



**NORTH AMERICAN DEVELOPMENT BANK**  
**ORDINARY CAPITAL RESOURCES**

Consolidated Financial Statements (unaudited)

September 30, 2025



North American Development Bank  
Ordinary Capital Resources  
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North American Development Bank  
Ordinary Capital Resources

**Consolidated Balance Sheets**

As of September 30, 2025 and December 31, 2024

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
<b>Assets</b>		
Cash and cash equivalents:		
Held at other financial institutions	\$ 82,924,808	\$ 75,072,070
Repurchase agreements	19,700,000	9,300,000
Total cash and cash equivalents	102,624,808	84,372,070
Held-to-maturity investment securities, at amortized cost	4,675,810	4,550,451
Available-for-sale investment securities, at fair value	1,067,187,992	1,151,890,144
Loans outstanding	1,188,390,293	1,132,807,686
Allowance for credit losses	(27,148,134)	(27,577,193)
Unamortized loan fees	(4,941,362)	(6,695,299)
Foreign currency exchange rate adjustment	(29,557,909)	(89,306,267)
Hedged items for loans, at fair value	1,249,871	(12,400,026)
Net loans outstanding	1,127,992,759	996,828,901
Interest receivable	15,847,331	14,978,282
Other receivables	3,142,188	870,053
Furniture, equipment and leasehold improvements, net	322,464	267,207
Other assets	193,912,438	147,806,193
Total assets	\$ 2,515,705,790	\$ 2,401,563,301

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

**Consolidated Balance Sheets**

As of September 30, 2025 and December 31, 2024

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
<b>Liabilities and Equity</b>		
Liabilities:		
Current liabilities		
Accounts payable	\$ 784,361	\$ 1,081,614
Accrued liabilities	2,684,013	3,148,937
Accrued interest payable	12,348,519	12,736,980
Due to Environment Investment and Capacity Facility (EICF)	3,000,000	11,300,000
Other liabilities	50,159,485	52,497,043
Short-term debt, net of discounts and unamortized debt issuance costs	126,351,605	128,707,491
Foreign currency exchange rate adjustment	30,532,562	9,055,545
Net short-term debt	156,884,167	137,763,036
Total current liabilities	225,860,545	218,527,610
Long-term liabilities:		
Long-term lease payable	-	37,922
Long-term post-retirement benefits payable	3,474,832	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	1,051,779,101	1,177,711,807
Foreign currency exchange rate adjustment	97,374,196	(25,541,126)
Hedged items for debt, at fair value	(3,269,678)	(5,300,748)
Net long-term debt	1,145,883,619	1,146,869,933
Total long-term liabilities	1,194,358,451	1,315,200,917
Total liabilities	1,420,218,996	1,533,728,527
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	351,114,117	331,679,509
Accumulated other comprehensive income	29,368,261	30,150,807
Non-controlling interest	4,416	4,458
Total equity	1,095,486,794	867,834,774
Total liabilities and equity	\$ 2,515,705,790	\$ 2,401,563,301

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

**Consolidated Statements of Income (unaudited)**  
For the Nine Months Ended September 30, 2025 and 2024

	<b>For the Nine Months Ended September 30,</b>	
	<b>2025</b>	<b>2024</b>
Interest income:		
Loans	\$ 63,968,351	\$ 62,188,159
Investments	36,666,346	32,695,334
Total interest income	100,634,697	94,883,493
Interest expense	51,246,109	51,953,441
Net interest income	49,388,588	42,930,052
Provision for credit losses	(3,085,436)	4,890,888
Net interest income after provision for credit losses	52,474,024	38,039,164
Operating expenses (income):		
General and administrative:		
Personnel	14,764,101	13,308,660
Administrative	2,056,958	1,968,370
Consultants and contractors	1,382,123	1,461,423
Other	(842,933)	(653,284)
Grant operating reimbursements, net	(1,117,216)	(1,195,871)
Depreciation	73,396	57,331
Total operating expenses	16,316,429	14,946,629
Net operating income	36,157,595	23,092,535
Non-interest and non-operating income (expenses):		
Gain on sale of securities, net	325,224	70,310
Fees and other income (expense), net	73,019	289,415
Income (expense) from foreign currency adjustments and hedging activities	(10,121,272)	(1,374,485)
Total non-interest and non-operating expense	(9,723,029)	(1,014,760)
Transfer to Environment Investment and Capacity Facility (EICF)	7,000,000	4,000,000
Net income	19,434,566	18,077,775
Non-controlling interest in net income (loss)	(42)	2
Controlling interest in net income	\$ 19,434,608	\$ 18,077,773

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

**Consolidated Statements of Comprehensive Income (unaudited)**

For the Nine Months Ended September 30, 2025 and 2024

	<b>For the Nine Months Ended September 30,</b>	
	<b>2025</b>	<b>2024</b>
Net income	\$ 19,434,566	\$ 18,077,775
Non-controlling interest in net income (loss)	(42)	2
Controlling interest in net income	19,434,608	18,077,773
Other comprehensive income:		
Available-for-sale investment securities:		
Change in unrealized gains during the period, net	15,973,225	17,427,874
Reclassification adjustment for net gains included in net income	(325,224)	(70,310)
Total unrealized gains on available-for-sale investment securities	15,648,001	17,357,564
Foreign currency translation adjustment	23,435	(38,042)
Unrealized gains (losses) on hedging activities:		
Foreign currency translation adjustment, net	(52,186,250)	1,987,900
Fair value of cross-currency interest rate swaps and options, net	35,732,268	1,100,834
Total unrealized gains (losses) on hedging activities	(16,453,982)	3,088,734
Total other comprehensive income (loss)	(782,546)	20,408,256
Total comprehensive income	\$ 18,652,062	\$ 38,486,029

