

Financial Stability Report– Second Semester 2024

December 11, 2024

BANCO DE MÉXICO®

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Introduction

The **Financial Stability Report (FSR) provides an updated review of the Mexican financial system**, by describing:



The current state of Mexico's financial system.



The **main macrofinancial risks** that could potentially stem from the behavior of financial and macroeconomic variables.



Monitoring and assessment of the financial system's risks and vulnerabilities.



Regulatory measures implemented for the sound development of the financial system.



The results of **liquidity and solvency stress tests to evaluate resilience when facing adverse shocks.**

The Mexican financial system is in a solid and resilient position in a context characterized by:

- ✓ **Volatile domestic and international financial markets** due to the possibility of an escalation of geopolitical conflicts and trade tensions.
- ✓ **Financial conditions in Mexico that remain restrictive.**
- ✓ **Annual headline inflation expected to continue declining towards the target.**

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2 Measures for the sound development of the financial system

3 Financial system risks

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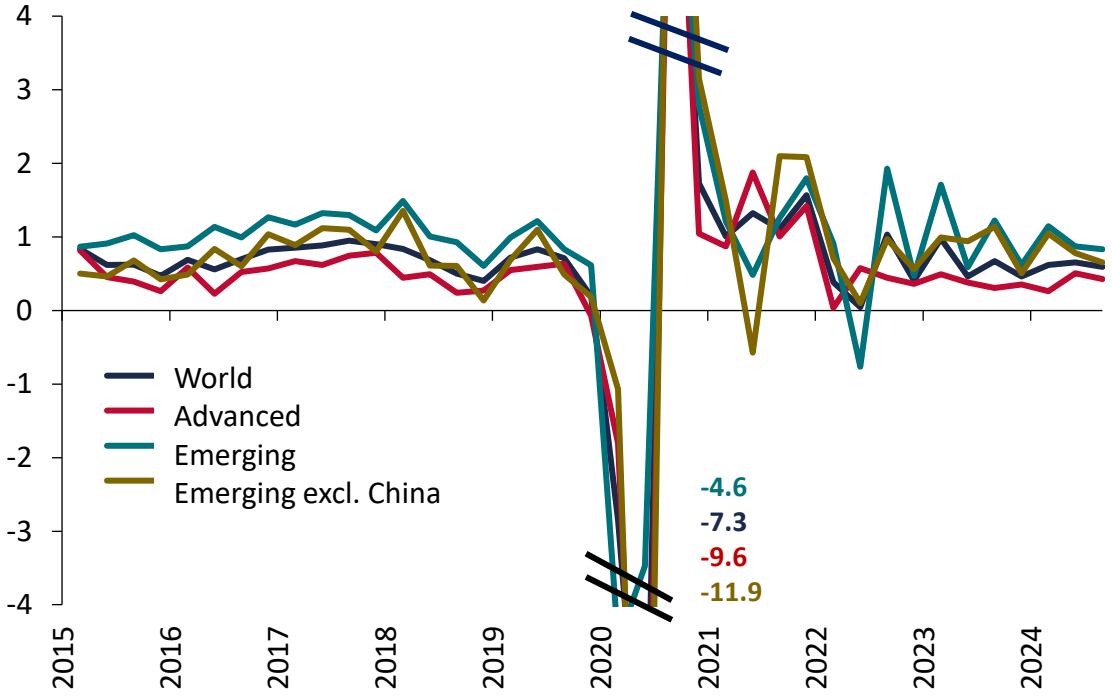
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1 Global growth

During S2-2024, world economic activity slowed down and performed heterogeneously among countries. Global growth forecasts for 2024 and 2025 remained stable.

GDP growth[1/]

Quarterly % change, s. a.



Data as of Q3-2024.
Source: Banco de México with data from Haver Analytics and J.P. Morgan.
s.a./ seasonally adjusted data.
1/The sample of countries used for the calculation represents 85.6% of world GDP adjusted by purchasing power parity. Forecasts are used for some countries in the sample for Q3-2024. Based on updated information as of November 25, 2024.
Note: The ranges of the series were shortened to facilitate their visualization. The data corresponds to minimum and maximum levels of the indicators for the sample of indicators that are not visualized in the chart.

GDP growth world forecast

Percent

	World Economic Outlook October 2024		Change since. July 2024	
	2024	2025	2024	2025
World	**3.2**	**3.2**	**0.0**	**-0.1**
Advanced	**1.8**	**1.8**	**0.1**	**0.0**
United States	2.8	2.2	0.2	0.3
Euro area	0.8	1.2	-0.1	-0.3
Japan	0.3	1.1	-0.4	0.1
United Kingdom	1.1	1.5	0.4	0.0
Emerging	**4.2**	**4.2**	**0.0**	**-0.1**
Excl. China	3.9	4.1	-0.1	-0.1
Mexico	**1.5**	**1.3**	**-0.7**	**-0.3**
China	4.8	4.5	-0.2	0.0
India	7.0	6.5	0.0	0.0
Brazil	3.0	2.2	0.9	-0.2

Data as of October 2024.
Source: IMF, World Economic Outlook, July and October 2024.

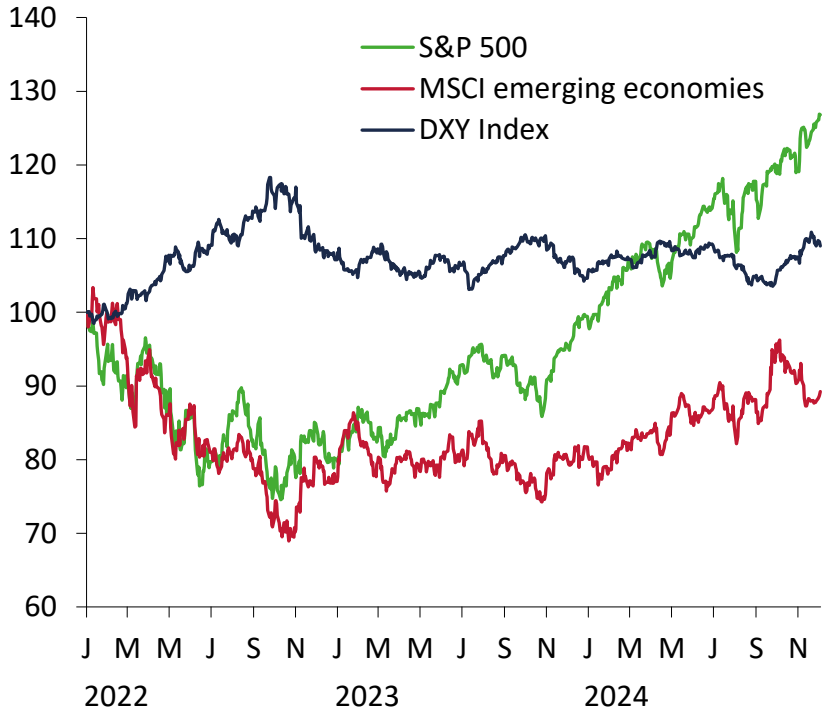
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2 International financial markets

During S2-2024, the performance of international financial markets was mainly influenced by inflation dynamics that, overall, were closer to the central banks' targets, along with a global economy that has shown resilience in the face of disinflation and geopolitical and electoral risks.

Stock market and FX indices' performance

Index (January 2022 = 100)



Data as of December 2024.
Source: Banco de México with data from Bloomberg.

Global Financial Conditions Index

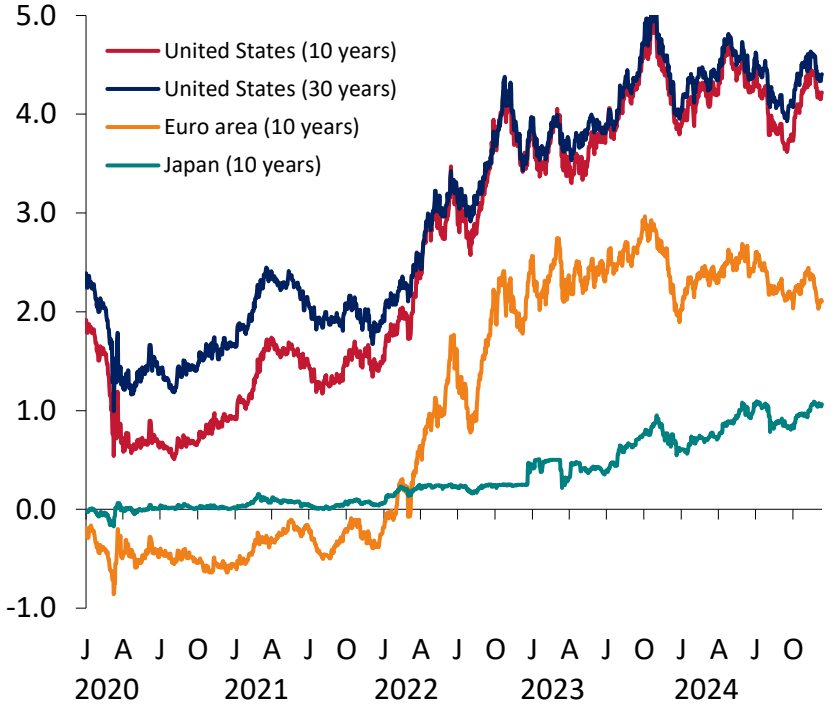
Index



Data as of December 2024.
Source: Goldman Sachs.

Government bonds' interest rates

Percent



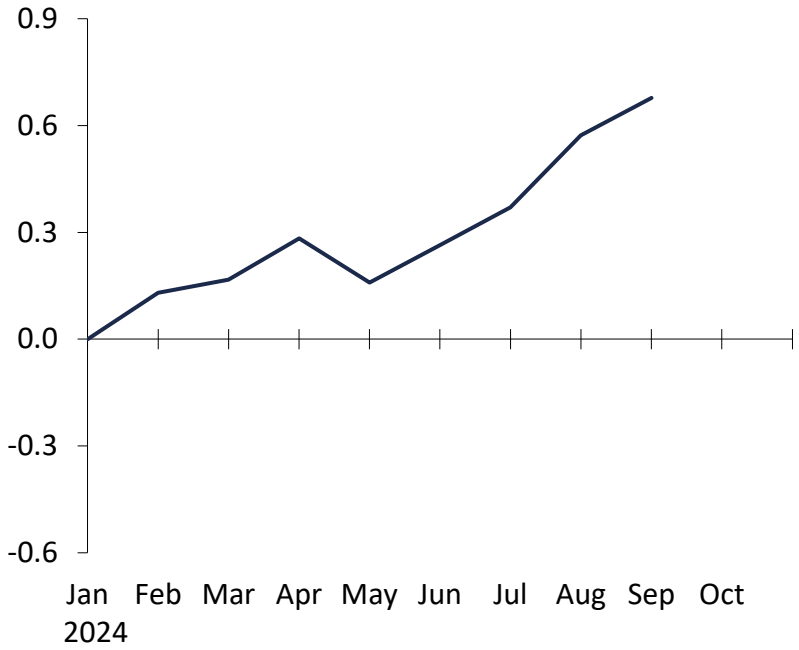
Data as of December 2024.
Source: Bloomberg.

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❸ Financial markets: emerging market economies

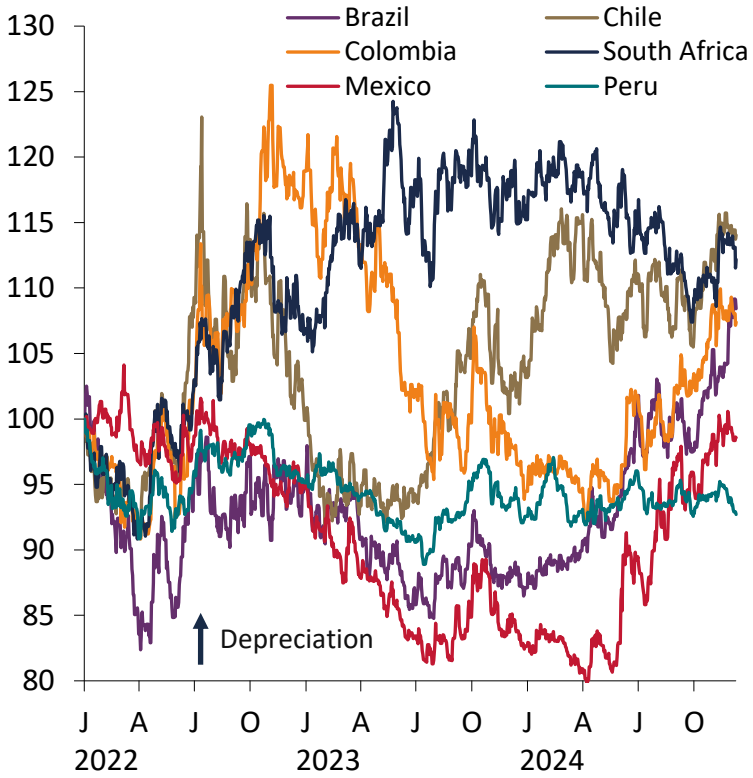
In the current environment, financial markets of emerging economies have performed differently by region and, since June 2024, these countries' currencies have shown a mixed behavior, with significant depreciations across Latin America.

