



Where collaboration drives environmental infrastructure investment



North American Development Bank

Annual Report

2025

Table of Content

- 1. **Message from Management**
- 4. **Water Security: A Key Economic Driver on the Border**
- 8. **Strategic Programs to Secure Water Availability**
- 12. **Building Stronger Communities through Strategic Infrastructure Investment**
- 19. **Partners in Grant Financing for Basic Infrastructure**
- 23. **Expanding Knowledge, Delivering Capacity**
- 31. **Management Discussion & Analysis of Financial Results**
- 43. **Ordinary Capital Resources Consolidated Financial Statements December 31, 2025**
- 85. **Environment Investment and Capacity Facility (EICF) Financial Statements, December 31, 2025**
- 94. **Appendix**

Message from Management

As the United States and Mexico transitioned to new leadership in 2025, at the North American Development Bank (NADBank), we continued to serve as an agent for binational cooperation and a catalyst for strategic infrastructure investment in the U.S.-Mexico border region—a vital agricultural, manufacturing, and trade corridor for both countries and home to 26 million people. This dynamic cross-border economy—rooted in communities, industries and natural resources that are fundamentally interconnected—generates a shared value that extends well beyond the border itself.

Recognizing the strategic importance of this region, both governments reaffirmed their ongoing support for the NADBank mission in 2025 by meeting their shareholder commitments and releasing an additional US\$209 million in paid-in capital to the Bank, along with US\$1,269 million in callable capital—an increase of more than 41% year over year.

With the solid backing of our shareholders, we deepened our commitment to advancing infrastructure priorities that support economic growth and address the most pressing needs of border communities, in close alignment with shareholder objectives and in coordination with state and local governments.

Among the most critical priorities for both countries is alleviating water scarcity, which is impacting municipal utilities and the agricultural sector. Persistent drought, aging infrastructure and growing demand have intensified pressure on shared water resources across the region, underscoring the importance of coordinated investment to protect its availability. Working closely with border stakeholders and our Board, we launched two major initiatives in 2025: the Water Investment Program (WIP) and the Water Resiliency Fund (WRF). The latter will mobilize investment in projects that conserve water and diversify supply sources on both sides of the border, while the WIP is expediting the approval of financing for basic water infrastructure. By year-end, we had approved five projects through the WIP along with US\$25.9 million in financing and issued the first call for projects under the WRF from irrigation districts in the Lower Rio Grande Valley in Texas.

Addressing water issues has always been central to the NADBank mission, a commitment clearly reflected in our 2025 financing activity. Most of the projects completed (73%) during the year and half of the new financing approved were in the water sector, either to provide first-time access to water and/or wastewater



John Beckham
Managing Director



Alejandro Olivo-Villa
Deputy Managing Director



Salvador López Córdova
Chief Environmental Officer

services, improve drinking water quality or prevent wastewater spills and transboundary flows.

While crucial, water is not the only infrastructure priority along the border. In line with our strategic objectives, we are also committed to improving air quality, enhancing waste management and promoting the efficient use of resources, while also delivering tangible benefits to the border communities we serve. The new Inncare medical complex is a prime example. Completed in 2025, the facility expands access to primary healthcare services for low-income families and the elderly in an underserved area in Imperial Valley, California, while also using less water and energy than similar facilities. Likewise, we deployed nearly US\$50 million during the year to support the construction of affordable, resource-efficient housing in Sonora and Nuevo Leon—projects that will not only conserve natural resources but also help homeowners save on their utility bills.

Through our 2024-2028 Strategic Plan, these efforts have coalesced over the past two years into the disbursement of more than US\$482 million in financing to support the execution of 71 projects that represent a total investment of more than US\$2.0 billion. These projects are laying a solid foundation for the continued prosperity and well-being of the border region through improved water services, more reliable power grids and a more efficient use of resources in a variety of sectors, including transportation, housing and food production.

From an institutional standpoint, we maintained a sound financial position based on a development asset portfolio with strong credit quality and ample capitalization from our shareholders. With our solid financial performance, we almost doubled the size of our grant facility, the Environment Investment and Capacity Facility (EICF), enabling an initial allocation of US\$40 million to fund the grant arm of the WRF. We also took steps to build a stronger internal foundation that will ensure the Bank can efficiently grow its development asset portfolio to meet the evolving challenges of one of the most dynamic regions in the world. Targeted investments in information technology, talent and processes over the next four years will enhance our operational efficiency, support scalable growth, and reinforce resilience in an evolving binational environment.

Our accomplishments in 2025 as detailed in this annual report are the result of the dedication of our staff and Board, as well as the strength of the partnerships we have built with border communities and stakeholders who share our commitment to advancing the long-term vitality of the U.S.-Mexico border region. We are grateful for the trust that anchors our collaborative endeavors. Together, we are delivering meaningful impact today while laying the groundwork for a more prosperous future.

Our Mission



To provide financing, as well as technical and other assistance, to support the development and implementation of infrastructure projects that preserve, protect or enhance the environment of the border region in order to advance the well-being of the people of the United States and Mexico.

Water Security A Key Economic Driver for the Border



Access to safe and reliable water resources is fundamental for the health and well-being of people and their environment. It is also the foundational nexus of a thriving economy. Across all sectors, water is an essential production input. Agriculture remains the largest global user of freshwater, accounting for roughly 70 percent of withdrawals, followed by industry and energy—a pattern that is reflected in the U.S.-Mexico border region, one of most productive agricultural and manufacturing corridors in North America.

The region is anchored by three transboundary river basins and seven internationally managed rivers that together form the backbone of cross-border trade, agriculture and population centers. As economic activity and demand continue to grow, pressure on water systems is increasing. At the same time, prolonged drought has reduced storage levels, with several major reservoirs currently below 30% capacity. These conditions heighten risk—but

also reinforce the value of targeted investment to improve efficiency, modernize infrastructure and strengthen long-term supply reliability.



For the Imperial Valley, the stakes could not be higher. The Colorado River is our only water supply. It sustains more than 470,000 acres of farmland that produces roughly two-thirds of the nation's winter vegetables, directly supports one in six local jobs, and underpins food security far beyond Southern California. Protecting the river is not optional here—it is essential."

Karin Eugenio, Chairwoman, and
Jamie Asbury, General Manager
Imperial Irrigation District, CA

Addressing these challenges requires sustained, coordinated binational leadership. NADBank's strategy is aligned with this imperative. Through financing that supports conservation, supply diversification and infrastructure modernization, the Bank is helping reinforce the long-term resilience of shared water resources. These efforts are being implemented in close coordination with federal, state, and local partners and are designed to support all sectors of economic activity and in particular agricultural and municipal systems.

Water security along the U.S.-Mexico border is more than a regional concern—it is an economic imperative. Through strategic capital deployment and binational cooperation, NADBank is working to help translate that necessity into durable infrastructure and reliable system performance for communities, industries and agricultural producers in both countries.



There are two fundamental things to do, strengthen water governance and modernize both rural and urban systems. We must reach a consensus on how we are going to extract water, how we are going to use it, and how we are going to reclaim it and use it to its fullest extent."

Dr. Gustavo Córdova Bojórquez
Researcher, Colegio de la
Frontera Norte



A Dynamic U.S.-Mexico Border Region



Shared Water Resources



“Since 2016, we have had predominantly dry years, interspersed by sporadic periods of moisture. Additionally, in many cities, between 50 and 60% of the water produced is lost—either to leaks or inadequate metering.”

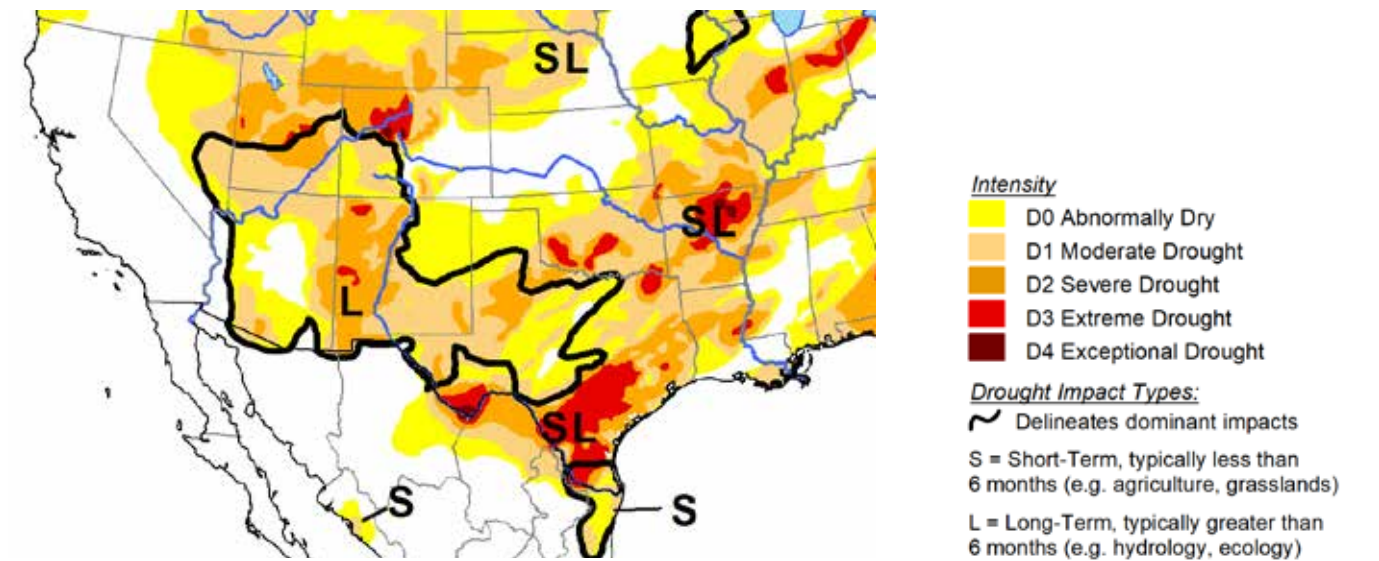
Dr. Gustavo Córdova Bojórquez
Researcher, Colegio de la Frontera Norte



“...irrigation districts are the largest users of regional water resources, accounting for nearly 77 % of usage nationwide; along the Rio Grande the volume of water allocated for agricultural production is even higher.”

Raúl Quiroga Álvarez, Secretary,
Water Resources for Social Development,
State of Tamaulipas

Drought in the Region



“IID’s role is to protect our community while helping shape a workable path forward for the river, which is our only water supply. Imperial Valley growers have led by example, conserving more than 9.1 million acre-feet of water since 2003 through voluntary programs that have delivered real water to the system and our intrastate partners to provide Southern California water supply reliability.”

Jamie Asbury, General Manager
Imperial Irrigation District (IID), CA

Strategic Programs to Secure Water Availability

Water Resiliency Fund (WRF)

“

Through instruments such as this one [WRF], we can strengthen planning and coordination of binational actions in support of the human right to water, food production, and environmental betterment in the border region,...

Mario Mata, Executive Director
Chihuahua State Water and Wastewater Board



Recognizing the severity of water scarcity challenges along the U.S.-Mexico border, the Board of Directors held an extraordinary virtual meeting in August to authorize the WRF, along with up to US\$400 million in financing. With these funds, NADBank will support the implementation of critical infrastructure projects designed to conserve and diversify water supply sources in both agricultural and municipal water systems.

NADBank issued the first call for project proposals in November, targeting irrigation districts in the Lower Rio Grande Valley in Texas, where prolonged

drought has significantly reduced river flows, affecting both agricultural productivity and municipal water supply. Many of the irrigation districts in the four-county region—including Cameron, Hidalgo, Starr and Willacy—also supply drinking water to nearby communities, offering the potential for cross-sector collaboration to optimize infrastructure and improve overall system resilience in the region. The Bank plans to publish additional calls for project proposals in 2026, beginning with one targeting water utilities throughout the Mexican border region.

Program Profile

Purpose	Support critical investments in water conservation and diversification projects for border communities and irrigation districts
Funding	Up to US\$400 million: <ul style="list-style-type: none"> • US\$300 million for below-market rate loans • US\$100 million for grants
Allocation	50% of grants allocated to each country
Eligibility	<ul style="list-style-type: none"> • Improvements to municipal water systems to reduce water losses • Improvements to agricultural water systems to reduce water losses and increase the efficient use of water • Development of new supply sources, including water reuse and stormwater capture

The program received widespread support across the region, having been developed in close collaboration with federal and state officials in both countries, along with local communities, irrigation districts and other key stakeholders. NADBank

continues to meet with state and local stakeholders to identify potential funding partners to complement and maximize the impact of the program.



“

As we continue to face persistent drought and increasing demand, our irrigation districts play a critical role in managing and conserving this essential resource. I commend NADBank for its proactive leadership through the Water Resiliency Fund and its commitment to mapping and planning for the Valley’s long-term water needs. These collaborative efforts reflect the kind of strategic, forward-thinking investment needed to strengthen the Lower Rio Grande Valley’s water security for generations to come.”

Cameron County Judge Eddie Treviño, Jr.
Rio Grande Valley, Texas

Water Investment Program (WIP)

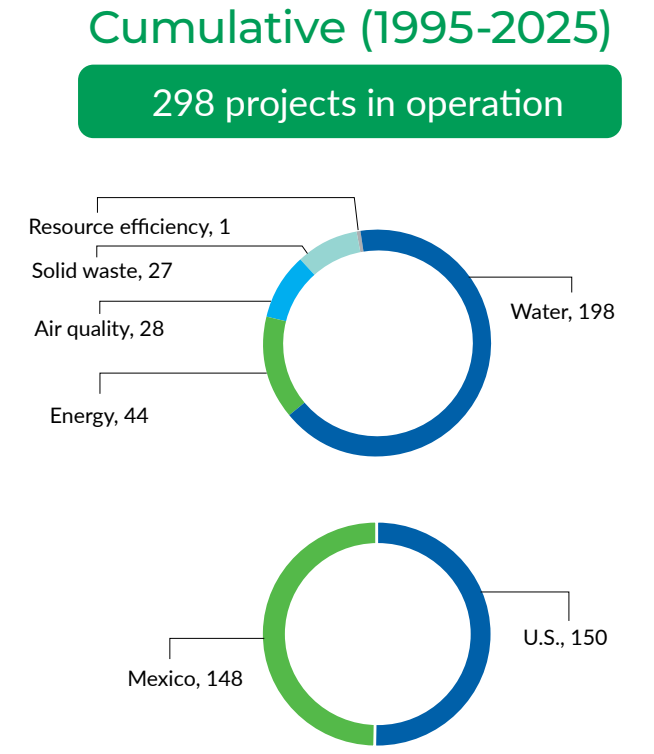
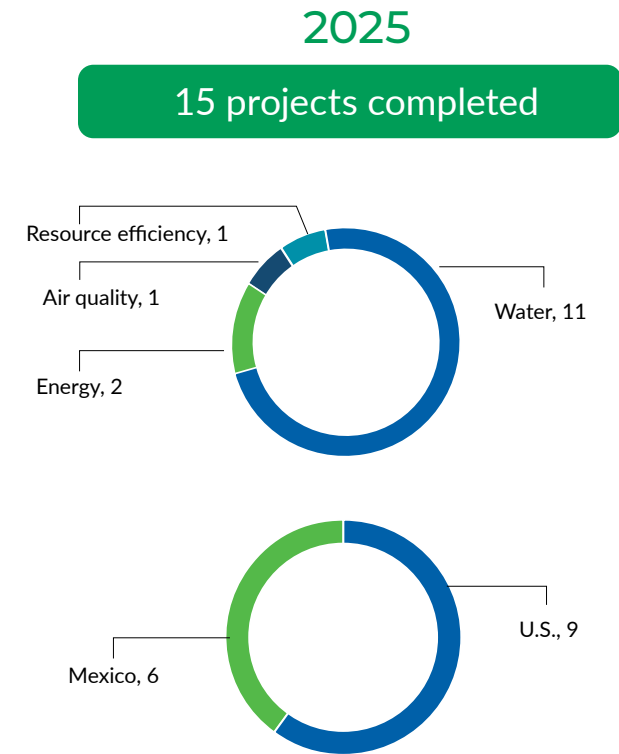
Under its 2024-2028 Strategic Plan, NADBank recognizes the need to adopt innovative solutions and products to meet its water-sector goals and better serve border communities. In January 2025, the Board of Directors approved the WIP, which establishes a programmatic certification and financing framework to accelerate investments in water infrastructure. NADBank Management is authorized to ratify qualified projects with a defined scope and financial structure, subject to the procedures, guidelines and limitations established under WIP. Through this program, NADBank is optimizing its responsiveness and effectiveness in the water sector.



Program Profile	
Purpose	Streamline and expedite the approval process for basic water infrastructure projects while maintaining strong technical and financial due diligence
Project types	<ul style="list-style-type: none"> Water systems Wastewater systems Stormwater management Water resource management
Funding sources	<ul style="list-style-type: none"> Loans Community Assistance Program (CAP) grants Border Environment Infrastructure Fund (BEIF) grants
Requirements	Comply with all project certification criteria and meet all requirements under the policies and guidelines of the respective funding source

By year-end, 12 projects had been identified as potential candidates for approval through the WIP, and the first five projects had been ratified to receive US\$25.9 million in financing. Three of those projects were already in the implementation phase prior to year end, and two loans totaling US\$19.6 million were fully disbursed.

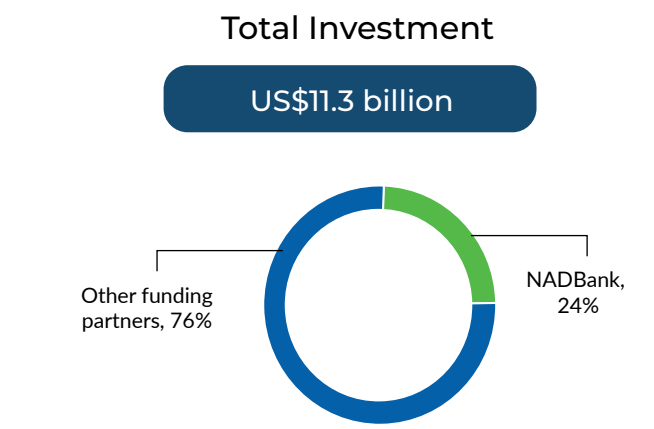
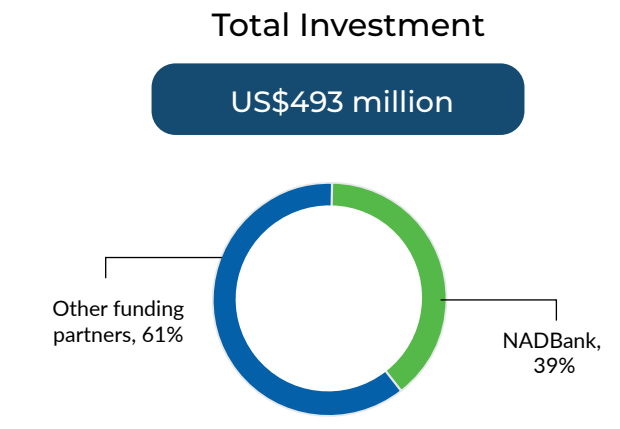
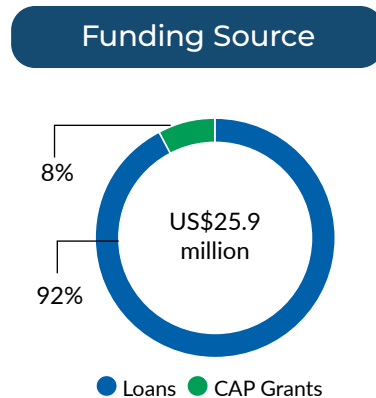
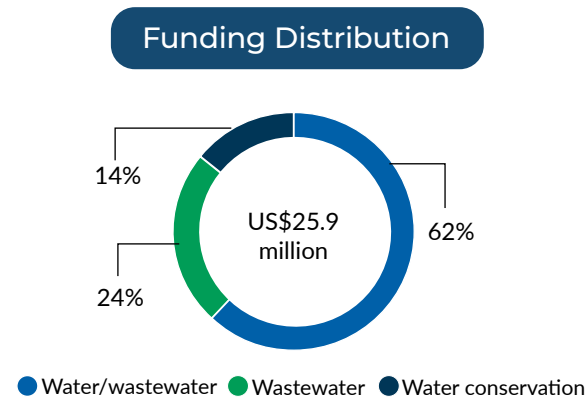
NADBank Performance Snapshot



Better Quality of Life
1.2 million
border residents in 20 communities

Better Quality of Life
18.7 million
border residents in 210 communities

WIP Portfolio: Accelerating Infrastructure Solutions



Building Stronger Communities through Strategic Infrastructure Investment

Projects in Operations

During 2025, fifteen projects were fully implemented and began operations—the majority in the priority sector of water. These projects represent a total investment of US\$493.2 million and benefit more than 1.2 million border residents in the United States and Mexico. Approximately 39% of that investment was covered by NADBank financing, including grants from the Border Environment Infrastructure Fund

(BEIF) funded by the U.S. Environmental Protection Agency (EPA) and from the Community Assistance Program (CAP) funded by U.S. Department of State.

A summary of the completed projects and key benefits by sector is provided on the following pages.



Drinking Water Services

3 communities

1. Hidalgo County, TX – Drinking Water System Improvements
2. Jim Hogg County, TX – Water Treatment Plant Replacement and Water Meter Upgrades
3. Soto La Marina, TAMPS – Drinking Water System for José Silva Sánchez

People benefitted – 12,775

- Safer and more reliable drinking water service
- Improved water quality by providing first-time access to water distribution service, replacing deteriorated water tanks or increasing level of water treatment
- Reduced water losses by replacing deteriorated tanks and improving water metering

8 communities

1. Calipatria, CA – Delta Street Sewer Pump Station Failure
2. Ímuris, SON – Wastewater Collection System Improvements
3. Mexicali, B.C. – Wastewater Collection System (Phase I) and Lift Station Improvements
4. Mexicali, B.C. – Wastewater Collection System Improvements (Phase II)
5. Nogales, SON – Expansion of the Water and Wastewater Systems to the Southwest Area
6. Palmview, TX – Agua SUD Wastewater Collection and Treatment (East) Project
7. Sunland Park & Santa Teresa, NM – Sunland Park Wastewater Treatment Plant Lift Station Failure
8. Vinton, TX – Wastewater Collection System

People benefitted – 642,894

- Improved wastewater collection services
- An estimated 40 million gallons per day of wastewater is being collected and safely conveyed to treatment plants
- Potential wastewater spills and contamination of surface and groundwater sources prevented
- Transboundary flows reduced along Baja California and Sonora borders

Air Quality



Resource Efficiency

8 communities

1. Border-wide Public Transportation Improvement Program in Mexico, with buses purchased in Hermosillo, SON; Tijuana, B. C.; Ciudad Juarez, CHIH; Guadalupe, N. L.; Garcia, N. L.; and Escobedo, N. L.
2. Maverick County, TX – Fort Duncan Energy Storage Project
3. San Diego County, CA – Pome BESS Project

People benefitted – 565,250

- Better air quality by reducing traffic congestion, improving exhaust emissions from vehicles and increasing the efficiency of power grids
- Safer, more comfortable and accessible means of transportation
- Stronger, more reliable power grid by balancing demand fluctuations and minimizing energy losses
- Energy supply equivalent to about 194,850 households for 2 to 4 hours

1 community and surrounding area

1. City of Imperial, CA – Innercare Medical Complex Project

People benefitted – 21,233

- A new 54,000-square-foot medical complex built using energy- and water-efficient technology and thermally efficient construction materials
- Improved access to primary health and dental services for low-income families and the elderly in an underserved area
- Comprehensive medical and social services for an estimated 600 seniors with chronic care needs, enabling them to maintain their independence at home
- 43% reduction in water use, equivalent to 289,399 gallons per year
- 25% reduction in energy consumption, equivalent to 262,235 kilowatt-hours per year
- Creation of an estimated 150 onsite jobs and 250 permanent indirect jobs

Project Approvals

During the year, the Bank approved nine infrastructure projects that are expected to benefit an estimated 7.3 million border residents. These projects represent a total investment of US\$255.6 million, with NADBank committed to providing nearly 64% of the funding through loans and grants totaling US\$163.0 million.

