



**NORTH AMERICAN DEVELOPMENT BANK  
ORDINARY CAPITAL RESOURCES**

Consolidated Financial Statements

December 31, 2025



North American Development Bank  
Ordinary Capital Resources  
Consolidated Financial Statements  
December 31, 2025

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## **Report of Independent Auditors**

Those Charged with Governance  
North American Development Bank  
Ordinary Capital Resources

### **Opinion**

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

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

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

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



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### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

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

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

*Ernst + Young LLP*

April 10, 2026

North American Development Bank  
 Ordinary Capital Resources

**Consolidated Balance Sheets**  
 As of December 31, 2025 and 2024

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

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

**Consolidated Balance Sheets**  
As of December 31, 2025 and 2024

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

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

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

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

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

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

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

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

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

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

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

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

**Notes to Consolidated Financial Statements**

December 31, 2025

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**1. Organization and Purpose**

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

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

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

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

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

**2. Summary of Significant Accounting Policies**

**Basis of Presentation and Use of Estimates in Financial Statements**

The consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) and are presented in a manner consistent with that of an international organization. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported

## 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 December 31, 2025, cash deposits with other financial institutions in demand deposit accounts and interest-bearing accounts totaled \$3,288,708 and \$56,694,569, respectively. As of December 31, 2024, cash deposits with other financial institutions in demand deposit accounts and interest-bearing accounts totaled \$496,109 and \$74,575,961, respectively.

### 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.

<b>Loan Credit Rating</b>		
<b>Scale</b>	<b>Risk Grade</b>	<b>Description</b>
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	D	In or near credit default, lowest possible rating

### Allowance for Credit Losses

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

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

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

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

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

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

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

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

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

### **Revenue Recognition**

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

### **Foreign Currency Accounting**

The functional currency of the Bank is in U.S. dollars. Assets and liabilities denominated in currencies other than U.S. dollar are translated into U.S. dollars at the prevailing market exchange rates as of the consolidated balance sheet dates. Income and expenses are translated into U.S. dollars on the date they are recognized at the prevailing market exchange rate. The net adjustment resulting from the

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

translation of foreign currencies is reported in the consolidated statements of income as a component of income (expense) from foreign currency adjustments and hedging activities.

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

### **Derivatives**

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

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

The Bank discontinues hedge accounting prospectively if it determines that the derivative is no longer highly effective in offsetting changes in the fair value or cash flows of the hedged item, or if it is no longer probable that the hedged loan repayment will occur. If hedge accounting is discontinued because the hedge ceases to be effective, the Bank will continue to record the swap at fair value with changes in value reflected in earnings for the period, and any fair value adjustments included in other comprehensive income will be recognized in the consolidated statements of income over the remaining life of the loan or debt. If it is probable that the hedged loan repayments will not occur, gains and losses accumulated in other comprehensive income (loss) are recognized immediately in earnings.

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

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

### Fair Value

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

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

*Level 2* – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. This category generally includes U.S. agency securities, corporate 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.

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### 3. Investments

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

	Amortized Cost	Gross Unrealized		Fair Value
		Gains	Losses	
<b>December 31, 2025</b>				
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 <sup>1</sup>	272,000,420	5,551,480	-	277,551,900
Mortgage-backed securities	26,012,317	134,304	(408,852)	25,737,769
Total available-for-sale investment securities	1,104,859,897	9,039,104	(2,281,786)	1,111,617,215
Total investment securities	\$ 1,109,509,286	\$ 9,041,869	\$ (2,281,786)	\$ 1,116,269,369
<b>December 31, 2024</b>				
Held-to-maturity:				
U.S. government securities	\$ 4,550,451	\$ 692	\$ -	\$ 4,551,143
Total held-to-maturity investment securities	4,550,451	692	-	4,551,143
Available-for-sale:				
U.S. government securities	420,758,117	108,186	(5,260,434)	415,605,869
U.S. agency securities	86,493,676	24,551	(1,869,199)	84,649,028
Corporate debt securities	183,072,357	804,026	(1,918,118)	181,958,265
Other fixed-income securities	64,411,188	231,602	(953,273)	63,689,517
Mexican government securities	131,862,449	116,634	(620,937)	131,358,146
Securities pledged under collateralized borrowings <sup>1</sup>	271,316,125	2,027,351	(2,563,169)	270,780,307
Mortgage-backed securities	4,338,018	-	(489,006)	3,849,012
Total available-for-sale investment securities	1,162,251,930	3,312,350	(13,674,136)	1,151,890,144
Total investment securities	\$ 1,166,802,381	\$ 3,313,042	\$ (13,674,136)	\$ 1,156,441,287

