



**NORTH AMERICAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES**

Consolidated Financial Statements (unaudited)

March 31, 2026



North American Development Bank
Ordinary Capital Resources
Consolidated Financial Statements (Unaudited)
March 31, 2026

Contents

Consolidated Balance Sheets	1
Consolidated Statements of Income	3
Consolidated Statements of Comprehensive Income	4
Consolidated Statement of Changes in Equity	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements.....	7

North American Development Bank
 Ordinary Capital Resources

Consolidated Balance Sheets

As of March 31, 2026 and December 31, 2025

Assets	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
Cash and cash equivalents:		
Held at other financial institutions	\$ 83,327,647	\$ 59,983,277
Repurchase agreements	41,100,000	21,500,000
Total cash and cash equivalents	<u>124,427,647</u>	<u>81,483,277</u>
Held-to-maturity investment securities, at amortized cost	4,692,770	4,649,389
Available-for-sale investment securities, at fair value	1,057,213,271	1,111,617,215
Loans outstanding	1,168,048,467	1,166,670,525
Allowance for credit losses	(29,816,947)	(29,642,740)
Unamortized loan fees	(4,566,893)	(4,714,368)
Foreign currency exchange rate adjustment	(17,672,085)	(20,773,937)
Hedged items for loans, at fair value	(4,804,984)	(2,826,945)
Net loans outstanding	<u>1,111,187,558</u>	<u>1,108,712,535</u>
Interest receivable	13,604,163	17,516,245
Other receivables	1,098,591	671,561
Furniture, equipment and leasehold improvements, net	339,720	364,725
Other assets	<u>184,831,910</u>	<u>196,768,784</u>
Total assets	<u>\$ 2,497,395,630</u>	<u>\$ 2,521,783,731</u>

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

Consolidated Balance Sheets

As of March 31, 2026 and December 31, 2025

Liabilities and Equity	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
Liabilities:		
Current liabilities		
Accounts payable	\$ 620,477	\$ 692,000
Accrued liabilities	2,736,535	2,576,963
Accrued interest payable	9,004,075	13,231,089
Due to Environment Investment and Capacity Facility (EICF)	-	18,100,000
Other liabilities	48,674,956	50,522,075
Short-term debt, net of discounts and unamortized debt issuance costs	126,391,137	126,371,557
Foreign currency exchange rate adjustment	29,941,638	31,286,979
Net short-term debt	<u>156,332,775</u>	<u>157,658,536</u>
Total current liabilities	<u>217,368,818</u>	<u>242,780,663</u>
Long-term liabilities:		
Long-term post-retirement benefits payable	3,536,588	3,472,749
Deferred U.S. capital contribution	45,000,000	45,000,000
Long-term debt, net of discounts and unamortized debt issuance costs	1,051,959,764	1,051,873,503
Foreign currency exchange rate adjustment	103,137,985	103,037,683
Hedged items for debt, at fair value	<u>(3,417,873)</u>	<u>(3,263,876)</u>
Net long-term debt	<u>1,151,679,876</u>	<u>1,151,647,310</u>
Total long-term liabilities	<u>1,200,216,464</u>	<u>1,200,120,059</u>
Total liabilities	<u>1,417,585,282</u>	<u>1,442,900,722</u>
Equity:		
Subscribed capital	6,000,000,000	6,000,000,000
Less callable capital	(5,100,000,000)	(5,100,000,000)
Less due from shareholders or restricted	<u>(185,000,000)</u>	<u>(185,000,000)</u>
Paid-in capital	715,000,000	715,000,000
Retained earnings	341,327,566	336,766,854
Accumulated other comprehensive income	23,478,414	27,111,773
Non-controlling interest	<u>4,368</u>	<u>4,382</u>
Total equity	<u>1,079,810,348</u>	<u>1,078,883,009</u>
Total liabilities and equity	<u>\$ 2,497,395,630</u>	<u>\$ 2,521,783,731</u>

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

North American Development Bank
 Ordinary Capital Resources

Consolidated Statements of Income (unaudited)
 For the Three Months Ended March 31, 2026 and 2025

	For the Three Months Ended March 31,	
	2026	2025
Interest income:		
Loans	\$ 19,026,858	\$ 20,768,100
Investments	11,970,675	12,821,263
Total interest income	<u>30,997,533</u>	<u>33,589,363</u>
Interest expense	14,555,410	18,270,814
Net interest income	<u>16,442,123</u>	<u>15,318,549</u>
Provision for credit losses	571,743	(2,890,426)
Net interest income after provision for credit losses	<u>15,870,380</u>	<u>18,208,975</u>
Operating expenses (income):		
General and administrative:		
Personnel	5,014,023	4,822,124
Administrative	974,004	892,773
Consultants and contractors	719,727	846,702
Other	(113,997)	(332,847)
Grant operating reimbursements, net	(329,660)	(390,490)
Depreciation	25,007	23,334
Total operating expenses	<u>6,289,104</u>	<u>5,861,596</u>
Net operating income	9,581,276	12,347,379
Non-interest and non-operating income (expenses):		
Gain on sale of securities, net	52,881	5,372
Fees and other income (expense), net	105,139	62,148
Income (expense) from foreign currency adjustments and hedging activities	(5,178,598)	(8,152,379)
Total non-interest and non-operating income (expense)	<u>(5,020,578)</u>	<u>(8,084,859)</u>
Net income	4,560,698	4,262,520
Non-controlling interest in net loss	(14)	(11)
Controlling interest in net income	<u>\$ 4,560,712</u>	<u>\$ 4,262,531</u>

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

Consolidated Statements of Comprehensive Income (unaudited)

For the Three Months Ended March 31, 2026 and 2025

	For the Three Months Ended March 31,	
	2026	2025
Net income	\$ 4,560,698	\$ 4,262,520
Non-controlling interest in net loss	(14)	(11)
Controlling interest in net income	<u>4,560,712</u>	<u>4,262,531</u>
Other comprehensive income:		
Available-for-sale investment securities:		
Change in unrealized gains (losses) during the period, net	(4,822,285)	8,050,485
Reclassification adjustment for net gains included in net income	(52,881)	(5,372)
Total unrealized gains (losses) on available-for-sale investment securities	<u>(4,875,166)</u>	<u>8,045,113</u>
Foreign currency translation adjustment	294	3,439
Unrealized gains (losses) on hedging activities:		
Foreign currency translation adjustment, net	3,659,329	(9,788,840)
Fair value of cross-currency interest rate swaps and options, net	(2,417,816)	(2,365,351)
Total unrealized gains (losses) on hedging activities	<u>1,241,513</u>	<u>(12,154,191)</u>
Total other comprehensive loss	<u>(3,633,359)</u>	<u>(4,105,639)</u>
Total comprehensive income	<u>\$ 927,353</u>	<u>\$ 156,892</u>

