2024 ANNUAL REPORT

North American Development Bank
Banco de Desarrollo de América del Norte

30 ANNIVERSARY

Contents

Message from Management

2024 marked a historic milestone for the North American Development Bank (NADBank) as we celebrated 30 years of unwavering commitment to sustainable development in the U.S.-Mexico border region. From our founding in 1994, NADBank has evolved into a cornerstone institution for advancing environmental infrastructure, fostering economic opportunity and strengthening cross-border cooperation on environmental issues.

For three decades, we have worked hand in hand with local communities, government agencies and private businesses to address critical infrastructure needs, helping to transform environmental challenges into long-term development opportunities. Since its inception, the Bank has financed more than US$4.1 billion to support the construction of 323 environmental infrastructure projects in both countries, directly benefitting more than 19 million residents with access to basic water and sanitation services, improved mobility and cleaner, renewable power sources, among other positive impacts, which are an enduring testament to our commitment to environmental infrastructure and binational cooperation.

During the year, we reflected on our journey with pride while looking ahead with renewed determination as we began implementing our 2024-2028 Strategic Plan, which reaffirms our continued focus on critical water issues, along with growing support for cleaner mobility and the efficient infrastructure needed for a prosperous economy that uses less resources and produces less waste. This commitment is clearly evidenced by the 20 new projects approved in 2024 to receive US$362 million in financing. While nearly half of those projects address basic water and wastewater needs, the Bank is also supporting investments in a more efficient public transportation system in a major city, electrification of cross-border drayage services, more efficient, and hence sustainable, housing developments and food value chains and more reliable power grids.

In line with our strategic plan, we also deepened our focus on developing new programs and mobilizing innovative financing tools to reach underserved communities and stimulate investment in high-impact sectors. To improve our responsiveness and effectiveness in the water sector, for example, we worked closely with our Board of Directors to develop the Water Investment Program (WIP), which will expedite the financing of basic water infrastructure projects.

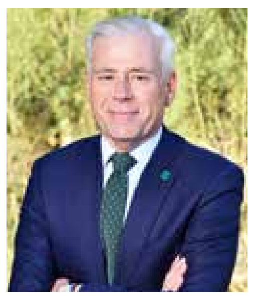
Likewise, recognizing the challenges posed by prolonged droughts and severe water shortages throughout the border region, we assessed alternatives to invest effectively in water conservation and diversification projects in the agriculture sector. In addition to touring irrigation districts and meeting with local leaders throughout the border region, we provided technical assistance to carry out a needs assessment of the hydro-agricultural sector in Mexico, which included an analysis of potential financing models and other assistance, as well as identified key stakeholders and mapped strategic alliances. A similar study of the U.S. agriculture sector is planned in 2025.

The findings from these studies and meetings will shape our strategy and guide the design of financing tools to address water resilience effectively in both the agriculture sector and municipalities.

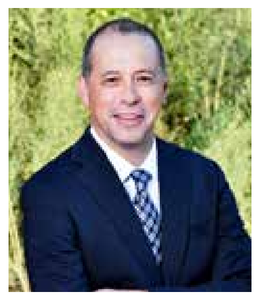
In 2024, we continued to build on our sound financial position, expanding our development asset portfolio and increasing disbursements, while maintaining strong credit quality. To support this expansion, NADBank successfully tapped the Swiss capital market in October, for Swiss francs equivalent to US$163.4 million. With our strong financial performance, we were also able to grow our grant facility, the Environment Investment and Capacity Facility (EICF), to support our technical assistance and grant financing programs, which are critical tools for providing sustainable and affordable long-term infrastructure solutions that address the needs of small, vulnerable communities.

As we move forward, we are more focused than ever on scaling innovation, leveraging institutional partnerships and strengthening the Bank's position as a leader in environmental infrastructure finance. As we enter the next chapter of our institutional life, we remain steadfast in our commitment to helping communities thrive, economies grow, and the border region emerge as a global model for resilience, innovation and environmental stewardship.

With deep appreciation for our past and present Board of Directors, staff and partners, we are pleased to share our achievements in this annual report and look forward to continuing our journey with your support.



John Beckham
Managing Director



Salvador López Córdova
Chief Environmental Officer

30 Years Advancing Our Mission

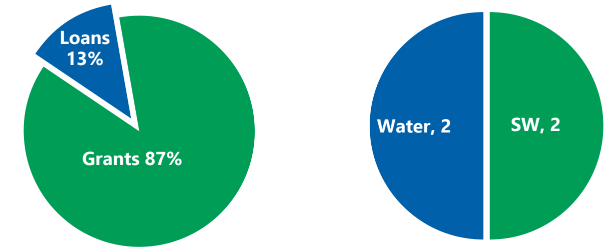
To provide financing, as well as technical and other assistance, to support the development and implementation of infrastructure projects that preserve, protect or enhance the environment of the border region in order to advance the well-being of the people of the United States and Mexico

Snapshot of NADBank Evolution & Growth

Over its 30 years in operation, NADBank has evolved to meet the development needs and challenges of the U.S.-Mexico border region, honing its expertise on issues critical to the prosperity and well-being of border residents, continually expanding its horizons and forging cross-border and interagency partnerships to support sustainable, transboundary solutions. The milestones marking its journey, from the early years of development through various stages of expansion and growth, are a testament to its commitment to fulfilling its mandate.

Establishment of programs, financing mechanisms and relations with border communities and entities

1995-2000
Institutional Development

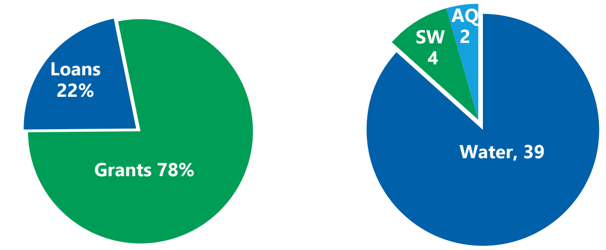


US$65,346,055 disbursed

4 projects began operations
1.3 million people benefitted

Expansion of project and geographic scope to better serve border communities and national agendas

2001-2006
Institutional Evolution

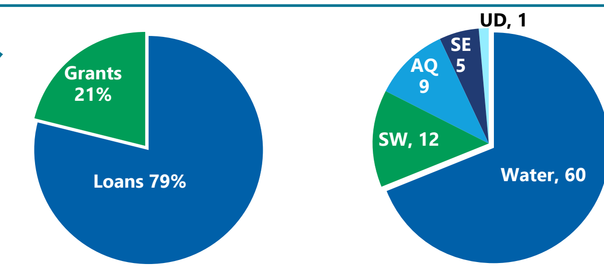


US$393,116,509 disbursed

45 projects began operations
4.9 million people benefitted

Surge in loan portfolio growth with entry into the sustainable energy market and greater expansion in other air quality projects

2007-2012
Operational Growth

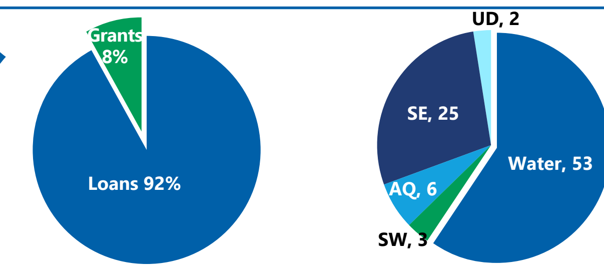


US$1,284,588,258 disbursed

87 projects began operations
5.2 million people benefitted

Ongoing growth in comprehensive sustainable development supported by a capital increase, effectively doubling its funding base