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

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### 3. Investments (continued)

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

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

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>December 31, 2025</b>						
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 <sup>1</sup>	-	-	-	-	-	-
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
<b>December 31, 2024</b>						
Held-to-maturity securities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Available-for-sale:						
U.S. government securities	59,619,775	160,655	187,490,287	5,099,779	247,110,062	5,260,434
U.S. agency securities	18,909,401	478,515	59,011,917	1,390,684	77,921,318	1,869,199
Corporate debt securities	39,011,835	474,485	68,313,261	1,443,633	107,325,096	1,918,118
Other fixed-income securities	15,016,396	244,836	18,377,897	708,437	33,394,293	953,273
Mexican government securities	17,054,333	33,313	9,616,950	587,624	26,671,283	620,937
Securities pledged under collateralized borrowings <sup>1</sup>	175,157,133	2,563,169	-	-	175,157,133	2,563,169
Mortgage-backed securities	-	-	3,849,012	489,006	3,849,012	489,006
Total available-for-sale investment securities	324,768,873	3,954,973	346,659,324	9,719,163	671,428,197	13,674,136
Total temporarily impaired securities	\$ 324,768,873	\$ 3,954,973	\$ 346,659,324	\$ 9,719,163	\$ 671,428,197	\$ 13,674,136

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

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

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### 3. Investments (continued)

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

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

	Held-to-Maturity Securities		Available-for-Sale Securities	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
<b>December 31, 2025</b>				
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
<b>December 31, 2024</b>				
Less than 1 year	\$ 4,551,143	\$ 4,550,451	\$ 535,614,259	\$ 537,990,273
1–5 years	–	–	611,249,394	618,717,840
5–10 years	–	–	1,177,479	1,205,799
More than 10 years	–	–	–	–
Mortgage-backed securities	–	–	3,849,012	4,338,018
	\$ 4,551,143	\$ 4,550,451	\$ 1,151,890,144	\$ 1,162,251,930

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

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

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

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### 3. Investments (continued)

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

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

### 4. Loans

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

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

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

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

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

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

#### 4. Loans (continued)

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

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

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

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

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

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#### 4. Loans (continued)

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

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

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

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

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**4. Loans (continued)**

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

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

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

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

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

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

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**4. Loans (continued)**

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

	<b>Allowance for Credit Losses</b>	<b>Total Loans Outstanding</b>
<b>December 31, 2025</b>		
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>
<b>December 31, 2024</b>		
Mexico:		
Construction	\$ 4,260,299	\$ 138,274,694
Operation	15,361,791	548,997,413
Total Mexico	<u>19,622,090</u>	<u>687,272,107</u>
United States:		
Construction	4,008,509	272,649,199
Operation	3,946,594	172,886,380
Total United States	<u>7,955,103</u>	<u>445,535,579</u>
	<u>\$ 27,577,193</u>	<u>\$ 1,132,807,686</u>

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#### 4. Loans (continued)

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

	Beginning Balance	Change in Allowance for Credit Losses		Ending Balance
		Provision for Credit Losses	Loan (Charge-offs) Recoveries	
<b>December 31, 2025</b>				
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>
<b>December 31, 2024</b>				
Mexico:				
Construction	\$ 672,458	\$ 3,587,841	\$ -	\$ 4,260,299
Operation	10,699,509	4,662,282	-	15,361,791
Total Mexico	11,371,967	8,250,123	-	19,622,090
United States:				
Construction	2,459,284	1,549,225	-	4,008,509
Operation	2,714,944	1,231,650	-	3,946,594
Total United States	5,174,228	2,780,875	-	7,955,103
	<u>\$ 16,546,195</u>	<u>\$ 11,030,998</u>	<u>\$ -</u>	<u>\$ 27,577,193</u>

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

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

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

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## 5. Other Assets and Other Liabilities