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

North American Development Bank
 Ordinary Capital Resources

Consolidated Statement of Changes in Equity

For the Three Months Ended March 31, 2026 and Year Ended December 31, 2025

	<u>Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Non-controlling Interest</u>	<u>Total Equity</u>
Beginning balance, January 1, 2025	\$ 506,000,000	\$ 331,679,509	\$ 30,150,807	\$ 4,458	\$ 867,834,774
Capital contribution	209,000,000	-	-	-	209,000,000
Net income	-	5,087,345	-	-	5,087,345
Other comprehensive loss	-	-	(3,039,034)	-	(3,039,034)
Non-controlling interest	-	-	-	(76)	(76)
Ending balance, December 31, 2025 (audited)	715,000,000	336,766,854	27,111,773	4,382	1,078,883,009
Net income	-	4,560,712	-	-	4,560,712
Other comprehensive loss	-	-	(3,633,359)	-	(3,633,359)
Non-controlling interest	-	-	-	(14)	(14)
Ending balance, March 31, 2026 (unaudited)	<u>\$ 715,000,000</u>	<u>\$ 341,327,566</u>	<u>\$ 23,478,414</u>	<u>\$ 4,368</u>	<u>\$ 1,079,810,348</u>

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

Consolidated Statements of Cash Flows (unaudited)

For the Three Months Ended March 31, 2026 and 2025

	For the Three Months Ended March 31,	
	2026	2025
Cash flows from operating activities		
Net income	\$ 4,560,712	\$ 4,262,531
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	25,005	23,334
Accretion of net discounts on investments	(2,878,100)	(4,681,943)
Change in fair value of swaps, options, hedged items and other non-cash items	6,669,264	12,972,852
Non-controlling interest	(14)	(11)
Gain on sale of securities, net	(52,881)	(5,372)
Provision for credit losses	571,743	(2,890,426)
Post-retirement benefits payable	63,839	61,445
Change in other assets and liabilities:		
Decrease in interest receivable	3,912,082	1,844,051
Increase in accounts receivable	(427,030)	(226,587)
Decrease in accounts payable	(71,523)	(273,389)
Increase (decrease) in accrued liabilities	159,572	(140,273)
Decrease in accrued interest payable	(4,227,014)	(2,198,408)
Decrease due to EICF	(18,100,000)	(11,300,000)
Net cash used in operating activities	<u>(9,794,345)</u>	<u>(2,552,196)</u>
Cash flows from lending, investing, and development activities		
Capital expenditures	-	(68,219)
Loan principal repayments	35,253,312	16,902,079
Loan disbursements	(36,631,253)	(105,034,970)
Purchase of available-for-sale investment securities	(217,416,347)	(249,255,884)
Proceeds from sales and maturities of available-for-sale investments	271,533,003	338,731,656
Net cash provided by lending, investing, and development activities	<u>52,738,715</u>	<u>1,274,662</u>
Cash flows from financing activities		
Capital contribution	-	46,000,000
Net cash provided by financing activities	<u>-</u>	<u>46,000,000</u>
Net increase in cash and cash equivalents	42,944,370	44,722,466
Cash and cash equivalents, beginning of period	<u>81,483,277</u>	<u>84,372,070</u>
Cash and cash equivalents, end of period	<u>\$ 124,427,647</u>	<u>\$ 129,094,536</u>
Supplemental cash information		
Cash paid during the year for interest	\$ 7,367,058	\$ 7,581,238
Significant non-cash transactions		
Other real estate owned (OREO) received as loan principal repayment	-	\$ 4,388,384

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

Notes to Consolidated Financial Statements (unaudited)

March 31, 2026

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 March 31, 2026 and December 31, 2025, 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 March 31, 2026, cash deposits with other financial institutions in demand deposit accounts and interest-bearing accounts totaled \$134,872 and \$83,192,775, respectively. As of December 31, 2025, cash deposits with other financial institutions in demand deposit accounts and interest-bearing accounts totaled \$3,288,708 and \$56,694,569, respectively.

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

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.

As of March 31, 2026 and December 31, 2025, the Bank had entered into agreements with 13 swap counterparties. 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 and supranational debt securities, other fixed-income securities, Mexican government securities, securities pledged under collateralized borrowings, mortgage-backed securities, cross-currency swaps, cross-currency interest rate swaps, interest rate swaps and options. For these consolidated financial statements, the Bank also obtains dealer quotations for comparative purposes to assess the reasonableness of the pricing models.

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

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

Accumulated Other Comprehensive Income

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

North American Development Bank
Ordinary Capital Resources

Notes to Consolidated Financial Statements (unaudited)
March 31, 2026

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 March 31, 2026 and December 31, 2025.

	Amortized Cost	Gross Unrealized		Fair Value
		Gains	Losses	
March 31, 2026				
Held-to-maturity:				
U.S. government securities	\$ 4,692,770	\$ 133	\$ -	\$ 4,692,903
Total held-to-maturity investment securities	4,692,770	133	-	4,692,903
Available-for-sale:				
U.S. government securities	356,619,749	32,083	(900,623)	355,751,209
U.S. agency securities	38,529,421	45,009	(258,378)	38,316,052
Corporate and supranational debt securities	216,594,712	1,146,768	(701,075)	217,040,405
Other fixed-income securities	83,151,954	260,453	(393,087)	83,019,320
Mexican government securities	58,796,750	2,884	(216,752)	58,582,882
Securities pledged under collateralized borrowings ¹	272,175,587	3,436,624	(196,343)	275,415,868
Mortgage-backed securities	29,462,946	71,544	(446,955)	29,087,535
Total available-for-sale investment securities	1,055,331,119	4,995,365	(3,113,213)	1,057,213,271
Total investment securities	<u>\$ 1,060,023,889</u>	<u>\$ 4,995,498</u>	<u>\$ (3,113,213)</u>	<u>\$ 1,061,906,174</u>
December 31, 2025				
Held-to-maturity:				
U.S. government securities	\$ 4,649,389	\$ 2,765	\$ -	\$ 4,652,154
Total held-to-maturity investment securities	4,649,389	2,765	-	4,652,154
Available-for-sale:				
U.S. government securities	362,163,258	188,528	(954,429)	361,397,357
U.S. agency securities	42,052,706	105,160	(203,889)	41,953,977
Corporate and supranational debt securities	212,010,183	2,535,332	(158,986)	214,386,529
Other fixed-income securities	79,245,470	478,827	(386,753)	79,337,544
Mexican government securities	111,375,543	45,473	(168,877)	111,252,139
Securities pledged under collateralized borrowings ¹	272,000,420	5,551,480	-	277,551,900
Mortgage-backed securities	26,012,317	134,304	(408,852)	25,737,769
Total available-for-sale investment securities	1,104,859,897	9,039,104	(2,281,786)	1,111,617,215
Total investment securities	<u>\$ 1,109,509,286</u>	<u>\$ 9,041,869</u>	<u>\$ (2,281,786)</u>	<u>\$ 1,116,269,369</u>

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

North American Development Bank
Ordinary Capital Resources

Notes to Consolidated Financial Statements (unaudited)
March 31, 2026

3. Investments (continued)

As of March 31, 2026 and December 31, 2025, accrued interest on held-to-maturity and available-for-sale securities totaled \$5,855,608 and \$5,356,880, 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 March 31, 2026 and December 31, 2025.