2013-2018
Operational Maturity

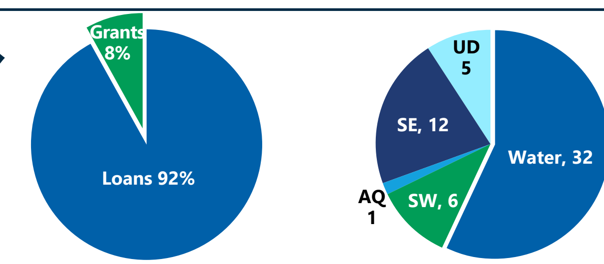


US$1,219,639,678 disbursed

89 projects began operations
11.2 million people benefitted

Continued growth and expansion in line with evolving border needs and national agendas

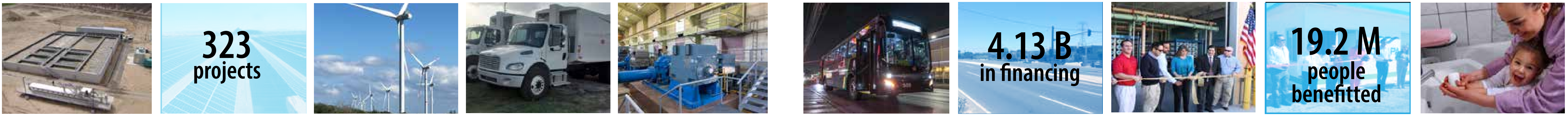
2019-2024
Ongoing Expansion



US$977,415,059 disbursed

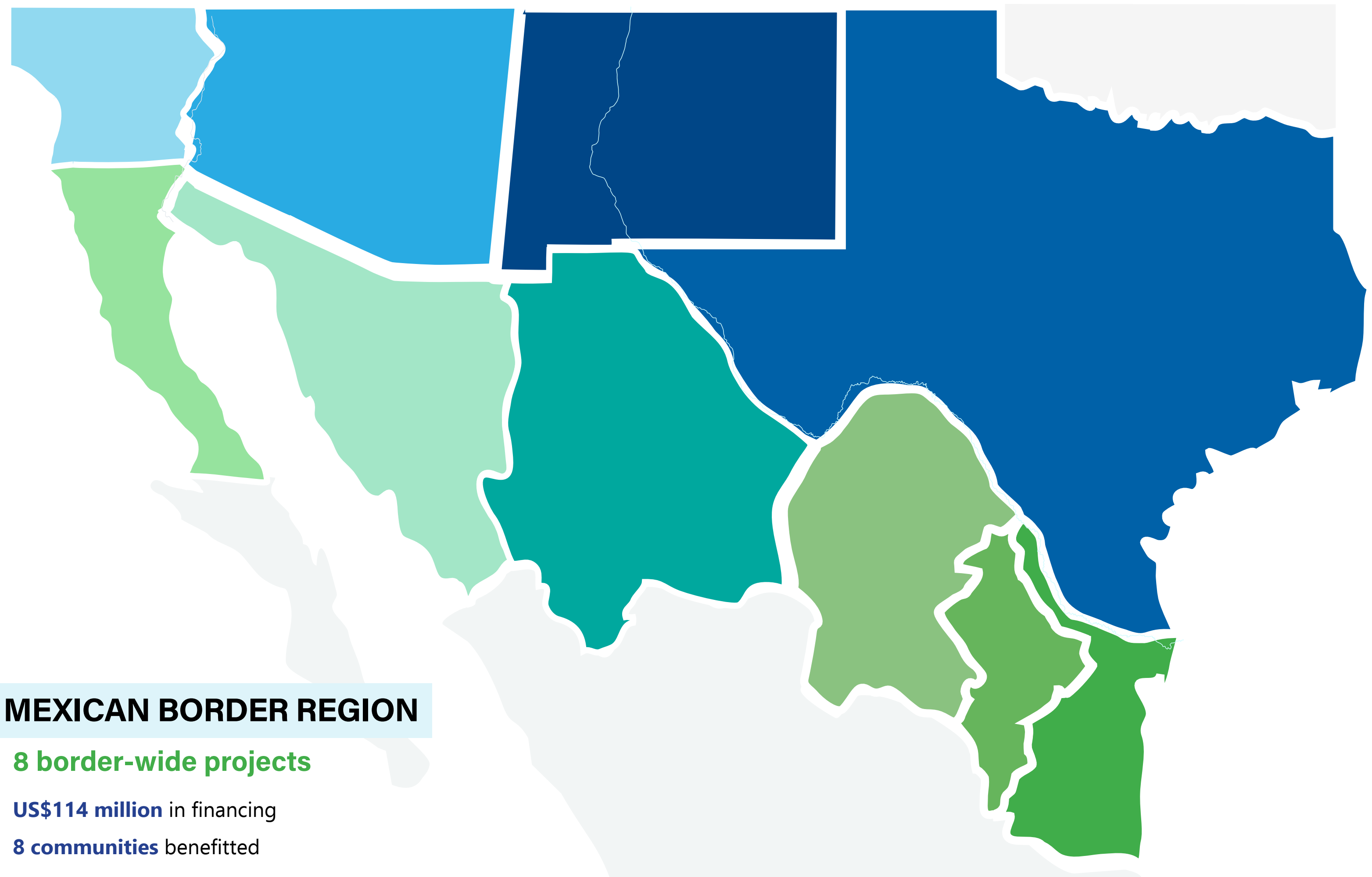
56 projects began operations
4.8 million people benefitted

Legend: AQ – Air quality, SE – Sustainable energy, SW – Solid waste, UD – Urban development



NADBank Activity by State (1995-2024)

With select, non-exhaustive impacts



CALIFORNIA

30 projects

US$538 million in financing
1.71 million people benefitted

34 mgd of water & wastewater treatment capacity
4,079 new wastewater connections
352 MW of clean energy generation capacity

ARIZONA

25 projects

US$209 million in financing
117,400 people benefitted

7 mgd of wastewater treatment capacity
1,607 new wastewater connections
37 MW of clean energy generation capacity

BAJA CALIFORNIA

39 projects

US$565 million in financing
3.26 million people benefitted

300 mgd of water & wastewater treatment capacity
62,729 new water & wastewater connections
5 million m² of paved roads

SONORA

38 projects

US$428 million in financing
2.13 million people benefitted

102 mgd of water & wastewater treatment capacity
109,611 new water & wastewater connections
3 million m² of paved roads

mgd = million gallons per day, MW = megawatts

MEXICAN BORDER REGION

8 border-wide projects

US$114 million in financing
8 communities benefitted

823 low-emission vehicles
460 sustainable houses

CHIHUAHUA

35 projects

US$205 million in financing
2.71 million people benefitted

175 mgd of water & wastewater treatment capacity
90,720 new wastewater connections
164 MW of clean energy generation capacity

COAHUILA

10 projects

US$129 million in financing
1.06 million people benefitted

13.9 mgd of wastewater treatment capacity
495 tons/day of improved waste management
201 MW of clean energy generation capacity

NEW MEXICO

14 projects

US$49 million in financing
178,060 people benefitted

102 miles of water & wastewater lines
2,707 new water & wastewater connections
335 tons/day of improved waste management

TEXAS

85 projects

US$1,119 million in financing
1.98 million people benefitted

104 mgd of water & wastewater treatment capacity
26,207 new water & wastewater connections
1,161 MW of clean energy generation capacity

NUEVO LEON

12 projects

US$278 million in financing
3.89 million people benefitted

17.6 mgd of wastewater treatment capacity
5,316 new water & wastewater connections
502 MW of clean energy generation capacity

TAMAULIPAS

27 projects

US$501 million in financing
2.19 million people benefitted

125 mgd of water & wastewater treatment capacity
41,498 new water & wastewater connections
389 MW of clean energy generation capacity

Project Activity in 2024

Projects Initiating Operations

More than 416,500 residents on both sides of the U.S.-Mexico border are benefitting from eight environmental infrastructure projects that went into operation during the year, whether from the expansion and rehabilitation of water and wastewater systems, improved mobility or a more reliable power grid supported by additional sources of renewable power generation and energy storage facilities. These projects represent a total investment of US$838 million, with approximately 21% of that amount financed with NADBank loans or grants from the Border Environment Infrastructure Fund (BEIF), which is funded by the U.S. Environmental Protection Agency (EPA).