Water Conservation

- | | | |
|---|--|--|
| <p>1. Donna Irrigation District-Hidalgo County No. 1, TX – Water Conservation Project</p> | <p>US\$2.85 million loan
US\$750,000 grant</p> | <ul style="list-style-type: none"> • More reliable drinking water service for approximately 213,000 people • Savings of an estimated 2,290 acre-feet of water annually • Ensure uninterrupted service in the event of power outages |
|---|--|--|



Water & Wastewater Services

- | | | |
|--|-------------------------------|---|
| <p>1. El Paso County, TX – Angels Park Residential Wastewater Connections Project</p> | <p>US\$750,000 grant</p> | <ul style="list-style-type: none"> • First-time access to wastewater services for 322 existing homes and elimination of failing septic systems |
| <p>2. El Paso County, TX – Bejar Estates Residential Wastewater Connections Project</p> | <p>US\$514,350 grant</p> | <ul style="list-style-type: none"> • First-time access to wastewater services for 65 existing homes and elimination of failing septic systems |
| <p>3. Metropolitan Area of Monterrey, N. L. - Water and Wastewater Infrastructure Improvements</p> | <p>US\$16.75 million loan</p> | <ul style="list-style-type: none"> • Improve drinking water service quality across nearly the entire metropolitan area • Rehabilitate aging wastewater collection infrastructure to prevent recurrent operational failures |
| <p>4. Tecate, Baja California – Wastewater Treatment and Reuse Project for Rancho La Puerta</p> | <p>US\$5.0 million loan</p> | <ul style="list-style-type: none"> • Improve wastewater services for about 13,600 Tecate residents by easing pressure on the public treatment system • Reduce risk of untreated discharges into the Tecate River, a transboundary tributary of the Tijuana River • Treated water will be used for irrigation within the resort, while biogas generated will help power resort facilities |
| <p>5. State of Tamaulipas – Environmental Infrastructure Bond</p> | <p>US\$54.10 million loan</p> | <ul style="list-style-type: none"> • Improve water and wastewater services in various municipalities • Promote efficient water use in agriculture • Increase tire recycling capacity • Promote efficient water and energy use in new public buildings |

Air Quality Improvements

- | | | |
|--|--------------------------------|---|
| <p>1. Border-wide Sustainability Financing for Mercader Financial in Mexico</p> | <p>US\$42.3 million loan</p> | <ul style="list-style-type: none"> • Access to more efficient vehicles for private, freight and public transportation • Cogeneration systems and energy-efficient industrial equipment • Reduce energy consumption and/or emissions |
| <p>2. & 3. Border-wide Sustainability Financing for Engen in Mexico – Tranches A and B</p> | <p>US\$40 million in loans</p> | <ul style="list-style-type: none"> • Water- and energy-efficient equipment in multiple sectors • Access to more efficient vehicles for private, commercial, public and freight transportation • Energy and water savings, recovery of solid waste for reuse and reduction in pollutant emissions |

Infrastructure Financing Deployed in 2025

Over the course of the year, NADBank disbursed nearly US\$204 million in financing to support the implementation of 36 infrastructure projects, including US\$8.5 million in grants funded by the U.S. Environmental Protection Agency (EPA) and US\$1.6 million in grants funded by the U.S. Department of State.

Disbursements were spread across eight of the ten border states within the geographic jurisdiction of the Bank. In addition, financing was provided to four financial institutions operating throughout the Mexican border region, mainly to support the construction of affordable housing developments that are also resource efficient.

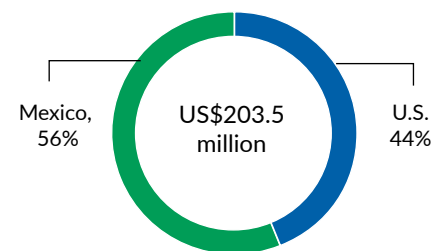
Water and wastewater infrastructure accounted for 33% of disbursements—consisting of three loans

plus all the grant funding—for 25 projects serving 33 Mexican communities and ten U.S. communities. Five loans representing 34% of the funds disbursed went to the construction of buildings designed to reduce water and energy consumption, while four loans (27%) were disbursed to support implementation of energy storage systems.

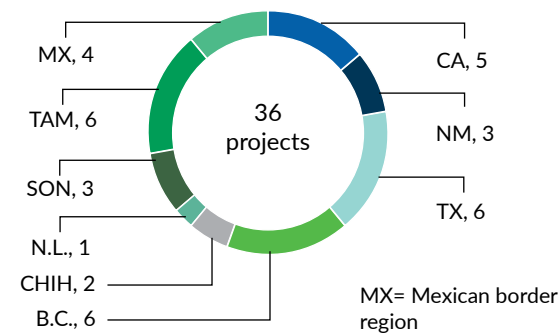
Disbursements by Program

	Amount (USD)	Projects
Loans	\$ 193.4 M	14
BEIF grants	8.5 M	16
CAP grants	1.6 M	6

Disbursements by Country



Disbursements by Border State



Partners in Grant Financing for Basic Infrastructure

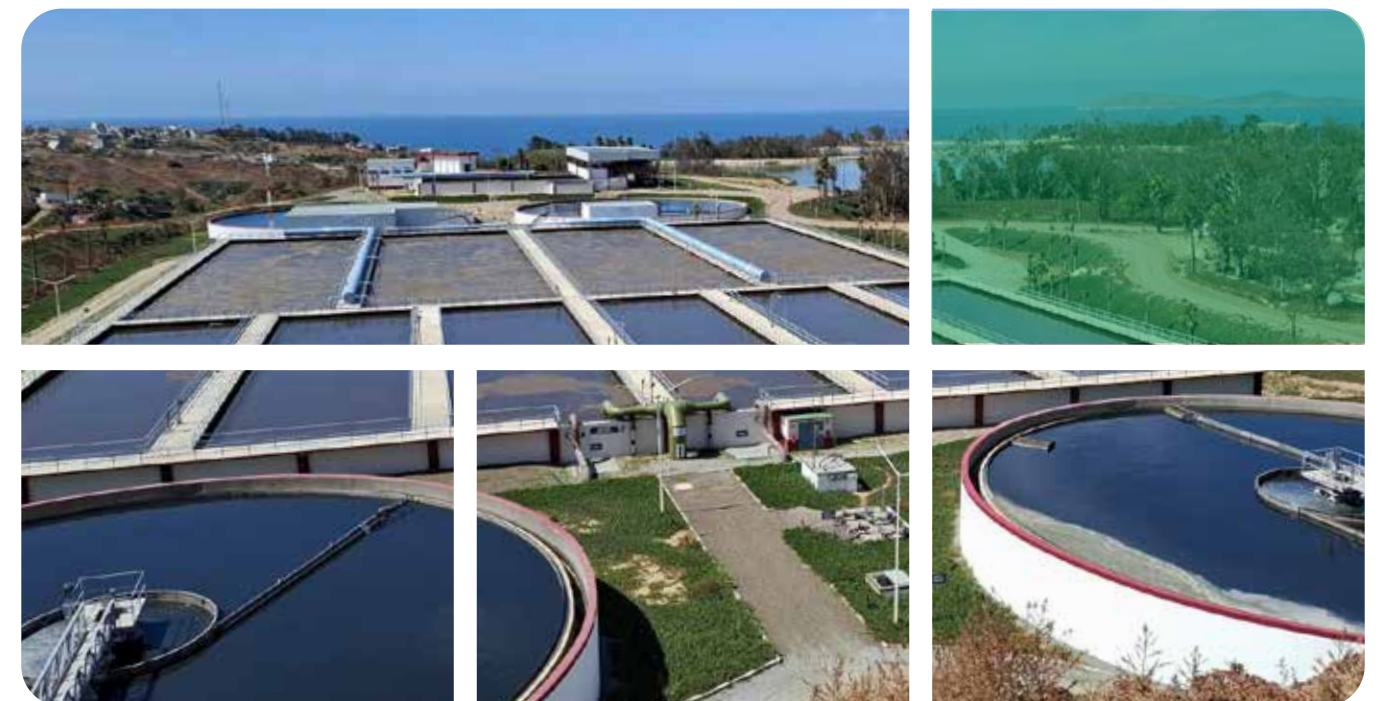
Border Environment Infrastructure Program (BEIF)

Annual Activity. During 2025, the Bank disbursed close to US\$8.5 million in BEIF grants funded by EPA for the implementation of 16 projects in six border states. Five of those projects completed construction during the year—two wastewater system expansion projects in Texas; a water and wastewater improvements project in Sonora; and two wastewater system rehabilitation projects in Baja California. These projects are benefitting more than 620,000 people by providing first-time access to water and/or wastewater services or preventing sewage spills and transboundary flows into the United States.

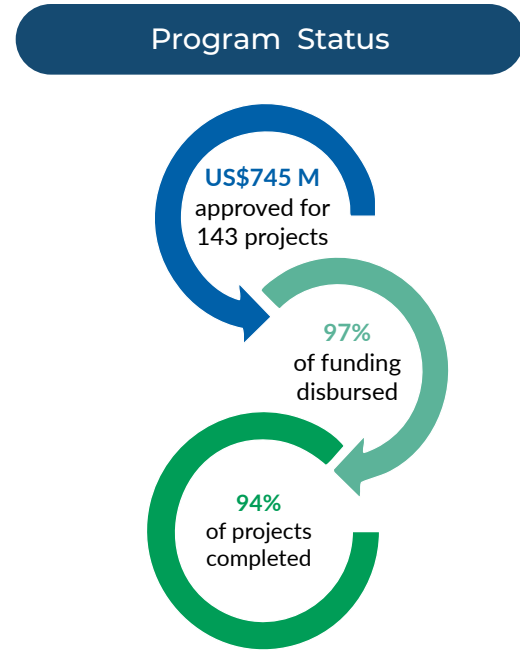
At year end, nine projects partially funded with US\$52.4 million in BEIF grants were in various stages of construction. In addition, several projects were under development for approval through the WIP process.

Program Profile

Established	April 1997
Purpose	Fund high-priority public water and wastewater infrastructure projects located within 100 km of either side of the U.S.-Mexico border
Funding source	U.S. Environmental Protection Agency (EPA)
Program funding	US\$792 million
Eligibility	<ul style="list-style-type: none"> Water treatment and distribution systems Wastewater collection and treatment systems



Cumulative Results. Since program inception, the Bank has disbursed US\$719.4 million in BEIF grants funded by EPA to support the implementation of 143 water and/or wastewater projects, with approximately 50% of the funding going to each country. Of those projects, 134 have completed construction and are in operation, representing a total investment of close to US\$2.1 billion. BEIF grants covered approximately US\$692 million of those investments. NADBank also provided loans totaling US\$129.8 million for 36 of the projects. The remaining costs were covered by local water utilities, city governments and/or state and federal water agencies. In particular, the Mexican federal water agency, Comisión Nacional del Agua (CONAGUA), has been a key partner in supporting the financing and implementation of the projects in Mexico.



Community Assistance Program (CAP)

Annual Activity. A water conservation and two wastewater projects in Texas were approved through WIP to receive CAP grants totaling just over US\$2.0 million. In addition, the Bank disbursed US\$1.6 million for six projects with funding appropriated by the U.S. Congress through the U.S. Department of State (DOS), whose support over the past five years has been instrumental in helping the Bank grow its grant funding capacity.

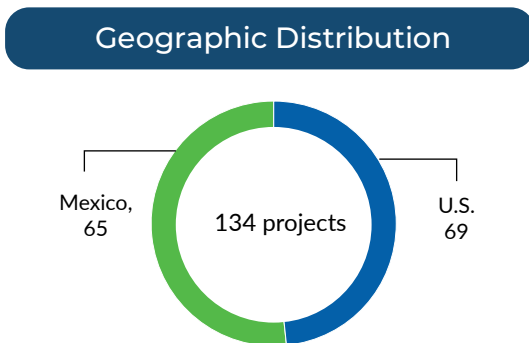
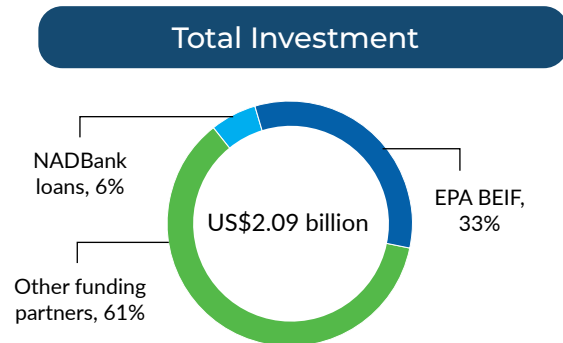
Five of the projects funded in 2025 completed construction and are improving the quality of life of an estimated 31,000 people in six communities—two water system improvement projects and three wastewater projects, including emergency repairs to two major lift stations in the United States. At year end, five projects partially funded with US\$5.8 million in CAP grants were under construction or preparing to begin construction, and the grant agreement for the water conservation project was under development. In addition, several water-related projects were under review for approval through WIP.

Program Profile

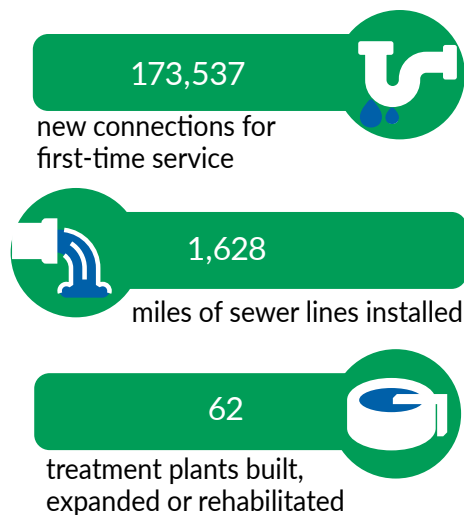
Established	February 2011
Purpose	Support investments in critical water and solid waste infrastructure projects in small, underserved communities
Funding source	NADBank and U.S. Department of State (DOS)
Program funding	US\$20.7 million
Eligibility	<ul style="list-style-type: none"> Water supply, treatment, distribution and conservation Wastewater collection, treatment and reuse Stormwater management Solid waste management

* DOS also funds the Technical Assistance Program (TAP)

Infrastructure Projects in Operation



Improved Wastewater Services



Better Quality of Life



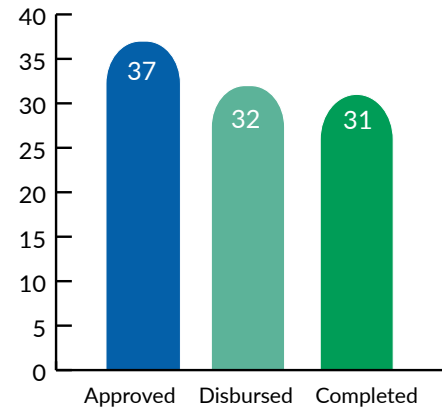
Cumulative Results. Since program inception, a total of US\$12.3 million in CAP grants have been disbursed to support the implementation of 32 infrastructure projects. Of that amount, US\$5.1 million was provided by DOS to cover the disbursement of all or part of the CAP grants for 13 projects, while NADBank funded the remaining US\$7.2 million in CAP grants.

At year-end, 31 projects had completed construction and were in operation—the majority in the priority sector of water. Those projects represent a total investment of just over US\$22.7 million, with CAP grants covering approximately 53% of the cost. NADBank also provided a US\$2.85-million loan for one of the solid waste projects. The remaining costs were covered by other funding partners, including local utilities and governments, as well as state and federal agencies.

Program Status

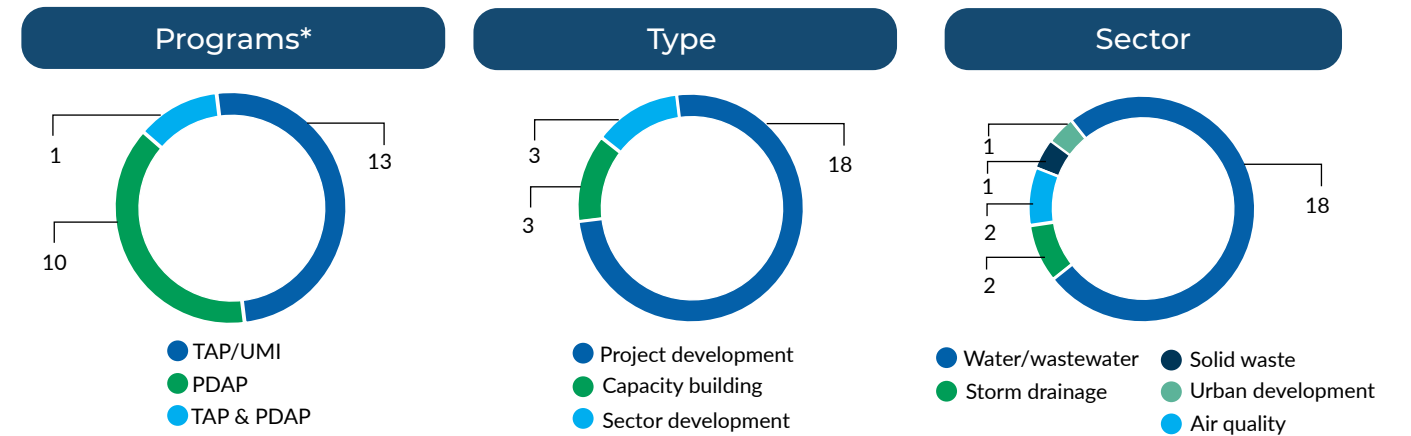
US\$15.6 M approved ➤ US\$12.3 M disbursed

Project Status

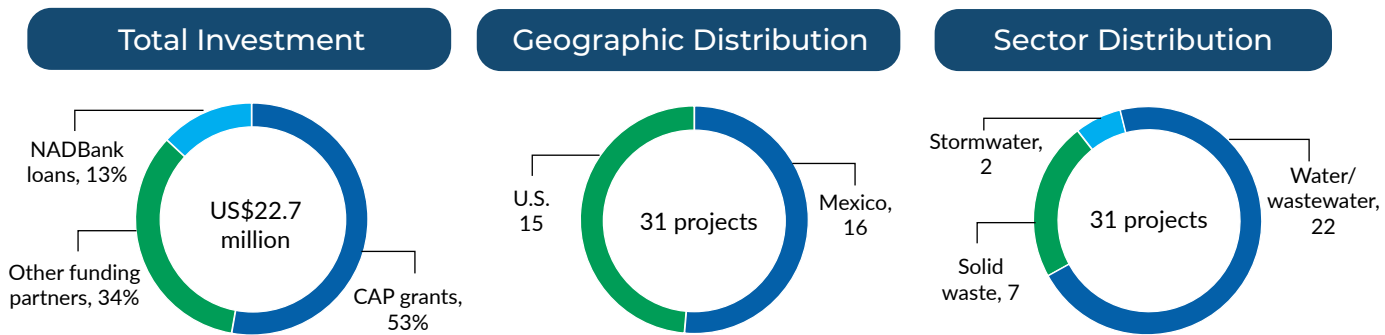


Expanding Knowledge Delivering Capacity

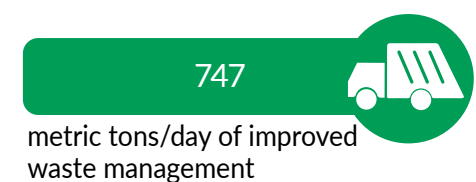
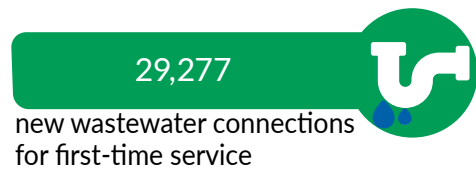
24 technical assistance initiatives completed



Infrastructure Projects in Operation



Improved Services

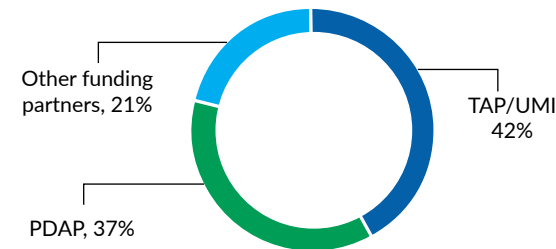


Better Quality of Life



Total Investment

US\$4.42 million



NADBank Programs

	USD
TAP/UMI	\$ 1.85 M
PDAP	1.65 M
Total	\$ 3.50 M

Benefitting

79 communities across all 10 border states by:

- Strengthening the institutional capacities of their public service providers
- Advancing the planning and design of viable infrastructure improvements

* Technical Assistance Program (TAP), Utility Management Institute (UMI), Project Development Assistance Program (PDAP)

Highlights of Initiatives Delivered in 2025

Technical Studies

- Technical assessment of municipal wastewater treatment plants in Mexico**

Funded jointly by TAP and PDAP, this study documented the overall physical and operational status of 13 plants in 11 communities along the border, including their ability to comply with the latest wastewater discharge regulations. The findings also demonstrated the need to implement a comprehensive plan that considers staff training, process control, energy efficiency and the possible integration of treated wastewater reuse.
- Feasibility Study of Alternatives for Managing Biosolids at the South Bay International Wastewater Treatment Plant**

The study recommended further evaluation of two alternatives, a potential partnership with the City of San Diego for biosolids management and a market analysis to gauge private-sector interest, among other recommendations. (TAP)
- Final designs for Nuevo Laredo, Tamaulipas**

13 final design packages were developed for the rehabilitation and/or expansion of wastewater collection infrastructure to support a project certified in 2024. (PDAP)
- Feasibility Study and Planning for a Bus Rapid Transit (BRT) System in Brownsville, TX**

The study analyzed transit-dependent populations and demand, focusing on demographic factors like population and employment density, income levels and car ownership rates. Its conclusions leveraged insights from existing conditions, peer city reviews and transit alternatives to provide a comprehensive framework for improving the transit infrastructure and meeting future mobility needs of the city. (TAP)
- User registry updates and billing systems**

Actions to fortify the commercial efficiency of the water utilities in two communities in Sonora. (TAP)

Training Programs

- Public Management Leadership Program**

67 public service providers from 22 border communities strengthened their managerial skills and earned a UMI certificate for completing the 72-hour online course.
- Solid Waste Management Seminar**

Developed in collaboration with the States of Sonora, Chihuahua and Tamaulipas, more than 200 participants—with 163 from 49 border communities—received a UMI certificate for attending the 12-hour online course on landfill management, and 68 landfill operators completed hands-on training in the use and maintenance of heavy equipment for compacting.

Sector Studies

- Evaluation of Performance Indicators for Water Utilities in Baja California**

A clear roadmap was established that enables the utilities to measure progress and benchmark performance, a monitoring tool was developed to help track the evolution of their indicators and generate regular reports, and training was provided to ensure proper implementation and continued use of the tool. (TAP)
- Environmental and Social Indicator Screening Tool**

In collaboration with Rice University, a demo dashboard for key environmental and social indicators was developed for Mexican border cities, increasing access to data for urban planning and risk assessment and empowering informed decision-making on infrastructure, permitting, industrial zoning and community health. (TAP)



Technical Assistance Program (TAP)

During 2025, NADBank approved just over US\$2.57 million in grants to support 19 planning, analytical and capacity-building activities throughout the U.S.-Mexico border region, including a solid waste management training program through the Utility Management Institute (UMI). While more than half of these initiatives will advance the development of water and wastewater projects, the Bank also allocated funding to support activities related to stormwater management and sector development, including development of a corporate shuttle service strategy for major border cities and the definition of efficient industrial parks and related efficiency criteria.