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2026						
Held-to-maturity securities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Available-for-sale:						
U.S. government securities	272,297,826	343,152	60,740,937	557,471	333,038,763	900,623
U.S. agency securities	23,109,738	128,091	8,618,607	130,287	31,728,345	258,378
Corporate and supranational debt securities	97,222,122	604,958	12,436,072	96,117	109,658,194	701,075
Other fixed-income securities	31,147,736	175,519	9,580,001	217,568	40,727,737	393,087
Mexican government securities	50,455,644	42,876	6,895,840	173,876	57,351,484	216,752
Securities pledged under collateralized borrowings ¹	141,874,150	196,343	-	-	141,874,150	196,343
Mortgage-backed securities	18,101,821	156,521	3,184,605	290,434	21,286,426	446,955
Total available-for-sale investment securities	634,209,037	1,647,460	101,456,062	1,465,753	735,665,099	3,113,213
Total temporarily impaired securities	\$ 634,209,037	\$ 1,647,460	\$ 101,456,062	\$ 1,465,753	\$ 735,665,099	\$ 3,113,213
December 31, 2025						
Held-to-maturity securities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Available-for-sale:						
U.S. government securities	13,898,266	28,672	89,887,191	925,757	103,785,457	954,429
U.S. agency securities	-	-	13,544,671	203,889	13,544,671	203,889
Corporate and supranational debt securities	7,704,662	30,533	17,336,960	128,453	25,041,622	158,986
Other fixed-income securities	12,080,176	130,841	15,468,509	255,912	27,548,685	386,753
Mexican government securities	62,848,679	19,358	6,930,000	149,519	69,778,679	168,877
Securities pledged under collateralized borrowings ¹	-	-	-	-	-	-
Mortgage-backed securities	10,681,589	125,195	3,355,215	283,657	14,036,804	408,852
Total available-for-sale investment securities	107,213,372	334,599	146,522,546	1,947,187	253,735,918	2,281,786
Total temporarily impaired securities	\$ 107,213,372	\$ 334,599	\$ 146,522,546	\$ 1,947,187	\$ 253,735,918	\$ 2,281,786

¹ 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 March 31, 2026 and December 31, 2025. 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 those same

North American Development Bank
Ordinary Capital Resources

Notes to Consolidated Financial Statements (unaudited)
March 31, 2026

3. Investments (continued)

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 March 31, 2026 and December 31, 2025, no allowance for credit losses for investment securities was recorded.

Contractual maturities of investments as of March 31, 2026 and December 31, 2025 are summarized in the following table.

	Held-to-Maturity Securities		Available-for-Sale Securities	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
March 31, 2026				
Less than 1 year	\$ 4,692,903	\$ 4,692,770	\$ 410,993,639	\$ 411,883,388
1–5 years	–	–	610,858,108	607,642,051
5–10 years	–	–	6,273,989	6,342,734
More than 10 years	–	–	–	–
Mortgage-backed securities	–	–	29,087,535	29,462,946
	\$ 4,692,903	\$ 4,692,770	\$ 1,057,213,271	\$ 1,055,331,119
December 31, 2025				
Less than 1 year	\$ 4,652,154	\$ 4,649,389	\$ 464,188,307	\$ 464,881,550
1–5 years	–	–	605,718,068	598,055,911
5–10 years	–	–	15,973,071	15,910,119
More than 10 years	–	–	–	–
Mortgage-backed securities	–	–	25,737,769	26,012,317
	\$ 4,652,154	\$ 4,649,389	\$ 1,111,617,215	\$ 1,104,859,897

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 three months ended March 31, 2026 and 2025.

	For Three Months Ended March 31,	
	2026	2025
Held-to-maturity investment securities:		
Proceeds from maturities	\$ –	\$ –
Available-for-sale investment securities:		
Proceeds from sales and maturities	271,533,002	338,731,656
Gross realized gains	55,478	5,372
Gross realized losses	2,597	–

North American Development Bank
Ordinary Capital Resources

Notes to Consolidated Financial Statements (unaudited)
March 31, 2026

3. Investments (continued)

The following table sets forth the net unrealized gains on securities available-for-sale and the reclassification adjustments required for the three months ended March 31, 2026 and the year ended December 31, 2025.

	Three Months Ended March 31, 2026	Year Ended December 31, 2025
Net unrealized gains (losses) on investment securities available-for-sale, beginning of period	\$ 6,757,318	\$ (10,361,786)
Net unrealized gains (losses) on investment securities available-for-sale, arising during the period	(4,822,285)	17,478,092
Reclassification adjustments for net gains on investment securities available-for-sale included in net income	(52,881)	(358,988)
Net unrealized gains on investment securities available-for-sale, end of period	<u>\$ 1,882,152</u>	<u>\$ 6,757,318</u>

4. Loans

The following schedule summarizes loans outstanding as of March 31, 2026 and December 31, 2025.

	March 31, 2026	December 31, 2025
Loans outstanding	\$ 1,168,048,467	\$ 1,166,670,525
Allowance for credit losses	(29,816,947)	(29,642,740)
Unamortized loan fees	(4,566,893)	(4,714,368)
Foreign currency exchange rate adjustment	(17,672,085)	(20,773,937)
Hedged items for loans, at fair value	(4,804,984)	(2,826,945)
Net loans outstanding	<u>\$ 1,111,187,558</u>	<u>\$ 1,108,712,535</u>

At March 31, 2026 and December 31, 2025, outstanding undisbursed loan commitments on signed loan agreements totaled \$103,726,024 and \$88,555,915, respectively.

As of March 31, 2026, the Bank also had \$303,398,998 in Board-approved loans, for which loan agreements were under development.

The Bank under certain circumstances offered below-market-rate loan programs such as its Low Interest Rate Lending Facility (LIRF) program, which was terminated in May 2013. As of March 31, 2026 and December 31, 2025, the Bank had LIRF loans outstanding of \$3,639,968 and \$4,196,586, respectively.