Drinking Water Distribution System for the Hillcrest Subdivision
El Paso County, TX

Benefitting 330 residents
BEIF Grant: US$1.43 million

The new distribution system is providing first-time water services for the entire community located approximately 17 miles northeast of downtown El Paso. In addition to providing a safe and reliable drinking water supply and bringing the community into compliance with fire protection requirements, residents in the area have also begun to receive curbside garbage collection services, which are now billed with the water service.

Zier Solar and Energy Storage Project
Kinney County, TX

Benefitting 86,315 residents
NADBank Loan: US$61.19 million

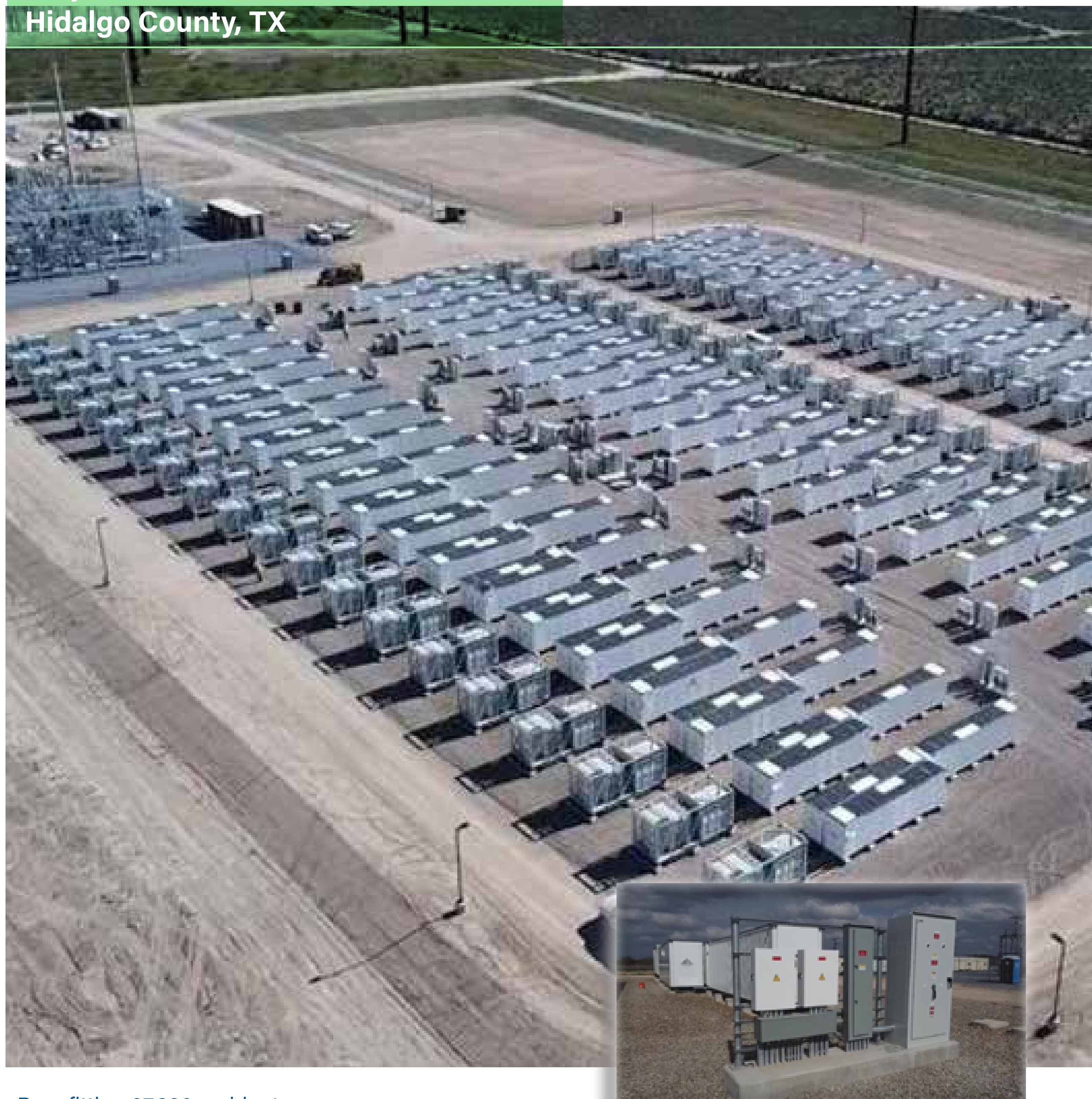
Constructed just west of the city of Brackettville, this project—the first hybrid solar-storage facility financed by the Bank—has the capacity to produce electricity equivalent to the annual consumption of 30,286 households during its first year of operation and avoid the emission of an estimated 186,398 metric tons/year of carbon dioxide and other contaminants from conventional fossil-fuel power plants. Incorporating the storage system into the project increases the efficiency and reliability of the solar park by storing excess energy produced during periods of high solar output and delivering it to the grid during periods of peak demand.

Wastewater Collection System Extension and Improvement
Doña Ana County, NM

Benefitting 7,900 residents
BEIF Grant: US$2.15 million

A major lift station that conveys approximately 75% of the wastewater flows from the service area to the South Central Wastewater Treatment Plant was upgraded and renovated, increasing its efficiency and reliability. The wastewater collection system was also extended to provide first-time service to 30 homes in the nearby community of Sleepy Farms, eliminating their failing septic systems and preventing potential contamination of local groundwater.

Anemoi Energy Storage Project
Hidalgo County, TX



Benefitting 97,230 residents
NADBank Loan: US$39.16 million

This standalone battery energy storage system (BESS) installed about 24 miles northwest of the city of McAllen is increasing the efficient management and reliability of the power grid by storing energy during periods of low demand and releasing it back into the grid during periods of peak demand. The facility is expected to store and deliver sufficient electricity annually to serve up to 28,597 households and thus help prevent the emission of an estimated 50,571 metric tons/year of carbon dioxide and other contaminants from conventional fossil-fuel power plants.

Sunray Solar Park
Uvalde County, TX

Benefitting 38,870 residents
NADBank Loan: US$65.0 million

Built a few miles east of the community of Knippa, this utility-scale solar park with a capacity of 200 megawatts of alternating current (MW_{AC}) is expected to produce electricity equivalent to the annual consumption of 13,735 households within the border region, providing a safe and reliable clean energy alternative that reduces the demand for traditional fossil-fuel-based energy generation and the related carbon emissions.

Rehabilitation of Small Lift Stations
Mexicali, B.C.

Benefitting 146,000 residents
BEIF Grant: US$2.70 million

Rehabilitation of 12 small lift stations located throughout the city has increased the reliability of the wastewater collection system by reducing the risk of pump failures that could cause sewage backups and the potential discharge of up to 8.7 million gallons per day of wastewater onto local streets and into the New River, which flows northward into the United States.

EnerSmart Energy Storage Portfolio
San Diego County, CA

Benefitting 6,400 residents
NADBank Loan: US$3.39 million

This standalone battery energy storage system in Chula Vista is smoothing the integration of renewable energy sources into the California grid by helping stabilize the intermittency of solar and wind power generation. With a two-hour storage cycle, the facility is expected to deliver sufficient electricity to serve about 2,000 households for each hour it supplies energy to the grid and thus help prevent the emission of an estimated 1,412 metric tons/year of carbon dioxide and other contaminants from conventional fossil-fuel power plants.

Green Loan for Grupo KELQ, S.A.P.I. de C.V., SOFOM, E.N.R.
Monterrey, N.L.