Disbursements during the year totaled close to US\$1.82 million for 27 initiatives, including completion of the inaugural cycle of the Public Management Leadership Program launched in 2024. These disbursements were fully funded by grants from the U.S. Department of State (DOS).

During the same period, 12 studies were completed, including the analysis of 13 municipal wastewater treatment plants in five Mexican border states to evaluate their compliance with updated effluent standards and provide a roadmap for achieving compliance, as applicable in each case. In addition, more than 265 people honed their skills in managing water utilities and sanitation services through two

Program Profile	
Established	April 2009
Purpose	Strengthen project development and institutional capacities, as well as generate knowledge about new technologies and emerging issues impacting the border region
Funding source	NADBank and U.S. Department of State (DOS)
Program funding	US\$21.6 million
Scope	Technical, environmental and financial studies, training programs and other initiatives in all sectors eligible for NADBank financing

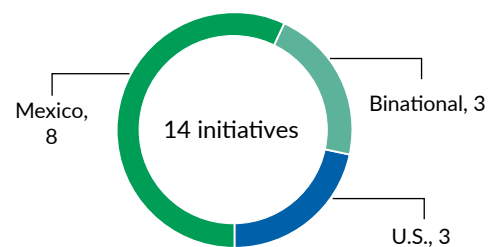
* DOS also funds the Community Assistance Program (CAP)

UMI training courses. Collectively, these initiatives represented a total investment of US\$1.96 million, with TAP grants covering 95% of total costs.

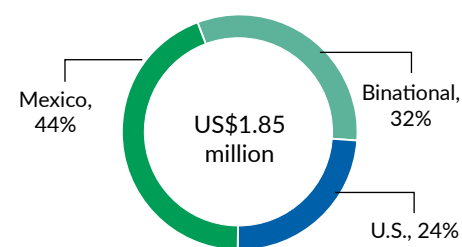
At year end, there were 31 TAP-funded initiatives in process with a total grant commitment of US\$3.6 million.

Completed TAP Initiatives

Distribution of Activities



Funding Distribution



Project Development Assistance Program (PDAP)

During 2025, PDAP grants totaling US\$1.33 million were approved to support the development of five projects aimed at expanding or rehabilitating water and/or wastewater systems in Texas, Baja California and Tamaulipas. In addition, the Bank disbursed US\$1.65 million to fund 12 initiatives, including final designs, technical studies and other development activities that will support water and wastewater system improvements for 20 communities in seven states.

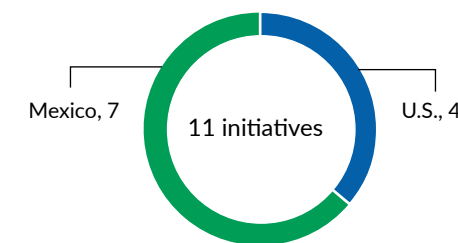
During the same period, 11 PDAP-funded initiatives were completed, including an analysis of several municipal wastewater treatment plants in Mexico to determine their level of compliance with new effluent standards, which was co-funded with a TAP grant. Altogether, these studies cost a total of US\$2.46 million to carry out, with PDAP funds covering approximately 67% of that amount.

At year end, there were five PDAP-funded studies in process with a total grant commitment of US\$1.33 million.

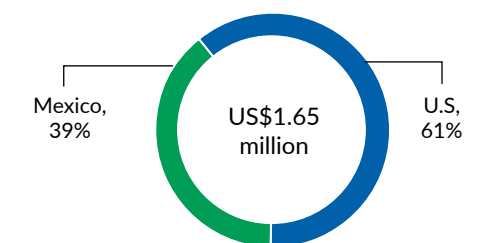
Program Profile	
Managed	Since November 2017
Purpose	Support the planning and design of water and wastewater projects that have been prioritized to receive a BEIF grant
Funding source	U.S. Environmental Protection Agency (EPA)
Program funding	US\$14.7 million
Scope	Project development and capacity-building activities related to: <ul style="list-style-type: none"> Water treatment and distribution systems Wastewater collection and treatment systems

Completed PDAP Initiatives

Distribution of Activities



Funding Distribution



Border 2025: U.S.-Mexico Environmental Program

During 2025, one additional initiative was selected to receive an US\$80,000 grant for development of an Electronic Waste Resource Guide addressing the legal considerations involved in e-waste management. During the same period, six initiatives were completed for a total cost of about US\$559,500, benefitting 11 border communities. Border 2025 provided just over US\$291,000, covering about 52% of the cost, with the remainder funded by the respective project sponsors and other local stakeholders. At year-end, there were four Border 2025 initiatives in process with a total grant commitment of US\$304,655.

2025 marked the end of this five-year binational program developed jointly by EPA and its Mexican counterpart, the Ministry of Environment and Natural Resources (SEMARNAT), who are considering a successor program to continue joint efforts to address environmental and health issues along the border.

Program Profile	
Program cycle	2021-2025
Purpose	Improve the environment and protect the health of people living within 100 kilometers of both sides of the U.S.-Mexico border
Funding source	EPA
Program funding	US\$2.45 million for initiatives
Scope	Support studies, workshops and other initiatives aimed at: <ol style="list-style-type: none"> 1. Reducing air pollution 2. Improving water quality 3. Promoting waste management 4. Improving joint emergency preparedness



Initiatives Completed in 2025

Goal 1: Air Pollution



- Plan to provide the tools and training needed to create and sustain asthma home-visit services for tribal communities along the Arizona-California border

Goal 2: Water Quality



- Bioremediation process identified to reduce heavy metals in industrial wastewater in Nogales, Sonora, and prevent their negative impact on the International Wastewater Treatment Plant in Rio Rico, Arizona
- Mobile app *En Causa Rio Bravo* developed to enable citizens to report contamination in the Rio Grande River in real time in Coahuila, Nuevo Leon and Tamaulipas

Goal 3: Waste Management



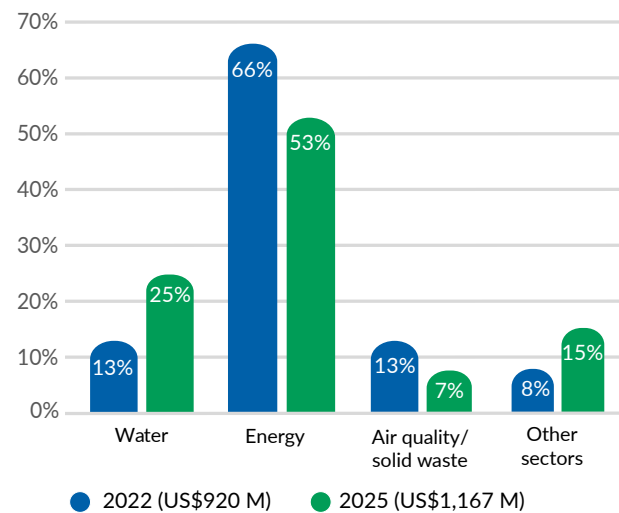
- Comprehensive health and environmental awareness campaign on the negative effects of burning trash and promotion of best practices for waste disposal and recycling in Naco, Sonora
- Public awareness campaign to educate residents on how to separate municipal solid waste and the environmental and economic benefits of recycling in Miguel Aleman, Tamaulipas
- Training provided for the production of papercrete building blocks to reduce air pollution by replacing the practice of burning paper waste in Puerto Palomas, Chihuahua

Financial Performance at a Glance

Robust Financial Position

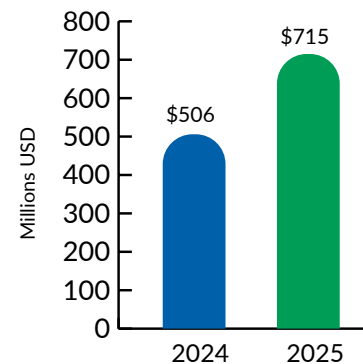
	USD
Assets	\$ 2.52 B
Liabilities	1.44 B
Equity	1.08 B

Expanding Water Investments, Scaling Back Energy Assets



US\$209 Million Capital Increase

Paid-in Capital



Strong Credit Ratings

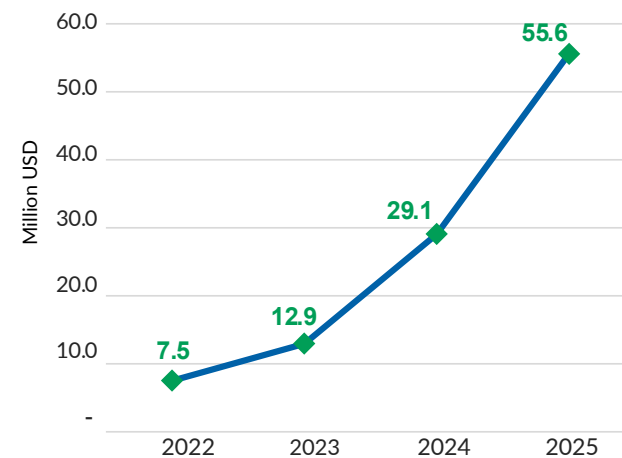


AA/F1+

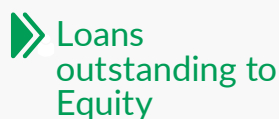


Aa1/Prime-1

Growing Grant Resources (EICF Fund Balance)



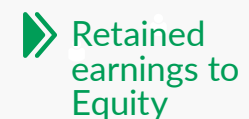
1.1 times



1.1 times



1.0 times



31%

Management Discussion & Analysis of Financial Results

All grant and technical assistance activities of the Bank, including grant funds provided by third-party donors, are reported under the Environment Investment and Capacity Facility (EICF), and all other operations of the Bank are reported under Ordinary Capital Resources. Unless otherwise noted, all information in this management discussion and analysis refers to the Ordinary Capital Resources of the Bank.

New Developments

Water Investment Program (WIP)

In January 2025, the Board approved this programmatic certification and financing framework to streamline the approval process for basic water infrastructure projects financed with loans and/or grants. This enhanced approach strengthens the Bank's ability to finance critical water needs in border communities and accelerate project delivery.

Water Resiliency Fund (WRF)

With the creation of the WRF in August 2025, the Board authorized the Bank to allocate up to US\$300 million in Ordinary Capital Resources to fund low-interest-rate loans, as well as to transfer up to US\$100 million in retained earnings over a five-year period to EICF to fund grants under the program. During 2025 the Bank transferred US\$25.1 million to the EICF and allocated US\$40 million of the EICF fund balance to the WRF. No WRF loans or grants were funded during the year.

Internal Capacity Building

During 2025, NADBank defined and launched a four-year initiative to modernize its operations and strengthen its long-term efficiency and scalability. Investments will target: (i) digital modernization and stronger data governance to enhance reliability and decision-making, (ii) process optimization to streamline workflows and improve cross-functional coordination across the Bank, and (iii) leadership and talent development to strengthen its human capital to handle future challenges.

Executive Summary

Balance Sheet Growth. The 2025 balance sheet reflects steady growth with a 5% increase in total assets, primarily due to US\$5.1 million in net income and an US\$89-million capital contribution from Mexico, along with an increase in foreign currency adjustments on development assets and in non-cash fair value changes to derivative assets used to mitigate interest and foreign exchange risks.

The development asset portfolio grew 3% or US\$34 million year over year, closing the year with an outstanding balance of US\$1,167 million compared to US\$1,133 million at the end of 2024. The increase was driven by US\$193 million in loan disbursements, offset by US\$156 million in principal repayments and a US\$3.2-million charge-off on one loan that was on non-accrual in 2024.

As detailed in the next section, loan disbursements in 2025 were mainly distributed across three sectors: sustainable buildings designed to reduce water and energy consumption (36%), water and wastewater infrastructure projects (29%) and energy storage systems (29%).

Gross debt decreased 10% due to a US\$129-million debt repayment in April 2025, while equity grew 24%, or US\$211 million, mainly driven by the US\$89-million capital contribution from Mexico and the removal of the restriction on US\$120 million in deferred capital contributions from the United States.

Table 1: Select Financial Data – Ordinary Capital Resource

(Million USD)	2025	2024	2023	2022	2021
Balance Sheet Data					
Total assets	\$ 2,521.8	\$ 2,401.6	\$ 2,287.9	\$ 1,994.1	\$ 2,114.6
<i>of which</i>					
Cash & investments	1,197.7	1,240.8	1,078.1	1,118.9	1,129.8
Gross loans outstanding	1,166.7	1,132.8	1,049.2	920.3	976.5
Total liabilities	1,442.9	1,533.8	1,469.6	1,245.3	1,337.7
<i>of which</i>					
Debt (short and long term)	1,178.2	1,306.4	1,123.7	1,063.5	1,118.2
Deferred U.S. capital contribution	45.0	165.0	165.0	165.0	165.0
Total equity	1,078.9	867.8	818.3	748.8	776.9
<i>of which</i>					
Paid-in capital	715.0	506.0	506.0	496.0	486.5
Retained earnings and reserves	336.8	331.7	310.0	286.6	285.6
Unqualified callable capital ¹	4,306.7	3,037.3	3,037.3	2,980.7	2,926.8
Income Statement Data					
Interest income	\$ 133.3	\$ 128.2	\$ 102.4	\$ 53.4	\$ 47.0
Interest expense	66.6	70.4	59.1	26.1	14.3
Net interest income	66.7	57.8	43.3	27.3	32.7
Provision for credit losses	2.7	10.5	(1.7)	0.0	2.9
Operating expense	22.3	20.4	20.4	19.0	17.5
Net operating income	41.7	26.9	24.6	8.3	12.3
Net income before EICF transfers	30.2	37.0	28.6	8.5	12.1
Transfer to EICF	25.1	15.3	5.1	7.5	-
Net income	5.1	21.7	23.5	1.0	12.1
Ratios					
Loans / Equity (%)	108.1	130.5	128.2	122.9	125.7
Assets / Equity (%)	233.7	276.7	279.6	266.3	272.2
Debt (short & long-term) / Callable capital (%)	27.4	43.0	37.0	35.7	38.2
Liquid assets / Short-term debt (%)	947.5	964.1	20,341.5	21,111.3	729.4
Net income / Equity (%)	0.5	2.6	3.0	0.1	1.6
Net operating income / Equity (%)	4.3	3.2	3.1	1.1	1.6
Non-accrual loans / Loans outstanding (%)	-	0.8	-	-	1.4
Operating expenses per \$1 M outstanding loans (\$)	19,114	18,008	19,443	20,645	17,921

¹ Unqualified callable capital shares have been authorized for purchase by the subscribing country, as opposed to qualified capital shares, which are subject to the necessary legal requirements of each subscribing country.

Institutional Overview

NADBank was established on January 1, 1994, by an agreement between the Governments of the United States and Mexico (the Charter) to finance environmental infrastructure projects in the border region between the two countries. The Bank was designated as an international organization through an Executive Order of the president of the United States on March 16, 1994.

The Bank is governed by a Board of Directors appointed by the two governments (Appendix). The geographic area it serves extends 100 kilometers north of the U.S.-Mexico border in the U.S. states of Texas, New Mexico, Arizona and California and 300 kilometers south of the border in the Mexican states of Tamaulipas, Nuevo Leon, Coahuila, Chihuahua, Sonora and Baja California.

Unlike other multilateral institutions, NADBank does not exclusively finance federal governments or programs. It was created to provide financing to public and private entities for infrastructure projects that preserve, protect or enhance the environment in the border region.

Its main financing instruments are loans, grants and technical assistance. These instruments are funded by the Bank from three sources: borrowings from capital markets and private placements; paid-in capital provided by shareholders; and accumulated retained earnings. The Bank also administers grant funding provided by other entities.

To facilitate lending to the Mexican public sector, the Bank established COFIDAN, a multipurpose financial institution. Its results are consolidated with those of the Bank.

Results of Operations. The main source of revenue for NADBank is the interest earned on its development asset and investment portfolios. In 2025, the Bank had net interest income after provision for credit losses of US\$64.0 million, up 35% from the prior year, primarily due to higher interest income offset by a lower interest expense, as well as higher provisions for credit losses in 2024.

Operating expenses totaled US\$22.3 million for the year ended 2025, an increase of US\$1.9 million, or 9%, compared to the prior year, primarily from hiring staff to fill vacant positions. Net operating income for 2025 was US\$41.7 million, representing an increase of US\$14.8 million year over year, mainly as a result of higher net interest income after the provision for credit losses. Net income for the year ended 2025 totaled US\$5.1 million after transfers of US\$25.1 million to the EICF, compared to \$21.7 million earned the previous year after EICF transfers of US\$15.3 million.

Credit Ratings. In 2025, Moody's Investors Service and Fitch Ratings reaffirmed their global rating of NADBank at Aa1 and AA, respectively, based on the strong capital adequacy and liquidity position of the Bank, its prudent management of credit, robust risk management practices and the continued strategic importance of its mission to both the United States and Mexico. However, the agencies differed on the credit outlook for NADBank with Fitch maintaining a stable outlook, while Moody's changed its outlook to negative, reflecting the potential risk of policy changes under the new government administrations.

	Fitch	Moody's
Global	AA/F1+ stable	Aa1/Prime-1 negative
Local	AAA(mex) stable	AAA(mex) stable

Development Asset Portfolio

Development assets consist of loans executed with public and private entities to finance the implementation of environmental infrastructure that supports development in the U.S.-Mexico border region. Table 2 summarizes lending activity during 2025 in comparison with 2024.

Table 2: Summary of Lending Activity

(Million USD)	2025		2024	
	No.	Amount	No.	Amount
Loans approved	7	\$ 160.99	13	\$ 348.50
Loans signed	6	83.05	12	265.66
Loans disbursed	14	193.45	16	258.67
Undisbursed balances:				
Signed loans*	10	88.56	16	229.38
Approved loans pending signing**	14	251.56	17	285.45

* Figures include the available balance of one revolving loan in 2025 and two revolving loans in 2024.

** 2025 figures include seven unsigned loans, along with the unsigned portion of seven partially executed loans. 2024 figures include six unsigned loans, as well as the unsigned portion of 11 partially executed loans.

Lending Activity. In 2025, new loan transactions were closely aligned with the objectives and priorities outlined in the NADBank 2024-2028 Strategic Plan, with investments mainly targeting the key sectors of water and air quality. Four loans totaling US\$78.7 million for water infrastructure projects accounted for almost half (49%) of the financing approved, while two loans totaling US\$62.2 million for the acquisition of cleaner, more efficient transportation equipment represented 39%. Lastly, a US\$20.0-million loan to a financial intermediary in Mexico will provide financing to small and medium-size businesses for the acquisition of energy efficient equipment across multiple sectors.

Altogether, NADBank approved US\$161 million in loans, two of which were contracted and fully disbursed prior to year end for a total of US\$19.6 million. In addition, four loans pending contracting at the end of 2024 were executed in 2025 for a total of US\$63.4 million.

Loan disbursements totaled US\$193.5 million in 2025, down US\$65.2 million from the prior year (US\$258.7 million), but still 31% above the five-year average of US\$147.2 million, reflecting steady growth. Of the total amount disbursed, 63% (US\$121.8 million) was deployed to support seven projects in Mexico, and 37% (US\$71.7 million) went to seven projects in the United States.

New lending in 2025 was fairly evenly distributed across three sectors. Close to 36% (US\$69.2 million) went to private sector borrowers investing in buildings designed to improve water and energy efficiency—primarily affordable housing in Mexico and medical complexes in both countries. Water and wastewater infrastructure projects sponsored by public entities in Mexico and an irrigation district in the United States accounted for just over 29% of disbursements (US\$56.2 million), closely followed by energy storage systems undertaken by private sector investors in the United States with just under 29% (US\$55.8 million). The remaining 6% of

disbursements went to support the electrification of cross-border drayage services in the U.S. and to boost energy efficiency across multiple sectors in Mexico. In contrast, during 2024, more than half of the loans disbursed went to support seven energy storage and solar energy projects in the U.S. (64%), followed by ongoing disbursements for a water and wastewater infrastructure project in Baja California (14%) and the disbursement of three loans to support more efficient food production initiatives in Mexico (8%).

During 2025, NADBank received a total of US\$156.4 million in principal repayments, consisting of US\$25.8 million in partial prepayments on five loans and US\$130.6 million in scheduled payments, which included two short-term bridge loans totaling US\$63 million for energy storage projects in the United States. In comparison, during 2024, the Bank received US\$175.1 million in principal payments, of which US\$163.2 million were scheduled amortizations and US\$11.9 million were prepayments.

Portfolio Status. As a result of lending activity in 2025, the development asset portfolio recorded an increase of US\$33.9 million, moving from US\$1,132.8 million to US\$1,166.7 million by year end.

Sector Distribution. During 2025, the Bank prioritized expansion of its water portfolio to address critical water needs along the border, as well as continued to pursue its strategic objective of diversifying the portfolio to reduce the concentration in energy assets.

As a result, the balance of loans invested in water infrastructure continued its upward trajectory, growing 17% (US\$42.3 million) to close the year at US\$285.3 million compared to US\$243.1 million a year earlier. The most significant growth in the portfolio occurred in sustainable buildings, where the balance of outstanding loans almost tripled year over year, from US\$38.2 million to US\$107.3 million, driven by disbursements to five projects.

In contrast, the balance of energy assets decreased 9% (US\$59.6 million) year over year to US\$616.3 million from US\$675.9 million, as disbursements were significantly offset by US\$71.9 million in short-term bridge loan payments and prepayments. In addition, the balance in food value chains declined 31%, reflecting the partial principal repayment and subsequent charge-off of a loan placed on non-accrual in 2024.

With this lending activity and a more diversified portfolio, at the close of 2025, loans invested in energy assets comprised less than 53% of the development-asset portfolio, down from 60% a year earlier, while loans in water-related assets increased to 25% in 2025 from 21% in 2024. The level of loans in sustainable buildings almost tripled—from 3.4% to 9.2% of the portfolio—surpassing air quality assets, which fell slightly from 8.4% to 7.4%.

Geographic Distribution. Portfolio distribution by country in 2025 remained relatively stable with 63% held by borrowers in Mexico and 37% in the United States, compared to 61% and 39%, respectively, a year earlier. In Mexico, the US\$735.4 million in outstanding loans were distributed across all six border states, with the largest concentrations in Baja California (24.2%), Sonora (23.6%) and Tamaulipas (21.5%). In the U.S., outstanding loans totaled US\$431.3 million, with 72.4% invested in Texas and the remaining 27.6% in California.

Portfolio Quality. NADBank evaluates its entire loan portfolio annually, including projects in operation and those under construction, using a credit risk scorecard designed by an internationally recognized credit rating agency. Based on this methodology, the Bank performs internal credit evaluations to estimate the probability of default for each loan. Each assessment results in a letter-grade rating, which is then linked to a corresponding probability of default using the undiscounted default rate tables of the same agency.

Table 3 shows a breakdown of the loan portfolio by internal credit rating. The credit quality of the development asset portfolio improved in 2025, driven by a 20% increase in investment grade loans. At the close of 2025, loans rated AAA to BBB accounted for 55% of the portfolio, up from 50% in 2024. The portfolio remained concentrated in the BBB and BB categories in 2025, with 41% in BBB rated loans (US\$482.3 million) and 34% in BB rated loans (US\$391.9 million). In contrast, in 2024 the BB category represented the largest share at 40%, followed by BBB rated loans at 36%. Loans in the B category made up 9% of the portfolio in both years. The portfolio also included a single CCC rated loan representing 2% of the 2025 balance, while a non accrual D rated loan from 2024 was partially repaid and the remaining balance charged off, further contributing to the overall improvement in credit quality.