Non-resident portfolio flows to EMEs[1/]
Percent of GDP



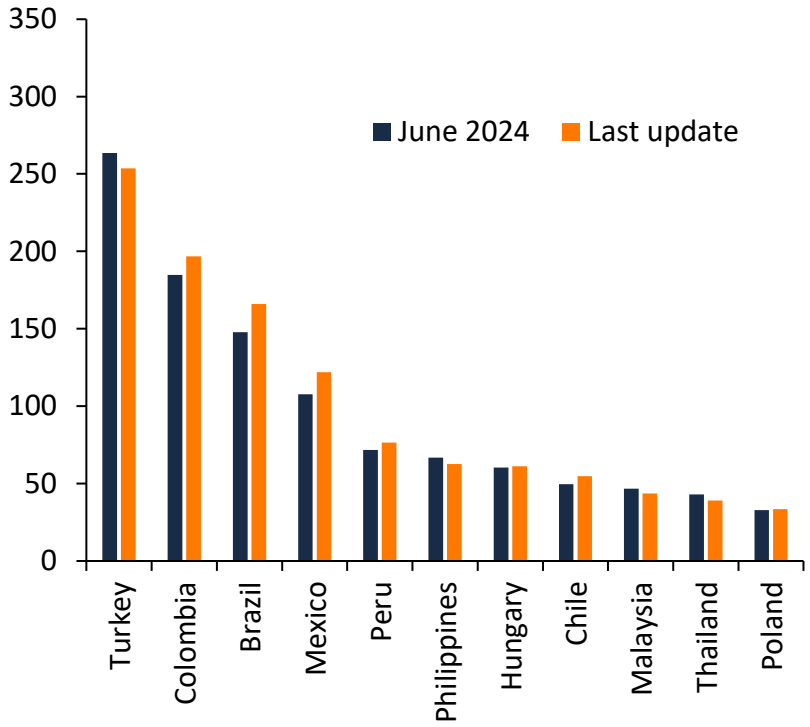
Data as of August 2024.
Source: Institute of International Finance (IIF).
1/ Cumulative flows since January 2024. The measure of portfolio flows of emerging market economies was obtained by adding the flows of Brazil, Chile, Czech Republic, Hungary, India, Indonesia, Poland, South Africa, Thailand and Turkey and dividing the total by the sum of their GDP in 2022. The countries considered were those included in the Monetary policy and international financial markets section of the Quarterly Report January-March 2021 for which information was available in the IIF.

Nominal exchange rates against the USD
(Index Jan-02-2022 = 100)



Data as of December 2024.
Source: Bloomberg.

5-year CDS for selected emerging economies
Basis points



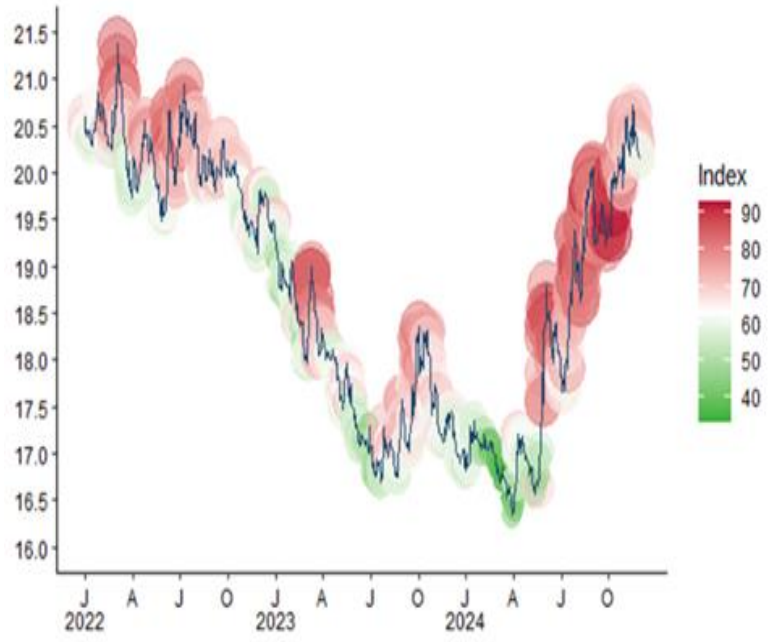
Data as of December 2024.
Source: Bloomberg.

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4 Mexican financial markets

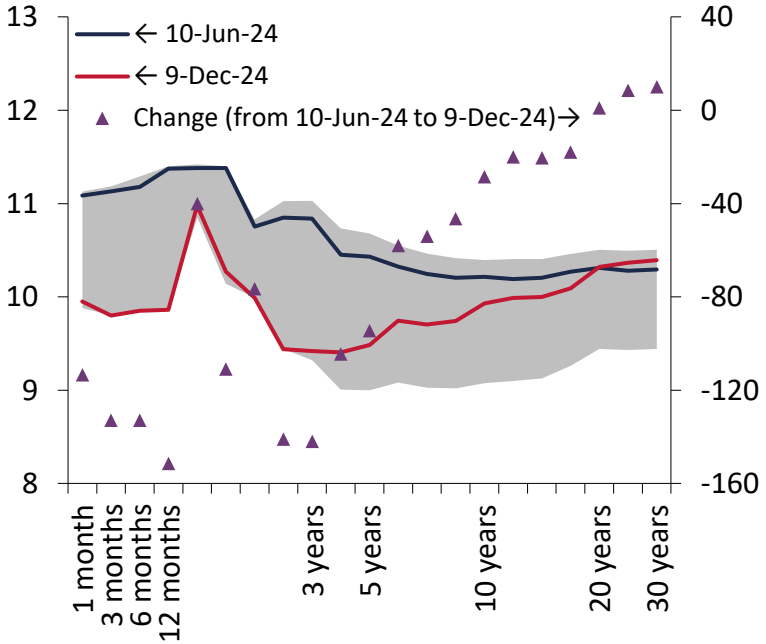
Domestic financial markets were affected by external conditions. The Mexican peso registered high volatility during the period due to both global and idiosyncratic factors. The government securities' yield curve showed decreases in most maturities, while Mexico's equity markets displayed a slightly negative performance.

Mexican peso trading conditions index[1/]
Pesos per US dollar; index



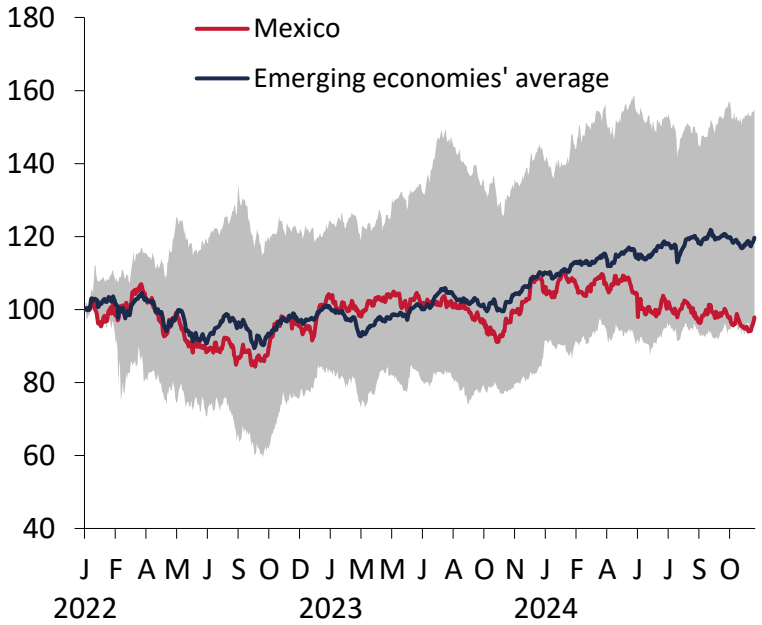
Data as of December 2024.
Source: Banco de México with data from Bloomberg and Refinitiv.
1/ The index is computed as the average of percentiles of 1-month implicit volatility and skewness, volume and observed spreads. Percentiles are computed since 2018. Red (green) circles mean a greater (lesser) deterioration of trading conditions in the FX market.

M bonds' yield curve[1/]
Percent



Data as of December 2024.
Source: Banco de México with data from PIP.
1/ The grey area is the daily yield curve range since June 10, 2024.

Equity indexes' cumulative performance for selected emerging economies[1/]
Index (Jan-02-2022 = 100)



Data as of December 2024.
Source: Banco de México with data from Bloomberg.
1/ The emerging countries included are Brazil, Chile, Colombia, Philippines, Hungary, India, Indonesia, Malaysia, Poland, and South Africa.

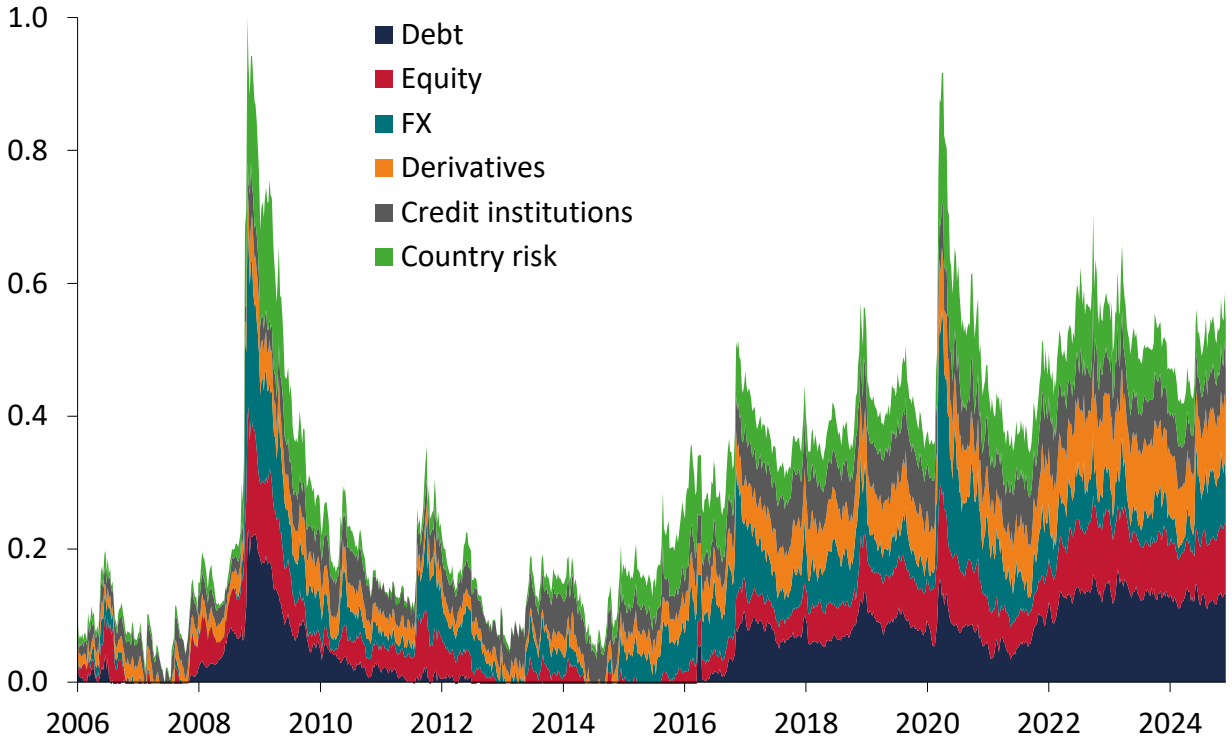
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4 Mexican financial markets

The domestic Financial Market Stress Index (FMSI) increased slightly and remains at high levels, as a result of geopolitical and idiosyncratic factors. Such an increase is mainly explained by the higher volatility in the variables associated with both the stock market and country risk. The Financial Conditions Index tightened further and remained restrictive.

The Financial Market Stress Index[1/]

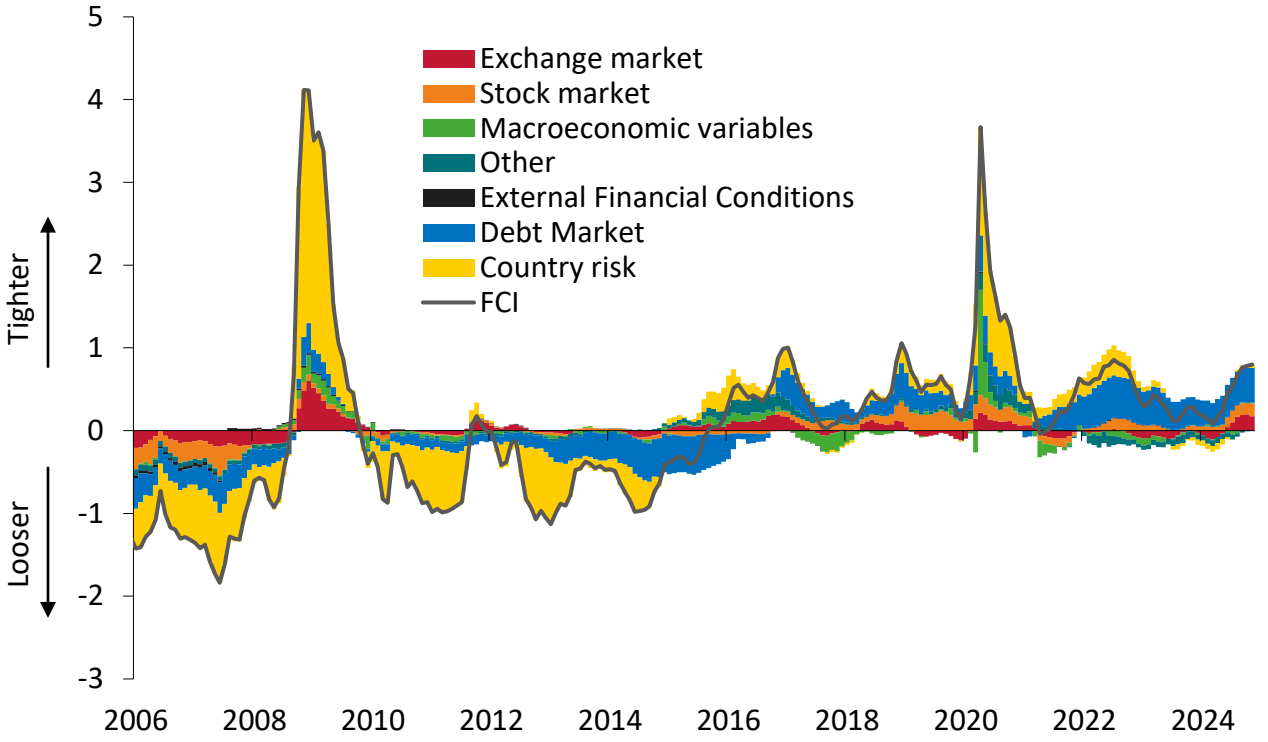
Stress level 2006-2024



Data as of December 6, 2024.
Source: Banco de México.
1/ The index was estimated using a principal component analysis based on 36 standardized variables of the Mexican financial markets grouped into 6 categories (i.e., debt market, equity market, FX market, derivatives market, credit institutions and country risk). The sum of all components result in an index which is scaled to the (0,1) interval. A higher number represents higher financial stress.