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

**Consolidated Statement of Changes in Equity**

For the Nine Months Ended September 30, 2025 and Year Ended December 31, 2024

	<b>Paid-in Capital</b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Income</b>	<b>Non-controlling Interest</b>	<b>Total Equity</b>
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 (audited)	506,000,000	331,679,509	30,150,807	4,458	867,834,774
Capital contribution	209,000,000	–	–	–	209,000,000
Net income	–	19,434,608	–	–	19,434,608
Other comprehensive loss	–	–	(782,546)	–	(782,546)
Non-controlling interest	–	–	–	(42)	(42)
Ending balance, September 30, 2025 (unaudited)	<u>\$ 715,000,000</u>	<u>\$ 351,114,117</u>	<u>\$ 29,368,261</u>	<u>\$ 4,416</u>	<u>\$ 1,095,486,794</u>

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

**Consolidated Statements of Cash Flows (unaudited)**  
For the Nine Months Ended September 30, 2025 and 2024

	<b>For the Nine Months Ended September 30,</b>	
	<b>2025</b>	<b>2024</b>
<b>Cash flows from operating activities</b>		
Net income	\$ 19,434,608	\$ 18,077,773
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	73,396	57,331
Accretion of net discounts on investments	(11,337,572)	(10,505,285)
Change in fair value of swaps, options, hedged items and other non-cash items	2,924,966	40,334,310
Non-controlling interest	(42)	2
Gain on sale of securities, net	(325,224)	(70,310)
Provision for credit losses	(3,085,436)	4,890,888
Post-retirement benefits payable	181,770	194,493
Change in other assets and liabilities:		
(Increase) decrease in interest receivable	(869,049)	8,933,078
(Increase) decrease in accounts receivable	(2,272,135)	891,419
Decrease in securities settlement receivable	-	4,000,000
Decrease in accounts payable	(297,253)	(3,935,350)
Decrease in accrued liabilities	(464,924)	(154,705)
Decrease in accrued interest payable	(388,461)	(3,141,033)
Decrease in due to EICF	(8,300,000)	(500,000)
Net cash provided by (used in) operating activities	(4,725,356)	59,072,611
<b>Cash flows from lending, investing, and development activities</b>		
Capital expenditures	(128,653)	(186,181)
Loan principal repayments	95,257,353	135,075,373
Loan disbursements	(156,216,022)	(153,234,186)
Purchase of held-to-maturity investment securities	(4,584,650)	(4,410,345)
Purchase of available-for-sale investment securities	(981,190,782)	(608,236,294)
Proceeds from maturities of held-to-maturity investments	4,600,000	4,390,000
Proceeds from sales and maturities of available-for-sale investments	1,104,947,602	597,925,050
Net cash provided by (used in) lending, investing, and development activities	62,684,848	(28,676,583)
<b>Cash flows from financing activities</b>		
Capital contribution	89,000,000	-
Proceeds from other borrowings	-	25,067,706
Principal repayment of notes payable	(128,706,754)	(2,632,000)
Net cash provided by (used in) financing activities	(39,706,754)	22,435,706
<b>Net increase in cash and cash equivalents</b>	18,252,738	52,831,734
<b>Cash and cash equivalents, beginning of period</b>	84,372,070	53,731,480
<b>Cash and cash equivalents, end of period</b>	<u>\$ 102,624,808</u>	<u>\$ 106,563,214</u>
<b>Supplemental cash information</b>		
Cash paid during the year for interest	\$ 18,324,737	\$ 22,325,824
<b>Significant non-cash transactions</b>		
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 (unaudited)**

September 30, 2025

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**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 September 30, 2025 and December 31, 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

## 2. Summary of Significant Accounting Policies (continued)

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 September 30, 2025, cash deposits with other financial institutions in demand deposit accounts and interest-bearing accounts totaled \$7,467,635 and \$75,457,173, 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.

### 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.

## 2. Summary of Significant Accounting Policies (continued)

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.

### **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.

## **2. Summary of Significant Accounting Policies (continued)**

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

## 2. Summary of Significant Accounting Policies (continued)

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. 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+	Very high quality, very low credit risk
	AA	
	AA-	
	A+	High credit quality, strong payment capacity
	A	
	A-	
B	BBB+	Good credit quality, adequate payment capacity
	BBB	
	BBB-	
	BB+	Moderate credit quality, likely to meet obligations, some uncertainty under adverse conditions
	BB	
	BB-	
C	B+	Low credit quality, still able to meet obligations, highly vulnerable to adverse conditions
	B	
	B-	
	CCC+	
D	CCC	Very low credit quality, highly vulnerable, high risk of default with some possibility of recovery
	CCC-	
	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.

## **2. Summary of Significant Accounting Policies (continued)**

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.

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

## **2. Summary of Significant Accounting Policies (continued)**

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 September 30, 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 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.

## **2. Summary of Significant Accounting Policies (continued)**

### **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 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.

### **Reclassifications**

Certain amounts in the prior-year consolidated financial statements have been reclassified to conform to the current-year consolidated financial statement presentation.



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### 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 September 30, 2025 and December 31, 2024.