As of December 31, 2025, the allowance for credit losses was US\$29.6 million, equivalent to 2.54% of the balance of outstanding loans, compared to US\$27.6 million, or 2.43%, at the close of 2024.

Outlook. At the close of 2025, the Bank had US\$88.6 million in loans contracted pending disbursement for 10 projects, as well as up to US\$251.6 million in approved loans pending signing for 14 projects. As of December 31, 2025, loans outstanding plus loans contracted pending disbursement totaled US\$1,255 million. NADBank also had a substantial pipeline of projects in development at year end, including several water supply and wastewater projects, utility-scale energy systems and sustainable buildings. Moreover, in November, the Bank launched its first request for water conservation projects under the WRF.

Lending Capacity. As of December 31, 2025, the lending capacity of the Bank was US\$5,047 million, an increase of US\$1,480 million compared to US\$3,567 million at the close of 2024. Most of this increase is attributed to a US\$209-million increase in paid-in capital and a US\$1,269-million increase in unqualified callable capital.

Table 3: Internal Rating of Loan Portfolio

(Million USD)	2025	2024
AAA	\$ -	\$ -
AA+	23.05	23.05
AA	1.35	1.99
AA-	20.80	21.09
A+	-	-
A	3.94	4.16
A-	109.53	110.23
BBB+	11.36	102.52
BBB	289.64	190.01
BBB-	181.28	110.79
BB+	113.33	104.43
BB	181.26	232.55
BB-	97.28	116.35
B+	70.25	66.69
B	38.47	39.59
B-	1.48	-
CCC+	23.65	-
D	-	9.36
Total	\$ 1,166.67	\$ 1,132.81

Shareholder Support

In 2015, the Bank's shareholders approved a general capital increase (GCI) of US\$3 billion. Following the capital increase, the Bank has US\$6 billion in subscribed capital, composed of US\$5.1 billion of callable capital and US\$900 million of paid-in capital.

The Bank has received GCI contributions from both shareholders. Mexico has contributed US\$130 million in paid-in capital, of which US\$89 million was received in 2025. The United States provided its full contribution of US\$225.0 million in paid-in capital in 2020 and restricted US\$165.0 million from commitment until the corresponding payments were received from Mexico. During 2025, the United States lifted the restriction on US\$120 million in paid-in capital, reducing the amount restricted from commitment to US\$45 million.

In addition, during 2025, Mexico and the United States unqualified US\$504.4 million and US\$765 million in callable capital, respectively. As of December 31, 2025, the Bank had unqualified callable capital totaling US\$736.7 million from Mexico and US\$1,020 million from the United States.

As of December 31, 2025, total equity was US\$1,078.9 million, an increase of US\$211 million (24%) over the US\$867.8 million registered at the close of 2024. The increase was primarily due to the US\$209 million increase in paid-in capital.

Table 4: NADBank Capital

(Million USD)	2025	2024
Total subscribed capital ¹	\$ 6,000	\$ 6,000
<i>of which</i>		
Callable capital ²	5,100	5,100
Qualified	793	2,063
Unqualified	4,307	3,037
Paid-in capital	715	506

¹ *Callable* capital is composed of funds that are pledged to be provided to NADBank from the two countries only if required to meet the Bank's guarantee obligations or obligations on borrowings of funds for inclusion in its capital resources as specified in the Charter. Paid-in capital consists of cash funds contributed to NADBank by the two governments.

² *Qualified* capital shares are subject to the necessary legal requirements of each subscribing country. Unqualified capital shares have either been funded or authorized for purchase by the subscribing country.

External Funding

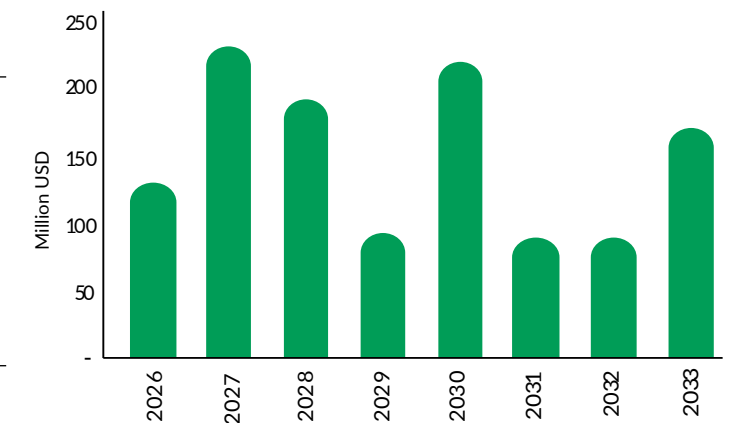
Gross debt decreased 10% to US\$1,179.8 million in 2025 from US\$1,308.5 million a year earlier, due to US\$129-million debt repayment in April 2025. No new debt was issued in 2025; however, the Bank executed two unsecured lines of credit to fund its lending operations: one with a financial institution for up to \$1.0 billion Mexican pesos (US\$55.5 million) and the other with a development bank for up to US\$100 million. As of December 31, 2025, no funds had been drawn down from either line of credit.

Table 5 shows a breakdown of gross outstanding debt by currency and maturity at the close of 2025 and 2024. The maturity schedule for NADBank debt is illustrated in the following graph.

Table 5: Gross Debt

(Million USD)	2025	2024
By Currency		
USD	\$ 50.00	\$ 50.00
CHF	766.21	894.91
NOK	173.45	173.45
MXN	190.15	190.15
	\$ 1,179.81	\$ 1,308.51
By Maturity		
Short term	\$ 126.42	\$ 128.70
Long term	1,053.39	1,179.81
	\$ 1,179.81	\$ 1,308.51

NADBank Debt Amortization Profile



The NADBank debt limit policy establishes that total debt outstanding may not exceed the callable portion of the subscribed capital shares, plus the minimum liquidity level required under the liquidity policy. With US\$4,306.7 million in unqualified subscribed callable capital and a minimum liquidity level of US\$359 million, the maximum debt limit at the close of 2025 was US\$4,665.7 million, compared to the maximum limit of US\$3,504.3 million in 2024. At the close of 2025, total debt outstanding (US\$1,179.8 million) represented 25% of the debt limit.

Use of Derivatives

NADBank uses derivatives to mitigate its exposure to fluctuations in foreign currency exchange rates and/or interest rates for its development assets and debt. No derivatives are used for speculative purposes. All derivatives are measured at fair value.

NADBank pledged a portion of its investment securities for borrowings in Mexican pesos in the form of repurchase agreements. At December 31, 2025 and 2024, securities pledged under collateralized borrowings totaled US\$277.6 million and US\$270.8 million, respectively.

Cash and Investments

At December 31, 2025, cash and investments totaled US\$1,197.7 million, down 3.5% from US\$1,240.8 million at year-end 2024. The US\$43-million decrease was primarily a result of net loan disbursements and the principal repayment of a matured debt, offset by capital contributions.

The NADBank investment policy limits the investment portfolio to highly rated, liquid fixed-income securities. Table 6 shows the cash and investment holdings of NADBank as of December 31, 2025 and 2024.

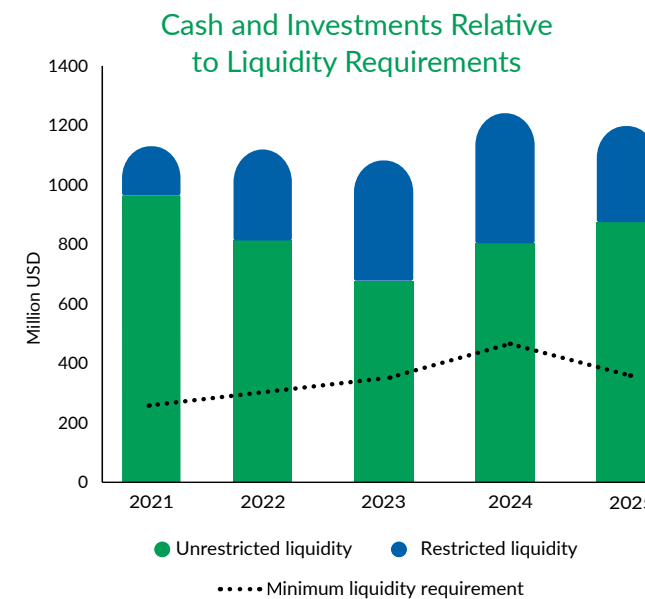
Table 6: NADBank Cash and Investments

(Million USD)	2025		2024	
	Amount	%	Amount	%
Cash and cash equivalents	\$ 81.48	6.8	\$ 84.36	6.8
U.S. government securities	366.05	30.6	420.16	33.9
U.S. agency securities	41.95	3.5	84.65	6.8
Mexican government securities	111.25	9.3	131.36	10.6
Corporate and supranational debt securities ¹	214.39	17.9	181.96	14.7
Other fixed-income securities	79.34	6.6	63.69	5.1
Securities pledged under collateralized borrowings	277.55	23.2	270.78	21.8
Mortgage-backed securities	25.74	2.1	3.85	0.3
Total	\$ 1,197.75	100.0	\$ 1,240.81	100.0

¹ No supranational debt securities were held in 2024

The figure illustrates NADBank cash and investments relative to the minimum liquidity requirement as determined annually under its liquidity policy.

In 2025, the minimum liquidity requirement was US\$359 million. At year-end, liquidity stood at US\$1,197.7 million, which included US\$45 million in deferred U.S. capital contributions and US\$278 million in investment securities pledged under collateralized borrowings, resulting in US\$515.7 million in available liquidity. Minimum liquidity for 2026 is US\$267 million.



Net Income

Net income totaled US\$5.1 million for the year ended 2025, a decrease of US\$16.6 million from the US\$21.7 million reported a year earlier. The main income and expenses components are detailed below.

Net Interest Income. For the year ended in 2025, net interest income totaled US\$66.7 million, an increase of 16% over the US\$57.8 million earned in 2024. Interest income from the development asset portfolio increased by US\$1.4 million, driven by higher average portfolio balances, partially offset by lower average interest rates in a declining rate environment. Interest income from investments rose

by US\$3.7 million due to higher average investment balances and the reinvestment of matured securities at higher yields. Interest expense decreased by US\$3.8 million compared to 2024, primarily reflecting lower interest rates, partially offset by slightly higher average debt balances.

Table 7: Interest Income

(Million USD)	2025	2024
Interest income:		
Loans	\$ 84.10	\$ 82.70
Investments	49.20	45.47
Total interest income	133.30	128.17
Interest expense	66.56	70.39
Net interest income	66.74	57.78
Provision for credit losses	2.71	10.50
Net interest income after provision for credit losses	\$ 64.03	\$ 47.28

In 2025, the Bank recorded a US\$2.7-million provision for credit losses, compared to a US\$10.5-million provision in 2024, resulting in a favorable year-over-year variance of US\$7.8 million. The change in 2025 primarily reflects a US\$5.6-million increase in the reserve for outstanding loan balances, partially offset by a US\$2.8-million reduction in the reserve for undisbursed commitments, largely due to funded loans. The provision in 2024 was primarily driven by an US\$11-million increase in the allowance for outstanding loans attributed to an additional provision of US\$5.3 million for a non-accrual loan, portfolio growth and adjustments deriving from a market update of the default probability tables used to calculate the allowance for loans. As a result, the Bank closed the year with US\$64.0 million in net interest income after provisions, a 35% increase over the previous year.

Net Operating Income. Operating expenses, which were partially offset by the reimbursement of expenses incurred in the administration of third-party grants under the EICF, totaled US\$22.3 million for the year, up 9% over the previous year, primarily due to the hiring of staff to fill vacant positions. As

a result of this activity, the Bank closed the year with net operating income of US\$41.7 million, an increase of 55% over the US\$26.9 million recorded the previous year.

Table 8: Operating Expenses

(Million USD)	2025	2024
Personnel	\$ 19.80	\$ 17.90
Administrative	2.89	2.77
Consultants and contractors	2.10	2.27
Other	(1.00)	(1.08)
Grant operating reimbursements, net	(1.58)	(1.55)
Depreciation	0.10	0.08
Total operating expenses	\$ 22.31	\$ 20.39

Net income before transfers to EICF totaled US\$30.2 million in 2025 after US\$11.5 million in non-interest and non-operating expenses, compared to US\$37.0 million in 2024, which included US\$10.1 million in non-interest and non-operating income.

Transfers to EICF. Upon creation of this facility, the Board agreed to continue providing ongoing support through transfers of allocable income from the Ordinary Capital Resources. In 2025 and 2024, the Bank transferred US\$25.1 million and US\$15.3 million, respectively to the EICF.

Environment Investment and Capacity Facility (EICF)

This facility was created in December 2022 to hold NADBank grant funds for project implementation and technical assistance, including those provided by third-party donors.

At the close of 2025, the EICF fund balance was US\$55.6 million, almost double the US\$29.1 million recorded a year earlier. This growth is the result of US\$25.1 million in transfers from the allocable income of the Bank and US\$1.4 million in interest. In addition, US\$3.4 million in NADBank CAP and TAP disbursements during 2025 were covered by funding provided through the U.S. Department of State.

Table 9 presents the summary balance sheet of the facility as of December 31, 2025 and 2024.

Table 9: EICF Summary Balance Sheet

(Million USD)	2025	2024
Cash and cash equivalents	\$ 39.45	\$ 20.14
Receivables	18.48	11.47
Total assets	\$ 57.93	\$ 31.61
Payables	\$ 0.39	\$ 0.16
Undisbursed grant funds	1.98	2.38
Fund balance	55.56	29.07
Total liabilities and fund balance	\$ 57.93	\$ 31.61

During 2025, the Bank disbursed a total of US\$13.7 million in grants through the EICF for the implementation of infrastructure projects and technical assistance initiatives, which were entirely funded by third-party donors. Table 10 shows a breakdown of the disbursements by sector, country and type. More information about the grant programs and sources of funding is provided in the notes to the EICF financial statements.

Table 10: Grant Disbursements

(Thousand USD)	2025		2024	
	Amount	Projects	Amount	Projects
By type of funding*				
Project financing	\$ 10,059	22	\$ 20,371	19
Technical assistance	3,680	49	4,012	50
Total	\$ 13,739	71	\$ 24,383	69
By country				
Mexico	\$ 8,612	42	\$ 13,203	38
United States	4,584	24	10,266	22
Binational	543	5	914	9
Total	\$ 13,739	71	\$ 24,383	69

* Project financing includes BEIF and CAP grants. Technical assistance includes grants provided through TAP/UMI, PDAP, Border 2025, and the Air Quality Monitoring Fund, as well as a project-specific EPA grant.

Basis of Financial Reporting External Auditors

The financial statements of the Bank are prepared in accordance with generally accepted accounting principles (GAAP) in the United States and are consistent with those of an international organization. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The accounts of the Bank are audited annually by independent external auditors of international reputation chosen by the Board of Directors on the basis of a proposal by Bank management. Under the policies and principles established by the Board, the external auditors are selected through a competitive process, are appointed for terms of up to five years and are engaged on an annual basis. In 2023, Ernst & Young LLP (EY) won the bid and was appointed by the Board of Directors to perform the annual audit of the Bank's accounts for fiscal years 2023 through 2027. The Bank renewed its contract with EY to carry out the annual audit of its accounts for fiscal year 2025.

North American Development Bank

Ordinary Capital Resources

Consolidated Financial Statements
December 31, 2025



**Shape the future
with confidence**

Ernst & Young LLP
The Frost Tower
Suite 1901
111 West Houston Street
San Antonio, TX 78205

Tel: +1 210 228 9696
ey.com

Report of Independent Auditors

Those Charged with Governance
North American Development Bank
Ordinary Capital Resources

Opinion

We have audited the consolidated financial statements of North American Development Bank - Ordinary Capital Resources (the Bank), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank at December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Bank and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bank’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



Shape the future
with confidence

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bank's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Ernst & Young LLP

April 10, 2026

Consolidated Balance Sheets

As of December 31, 2025 and 2024

	December 31, 2025	December 31, 2024
Assets		
Cash and cash equivalents:		
Held at other financial institutions	\$ 59,983,277	\$ 75,072,070
Repurchase agreements	21,500,000	9,300,000
Total cash and cash equivalents	81,483,277	84,372,070
Held-to-maturity investment securities, at amortized cost	4,649,389	4,550,451
Available-for-sale investment securities, at fair value	1,111,617,215	1,151,890,144
Loans outstanding	1,166,670,525	1,132,807,686
Allowance for credit losses	(29,642,740)	(27,577,193)
Unamortized loan fees	(4,714,368)	(6,695,299)
Foreign currency exchange rate adjustment	(20,773,937)	(89,306,267)
Hedged items for loans, at fair value	(2,826,945)	(12,400,026)
Net loans outstanding	1,108,712,535	996,828,901
Interest receivable	17,516,245	14,978,282
Other receivables	671,561	870,053
Furniture, equipment and leasehold improvements, net	364,725	267,207
Other assets	196,768,784	147,806,193
Total assets	\$ 2,521,783,731	\$ 2,401,563,301

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheets

As of December 31, 2025 and 2024

	December 31, 2025	December 31, 2024
Liabilities and Equity		
Liabilities:		
Current liabilities		
Accounts payable	\$ 692,000	\$ 1,081,614
Accrued liabilities	2,576,963	3,148,937
Accrued interest payable	13,231,089	12,736,980
Due to Environment Investment and Capacity Facility (EICF)	18,100,000	11,300,000
Other liabilities	50,522,075	52,497,043
Short-term debt, net of discounts and unamortized debt issuance costs	126,371,557	128,707,491
Foreign currency exchange rate adjustment	31,286,979	9,055,545
Net short-term debt	<u>157,658,536</u>	<u>137,763,036</u>
Total current liabilities	<u>242,780,663</u>	<u>218,527,610</u>
Long-term liabilities:		
Long-term lease payable	-	37,922
Long-term post-retirement benefits payable	3,472,749	3,293,062
Deferred U.S. capital contribution	45,000,000	165,000,000
Long-term debt, net of discounts and unamortized debt issuance costs	1,051,873,503	1,177,711,807
Foreign currency exchange rate adjustment	103,037,683	(25,541,126)
Hedged items for debt, at fair value	(3,263,876)	(5,300,748)
Net long-term debt	<u>1,151,647,310</u>	<u>1,146,869,933</u>
Total long-term liabilities	<u>1,200,120,059</u>	<u>1,315,200,917</u>
Total liabilities	<u>1,442,900,722</u>	<u>1,533,728,527</u>
Equity:		
Subscribed capital	6,000,000,000	6,000,000,000
Less callable capital	(5,100,000,000)	(5,100,000,000)
Less due from shareholders or restricted	(185,000,000)	(394,000,000)
Paid-in capital	715,000,000	506,000,000
Retained earnings	336,766,854	331,679,509
Accumulated other comprehensive income	27,111,773	30,150,807
Non-controlling interest	4,382	4,458
Total equity	<u>1,078,883,009</u>	<u>867,834,774</u>
Total liabilities and equity	<u>\$ 2,521,783,731</u>	<u>\$ 2,401,563,301</u>

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Income

For the Years Ended December 31, 2025 and 2024

	For the Years Ended December 31,	
	2025	2024
Interest income:		
Loans	\$ 84,107,084	\$ 82,700,428
Investments	49,197,442	45,467,926
Total interest income	<u>133,304,526</u>	<u>128,168,354</u>
Interest expense	66,564,363	70,386,545
Net interest income	<u>66,740,163</u>	<u>57,781,809</u>
Provision for credit losses	2,712,474	10,498,847
Net interest income after provision for credit losses	<u>64,027,689</u>	<u>47,282,962</u>
Operating expenses (income):		
General and administrative:		
Personnel	19,800,607	17,902,644
Administrative	2,893,620	2,773,556
Consultants and contractors	2,102,340	2,274,062
Other	(1,007,908)	(1,080,654)
Grant operating reimbursements, net	(1,575,999)	(1,552,388)
Depreciation	99,741	78,438
Total operating expenses	<u>22,312,401</u>	<u>20,395,658</u>
Net operating income	<u>41,715,288</u>	<u>26,887,304</u>
Non-interest and non-operating income (expenses):		
Gain on sale of securities, net	358,988	85,833
Fees and other income (expense), net	187,050	572,952
Loss on other real estate owned	(3,862,481)	-
Income (expense) from foreign currency adjustments and hedging activities	(8,211,576)	9,466,447
Total non-interest and non-operating income (expense)	<u>(11,528,019)</u>	<u>10,125,232</u>
Transfer to Environment Investment and Capacity Facility (EICF)	<u>25,100,000</u>	<u>15,300,000</u>
Net income	<u>5,087,269</u>	<u>21,712,536</u>
Non-controlling interest in net income (loss)	<u>(76)</u>	<u>(36)</u>
Controlling interest in net income	<u>\$ 5,087,345</u>	<u>\$ 21,712,572</u>

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2025 and 2024

	For the Years Ended December 31,	
	2025	2024
Net income	\$ 5,087,269	\$ 21,712,536
Non-controlling interest in net income (loss)	(76)	(36)
Controlling interest in net income	5,087,345	21,712,572
Other comprehensive income:		
Available-for-sale investment securities:		
Change in unrealized gains during the period, net	17,478,092	6,590,066
Reclassification adjustment for net gains included in net income	(358,988)	(85,833)
Total unrealized gains on available-for-sale investment securities	17,119,104	6,504,233
Post-retirement benefit liability adjustment	66,174	387,558
Foreign currency translation adjustment	24,200	(46,170)
Unrealized gains (losses) on hedging activities:		
Foreign currency translation adjustment, net	(54,238,263)	29,360,562
Fair value of cross-currency interest rate swaps and options, net	33,989,751	(8,349,308)
Total unrealized gains (losses) on hedging activities	(20,248,512)	21,011,254
Total other comprehensive income (loss)	(3,039,034)	27,856,875
Total comprehensive income	\$ 2,048,311	\$ 49,569,447

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity
For the Years Ended December 31, 2025 and 2024

	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Non-controlling Interest	Total Equity
Beginning balance, January 1, 2024	\$ 506,000,000	\$ 309,966,937	\$ 2,293,932	\$ 4,494	\$ 818,265,363
Net income	-	21,712,572	-	-	21,712,572
Other comprehensive income	-	-	27,856,875	-	27,856,875
Non-controlling interest	-	-	-	(36)	(36)
Ending balance, December 31, 2024	506,000,000	331,679,509	30,150,807	4,458	867,834,774
Capital contribution	209,000,000	-	-	-	209,000,000
Net income	-	5,087,345	-	-	5,087,345
Other comprehensive loss	-	-	(3,039,034)	-	(3,039,034)
Non-controlling interest	-	-	-	(76)	(76)
Ending balance, December 31, 2025	\$ 715,000,000	\$ 336,766,854	\$ 27,111,773	\$ 4,382	\$ 1,078,883,009

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2025 and 2024

	For the Years Ended December 31,	
	2025	2024
Cash flows from operating activities		
Net income	\$ 5,087,345	\$ 21,712,572
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	99,741	78,438
Accretion of net discounts on investments	(15,167,578)	(14,087,241)
Change in fair value of swaps, options, hedged items and other non-cash items	(2,484,298)	19,504,844
Non-controlling interest	(76)	(36)
Gain on sale of securities, net	(358,988)	(85,833)
Provision for credit losses	2,712,474	10,498,847
Post-retirement benefits payable	179,687	(148,716)
Change in other assets and liabilities:		
(Increase) decrease in interest receivable	(2,537,963)	7,442,230
Decrease in accounts receivable	198,492	3,077,334
Decrease in securities settlement receivable	-	4,000,000
Decrease in accounts payable	(389,614)	(3,786,926)
Increase (decrease) in accrued liabilities	(571,974)	23,904
Increase (decrease) in accrued interest payable	494,109	(2,280,458)
Increase in due to EICF	6,800,000	9,300,000
Net cash provided by (used in) operating activities	<u>(5,938,643)</u>	<u>55,248,959</u>
Cash flows from lending, investing, and development activities		
Capital expenditures	(197,259)	(269,044)
Loan principal repayments	150,718,856	175,089,961
Loan disbursements	(193,450,733)	(258,673,068)
Purchase of held-to-maturity investment securities	(9,196,923)	(8,912,862)
Purchase of available-for-sale investment securities	(1,372,750,447)	(917,008,570)
Proceeds from maturities of held-to-maturity investments	9,280,000	8,890,000
Proceeds from sales and maturities of available-for-sale investments	1,458,353,110	793,053,742
Net cash provided by (used in) lending, investing, and development activities	<u>42,756,604</u>	<u>(207,829,841)</u>
Cash flows from financing activities		
Capital contribution	89,000,000	-
Proceeds from other borrowings	-	25,067,706
Proceeds from note issuances	-	163,417,766
Principal repayment of other borrowings	-	(5,264,000)
Principal repayment of notes payable	(128,706,754)	-
Net cash provided by (used in) financing activities	<u>(39,706,754)</u>	<u>183,221,472</u>
Net increase (decrease) in cash and cash equivalents	<u>(2,888,793)</u>	<u>30,640,590</u>
Cash and cash equivalents, beginning of period	<u>84,372,070</u>	<u>53,731,480</u>
Cash and cash equivalents, end of period	<u>\$ 81,483,277</u>	<u>\$ 84,372,070</u>
Supplemental cash information		
Cash paid during the year for interest	\$ 26,886,801	\$ 28,534,963
Significant non-cash transactions		
Reclassification of deferred U.S. capital contribution to paid-in capital	\$ 120,000,000	\$ -
Other real estate owned (OREO) received as loan principal repayment	5,376,062	-

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 2025

1. Organization and Purpose

The North American Development Bank (NADBank or the Bank) was established on January 1, 1994 by an agreement between the Governments of the United States of America (the United States or U.S.) and the United Mexican States (Mexico) that was signed by their respective Presidents on November 16 and 18, 1993 (the Charter). The Bank was created to finance environmental infrastructure projects in the U.S.-Mexico border region. On March 16, 1994, the President of the United States issued an Executive Order designating the Bank as an international organization under the International Organization Immunities Act.