Benefitting 33,500 residents
NADBank Loan: US$3.98 million

Proceeds of the loan were used to finance an urban redensification project in downtown Monterrey, which included replacing and expanding water and wastewater infrastructure to provide service access for the planned construction of a new high-rise apartment building that will house an estimated 10,500 people, as well as rehabilitation and modernization of a roadway to improve mobility. These improvements are also benefitting around 23,000 current residents in the downtown area.

New Projects Advancing in 2024

Twenty projects were approved to receive up to US$361.7 million in loans and/or grants. These projects represent a total investment of US$767.3 million and are expected to improve the quality of life for more than 1.2 million border residents through better water and transportation services, a more reliable power grid and more resource-efficient housing, as well as boost efficiency in the agriculture, manufacturing and logistics sectors.

As illustrated in the graph below, by year-end, 64% of the funding approved was contracted with the sponsors of 14 projects, and 44% of the funds had been disbursed to support project implementation. A snapshot of all the new projects and their expected environmental and social benefits is provided on the following pages.

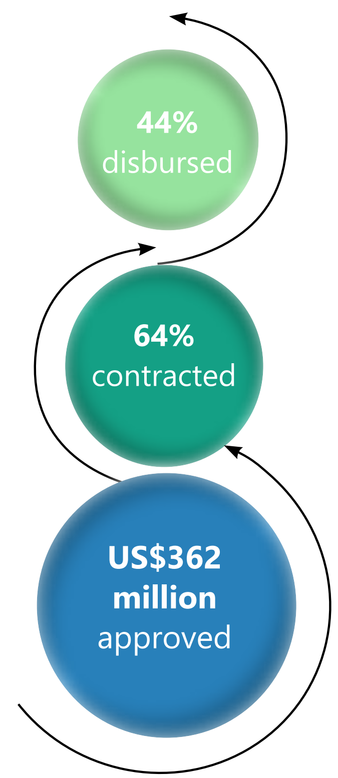
Table 1: 2024 Project Approvals

	Projects	Million USD
Sector		
Water	8	$ 19.20
Air quality	3	57.34
Urban development	1	3.98
Sustainable energy	3	205.00
Sustainable buildings	2	50.00
Sustainable food value chains	2	15.02
Green manufacturing	1	11.16
Total	**20**	**$ 361.70**
Country		
Mexico	13	$ 117.70
United States	7	244.00
Total	**20**	**$ 361.70**
Type of Financing		
Loans	12	$ 342.50
Grants[1]	7	5.20
Loan and grant[2]	1	14.00
Total	**20**	**$ 361.70**

1. Consisting of US$2.7 million from the Border Environment Infrastructure Fund (BEIF) with funding from the U.S. Environmental Agency (EPA) and US$2.5 million from the NADBank Community Assistance Program (CAP).

2. A wastewater project in Mexico was approved to receive an US$8.0-million BEIF grant and a US$6.0-million loan; however, the loan was cancelled prior to year end when the project sponsor selected another lender through a competitive bid process.

Driving Impact with Efficient Infrastructure Funding



Reliable Water Supply

Three projects will provide safe and reliable drinking water to 15,620 residents in three communities. In Hidalgo County, Texas, two deteriorated storage tanks will be replaced to ensure the water supply complies with quality standards for human consumption. In Naco, Sonora, the project entails installing water meters throughout the city to improve leak detection and facilitate the implementation of water conservation strategies, as well as completing and starting up the existing solar energy system to offset 100% of the energy required to operate three production wells. In the case of Monterrey, Nuevo Leon, where water shortages are a chronic problem, the Bank is supporting a pilot project to install water harvesting systems using hydropanels to provide a reliable drinking water supply for five schools, minimizing school closures and contributing to a healthy learning environment for 1,470 students.

Proper Wastewater Disposal

Among the five wastewater projects approved were two major lift stations serving 3,200 people in Calipatria, California and 10,800 residents in Sunland Park and Santa Teresa, New Mexico, which had failed and required emergency repairs to prevent sewage from backing up into homes or overflowing onto streets. In addition, three projects to rehabilitate and/or expand the wastewater collection and treatment infrastructure serving 427,800 residents in Nuevo Laredo, Miguel Aleman and Nuevo Progreso, Tamaulipas, will help prevent the potential discharge of up to 13 million gallons a day of untreated wastewater that could impact the Rio Grande River, thus also benefitting communities downstream on both sides of the border that depend on the river for drinking water. First-time service will also be extended to unserved areas to connect around 500 existing homes in Miguel Aleman and 150 homes in Nuevo Laredo.

Strengthening Grid Reliability

Three battery energy storage projects located in Cameron and Maverick Counties in Texas and in San Diego County, California, will help the regional system operators manage their grids more efficiently and reduce energy losses resulting from mismatches in supply and demand. During their first year of operation, the facilities are expected to store and deliver electricity equivalent to serving 231,600 households, directly benefitting an estimated 681,400 U.S. border residents, while also displacing the emission of 89,938 metric tons/year of carbon dioxide and other contaminants generated by the power industry.

Why Energy Storage Systems Are Essential for a Healthy Power Grid

Stability – They can respond rapidly to fluctuations in supply and demand, providing quick injections of power when needed to prevent dips in voltage.

Efficiency – Storing excess energy during periods of low demand and releasing it during peak demand reduces strain on power generators and the risk of blackouts.

Resiliency – They are a backup power source in the event of grid failure that can be used to energize transmission and distribution lines and provide start-up power for generators.

Diversification – Paired with renewable energy sources, they provide a reliable alternative to fossils fuels, reducing dependence on imports, as well as lowering the overall carbon footprint of the grid.

Cost Savings – Storing energy when electricity prices are low and discharging it to the grid when demand and prices are high limits volatile fuel costs for utilities.

Cleaner and More Efficient Mobility

In the area of air quality, NADBank is supporting a project to modernize the public transportation system along a major thoroughfare in Tijuana, Baja California, as well as a project to renovate the trucking fleet of a logistics company in San Diego, California, that provides cross-border drayage services. In the latter case, NADBank financing will help the company bridge the financial gap between acquiring new electric and natural gas-based vehicles to replace 97 diesel-fueled trucks and receiving state grants to help offset part of the high upfront costs. In Tijuana, 44 new buses that use cleaner technologies will provide a higher passenger capacity and offer a safe, fast and accessible transportation option for approximately 37,700 passengers a day. Together, the new buses and freight trucks will avoid an estimated 7,530 metric tons/year of carbon dioxide emissions and 152 kilograms/year of particulate matter from vehicle tailpipes on a crowded thoroughfare or at congested border crossings.

Sustainable Food Production

A family-owned agricultural business in the municipality of Hermosillo, Sonora, is receiving support to continue converting its existing crops to less water-intensive, higher-value crops, as well as implement other sustainability measures as a means of adapting to water scarcity issues in the region. These measures include installing drip irrigation systems, producing organic fertilizer from vermiculture and building an on-site packing plant with a photovoltaic solar power system. With these actions, the sponsor expects to use 23% less water per ton of produce harvested, as well as obtain a 140% increase in the market value of the crops. In addition, using drip irrigation will reduce runoff and soil erosion, eliminating pesticides and synthetic fertilizers will improve soil quality, and packing produce on site will reduce transportation-related foods losses.

Sustainable Housing Developments

NADBank is partnering with a leading homebuilder in Mexico dedicated to the development of sustainable and affordable housing for low, medium and medium-high income families. Under its business model, the company develops integrated communities that offer a better quality of life for its residents through homes with efficient technologies for reducing water and energy consumption by at least 20% compared to standard building practices, as well as other services such as controlled access, equipped parks, recreational areas, urban connectivity and proximity to schools, health care facilities and police stations. Approximately 720 efficient single-family homes are expected to be built within the 300-km (186-mile) area south of the U.S.-Mexico border in benefit of an estimated 2,400 residents.