North American Development Bank
Ordinary Capital Resources

Notes to Consolidated Financial Statements (unaudited)
March 31, 2026

4. Loans (continued)

In August 2025, the Board approved the Water Resiliency Fund (WRF) to offer up to \$300 million in below-market-rate loans for eligible infrastructure projects that support water conservation and the diversification of supply sources in municipal and agricultural systems. As of March 31, 2026 and December 31, 2025, no loans were funded under the WRF.

The following table presents the loan portfolio by environmental sector as of March 31, 2026 and December 31, 2025.

	March 31, 2026	December 31, 2025
Water	\$ 317,841,218	\$ 285,319,667
Air quality	83,161,490	86,464,961
Sustainable energy	590,678,517	616,319,595
Urban development	30,196,993	32,274,362
Sustainable buildings	107,180,139	107,301,830
Sustainable food value chains	20,515,850	20,515,850
Green manufacturing	18,474,260	18,474,260
	<u>\$ 1,168,048,467</u>	<u>\$ 1,166,670,525</u>

The following table presents the loan portfolio by borrower type as of March 31, 2026 and December 31, 2025.

	March 31, 2026	December 31, 2025
Private	\$ 746,754,645	\$ 772,792,097
Public	382,561,961	353,525,691
Public-private	38,731,861	40,352,737
	<u>\$ 1,168,048,467</u>	<u>\$ 1,166,670,525</u>

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

North American Development Bank
Ordinary Capital Resources

Notes to Consolidated Financial Statements (unaudited)
March 31, 2026

4. Loans (continued)

The following table presents the loan portfolio by risk category and country as of March 31, 2026 and December 31, 2025. These risk categories are defined in Note 2, along with additional information on how the Bank evaluates credit quality.

Risk Category	March 31, 2026			December 31, 2025		
	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	-	1,350,000	1,350,000
AA-	-	20,800,000	20,800,000	-	20,800,000	20,800,000
A+	-	-	-	-	-	-
A	-	3,940,000	3,940,000	-	3,940,000	3,940,000
A-	-	106,790,140	106,790,140	-	109,535,982	109,535,982
BBB+	-	11,365,000	11,365,000	-	11,365,000	11,365,000
BBB	320,644,124	-	320,644,124	289,641,215	-	289,641,215
BBB-	71,996,431	110,255,049	182,251,480	72,728,104	108,547,549	181,275,653
BB+	98,606,459	14,172,391	112,778,850	99,102,872	14,224,888	113,327,760
BB	128,809,494	34,006,085	162,815,579	131,454,176	49,803,923	181,258,099
BB-	41,752,241	81,560,307	123,312,548	11,513,901	85,769,836	97,283,737
B+	29,199,256	1,410,000	30,609,256	68,835,249	1,410,000	70,245,249
B	38,070,038	-	38,070,038	38,472,952	-	38,472,952
B-	-	-	-	-	1,477,934	1,477,934
CCC+	28,815,429	1,461,023	30,276,452	23,651,944	-	23,651,944
	<u>\$ 757,893,472</u>	<u>\$ 410,154,995</u>	<u>\$ 1,168,048,467</u>	<u>\$ 735,400,413</u>	<u>\$ 431,270,112</u>	<u>\$ 1,166,670,525</u>

The following tables present the loan portfolio by risk category and period committed as of March 31, 2026 and December 31, 2025.

Risk Category	March 31, 2026	Year of Loan Commitment					Total Loans at March 31, 2026
		2025	2024	2023	2022	Prior	
AAA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
AA+ to AA-	-	-	-	20,800,000	-	24,395,000	45,195,000
A+ to A-	-	2,850,000	-	-	60,325,000	47,555,140	110,730,140
BBB+ to BBB-	-	16,748,966	75,681,270	201,315,891	13,670,690	206,843,787	514,260,604
BB+ to BB-	-	50,697,968	56,420,784	23,800,604	6,142,118	261,845,503	398,906,977
B+ to B-	-	-	9,000,000	14,193,694	-	45,485,600	68,679,294
CCC+	-	1,461,023	5,163,485	-	-	23,651,944	30,276,452
Total	<u>\$ -</u>	<u>\$ 71,757,957</u>	<u>\$ 146,265,539</u>	<u>\$ 260,110,189</u>	<u>\$ 80,137,808</u>	<u>\$ 609,776,974</u>	<u>\$ 1,168,048,467</u>

North American Development Bank
Ordinary Capital Resources

Notes to Consolidated Financial Statements (unaudited)
March 31, 2026

4. Loans (continued)

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

An age analysis of past-due loans (including both accruing and nonaccrual loans) as of March 31, 2026 and December 31, 2025 is presented in the following table.

	Loans 30–89 days past due	Loans 90+ days past due	Total loans 30+ days past due
March 31, 2026	\$ 5,163,485	\$ 1,461,023	\$ 6,624,508
December 31, 2025	-	1,477,934	1,477,934

As of March 31, 2026, the Bank had one loan that was 90 days or more past due and was in nonaccrual status, with an outstanding balance of \$1,461,023. As of December 31, 2025, this same loan was 90 days or more past due and remained in accruing status, and the Bank had no loans in nonaccrual status.

For the three months ended March 31, 2026 and the year ended December 31, 2025, the Bank did not make any loan modifications for borrowers experiencing financial difficulty.

North American Development Bank
Ordinary Capital Resources

Notes to Consolidated Financial Statements (unaudited)
March 31, 2026

4. Loans (continued)

The following table summarizes the allowance for credit losses related to outstanding loans by classification as of March 31, 2026 and December 31, 2025.

	Allowance for Credit Losses	Total Loans Outstanding
March 31, 2026		
Mexico:		
Construction	\$ 8,409,159	\$ 297,909,333
Operation	14,535,410	459,984,139
Total Mexico	<u>22,944,569</u>	<u>757,893,472</u>
United States:		
Construction	2,770,582	216,391,072
Operation	4,101,796	193,763,923
Total United States	<u>6,872,378</u>	<u>410,154,995</u>
	<u>\$ 29,816,947</u>	<u>\$ 1,168,048,467</u>
December 31, 2025		
Mexico:		
Construction	\$ 7,239,827	\$ 263,476,973
Operation	15,311,198	471,923,440
Total Mexico	<u>22,551,025</u>	<u>735,400,413</u>
United States:		
Construction	2,759,204	215,950,483
Operation	4,332,511	215,319,629
Total United States	<u>7,091,715</u>	<u>431,270,112</u>
	<u>\$ 29,642,740</u>	<u>\$ 1,166,670,525</u>

North American Development Bank
Ordinary Capital Resources

Notes to Consolidated Financial Statements (unaudited)
March 31, 2026

4. Loans (continued)

The following table summarizes the changes in the allowance for credit losses related to loans outstanding for the three months ended March 31, 2026 and the year ended December 31, 2025.