The Bank is governed by a Board of Directors (the Board) appointed by the two countries. Its operations are subject to certain limitations outlined in the Charter. The geographic jurisdiction of the Bank is within 100 kilometers north and 300 kilometers south of the U.S.-Mexico border. The primary activities of the Bank are providing loan and grant financing and technical assistance for environmental infrastructure projects approved by the Board and administering grant funding provided by other entities. The Bank is headquartered in San Antonio, Texas, and also has an office in Ciudad Juarez, Chihuahua (Juarez Office).

In June 1998, the Board authorized the establishment of a financial institution to provide NADBank financing to public and private sector entities in Mexico, and since 2006 it has operated as the Corporación Financiera de América del Norte, S.A. de C.V. SOFOM E.N.R. (COFIDAN). As of December 31, 2025 and 2024, NADBank held 99.95% of COFIDAN's shares and the Government of Mexico held 0.05%. The non-controlling interest is reflected in the consolidated balance sheets and consolidated statements of income and represents the ownership of the Government of Mexico through the Ministry of Finance and Public Credit (SHCP).

In December 2022, the Board approved the establishment of the Environment Investment and Capacity Facility (EICF) to hold the Bank's grant funds available for construction and technical assistance purposes, including funds provided by third-party donors. With the establishment of the grant facility, the activities of the Bank are conducted through either Ordinary Capital Resources or the EICF, which are accounted for separately. All grant and technical assistance activities are reported under the EICF, while all other operations of the Bank are reported through Ordinary Capital Resources.

These consolidated financial statements reflect the operations of the Bank through the Ordinary Capital Resources and its subsidiary, COFIDAN.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates in Financial Statements

The consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) and are presented in a manner consistent with that of an international organization. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates include the valuation of investments, allowance for credit losses, the fair value of derivative instruments included in other assets and other liabilities, long-term post-retirement benefits payable and debt. Actual results could differ from those estimates.

Principles of Consolidation

These consolidated financial statements of the Bank include the accounts of the Ordinary Capital Resources and its subsidiary, COFIDAN. All material intercompany accounts and transactions with COFIDAN have been eliminated in the consolidation. In accordance with U.S. GAAP, EICF does not meet the criteria for consolidation; therefore, the financial statements of EICF are accounted for and issued separately.

Cash and Cash Equivalents

For the purposes of the consolidated statements of cash flows, cash and cash equivalents include cash deposits, money market accounts with other financial institutions and overnight repurchase agreements. As of December 31, 2025, cash deposits with other financial institutions in demand deposit accounts and interest-bearing accounts totaled \$3,288,708 and \$56,694,569, respectively. As of December 31, 2024, cash deposits with other financial institutions in demand deposit accounts and interest-bearing accounts totaled \$496,109 and \$74,575,961, respectively.

2. Summary of Significant Accounting Policies (continued)

Repurchase Agreements

The Bank has entered into repurchase agreements with other financial institutions. Shorter term repurchase agreements, which are included in cash and cash equivalents, may occur daily and involve U.S. government and U.S. agency securities. Longer term repurchase agreements may be part of collateralized borrowings. The underlying securities related to the repurchase transactions are held in the possession of the respective financial institution. Additional information on investment securities and borrowings is provided in Notes 3 and 6, respectively.

Investment Securities

The Bank's investments are classified into the following categories:

Held-to-maturity (HTM) – This category is composed of those debt securities for which the Bank has the positive intent and ability to hold to maturity. These securities are carried at amortized cost.

Trading – This category is composed of debt securities that are bought and held for resale in the near term. These securities are carried at fair value, and changes in market value are recognized in the consolidated statements of income.

Available-for-sale (AFS) – This category is composed of debt securities that are not classified as either trading or held-to-maturity securities. These securities are carried at fair value, with unrealized holding gains and losses excluded from earnings and reported as a net amount in a separate component of comprehensive income or loss until realized.

The accretion of discounts and the amortization of premiums are computed using the effective interest method. Realized gains and losses are determined using the specific identification method.

Taxation

Pursuant to its Charter, as further implemented in the U.S. under the International Organizations Immunities Act, the Bank, its property, other assets, income, and the operations it carries out pursuant to the Charter, are immune from all taxation and customs duties.

Furniture, Equipment, and Leasehold Improvements

Furniture and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method. The estimated useful life is three years for computers and five years for furniture and other equipment. Leasehold improvements are recorded at cost and amortized over their useful life, or the life of the lease, whichever is less.

Retained Earnings

Retained earnings are classified as either reserved or undesignated. Undesignated retained earnings in excess of one percent (1.0%) of total assets are used to fund four reserves in the following order of priority:

Debt Service Reserve – This reserve is maintained in an amount equal to 12 months of interest due on the Bank's outstanding debt at each fiscal year-end.

Operating Expenses Reserve – This reserve is maintained in an amount equal to 12 months of the operating budget expenses at each fiscal year-end.

Special Reserve – This reserve is maintained in an amount equal to the sum of 1% of undisbursed loan commitments, 3% of the outstanding balance of disbursed loans and 3% of the outstanding balance of guaranties, less the allowance for credit losses, with a targeted minimum of \$30 million. Amounts in the Special Reserve are to be used to pay costs associated with the enforcement of the Bank's rights under its loan and guaranty agreements and to offset losses on any loan or guaranty.

Capital Preservation Reserve – This reserve is intended to maintain the value of the paid-in capital in real terms and is indexed to the U.S. annual inflation rate.

Additional information on retained earnings of the Bank is provided in Note 7.

2. Summary of Significant Accounting Policies (continued)

Loans

Loans are reported at the principal amount, net of allowance for credit losses, unamortized loan fees, foreign currency exchange rate adjustment and fair value of hedged items. Interest income on loans is recognized in the period earned. Net loan commitment and origination fees are deferred and amortized over the life of the loan as an adjustment to loan interest income.

Loans are generally classified as nonperforming when they are 90 days or more past due as to principal or interest, or when there is reasonable doubt about timely collection, unless the loan is well secured and in the process of collection.

Loans are generally placed on nonaccrual status when principal or interest is 180 days past due, unless adequately secured and in the process of collection, or when full collection of principal and interest is not expected, regardless of delinquency status. When a loan is placed on nonaccrual, any accrued, uncollectible interest is reversed from current-period interest income.

In cases where a borrower is experiencing financial difficulty, the Bank may modify the terms of a loan. If there is uncertainty about the borrower's ability to meet the revised terms, the loan is placed or remains on nonaccrual status until sustained performance is demonstrated.

At each reporting period, the Bank assesses whether financial assets continue to display similar risk characteristics. If particular assets no longer display similar risk characteristics to the overall portfolio, the Bank performs an individual assessment of expected credit losses. The individual assessment of expected credit loss is measured based on the present value of expected future cash flows, discounted at the effective interest rate of the loan or the fair value of the collateral, if the loan is collateral dependent.

A loan is considered collateral-dependent when the borrower is experiencing financial difficulty, and repayment is expected to be provided substantially through the operation or sale of the collateral.

Payments received on nonaccrual loans are applied first to the recorded principal in the loan asset. If collection of the recorded principal in the loan is fully expected and the loan does not have a remaining unrecovered prior charge-off associated with it, payments are recognized as interest income. Nonaccrual loans may be returned to accrual status when contractual principal and interest are current, prior charge-offs have been recovered, and the ability of the borrower to fulfill the contractual repayment terms is fully expected. All three of these conditions must be met in order to return a loan to accrual status. If previously unrecognized interest income exists upon reinstatement of a nonaccrual loan to accrual status, interest income will only be recognized upon receipt of cash payments applied to the loan.

The Bank may acquire assets through foreclosure or in full or partial payment of a loan. These assets are recorded at fair value, less estimated selling costs at the time of acquisition, and are included in other assets as other real estate owned (OREO). These assets are periodically evaluated for impairment and adjusted as necessary.

Loan Portfolio Risk Rating

The Bank uses a loan credit risk scorecard methodology developed by an internationally recognized credit rating agency. The scorecard methodology is based on a model that scores quantitative and qualitative variables to address both project and borrower risks and is tailored to the characteristics of each transaction and project type. The analysis includes financial and operating metrics relevant to the overall performance of the project or loan, as well as relevant credit risk mitigating measures.

For each loan, a letter rating is assessed using the scorecard methodology. Loans in Mexico with sovereign/sub-sovereign repayment sources or guarantees are capped at BBB, equivalent to the foreign currency issuer rating of Mexico.

2. Summary of Significant Accounting Policies (continued)

The loan portfolio is classified using the following risk grades and scale.

Loan Credit Rating		
Scale	Risk Grade	Description
A	AAA	Highest credit quality, minimum credit risk
	AA+	
	AA	Very high quality, very low credit risk
	AA-	
	A+	
	A	
B	A-	High credit quality, strong payment capacity
	BBB+	
	BBB	
	BBB-	Good credit quality, adequate payment capacity
	BB+	
	BB	
C	BB-	Moderate credit quality, likely to meet obligations, some uncertainty under adverse conditions
	B+	
	B	Low credit quality, still able to meet obligations, highly vulnerable to adverse conditions
	B-	
CCC+		
CCC		
D	CCC-	Very low credit quality, highly vulnerable, high risk of default with some possibility of recovery
	D	
	D	In or near credit default, lowest possible rating

Allowance for Credit Losses

The allowance for credit losses is calculated in accordance with Accounting Standards Codification (ASC) Topic 326 *Financial Instruments – Credit Losses*, which applies to financial assets, including loans receivable and held-to-maturity investment securities measured at amortized cost, available-for-sale investment securities measured at fair value, related interest receivables, and undisbursed loan commitments and requires that allowances for credit losses be measured based on management's estimate of credit losses over the life of the financial instruments.

Determining the expected allowance for credit losses involves significant judgment and reflects management's best estimate based on the current information available, including: 1) past events; 2) current conditions; and 3) reasonable and supportable forecasts.

Loans – For outstanding loans, the allowance for credit losses is calculated based on the estimated probability of default using the risk horizon (remaining life) of the loan, which is mapped to the undiscounted default probability table provided by the same credit rating agency used to develop the Bank's credit risk grades. The estimated credit losses for outstanding loans are reported separately as a contra-asset to loans outstanding on the consolidated balance sheet.

For undisbursed loan commitments, the liability for expected credit losses is calculated based on the projected probability of default and loss given default. The estimated credit losses for undisbursed loan commitments are reported as a component of other liabilities on the consolidated balance sheet.

2. Summary of Significant Accounting Policies (continued)

The allowance for credit losses is maintained at a level considered appropriate by management to provide for estimable losses inherent over the contractual life of the loan portfolio. Changes to the allowance are recorded as an expense or recovery of provision for loan losses in the consolidated statements of income. Additional information on the allowance for credit losses related to loans is provided in Note 4.

Held-to-Maturity (HTM) Investment Securities – For these securities, management estimates the credit losses on an individual basis based on credit loss history, current conditions, and reasonable and supportable forecasts.

Available-for-sale (AFS) Investment Securities – For AFS investment securities with fair values lower than amortized cost, an impairment loss is recognized in earnings only if the Bank has the intent to sell the investment securities or if it is more-likely-than-not required to sell the investment securities before recovery of the amortized cost. If the Bank intends to hold and is not required to sell the debt securities, it will evaluate the securities to determine if a credit loss exists. If a portion of the decline in fair value below amortized cost is due to credit-related factors, it is recognized as an allowance for credit losses in the consolidated balance sheet with a related charge to provisions for credit losses in the consolidated statements of income. Available-for-sale securities are charged off against the allowance or, in the absence of any allowance, written down through income when deemed uncollectible.

Additional information on the allowance for credit losses on investment securities is provided in Note 3.

Revenue Recognition

Interest income from financial instruments, such as investments, loans and swaps used for hedging purposes, is recognized in the period earned and is not within the scope of Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts and Customers*.

Foreign Currency Accounting

The functional currency of the Bank is in U.S. dollars. Assets and liabilities denominated in currencies other than U.S. dollar are translated into U.S. dollars at the prevailing market exchange rates as of the consolidated balance sheet dates. Income and expenses are translated into U.S. dollars on the date they are recognized at the prevailing market exchange rate. The net adjustment resulting from the translation of foreign currencies is reported in the consolidated statements of income as a component of income (expense) from foreign currency adjustments and hedging activities.

COFIDAN is located in Mexico and operates primarily using the local functional currency. Accordingly, all assets and liabilities of COFIDAN are translated using the exchange rate in effect at the end of the period, and revenue and costs are translated using average exchange rates for the period. The resulting cumulative translation adjustment is included in accumulated other comprehensive income.

Derivatives

The lending activities of the Bank include making loans that are denominated in Mexican pesos. When such loans are not funded with debt proceeds denominated in Mexican pesos, the Bank enters into cross-currency interest rate swaps to convert the Mexican pesos back into U.S. dollars to mitigate its exposure to fluctuations in foreign currency exchange rates and interest rates. As of December 31, 2025, the Bank had entered into agreements with 13 swap counterparties.

All derivative financial instruments are recorded at fair value on the consolidated balance sheets. Certain swaps relating to the lending activities of the Bank are designated as fair value hedges of interest rate risk. Certain swaps and options related to debt activities are designated as cash flow or fair value hedges. Changes in the fair value of the cash flow hedges are reported in other comprehensive income. For fair value hedges and the hedged items, changes in the fair value are reported as net income (expense) from foreign currency adjustments and hedging activities in the consolidated statements of income.

The Bank discontinues hedge accounting prospectively if it determines that the derivative is no longer highly effective in offsetting changes in the fair value or cash flows of the hedged item, or if it is no longer probable that the hedged loan repayment will occur. If hedge accounting is discontinued because the hedge ceases to be effective, the Bank will continue to record the swap at fair value with changes in value reflected in earnings for the period, and any fair value adjustments included in other comprehensive

2. Summary of Significant Accounting Policies (continued)

income will be recognized in the consolidated statements of income over the remaining life of the loan or debt. If it is probable that the hedged loan repayments will not occur, gains and losses accumulated in other comprehensive income (loss) are recognized immediately in earnings.

Derivatives executed with counterparties are subject to a master netting arrangement. The net fair value of derivatives by counterparty is offset with the outstanding balance of the collateral received from or paid to the counterparty for financial reporting purposes. Additional information on the amounts subject to master netting arrangements and collateral is provided in Note 5.

Fair Value

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Bank carries cross-currency swaps, cross-currency interest rate swaps, interest rate swaps, options, hedged items and available-for-sale debt securities at fair value. To determine the fair market value of its financial instruments, the Bank uses the fair value hierarchy, which is based on three levels of inputs as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities, which the reporting entity has the ability to access at the measurement date. This category generally includes U.S. government securities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. This category generally includes U.S. agency securities, corporate and supranational debt securities, other fixed-income securities, Mexican government securities, securities pledged under collateralized borrowings, mortgage-backed securities, cross-currency swaps, cross-currency interest rate swaps, interest rate swaps and options. For these consolidated financial statements, the Bank also obtains dealer quotations for comparative purposes to assess the reasonableness of the pricing models.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant in determining the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category includes the fair value of hedged items where independent pricing information is not available for a significant portion of the underlying assets or liabilities.

Additional information on the fair value of the financial instruments of the Bank is provided in Note 10.

Accumulated Other Comprehensive Income

The components of other comprehensive income are reported in the consolidated statements of comprehensive income for the periods presented and in Note 7.

3. Investments

All investments held by the Bank are classified as either held-to-maturity or available-for-sale investment securities. The following schedule summarizes investments as of December 31, 2025 and 2024.

	Amortized Cost	Gross Unrealized		Fair Value
		Gains	Losses	
December 31, 2025				
Held-to-maturity:				
U.S. government securities	\$ 4,649,389	\$ 2,765	\$ -	\$ 4,652,154
Total held-to-maturity investment securities	4,649,389	2,765	-	4,652,154
Available-for-sale:				
U.S. government securities	362,163,258	188,528	(954,429)	361,397,357
U.S. agency securities	42,052,706	105,160	(203,889)	41,953,977
Corporate and supranational debt securities	212,010,183	2,535,332	(158,986)	214,386,529
Other fixed-income securities	79,245,470	478,827	(386,753)	79,337,544
Mexican government securities	111,375,543	45,473	(168,877)	111,252,139
Securities pledged under collateralized borrowings ¹	272,000,420	5,551,480	-	277,551,900
Mortgage-backed securities	26,012,317	134,304	(408,852)	25,737,769
Total available-for-sale investment securities	1,104,859,897	9,039,104	(2,281,786)	1,111,617,215
Total investment securities	\$ 1,109,509,286	\$ 9,041,869	\$ (2,281,786)	\$ 1,116,269,369
December 31, 2024				
Held-to-maturity:				
U.S. government securities	\$ 4,550,451	\$ 692	\$ -	\$ 4,551,143
Total held-to-maturity investment securities	4,550,451	692	-	4,551,143
Available-for-sale:				
U.S. government securities	420,758,117	108,186	(5,260,434)	415,605,869
U.S. agency securities	86,493,676	24,551	(1,869,199)	84,649,028
Corporate debt securities	183,072,357	804,026	(1,918,118)	181,958,265
Other fixed-income securities	64,411,188	231,602	(953,273)	63,689,517
Mexican government securities	131,862,449	116,634	(620,937)	131,358,146
Securities pledged under collateralized borrowings ¹	271,316,125	2,027,351	(2,563,169)	270,780,307
Mortgage-backed securities	4,338,018	-	(489,006)	3,849,012
Total available-for-sale investment securities	1,162,251,930	3,312,350	(13,674,136)	1,151,890,144
Total investment securities	\$ 1,166,802,381	\$ 3,313,042	\$ (13,674,136)	\$ 1,156,441,287

¹ Additional information on the securities pledged under collateralized borrowings is provided in Note 6.

3. Investments (continued)

As of December 31, 2025 and 2024, accrued interest on held-to-maturity and available-for-sale securities totaled \$5,356,880 and \$4,929,866, respectively, and is reported as a component of interest receivable in the consolidated balance sheets.

The following schedule summarizes unrealized losses and the fair value of investments aggregated by category and the length of time individual securities have been in a continuous unrealized loss position as of December 31, 2025 and 2024.

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2025						
Held-to-maturity securities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Available-for-sale:						
U.S. government securities	13,898,266	28,672	89,887,191	925,757	103,785,457	954,429
U.S. agency securities	-	-	13,544,671	203,889	13,544,671	203,889
Corporate and supranational debt securities	7,704,662	30,533	17,336,960	128,453	25,041,622	158,986
Other fixed-income securities	12,080,176	130,841	15,468,509	255,912	27,548,685	386,753
Mexican government securities	62,848,679	19,358	6,930,000	149,519	69,778,679	168,877
Securities pledged under collateralized borrowings ¹	-	-	-	-	-	-
Mortgage-backed securities	10,681,589	125,195	3,355,215	283,657	14,036,804	408,852
Total available-for-sale investment securities	107,213,372	334,599	146,522,546	1,947,187	253,735,918	2,281,786
Total temporarily impaired securities	\$ 107,213,372	\$ 334,599	\$ 146,522,546	\$ 1,947,187	\$ 253,735,918	\$ 2,281,786
December 31, 2024						
Held-to-maturity securities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Available-for-sale:						
U.S. government securities	59,619,775	160,655	187,490,287	5,099,779	247,110,062	5,260,434
U.S. agency securities	18,909,401	478,515	59,011,917	1,390,684	77,921,318	1,869,199
Corporate debt securities	39,011,835	474,485	68,313,261	1,443,633	107,325,096	1,918,118
Other fixed-income securities	15,016,396	244,836	18,377,897	708,437	33,394,293	953,273
Mexican government securities	17,054,333	33,313	9,616,950	587,624	26,671,283	620,937
Securities pledged under collateralized borrowings ¹	175,157,133	2,563,169	-	-	175,157,133	2,563,169
Mortgage-backed securities	-	-	3,849,012	489,006	3,849,012	489,006
Total available-for-sale investment securities	324,768,873	3,954,973	346,659,324	9,719,163	671,428,197	13,674,136
Total temporarily impaired securities	\$ 324,768,873	\$ 3,954,973	\$ 346,659,324	\$ 9,719,163	\$ 671,428,197	\$ 13,674,136

¹Additional information on the securities pledged under collateralized borrowing is provided in Note 6.

None of the unrealized losses identified in the preceding table were related to credit-related factors of an issuer as of December 31, 2025 and 2024. This assessment is based on the overall high quality of the investment portfolio, the underlying risk characteristics for the types of investment securities, credit ratings and other qualitative factors, including historical credit loss experience. As

3. Investments (continued)

of those same dates, the Bank did not have the intent to sell any of the securities with unrealized losses and believed that it was more-likely-than-not that the Bank would not be required to sell any such securities before a recovery of cost. Therefore, as of December 31, 2025 and 2024, no allowance for credit losses for investment securities was recorded.

Contractual maturities of investments as of December 31, 2025 and 2024 are summarized in the following table.