Boosting the Efficient Use of Resources

Five green loans for nine financial intermediaries in Mexico will be used to fund their financing and/or leasing operations with small businesses and individual entrepreneurs located within the 300-kilometer border region in Mexico, who are looking to increase their operational efficiencies, while also reducing their environmental impacts, through resource-efficient designs, the installation of energy and water-efficient equipment and small-scale renewable energy systems or the use of low-emission vehicles, in a variety of sectors, including agriculture, the food industry, manufacturing, transportation, urban development and sustainable buildings.

Financing Activity

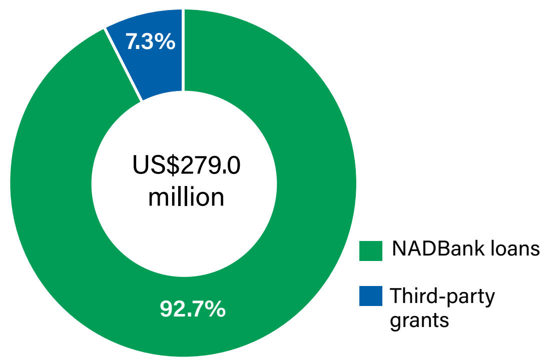
During the course of the year, NADBank disbursed US$279.0 million in loans and grants to support the implementation of 35 infrastructure projects, including US$20.4 million in grants in the water sector provided by the U.S. Environmental Protection Agency (EPA) and the U.S. Department of State.

Disbursements were spread across eight of the ten border states within the geographic jurisdiction of the Bank. While 59% of the funds disbursed went to support seven sustainable energy projects aimed at generating solar energy and/or storing electricity in batteries in the United States, 57% of the projects funded were related to improving water and wastewater systems in 13 Mexican communities and six U.S. communities.

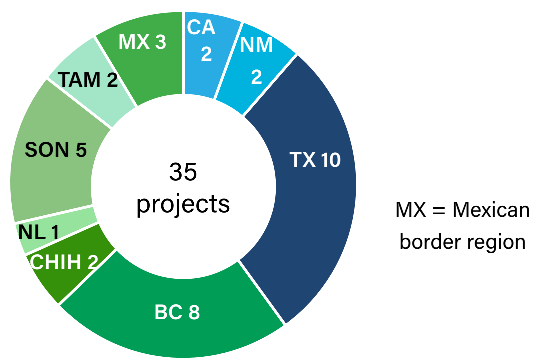
Table 2: 2024 Project Disbursements

		Million USD	Projects
Sector			
Water	$	57.80	20
Air quality		5.71	1
Urban development		3.98	1
Sustainable energy		165.58	7
Sustainable buildings		10.46	2
Sustainable food value chains		20.51	3
Green manufacturing		15.00	1
Total	**$**	**279.04**	**35**
Country			
Mexico	$	104.87	21
United States		174.17	14
Total	**$**	**279.04**	**35**
Type of Financing			
Loans	$	258.67	16
Grants		20.37	19
Total	**$**	**279.04**	**35**

Disbursements by Funding Source



Distribution by Border State



Grants for Basic Infrastructure and Services

Border Environment Infrastructure Fund (BEIF)

Since its inception, the primary objective of NADBank has been to increase access to safe drinking water and eliminate unsanitary water conditions in the U.S.-Mexico border region. To support that goal, NADBank joined forces with the U.S. Environmental Protection Agency (EPA) to channel grant funding to high-priority public drinking water and wastewater infrastructure projects located within 100 km on both sides of the border. This funding is administered by NADBank through its Border Environment Infrastructure Fund (BEIF), which provides grants for project implementation, and through the Project Development Assistance Program (PDAP), which supports the planning and design of projects that have been prioritized to receive a BEIF grant (see page 23).

In 2024, BEIF grants totaling US$11.2 million were approved for four wastewater projects in Mexico, including additional funds for two projects certified in prior years. These grants complement Mexican funding primarily provided by the Comisión Nacional del Agua (CONAGUA) for projects that will help prevent transboundary wastewater flows and the contamination of shared water bodies.

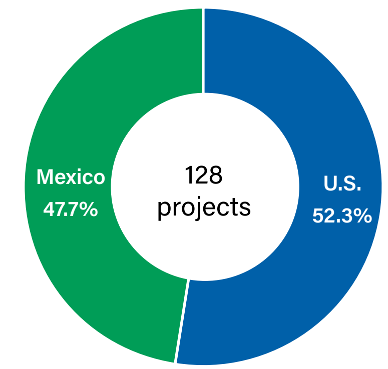
During the year, the Bank disbursed just over US$20.2 million for the implementation of 17 projects in six border states, including three projects that completed construction during the year—a water distribution project in Texas and wastewater projects in New Mexico and Baja California. At year end, 14 projects partially funded with US$71.8 million in BEIF grants were under construction or preparing to begin construction.

Cumulatively, 128 water and wastewater projects partially funded with BEIF grants have completed construction and are in operation, benefitting an estimated 7.5 million border residents. Those projects represent a total investment of close to US$2.0 billion, with BEIF grants covering about 34% of the cost. NADBank also provided loans totaling US$129.8 million for 36 of those projects.

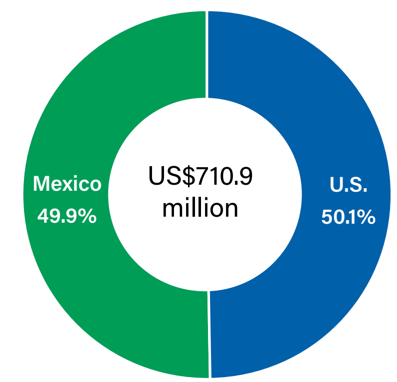
Table 3: BEIF Financing Activity

		Million USD	Projects
2024			
Approved	$	11.20	4
Disbursed		20.23	17
Cumulative			
Approved	$	746.56	143
Disbursed		710.93	141

BEIF Projects by Country



BEIF Disbursements by Country



Community Assistance Program (CAP)

Through this financing program, NADBank provides grants to support investments in critical water and solid waste infrastructure projects in small, underserved communities, using its own funds, as well as grant contributions from the U.S. Department of State (DOS).

During 2024, CAP grants totaling US$2.5 million were approved for six water and wastewater projects, including US$500,000 in emergency funding to support repairs to two major lift stations serving three U.S. communities. The Bank signed grant agreements totaling US$2.0 million with the sponsors of five of those projects prior to year end and disbursed US$139,700 for two projects with funding provided by DOS. At year end, seven projects partially funded with US$2.75 million in CAP grants were under construction or preparing to begin construction.

Cumulatively, 19 water infrastructure and seven solid waste management projects partially funded with CAP grants have completed construction and are in operation, benefitting an estimated 850,840 border residents. Those projects represent a total investment of just over US$20.2 million, with CAP grants covering about 51% of the cost. NADBank also provided a US$2.85-million loan for one of the solid waste projects.

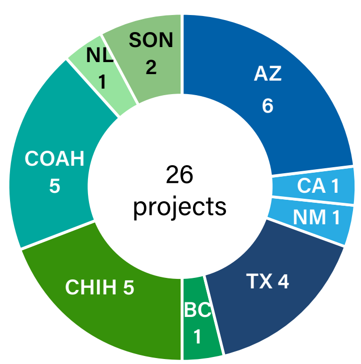
Following an update of the program guidelines in 2023, NADBank published a call for project proposals that concluded in January 2024. Twenty-five eligible proposals representing a total investment need of US$21.0 million were received from communities in seven of the ten border states—the majority related to water infrastructure. During the year, six water and wastewater projects were selected as candidates for CAP funding and incorporated into the project development pipeline. The remaining applications will continue to be considered for future funding, and the application process remains open with evaluations and new project selections occurring on a regular basis.