	Gross Unrealized			
	Amortized Cost	Gains	Losses	Fair Value
<b>September 30, 2025</b>				
Held-to-maturity:				
U.S. government securities	\$ 4,675,810	\$ –	\$ (435)	\$ 4,675,375
Total held-to-maturity investment securities	4,675,810	–	(435)	4,675,375
Available-for-sale:				
U.S. government securities	325,975,284	140,064	(1,594,940)	324,520,408
U.S. agency securities	47,069,340	69,753	(509,553)	46,629,540
Corporate debt securities	205,772,058	2,344,270	(240,694)	207,875,634
Other fixed-income securities	82,793,484	522,646	(348,450)	82,967,680
Mexican government securities	108,915,543	82,964	(175,093)	108,823,414
Securities pledged under collateralized borrowings <sup>1</sup>	271,824,023	5,196,731	–	277,020,754
Mortgage-backed securities	19,552,045	117,241	(318,724)	19,350,562
Total available-for-sale investment securities	1,061,901,777	8,473,669	(3,187,454)	1,067,187,992
Total investment securities	\$ 1,066,577,587	\$ 8,473,669	\$ (3,187,889)	\$ 1,071,863,367
<b>December 31, 2024</b>				
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 <sup>1</sup>	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

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

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### 3. Investments (continued)

As of September 30, 2025 and December 31, 2024, accrued interest on held-to-maturity and available-for-sale securities totaled \$5,085,285 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 September 30, 2025 and December 31, 2024.

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>September 30, 2025</b>						
Held-to-maturity securities	\$ 4,675,375	\$ 435	\$ –	\$ –	\$ 4,675,375	\$ 435
Available-for-sale:						
U.S. government securities	101,004,127	2,825	114,069,820	1,592,115	215,073,947	1,594,940
U.S. agency securities	–	–	39,033,587	509,553	39,033,587	509,553
Corporate debt securities	11,077,628	16,133	21,695,245	224,561	32,772,873	240,694
Other fixed-income securities	5,818,868	8,792	20,169,871	339,658	25,988,739	348,450
Mexican government securities	66,159,517	8,770	6,923,000	166,323	73,082,517	175,093
Securities pledged under collateralized borrowings <sup>1</sup>	–	–	–	–	–	–
Mortgage-backed securities	3,330,419	5,014	3,498,712	313,710	6,829,131	318,724
Total available-for-sale investment securities	187,390,559	41,534	205,390,235	3,145,920	392,780,794	3,187,454
Total temporarily impaired securities	\$ 192,065,934	\$ 41,969	\$ 205,390,235	\$ 3,145,920	\$ 397,456,169	\$ 3,187,889
<b>December 31, 2024</b>						
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 <sup>1</sup>	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

<sup>1</sup> Additional 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 September 30, 2025 and December 31, 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 of

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### 3. Investments (continued)

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 September 30, 2025 and December 31, 2024, no allowance for credit losses for investment securities was recorded.

Contractual maturities of investments as of September 30, 2025 and December 31, 2024 are summarized in the following table.

	<b>Held-to-Maturity Securities</b>		<b>Available-for-Sale Securities</b>	
	<b>Fair Value</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Amortized Cost</b>
<b>September 30, 2025</b>				
Less than 1 year	\$ 4,675,375	\$ 4,675,810	\$ 447,219,185	\$ 448,725,207
1–5 years	–	–	576,840,421	569,999,452
5–10 years	–	–	23,777,824	23,625,073
More than 10 years	–	–	–	–
Mortgage-backed securities	–	–	19,350,562	19,552,045
	<u>\$ 4,675,375</u>	<u>\$ 4,675,810</u>	<u>\$ 1,067,187,992</u>	<u>\$ 1,061,901,777</u>
<b>December 31, 2024</b>				
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 nine months ended September 30, 2025 and 2024.

	<b>Nine Months Ended September 30,</b>	
	<b>2025</b>	<b>2024</b>
Held-to-maturity investment securities:		
Proceeds from maturities	\$ 4,600,000	\$ 4,390,000
Available-for-sale investment securities:		
Proceeds from sales and maturities	1,104,947,602	597,925,050
Gross realized gains	491,122	323,987
Gross realized losses	165,898	253,677

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### 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 nine months ended September 30, 2025 and the year ended December 31, 2024.

	Nine Months Ended September 30, 2025	Year Ended December 31, 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	15,973,225	6,590,066
Reclassification adjustments for net gains on investment securities available-for-sale included in net income	(325,224)	(85,833)
Net unrealized gains (losses) on investment securities available-for-sale, end of period	\$ 5,286,215	\$ (10,361,786)

### 4. Loans

The following schedule summarizes loans outstanding as of September 30, 2025 and December 31, 2024.

	September 30, 2025	December 31, 2024
Loans outstanding	\$ 1,188,390,293	\$ 1,132,807,686
Allowance for credit losses	(27,148,134)	(27,577,193)
Unamortized loan fees	(4,941,362)	(6,695,299)
Foreign currency exchange rate adjustment	(29,557,909)	(89,306,267)
Hedged items for loans, at fair value	1,249,871	(12,400,026)
Net loans outstanding	\$ 1,127,992,759	\$ 996,828,901

At September 30, 2025 and December 31, 2024, outstanding undisbursed loan commitments on signed loan agreements totaled \$123,354,487 and \$229,381,525, respectively.

As of September 30, 2025, the Bank also had \$245,752,849 in Board-approved loans, for which loan agreements were under development.

The Bank under certain circumstances offered below-market-rate loans under its Low Interest Rate Lending Facility (LIRF) program, which was terminated in May 2013. As of September 30, 2025 and December 31, 2024, the Bank had LIRF loans outstanding of \$4,748,699 and \$8,991,878, respectively.

#### 4. Loans (continued)

The following table presents the loan portfolio by environmental sector as of September 30, 2025 and December 31, 2024.

	<b>September 30, 2025</b>	<b>December 31, 2024</b>
Water	\$ 267,712,591	\$ 243,089,617
Air quality	88,492,327	94,982,500
Sustainable energy	652,575,002	675,920,730
Urban development	32,895,624	35,767,996
Sustainable buildings	102,413,615	38,168,550
Sustainable food value chains	24,042,294	29,878,293
Green manufacturing	20,258,840	15,000,000
	<u>\$ 1,188,390,293</u>	<u>\$ 1,132,807,686</u>

The following table presents the loan portfolio by borrower type as of September 30, 2025 and December 31, 2024.