Financial Conditions Index[1,2/]

Standard deviations



Data as of November 2024.
Source: Banco de México.
1/ For a description of the methodology, see Box 2 Financial Conditions and Growth Risk, Financial Stability Report, December 2019.
2/ The contributions of each FCI variable are estimated using the Kalman Filter.

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5 Macrofinancial risks

- Although Mexico's financial system vulnerabilities remain contained, there are still some macrofinancial risks which, if they were to materialize, could affect the proper functioning of the financial system, such as:



Unexpected shifts in global financial conditions as compared to those foreseen



Escalating geopolitical tensions and/or trade conflicts



A systemic event with implications for the global financial system



Further weakening of the Mexican economy



Unexpected adjustments in credit ratings of key domestic issuers

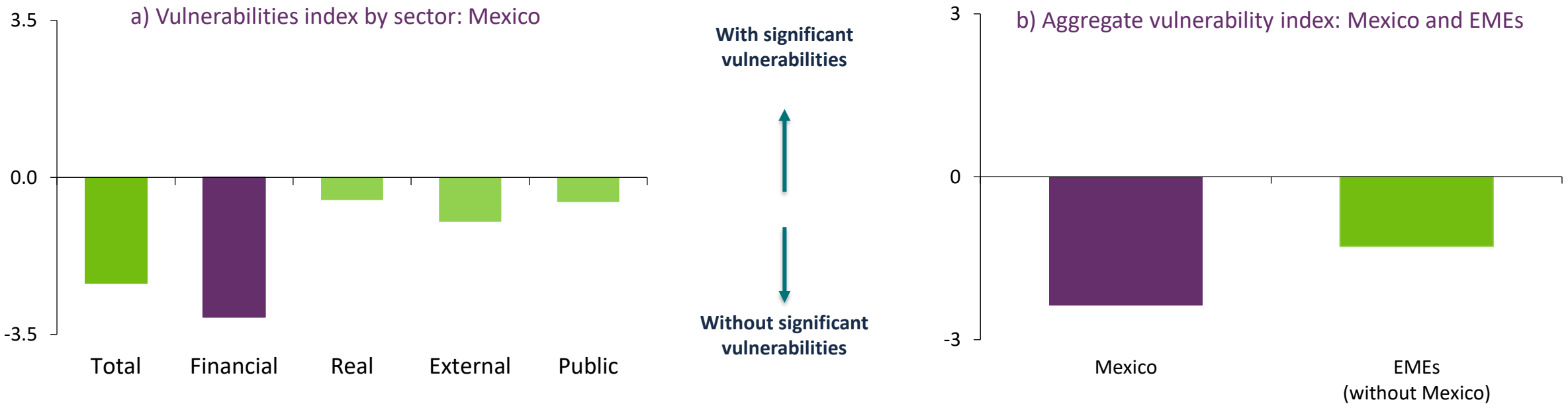
- These risks are considered in credit stress tests.

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5 Macrofinancial risks

Readings of early warning indicators remain below their respective thresholds in all sectors: financial, real, external and public. Thus, no significant vulnerabilities are currently identified.

Macrofinancial vulnerabilities indices[1/]



Source: Banco de México, Haver Analytics, and IMF (World Economic Outlook and Financial Soundness Indicators).
1/ The group of emerging economies includes Brazil, Colombia, Indonesia, Philippines, South Africa, Thailand, and Turkey.

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Measures to preserve the sound development of the financial system

To maintain the continuous improvement of the regulatory framework, Banco de México took different regulatory actions. Some of them are:



Orderly transition towards the use of reference rates based on actual transactions.



The regulatory framework for **reporting derivative transactions with foreign trade repositories** is more clearly defined.



Foster an adequate risk management of investment hedge funds. **In order to anticipate the regulatory elements applicable to transactions carried out by hedge funds,** amendments were made to secondary regulation that is issued by Banco de Mexico on two issues: repurchase agreements as well as on **securities lending and derivative transactions.**

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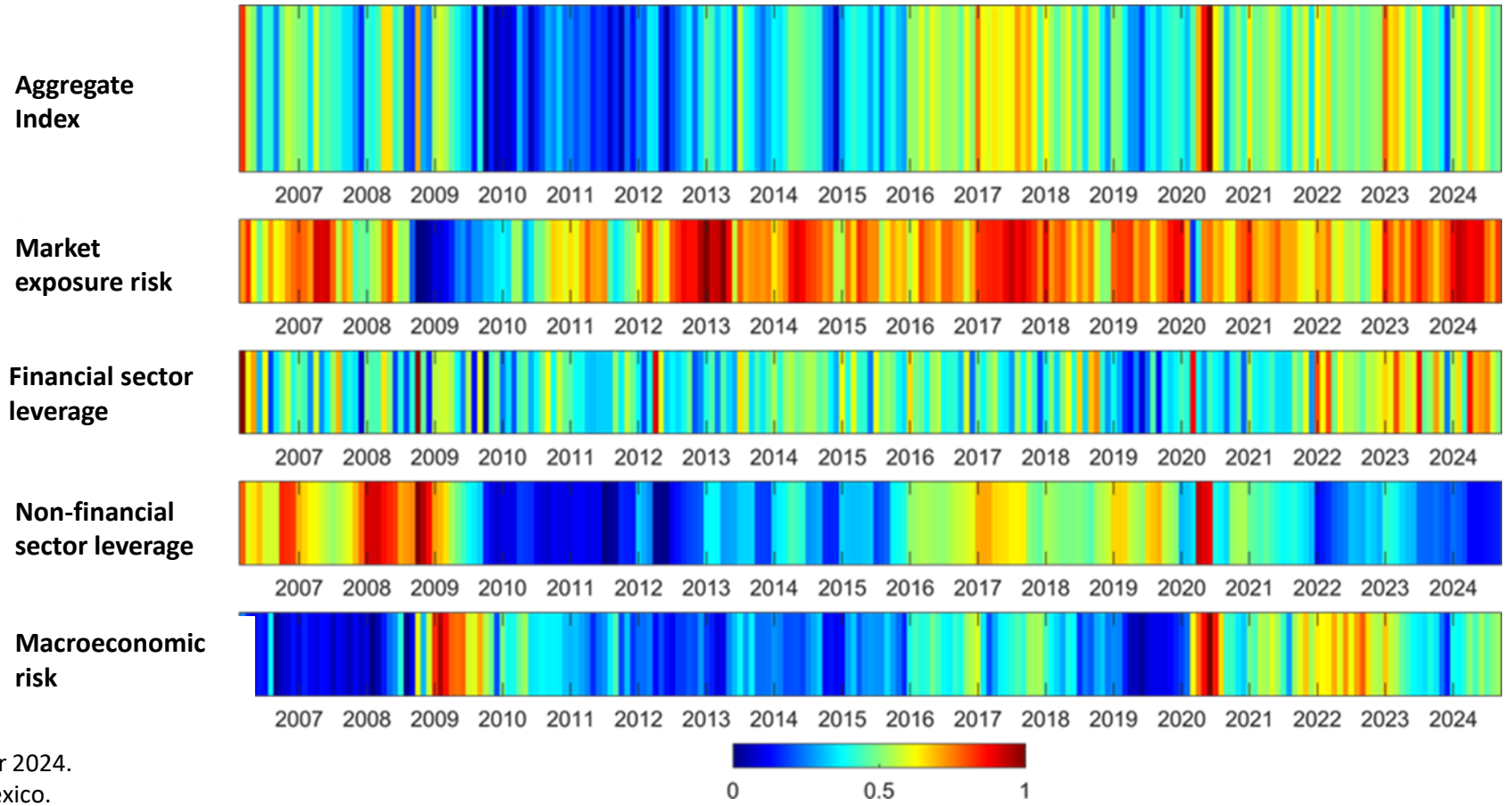
5 Final remarks

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1 Heat maps of Mexican financial system risks

As illustrated in the heatmap, **the aggregate risk of the financial system remained at a similar level** to that of the previous *Report*. Market exposure and leverage risks of the non-financial sector decreased. Macroeconomic risks increased, driven by the depreciation of the Mexican peso.

Heat maps of the Mexican financial system risks



Data as of September 2024.
Source: Banco de México.

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2 Survey of systemic risk perceptions among financial institutions

In terms of external financial risks, the most frequently mentioned remains higher-than-expected inflation. At the domestic level, the most frequently mentioned risk is the deterioration of credit ratings and growth outlook. Among non-financial risks, cybersecurity and IT risks stand out. Expectations regarding market, credit and market liquidity risk increased.

Main sources of financial system risks (6 months ahead)

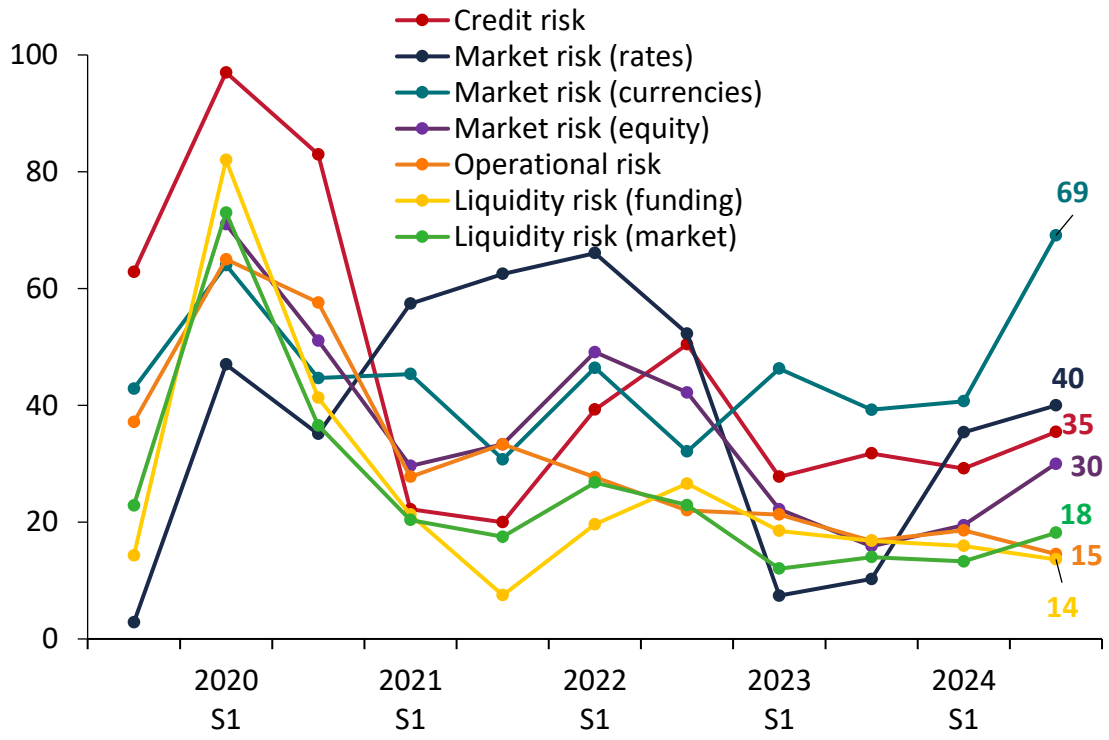
Percent of total institutions

	May 2024[1/]	November 2024[2/]
External financial risks		
Higher-than-expected inflation	88	78
Deterioration of global economic growth outlook	73	74
Disorderly changes in foreign interest rates	64	64
Volatility in commodity prices	66	57
Deterioration of foreign market conditions*	61	53
Domestic financial markets		
Deterioration of sovereign credit rating	63	70
Deterioration of the domestic economic growth outlook	71	70
Deterioration of public finances	73	65
Higher-than-expected inflation	77	63
Fiscal, financial and economic policies	55	45
Non-financial risks		
Cybersecurity and IT risks	81	90
Political, geopolitical and social risks	94	88
Climate-related risks	73	78
Violence and insecurity	67	77
Deterioration of the rule of law and impunity	49	65

1/ A total of 110 institutions participated in the latest survey. 2/ A total of 113 institutions participated in the previous survey. * Exchange rate volatility, depreciation and lack of liquidity.

Expectations regarding the evolution of risks over the next six months 1/

Percent



Source: Banco de México.