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

	<u>Assets</u>	<u>Liabilities</u>
<b>December 31, 2025</b>		
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>
<b>December 31, 2024</b>		
Swaps and options, net	\$ 177,269,560	\$ 48,927,732
Collateral from counterparties	(27,225,203)	-
Credit valuation adjustment	(2,516,818)	-
Right-of-use lease asset	278,654	-
Reserve for undisbursed loan commitments	-	3,569,311
Total	<u>\$ 147,806,193</u>	<u>\$ 52,497,043</u>

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

	<u>Assets</u>	<u>Liabilities</u>
<b>December 31, 2025</b>		
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>
<b>December 31, 2024</b>		
Cross-currency swaps and cross-currency interest rate swaps	\$ 150,246,018	\$ 68,953,365
Interest rate swaps	25,993,580	6,358,178
Options	27,413,773	-
	<u>203,653,371</u>	<u>75,311,543</u>
Master netting by counterparty	(26,383,811)	(26,383,811)
Total swaps and options, net	<u>\$ 177,269,560</u>	<u>\$ 48,927,732</u>

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## 6. Debt

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

			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
<b>Notes Payable</b>								
<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
<b>Other Borrowings</b>								
<u>MXN</u>								
12/14/22 <sup>1</sup>	12/01/27	TIIE var.	100,000,606	-	(10,618)	9,867,896	-	109,857,884
10/27/23 <sup>1</sup>	10/01/29	TIIE var.	65,083,916	-	-	1,019,195	-	66,103,111
01/23/24 <sup>1</sup>	10/01/29	TIIE var.	25,067,706	-	-	(1,152,045)	-	23,915,661
Total other borrowings			190,152,228	-	(10,618)	9,735,046	-	199,876,656
			<b>\$ 1,179,807,977</b>	<b>\$ 580,638</b>	<b>\$ (2,143,555)</b>	<b>\$ 134,324,662</b>	<b>\$ (3,263,876)</b>	<b>\$ 1,309,305,846</b>

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

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

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## 6. Debt (continued)

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

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

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

### Notes Payable

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

As of December 31, 2025 and 2024, the fair value of a hedge relating to an interest rate swap on notes payable denominated in U.S. dollars was reported as a component of other assets of \$(3,263,876) and \$(5,300,748), respectively. The fair value of hedges relating to cross-currency swaps on notes payable not denominated in U.S. dollars was reported as a component of other assets of \$51,710,145 and \$33,697,451, as of December 31, 2025 and 2024, respectively. The fair value of hedges relating to options on notes payable not denominated in U.S. dollars was reported as a component of other assets

## 6. Debt (continued)

of \$43,390,832 and \$27,413,773, as of December 31, 2025 and 2024, respectively. The fair value of cross-currency interest rate swaps on notes payable not denominated in U.S. dollars was reported as a component of other assets of \$60,173,077 and \$13,793,775, and as a component of other liabilities of \$38,514,486 and \$48,927,732, as of December 31, 2025 and 2024, respectively. Additional information on the fair value of financial instruments and derivatives is provided in Notes 10 and 11.

### Other Borrowings

The other borrowings of the Bank include borrowings from another financial institution in Mexican pesos and are collateralized in the form of repurchase agreements using U.S. Treasury Notes, which are reflected on the consolidated balance sheets as available-for-sale investment securities. These borrowings have variable interest rates referenced to Mexico's Benchmark Interbank Deposit Rate (TIIE).

### Lines of Credit

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

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

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

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

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## 6. Debt (continued)

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

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

## 7. Equity

### Subscribed Capital

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

	Mexico		United States		Total	
	Shares	USD Million	Shares	USD Million	Shares	USD Million
<b>December 31, 2025</b>						
Subscribed capital	300,000	\$ 3,000.0	300,000	\$ 3,000.0	600,000	\$ 6,000.0
Qualified callable capital	(53,833)	(538.3)	(25,500)	(255.0)	(79,333)	(793.3)
Unqualified callable capital	(201,167)	(2,011.7)	(229,500)	(2,295.0)	(430,667)	(4,306.7)
Qualified paid-in capital	(9,500)	(95.0)	-	-	(9,500)	(95.0)
Total funded paid-in capital	35,500	355.0	45,000	450.0	80,500	805.0
Restricted from commitments	-	-	(4,500)	(45.0)	(4,500)	(45.0)
Transferred to Domestic Programs (MX 1999; U.S. 2018)	-	(22.5)	-	(22.5)	-	(45.0)
Total paid-in capital	35,500	\$ 332.5	40,500	\$ 382.5	76,000	\$ 715.0