	<b>September 30, 2025</b>	<b>December 31, 2024</b>
Private	\$ 809,746,417	\$ 769,085,617
Public	336,697,501	317,229,828
Public-private	41,946,375	46,492,241
	<u>\$ 1,188,390,293</u>	<u>\$ 1,132,807,686</u>

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

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#### 4. Loans (continued)

The following table presents the loan portfolio by risk category and country as of September 30, 2025 and December 31, 2024. These risk categories are defined in Note 2, along with additional information on how the Bank evaluates credit quality.

Risk Category	September 30, 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-	-	107,136,502	107,136,502	-	110,225,542	110,225,542
BBB+	85,880,000	11,365,000	97,245,000	90,440,000	12,080,000	102,520,000
BBB	211,872,227	-	211,872,227	190,008,384	-	190,008,384
BBB-	56,979,906	101,451,313	158,431,219	33,014,777	77,774,404	110,789,181
BB+	100,754,027	14,431,063	115,185,090	85,808,210	18,618,634	104,426,844
BB	129,454,124	97,187,978	226,642,102	131,526,987	101,027,170	232,554,157
BB-	11,712,801	72,620,705	84,333,506	42,235,117	74,114,829	116,349,946
B+	69,004,590	1,410,000	70,414,590	65,279,049	1,410,000	66,689,049
B	62,973,768	-	62,973,768	39,597,140	-	39,597,140
B-	-	1,494,845	1,494,845	-	-	-
CCC to C	-	-	-	-	-	-
D	3,526,444	-	3,526,444	9,362,443	-	9,362,443
	<u>\$ 732,157,887</u>	<u>\$ 456,232,406</u>	<u>\$ 1,188,390,293</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 September 30, 2025 and December 31, 2024.

Risk Category	September 30, 2025	Year of Loan Commitment					Total Loans at September 30, 2025
		2024	2023	2022	2021	Prior	2025
AAA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
AA+ to AA-	-	-	20,800,000	-	23,045,000	1,350,000	45,195,000
A+ to A-	-	-	-	61,685,000	-	49,391,502	111,076,502
BBB+ to BBB-	-	66,551,410	166,935,277	13,728,256	1,530,000	218,803,503	467,548,446
BB+ to BB-	45,258,840	100,139,976	35,007,276	7,042,422	-	238,712,184	426,160,698
B+ to B-	1,494,845	14,479,802	14,211,046	-	1,410,000	103,287,510	134,883,203
C	-	-	-	-	-	-	-
D	-	-	-	3,526,444	-	-	3,526,444
Total	<u>\$ 46,753,685</u>	<u>\$ 181,171,188</u>	<u>\$ 236,953,599</u>	<u>\$ 85,982,122</u>	<u>\$ 25,985,000</u>	<u>\$ 611,544,699</u>	<u>\$ 1,188,390,293</u>

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#### 4. Loans (continued)

Risk Category	Year of Loan Commitment						Total Loans at December 31, 2024
	2024	2023	2022	2021	2020	Prior	2024
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 September 30, 2025 and December 31, 2024, the Bank had a loan on non-accrual status. The outstanding balance was \$3,526,444 and \$9,362,443, respectively, with an associated allowance for credit losses of \$3,190,949 and \$5,557,633, respectively. 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 September 30, 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 nine months ended September 30, 2025, and the year ended December 31, 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 September 30, 2025 and December 31, 2024, is shown in the following table.

	Loans 30–89 days past due	Loans 90 or more days past due	Total loans 30+ days past due
September 30, 2025	\$ -	\$ -	\$ -
December 31, 2024	-	-	-

There were no loans past due 90 or more days accruing interest as of September 30, 2025 and December 31, 2024.

#### 4. Loans (continued)

The following table summarizes the allowance for credit losses related to outstanding loans by classification as of September 30, 2025 and December 31, 2024.

	<b>Allowance for Credit Losses</b>	<b>Total Loans Outstanding</b>
<b>September 30, 2025</b>		
Mexico:		
Construction	\$ 6,735,916	\$ 247,394,679
Operation	12,705,688	484,763,208
Total Mexico	19,441,604	732,157,887
United States:		
Construction	3,663,513	269,696,157
Operation	4,043,017	186,536,249
Total United States	7,706,530	456,232,406
	<b>\$ 27,148,134</b>	<b>\$ 1,188,390,293</b>
<b>December 31, 2024</b>		
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
	<b>\$ 27,577,193</b>	<b>\$ 1,132,807,686</b>



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#### 4. Loans (continued)

The following table summarizes the changes in the allowance for credit losses related to loans outstanding for the nine months ended September 30, 2025 and the year ended December 31, 2024.

	Change in Allowance for Credit Losses				
	Beginning Balance	Provision for Credit Losses	Loan (Charge-offs) Recoveries		Ending Balance
<b>September 30, 2025</b>					
Mexico:					
Construction	\$ 4,260,299	\$ 2,475,617	\$ –	\$	6,735,916
Operation	15,361,791	(2,656,103)	–		12,705,688
Total Mexico	19,622,090	(180,486)	–		19,441,604
United States:					
Construction	4,008,509	(344,996)	–		3,663,513
Operation	3,946,594	96,423	–		4,043,017
Total United States	7,955,103	(248,573)	–		7,706,530
	<u>\$ 27,577,193</u>	<u>\$ (429,059)</u>	<u>\$ –</u>	<u>\$</u>	<u>27,148,134</u>
<b>December 31, 2024</b>					
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>\$</u>	<u>27,577,193</u>

The Bank records a reserve for its undisbursed loan commitments. As of September 30, 2025 and December 31, 2024, this reserve totaled \$912,934 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 nine months ended September 30, 2025 and the year ended December 31, 2024.