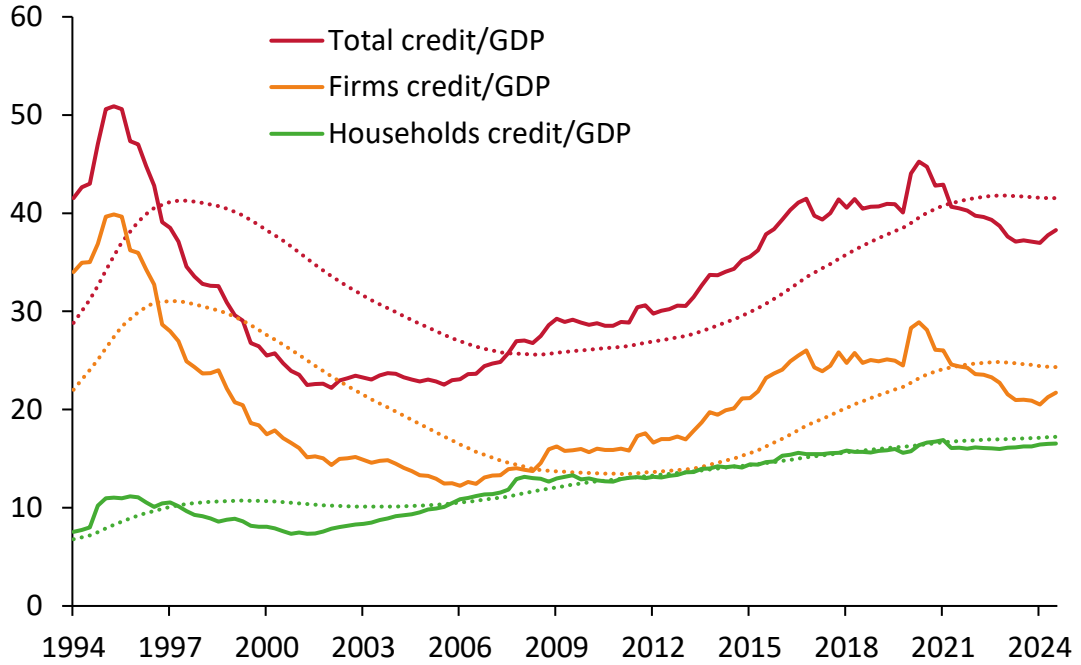
1/ The chart shows the difference between the percent of institutions that expect a risk to increase and the institutions that expect a risk to decrease.

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3 Total financing to the non-financial private sector

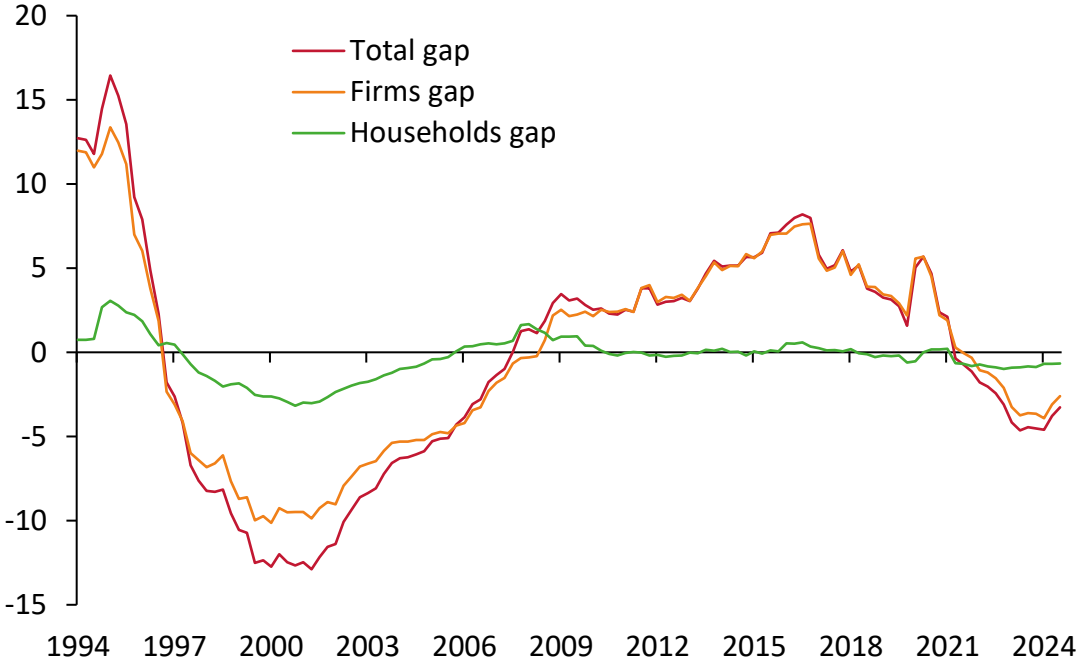
Total financing to the non-financial private sector, measured as a share of GDP, has changed its trend during the last semester, narrowing the gap by 1.3 percentage points. Both total financing and financing to businesses remain at levels similar to those of 2015. The financing gap has remained at negative levels for 3.5 consecutive years.

Credit to non-financial private sector[1/]
Percent



Data as of September 2024.
Source: Banco de México.
1/ Dotted lines correspond to long-term trend.

Credit-to-GDP gap[1/]
Percent



Data as of September 2024.
Source: Banco de México.
1/ The difference between observed credit-to-GDP ratio and its long-term trend.

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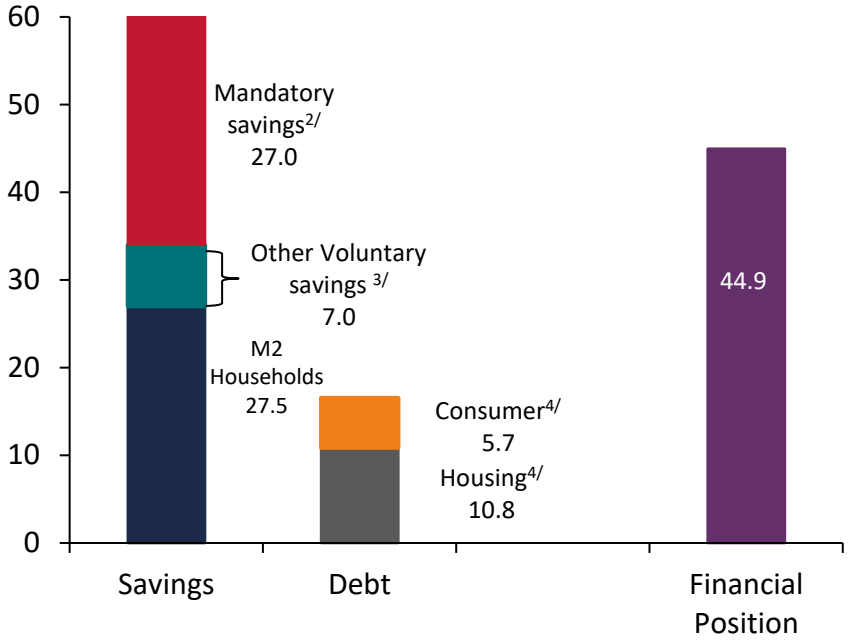
4 Households' financial position

The financial position of households improved with respect to the previous semester. Regarding their indebtedness, the annual growth rate of total financing of households rose in real terms, although at a rate lower than in the previous semester. In particular, consumer credit granted by commercial banks continued increasing, with a slower pace of growth in both credit cards and payroll segments.

Households financial position[1/]

Share of GDP

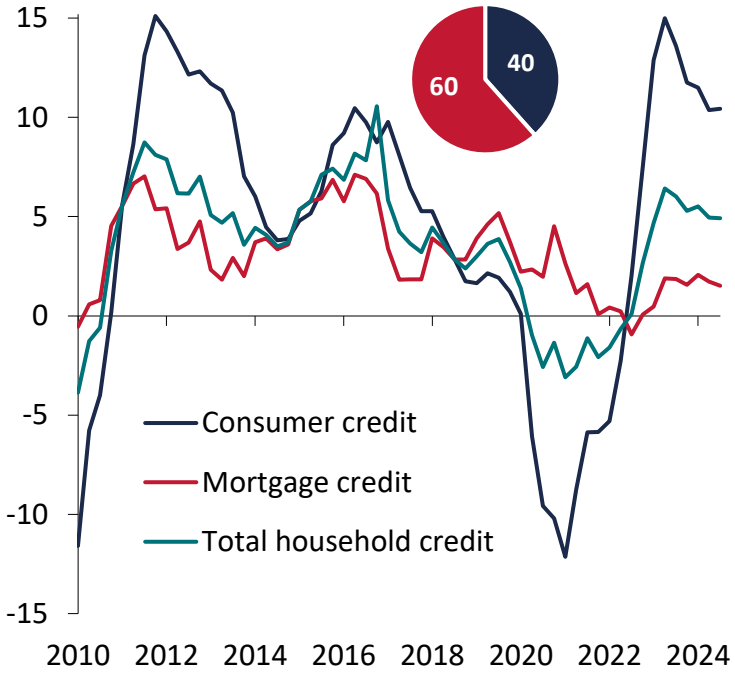
Percent



Data as of September 2024. Source: Banco de México.
1/ Totals may not add up to 100% due to rounding. Share of four quarters average nominal GDP. 2/ Includes housing and pension funds. 3/ Includes public securities, private securities, issued by states, municipalities, SOEs and Fonadin, as well as other banks liabilities held by households. 4/ Includes credit granted by commercial banks, development banks, non-bank savings and loans entities, credit unions and regulated financial companies.

Household credit growth[1/]

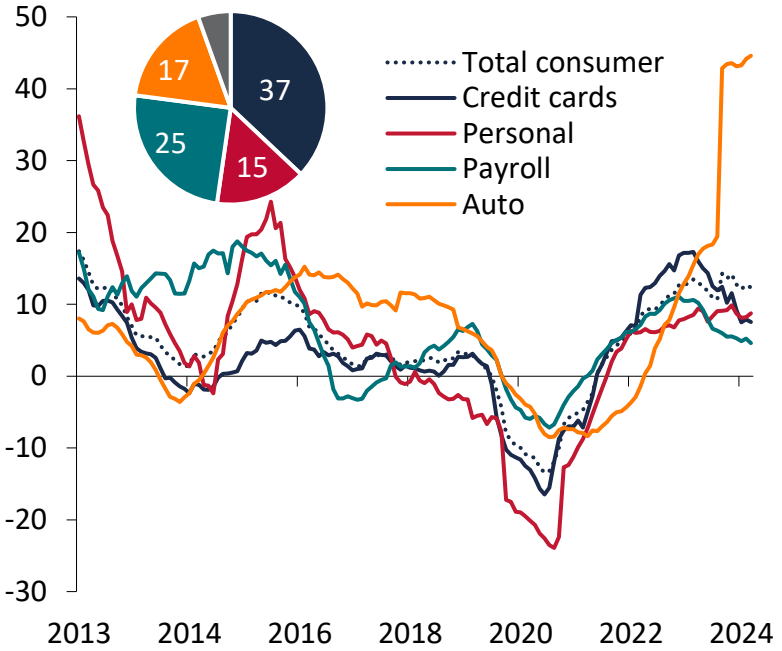
Real annual percent change



Preliminary data as of September 2024.
Source: Banco de México, BMV and Condusef.
1/ See the Financial Stability Report for a more detailed explanation of each category.

Consumption portfolio of the banking system

Real annual percent change



Data as of September 2024.
Source: CNBV.

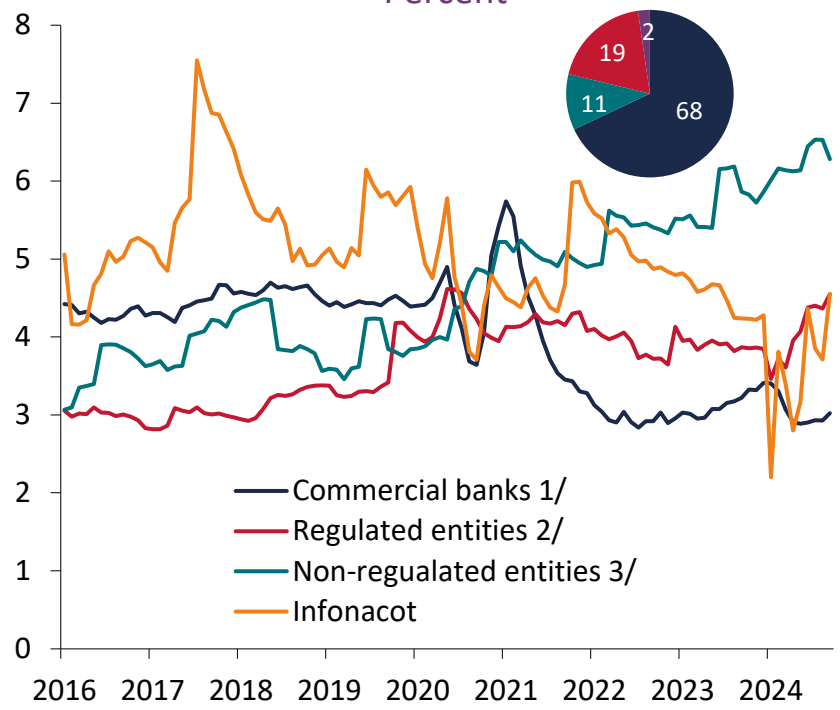
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4 Households' financial position

The non-performing loan ratio for the consumer bank loan portfolio increased slightly with respect to the previous *Report*. The adjusted non-performing loan ratio continues trending upwards, especially in credit cards. The delinquency rate of Infonavit's housing portfolio decreased due to a reduction in its non-performing loans and, to a lesser extent, to a rise in its performing portfolio.