Table 4: CAP Financing Activity

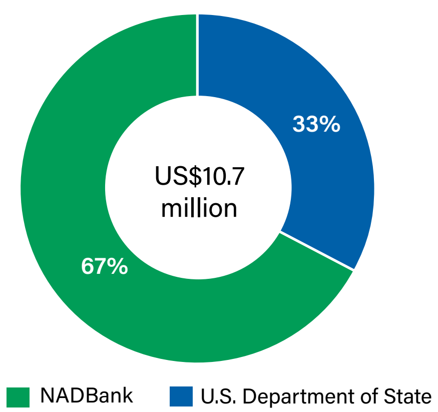
		Million USD	Projects
2024			
Approved	$	2.50	6
Disbursed		0.14	2
Cumulative			
Approved	$	13.61	34
Disbursed		10.70	29

* Since 2021, DOS funding has covered US$3.54 million in CAP project disbursements.

Distribution by Border State



Disbursements by Funding Source



Technical Support and Collaboration in 2024

Technical assistance is an integral component of the development strategy of the Bank to ensure the successful implementation and long-term sustainability of infrastructure projects, as well as to assess evolving border needs and explore innovative solutions to emerging challenges. NADBank provides grants through its Technical Assistance Program (TAP) and administers funding from the U.S. Environmental Protection Agency (EPA) through the Project Development Assistance Program (PDAP) and the Border 2025: U.S.-Mexico Environmental Program. Through these programs, the Bank partners with stakeholders at all levels of government, as well as with non-governmental organizations, academia and the private sector, leveraging financial resources and technical expertise to support the development of resilient border communities.

NADBank Technical Assistance Program (TAP)

NADBank provides grants for technical assistance to fortify the development of environmental infrastructure projects, strengthen the institutional capacities and operational efficiency of public service providers and generate knowledge about new technologies and emerging environmental issues impacting the border region.

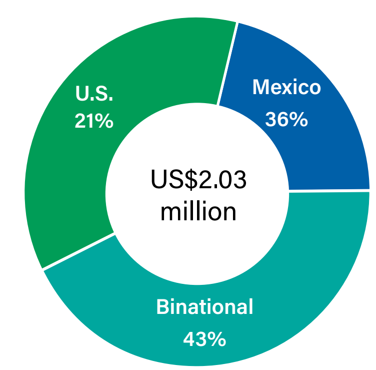
Table 5: TAP Funding Approvals in 2024

	Activities		USD
By Sector			
Water	16	$	2,457,929
Air quality	2		295,000
Urban development	3		399,907
Total	**21**	**$**	**3,152,836**
By Type			
Project development	13	$	1,883,500
Capacity building	1		49,907
Sector development	7		1,219,429
Total	**21**	**$**	**3,152,836**
By Country			
Mexico	12	$	1,997,149
United States	5		542,500
Binational	4		613,187
Total	**21**	**$**	**3,152,836**

During 2024, NADBank approved close to US$3.2 million in grants to support 21 studies and other development activities, including the launch of the new Public Management Leadership Program through the Utility Management Institute (UMI). As indicated in Table 5, most of the funding was allocated to support the development of projects in the water sector, including a biosolids study of the South Bay International Wastewater Treatment Plant in San Diego, California, and the analysis of 13 municipal wastewater treatment plants in five of the six Mexican border states to evaluate their compliance with the new federal effluent standard and, if necessary, provide a roadmap to achieve compliance. In line with its strategic plan, funding was also allocated to support capacity-building and sector development initiatives related to building water resiliency, including a comprehensive analysis of the hydro-agricultural sector in Mexico and Border Growing Water Smart workshops, both of which were carried out prior to year-end.

Disbursements during the year totaled just over US$2.0 million and were covered by grants from the U.S. Department of State (DOS). Approximately 43% of TAP funding was used to support binational initiatives that benefit communities in both countries.

Distribution of TAP Disbursements



Nine studies, workshops and other initiatives related to the water and air quality sectors were completed during the year with US$1.5 million in TAP grants.

Water Resource Management

Tijuana, B.C.

Studies to define the most appropriate technical alternatives, along with the best financing structure, for improvements to the San Antonio de Los Buenos Wastewater Plant, were updated taking into account their cost-effectiveness and design modifications.

Tijuana, B.C.

Options were analyzed for relocating and reusing the treated effluent from the La Morita and Arturo Herrera plants to avoid discharges into the Tijuana River, as well as to supplement the water supply from the Colorado River basin.

Hermosillo, SON

Analysis of alternative water supply options confirmed that a seawater desalination plant is technically and financially feasible, as well as determined that the desalination of brackish water from the El Sahuaral Aquifer was not feasible or sustainable in the medium term and would impact neighboring aquifers.

State of Baja California

Consulting services to support the state government in reviewing, monitoring and generating reports to ensure that the proceeds of the sustainability loan are being used for the water projects selected by the State and in compliance with the applicable regulations and the sustainability framework.

Mexican border region

Comprehensive study of the hydro-agricultural sector, which included a needs assessment that identified opportunities for modernization with a focus on water efficiency, as well as mapped strategic alliances based on field visits to agricultural regions in northern Mexico and interviews with farmers and officials from all three levels of government involved in water management and the agricultural sector. The financial ecosystem for the sector was also examined, and potential financing models and other assistance were analyzed. NADBank will use the study findings to define its strategy to support efforts to address water resilience issues along the border.

Air Quality Monitoring

Laredo, TX, and Nuevo Laredo, TAMPS

A binational air quality measurement system was developed and implemented by Texas A&M Transportation Institute (TTI), with a dashboard designed to provide a user-friendly interface that makes complex air quality data accessible to a wide range of users, from local authorities and researchers to the general public.

Ciudad Juarez, CHIH

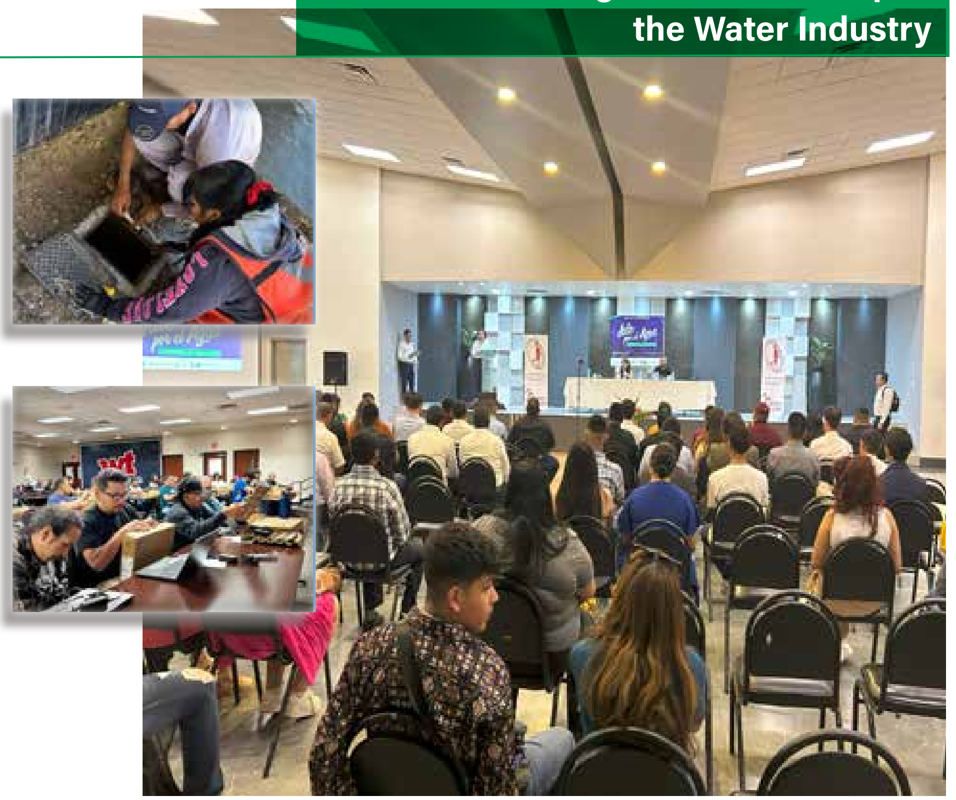
An evaluation of the location and performance of the five air quality monitoring stations concluded that three of the stations should be relocated and additional stations should be installed.

