North American Development Bank
Environment Investment and Capacity Facility

Financial Statements (unaudited)

June 30, 2026

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Contents

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Balance Sheets
As of June 30, 2026 and December 31, 2025

Assets	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Cash and cash equivalents:		
Held at other financial institutions	$ 90,688	$ 51,197
Repurchase agreements	16,500,000	39,400,000
Total cash and cash equivalents	16,590,688	39,451,197
Held-to-maturity investment securities, at amortized cost	39,938,658	–
Due from Ordinary Capital Resources	3,500,000	18,100,000
Interest receivable	1,604	3,831
Grants receivable:		
U.S. Environmental Protection Agency (EPA):		
Border Environment Infrastructure Fund (BEIF)	89,673	225,488
Project Development Assistance Program (PDAP)	71,742	137,035
U.S.-Mexico Environmental Border 2025 Program (Border 2025)	6,392	11,064
Total grants receivable	167,807	373,587
Total assets	$ 60,198,757	$ 57,928,615
Liabilities and Fund Balance		
Due to Ordinary Capital Resources	$ 179,572	$ 385,809
Undisbursed grants:		
U.S. Department of State (DOS)	–	1,890,387
Air Quality Monitoring Fund (AQ Fund)	124,931	91,151
Total undisbursed grants	124,931	1,981,538
Total liabilities	304,503	2,367,347
Fund balance	59,894,254	55,561,268
Total liabilities and fund balance	$ 60,198,757	$ 57,928,615

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

North American Development Bank
Environment Investment and Capacity Facility

Statements of Changes in Fund Balance (unaudited)
For the Six Months Ended June 30, 2026 and 2025

	For the Six Months Ended June 30,	
	2026	**2025**
Transfer from Ordinary Capital Resources	$ 3,500,000	$ 4,000,000
Interest income	980,599	624,655
	4,480,599	4,624,655
Grant disbursements:		
Community Assistance Program (CAP)	63,844	–
Technical Assistance Program (TAP)	83,769	–
	147,613	–
Change in fund balance	4,332,986	4,624,655
Beginning fund balance	55,561,268	29,066,713
Ending fund balance	$ 59,894,254	$ 33,691,368

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

North American Development Bank
Environment Investment and Capacity Facility

Statements of Cash Flows (unaudited)
For the Six Months Ended June 30, 2026 and 2025

	For the Six Months Ended June 30,	
	2026	**2025**
Cash flows from operating activities		
Changes in fund balance	$ 4,332,986	$ 4,624,655
Adjustments to reconcile change in fund balance to net cash provided by operating activities:		
Change in other assets and liabilities:		
Accretion of net discounts on investments	(442,007)	–
(Increase) decrease in interest receivable	2,227	(1,216)
(Increase) decrease in grants receivable	205,780	(9,433)
Decrease in due from Ordinary Capital Resources	14,600,000	7,300,000
Increase (decrease) in due to Ordinary Capital Resources	(206,237)	10,153
Net cash provided by operating activities	18,492,749	11,924,159
Cash flows from investing activities:		
Purchases of held-to-maturity investments	(79,506,651)	–
Proceeds from sales and maturities of held-to-maturity	40,010,000	–
Net cash used in investing activities	(39,496,651)	–
Cash flows from financing activities		
Grant funds received from third parties:		
EPA:		
BEIF	9,381,346	2,990,409
PDAP	751,562	899,427
Border 2025	178,565	180,637
AQ Fund	145,550	–
Grant disbursements:		
EPA:		
BEIF	(9,381,346)	(2,990,409)
PDAP	(751,562)	(899,427)
Border 2025	(178,565)	(180,637)
DOS	(1,890,387)	(1,620,969)
AQ Fund	(111,770)	(5,921)
Net cash used in financing activities	(1,856,607)	(1,626,890)
Net increase (decrease) in cash and cash equivalents	(22,860,509)	10,297,269
Cash and cash equivalents, beginning of period	39,451,197	20,143,378
Cash and cash equivalents, end of period	$ 16,590,688	$ 30,440,647

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

1. Organization and Purpose

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

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

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

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

Grant Programs

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

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

1. Organization and Purpose (continued)

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

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

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

U.S.-Mexico Environmental Border 2025 Program
The Bank administers grant funding from EPA to support the joint efforts of the two governments to improve the environment and protect the health of residents within 100 kilometers of the U.S.-Mexico border. The Bank provides logistical and administrative services to identify, contract and manage technical assistance projects and workshops funded through the program.