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**7. Equity (continued)**

	Mexico		United States		Total	
	Shares	USD Million	Shares	USD Million	Shares	USD Million
<b>December 31, 2024</b>						
Subscribed capital	300,000	\$ 3,000.0	300,000	\$ 3,000.0	600,000	\$ 6,000.0
Qualified callable capital	(104,267)	(1,042.7)	(102,000)	(1,020.0)	(206,267)	(2,062.7)
Unqualified callable capital	(150,733)	(1,507.3)	(153,000)	(1,530.0)	(303,733)	(3,037.3)
Qualified paid-in capital	(18,400)	(184.0)	-	-	(18,400)	(184.0)
Total funded paid-in capital	26,600	266.0	45,000	450.0	71,600	716.0
Restricted from commitments	-	-	(16,500)	(165.0)	(16,500)	(165.0)
Transferred to Domestic Programs (MX 1999; U.S. 2018)	-	(22.5)	-	(22.5)	-	(45.0)
Total paid-in capital	26,600	\$ 243.5	28,500	\$ 262.5	55,100	\$ 506.0

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

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

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

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

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

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

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## 7. Equity (continued)

### Retained Earnings

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

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

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

### Accumulated Other Comprehensive Income

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

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

**7. Equity (continued)**

**Hedging Activities in Other Comprehensive Income (Loss)**

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

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

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

**8. EICF Transfers and Reimbursements**

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

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

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## 8. EICF Transfers and Reimbursements (continued)

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

	Personnel	Administrative	Grant Expense Reimbursement	Net Grant Expense Reimbursement	Total
<b>December 31, 2025</b>					
BEIF	\$ 955,907	\$ 351,835	\$ (1,307,742)	\$ (955,907)	\$ -
PDAP	538,005	253,702	(791,707)	(538,005)	-
Border 2025	136,320	34,420	(91,177)	(56,757)	79,563
AQ Fund	25,330	8,268	(33,598)	(25,330)	-
Total	<u>\$ 1,655,562</u>	<u>\$ 648,225</u>	<u>\$ (2,224,224)</u>	<u>\$ (1,575,999)</u>	<u>\$ 79,563</u>
<b>December 31, 2024</b>					
BEIF	\$ 908,712	\$ 344,065	\$ (1,252,777)	\$ (908,712)	\$ -
PDAP	514,107	227,430	(741,537)	(514,107)	-
Border 2025	230,709	107,813	(234,573)	(126,760)	103,949
AQ Fund	2,809	917	(3,726)	(2,809)	-
Total	<u>\$ 1,656,337</u>	<u>\$ 680,225</u>	<u>\$ (2,232,613)</u>	<u>\$ (1,552,388)</u>	<u>\$ 103,949</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 years ended December 31, 2025 and 2024, the Bank expended \$1,468,705 and \$1,335,423, respectively, relating to the plan.

### Post-retirement Health Insurance Plan

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

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**9. Employee Benefits (continued)**

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

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

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

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

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

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

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

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

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.

## 9. Employee Benefits (continued)

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

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

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

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

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

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

## 10. Fair Value of Financial Instruments

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

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

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

*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.

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

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

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

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

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

	Fair Value Measurements Using			Total Fair Value
	Level 1	Level 2	Level 3	
<b>December 31, 2025</b>				
<b>Assets</b>				
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
<b>Liabilities</b>				
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

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

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

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

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

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

## 11. Derivative Instruments

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

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

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## 11. Derivative Instruments (continued)

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

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

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

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

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

## 11. Derivative Instruments (continued)

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

### Gains and Losses on Derivative Cash Flows

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

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

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

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

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

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

## **12. Credit Risk Associated with Financial Instruments**

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

## **13. Fair Value of Non-financial Assets**

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

## **14. Commitments**

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

### **Operating Lease Commitments**

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

#### 14. Commitments (continued)

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

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

#### 15. Accounting Standards Update

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

#### 16. Subsequent Events

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