	Beginning Balance	Change in Allowance for Credit Losses		Ending Balance
		Provision for Credit Losses	Loan (Charge-offs) Recoveries	
March 31, 2026				
Mexico:				
Construction	\$ 7,239,827	\$ 1,169,332	\$ -	\$ 8,409,159
Operation	15,311,198	(775,788)	-	14,535,410
Total Mexico	22,551,025	393,544	-	22,944,569
United States:				
Construction	2,759,204	11,378	-	2,770,582
Operation	4,332,511	(230,715)	-	4,101,796
Total United States	7,091,715	(219,337)	-	6,872,378
	<u>\$ 29,642,740</u>	<u>\$ 174,207</u>	<u>\$ -</u>	<u>\$ 29,816,947</u>
December 31, 2025				
Mexico:				
Construction	\$ 4,260,299	\$ 2,979,528	\$ -	\$ 7,239,827
Operation	15,361,791	3,442,383	(3,492,976)	15,311,198
Total Mexico	19,622,090	6,421,911	(3,492,976)	22,551,025
United States:				
Construction	4,008,509	(1,249,305)	-	2,759,204
Operation	3,946,594	385,917	-	4,332,511
Total United States	7,955,103	(863,388)	-	7,091,715
	<u>\$ 27,577,193</u>	<u>\$ 5,558,523</u>	<u>\$ (3,492,976)</u>	<u>\$ 29,642,740</u>

The Bank records a reserve for its undisbursed loan commitments. For the three months ended March 31, 2026 and the year ended December 31, 2025, this reserve totaled \$1,120,798 and \$723,262 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 three months ended March 31, 2026 and the year ended December 31, 2025.

	March 31, 2026	December 31, 2025
Provision related to loans outstanding	\$ 174,207	\$ 5,558,523
Provision related to undisbursed loan commitments	397,536	(2,846,049)
Total provision for credit losses	<u>\$ 571,743</u>	<u>\$ 2,712,474</u>

North American Development Bank
Ordinary Capital Resources

Notes to Consolidated Financial Statements (unaudited)
March 31, 2026

5. Other Assets and Other Liabilities

The following table summarizes other assets and other liabilities as of March 31, 2026 and December 31, 2025.

	<u>Assets</u>	<u>Liabilities</u>
March 31, 2026		
Swaps and options, net	\$ 194,442,044	\$ 47,554,158
Collateral to counterparties	3,371,993	-
Collateral from counterparties	(12,199,950)	-
Credit valuation adjustment	(2,940,816)	-
Reserve for undisbursed loan commitments	-	1,120,798
Other real estate owned	2,158,639	-
Total	<u>\$ 184,831,910</u>	<u>\$ 48,674,956</u>
December 31, 2025		
Swaps and options, net	\$ 204,344,422	\$ 49,798,813
Collateral to counterparties	6,717,277	-
Collateral from counterparties	(13,459,975)	-
Credit valuation adjustment	(3,022,999)	-
Right-of-use lease asset	40,059	-
Reserve for undisbursed loan commitments	-	723,262
Other real estate owned	2,150,000	-
Total	<u>\$ 196,768,784</u>	<u>\$ 50,522,075</u>

The following table presents swaps and options subject to counterparty master netting arrangements at March 31, 2026 and December 31, 2025.

	<u>Assets</u>	<u>Liabilities</u>
March 31, 2026		
Cross-currency swaps and cross-currency interest rate swaps	\$ 153,354,411	\$ 60,458,405
Interest rate swaps	18,437,156	6,366,732
Options	41,921,456	-
	<u>213,713,023</u>	<u>66,825,137</u>
Master netting by counterparty	(19,270,979)	(19,270,979)
Total swaps and options, net	<u>\$ 194,442,044</u>	<u>\$ 47,554,158</u>
December 31, 2025		
Cross-currency swaps and cross-currency interest rate swaps	\$ 163,782,937	\$ 62,974,063
Interest rate swaps	18,445,392	8,099,489
Options	43,390,832	-
	<u>225,619,161</u>	<u>71,073,552</u>
Master netting by counterparty	(21,274,739)	(21,274,739)
Total swaps and options, net	<u>\$ 204,344,422</u>	<u>\$ 49,798,813</u>

North American Development Bank
Ordinary Capital Resources

Notes to Consolidated Financial Statements (unaudited)
March 31, 2026

6. Debt

The following tables summarize the notes payable and other borrowings as of March 31, 2026 and December 31, 2025.

March 31, 2026								
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								
<u>USD Issuance</u>								
12/17/12	12/17/30	3.30	\$ 50,000,000	-	\$ (81,003)	-	\$ (3,417,873)	\$ 46,501,124
<u>CHF Issuance</u>								
04/26/17	10/26/27	0.20	124,443,117	75,717	(112,302)	31,914,379	-	156,320,911
07/24/18	07/24/26	0.30	126,415,858	7,239	(31,960)	29,941,638	-	156,332,775
05/28/20	11/28/28	0.20	186,316,116	7,745	(335,297)	38,838,678	-	224,827,242
05/28/20	05/27/33	0.55	165,614,326	450,627	(583,482)	34,523,269	-	200,004,740
10/30/24	10/30/30	1.1525	163,417,766	-	(624,193)	11,702,629	-	174,496,202
<u>NOK Issuance</u>								
03/10/17	03/10/31	2.47	86,724,283	-	(104,096)	(12,182,496)	-	74,437,691
03/10/17	03/10/32	2.47	86,724,283	-	(116,818)	(12,182,496)	-	74,424,969
Total notes payable			989,655,749	541,328	(1,989,151)	122,555,601	(3,417,873)	1,107,345,654
Other Borrowings								
<u>MXN</u>								
12/14/22 ¹	12/01/27	TIIE var.	100,000,606	-	(9,253)	10,301,559	-	110,292,912
10/27/23 ¹	10/01/29	TIIE var.	65,083,916	-	-	1,280,111	-	66,364,027
01/23/24 ¹	10/01/29	TIIE var.	25,067,706	-	-	(1,057,648)	-	24,010,058
Total other borrowings			190,152,228	-	(9,253)	10,524,022	-	200,666,997
			<u>\$ 1,179,807,977</u>	<u>\$ 541,328</u>	<u>\$ (1,998,404)</u>	<u>\$ 133,079,623</u>	<u>\$ (3,417,873)</u>	<u>\$ 1,308,012,651</u>

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

¹ Collateralized borrowing in the form of a repurchase agreement.