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

2. Summary of Significant Accounting Policies

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

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For the purposes of the statements of cash flows, cash and cash equivalents include cash deposits with a financial institution and overnight repurchase agreements. As of June 30, 2026 and December 31, 2025, cash in a demand deposit account with the financial institution totaled $90,688 and $51,197, respectively.

Repurchase Agreements

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

Investment Securities

The Bank classifies EICF investment securities as held-to-maturity (HTM). HTM securities consist of debt securities for which the Bank has the positive intent and ability to hold to maturity and are carried at amortized cost. Interest income is recognized using the effective interest method.

Grant Recognition

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

Third-party grants: These grants are funded by third-party grantors and disbursed in accordance with their respective agreements. Third-party grants are recognized upon receipt and reflected on the balance sheets as undisbursed grants until disbursed. Grant receipts and disbursements are reflected in the statements of cash flows. Additional information on undisbursed third-party grants is provided in Note 4.

Grant Operating Expenses and Reimbursements

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

Income Transfers from Ordinary Capital Resources

As part of the establishment of the EICF, the Board agreed to continue providing support to the EICF by transferring a portion of allocable income from Ordinary Capital Resources. For the six months ended June 30, 2026 and 2025, EICF received transfers from Ordinary Capital Resources of $3,500,000 and $4,000,000, respectively, which are reflected in the statements of changes in fund balance.

2. Summary of Significant Accounting Policies (continued)

Taxation

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

3. Investments

All investments held by the EICF are classified as held-to-maturity securities. The following schedule summarizes investments as of June 30, 2026. EICF held no investment securities as of December 31, 2025.

		Gross Unrealized		
	Amortized Cost	**Gains**	**Losses**	**Fair Value**
June 30, 2026				
Held-to-maturity:				
U.S. government securities	$ 39,938,658	$ 1,338	$ (104)	$ 39,939,892
Total held-to-maturity investment securities	39,938,658	1,338	(104)	39,939,892
Total investment securities	$ 39,938,658	$ 1,338	$ (104)	$ 39,939,892

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 June 30, 2026. EICF held no investment securities as of December 31, 2025.

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
June 30, 2026						
Held-to-maturity securities	$ 19,983,840	$ 104	$ –	$ –	$ 19,983,840	$ 104
Total temporarily impaired securities	$ 19,983,840	$ 104	$ –	$ –	$ 19,983,840	$ 104

As of June 30, 2026, the EICF's held-to-maturity investment securities consisted of U.S. Treasury securities. Unrealized losses presented in the preceding table were not attributable to credit-related factors; accordingly, no allowance for credit losses was recorded. The EICF held no investment securities as of December 31, 2025.

3. Investments (continued)

Contractual maturities of investments as of June 30, 2026, are summarized in the following table. The EICF held no investment securities as of December 31, 2025.

	Held-to-Maturity Securities	
	Fair Value	**Amortized Cost**
June 30, 2026		
Less than 1 year	$ 39,939,892	$ 39,938,658
1–5 years	–	–
5–10 years	–	–
More than 10 years	–	–
Mortgage-backed securities	–	–
	$ 39,939,892	$ 39,938,658

The following table summarizes maturity activity of investment securities for the six months ended June 30, 20265. The EICF held no investment securities as of December 31, 2025.

	Six Months Ended June 30, 2026
Held-to-maturity investment securities:	
Proceeds from maturities	$ 40,010,000
Gross realized gains	–
Gross realized losses	–

4. Undisbursed Third-party Grant Funds

The following table summarizes the changes in undisbursed grants from third-party grantors as of June 30, 2026 and December 31, 2025.

	Beginning Balance January 1, 2026	Grant Receipts	Grant Disbursements for Projects[1]	Grant Disbursements for Expense Reimbursements	Ending Balance June 30, 2026
EPA:					
BEIF	$ –	$ 9,381,346	$ 8,736,363	$ 644,983	$ –
PDAP	–	751,562	291,606	459,956	–
Border 2025	–	178,565	146,402	32,163	–
	–	10,311,473	9,174,371	1,137,102	–
DOS	1,890,387	–	1,890,387	–	–
Air Quality Fund	91,151	145,550	77,266	34,504	124,931
Total	$ 1,981,538	$ 10,457,023	$ 11,142,024	$ 1,171,606	$ 124,931

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

[1] Includes funds disbursed for project financing and technical assistance.

5. Disbursements by Program and Source

The following table summarizes disbursements for project implementation and technical assistance by program and source for the six months ended June 30, 2026 and 2025.