	September 30, 2025	December 31, 2024
Provision related to loans outstanding	\$ (429,059)	\$ 11,030,998
Provision related to undisbursed loan commitments	(2,656,377)	(532,151)
Total provision for credit losses	<u>\$ (3,085,436)</u>	<u>\$ 10,498,847</u>

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## 5. Other Assets and Other Liabilities

The following table summarizes other assets and other liabilities as of September 30, 2025 and December 31, 2024.

	Assets	Liabilities
<b>September 30, 2025</b>		
Swaps and options, net	\$ 205,585,354	\$ 49,246,551
Collateral from counterparties	(14,591,447)	–
Credit valuation adjustment	(3,094,029)	–
Right-of-use lease asset	99,990	–
Reserve for undisbursed loan commitments	–	912,934
Other real estate owned	5,912,570	–
Total	<u>\$ 193,912,438</u>	<u>\$ 50,159,485</u>
<b>December 31, 2024</b>		
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	<u>\$ 147,806,193</u>	<u>\$ 52,497,043</u>

The following table presents swaps and options subject to counterparty master netting arrangements at September 30, 2025 and December 31, 2024.

	Assets	Liabilities
<b>September 30, 2025</b>		
Cross-currency swaps and cross-currency interest rate swaps	\$ 168,987,477	\$ 62,763,960
Interest rate swaps	18,066,908	12,263,849
Options	44,312,227	–
	<u>231,366,612</u>	<u>75,027,809</u>
Master netting by counterparty	(25,781,258)	(25,781,258)
Total swaps and options, net	<u>\$ 205,585,354</u>	<u>\$ 49,246,551</u>
<b>December 31, 2024</b>		
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	–
	<u>203,653,371</u>	<u>75,311,543</u>
Master netting by counterparty	(26,383,811)	(26,383,811)
Total swaps and options, net	<u>\$ 177,269,560</u>	<u>\$ 48,927,732</u>

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## 6. Debt

The following tables summarize the notes payable and other borrowings as of September 30, 2025 and December 31, 2024.

September 30, 2025									
Issue Date	Maturity Date	Rate (%)	Principal Amount	Unamortized Premium/ (Discount)	Unamortized Debt Issuance Costs	FX Translation Adjustment	Fair Value of Hedged Items	Net Debt	
Notes Payable									
USD Issuance									
12/17/12	12/17/30	3.30	\$ 50,000,000	\$ -	\$ (89,645)	\$ -	\$ (3,269,678)	\$ 46,640,677	
CHF Issuance									
04/26/17	10/26/27	0.20	124,443,117	100,363	(148,275)	32,505,303	-	156,900,508	
07/24/18	07/24/26	0.30	126,415,858	18,907	(83,160)	30,532,562	-	156,884,167	
05/28/20	11/28/28	0.20	186,316,116	9,246	(398,718)	39,689,609	-	225,616,253	
05/28/20	05/27/33	0.55	165,614,326	484,167	(624,478)	35,279,653	-	200,753,668	
10/30/24	10/30/30	1.1525	163,417,766	-	(692,274)	12,364,465	-	175,089,957	
NOK Issuance									
03/10/17	03/10/31	2.47	86,724,283	-	(114,687)	(14,439,152)	-	72,170,444	
03/10/17	03/10/32	2.47	86,724,283	-	(126,704)	(14,439,152)	-	72,158,427	
Total notes payable			989,655,749	612,683	(2,277,941)	121,493,288	(3,269,678)	1,106,214,101	
Other Borrowings									
MXN									
12/14/22 <sup>1</sup>	12/01/27	TIIE var.	100,000,606	-	(12,013)	8,042,184	-	108,030,777	
10/27/23 <sup>1</sup>	10/01/29	TIIE var.	65,083,916	-	-	(79,256)	-	65,004,660	
01/23/24 <sup>1</sup>	10/01/29	TIIE var.	25,067,706	-	-	(1,549,458)	-	23,518,248	
Total other borrowings			190,152,228	-	(12,013)	6,413,470	-	196,553,685	
			\$ 1,179,807,977	\$ 612,683	\$ (2,289,954)	\$ 127,906,758	\$ (3,269,678)	\$ 1,302,767,786	

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

<sup>1</sup> Collateralized borrowing in the form of a repurchase agreement.

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## 6. Debt (continued)

			December 31, 2024					
Issue Date	Maturity Date	Rate (%)	Principal Amount	Unamortized Premium/ (Discount)	Unamortized Debt Issuance Costs	FX Translation Adjustment	Fair Value of Hedged Items	Net Debt
Notes Payable								
USD Issuance								
12/17/12	12/17/30	3.30	\$ 50,000,000	\$ –	\$ (102,489)	\$ –	\$ (5,300,748)	\$ 44,596,763
CHF Issuance								
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
NOK Issuance								
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								
MXN								
12/14/22 <sup>1</sup>	12/01/27	TIIE var.	100,000,606	–	(16,154)	(5,004,064)	–	94,980,388
10/27/23 <sup>1</sup>	10/01/29	TIIE var.	65,083,916	–	–	(7,928,617)	–	57,155,299
01/23/24 <sup>1</sup>	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
			\$ 1,308,514,731	\$ 656,483	\$ (2,751,916)	\$ (16,485,581)	\$ (5,300,748)	\$ 1,284,632,969

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

<sup>1</sup> 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 September 30, 2025 and December 31, 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 \$(3,269,678) 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 \$52,531,266 and \$33,697,451, as of September 30, 2025 and December 31, 2024, respectively. The fair value of hedges relating to options on notes payable not denominated in U.S. dollars was reported as a

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## 6. Debt (continued)

component of other assets of \$44,312,227 and \$27,413,773, as of September 30, 2025 and December 31, 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 \$61,574,632 and \$13,793,774, and as a component of other liabilities of \$37,430,006 and \$48,927,732, as of September 30, 2025 and December 31, 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-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 (approximately \$55 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 September 30, 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 September 30, 2025 had zero (\$0) balance outstanding.