North American Development Bank
Ordinary Capital Resources

Notes to Consolidated Financial Statements (unaudited)
March 31, 2026

6. Debt (continued)

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

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

¹ Collateralized borrowing in the form of a repurchase agreement.

Notes Payable

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

As of March 31, 2026 and December 31, 2025, 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 \$(3,417,873) and \$(3,263,876), 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 \$50,761,704 and \$51,710,145, as of March 31, 2026 and December 31, 2025, respectively. The fair value of hedges relating to options on notes payable not denominated in U.S. dollars was reported as a component of other assets of \$41,921,456 and \$43,390,832, as of March 31, 2026 and December 31,

North American Development Bank
Ordinary Capital Resources

Notes to Consolidated Financial Statements (unaudited)
March 31, 2026

6. Debt (continued)

2025, 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 \$54,467,350 and \$60,173,077, and as a component of other liabilities of \$35,785,495 and \$38,514,486, as of March 31, 2026 and December 31, 2025, 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 (\$55.75 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 (TIIEF) and as of March 31, 2026 and December 31, 2025 had zero (\$0) balance outstanding.

On August 12, 2025 the Bank entered into an unsecured LOC with another development bank in an amount of up to \$100 million with a maturity of June 30, 2035. The LOC carries a variable interest rate referenced to Three-Month Term Secured Overnight Financing Rate (SOFR) and as of March 31, 2026 and December 31, 2025 had zero (\$0) balance outstanding.

The following table summarizes the maturities of the notes payable and other borrowings as of March 31, 2026 and December 31, 2025.

	<u>March 31, 2026</u>	<u>December 31, 2025</u>
Less than one year	\$ 126,415,858	\$ 126,415,858
1-2 years	224,443,723	224,443,723
2-3 years	186,316,116	186,316,116
3-4 years	90,151,622	90,151,622
4-5 years	300,142,049	213,417,766
5-10 years	252,338,609	339,062,892
More than 10 years	-	-
Total	<u>\$ 1,179,807,977</u>	<u>\$ 1,179,807,977</u>

North American Development Bank
Ordinary Capital Resources

Notes to Consolidated Financial Statements (unaudited)
March 31, 2026

6. Debt (continued)

The following table summarizes short-term and long-term debt as of March 31, 2026 and December 31, 2025.

	<u>March 31, 2026</u>		<u>December 31, 2025</u>
Short-term debt:			
Notes payable	\$ 126,415,858	\$	126,415,858
Total short-term debt	126,415,858		126,415,858
Long-term debt:			
Notes payable	863,239,891		863,239,891
Other borrowings	190,152,228		190,152,228
Total long-term debt	1,053,392,119		1,053,392,119
Total debt	<u>\$ 1,179,807,977</u>	<u>\$</u>	<u>1,179,807,977</u>

7. Equity

Subscribed Capital

At March 31, 2026 and December 31, 2025, 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 March 31, 2026 and December 31, 2025 is shown in the following table.

	Mexico		United States		Total	
	Shares	USD Million	Shares	USD Million	Shares	USD Million
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	<u>35,500</u>	<u>\$ 332.5</u>	<u>40,500</u>	<u>\$ 382.5</u>	<u>76,000</u>	<u>\$ 715.0</u>

North American Development Bank
Ordinary Capital Resources

Notes to Consolidated Financial Statements (unaudited)
March 31, 2026

7. Equity (continued)

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

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

As of March 31, 2026 and December 31, 2025, Mexico has unqualified 13,000 shares of paid-in capital (\$130 million) and 73,667 shares of callable capital (\$736.67 million) from its GCI subscription.

As of March 31, 2026 and December 31, 2025, United States has unqualified 22,500 shares of paid-in capital (\$225 million) and 102,000 shares of callable capital (\$1,020 million) from its GCI subscription. As of those same dates, 4,500 of the U.S. GCI paid-in capital shares were restricted from commitment and recorded as deferred U.S. capital contributions of \$45 million.

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 March 31, 2026 and December 31, 2025, retained earnings are classified as reserved or undesignated as shown in the following table.

	March 31, 2026	December 31, 2025
Reserved retained earnings		
Debt Service Reserve	\$ 58,000,000	\$ 58,000,000
Operating Expenses Reserve	30,586,650	30,586,650
Special Reserve	30,000,000	30,000,000
Capital Preservation Reserve	197,766,960	192,962,367
Total reserved retained earnings	316,353,610	311,549,017
Undesignated retained earnings	24,973,956	25,217,837
Total retained earnings	\$ 341,327,566	\$ 336,766,854

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

North American Development Bank
Ordinary Capital Resources

Notes to Consolidated Financial Statements (unaudited)
March 31, 2026

7. Equity (continued)

Accumulated Other Comprehensive Income

The following table presents the changes in accumulated other comprehensive income for the three months ended March 31, 2026 and the year ended December 31, 2025.

	Beginning Balance	Period Activity	Ending Balance
March 31, 2026			
Net unrealized gain (loss) on available-for-sale investment securities	\$ 6,757,318	\$ (4,875,166)	\$ 1,882,152
Post-retirement benefit liability adjustment	738,811	-	738,811
Foreign currency translation adjustment	306,397	294	306,691
Unrealized gain (loss) on hedging activities:			
Foreign currency translation adjustment	(64,872,359)	3,659,329	(61,213,030)
Fair value of cross-currency interest rate swaps and options, net	84,181,606	(2,417,816)	81,763,790
Net unrealized gain (loss) on hedging activities	19,309,247	1,241,513	20,550,760
Total accumulated other comprehensive income	<u>\$ 27,111,773</u>	<u>\$ (3,633,359)</u>	<u>\$ 23,478,414</u>
December 31, 2025			
Net unrealized gain (loss) on available-for-sale investment securities	\$ (10,361,786)	\$ 17,119,104	\$ 6,757,318
Post-retirement benefit liability adjustment	672,637	66,174	738,811
Foreign currency translation adjustment	282,197	24,200	306,397
Unrealized gain (loss) on hedging activities:			
Foreign currency translation adjustment	(10,634,096)	(54,238,263)	(64,872,359)
Fair value of cross-currency interest rate swaps and options, net	50,191,855	33,989,751	84,181,606
Net unrealized gain on hedging activities	39,557,759	(20,248,512)	19,309,247
Total accumulated other comprehensive income	<u>\$ 30,150,807</u>	<u>\$ (3,039,034)</u>	<u>\$ 27,111,773</u>

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 three months ended March 31, 2026 and the year ended December 31, 2025.

	Three Months Ended March 31, 2026	Year Ended December 31, 2025
Cross-currency swaps, options and hedged items for debt, net	\$ 1,241,513	\$ (20,248,512)

For the three months ended March 31, 2026 and the year ended December 31, 2025, 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.