	Six months Ended June 30, 2026	2025
By Program		
BEIF	$ 8,736,363	$ 2,348,878
PDAP	291,606	535,246
Border 2025	146,402	109,719
CAP	1,144,223	856,326
TAP	893,777	764,643
Air Quality Fund	77,266	–
	$ 11,289,637	$ 4,614,812
By Source		
Bank-funded	$ 147,613	$ –
Third-party:		
EPA	9,174,371	2,993,843
DOS	1,890,387	1,620,969
Air Quality Fund	77,266	–
	$ 11,289,637	$ 4,614,812

As of June 30, 2026, no funds had been disbursed from the WRF which was approved by the Board in August 2025.

6. Fund Balance

The following table summarizes the changes in fund balance for the six months ended June 30, 2026 and the year ended December 31, 2025.

	CAP	TAP	WRF	Undesignated Funds	Total
Beginning balance, Jan. 1, 2026	$ 7,339,718	$ 6,726,995	$ 40,000,000	$ 1,494,555	$ 55,561,268
Transfers-in from Ordinary Capital Resources	–	–	–	3,500,000	3,500,000
Interest income	–	–	–	980,599	980,599
Fund balance designation	–	–	–	–	–
Disbursements	(63,844)	(83,769)	–	–	(147,613)
Ending balance, June 30, 2026	$ 7,275,874	$ 6,643,226	$ 40,000,000	$ 5,975,154	$ 59,894,254
Beginning balance, Jan. 1, 2025	$ 7,339,718	$ 6,726,995	$ –	$ 15,000,000	$ 29,066,713
Transfers-in from Ordinary Capital Resources	–	–	–	25,100,000	25,100,000
Interest Income	–	–	–	1,394,555	1,394,555
Fund balance designation	–	–	40,000,000	(40,000,000)	–
Disbursements	–	–	–	–	–
Ending balance, Dec. 31, 2025	$ 7,339,718	$ 6,726,995	$ 40,000,000	$ 1,494,555	$ 55,561,268

7. Undisbursed Commitments

Undisbursed commitments are signed grant agreements less disbursements. The following table summarizes the changes in undisbursed commitments by program for the six months ended June 30, 2026 and the year ended December 31,2025.

	CAP	TAP	WRF	Total
Undisbursed commitments, January 1, 2026	$ 2,549,336	$ 3,083,644	$ –	$ 5,632,980
Commitments, net	1,403,400	503,754	–	1,907,154
Disbursements:				
Bank-funded	(63,844)	(83,769)	–	(147,613)
DOS-funded	(1,080,379)	(810,008)	–	(1,890,387)
Undisbursed commitments, June 30, 2026	$ 2,808,513	$ 2,693,621	$ –	$ 5,502,134
Undisbursed commitments, January 1, 2025	$ 2,422,660	$ 1,962,192	$ –	$ 4,384,852
Commitments, net	1,701,536	2,941,156	–	4,642,692
Disbursements:				
Bank-funded	–	–	–	–
DOS-funded	(1,574,860)	(1,819,704)	–	(3,394,564)
Undisbursed commitments, December 31, 2025	$ 2,549,336	$ 3,083,644	$ –	$ 5,632,980

7. Undisbursed Commitments (continued)

The following table summarizes the grant funds available for commitment as of June 30, 2026 and December 31,2025.

	CAP	TAP	WRF	Undesignated Funds	Total
June 30, 2026					
Total fund balance	$ 7,275,874	$ 6,643,226	$ 40,000,000	$ 5,975,154	$ 59,894,254
Undisbursed commitments	(2,808,513)	(2,693,621)	–	–	(5,502,134)
Approved, pending commitment	(500,000)	(369,899)	–	–	(869,899)
Total available for commitment	$ 3,967,361	$ 3,579,706	$ 40,000,000	$ 5,975,154	$ 53,522,221
December 31, 2025					
Total fund balance	$ 7,339,718	$ 6,726,995	$ 40,000,000	$ 1,494,555	$ 55,561,268
Undisbursed commitments	(2,549,336)	(3,083,644)	–	–	(5,632,980)
Approved, pending commitment	(750,000)	(529,654)	–	–	(1,279,654)
Total available for commitment	$ 4,040,382	$ 3,113,697	$ 40,000,000	$ 1,494,555	$ 48,648,634

In addition to the fund balance available for commitment in the above table, $0 and $1,890,387 in undisbursed grant funds from DOS were available as of June 30, 2026 and December 31, 2025, respectively, to cover disbursements under CAP and TAP.