TAP funding was also provided to sponsor the first two cross-border Growing Smart Water workshops with sister cities on the border, and the Skills for Sustainability training program for water technicians came to a successful conclusion.

Growing Water Smart (GWS), a joint program of the Sonoran Institute and the Lincoln Institute of Land Policy's Babbitt Center for Land and Water Policy, provides two-day workshops designed to build interdisciplinary teams from sister cities, counties and regions committed to taking collaborative action in developing resilient water and land use plans and strategies that address local, regional and transboundary water concerns. The overall goal of the program is to foster collaboration in achieving shared objectives: reducing water demand, enhancing water quality and watershed health, and ensuring equitable access to water.

In 2024, with TAP funding, the first two binational GWS workshops on the border were held with two pairs of sister cities: Nogales, Arizona and Nogales, Sonora; and Calexico, California and Mexicali, Baja California. Each workshop was attended by approximately 40 participants from the communities, as well as representatives from the U.S. and Mexican Sections of the International Boundary and Water Commission (IBWC/CILA), along with other federal, state and local agencies and institutions specializing in water management. The participants were led through a series of educational presentations and panels, group-work sessions and case studies, culminating in the development of binational action plans. For more information about GWS and the outcomes of the U.S.-Mexico border workshops, visit https://resilientwest.org/usmxgws/.

Closing a Workforce Gap in the Water Industry



Skills for Sustainability (S4S), a binational workforce development initiative to train water technicians, has provided life-changing economic and educational opportunities for at-risk youth, while also filling a critical employee shortage in the water industry in El Paso, Texas, and Juarez, Chihuahua. More than 285 young men and women who graduated from the 140-hour training program are now beginning meaningful careers in the water sector or were empowered to pursue entrepreneurships or formal education.

In El Paso, 79 of the 104 graduates secured entry-level jobs with El Paso Water (EPW), which has stabilized its workforce, alleviating a shortage of qualified workers across the entire utility by allowing experienced employees to be promoted into mid-level positions and long-serving employees to retire. In Ciudad Juarez, 209 of the 242 individuals trained obtained jobs at the municipal water utility, Junta Municipal de Aguas y Saneamiento de Juárez (JMAS), or other local companies, or received support to continue their formal education.

Spearheaded by The Trust for the Americas, the program was brought to fruition through the collaboration of multiple partners, with financial contributions from NADBank, Microsoft, EPA and the Waterhouse Group, as well as in-kind contributions from EPW, Success Through Technology Education (STTE), Western Tech, Jóvenes Constructores de la Comunidad and the National Chamber of Commerce in Juarez (CANACO). NADBank and The Trust for the Americas are currently seeking additional funding partners to grow the S4S project in Ciudad Juarez to train an additional 120 individuals in 2025.

Engaging potential employers as strategic partners for curriculum development and job placement was critical to the success of the program. In addition to incorporating their feedback into the training content, participants visited the companies, gaining helpful insights into job requirements and benefits. This approach was motivational for the participants as they could see how the training was designed to prepare them for the job. One-on-one conversations with potential employers and opportunities for hands-on experience also enhanced their readiness for employment in the sector.

Based on trainee surveys, S4S also contributed to the socioemotional growth and resilience of its participants, fostering long-term individual and community development, including helping create job opportunities for women in the water industry, as more than a quarter of the participants were women.

Project Development Assistance Program (PDAP)

Through this program, NADBank administers grants from EPA to support the planning and design of water and wastewater infrastructure projects that have been prioritized to receive a BEIF grant.

During 2024, the Bank approved close to US$2.0 million in PDAP grants to help 17 communities assess their existing infrastructure and develop projects to improve or expand their water systems. One of the studies—an analysis of municipal wastewater treatment plants in Mexico to evaluate their compliance with new effluent standards—is being co-funded with a TAP grant.

Table 6: 2024 PDAP Funding Activity

	USD	Initiatives
Approvals	$ 1,987,329	13
Disbursements	1,467,539	16

Table 7: 2024 Initiatives Completed

	No.	USD
Mexico	4	$ 392,852
United States	4	455,868
Total	**8**	**$ 848,720**

During the same period, development activities for eight projects were completed, including environmental information documents and a preliminary engineering report to extend water distribution and/or wastewater collection systems to unserved areas in four U.S. communities, as well as final designs to rehabilitate wastewater collection infrastructure in Tijuana, Baja California, which will help eliminate the risk of sewage spills and transboundary flows to the United States. PDAP funding covered about 65% of the cost of the completed activities, with the remainder covered by the respective project sponsors and other local stakeholders.

At year end, there were 11 PDAP-funded studies in process with a total grant commitment of US$1.6 million to support the development of 11 water and/or wastewater projects.

Border 2025: U.S.-Mexico Environmental Program

NADBank provides project management, logistical and administrative support for this binational program developed by EPA and its Mexican counterpart, the Ministry of Environment and Natural Resources (SEMARNAT), to improve the environment and protect the health of people living within 100 kilometers of both sides of the U.S.-Mexico border. With grants from EPA, the program funds studies, workshops and other initiatives focused on four key goals: (1) reducing air pollution, (2) improving water quality, (3) promoting sustainable waste management and (4) improving joint emergency preparedness.

During 2024, six additional initiatives were selected to receive US$343,033 in grants, bringing the total amount of funding committed by EPA to US$1.84 million for 27 projects. During the same period, eight of those initiatives were completed for a total cost of US$632,525, benefitting 24 border communities. Border 2025 funding covered about 81% of the cost, with the remainder covered by the respective project sponsors and other local stakeholders. Highlights of the initiatives completed during 2024 are presented on the following page.

Table 8: Border 2025 Initiatives Completed in 2024

Goal	No. of projects	Border 2025 Funds	Total Cost
1	2	$ 111,844	$ 137,194
2	4	298,769	358,073
3	2	100,358	137,258
	8	**$ 510,971**	**$ 632,525**

Of the 27 projects funded through the Border 2025 program, 18 have been completed with just over US$1.30 million in program funding, and nine projects were in development with a total grant commitment of US$537,722 at year end. More information about the Border 2025 program is available on the EPA website at https://www.epa.gov/usmexicoborder

Border 2025 Project Highlights

Air Quality Awareness and Monitoring

In the Lower Rio Grande Valley in Texas, monitoring stations were installed at 13 schools across the region to measure concentrations of particulate matter ($PM_{2.5}$) and identify major sources of air pollution in the area. Using tools such as AirNow and PurpleAir dashboards, school administrators can monitor air quality and, when data indicates elevated $PM_{2.5}$ levels, they can implement protective measures, such as limiting outdoor activities. Educational sessions on air pollution were also presented to approximately 1,475 elementary, middle and high school students at schools in Roma, Edinburg and Brownsville, Texas.

Septic System Survey and Best Practices

In Hidalgo County, Texas, bilingual fact sheets on best management practices for onsite wastewater treatment facilities (OWTF) were developed and distributed to 3,000 homeowners in rural areas and unregulated residential developments, and 17 training workshops were attended by more than 600 homeowners. In addition to raising environmental health awareness among homeowners on the importance of properly maintaining their systems, the project sponsor, Communities Unlimited, carried out a geographic information system mapping survey of the OWTFs in the county and developed a geospatial layer of the systems, drainage and receiving streams. Close to 4,000 individual parcels were designated as a priority for future wastewater collection systems.

First-time Waste Collection Services

In Matamoros, Tamaulipas, permanent weekly collection service through four solid waste dumpsters was established for the rural communities of El Control, El Longoreño, El Galaneño, Santa Adelaida and La Gloria. In addition to workshops on proper waste management and sustainable environmental practices for residents and a public awareness campaign for schools, local officials and inspectors received training related to waste management, composting and pesticides. During the first few months of the program, more than 50 tons of waste were collected, and nine illegal dumpsites were cleaned up. The weekly collection service is expected to collect and properly dispose of an estimated 24 tons of waste per month.

