewise, the macro-financial vulnerabilities index remained below critical thresholds across the financial, real, foreign, and public sectors, with no significant vulnerabilities identified. Meanwhile, the aggregate risk of the financial system, as illustrated by the heat map, increased marginally.

Evolution of financing and financial system risks

Banco de México conducts a comprehensive assessment of risks to financial stability using qualitative and quantitative indicators, which can be classified into two categories: i) macro-financial risks, associated with the evolution and possible deterioration of domestic and international

economic and financial variables, and ii) risks associated with the financial system that affect households, companies, the public sector, commercial banks, and other intermediaries, including potential disruptions in financial markets and payment systems.

The main macro-financial risks to the stability of the financial system include: i) an escalation or persistence of geopolitical conflicts; ii) unexpected changes in the trajectory of global financial conditions; iii) lower-than-expected growth in a global environment of high uncertainty; iv) unexpected adjustments in the credit ratings of key domestic issuers; and v) the occurrence of a systemic event with implications for the global financial system.

Looking at the sectoral level, households' financial balances improved with respect to those of the second half of 2025 reaching 50.4% of GDP by year-end. This was driven by an increase in savings through mandates and other instruments while real annual growth of total consumer financing moderated. Credit growth varied by type of lender: credit expansion by banks and their related sofomes was lower, in contrast lending by non-bank entities accelerated. Regarding consumer loan quality, the non-performing loan ratio of commercial banks and their sofomes increased across all segments of the consumer loan portfolio, with a sharp rise in personal loans due to riskier underwriting practices by a small group of institutions, without this representing a systemic deterioration. Although the adjusted non-performing loan ratio (IMORA, for its acronym in Spanish), which takes into account loan loss provisioning, increased due to the larger past-due portfolio and higher write-offs, most consumer segments maintain non-performing loan ratios below their historical averages, except for the payroll portfolio, which exhibits more stable levels on record.

Total housing financing registered lower growth than in the previous *Report*. Disaggregating by lender, financing from commercial banks and their related sofomes slowed, while Infonavit, recorded slightly lower growth in its total portfolio balance, despite increased origination of small-amount mortgage loans. Meanwhile, the Fovissste portfolio continued to contract.

Total financing to the non-financial sector reached 103.9% of GDP in early 2026, concentrated in the public sector (59.9%). External financing to private non-financial companies decreased due to foreign exchange effects, although international debt issuance increased slightly. In contrast, domestic financing grew, although marginally. A rise in local debt issuance was tempered by the slowdown in credit from financial institutions.

The non-performing loan ratios for banks' corporate loans declined across all segments, falling below historical averages, with stability in sectors exposed to tariffs, except for a sustained increase in defaults among smaller companies. In contrast, non-performing loan ratios among non-bank financial intermediaries increased slightly, mainly due to a deterioration at non-regulated sofomes. Meanwhile, the vulnerability indicator for listed companies (IVEL, for its acronym in Spanish) improved, returning to low-vulnerability levels due to better corporate profitability, payment capacity, and refinancing conditions.

The public sector balance registered a deficit of 3.9% of GDP at end-year 2025, exceeding projections. For 2026, the Federal Government anticipates a deficit of 3.6% of GDP. The credit risk profiles of most subnational governments showed either improvements or stability between October 2025 and February 2026, and risks associated with their financing remain limited. As for public companies, Pemex reduced its total debt by 12.3%, although it faces significant maturation rates in the next two years (17.2% of its total debt) in 2026 and 2027.The public electric utility CFE registered a record annual cumulative net profit and improved its maturity profile.

Looking at financial system resilience, commercial banks maintain solid levels of capitalization and liquidity, well above regulatory minimums. Credit risk decreased due to lower default correlations and, to a lesser extent, reduced concentration in the consumer portfolio. In contrast, market risk increased due to a rebalancing of banks' portfolios towards longer-term instruments, which raised their sensitivity to interest rates. Liquidity risk remained stable, while contagion risk trended downwards, with a stable and declining proportion of assets held by overexposed

institutions. Furthermore, stress tests indicate that the banking system has sufficient capacity to absorb severe adverse scenarios, including macroeconomic shocks, historical stress scenarios, and extreme weather events.

With regards to other non-banking financial intermediaries (OIFNBs, for its acronym in Mexico's regulatory framework), their financing of the private sector grew at a faster pace, using heterogeneous funding sources. Funding received by regulated non-banking financial institutions contracted due to receiving less bank credit and lower debt issuance. Unregulated institutions also saw their total financing contract, despite accelerating their securities issuance. The sector's non-performing loan ratio is stable in aggregate terms, but remained at historically high levels for non-regulated financial entities, particularly for their business credit portfolios. Although the number of vulnerable entities increased slightly, their share in the NBFI sector's total assets decreased, and banks' exposure to them remains low (0.9% of regulatory capital), so they do not pose a systemic risk.

The financial system remains exposed to risks associated with climate change and cybersecurity. With regards to climate transition risks, bank exposure decreased towards sectors with high direct and indirect emissions, but increased towards those sectors that are vulnerable to a drop in demand from polluting industries. This increased exposure came due to higher lending to service companies linked to polluting industries. Regarding physical risks, the exposure of business and mortgage loans to floods decreased, while exposure to droughts, heat waves, and tropical cyclones increased.

In the cyber domain, despite a global environment of increasingly frequent and sophisticated cyber threats, fueled by artificial intelligence and geopolitical conflicts, the Mexican financial system maintains an intermediate alert level with no direct impacts or losses for customers, due to the strengthening of prevention measures and the implementation of crisis simulation exercises.

Policy measures implemented

During the reporting period, Banco de México strengthened the derivatives market in several ways by i) improving the identification of participants in the derivatives market by lowering the threshold for the use of the LEI (Legal Entity Identifier) code, ii) expanding the list of eligible securities for open market operations, and iii) incorporating UMS bonds, development bank debt, and US Treasury securities.

The National Commission for the Pension System (CONSAR, for its acronym in Spanish) improved transparency of workers' returns, and optimized the allocation of individual accounts in the Afores. The CNBV clarified rules on large exposures, established deadlines for capital increases, and implemented the "Revised Capital Floor" to ensure the adequacy and comparability of regulatory capital.

Final remarks

Overall, the indicators suggest that the Mexican financial system remains resilient and capable of weathering adverse scenarios. However, risks persist in the global environment, characterized by intensifying geopolitical conflicts, whose evolution requires close monitoring.

Banco de México reaffirms its commitment to preserving the stability of the financial system and ensuring the proper functioning of payment systems. To this end, it will implement the necessary measures in coordination with other authorities, in the exercise of its powers and in strict compliance with the legal framework.



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