The following table summarizes the maturities of the notes payable and other borrowings as of September 30, 2025 and December 31, 2024.

	September 30, 2025	December 31, 2024
Less than one year	\$ 126,415,858	\$ 128,706,754
1-2 years	–	126,415,858
2-3 years	224,443,723	224,443,723
3-4 years	186,316,116	186,316,116
4-5 years	90,151,622	90,151,622
5-10 years	552,480,658	552,480,658
More than 10 years	–	–
Total	<u>\$ 1,179,807,977</u>	<u>\$ 1,308,514,731</u>

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## 6. Debt (continued)

The following table summarizes short-term and long-term debt as of September 30, 2025 and December 31, 2024.

	September 30, 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	\$ 1,179,807,977	\$ 1,308,514,731

## 7. Equity

### Subscribed Capital

At September 30, 2025 and December 31, 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. The Bank's capital at September 30, 2025 and December 31, 2024 is shown in the following tables.

	Mexico		United States		Total	
	Shares	USD Million	Shares	USD Million	Shares	USD Million
<b>September 30, 2025</b>						
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

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## 7. Equity (continued)

	Mexico		United States		Total	
	Shares	USD Million	Shares	USD Million	Shares	USD Million
<b>December 31, 2024</b>						
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.

On January 27, 2025, the Bank received a payment of \$46 million in paid-in capital from Mexico and, on January 30, 2025, Mexico unqualified 30,667 shares of its GCI subscription, consisting of 4,600 shares of paid-in capital (\$46 million) and 26,067 shares of callable capital (\$260.67 million). On September 4, 2025, the Bank received a payment of \$43 million in paid-in capital from Mexico and, on September 5, 2025, Mexico unqualified 28,667 shares of its GCI subscription, consisting of 4,300 shares of paid-in capital (\$43 million) and 24,367 shares of callable capital (\$243.67 million).

As of September 30, 2025, Mexico has unqualified 13,000 shares of paid-in capital (\$130 million) and 73,677 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 September 30, 2025 and December 31, 2024, the United States has unqualified 22,500 shares of paid-in capital from its GCI subscription. A portion of those shares were restricted from commitment until Mexico unqualified corresponding payments. On June 24, 2025, the United States removed the restriction on 4,800 shares of paid-in-capital (\$48 million) and unqualified an additional 35,700 in callable shares (\$357 million). On September 25, 2025, the United States removed the restriction on 7,200 shares of paid-in-capital (\$72 million) and unqualified an additional 40,800 in callable shares (\$408 million).

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## 7. Equity (continued)

As of September 30, 2025 and December 31, 2024, 4,500 and 16,500 of the 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. At those same dates, the United States has unqualified a total of 102,000 and 25,500 shares of callable capital, respectively, from its GCI subscription.

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 September 30, 2025 and December 31, 2024, retained earnings are classified as reserved or undesignated as shown in the following table.

	September 30, 2025	December 31, 2024
Reserved retained earnings		
Debt Service Reserve	\$ 74,700,000	\$ 74,700,000
Operating Expenses Reserve	29,884,160	29,884,160
Special Reserve	30,000,000	30,000,000
Capital Preservation Reserve	191,372,899	172,979,223
Total reserved retained earnings	325,957,059	307,563,383
Undesignated retained earnings	25,157,058	24,116,126
Total retained earnings	\$ 351,114,117	\$ 331,679,509

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

### Accumulated Other Comprehensive Income (Loss)

The following table presents the changes in accumulated other comprehensive income (loss) for the nine months ended September 30, 2025 and the year ended December 31, 2024.

	Beginning Balance	Period Activity	Ending Balance
<b>September 30, 2025</b>			
Net unrealized gain (loss) on available-for-sale investment securities	\$ (10,361,786)	\$ 15,648,001	\$ 5,286,215
Post-retirement benefit liability adjustment	672,637	-	672,637
Foreign currency translation adjustment	282,197	23,435	305,632
Unrealized gain (loss) on hedging activities:			
Foreign currency translation adjustment	(10,634,096)	(52,186,250)	(62,820,346)
Fair value of cross-currency interest rate swaps and options, net	50,191,855	35,732,268	85,924,123
Net unrealized gain (loss) on hedging activities	39,557,759	(16,453,982)	23,103,777
Total accumulated other comprehensive income	\$ 30,150,807	\$ (782,546)	\$ 29,368,261



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## 7. Equity (continued)

	Beginning Balance	Period Activity	Ending Balance
<b>December 31, 2024</b>			
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

### 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 nine months ended September 30, 2025 and the year ended December 31, 2024.

	Nine Months Ended September 30, 2025	Year Ended December 31, 2024
Cross-currency swaps, options and hedged items for debt, net	\$ (16,453,982)	\$ 21,011,254

For the nine months ended September 30, 2025 and the year ended December 31, 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 nine months ended September 30, 2025 and 2024, the Bank transferred \$7,000,000 and \$4,000,000, 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 nine months ended September 30, 2025 and 2024, the Bank recognized \$1,117,216 and \$1,195,871, respectively, in net reimbursements from the EICF.

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## 8. EICF Transfers and Reimbursements (continued)

The following table presents the third-party grant expenses and reimbursements by program for the nine months ended September 30, 2025 and 2024.