Non-performing loan ratio of consumer portfolio

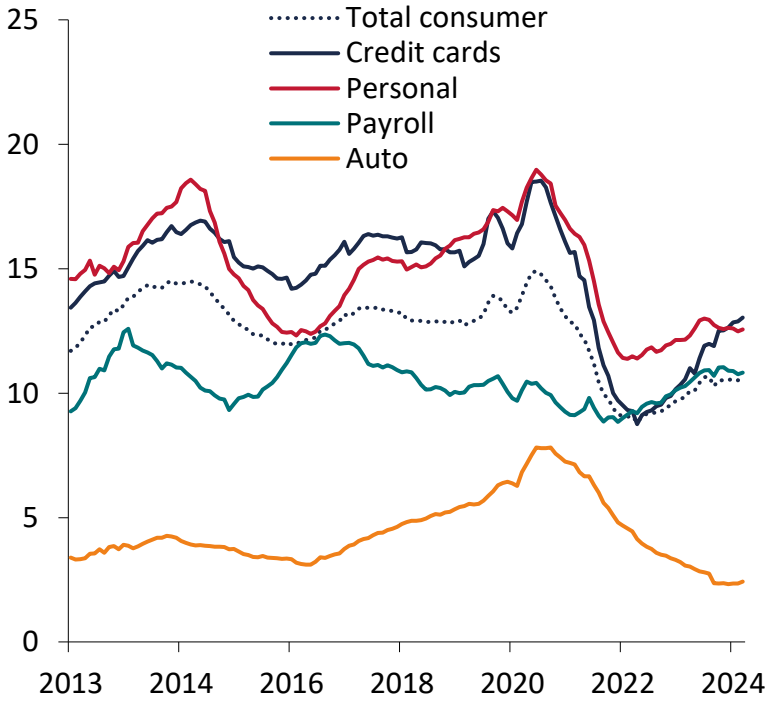
Percent



Data as of September 2024.
Source: Banco de México (SIE), CNBV, BMV, and Condusef.
1/ Includes the loan portfolio of regulated sofomes having an equity linked with a bank, whether subsidiaries of the latter or not. 2/ Includes the credit portfolios of the development bank and of non-banking regulated financial intermediaries, such as socaps, sofipos and sofomes regulated for issuing debt. 3/ Includes credit portfolio of non-regulated sofomes and debt-issuing financial companies which primarily grant credit as part of its business.

Adjusted non-performing loan ratio of consumer loan portfolio[1/]

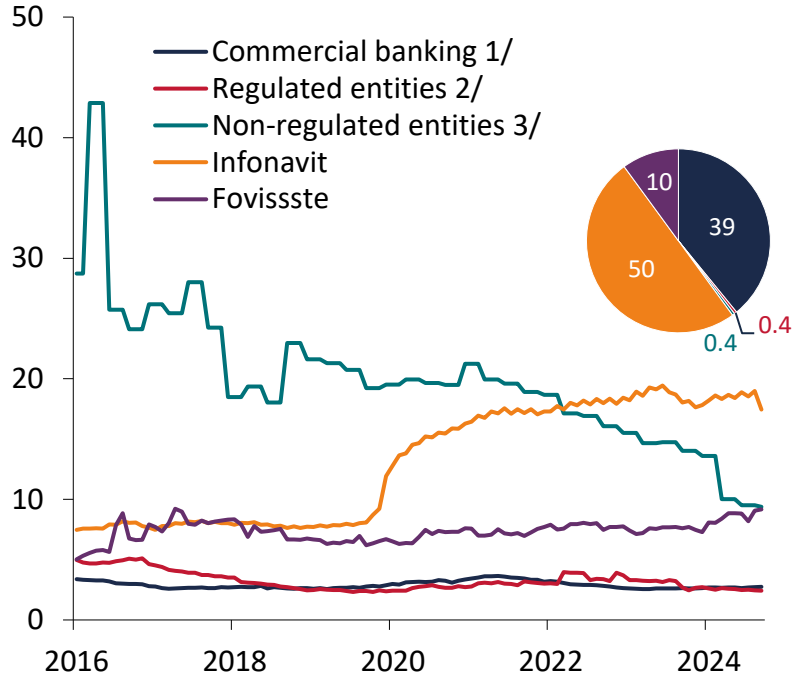
Percent



Data as of September 2024.
Source: CNBV.
1/ Includes sofomes regulated for having equity links with a bank.

Non-performing loan ratio of mortgage portfolio

Percent



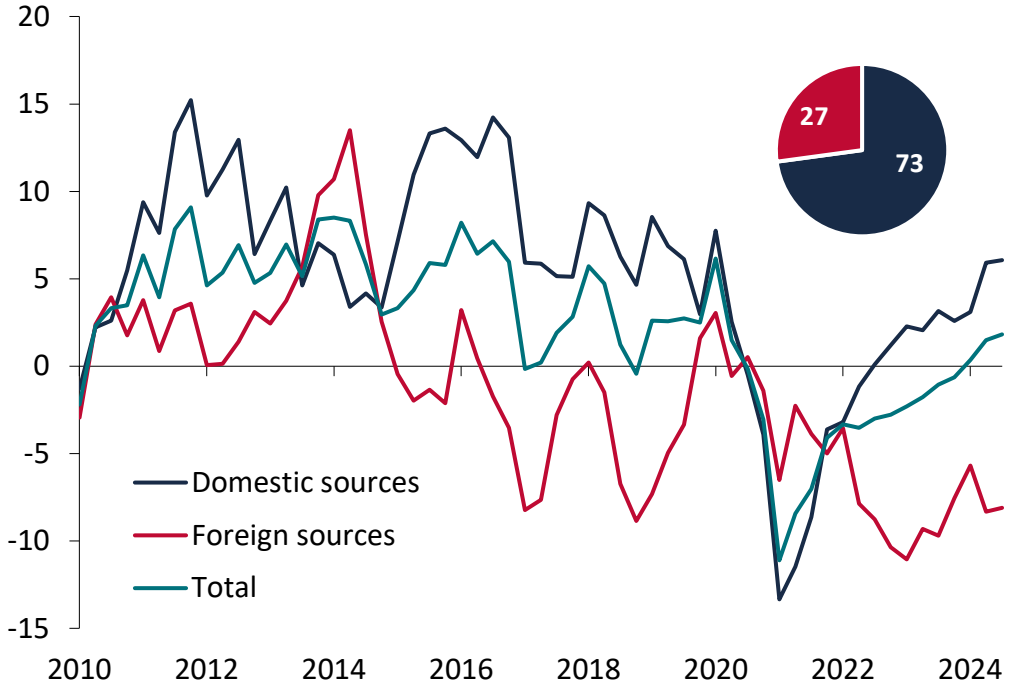
Data as of September 2024.
Source: Banco de México (SIE), CNBV, BMV, and Condusef.
1/ Includes the loan portfolio of regulated sofomes having an equity linked with a bank, whether subsidiaries of the latter or not. 2/ Includes the credit portfolios of the development bank and of non-banking regulated financial intermediaries, such socaps, sofipos and sofomes regulated for issuing debt. 3/ Includes credit portfolio of non-regulated sofomes.

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5 Non-financial private firms' financial position

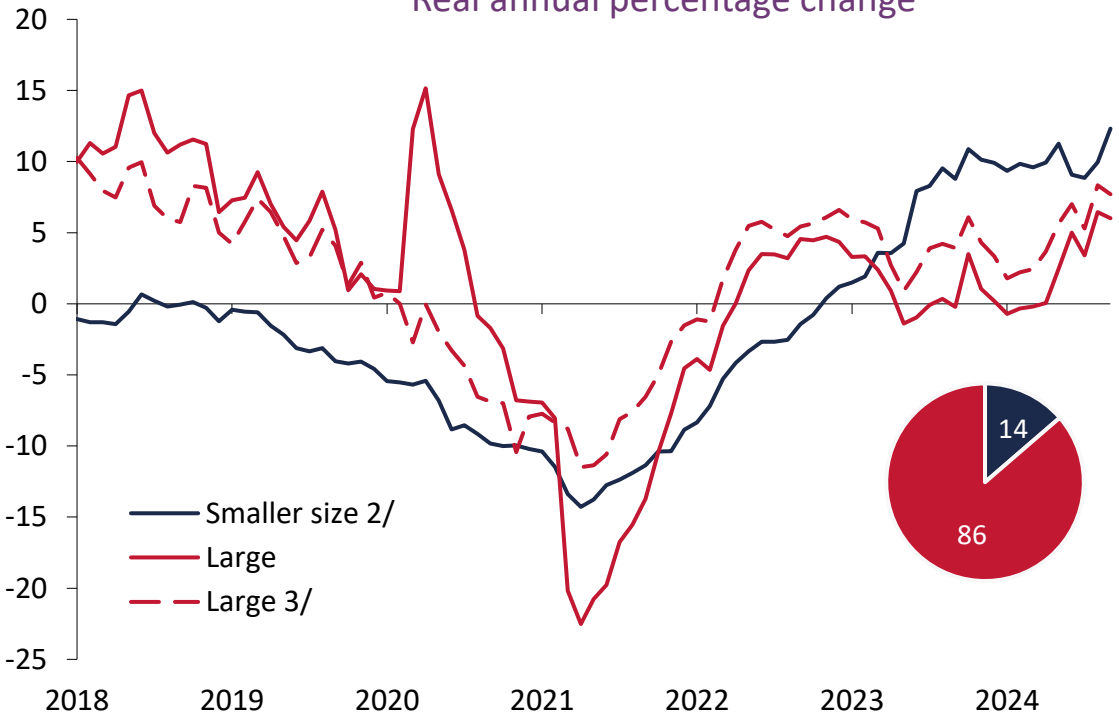
Total lending to non-financial private firms in Mexico increased in real annual terms. The external component has contracted for sixteen consecutive quarters, due to lower credit granted by foreign banks and lower international debt issuance, while the domestic component increased.

Total financing to private non-financial companies[1/]
Real annual percentage change



Data as of September 2024.
Source: Banco de México, BMV and SHCP.
1/ The percentages shown consider the figures relating to non-regulated entities that grant financing and that are included at the bottom of Table 1 (Memo); therefore, they differ from those registered in the upper part of the same table.

Portfolio growth by company size[1/]
Real annual percentage change



Data as of September 2024.
Source: CNBV.
1/ The pie chart shows the total percentage of the portfolio of each segment.
2/ Private non-financial companies not listed on the Mexican Stock Exchange with maximum historical loans less than 100 million Mexican pesos.
3/ Large companies excluding those that had a monthly increase in their balances of over 15 % in March 2020, which represent 30% of the balance and 16% of large companies' borrowers as of the last date.

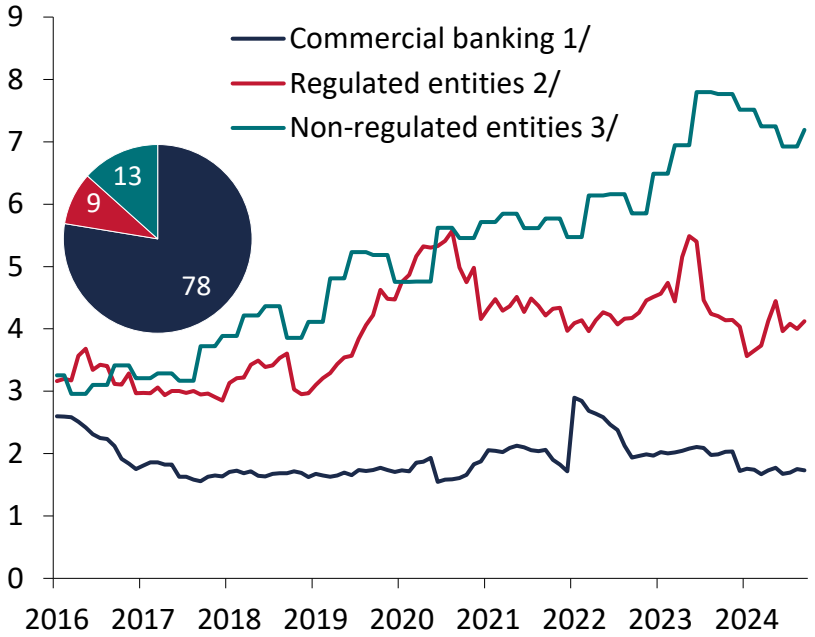
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5 Non-financial private firms' financial position

The non-performing loans ratio of the non-financial private firms' banking portfolio remained at stable levels during the period of this Report, while those of non-bank financial intermediaries decreased. The Listed Companies Vulnerability Index (LCVI) shows an increase due to a deterioration in indicators associated with leverage, profitability, and debt service capacity.

Non-performing ratio of corporate loans portfolio

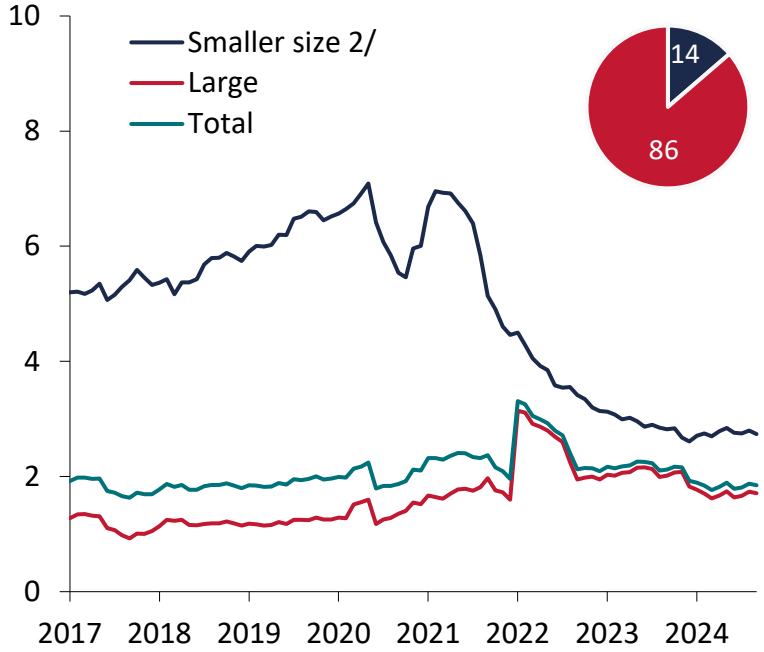
Percent



Preliminary data as of September 2024. Source: Banco de México (SIE), CNBV, BMV and Condusef. 1/ Includes the credit portfolios granted by regulated sofomes for having an equity linked with a bank, whether subsidiaries of the latter or not. 2/ Includes the credit portfolios of non-banking regulated financial intermediaries, such as socaps, sofipos, credit unions, sofomes regulated for issuing debt, bond warehouses, development public trusts (FIRA, FOVI, FIFOMI), and government agencies (FND). 3/ Includes credit portfolio of non-regulated sofomes and debt-issuing financial companies, such as financial leasing companies or financial arms of automotive companies.