North American Development Bank
Ordinary Capital Resources

Notes to Consolidated Financial Statements (unaudited)
March 31, 2026

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 three months ended March 31, 2026 and 2025, no transfers were made.

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 three months ended March 31, 2026 and 2025, the Bank recognized \$329,660 and \$390,490, respectively, in net reimbursements from the EICF.

The following table presents the third-party grant expenses and reimbursements by program for the three months ended March 31, 2026 and 2025.

	Personnel	Administrative	Grant Expense Reimbursement	Net Grant Expense Reimbursement	Total
March 31, 2026					
BEIF	\$ 190,661	\$ 72,869	\$ (263,530)	\$ (190,661)	\$ -
PDAP	115,702	43,473	(159,175)	(115,702)	-
Border 2025	15,322	2,795	(7,832)	(5,037)	10,285
AQ Fund	18,260	5,960	(24,220)	(18,260)	-
Total	<u>\$ 339,945</u>	<u>\$ 125,097</u>	<u>\$ (454,757)</u>	<u>\$ (329,660)</u>	<u>\$ 10,285</u>
March 31, 2025					
BEIF	\$ 234,423	\$ 81,816	\$ (316,239)	\$ (234,423)	\$ -
PDAP	131,296	50,494	(181,790)	(131,296)	-
Border 2025	53,398	7,635	(30,427)	(22,792)	30,606
AQ Fund	1,979	646	(2,625)	(1,979)	-
Total	<u>\$ 421,096</u>	<u>\$ 140,591</u>	<u>\$ (531,081)</u>	<u>\$ (390,490)</u>	<u>\$ 30,606</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 three months ended March 31, 2026 and 2025, the Bank expended \$360,091 and \$353,860, respectively, relating to the plan.

North American Development Bank
Ordinary Capital Resources

Notes to Consolidated Financial Statements (unaudited)
March 31, 2026

9. Employee Benefits (continued)

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 \$41,911 and \$27,055 for the three months ended March 31, 2026 and 2025, respectively. As of March 31, 2026, the unfunded portion of the plan totaled \$3,723,838 and is reflected in the consolidated balance sheet as a component of accrued liabilities and long-term post-retirement benefits payable of \$187,250 and \$3,536,588, respectively. As of December 31, 2025, the unfunded portion of the plan totaled \$3,645,749 and is reflected in the consolidated balance sheet as a component of accrued liabilities and long-term post-retirement benefits payable of \$173,000 and \$3,472,749, respectively.

The following table presents the change in benefit obligations as of March 31, 2026 and December 31, 2025.

	March 31, 2026	December 31, 2025
Beginning balance	\$ 3,645,749	\$ 3,451,062
Service expense	71,000	228,000
Interest expense	49,000	175,000
Amortization of net (gain) loss	-	(28,000)
Net benefits paid	(41,911)	(114,139)
Actuarial (gain) loss	-	(66,174)
Ending balance	<u>\$ 3,723,838</u>	<u>\$ 3,645,749</u>

The change in post-retirement health plan assets as of March 31, 2026 and December 31, 2025, is presented in the following table.

	March 31, 2026	December 31, 2025
Beginning balance	\$ -	\$ -
Employer contributions	41,911	114,139
Net benefits paid	(41,911)	(114,139)
Ending balance	<u>\$ -</u>	<u>\$ -</u>

The following table presents post-retirement health plan liabilities as of March 31, 2026 and December 31, 2025.

	March 31, 2026	December 31, 2025
Current liabilities	\$ 187,250	\$ 173,000
Non-current liabilities	3,536,588	3,472,749
Total	<u>\$ 3,723,838</u>	<u>\$ 3,645,749</u>

North American Development Bank
Ordinary Capital Resources

Notes to Consolidated Financial Statements (unaudited)
March 31, 2026

9. Employee Benefits (continued)

The net periodic benefit cost of the post-retirement health plan for the three months ended March 31, 2026 and 2025, is presented in the following table.

	Three Months Ended March 31,	
	2026	2025
Service expense	\$ 71,000	\$ 57,000
Interest expense	49,000	43,750
Total	\$ 120,000	\$ 100,750

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 March 31, 2026 and December 31, 2025, are presented in the following table.

	March 31, 2026	December 31, 2025
Discount rate	5.50%	5.50%
Current healthcare cost trend rate	7.40%	7.40%
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 March 31, 2026 and December 31, 2025, are presented below.

	March 31, 2026	December 31, 2025
Discount rate	5.18%	5.18%
Current healthcare cost trend rate	7.6%	7.6%
Ultimate healthcare cost trend rate	5.00%	5.00%
Year in which ultimate trend is reached	2035	2035

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

April 1 – December 31, 2026	\$ 129,750
Year ending December 31:	
2027	230,000
2028	266,000
2029	268,000
2030	304,000
2031-2035	1,896,000

10. Fair Value of Financial Instruments

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

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

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

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

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

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

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

North American Development Bank
Ordinary Capital Resources
Notes to Consolidated Financial Statements (unaudited)
March 31, 2026

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 March 31, 2026 and December 31, 2025.

	March 31, 2026		December 31, 2025	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Available-for-sale securities	\$ 1,057,213,271	\$ 1,057,213,271	\$ 1,111,617,215	\$ 1,111,617,215
Loans, net of interest rate swaps	251,796,498	246,991,515	253,320,518	250,493,573
Cross-currency swaps and cross- currency interest rate swaps	153,354,411	153,354,411	163,782,937	163,782,937
Interest rate swaps	18,437,156	18,437,156	18,445,392	18,445,392
Options	41,921,456	41,921,456	43,390,832	43,390,832
Liabilities				
Long-term debt	50,000,000	46,582,127	50,000,000	46,736,124
Cross-currency interest rate swaps	60,458,405	60,458,405	62,974,063	62,974,063
Interest rate swaps	6,366,732	6,366,732	8,099,489	8,099,489

North American Development Bank
Ordinary Capital Resources

Notes to Consolidated Financial Statements (unaudited)
March 31, 2026

10. Fair Value of Financial Instruments (continued)

The Bank's financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2026 and December 31, 2025 are summarized in the following tables by the valuation level of the inputs used to measure fair value. Additional information on how the Bank measures and classifies the levels of fair-value inputs is provided in Note 2.