	Held-to-Maturity Securities		Available-for-Sale Securities	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
December 31, 2025				
Less than 1 year	\$ 4,652,154	\$ 4,649,389	\$ 464,188,307	\$ 464,881,550
1-5 years	-	-	605,718,068	598,055,911
5-10 years	-	-	15,973,071	15,910,119
More than 10 years	-	-	-	-
Mortgage-backed securities	-	-	25,737,769	26,012,317
	<u>\$ 4,652,154</u>	<u>\$ 4,649,389</u>	<u>\$ 1,111,617,215</u>	<u>\$ 1,104,859,897</u>
December 31, 2024				
Less than 1 year	\$ 4,551,143	\$ 4,550,451	\$ 535,614,259	\$ 537,990,273
1-5 years	-	-	611,249,394	618,717,840
5-10 years	-	-	1,177,479	1,205,799
More than 10 years	-	-	-	-
Mortgage-backed securities	-	-	3,849,012	4,338,018
	<u>\$ 4,551,143</u>	<u>\$ 4,550,451</u>	<u>\$ 1,151,890,144</u>	<u>\$ 1,162,251,930</u>

Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

The following table summarizes sale and maturity activity of investment securities for the years ended December 31, 2025 and 2024.

	Year Ended December 31,	
	2025	2024
Held-to-maturity investment securities:		
Proceeds from maturities	\$ 9,280,000	\$ 8,890,000
Available-for-sale investment securities:		
Proceeds from sales and maturities	1,458,353,110	793,053,742
Gross realized gains	548,120	351,019
Gross realized losses	189,132	265,186

3. Investments (continued)

The following table sets forth the net unrealized gains (losses) on securities available-for-sale and the reclassification adjustments required for the years ended December 31, 2025 and 2024.

	Year Ended December 31,	
	2025	2024
Net unrealized losses on investment securities available-for-sale, beginning of period	\$ (10,361,786)	\$ (16,866,019)
Net unrealized gains on investment securities available-for-sale, arising during the period	17,478,092	6,590,066
Reclassification adjustments for net gains on investment securities available-for-sale included in net income	(358,988)	(85,833)
Net unrealized gains (losses) on investment securities available-for-sale, end of period	\$ 6,757,318	\$ (10,361,786)

4. Loans

The following schedule summarizes loans outstanding as of December 31, 2025 and 2024.

	December 31, 2025	December 31, 2024
Loans outstanding	\$ 1,166,670,525	\$ 1,132,807,686
Allowance for credit losses	(29,642,740)	(27,577,193)
Unamortized loan fees	(4,714,368)	(6,695,299)
Foreign currency exchange rate adjustment	(20,773,937)	(89,306,267)
Hedged items for loans, at fair value	(2,826,945)	(12,400,026)
Net loans outstanding	\$ 1,108,712,535	\$ 996,828,901

At December 31, 2025 and 2024, outstanding undisbursed loan commitments on signed loan agreements totaled \$88,555,915 and \$229,381,525, respectively.

As of December 31, 2025, the Bank also had \$251,560,025 in Board-approved loans, for which loan agreements were under development. This amount is for informational purposes and is unaudited.

The Bank under certain circumstances offered below-market-rate loan programs such as its Low Interest Rate Lending Facility (LIRF) program, which was terminated in May 2013. As of December 31, 2025 and 2024, the Bank had LIRF loans outstanding of \$4,196,586 and \$8,991,878, respectively.

In August 2025, the Board approved the Water Resiliency Fund (WRF) to offer up to \$300 million in below-market-rate loans for eligible infrastructure projects that support water conservation and the diversification of supply sources in municipal and agricultural systems. As of December 31, 2025, no loans were funded under the WRF.

4. Loans (continued)

The following table presents the loan portfolio by environmental sector as of December 31, 2025 and 2024.

	December 31, 2025	December 31, 2024
Water	\$ 285,319,667	\$ 243,089,617
Air quality	86,464,961	94,982,500
Sustainable energy	616,319,595	675,920,730
Urban development	32,274,362	35,767,996
Sustainable buildings	107,301,830	38,168,550
Sustainable food value chains	20,515,850	29,878,293
Green manufacturing	18,474,260	15,000,000
	\$ 1,166,670,525	\$ 1,132,807,686

The following table presents the loan portfolio by borrower type as of December 31, 2025 and 2024.

	December 31, 2025	December 31, 2024
Private	\$ 772,792,097	\$ 769,085,617
Public	353,525,691	317,229,828
Public-private	40,352,737	46,492,241
	\$ 1,166,670,525	\$ 1,132,807,686

In public-private transactions, a private company is the borrower backed by tax revenue from a public entity.

4. Loans (continued)

The following table presents the loan portfolio by risk category and country as of December 31, 2025 and 2024. These risk categories are defined in Note 2, along with additional information on how the Bank evaluates credit quality.

Risk Category	December 31, 2025			December 31, 2024		
	Mexico	United States	Total	Mexico	United States	Total
AAA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
AA+	-	23,045,000	23,045,000	-	23,045,000	23,045,000
AA	-	1,350,000	1,350,000	-	1,990,000	1,990,000
AA-	-	20,800,000	20,800,000	-	21,090,000	21,090,000
A+	-	-	-	-	-	-
A	-	3,940,000	3,940,000	-	4,160,000	4,160,000
A-	-	109,535,982	109,535,982	-	110,225,542	110,225,542
BBB+	-	11,365,000	11,365,000	90,440,000	12,080,000	102,520,000
BBB	289,641,215	-	289,641,215	190,008,384	-	190,008,384
BBB-	72,728,104	108,547,549	181,275,653	33,014,777	77,774,404	110,789,181
BB+	99,102,872	14,224,888	113,327,760	85,808,210	18,618,634	104,426,844
BB	131,454,176	49,803,923	181,258,099	131,526,987	101,027,170	232,554,157
BB-	11,513,901	85,769,836	97,283,737	42,235,117	74,114,829	116,349,946
B+	68,835,249	1,410,000	70,245,249	65,279,049	1,410,000	66,689,049
B	38,472,952	-	38,472,952	39,597,140	-	39,597,140
B-	-	1,477,934	1,477,934	-	-	-
CCC+	23,651,944	-	23,651,944	-	-	-
D	-	-	-	9,362,443	-	9,362,443
	<u>\$ 735,400,413</u>	<u>\$ 431,270,112</u>	<u>\$ 1,166,670,525</u>	<u>\$ 687,272,107</u>	<u>\$ 445,535,579</u>	<u>\$ 1,132,807,686</u>

The following tables present the loan portfolio by risk category and period committed as of December 31, 2025 and 2024.

Risk Category	Year of Loan Commitment						Total Loans at December 31, 2025
	2025	2024	2023	2022	2021	Prior	
AAA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
AA+ to AA-	-	-	20,800,000	-	23,045,000	1,350,000	45,195,000
A+ to A-	2,850,000	-	-	61,685,000	-	48,940,982	113,475,982
BBB+ to BBB-	16,749,016	73,747,977	166,834,946	13,701,497	1,530,000	209,718,432	482,281,868
BB+ to BB-	50,697,968	72,417,523	27,737,718	6,142,118	-	234,874,269	391,869,596
B+ to B-	1,477,934	14,321,915	14,199,592	-	1,410,000	78,786,694	110,196,135
CCC+	-	-	-	-	-	23,651,944	23,651,944
D	-	-	-	-	-	-	-
Total	<u>\$ 71,774,918</u>	<u>\$ 160,487,415</u>	<u>\$ 229,572,256</u>	<u>\$ 81,528,615</u>	<u>\$ 25,985,000</u>	<u>\$ 597,322,321</u>	<u>\$ 1,166,670,525</u>

4. Loans (continued)

Risk Category	Year of Loan Commitment						Total Loans at December 31, 2024
	2024	2023	2022	2021	2020	Prior	
AAA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
AA+ to AA-	-	20,800,000	-	23,045,000	-	2,280,000	46,125,000
A+ to A-	-	-	63,000,000	-	19,253,782	32,131,760	114,385,542
BBB+ to BBB-	49,555,395	118,827,276	21,061,450	1,600,000	11,422,521	200,850,923	403,317,565
BB+ to BB-	107,285,682	37,476,235	887,236	-	3,903,983	303,777,811	453,330,947
B+ to B-	9,000,000	8,706,225	-	1,410,000	-	87,169,964	106,286,189
C	-	-	-	-	-	-	-
D	-	-	9,362,443	-	-	-	9,362,443
Total	<u>\$ 165,841,077</u>	<u>\$ 185,809,736</u>	<u>\$ 94,311,129</u>	<u>\$ 26,055,000</u>	<u>\$ 34,580,286</u>	<u>\$ 626,210,458</u>	<u>\$ 1,132,807,686</u>

As of December 31, 2025, the Bank had no loans on non-accrual status. As of December 31, 2024, the outstanding balance of loans on non-accrual status was \$9,362,443, with an associated allowance for credit losses of \$5,557,633. In 2025, the Bank received land as partial payment of the loan. The land is reported as other real estate owned (OREO) and included as a component of other assets in the consolidated balance sheet as of December 31, 2025. Additional information on the valuation of this asset is provided in Notes 2 and 13, and related disclosures on other assets can be found in Note 5.

For the years ended December 31, 2025 and 2024, the Bank did not make any loan modifications for borrowers experiencing financial difficulty.

An age analysis of past-due loans, including both accruing and non-accruing loans, as of December 31, 2025 and 2024, is shown in the following table.

	Loans 30-89 days past due	Loans 90+ days past due	Total loans 30+ days past due
December 31, 2025	\$ -	\$ 1,477,934	\$ 1,477,934
December 31, 2024	-	-	-

At December 31, 2025, the Bank had one loan that was 90 or more days past due and remained in accruing status. No loans were 90 or more days past due at December 31, 2024.

4. Loans (continued)

The following table summarizes the allowance for credit losses related to outstanding loans by classification as of December 31, 2025 and 2024.

	Allowance for Credit Losses	Total Loans Outstanding
December 31, 2025		
Mexico:		
Construction	\$ 7,239,827	\$ 263,476,973
Operation	15,311,198	471,923,440
Total Mexico	22,551,025	735,400,413
United States:		
Construction	2,759,204	215,950,483
Operation	4,332,511	215,319,629
Total United States	7,091,715	431,270,112
	<u>\$ 29,642,740</u>	<u>\$ 1,166,670,525</u>
December 31, 2024		
Mexico:		
Construction	\$ 4,260,299	\$ 138,274,694
Operation	15,361,791	548,997,413
Total Mexico	19,622,090	687,272,107
United States:		
Construction	4,008,509	272,649,199
Operation	3,946,594	172,886,380
Total United States	7,955,103	445,535,579
	<u>\$ 27,577,193</u>	<u>\$ 1,132,807,686</u>

4. Loans (continued)

The following table summarizes the changes in the allowance for credit losses related to loans outstanding for the years ended December 31, 2025 and 2024.

	Beginning Balance	Change in Allowance for Credit Losses		Ending Balance
		Provision for Credit Losses	Loan (Charge-offs) Recoveries	
December 31, 2025				
Mexico:				
Construction	\$ 4,260,299	\$ 2,979,528	\$ -	\$ 7,239,827
Operation	15,361,791	3,442,383	(3,492,976)	15,311,198
Total Mexico	19,622,090	6,421,911	(3,492,976)	22,551,025
United States:				
Construction	4,008,509	(1,249,305)	-	2,759,204
Operation	3,946,594	385,917	-	4,332,511
Total United States	7,955,103	(863,388)	-	7,091,715
	<u>\$ 27,577,193</u>	<u>\$ 5,558,523</u>	<u>\$ (3,492,976)</u>	<u>\$ 29,642,740</u>
December 31, 2024				
Mexico:				
Construction	\$ 672,458	\$ 3,587,841	\$ -	\$ 4,260,299
Operation	10,699,509	4,662,282	-	15,361,791
Total Mexico	11,371,967	8,250,123	-	19,622,090
United States:				
Construction	2,459,284	1,549,225	-	4,008,509
Operation	2,714,944	1,231,650	-	3,946,594
Total United States	5,174,228	2,780,875	-	7,955,103
	<u>\$ 16,546,195</u>	<u>\$ 11,030,998</u>	<u>\$ -</u>	<u>\$ 27,577,193</u>

The Bank records a reserve for its undisbursed loan commitments. As of December 31, 2025 and 2024, this reserve totaled \$723,262 and \$3,569,311, respectively, and is reported as a component of other liabilities on the consolidated balance sheets.

The following table presents the provision for credit losses by category for the years ended December 31, 2025 and 2024.

	December 31, 2025	December 31, 2024
Provision related to loans outstanding	\$ 5,558,523	\$ 11,030,998
Provision related to undisbursed loan commitments	(2,846,049)	(532,151)
Total provision for credit losses	<u>\$ 2,712,474</u>	<u>\$ 10,498,847</u>

5. Other Assets and Other Liabilities

The following table summarizes other assets and other liabilities as of December 31, 2025 and 2024.

	Assets	Liabilities
December 31, 2025		
Swaps and options, net	\$ 204,344,422	\$ 49,798,813
Collateral to counterparties	6,717,277	-
Collateral from counterparties	(13,459,975)	-
Credit valuation adjustment	(3,022,999)	-
Right-of-use lease asset	40,059	-
Reserve for undisbursed loan commitments	-	723,262
Other real estate owned	2,150,000	-
Total	\$ 196,768,784	\$ 50,522,075
December 31, 2024		
Swaps and options, net	\$ 177,269,560	\$ 48,927,732
Collateral from counterparties	(27,225,203)	-
Credit valuation adjustment	(2,516,818)	-
Right-of-use lease asset	278,654	-
Reserve for undisbursed loan commitments	-	3,569,311
Total	\$ 147,806,193	\$ 52,497,043

The following table presents swaps and options subject to counterparty master netting arrangements at December 31, 2025 and 2024.

	Assets	Liabilities
December 31, 2025		
Cross-currency swaps and cross-currency interest rate swaps	\$ 163,782,937	\$ 62,974,063
Interest rate swaps	18,445,392	8,099,489
Options	43,390,832	-
	225,619,161	71,073,552
Master netting by counterparty	(21,274,739)	(21,274,739)
Total swaps and options, net	\$ 204,344,422	\$ 49,798,813
December 31, 2024		
Cross-currency swaps and cross-currency interest rate swaps	\$ 150,246,018	\$ 68,953,365
Interest rate swaps	25,993,580	6,358,178
Options	27,413,773	-
	203,653,371	75,311,543
Master netting by counterparty	(26,383,811)	(26,383,811)
Total swaps and options, net	\$ 177,269,560	\$ 48,927,732

6. Debt

The following tables summarize the notes payable and other borrowings as of December 31, 2025 and 2024.

Issue Date	Maturity Date	Rate (%)	Principal Amount	December 31, 2025					
				Unamortized Premium/ (Discount)	Unamortized Debt Issuance Costs	FX Translation Adjustment	Fair Value of Hedged Items	Net Debt	
Notes Payable									
<u>USD Issuance</u>									
12/17/12	12/17/30	3.30	\$ 50,000,000	\$ -	\$ (85,300)	\$ -	\$ (3,263,876)	\$ -	\$ 46,650,824
<u>CHF Issuance</u>									
04/26/17	10/26/27	0.20	124,443,117	88,543	(130,189)	33,259,719	-	-	157,661,190
07/24/18	07/24/26	0.30	126,415,858	13,117	(57,418)	31,286,979	-	-	157,658,536
05/28/20	11/28/28	0.20	186,316,116	8,547	(366,832)	40,775,970	-	-	226,733,801
05/28/20	05/27/33	0.55	165,614,326	470,431	(603,867)	36,245,306	-	-	201,726,196
10/30/24	10/30/30	1.1525	163,417,766	-	(658,234)	13,209,412	-	-	175,968,944
<u>NOK Issuance</u>									
03/10/17	03/10/31	2.47	86,724,283	-	(109,363)	(15,093,885)	-	-	71,521,035
03/10/17	03/10/32	2.47	86,724,283	-	(121,734)	(15,093,885)	-	-	71,508,664
Total notes payable			989,655,749	580,638	(2,132,937)	124,589,616	(3,263,876)	-	1,109,429,190
Other Borrowings									
<u>MXN</u>									
12/14/22 ¹	12/01/27	TIIE var.	100,000,606	-	(10,618)	9,867,896	-	-	109,857,884
10/27/23 ¹	10/01/29	TIIE var.	65,083,916	-	-	1,019,195	-	-	66,103,111
01/23/24 ¹	10/01/29	TIIE var.	25,067,706	-	-	(1,152,045)	-	-	23,915,661
Total other borrowings			190,152,228	-	(10,618)	9,735,046	-	-	199,876,656
			\$ 1,179,807,977	\$ 580,638	\$ (2,143,555)	\$ 134,324,662	\$ (3,263,876)	\$ -	\$ 1,309,305,846

CHF = Swiss franc; MXN = Mexican peso; NOK= Norwegian krone; USD = U.S. dollar.

¹ Collateralized borrowing in the form of a repurchase agreement.

6. Debt (continued)

Issue Date	Maturity Date	Rate (%)	December 31, 2024						Net Debt
			Principal Amount	Unamortized Premium/ (Discount)	Unamortized Debt Issuance Costs	FX Translation Adjustment	Fair Value of Hedged Items		
Notes Payable									
<u>USD Issuance</u>									
12/17/12	12/17/30	3.30	\$ 50,000,000	\$ -	\$ (102,489)	\$ -	\$ (5,300,748)	\$ 44,596,763	
<u>CHF Issuance</u>									
04/30/15	04/30/25	0.25	128,706,754	28,423	(27,686)	9,055,545	-	137,763,036	
04/26/17	10/26/27	0.20	124,443,117	119,848	(201,736)	13,319,182	-	137,680,411	
07/24/18	07/24/26	0.30	126,415,858	31,777	(159,254)	11,346,441	-	137,634,822	
05/28/20	11/28/28	0.20	186,316,116	10,033	(492,972)	12,061,594	-	197,894,771	
05/28/20	05/27/33	0.55	165,614,326	466,402	(685,407)	10,721,418	-	176,116,739	
10/30/24	10/30/30	1.1525	163,417,766	-	(794,396)	(9,123,990)	-	153,499,380	
<u>NOK Issuance</u>									
03/10/17	03/10/31	2.47	86,724,283	-	(130,428)	(23,271,893)	-	63,321,962	
03/10/17	03/10/32	2.47	86,724,283	-	(141,394)	(23,271,893)	-	63,310,996	
Total notes payable			1,118,362,503	656,483	(2,735,762)	836,404	(5,300,748)	1,111,818,880	
Other Borrowings									
<u>MXN</u>									
12/14/22 ¹	12/01/27	TIIE var.	100,000,606	-	(16,154)	(5,004,064)	-	94,980,388	
10/27/23 ¹	10/01/29	TIIE var.	65,083,916	-	-	(7,928,617)	-	57,155,299	
01/23/24 ¹	10/01/29	TIIE var.	25,067,706	-	-	(4,389,304)	-	20,678,402	
Total other borrowings			190,152,228	-	(16,154)	(17,321,985)	-	172,814,089	
			<u>\$1,308,514,731</u>	<u>\$ 656,483</u>	<u>\$ (2,751,916)</u>	<u>\$ (16,485,581)</u>	<u>\$ (5,300,748)</u>	<u>\$1,284,632,969</u>	

CHF = Swiss franc; MXN = Mexican peso; NOK= Norwegian krone; USD = U.S. dollar.

¹ Collateralized borrowing in the form of a repurchase agreement.

Notes Payable

The notes payable are unsecured, rank equally with all other unsecured indebtedness and cannot be redeemed prior to their maturity, at which time they will be redeemed at 100% of their principal amount. Interest payments are due semiannually or annually.

As of December 31, 2025 and 2024, the fair value of a hedge relating to an interest rate swap on notes payable denominated in U.S. dollars was reported as a component of other assets of \$(3,263,876) and \$(5,300,748), respectively. The fair value of hedges relating to cross-currency swaps on notes payable not denominated in U.S. dollars was reported as a component of other assets of \$51,710,145 and \$33,697,451, as of December 31, 2025 and 2024, respectively. The fair value of hedges relating to options on notes payable not denominated in U.S. dollars was reported as a component of other assets of \$43,390,832 and \$27,413,773, as of December 31, 2025 and 2024, respectively. The fair value of cross-currency interest rate swaps on notes payable not denominated in U.S. dollars was reported as a component of other assets of \$60,173,077 and \$13,793,775, and as a component of other liabilities of \$38,514,486 and \$48,927,732, as of December 31, 2025 and 2024, respectively. Additional information on the fair value of financial instruments and derivatives is provided in Notes 10 and 11.

Other Borrowings

The other borrowings of the Bank include borrowings from another financial institution in Mexican pesos and are collateralized in the form of repurchase agreements using U.S. Treasury Notes, which are reflected on the consolidated balance sheets as available-

6. Debt (continued)

for-sale investment securities. These borrowings have variable interest rates referenced to Mexico's Benchmark Interbank Deposit Rate (TIIE).

Lines of Credit

On April 23, 2025, the Bank entered into an unsecured line of credit (LOC) with another financial institution in an amount up to MXN \$1 billion (\$55.5 million USD equivalent) with a maturity of March 25, 2028. The LOC carries a variable interest rate referenced to Mexico's Compounded in Advance Overnight Funding TIIE rate (TIEF) and as of December 31, 2025 had zero (\$0) balance outstanding.

On August 12, 2025 the Bank entered into an unsecured LOC with another development bank in an amount of up to \$100 million with a maturity of June 30, 2035. The LOC carries a variable interest rate referenced to Three-Month Term Secured Overnight Financing Rate (SOFR) and as of December 31, 2025 had zero (\$0) balance outstanding.

The following table summarizes the maturities of the notes payable and other borrowings as of December 31, 2025 and 2024.

	December 31, 2025	December 31, 2024
Less than one year	\$ 126,415,858	\$ 128,706,754
1-2 years	224,443,723	126,415,858
2-3 years	186,316,116	224,443,723
3-4 years	90,151,622	186,316,116
4-5 years	213,417,766	90,151,622
5-10 years	339,062,892	552,480,658
More than 10 years	-	-
Total	<u>\$ 1,179,807,977</u>	<u>\$ 1,308,514,731</u>

following table summarizes short-term and long-term debt as of December 31, 2025 and 2024.

	December 31, 2025	December 31, 2024
Short-term debt:		
Notes payable	\$ 126,415,858	\$ 128,706,754
Total short-term debt	126,415,858	128,706,754
Long-term debt:		
Notes payable	863,239,891	989,655,749
Other borrowings	190,152,228	190,152,228
Total long-term debt	1,053,392,119	1,179,807,977
Total debt	<u>\$ 1,179,807,977</u>	<u>\$ 1,308,514,731</u>

7. Equity

Subscribed Capital

At December 31, 2025 and 2024, the shareholders of the Bank had subscribed to 600,000 shares of capital stock, with a par value of \$10,000 per share. Subscribed capital is divided into 15% paid-in capital and 85% callable capital. Callable capital are shares that the Bank can request that its shareholders pay under Chapter II, Article II, Section 3(d) of the Bank's Charter. As defined in the Charter, subscribed shares can be unqualified or qualified. Qualified shares are subject to the respective domestic legal requirements of each subscribing country. Unqualified shares have completed the domestic legal requirements.

7. Equity (continued)

The Bank's capital at December 31, 2025 and 2024 is shown in the following table.