Non-performing loan ratio by company size[1/]

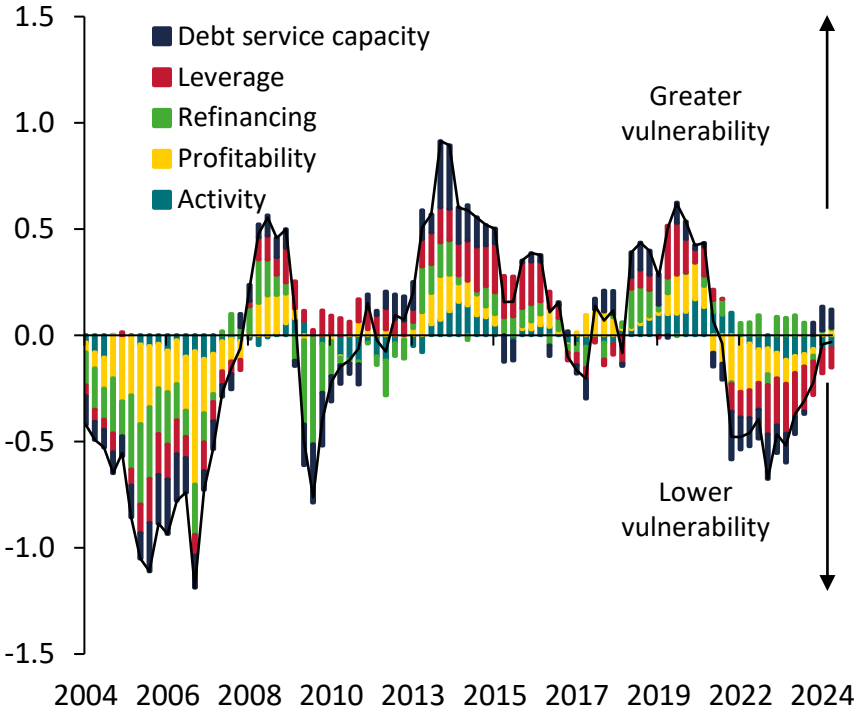
Percent



Data as of September 2024.
Source: CNBV. 1/ The pie chart shows the total percentage of the portfolio for each segment. 2/ Private-non-financial companies not listed on the Mexican Stock Exchange with maximum historical loans of less than 100 million Mexican pesos.

Listed Companies Vulnerability Index

Percent



Data as of September 2024.
Source: Banco de México with data from Bloomberg.

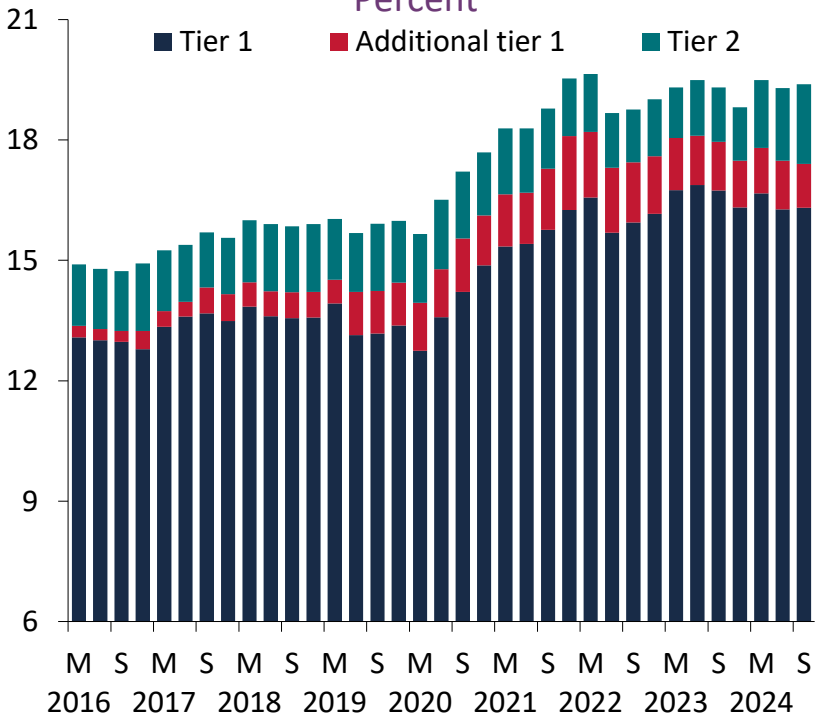
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6 Institutions: commercial banks

The Capital Adequacy Ratio (CAR) of commercial banks decreased slightly between March and September 2024. Meanwhile, its credit risk remained relatively low during the period. Thus, the CAR net of risk ratio remained stable during the second and third quarters of 2024, at levels above the regulatory minimum, and thus the sector remains in a solid position to face potential unanticipated risks.

CAR integration by type of bank regulatory capital[1/]

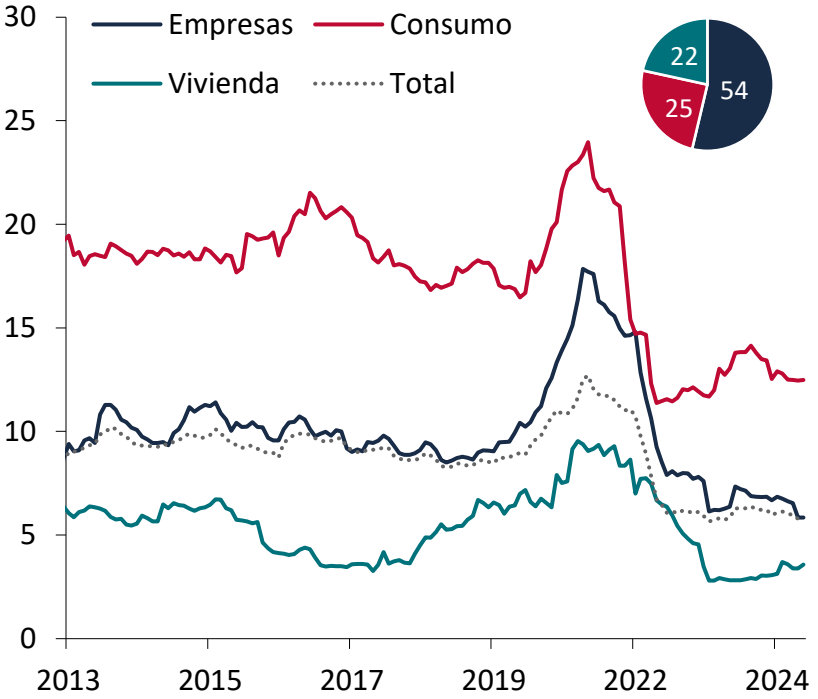
Percent



Data as of September 2024.
Source: Banco de México.
1/ The Capital Adequacy Ratio (CAR) is calculated by dividing net capital by risk weighted assets. Net capital is the regulatory capital that includes the Tier 1, Additional Tier 1, and the Tier 2 capital.

Conditional Value at Risk (CVaR) by type of portfolio[1/]

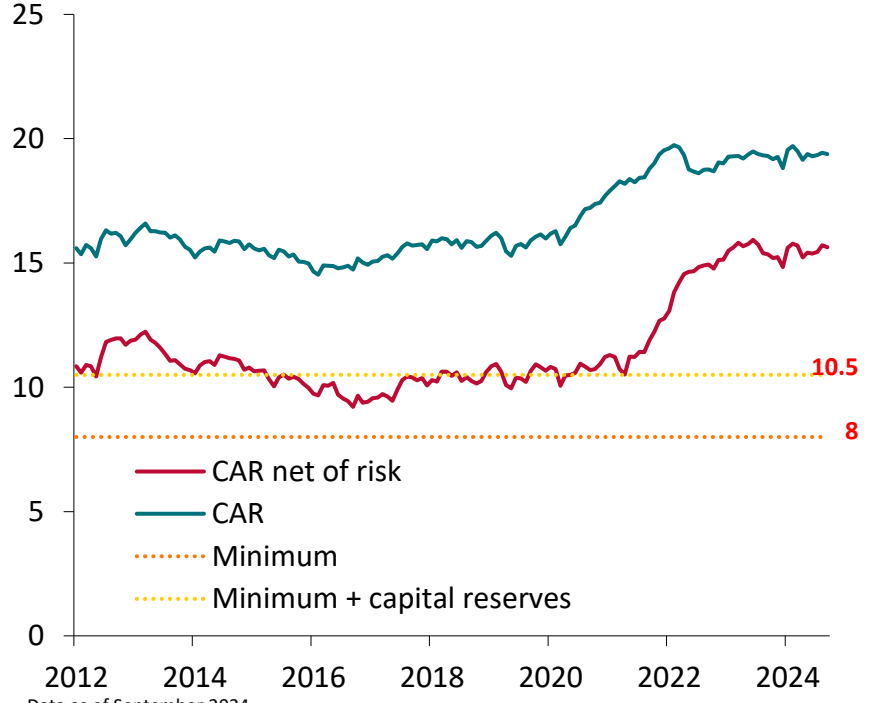
Percent of portfolio



Data as of September 2024.
Source: Banco de México, CNBV and Credit Bureau.
1/ Using a time period of one year and a confidence level of 99.9%. The pie chart shows the total percentage of the current balance for each portfolio segment.

CAR net of risk[1/]

Percent



Data as of September 2024.
Source: Banco de México, CNBV and Credit Bureau. 1/ Estimated as the capitalization ratio that results from reducing the CVaR at a 99.9% confidence level, both from the net capital and risk weighted assets. This indicator assumes that the credit portfolio incurs losses in an amount equivalent to a CVaR of 99.9% and such losses are absorbed by the banks and then reflected in their capital levels without affecting reserves, and that this portfolio is weighted at 100% to determine their capital requirements.

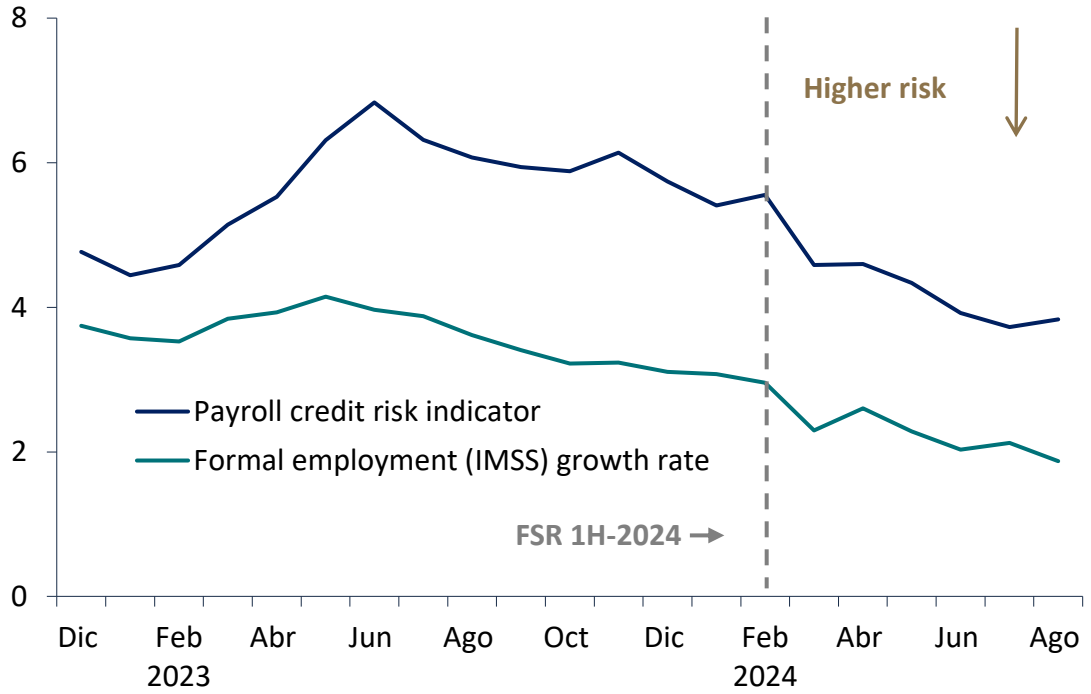
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6 Commercial banks' exposure to changes in formal employment and economic activity

Employment and economic growth dynamics may influence credit risk faced by banks.