	Fair Value Measurements Using			Total Fair Value
	Level 1	Level 2	Level 3	
March 31, 2026				
Assets				
Available-for-sale (AFS) securities:				
U.S. government securities	\$ 355,751,209	\$ -	\$ -	\$ 355,751,209
U.S. agency securities	-	38,316,052	-	38,316,052
Corporate and supranational debt securities	-	217,040,405	-	217,040,405
Other fixed-income securities	-	83,019,320	-	83,019,320
Mexican government securities	-	58,582,882	-	58,582,882
Securities pledged under collateralized borrowings	-	275,415,868	-	275,415,868
Mortgage-backed securities	-	29,087,535	-	29,087,535
Total AFS securities	355,751,209	701,462,062	-	1,057,213,271
Cross-currency swaps and cross-currency interest rate swaps	-	153,354,411	-	153,354,411
Interest rate swaps	-	18,437,156	-	18,437,156
Options	-	41,921,456	-	41,921,456
Hedged items for loans	-	-	(4,804,984)	(4,804,984)
Total assets at fair value	\$ 355,751,209	\$ 915,175,085	\$ (4,804,984)	\$ 1,266,121,310
Liabilities				
Cross-currency interest rate swaps	\$ -	\$ 60,458,405	\$ -	\$ 60,458,405
Interest rate swaps	-	6,366,732	-	6,366,732
Hedged items for debt	-	-	(3,417,873)	(3,417,873)
Total liabilities at fair value	\$ -	\$ 66,825,137	\$ (3,417,873)	\$ 63,407,264

North American Development Bank
Ordinary Capital Resources

Notes to Consolidated Financial Statements (unaudited)
March 31, 2026

10. Fair Value of Financial Instruments (continued)

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

North American Development Bank
Ordinary Capital Resources

Notes to Consolidated Financial Statements (unaudited)
March 31, 2026

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 three months ended March 31, 2026 and the year ended December 31, 2025. Additional information on how the Bank measures fair value is provided in Note 2.

Fair Value of Level 3 Instruments	Three Months Ended March 31, 2026	Year Ended December 31, 2025
Assets		
Beginning balance	\$ (2,826,945)	\$ (12,400,026)
Total realized and unrealized gains (losses):		
Included in earnings (expenses)	(1,978,039)	9,573,081
Included in other comprehensive income (loss)	-	-
Purchases	-	-
Settlements	-	-
Transfers in/out of Level 3	-	-
Ending balance	<u>\$ (4,804,984)</u>	<u>\$ (2,826,945)</u>
Liabilities		
Beginning balance	\$ (3,263,876)	\$ (5,300,748)
Total realized and unrealized (gains) losses:		
Included in (earnings) expenses	(153,997)	2,036,872
Included in other comprehensive income (loss)	-	-
Purchases	-	-
Settlements	-	-
Transfers in/out of Level 3	-	-
Ending balance	<u>\$ (3,417,873)</u>	<u>\$ (3,263,876)</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.

North American Development Bank
Ordinary Capital Resources

Notes to Consolidated Financial Statements (unaudited)
March 31, 2026

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 \$12,199,950 and \$13,459,975 were posted from counterparties to the Bank as of March 31, 2026 and December 31, 2025 respectively. As of those same dates, the Bank posted cash collateral totaling \$3,371,993 and \$6,717,277, respectively.

The notional amounts and estimated fair values of the swaps and options outstanding at March 31, 2026 and December 31, 2025, are presented in the following table. The fair value of these swaps is estimated using internal valuation models with observable market data inputs.

	March 31, 2026		December 31, 2025	
	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value
Derivative assets				
Designated as accounting hedges:				
Cross-currency swaps for debt	\$ 175,965,221	\$ 50,761,704	\$ 175,965,221	\$ 51,710,145
Cross-currency options for debt	175,965,221	41,921,456	175,965,221	43,390,832
Interest rate swaps for loans	78,213,115	7,546,215	52,639,672	7,434,525
	430,143,557	100,229,375	404,570,114	102,535,502
Not designated as accounting hedges:				
Cross-currency interest rate swaps for debt	414,276,741	64,934,248	414,276,741	71,127,428
Cross-currency interest rate swaps for loans	140,917,000	37,658,459	149,724,871	40,945,364
Interest rate swaps for loans	53,133,676	10,890,941	54,547,462	11,010,867
	608,327,417	113,483,648	618,549,074	123,083,659
Derivative liabilities				
Designated as accounting hedges:				
Interest rate swaps for debt	50,000,000	3,417,873	50,000,000	3,263,876
Interest rate swaps for loans	173,583,383	2,741,230	200,680,846	4,607,580
	223,583,383	6,159,103	250,680,846	7,871,456
Not designated as accounting hedges:				
Cross-currency interest rate swaps for debt	173,448,566	46,252,394	173,448,566	49,468,838
Cross-currency interest rate swaps for loans	106,915,117	14,206,011	107,630,992	13,505,224
Interest rate swaps for loans	11,429,323	207,628	11,466,348	228,034
	291,793,006	60,666,033	292,545,906	63,202,096

North American Development Bank
Ordinary Capital Resources

Notes to Consolidated Financial Statements (unaudited)
March 31, 2026

11. Derivative Instruments (continued)

There were no swaps that were considered ineffective due to borrower default as of March 31, 2026 and 2025.

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 \$20,550,760 and \$19,309,247 at March 31, 2026 and December 31, 2025, 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 three months ended March 31, 2026 and 2025.

	Three Months Ended March 31,	
	2026	2025
Foreign currency exchange rate adjustments	\$ 1,803,167	\$ (16,804,164)
Credit valuation adjustment	82,183	23,523
Changes in hedged items and derivative instruments:		
Hedged items for loans and fair value swaps	(4,087,212)	(15,223,215)
Hedged items for debt and fair value swaps	(2,976,736)	23,851,477
	<u>(7,063,948)</u>	<u>8,628,262</u>
Income (expense) from foreign currency exchange rate adjustments and hedging activities	<u>\$ (5,178,598)</u>	<u>\$ (8,152,379)</u>

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

12. Credit Risk Associated with Financial Instruments

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

13. Fair Value of Non-financial Assets

Certain non-financial assets, including other real estate owned (OREO) acquired in full or partial payment of a loan, are measured at fair value on a nonrecurring basis. Upon initial recognition, these assets are typically reported at fair value using Level 3 unobservable inputs, such as third-party appraisals and estimated selling costs. As of March 31, 2026 and December 31, 2025, the Bank held OREO totaling \$2,158,638 and \$2,150,000, respectively, reported at fair value based on third-party appraisals and adjusted for estimated selling costs and foreign currency translation. For the three months ended March 31, 2026 and the year ended December 31, 2025, the Bank recorded an impairment loss to the OREO of \$0 and \$3,862,481 as a non-interest and non-operating expense in the consolidated statements of income.

14. Commitments

In the normal course of business, the Bank has various outstanding commitments, in addition to the undisbursed commitments disclosed in Note 4 and borrowings disclosed in Note 6. Under agreements with consultants and contractors in effect on March 31, 2026, 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.

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.