	Mexico		United States		Total	
	Shares	USD Million	Shares	USD Million	Shares	USD Million
December 31, 2025						
Subscribed capital	300,000	\$ 3,000.0	300,000	\$ 3,000.0	600,000	\$ 6,000.0
Qualified callable capital	(53,833)	(538.3)	(25,500)	(255.0)	(79,333)	(793.3)
Unqualified callable capital	(201,167)	(2,011.7)	(229,500)	(2,295.0)	(430,667)	(4,306.7)
Qualified paid-in capital	(9,500)	(95.0)	-	-	(9,500)	(95.0)
Total funded paid-in capital	35,500	355.0	45,000	450.0	80,500	805.0
Restricted from commitments	-	-	(4,500)	(45.0)	(4,500)	(45.0)
Transferred to Domestic Programs (MX 1999; U.S. 2018)	-	(22.5)	-	(22.5)	-	(45.0)
Total paid-in capital	35,500	\$ 332.5	40,500	\$ 382.5	76,000	\$ 715.0
December 31, 2024						
Subscribed capital	300,000	\$ 3,000.0	300,000	\$ 3,000.0	600,000	\$ 6,000.0
Qualified callable capital	(104,267)	(1,042.7)	(102,000)	(1,020.0)	(206,267)	(2,062.7)
Unqualified callable capital	(150,733)	(1,507.3)	(153,000)	(1,530.0)	(303,733)	(3,037.3)
Qualified paid-in capital	(18,400)	(184.0)	-	-	(18,400)	(184.0)
Total funded paid-in capital	26,600	266.0	45,000	450.0	71,600	716.0
Restricted from commitments	-	-	(16,500)	(165.0)	(16,500)	(165.0)
Transferred to Domestic Programs (MX 1999; U.S. 2018)	-	(22.5)	-	(22.5)	-	(45.0)
Total paid-in capital	26,600	\$ 243.5	28,500	\$ 262.5	55,100	\$ 506.0

In 1994, Mexico and the United States subscribed to the Bank's capital of 300,000 shares (\$3 billion) with equal commitments from each country. All shares from the initial subscription were unqualified since May 2009.

In 2015, the member countries agreed to a General Capital Increase (GCI) of 300,000 shares (\$3 billion), also with equal commitments from each government, bringing the Bank's subscribed capital to \$6 billion. Mexico submitted its letter of subscription on May 6, 2016, and the United States submitted its letter of subscription on September 1, 2016.

As of December 31, 2025, Mexico has unqualified 13,000 shares of paid-in capital (\$130 million) and 73,667 shares of callable capital (\$736.67 million) from its GCI subscription. As of December 31, 2024, Mexico had unqualified 4,100 shares of paid-in capital (\$41 million) and 23,233 shares of callable capital (\$232.33 million) from its GCI subscription.

As of December 31, 2025 and 2024, the United States has unqualified 22,500 shares of paid-in capital (\$225 million), from its GCI subscription. At those same dates, the United States has unqualified a total of 102,000 and 25,500 shares of callable capital (\$1,020 million and \$255 million), respectively, from its GCI subscription.

7. Equity (continued)

As of December 31, 2025 and 2024, 4,500 and 16,500 of the U.S. GCI paid-in capital shares, respectively, were restricted from commitment and recorded as deferred U.S. capital contributions of \$45 million and \$165 million, respectively.

In accordance with Board Resolution BR 2020-7, the shareholders have until December 31, 2028, or such later dates as the Board of Directors shall determine, to unqualify the remaining shares of their subscriptions.

Retained Earnings

At December 31, 2025 and 2024, retained earnings are classified as reserved or undesignated as shown in the following table.

	December 31, 2025	December 31, 2024
Reserved retained earnings		
Debt Service Reserve	\$ 58,000,000	\$ 74,700,000
Operating Expenses Reserve	30,586,650	29,884,160
Special Reserve	30,000,000	30,000,000
Capital Preservation Reserve	192,962,367	172,979,223
Total reserved retained earnings	311,549,017	307,563,383
Undesignated retained earnings	25,217,837	24,116,126
Total retained earnings	\$ 336,766,854	\$ 331,679,509

Additional information regarding the reserve funds listed above is provided in Note 2.

Accumulated Other Comprehensive Income

The following table presents the changes in accumulated other comprehensive income for the years ended December 31, 2025 and 2024.

	Beginning Balance	Period Activity	Ending Balance
December 31, 2025			
Net unrealized gain (loss) on available-for-sale investment securities	\$ (10,361,786)	\$ 17,119,104	\$ 6,757,318
Post-retirement benefit liability adjustment	672,637	66,174	738,811
Foreign currency translation adjustment	282,197	24,200	306,397
Unrealized gain (loss) on hedging activities:			
Foreign currency translation adjustment	(10,634,096)	(54,238,263)	(64,872,359)
Fair value of cross-currency interest rate swaps and options, net	50,191,855	33,989,751	84,181,606
Net unrealized gain (loss) on hedging activities	39,557,759	(20,248,512)	19,309,247
Total accumulated other comprehensive income	\$ 30,150,807	\$ (3,039,034)	\$ 27,111,773
December 31, 2024			
Net unrealized gain (loss) on available-for-sale investment securities	\$ (16,866,019)	\$ 6,504,233	\$ (10,361,786)
Post-retirement benefit liability adjustment	285,079	387,558	672,637
Foreign currency translation adjustment	328,367	(46,170)	282,197
Unrealized gain (loss) on hedging activities:			
Foreign currency translation adjustment	(39,994,658)	29,360,562	(10,634,096)
Fair value of cross-currency interest rate swaps and options, net	58,541,163	(8,349,308)	50,191,855
Net unrealized gain on hedging activities	18,546,505	21,011,254	39,557,759
Total accumulated other comprehensive income	\$ 2,293,932	\$ 27,856,875	\$ 30,150,807

7. Equity (continued)

Hedging Activities in Other Comprehensive Income (Loss)

The following table summarizes the change in net unrealized gains (losses) on derivatives designated as cash flow hedges and their related hedged items included in other comprehensive income for the years ended December 31, 2025 and 2024.

	Year Ended December 31,	
	2025	2024
Cross-currency swaps, options and hedged items for debt, net	\$ (20,248,512)	\$ 21,011,254

For the years ended December 31, 2025 and 2024, no amounts were reclassified from other comprehensive income and recorded as a component of income (expenses) from foreign currency exchange rate adjustment and hedging activities in the consolidated statements of income.

8. EICF Transfers and Reimbursements

As part of the establishment of the EICF, the Board agreed to continue providing support to the EICF by transferring a portion of allocable income from the Bank's Ordinary Capital Resources. For the years ended December 31, 2025 and 2024, the Bank transferred \$25,100,000 and \$15,300,000, respectively, to the EICF, which are reflected in the consolidated statements of income.

All operating expenses of the Bank are paid through the accounts of the Ordinary Capital Resources, including those related to grant operations under the EICF. Operating expenses incurred for third-party grants are subject to reimbursement to the Bank. Such reimbursements represent personnel expenses, net of administrative expenses, and are recorded in the consolidated income statements as net grant operating reimbursements. For the years ended December 31, 2025 and 2024, the Bank recognized \$1,575,999 and \$1,552,388, respectively, in net reimbursements from the EICF.

The following table presents the third-party grant expenses and reimbursements by program for the years ended December 31, 2025 and 2024.

	Personnel		Grant Expense Reimbursement		Net Grant Expense Reimbursement		Total
December 31, 2025							
BEIF	\$ 955,907	\$ 351,835	\$ (1,307,742)	\$ (955,907)	\$ -		
PDAP	538,005	253,702	(791,707)	(538,005)	-		
Border 2025	136,320	34,420	(91,177)	(56,757)	79,563		
AQ Fund	25,330	8,268	(33,598)	(25,330)	-		
Total	\$ 1,655,562	\$ 648,225	\$ (2,224,224)	\$ (1,575,999)	\$ 79,563		
December 31, 2024							
BEIF	\$ 908,712	\$ 344,065	\$ (1,252,777)	\$ (908,712)	\$ -		
PDAP	514,107	227,430	(741,537)	(514,107)	-		
Border 2025	230,709	107,813	(234,573)	(126,760)	103,949		
AQ Fund	2,809	917	(3,726)	(2,809)	-		
Total	\$ 1,656,337	\$ 680,225	\$ (2,232,613)	\$ (1,552,388)	\$ 103,949		

BEIF = Border Environment Infrastructure Fund; PDAP = Project Development Assistance Program; Border 2025 = U.S.-Mexico Environmental Border 2025 Program; AQ Fund = Air Quality Monitoring Fund.

9. Employee Benefits

401(a) Retirement Plan

The Bank has a 401(a) Retirement Plan for its employees. This plan provides for employee and nondiscretionary employer contributions. For the years ended December 31, 2025 and 2024, the Bank expended \$1,468,705 and \$1,335,423, respectively, relating to the plan.

Post-retirement Health Insurance Plan

The Bank has a post-retirement health insurance plan for qualifying employees based on number of years of service and age. Qualified retirees may purchase group health insurance coverage at the current employee rate subject to the plan limits. The plan is funded by the Bank as benefits are paid. The Bank paid benefits of \$114,139 and \$96,158 for the years ended December 31, 2025 and 2024, respectively. As of December 31, 2025, the unfunded portion of the plan totaled \$3,645,749 and is reflected in the consolidated balance sheet as a component of accrued liabilities and long-term post-retirement benefits payable of \$173,000 and \$3,472,749, respectively. As of December 31, 2024, the unfunded portion of the plan totaled \$3,451,062 and is reflected in the consolidated balance sheet as a component of accrued liabilities and long-term post-retirement benefits payable of \$158,000 and \$3,293,062, respectively.

The following table presents the change in benefit obligations as of December 31, 2025 and 2024.

	December 31, 2025	December 31, 2024
Beginning balance	\$ 3,451,062	\$ 3,543,778
Service expense	228,000	253,000
Interest expense	175,000	138,000
Amortization of net (gain) loss	(28,000)	-
Net benefits paid	(114,139)	(96,158)
Actuarial (gain) loss	(66,174)	(387,558)
Ending balance	\$ 3,645,749	\$ 3,451,062

The change in post-retirement health plan assets as of December 31, 2025 and 2024, is presented in the following table.

	December 31, 2025	December 31, 2024
Beginning balance	\$ -	\$ -
Employer contributions	114,139	96,158
Net benefits paid	(114,139)	(96,158)
Ending balance	\$ -	\$ -

The following table presents post-retirement health plan liabilities as of December 31, 2025 and 2024.

	December 31, 2025	December 31, 2024
Current liabilities	\$ 173,000	\$ 158,000
Non-current liabilities	3,472,749	3,293,062
Total	\$ 3,645,749	\$ 3,451,062

9. Employee Benefits (continued)

The net periodic benefit cost of the post-retirement health plan for the years ended December 31, 2025 and 2024, is presented in the following table.

	Year Ended December 31,	
	2025	2024
Service expense	\$ 228,000	\$ 253,000
Interest expense	175,000	138,000
Amortization of net (gain) loss	(28,000)	-
Total	\$ 375,000	\$ 391,000

Service expenses are reflected in the consolidated statements of income as a component of personnel under operating expenses. Interest expense in relation to post-retirement benefit obligations is reported as a component of net fees and other income (expense) in the consolidated statements of income.

The assumptions used to determine the benefit obligations as of December 31, 2025 and 2024, are presented in the following table.

	December 31, 2025	December 31, 2024
Discount rate	5.50%	5.18%
Current healthcare cost trend rate	7.40%	7.60%
Ultimate healthcare cost trend rate	5.00%	5.00%
Year in which ultimate trend is reached	2035	2035

The assumptions used to determine the net periodic post-retirement benefit costs of the plan as of December 31, 2025 and 2024, are presented below.

	December 31, 2025	December 31, 2024
Discount rate	5.18%	4.36%
Current healthcare cost trend rate	7.6%	6.30%
Ultimate healthcare cost trend rate	5.00%	5.00%
Year in which ultimate trend is reached	2035	2028

The following schedule summarizes the estimated cash obligations that are expected to be paid for post-retirement health benefits.

9. Employee Benefits (continued)

The following schedule summarizes the estimated cash obligations that are expected to be paid for post-retirement health benefits.

Year ending December 31:	
2026	\$ 173,000
2027	230,000
2028	266,000
2029	268,000
2030	304,000
2031-2035	1,896,000

10. Fair Value of Financial Instruments

Information on how the Bank measures fair value and classifies the levels of fair value inputs is provided in Note 2.

Available-for-sale Securities – Securities classified as available-for-sale are reported at fair value using Levels 1 and 2 observable inputs. For these securities, the Bank obtains fair value measurements from an independent pricing service, which are based on prices quoted for the exact or like-kind instrument.

Hedged Items for Loans – Hedged items for loans are reported at fair value using Level 3 unobservable inputs. The fair value of these hedged items is estimated by discounting each cash flow stream using the benchmark swap curve of the contractual currency and converting the resulting net present value at the spot exchange rate, as well as using external pricing models and counterparty pricing. Cash flows in Mexican pesos (MXN) are discounted using the MXN swap curve. Cash flows in U.S. dollars are discounted using the SOFR curve.

Cross-currency Swaps and Cross-currency Interest Rate Swaps – Cross-currency swaps and cross-currency interest rate swaps are reported at fair value using Level 2 observable inputs. The fair value of these swaps is estimated based on discounting procedures, whereby each cash flow stream is discounted using the benchmark swap curve of the respective currency and converting the resulting net present value at the spot exchange rate, as well as other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. These swaps are all Mexican-peso for U.S.-dollar operations except for eight (8) debt issuances in foreign currencies for U.S.-dollar operations. Cash flows in Mexican pesos are discounted using the MXN swap curve. Cash flows in Swiss francs (CHF) are discounted using the CHF swap curve. Cash flows in Norwegian kroner (NOK) are discounted using the NOK swap curve. Cash flows in U.S. dollars are discounted using the USD Overnight Index Swap (OIS) or SOFR curve.

Interest Rate Swaps – Interest rate swaps are reported at fair value using Level 2 observable inputs. The fair value of these swaps is estimated based on discounting procedures, whereby the cash flows in U.S. dollars are discounted using the SOFR curve and cash flows in Mexican pesos are discounted using MXN swap curve, as well as on other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Options – Options are reported at fair value using Level 2 observable inputs. The Bank uses options to hedge its foreign exchange exposure related to debt issuance.

Hedged Items for Debt – Hedged items for debt are reported at fair value using Level 3 unobservable inputs. The fair value of the hedged items is estimated based on discounting procedures, whereby each cash flow stream is discounted using the SOFR curve for USD issuances, as well as on external pricing models and counterparty pricing.

10. Fair Value of Financial Instruments (continued)

The following table summarizes the carrying amounts and fair value of the Bank's financial instruments measured at fair value as of December 31, 2025 and 2024.

	December 31, 2025		December 31, 2024	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Available-for-sale securities	\$ 1,111,617,215	\$ 1,111,617,215	\$ 1,151,890,144	\$ 1,151,890,144
Loans, net of interest rate swaps	253,320,518	250,493,573	246,540,838	234,140,812
Cross-currency swaps and cross-currency interest rate swaps	163,782,937	163,782,937	150,246,018	150,246,018
Interest rate swaps	18,445,392	18,445,392	25,993,580	25,993,580
Options	43,390,832	43,390,832	27,413,773	27,413,773
Liabilities				
Long-term debt	50,000,000	46,736,124	50,000,000	44,699,252
Cross-currency interest rate swaps	62,974,063	62,974,063	68,953,365	68,953,365
Interest rate swaps	8,099,489	8,099,489	6,358,178	6,358,178

10. Fair Value of Financial Instruments (continued)

The Bank's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2025 and 2024 are summarized in the following tables by the valuation level of the inputs used to measure fair value. Additional information on how the Bank measures and classifies the levels of fair-value inputs is provided in Note 2.

	Fair Value Measurements Using			Total Fair Value
	Level 1	Level 2	Level 3	
December 31, 2025				
Assets				
Available-for-sale (AFS) securities:				
U.S. government securities	\$ 361,397,357	\$ -	\$ -	\$ 361,397,357
U.S. agency securities	-	41,953,977	-	41,953,977
Corporate and supranational debt securities	-	214,386,529	-	214,386,529
Other fixed-income securities	-	79,337,544	-	79,337,544
Mexican government securities	-	111,252,139	-	111,252,139
Securities pledged under collateralized borrowings	-	277,551,900	-	277,551,900
Mortgage-backed securities	-	25,737,769	-	25,737,769
Total AFS securities	361,397,357	750,219,858	-	1,111,617,215
Cross-currency swaps and cross-currency interest rate swaps	-	163,782,937	-	163,782,937
Interest rate swaps	-	18,445,392	-	18,445,392
Options	-	43,390,832	-	43,390,832
Hedged items for loans	-	-	(2,826,945)	(2,826,945)
Total assets at fair value	\$ 361,397,357	\$ 975,839,019	\$ (2,826,945)	\$ 1,334,409,431
Liabilities				
Cross-currency interest rate swaps	\$ -	\$ 62,974,063	\$ -	\$ 62,974,063
Interest rate swaps	-	8,099,489	-	8,099,489
Hedged items for debt	-	-	(3,263,876)	(3,263,876)
Total liabilities at fair value	\$ -	\$ 71,073,552	\$ (3,263,876)	\$ 67,809,676

10. Fair Value of Financial Instruments (continued)

	Fair Value Measurements Using			Total Fair Value
	Level 1	Level 2	Level 3	
December 31, 2024				
Assets				
Available-for-sale (AFS) securities:				
U.S. government securities	\$ 415,605,869	\$ -	\$ -	\$ 415,605,869
U.S. agency securities	-	84,649,028	-	84,649,028
Corporate debt securities	-	181,958,265	-	181,958,265
Other fixed-income securities	-	63,689,517	-	63,689,517
Mexican government securities	-	131,358,146	-	131,358,146
Securities pledged under collateralized borrowings	-	270,780,307	-	270,780,307
Mortgage-backed securities	-	3,849,012	-	3,849,012
Total AFS securities	415,605,869	736,284,275	-	1,151,890,144
Cross-currency swaps and cross-currency interest rate swaps	-	150,246,018	-	150,246,018
Interest rate swaps	-	25,993,580	-	25,993,580
Options	-	27,413,773	-	27,413,773
Hedged items for loans	-	-	(12,400,026)	(12,400,026)
Total assets at fair value	\$ 415,605,869	\$ 939,937,646	\$ (12,400,026)	\$ 1,343,143,489
Liabilities				
Cross-currency interest rate swaps	\$ -	\$ 68,953,365	\$ -	\$ 68,953,365
Interest rate swaps	-	6,358,178	-	6,358,178
Hedged items for debt	-	-	(5,300,748)	(5,300,748)
Total liabilities at fair value	\$ -	\$ 75,311,543	\$ (5,300,748)	\$ 70,010,795

10. Fair Value of Financial Instruments (continued)

The following table summarizes the changes to hedged items included in financial assets and liabilities measured at fair value on a recurring basis using unobservable inputs (Level 3) for the years ended December 31, 2025 and 2024. Additional information on how the Bank measures fair value is provided in Note 2.

Fair Value of Level 3 Instruments	Year Ended December 31,	
	2025	2024
Assets		
Beginning balance	\$ (12,400,026)	\$ 1,296,457
Total realized and unrealized gains (losses):		
Included in earnings (expenses)	9,573,081	(13,696,483)
Included in other comprehensive income (loss)	-	-
Purchases	-	-
Settlements	-	-
Transfers in/out of Level 3	-	-
Ending balance	\$ (2,826,945)	\$ (12,400,026)
Liabilities		
Beginning balance	\$ (5,300,748)	\$ (4,458,154)
Total realized and unrealized (gains) losses:		
Included in (earnings) expenses	2,036,872	(842,594)
Included in other comprehensive income (loss)	-	-
Purchases	-	-
Settlements	-	-
Transfers in/out of Level 3	-	-
Ending balance	\$ (3,263,876)	\$ (5,300,748)

11. Derivative Instruments

The Bank uses cross-currency swaps, cross-currency interest rate swaps, interest rate swaps, and options to mitigate its exposure to fluctuations in foreign currency exchange (FX) rates and/or interest rates for its loans and debt. The fair value of the swaps outstanding as of each reporting period end is included in other assets or other liabilities, depending on whether the Bank is in a favorable or unfavorable position as of the reporting period date. Certain swaps and options have been designated as accounting hedges, while other swaps not designated as accounting hedges are considered economic hedges.

The Bank enters into cross-currency interest rate swaps that are matched to the terms of the loans denominated in Mexican pesos that the Bank has entered into directly or through COFIDAN. In the latter case, the swaps are entered into on the exact same terms COFIDAN signs with its borrowers. The Bank has also entered into cross-currency swaps and cross-currency interest rate swaps for its long-term notes payable issued in Swiss francs and Norwegian kroner. These swaps are structured so that the notional amounts mature to match the expected maturity of the related loans and notes payable.

The Bank enters into interest rate swaps for some loans and one of its long-term notes payable. The swaps are structured so that the notional amounts match the expected maturity of the related loans and notes payable. Certain swaps have been designated as hedging instruments because they hedge the risk of changes in the fair value of fixed-rate loans and notes payable due to changes in the designated benchmark interest rate.

11. Derivative Instruments (continued)

The Bank uses options to hedge a portion of its long-term notes payable. The options have been designated as hedging instruments and are structured to match the expected maturity of the notes payable.

The Bank may be required to post or receive collateral based on the outstanding fair value of its derivatives and other collateralized borrowings. Cash collateral and receivables totaling \$13,459,975 and \$27,225,203 were posted from counterparties to the Bank as of December 31, 2025 and 2024, respectively. As of those same dates, the Bank posted cash collateral totaling \$6,717,277 and \$0, respectively.

The notional amounts and estimated fair values of the swaps and options outstanding at December 31, 2025 and 2024, are presented in the following table. The fair value of these swaps is estimated using internal valuation models with observable market data inputs.

	December 31, 2025		December 31, 2024	
	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value
Derivative assets				
Designated as accounting hedges:				
Cross-currency swaps for debt	\$ 175,965,221	\$ 51,710,145	\$ 175,965,221	\$ 33,697,451
Cross-currency options for debt	175,965,221	43,390,832	175,965,221	27,413,773
Interest rate swaps for loans	52,639,672	7,434,525	160,841,494	13,239,029
	404,570,114	102,535,502	512,771,936	74,350,253
Not designated as accounting hedges:				
Cross-currency interest rate swaps for debt	414,276,741	71,127,428	507,965,403	33,819,407
Cross-currency interest rate swaps for loans	149,724,871	40,945,364	250,110,300	82,729,160
Interest rate swaps for loans	54,547,462	11,010,867	56,782,405	12,754,551
	618,549,074	123,083,659	814,858,108	129,303,118
Derivative liabilities				
Designated as accounting hedges:				
Interest rate swaps for debt	50,000,000	3,263,876	50,000,000	5,300,748
Interest rate swaps for loans	200,680,846	4,607,580	27,847,774	839,002
	250,680,846	7,871,456	77,847,774	6,139,750
Not designated as accounting hedges:				
Cross-currency interest rate swaps for debt	173,448,566	49,468,838	208,466,658	68,953,365
Cross-currency interest rate swaps for loans	107,630,992	13,505,224	-	-
Interest rate swaps for loans	11,466,348	228,034	11,498,428	218,428
	292,545,906	63,202,096	219,965,086	69,171,793

There were no swaps that were considered ineffective due to borrower default as of December 31, 2025 and 2024.

11. Derivative Instruments (continued)

Gains and Losses on Derivative Cash Flows

Cross-currency Swaps and Options - The fair value adjustments of cross-currency swaps and options designated as cash flow hedges are included in the consolidated statements of comprehensive income. Amounts are reclassified to earnings when the hedged items are included in earnings. The accumulated net unrealized gain (loss) related to the swaps and options included in accumulated other comprehensive income totaled \$19,309,247 and \$39,557,759 at December 31, 2025 and 2024, respectively.