	Personnel	Administrative	Grant Expense Reimbursement	Net Grant Expense Reimbursement	Total
<b>September 30, 2025</b>					
BEIF	\$ 679,883	\$ 253,356	\$ (933,239)	\$ (679,883)	\$ –
PDAP	368,816	173,146	(541,962)	(368,816)	–
Border 2025	125,559	17,646	(70,289)	(52,643)	72,916
AQ Fund	15,874	5,180	(21,054)	(15,874)	–
Total	<u>\$ 1,190,132</u>	<u>\$ 449,328</u>	<u>\$ (1,566,544)</u>	<u>\$ (1,117,216)</u>	<u>\$ 72,916</u>
<b>September 30, 2024</b>					
BEIF	\$ 702,723	\$ 265,936	\$ (968,659)	\$ (702,723)	\$ –
PDAP	390,308	169,192	(559,500)	(390,308)	–
Border 2025	181,316	83,231	(183,837)	(100,606)	80,710
AQ Fund	2,234	729	(2,963)	(2,234)	–
Total	<u>\$ 1,276,581</u>	<u>\$ 519,088</u>	<u>\$ (1,714,959)</u>	<u>\$ (1,195,871)</u>	<u>\$ 80,710</u>

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 nine months ended September 30, 2025 and 2024, the Bank expended \$1,081,805 and \$986,518, 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 \$83,730 and \$72,507 for the nine months ended September 30, 2025 and 2024, respectively. As of September 30, 2025, the unfunded portion of the plan totaled \$3,669,582 and is reflected in the consolidated balance sheet as a component of accrued liabilities and long-term post-retirement benefits payable of \$194,750 and \$3,474,832, 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.

## 9. Employee Benefits (continued)

The following table presents the change in benefit obligations as of September 30, 2025 and December 31, 2024.

	<b>September 30, 2025</b>	<b>December 31, 2024</b>
Beginning balance	\$ 3,451,062	\$ 3,543,778
Service expense	171,000	253,000
Interest expense	131,250	138,000
Net benefits paid	(83,730)	(96,158)
Actuarial (gain) loss	–	(387,558)
Ending balance	<u>\$ 3,669,582</u>	<u>\$ 3,451,062</u>

The change in post-retirement health plan assets as of September 30, 2025 and December 31, 2024, is presented in the following table.

	<b>September 30, 2025</b>	<b>December 31, 2024</b>
Beginning balance	\$ –	\$ –
Employer contributions	83,730	96,158
Net benefits paid	(83,730)	(96,158)
Ending balance	<u>\$ –</u>	<u>\$ –</u>

The following table presents post-retirement health plan liabilities as of September 30, 2025 and December 31, 2024.

	<b>September 30, 2025</b>	<b>December 31, 2024</b>
Current liabilities	\$ 194,750	\$ 158,000
Non-current liabilities	3,474,832	3,293,062
Total	<u>\$ 3,669,582</u>	<u>\$ 3,451,062</u>

The net periodic benefit cost of the post-retirement health plan for the nine months ended September 30, 2025 and 2024, is presented in the following table.

	<b>Nine Months Ended September 30, 2025</b>	<b>2024</b>
Service expense	\$ 171,000	\$ 189,750
Interest expense	131,250	103,500
Total	<u>\$ 302,250</u>	<u>\$ 293,250</u>

## 9. Employee Benefits (continued)

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 September 30, 2025 and December 31, 2024, are presented in the following table.

	<b>September 30, 2025</b>	<b>December 31, 2024</b>
Discount rate	5.18%	5.18%
Current healthcare cost trend rate	7.60%	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 September 30, 2025 and December 31, 2024, are presented below.

	<b>September 30, 2025</b>	<b>December 31, 2024</b>
Discount rate	4.36%	4.36%
Current healthcare cost trend rate	6.30%	6.30%
Ultimate healthcare cost trend rate	5.00%	5.00%
Year in which ultimate trend is reached	2028	2028

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

October 1 – December 31, 2025	\$ 39,500
Year ending December 31:	
2026	207,000
2027	243,000
2028	273,000
2029	269,000
2030-2034	1,701,000

## 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 September 30, 2025 and December 31, 2024.

	September 30, 2025		December 31, 2024	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<b>Assets</b>				
Available-for-sale securities	\$ 1,067,187,992	\$ 1,067,187,992	\$ 1,151,890,144	\$ 1,151,890,144
Loans, net of interest rate swaps	257,018,074	258,267,945	246,540,838	234,140,812
Cross-currency swaps and cross-currency interest rate swaps	168,987,477	168,987,477	150,246,018	150,246,018
Interest rate swaps	18,066,908	18,066,908	25,993,580	25,993,580
Options	44,312,227	44,312,227	27,413,773	27,413,773
<b>Liabilities</b>				
Long-term debt	50,000,000	46,730,322	50,000,000	44,699,253
Cross-currency interest rate swaps	62,763,960	62,763,960	68,953,365	68,953,365
Interest rate swaps	12,263,849	12,263,849	6,358,178	6,358,178

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## 10. Fair Value of Financial Instruments (continued)

The Bank's financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2025 and December 31, 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			
	Level 1	Level 2	Level 3	Total Fair Value
September 30, 2025				
Assets				
Available-for-sale (AFS) securities:				
U.S. government securities	\$ 324,520,408	\$ –	\$ –	\$ 324,520,408
U.S. agency securities	–	46,629,540	–	46,629,540
Corporate debt securities	–	207,875,634	–	207,875,634
Other fixed-income securities	–	82,967,680	–	82,967,680
Mexican government securities	–	108,823,414	–	108,823,414
Securities pledged under collateralized borrowings	–	277,020,754	–	277,020,754
Mortgage-backed securities	–	19,350,562	–	19,350,562
Total AFS securities	324,520,408	742,667,584	–	1,067,187,992
Cross-currency swaps and cross-currency interest rate swaps	–	168,987,477	–	168,987,477
Interest rate swaps	–	18,066,908	–	18,066,908
Options	–	44,312,227	–	44,312,227
Hedged items for loans	–	–	1,249,871	1,249,871
Total assets at fair value	\$ 324,520,408	\$ 974,034,196	\$ 1,249,871	\$ 1,299,804,475
Liabilities				
Cross-currency interest rate swaps	\$ –	\$ 62,763,960	\$ –	\$ 62,763,960
Interest rate swaps	–	12,263,849	–	12,263,849
Hedged items for debt	–	–	(3,269,678)	(3,269,678)
Total liabilities at fair value	\$ –	\$ 75,027,809	\$ (3,269,678)	\$ 71,758,131