Payroll portfolio credit risk due to changes in formal employment[1/]

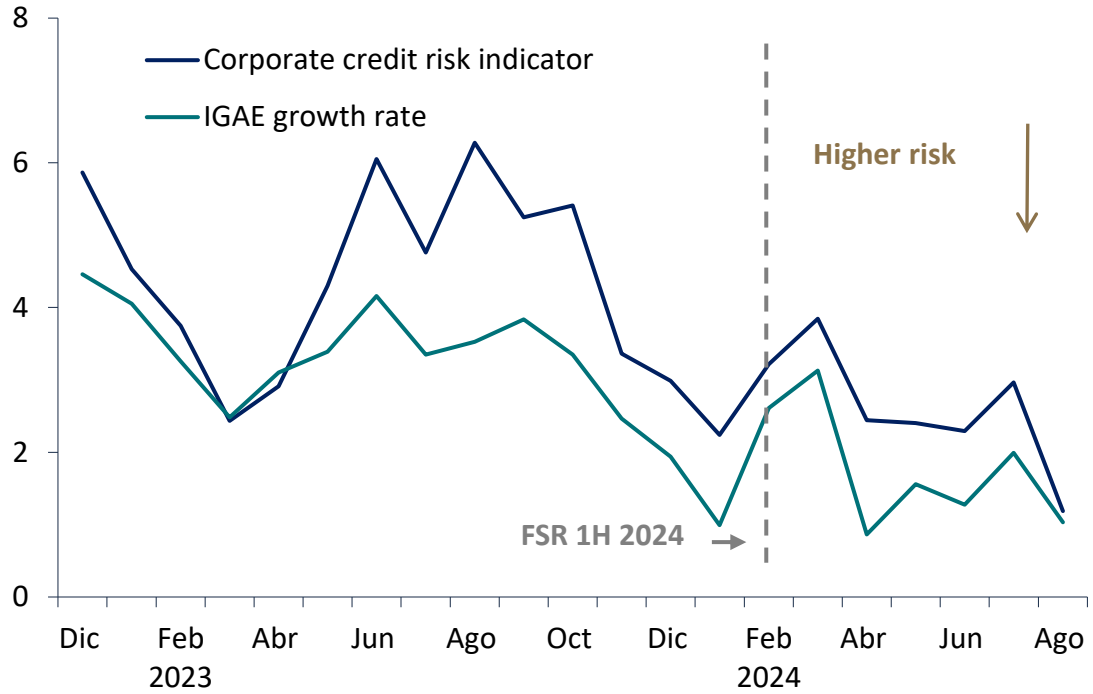
Annual variation in percent



Data as of August 2024.
Source: Banco de México, INEGI, and IMSS.
1/ The indicator is constructed as the weighted sum of the growth in formal employment in Mexico's different labor markets. In this sum, the weight of the labor market corresponding to a state, gender and high or low wage level is equal to its share of payroll credit.

Corporate portfolio credit risk due to changes in economic activity[1/]

Annual variation in percent



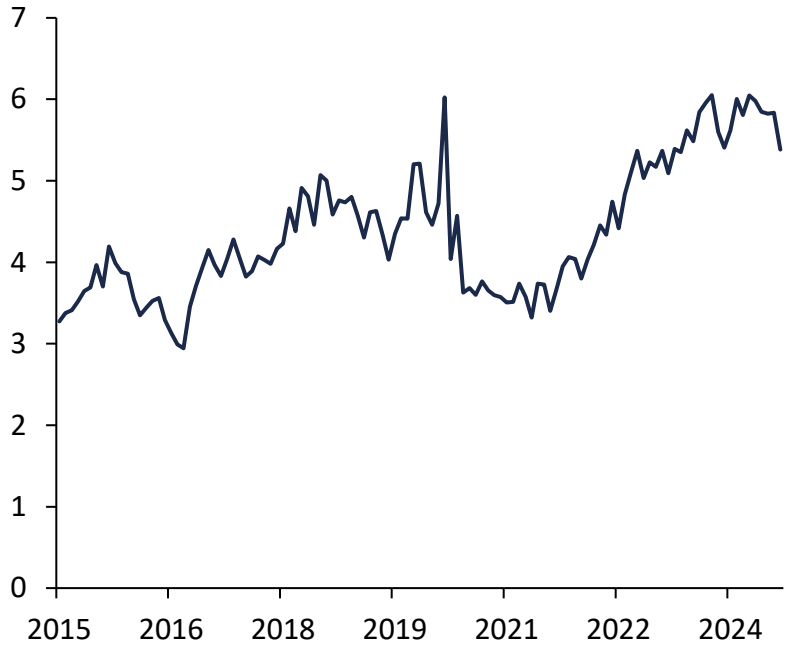
Data as of August 2024.
Source: Banco de México with own data and INEGI.
1/ The indicator is constructed as the sum of economic growth in the different sectors. In this sum, the weight of each sector's growth is equal to its share in the corporate loan portfolio. Thus, the indicator captures the risk of aggregate and sectoral changes in economic growth.

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7 Commercial banks: market and liquidity risks

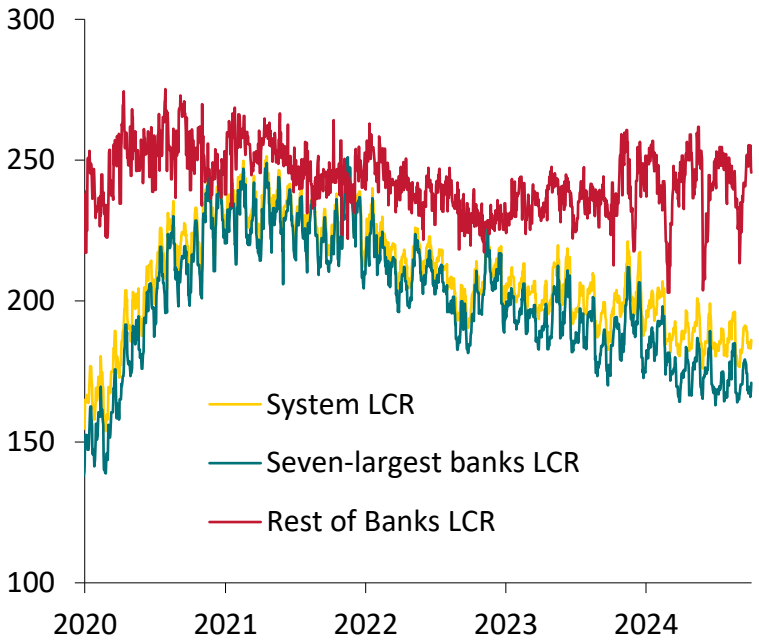
Since the release of the last *Report*, the market risk of commercial banks decreased, while liquidity of the banking system remained ample, with indicators at levels that exceed regulatory minimums.

99.9% CVaR for commercial bank's market risk
Share of net capital (percent)



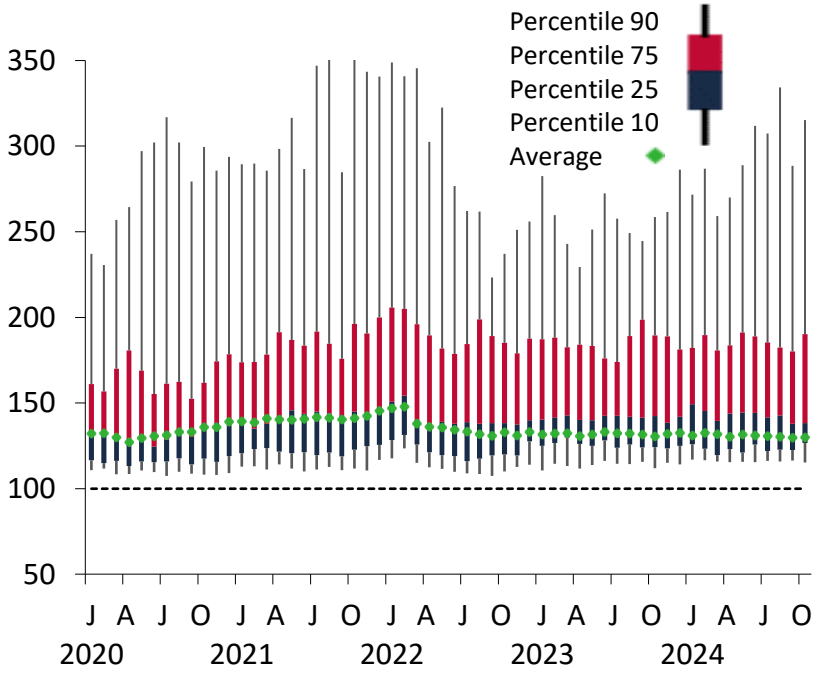
Data as of September 2024.
Source: Banco de México, BIVA CNBV, BMV, Bloomberg, and Valmer.

Daily Liquidity Coverage Ratio (LCR) of the banking system and groups of banks
Percent



Data as of October 31, 2024.
Source: Banco de México.

Net Stable Funding Ratio (NSFR) distribution
Percent



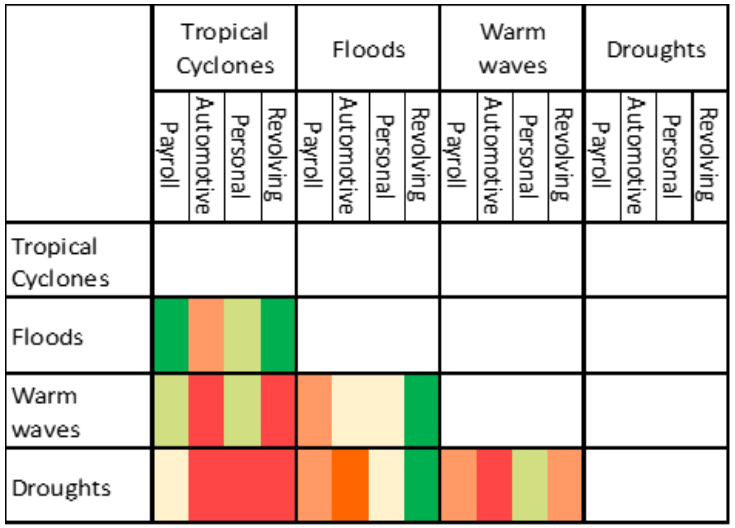
Data as of October 2024.
Source: Banco de México.

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8 Environmental and sustainability-related risks

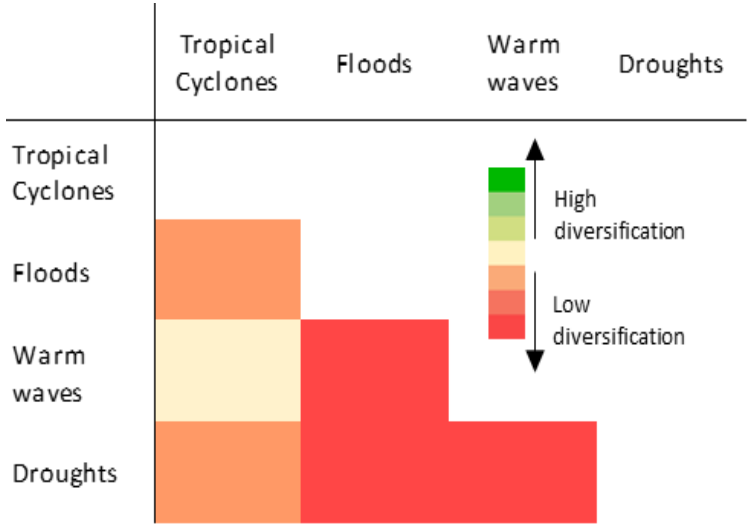
The bank loan portfolio is exposed to various hydro-meteorological phenomena (floods, cyclones, hot waves, and droughts). Diversification with respect to the materialization of different events in a short period of time varies among bank loan portfolios.

Diversification of consumer loan portfolio across sectors and municipalities vulnerable to different hydro-meteorological events (for different banks)[1/]



Data as of June 2024.
Source: Banco de México, CENAPRED, CNBV, and INEGI.

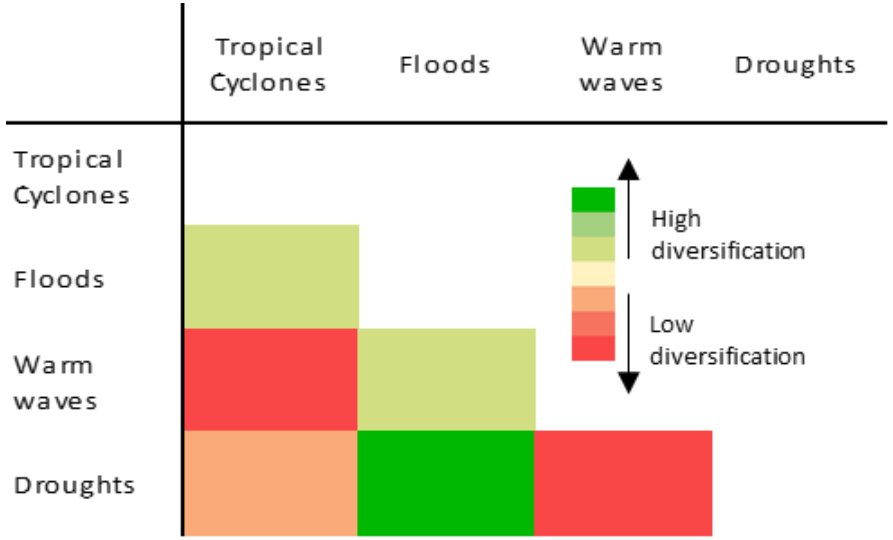
Diversification of mortgage loan portfolio in sectors and municipalities vulnerable to different hydro-meteorological events (for different banks)[1/]



Data as of June 2024.
Source: Banco de México, CENAPRED, CNBV, and INEGI.

Diversification of corporate loan portfolios to sectors and municipalities vulnerable to different hydro-meteorological events[1/]

Percentage



Data as of June 2024.
Source: Banco de México, CENAPRED, CNBV, and INEGI.

1/ Colors indicate the degree of diversification of the portfolio. Red color denotes lower diversification, while green color denotes higher diversification. Diversification is obtained from the correlation coefficient between the proportions of each bank's consumer or housing loan portfolios that are vulnerable to different hydro-meteorological events.