Interest Rate Swaps - For interest rate swaps designated as fair value hedges, the changes in their fair value due to changes in the SOFR curve offset the changes in the fair value of the loans and debt (hedged items) and are included in income (expense) from foreign currency exchange rate adjustments and hedging activities.

Income (Expense) from Foreign Currency Exchange Rate Adjustments and Hedging Activities

The following table summarizes the income (expense) from foreign currency exchange rate adjustments and hedging activities for the years ended December 31, 2025 and 2024.

	Year Ended December 31,	
	2025	2024
Foreign currency exchange rate adjustments	\$ (13,304,466)	\$ 10,139,472
Credit valuation adjustment	(506,181)	(22,036)
Changes in hedged items and derivative instruments:		
Hedged items for loans and fair value swaps	(51,193,476)	34,280,178
Hedged items for debt and fair value swaps	56,792,547	(34,931,167)
	5,599,071	(650,989)
Income (expense) from foreign currency exchange rate adjustments and hedging activities	\$ (8,211,576)	\$ 9,466,447

Income (expense) from foreign currency exchange rate adjustments and hedging activities is included as a component of non-operating income (expenses) in the consolidated statements of income.

12. Credit Risk Associated with Financial Instruments

The Bank is subject to certain credit risk. Financial instruments that potentially subject the Bank to significant concentrations of credit risk consist principally of cash equivalents, investments, loans receivable, options and swaps. The Bank maintains cash equivalents, investments and certain other financial instruments with various major financial institutions. The Bank performs periodic evaluations of the relative credit standing of these financial institutions and limits the amount of credit exposure with any one institution. The Bank evaluates the creditworthiness of each customer on a case-by-case basis and continually monitors the financial stability of each borrower.

13. Fair Value of Non-financial Assets

Certain non-financial assets, including other real estate owned (OREO) acquired in full or partial payment of a loan, are measured at fair value on a nonrecurring basis. Upon initial recognition, these assets are typically reported at fair value using Level 3 unobservable inputs, such as third-party appraisals and estimated selling costs. As of December 31, 2025, the Bank held OREO totaling \$2,150,000, reported at fair value based on third-party appraisals and adjusted for estimated selling costs and foreign currency translation. For the year ended December 31, 2025, the Bank recorded an impairment loss to the OREO of \$3,862,481 as a non-interest and non-operating expense in the consolidated statements of income.

14. Commitments

In the normal course of business, the Bank has various outstanding commitments, in addition to the undisbursed commitments disclosed in Note 4 and borrowings disclosed in Note 6. Under agreements with consultants and contractors in effect on December 31, 2025, the Bank has obligations to make payments contingent upon the future performance of the consultants and contractors under the terms of their respective contracts and, therefore, they are not recorded in the consolidated financial statements.

Operating Lease Commitments

The Bank rents office space for its headquarters in San Antonio, Texas, under an operating lease that expires on February 28, 2026. As of December 31, 2025, the right-of-use lease asset totaled \$40,059 and is reflected in the consolidated balance sheet as a component of other assets. As of that same date, the operating lease obligation is reflected in the consolidated balance sheets in accrued liabilities and as an operating lease liability of \$40,059. For the years ended December 31, 2025 and 2024, operating lease expenses recognized on a straight-line basis totaled \$240,732 and \$238,857, respectively, and are included as a component of operating expenses in the consolidated statements of income.

As of December 31, 2025, the weighted average term of the lease remaining was 0.2 years and the weighted average discount rate used on the lease liability was 1.26%, which is considered a risk-free rate by the Bank in determining the present value of future lease payments as follows:

Total operating lease	\$	40,122
Discount		(63)
Operating lease liability	\$	<u>40,059</u>

15. Accounting Standards Update

Accounting Standards Update (ASU) 2024-03, *Income Statement - Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*. The amendments in this ASU require entities to disaggregate certain expense captions into specified categories in disclosures within the footnotes to the financial statements. This ASU will be effective for the Bank on January 1, 2027. The Bank is currently evaluating the potential impact of ASU 2024-03 on its consolidated financial statements.

16. Subsequent Events

The Bank has evaluated subsequent events for potential recognition and/or disclosure through the date these financial statements were issued. No subsequent events occurred during this period that require recognition or disclosure in these financial statements.

North American Development Bank Environment Investment and Capacity Facility

Financial Statements
December 31, 2025



Ernst & Young LLP
The Frost Tower
Suite 1901
111 West Houston Street
San Antonio, TX 78205

Tel: +1 210 228 9696
ey.com

Report of Independent Auditors

Those Charged with Governance
North American Development Bank
Environment Investment and Capacity Facility

Opinion

We have audited the financial statements of North American Development Bank - Environment Investment and Capacity Facility (EICF), which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of changes in fund balance and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of EICF at December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of EICF and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about EICF’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



Shape the future
with confidence

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of EICF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about EICF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Ernst + Young LLP

April 10, 2026

Balance Sheets

As of December 31, 2025 and 2024

	December 31, 2025	December 31, 2024
Assets		
Cash and cash equivalents:		
Held at other financial institutions	\$ 51,197	\$ 43,378
Repurchase agreements	39,400,000	20,100,000
Total cash and cash equivalents	39,451,197	20,143,378
Due from Ordinary Capital Resources	18,100,000	11,300,000
Interest receivable	3,831	2,373
Grants receivable:		
U.S. Environmental Protection Agency (EPA):		
Border Environment Infrastructure Fund (BEIF)	225,488	79,867
Project Development Assistance Program (PDAP)	137,035	61,307
U.S.-Mexico Environmental Border 2025 Program (Border 2025)	11,064	24,048
Total grants receivable	373,587	165,222
Total assets	\$ 57,928,615	\$ 31,610,973
Liabilities and Fund Balance		
Due to Ordinary Capital Resources	\$ 385,809	\$ 165,841
Undisbursed grants:		
U.S. Department of State (DOS)	1,890,387	2,284,951
Air Quality Monitoring Fund (AQ Fund)	91,151	93,468
Total undisbursed grants	1,981,538	2,378,419
Total liabilities	2,367,347	2,544,260
Fund balance	55,561,268	29,066,713
Total liabilities and fund balance	\$ 57,928,615	\$ 31,610,973

The accompanying notes are an integral part of these financial statements.

Statements of Changes in Fund Balance
For the Years Ended December 31, 2025 and 2024

	For the Years Ended December 31,	
	2025	2024
Transfer from Ordinary Capital Resources	\$ 25,100,000	\$ 15,300,000
Interest Income	1,394,555	824,494
Change in fund balance	26,494,555	16,124,494
Beginning fund balance	29,066,713	12,942,219
Ending fund balance	<u>\$ 55,561,268</u>	<u>\$ 29,066,713</u>

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows
For the Years Ended December 31, 2025 and 2024

	For the Years Ended December 31,	
	2025	2024
Cash flows from operating activities		
Changes in fund balance	\$ 26,494,555	\$ 16,124,494
Adjustments to reconcile change in fund balance to net cash provided by operating activities:		
Change in other assets and liabilities:		
(Increase) decrease in interest receivable	(1,458)	3,236
Increase in grants receivable	(208,365)	(71,148)
Increase in due from Ordinary Capital Resources	(6,800,000)	(9,300,000)
Increase (decrease) in due to Ordinary Capital Resources	219,968	(125,644)
Net cash provided by operating activities	19,704,700	6,630,938
Cash flows from financing activities		
Grant funds received from third parties:		
EPA:		
BEIF	9,646,563	21,467,462
PDAP	2,362,111	2,171,092
Border 2025	274,155	549,203
Other	26,744	-
DOS	3,000,000	3,000,000
AQ Fund	48,769	145,550
Grant disbursements:		
EPA:		
BEIF	(9,646,563)	(21,467,462)
PDAP	(2,362,111)	(2,171,092)
Border 2025	(274,155)	(549,203)
Other	(26,744)	-
DOS	(3,394,564)	(2,172,329)
AQ Fund	(51,086)	(184,850)
Net cash provided by (used in) financing activities	(396,881)	788,371
Net increase in cash and cash equivalents	19,307,819	7,419,309
Cash and cash equivalents, beginning of period	20,143,378	12,724,069
Cash and cash equivalents, end of period	<u>\$ 39,451,197</u>	<u>\$ 20,143,378</u>

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

December 31, 2025

1. Organization and Purpose

The North American Development Bank (NADBank or the Bank) was established on January 1, 1994 by an agreement between the Governments of the United States of America (the United States or U.S.) and the United Mexican States (Mexico) that was signed by their respective Presidents on November 16 and 18, 1993 (the Charter). The Bank was created to finance environmental infrastructure projects in the U.S.-Mexico border region. On March 16, 1994, the President of the United States issued an Executive Order designating the Bank as an international organization under the International Organization Immunities Act.

The Bank is governed by a Board of Directors (the Board) appointed by the two countries. Its operations are subject to certain limitations outlined in the Charter. The geographic jurisdiction is within 100 kilometers north and 300 kilometers south of the U.S.-Mexico border. The primary activities of the Bank are providing loans, grant financing and technical assistance for environmental infrastructure projects approved by the Board, as well as administering grant funding provided by other entities. The Bank is headquartered in San Antonio, Texas, and also has an office in Ciudad Juarez, Chihuahua (Juarez Office).

In December 2022, the Board approved the establishment of the Environment Investment and Capacity Facility (EICF) to hold the Bank's grant funds available for project implementation and technical assistance purposes, including funds provided by third-party donors. With the establishment of the grant facility, the activities of the Bank are conducted through either Ordinary Capital Resources or EICF, which are accounted for separately. All grant and technical assistance activities are reported under the EICF, while all other operations of the Bank are reported under Ordinary Capital Resources.

Grant activity may be financed by the Bank with its own funds or by third parties. In some cases, the Bank receives third-party pass-through grants, meaning that the funds are not drawn down until needed for disbursement. In other cases, the third-party grantors entrust the funds to the Bank, which are held in custody for the programs.

Grant Programs

Community Assistance Program (CAP)

Established in 2011, the CAP provides grants to support the implementation of infrastructure projects in the water and solid waste sectors. Disbursements for CAP are funded with fund balance or with grants from the U.S. Department of State (DOS).

Technical Assistance Program (TAP)

The TAP was established in 2009 to offer technical assistance and training to project sponsors for the purpose of strengthening their financial performance and ensuring the long-term sustainability of their infrastructure. As part of its technical assistance program, the Bank created the Utility Management Institute (UMI), which offers public service managers a professional development program aimed at enhancing their managerial and financial skills. Disbursements for TAP and UMI are funded with fund balance or with grants from DOS.

Water Resiliency Fund (WRF)

Established in August 2025, the WRF provides grants for eligible infrastructure projects that support water conservation and the diversification of supply sources in municipal and agricultural systems. Disbursements for WRF are funded with fund balance.

Border Environment Infrastructure Fund (BEIF)

Through this program, the Bank administers third-party grant funds from U.S. Environmental Protection Agency (EPA) to support the implementation of priority water and wastewater infrastructure projects. Under the terms of the grants, the Bank reviews and submits prospective projects to EPA. EPA approves the projects, which are subsequently certified by the Bank for financing. The Bank also oversees progress and compliance requirements for EPA and receives an allocation of the EPA grant funds for administrative expenses incurred.

Project Development Assistance Program (PDAP)

The Bank administers grant funding from EPA to provide technical assistance to communities for the development of water and wastewater projects that have been prioritized by EPA to receive a BEIF grant. The Bank provides administrative services to identify, contract and manage technical assistance projects.

Notes to Consolidated Financial Statements

December 31, 2025

1. Organization and Purpose (continued)

U.S.-Mexico Environmental Border 2025 Program

The Bank administers grant funding from EPA to support the joint efforts of the two governments to improve the environment and protect the health of residents within 100 kilometers of the U.S.-Mexico border. The Bank provides logistical and administrative services to identify, contract and manage technical assistance projects and workshops funded through the program.

Air Quality Monitoring Fund

Through this fund, the Bank manages funds from the Texas Commission on Environmental Quality (TCEQ) and the Paso del Norte Community Foundation to improve air quality monitoring in the Paso del Norte air basin, formed by the Municipality of Juarez, Chihuahua, El Paso County, Texas, and Doña Ana County, New Mexico.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates in Financial Statements

The financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions from fund balance during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, cash and cash equivalents include cash deposits with a financial institution and overnight repurchase agreements. As of December 31, 2025 and 2024, cash in a demand deposit account with the financial institution totaled \$51,197 and \$43,378, respectively.

Repurchase Agreements

The Bank has entered into repurchase agreements with other financial institutions. Repurchases, which are included in cash and cash equivalents, occur daily involving U.S. government and U.S. agency securities. The underlying securities related to the repurchase transactions are held in the possession of the respective financial institution.

Grant Recognition

Bank-funded grants: Grant commitments are recognized at the date the Bank becomes obligated under the terms of the grant agreements, and associated costs are recognized as incurred. Grant disbursements from fund balance are reflected in the statements of changes in fund balance.

Third-party grants: These grants are funded by third-party grantors and disbursed in accordance with their respective agreements. Third-party grants are recognized upon receipt and reflected on the balance sheets as undisbursed grants until disbursed. Grant receipts and disbursements are reflected in the statements of cash flows. Additional information on undisbursed third-party grants is provided in Note 3.

Grant Operating Expenses and Reimbursements

All operating expenses associated with the EICF are paid through Ordinary Capital Resources and are subject to reimbursement to the Ordinary Capital Resources when incurred for third-party grants. As such, no operating expenses are reported under the EICF.

Income Transfers from Ordinary Capital Resources

As part of the establishment of the EICF, the Board agreed to continue providing support to the EICF by transferring a portion of allocable income from Ordinary Capital Resources. For the years ended December 31, 2025 and 2024, EICF received transfers from Ordinary Capital Resources of \$25,100,000 and \$15,300,000, respectively, which are reflected in the statements of changes in fund balance.

2. Summary of Significant Accounting Policies (continued)

Taxation

Pursuant to the NADBank Charter, as further implemented in the U.S. under the International Organizations Immunities Act, the Bank, its property, other assets, income and the operations it carries out pursuant to the Charter, are immune from all taxation and customs duties.

3. Undisbursed Third-party Grant Funds

The following table summarizes the changes in undisbursed grants from third-party grantors as of December 31, 2025 and 2024.

	Beginning Balance January 1, 2025	Grant Receipts	Grant Disbursements for		Ending Balance December 31, 2025
			Projects ¹	Expense Reimbursements	
EPA:					
BEIF	\$ -	\$ 9,646,563	\$ 8,484,442	\$ 1,162,121	\$ -
PDAP	-	2,362,111	1,646,132	715,979	-
Border 2025	-	274,155	169,994	104,161	-
Other	-	26,744	26,744	-	-
	-	12,309,573	10,327,312	1,982,261	-
DOS	2,284,951	3,000,000	3,394,564	-	1,890,387
Air Quality Fund	93,468	48,769	17,488	33,598	91,151
Total	\$ 2,378,419	\$ 15,358,342	\$ 13,739,364	\$ 2,015,859	\$ 1,981,538

	Beginning Balance January 1, 2024	Grant Receipts	Grant Disbursements for		Ending Balance December 31, 2024
			Projects ¹	Expense Reimbursements	
EPA:					
BEIF	\$ -	\$ 21,467,462	\$ 20,231,696	\$ 1,235,766	\$ -
PDAP	-	2,171,092	1,467,539	703,553	-
Border 2025	-	549,203	330,782	218,421	-
	-	24,187,757	22,030,017	2,157,740	-
DOS	1,457,280	3,000,000	2,172,329	-	2,284,951
Air Quality Fund	132,768	145,550	181,125	3,725	93,468
Total	\$ 1,590,048	\$ 27,333,307	\$ 24,383,471	\$ 2,161,465	\$ 2,378,419

¹ Includes funds disbursed for project financing and technical assistance.

4. Disbursements by Program and Source

The following table summarizes disbursements for project implementation and technical assistance by program and source for the years ended December 31, 2025 and 2024.

By Program	Year Ended December 31,	
	2025	2024
BEIF	\$ 8,484,442	\$ 20,231,696
PDAP	1,646,132	1,467,539
Border 2025	169,994	330,781
EPA Other	26,744	-
CAP	1,574,860	139,700
TAP	1,819,704	2,032,630
Air Quality Fund	17,488	181,125
	<u>\$ 13,739,364</u>	<u>\$ 24,383,471</u>
By Source		
Bank-funded	\$ -	\$ -
Third-party:		
EPA	10,327,312	22,030,016
DOS	3,394,564	2,172,330
Air Quality Fund	17,488	181,125
	<u>\$ 13,739,364</u>	<u>\$ 24,383,471</u>

The WRF, which had been under development in 2024, was approved by the Board in August 2025. As of December 31, 2025, no funds had been disbursed.

5. Fund Balance

The following table summarizes the changes in fund balance for the years ended December 31, 2025 and 2024.

	CAP	TAP	WRF	Undesignated Funds	Total
Beginning balance, Jan. 1, 2025	\$ 7,339,718	\$ 6,726,995	\$ -	\$ 15,000,000	\$ 29,066,713
Transfers-in from Ordinary					
Capital Resources	-	-	-	25,100,000	25,100,000
Interest income	-	-	-	1,394,555	1,394,555
Fund balance designation	-	-	40,000,000	(40,000,000)	-
Disbursements	-	-	-	-	-
Ending balance, Dec. 31, 2025	\$ 7,339,718	\$ 6,726,995	\$ 40,000,000	\$ 1,494,555	\$ 55,561,268
Beginning balance, Jan. 1, 2024	\$ 7,339,718	\$ 5,261,706	\$ -	\$ 340,795	\$ 12,942,219
Transfers-in from Ordinary					
Capital Resources ¹	-	-	-	15,300,000	15,300,000
Interest Income	-	-	-	824,494	824,494
Fund balance designation	-	1,465,289	-	(1,465,289)	-
Disbursements	-	-	-	-	-
Ending balance, Dec. 31, 2024	\$ 7,339,718	\$ 6,726,995	\$ -	\$ 15,000,000	\$ 29,066,713

¹The transfers-in include \$10 million designated for the WRF, which was under development at year-end 2024 and subsequently approved by the Board in August 2025.

6. Undisbursed Commitments

Undisbursed commitments are signed grant agreements less disbursements. The following table summarizes the changes in undisbursed commitments by program for the years ended December 31, 2025 and 2024.

	CAP	TAP	WRF	Total
Undisbursed commitments, January 1, 2025	\$ 2,422,660	\$ 1,962,192	\$ -	\$ 4,384,852
Commitments, net	1,701,536	2,941,156	-	4,642,692
Disbursements:				
Bank-funded	-	-	-	-
DOS-funded	(1,574,860)	(1,819,704)	-	(3,394,564)
Undisbursed commitments, December 31, 2025	\$ 2,549,336	\$ 3,083,644	\$ -	\$ 5,632,980
Undisbursed commitments, January 1, 2024	\$ 626,367	\$ 1,239,705	\$ -	\$ 1,866,072
Commitments, net	1,935,993	2,755,116	-	4,691,109
Disbursements:				
Bank-funded	-	-	-	-
DOS-funded	(139,700)	(2,032,629)	-	(2,172,329)
Undisbursed commitments, December 31, 2024	\$ 2,422,660	\$ 1,962,192	\$ -	\$ 4,384,852

6. Undisbursed Commitments (continued)

The following table summarizes the grant funds available for commitment as of December 31, 2025 and 2024.

	CAP	TAP	WRF	Undesignated Funds ¹	Total
December 31, 2025					
Total fund balance	\$ 7,339,718	\$ 6,726,995	\$ 40,000,000	\$ 1,494,555	\$ 55,561,268
Undisbursed commitments	(2,549,336)	(3,083,644)	-	-	(5,632,980)
Approved, pending commitment	(750,000)	(529,654)	-	-	(1,279,654)
Total available for commitment	\$ 4,040,382	\$ 3,113,697	\$ 40,000,000	\$ 1,494,555	\$ 48,648,634
December 31, 2024					
Total fund balance	\$ 7,339,718	\$ 6,726,995	\$ -	\$ 15,000,000	\$ 29,066,713
Undisbursed commitments	(2,422,660)	(1,962,192)	-	-	(4,384,852)
Approved, pending commitment	(500,000)	(990,378)	-	-	(1,490,378)
Total available for commitment	\$ 4,417,058	\$ 3,774,425	\$ -	\$ 15,000,000	\$ 23,191,483

¹ The 2024 balance includes \$10 million allocated to the WRF, which was under development at year-end 2024 and subsequently approved by the Board in August 2025.

In addition to the fund balance available for commitment in the above table, \$1,890,387 and \$2,284,951 in undisbursed grant funds from DOS were available as of December 31, 2025 and 2024, respectively, to cover disbursements under CAP and TAP.

7. Subsequent Events

The Bank has evaluated subsequent events for potential recognition and/or disclosure through the date these financial statements were issued. No subsequent events occurred during this period that require recognition or disclosure in these financial statements.

Appendix

Governance

Board of Directors

Mexico	United States
Secretary of Finance and Public Credit (SHCP)*	Secretary of the Treasury
Secretary of Foreign Relations (SRE)	Secretary of State
Secretary of Environment and Natural Resources (SEMARNAT)	Administrator of the Environmental Protection Agency (EPA)
Border state representative	Border state representative
Border resident representative	Border resident representative

* Board chair, 2025

NADBank Leadership December 31, 2025

Management	
Managing Director	John Beckham
Deputy Managing Director	Alejandro Olivo Villa
Chief Environmental Officer	Salvador López Córdova
Directors	
Chief Financial Officer	Fay Ramdass
General Counsel	Donald J. Hobbs
Director of Environmental Infrastructure Finance	Carlos Carranza
Director of Technical Services and Grants	Fernando Ortiz
Director of Risk and Asset Management	Michael Ratliff
Unit Heads	
Strategy and Planning	Mauricio Mora
Capacity and Technical Assistance	Renata Manning-Gbogbo
Partnerships and Stakeholder Engagement	Jesse J. Hereford
Human Resources and Facilities Management	Diana Rojas

Credits

Offices responsible for publication

Finance and Institutional Relations and Communication

Photography

Cover, and pages 3 (top left corner), 6 and 8: Adobe Stock
 Page 1: Ruben Linder for NADBank
 Page 5 and back cover: Jon Alonso for NADBank
 Page 9: Courtesy of Brian Norman, Delta Lake Irrigation District
 Page 15: Courtesy of Gafcon

All other images property of NADBank

Data References

- Population (p. 6): Developed by NADBank with data from the U.S. Census Bureau 2020 census; and the Mexican national institute of statistics, Instituto Nacional de Estadística, Geografía e Informática (INEGI), 2020 census.
- Real gross domestic product (p. 6): NADBank calculations based on 2024 data from U.S. Bureau of Economic Analysis, INEGI and the World Bank. Data for U.S. border refers to the real GDP of the 41 counties within the NADBank jurisdiction. Data for Mexico refers to the real GDP at the state level for the six border states, converted to USD using purchasing power parity conversion factors.
- Bilateral trade (p. 6): NADBank calculations based on 2025 data from the Federal Reserve Bank of St. Louis.
- Watershed map (p. 6): Developed by NADBank with data from the U.S. Geological Survey (USGS), U.S. Bureau of Reclamation (USBR), Water Data for Texas, and the Mexican national water commission, Comisión Nacional del Agua (CONAGUA).
- Drought map (p. 7): North American Drought Monitor, January 31, 2026.



North American Development Bank

San Antonio, Texas
Ph. (210) 231.8000

Ciudad Juarez, Chihuahua
Ph. +52.656.688.4600

<http://www.nadbank.org>

X: @NADB_BDAN / LinkedIn: NADBank
Facebook: North American Development Bank