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**10. Fair Value of Financial Instruments (continued)**

	Fair Value Measurements Using				
	Level 1	Level 2	Level 3	Total Fair Value	
<b>December 31, 2024</b>					
<b>Assets</b>					
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
<b>Liabilities</b>					
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 nine months ended September 30, 2025 and the year ended December 31, 2024. Additional information on how the Bank measures fair value is provided in Note 2.

Fair Value of Level 3 Instruments	Nine Months Ended September 30, 2025	Year Ended December 31, 2024
<b>Assets</b>		
Beginning balance	\$ (12,400,026)	\$ 1,296,457
Total realized and unrealized gains (losses):		
Included in earnings (expenses)	13,649,897	(13,696,483)
Included in other comprehensive income (loss)	-	-
Purchases	-	-
Settlements	-	-
Transfers in/out of Level 3	-	-
Ending balance	<u>\$ 1,249,871</u>	<u>\$ (12,400,026)</u>
<b>Liabilities</b>		
Beginning balance	\$ (5,300,748)	\$ (4,458,154)
Total realized and unrealized (gains) losses:		
Included in (earnings) expenses	2,031,070	(842,594)
Included in other comprehensive income (loss)	-	-
Purchases	-	-
Settlements	-	-
Transfers in/out of Level 3	-	-
Ending balance	<u>\$ (3,269,678)</u>	<u>\$ (5,300,748)</u>

## 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.

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## 11. Derivative Instruments (continued)

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.

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 \$14,591,447 and \$27,225,203 were posted from counterparties to the Bank as of September 30, 2025 and December 31, 2024, respectively. As of those same dates, no collateral was posted by the Bank.

The notional amounts and estimated fair values of the swaps and options outstanding at September 30, 2025 and December 31, 2024, are presented in the following table. The fair value of these swaps is estimated using internal valuation models with observable market data inputs.

	September 30, 2025		December 31, 2024	
	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value
<b>Derivative assets</b>				
Designated as accounting hedges:				
Cross-currency swaps for debt	\$ 175,965,221	\$ 52,531,266	\$ 175,965,221	\$ 33,697,451
Cross-currency options for debt	175,965,221	44,312,227	175,965,221	27,413,773
Interest rate swaps for loans	53,370,200	7,281,117	160,841,494	13,239,029
	405,300,642	104,124,610	512,771,936	74,350,253
Not designated as accounting hedges:				
Cross-currency interest rate swaps for debt	395,877,068	73,091,778	489,565,730	33,819,407
Cross-currency interest rate swaps for loans	153,623,447	43,364,433	250,110,300	82,729,160
Interest rate swaps for loans	54,547,462	10,785,791	56,782,405	12,754,551
	604,047,977	127,242,002	796,458,435	129,303,118
<b>Derivative liabilities</b>				
Designated as accounting hedges:				
Interest rate swaps for debt	50,000,000	3,269,678	50,000,000	5,300,748
Interest rate swaps for loans	203,647,875	8,530,987	27,847,774	839,002
	253,647,875	11,800,665	77,847,774	6,139,750
Not designated as accounting hedges:				
Cross-currency interest rate swaps for debt	173,448,566	48,947,152	208,466,658	68,953,365
Cross-currency interest rate swaps for loans	109,237,127	13,816,808	—	—
Interest rate swaps for loans	11,498,428	463,183	11,498,428	218,428
	294,184,121	63,227,143	219,965,086	69,171,793

## 11. Derivative Instruments (continued)

There were no swaps that were considered ineffective due to borrower default as of September 30, 2025 and December 31, 2024.

### 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 \$23,103,777 and \$39,557,759 at September 30, 2025 and December 31, 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 nine months ended September 30, 2025 and 2024.

	Nine Months Ended September 30,	
	2025	2024
Foreign currency exchange rate adjustments	\$ (19,276,426)	\$ (20,634,104)
Credit valuation adjustment	(577,211)	(276,923)
Changes in hedged items and derivative instruments:		
Hedged items for loans and fair value swaps	(49,546,218)	17,033,386
Hedged items for debt and fair value swaps	59,278,583	2,503,156
	9,732,365	19,536,542
Income (expense) from foreign currency exchange rate adjustments and hedging activities	\$ (10,121,272)	\$ (1,374,485)

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 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 September 30, 2025, the Bank held other real estate owned (OREO) totaling \$5,912,570, reported at fair value based on third-party appraisals and adjusted for estimated selling costs and foreign currency translation.

## **14. Commitments**

In the normal course of business, the Bank has various outstanding commitments, in addition to the loans receivable disclosed in Note 4 and borrowings disclosed in Note 6. Under agreements with consultants and contractors in effect on September 30, 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 September 30, 2025, the right-of-use lease asset totaled \$99,990 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 \$99,990. For the nine months ended September 30, 2025 and 2024, operating lease expenses recognized on a straight-line basis totaled \$180,549 and \$178,998 respectively, and are included as a component of operating expenses in the consolidated statements of income.

#### 14. Commitments (continued)

As of September 30, 2025, the weighted average term of the lease remaining was 0.4 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:

October 1 – December 31, 2025	\$ 60,183
Two months ending February 28, 2026	40,122
Total operating lease	100,305
Discount	(315)
Operating lease liability	<u>\$ 99,990</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.