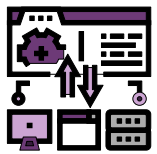
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8 Other risks: cyber risks

Cyber risks remain relevant for the financial system, both domestically and globally.



The Cybersecurity Index of Mexican Financial Institutions is at **85%**, an improvement over the 83% attained in **2023.**



In **September 2024**, a **cyber-resilience exercise** was conducted with the participation of **Banco de México**, the National Banking and Securities Commission (CNBV), and **five financial institutions**, aimed at strengthening their ability to respond to cyber incidents.



Cyber risks associated with the increasing use of Artificial Intelligence (AI) and the digitalization of finances **are a global concern.** However, cybersecurity levels in Mexico are adequate.

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8 Other risks: operational continuity risks

Financial market infrastructures and payment systems have a relevant systemic importance and therefore must provide their services and operate under any conditions, at any time, and from anywhere.

- At the end of Q3-2024, **the SPEI availability rate was 99.9%.**
- **Banco de México has not experienced any incidents in its technological infrastructure** supporting the payment systems nor in its internal operating processes. Therefore, payment systems have operated without interruptions in their services due to these factors.
- Meanwhile, during this period, in collaboration with participants the implementation of operational continuity mechanisms exercises continued, to ensure that the necessary elements are in place to address any event that could affect the availability of both the central infrastructure and participants.

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2 Measures for the sound development of the financial system

3 Financial system risks

4 Stress tests

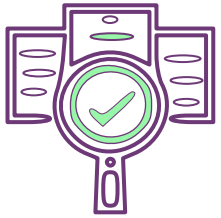
5 Final remarks

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Stress tests to commercial banks



As part of its efforts to promote the sound development of the financial system, stress tests conducted by Banco de México are simulation exercises designed to **evaluate the resilience of the Mexican banking system** under extreme adverse economic scenarios.



The scenarios considered **should not be interpreted as a forecast** of the economy's expected behavior, nor should they be associated with the probability of occurrence.



The purpose of the credit and liquidity stress tests is to assess the resilience of the banking system against an extreme, but possible, adverse shock to determine whether banks have the capital and liquidity levels to continue performing their financial intermediation functions.

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Credit stress tests

Scenarios[1/]	*Assumptions on macrofinancial variables*
A	• Extended and considerable weakening in consumption and domestic investment. • Negative impacts on employment and household income levels, as well as on the economic outlook for businesses. • This decline in output and income growth would generally be reflected in banks' balance sheets.
B	• The US economy slows down and enters a recession, leading to lower industrial activity and a drop in imports. • This would be reflected in a lower growth rate of the Mexican economy and in a greater volatility in financial markets and the exchange rate. • Lower demand for credit, higher unemployment rates, and an increase in loan portfolio delinquency.
C	• High volatility in domestic financial markets, a depreciation of the exchange rate, higher risk premia and, therefore, upward pressures on interest rates. • A contraction in aggregate demand and higher unemployment. • Credit would decrease and higher levels of delinquency would be expected, negatively affecting bank revenues.

Additional assumptions:

1. ***The exercise is common to all institutions and does not account for idiosyncratic issues in credit origination.***
2. ***It does not consider potential mitigation actions*** *that could be taken by the institutions involved in the exercise, as it is a counterfactual exercise of partial, rather than general, equilibrium.*

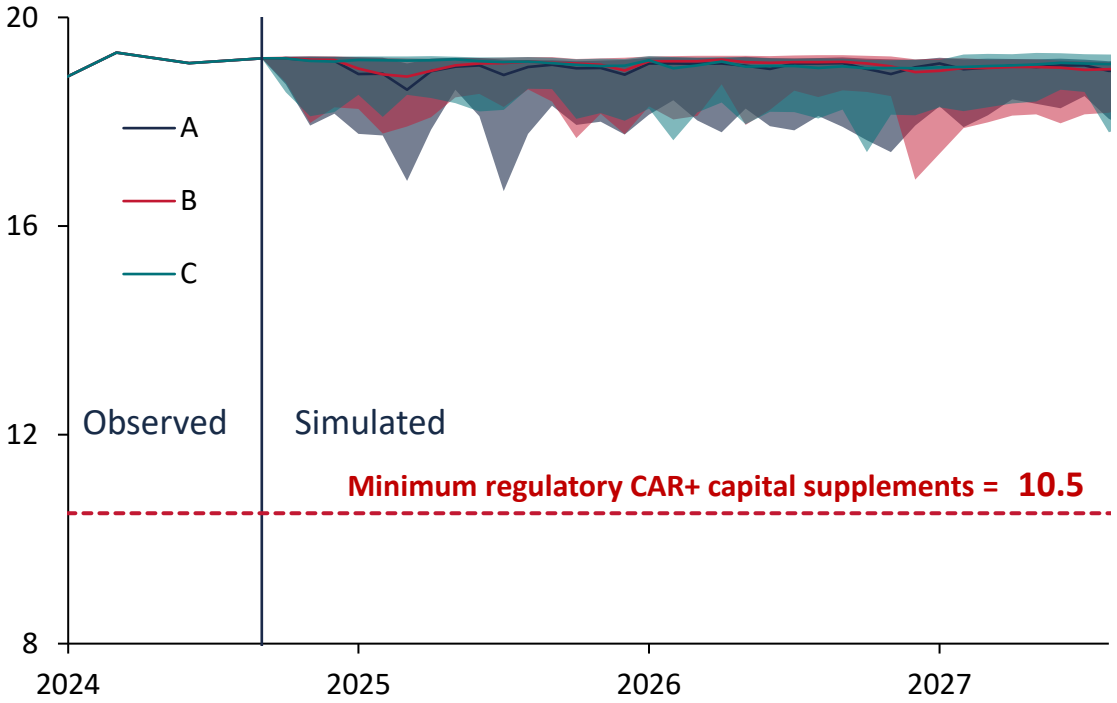
1/ For more detailed information on these scenarios, refer to the complete version of this *Report*.

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Credit stress tests

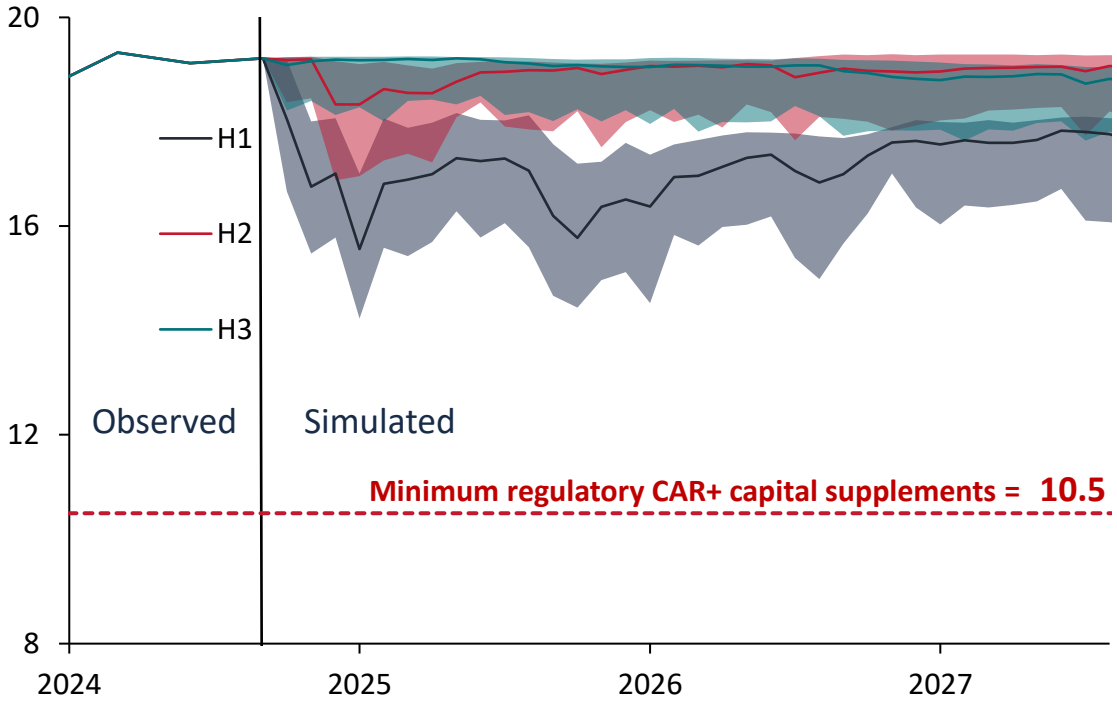
In all simulated scenarios, the results indicate that the Mexican banking system maintains sufficient capital levels, consistently above the regulatory minimum plus supplements. This includes the three historical scenarios considered, which show lower capitalization levels, but still above the regulatory minimum.

Financial System Capital Adequacy Ratio (CAR)
a) Scenarios A, B and C
Percent



Data as of September 2024 and simulations 3 years thereafter.
Source: Banco de México.

Financial System Capital Adequacy Ratio (CAR)
b) Historical scenarios[1/]
Percent



Data as of September 2024 and simulations 3 years thereafter.
Source: Banco de México.
1/ Three historical scenarios were considered that replicate the trajectories of the main macrofinancial variables during the 1995 crisis (scenario H1), the 2008 global financial crisis (scenario H2), and the economic crisis stemming from COVID-19 (scenario H3).

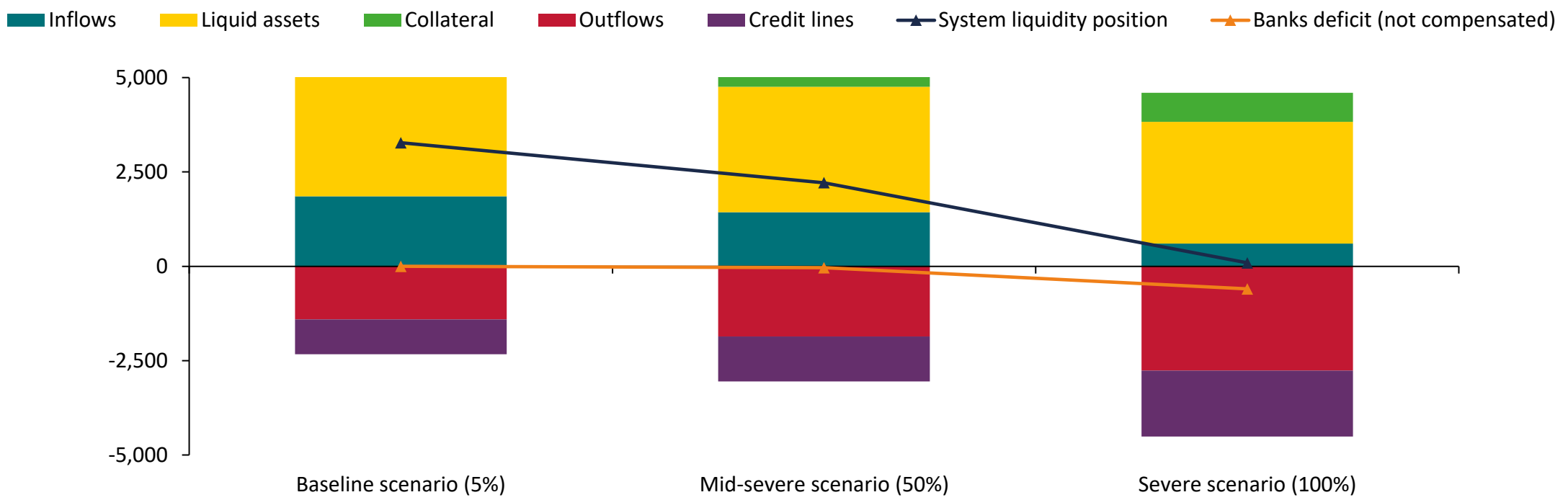
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Liquidity stress tests

Banks' current strong liquidity position would enable them to withstand stress events greater than those experienced in the past and those required by international liquidity standards.

Liquidity stress scenarios over 90-day period[1/]

Billion pesos



Data as of October 31, 2024. Source: Banco de México. 1/ In the severe scenario (100% severity), a haircut on liquid assets of around 4% is considered. Repos have a roll-over of 45% and released collateral has the same haircut as liquid assets. Inflows from loans portfolio are not considered (100% haircut). Wholesale deposits (demand and term) have a 20% run-off factor and retail deposits (demand and term) have a 10% run-off factor. Contingent liquidity and credit lines granted have a 40% run-off factor. The baseline scenario and mid-severe scenario consider a 5% and 50% severity compared to the severe (100%) scenario. The mid-severe scenario estimates an aggregate outflow which is similar in magnitude to the outflow calculated under the LCR (See Box 9 "Stress testing methodologies based on cash flows" of the Financial Stability Report, December 2022).

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Final remarks

1. As of the second half of 2024, the **Mexican financial system** remains solid and resilient, with capital and liquidity levels exceeding regulatory minimums, despite the geopolitical risks impacting investor sentiment globally.

2. **Stress tests** conducted on the Mexican banking system indicate that, in aggregate, it holds **sufficient capital** to withstand adverse scenarios, including those considered in the tests.

3. During the semester, **liquidity and credit risks** remained stable and contained in commercial banks, while market risk decreased slightly and contagion risk increased marginally.

4. Banco de México will continue to monitor the **evolution of Mexico's financial markets** and, if necessary, take the actions required in the exercise of its powers.

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Boxes

1. Identification and monitoring of risks and vulnerabilities in the Mexican financial system through social networks and news
2. Risk profile indicator for the commercial loan portfolio
3. Technological advancement, social networks, and depositor sentiment
4. Sustainability indicators dashboard for the financial system
5. Risks related to nature
6. Pilot climate scenario analysis from the Sustainable Finance Committee and integrated assessment models

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