Management Discussion and Analysis of Financial Results

Beginning in 2023, all grant and technical assistance activities of the Bank, including grant funds provided by third-party donors, are reported under the Environment Investment and Capacity Facility (EICF), and all other operations of the Bank are reported under Ordinary Capital Resources. Unless otherwise noted, all information provided in this management discussion and analysis refers to the Ordinary Capital Resources of the Bank.

Financial and Operational Highlights

- Development asset portfolio grew 8% year over year
- Transfers of US$15.3 million to the grant facility (EICF)—triple the amount transferred the previous year

Executive Summary

Balance Sheet Growth. The 2024 balance sheet reflects steady growth with a 5% increase in total assets, primarily due to net income of US$21.7 million and net debt proceeds of US$183.2 million, offset by a decrease in foreign currency adjustments on development assets and non-cash changes in the fair value of derivative assets used to mitigate interest and foreign exchange risks.

The development asset portfolio continued its upward trajectory, increasing 8% or US$83.6 million year over year, driven by US$258.7 million in loan disbursements and US$175.1 million in repayments. As a result, NADBank closed the year with an outstanding balance of US$1,133 million compared to US$1,049 million at the end of 2023.

As detailed in the next section, lending activity in 2024 continued to be fueled by disbursements to private-sector borrowers investing in sustainable energy projects in the United States (64%), followed by a major water and wastewater project sponsored by the State of Baja California (14%), while the remaining disbursements were more broadly distributed across five other sustainable sectors.

Gross debt increased 16%, or US$183.2 million net of repayments, mainly as a result of a debt issuance for $140 million Swiss francs (US$163.4 million) placed in the Swiss capital market.

Results of Operations. The main source of revenue for NADBank is interest on its development asset and investment portfolios. In 2024, the Bank had net interest income after provision for credit losses of US$47.3 million, up 5% from the prior year primarily due to the growth of the development asset portfolio, rising interest rates and provisions for credit losses.

Operating expenses remained stable at US$20.4 million, resulting in net operating income of US$26.9 million in 2024, up 9.4% over 2023. Net income for the year ended 2024 totaled US$21.7 million after transfers of US$15.3 million to the EICF, compared to US$23.5 million earned the previous year after EICF transfers of US$5.1 million.

Table 9: Select Financial Data – Ordinary Capital Resources

(Million USD)

	2024	2023	2022	2021	2020
Balance Sheet Data					
Total assets	**$ 2,401.5**	**$ 2,287.9**	**$ 1,994.1**	**$ 2,114.6**	**$ 2,177.2**
of which					
Cash & investments	1,240.8	1,078.1	1,118.9	1,129.8	1,008.1
Gross loans outstanding	1,132.8	1,049.2	920.3	976.5	1,126.3
Total liabilities	**1,533.7**	**1,469.6**	**1,245.3**	**1,337.7**	**1,413.4**
of which					
Debt (short and long term)	1,306.4	1,123.7	1,063.5	1,118.2	1,122.8
Deferred U.S. capital contribution	165.0	165.0	165.0	165.0	165.0
Total equity	**867.8**	**818.3**	**748.8**	**776.9**	**763.8**
of which					
Paid-in capital	506.0	506.0	496.0	486.5	475.0
Retained earnings and reserves	331.7	310.0	286.6	285.6	273.5
Unqualified callable capital[1]	3,037.3	3,037.3	2,980.7	2,926.8	2,861.7
Income Statement Data					
Interest income	$ 128.2	$ 102.4	$ 53.4	$ 47.0	$ 57.0
Interest expense	70.4	59.0	26.1	14.3	21.2
Net interest income	57.8	43.4	27.3	32.7	35.8
Provision for credit losses	10.5	(1.7)	0.0	2.9	0.0
Operating expense	20.4	20.4	19.0	17.5	15.1
Net operating income	26.9	24.6	8.3	12.3	20.7
Net income before EICF transfers	37.0	28.6	8.5	12.1	14.9
Transfer to EICF	15.3	5.1	7.5	–	–
Net income	21.7	23.5	1.0	12.1	14.9
Ratios					
Loans / Equity (%)	130.5	128.2	122.9	125.7	147.5
Assets / Equity (%)	276.7	279.6	266.3	272.2	285.0
Debt (short & long term) / Callable capital (%)	43.0	37.0	35.7	38.2	39.2
Liquid assets / Short-term debt (%)	900.4	20,341.5	21,111.3	729.4	19,020.8
Net income / Equity (%)	2.6	3.0	0.1	1.6	2.1
Net operating income / Equity (%)	3.2	3.1	1.1	1.6	2.9
Non-accrual loans / Loans outstanding (%)	0.8	–	–	1.4	1.2
Operating expenses per $1 M outstanding loans ($)	18,008	19,539	20,645	17,921	13,407

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

Credit Ratings. During 2024, Moody's Investors Service and Fitch Ratings affirmed their global rating of NADBank at Aa1 and AA, respectively, with stable outlooks. Both agencies noted the sound capital and liquidity position of the Bank, the strength and stability of its finances, the prudent management of credit, as well as its strong risk management practices and continued support from shareholders.

2024	Fitch	Moody's
Global	AA/F1+ stable	Aa1/Prime-1 stable
Local	AAA(mex) stable	AAA(mex) stable

Institutional Overview

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

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

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

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

The Bank also administers grant funding provided by other entities. To facilitate lending to the Mexican public sector, the Bank established COFIDAN, a multipurpose financial institution. Its results are consolidated with those of the Bank.

Development Asset Portfolio

Development assets consist of loans executed with public and private entities to finance the implementation of environmental infrastructure that support sustainable development in the U.S.-Mexico border region. Table 10 summarizes lending activity during 2024 in comparison with 2023.

Table 10: Summary of Lending Activity

(Million USD)

	2024		2023	
	No.	**Amount**	**No.**	**Amount**
Loans approved	13	$ 348.50	7	$ 213.20
Loans signed	12	265.66	8	329.90
Loans disbursed	16	258.67	9	218.83
Undisbursed balances:				
Signed loans*	16	229.38	14	257.03
Approved loans pending signing**	17	285.45	10	176.57

* Figures include the available balance of two revolving loans.
** 2024 figures include six unsigned loans, as well as the unsigned portion of 11 partially executed loans. 2023 figures include four unsigned loans, along with the unsigned portion of six partially executed loans.

Lending Activity. In line with its mission and strategic plan objectives, NADBank continued to diversify its development asset portfolio to meet the sustainable development needs of the border region. While three energy storage projects in the U.S. accounted for 59% of the loans approved during the year, NADBank also approved US$57.3 million in loans to support three projects for cleaner, more efficient mobility, as well as US$50 million in loans for two sustainable housing projects in the Mexican border region and three loans totaling US$26 million to support sustainable food production and more energy-efficient manufacturing processes.

Altogether, NADBank approved US$348.5 million in loans in 2024, an increase of 63% over the previous year (US$213.2 million) and 40% above the average for the previous five years (US$248.2 million). Eight of those loans were partially or fully contracted prior to year end for a total of US$222.2 million. An additional US$43.5 million in loans pending contracting at the end of 2023 were also executed in 2024 for four projects.

Loan disbursements totaled US$258.7 million in 2024, an increase of 18% over the previous year (US$218.8 million) and 95% above the average of the previous five years (US$132.8 million). As shown in Table 11, new lending in 2024 primarily supported seven sustainable energy projects in the U.S., which accounted for 64% of disbursements, followed by ongoing disbursements for a water and wastewater project in Baja California (14%) and the disbursement of three loans to support more sustainable food production initiatives in Mexico (8%). NADBank also disbursed its first loan to support cleaner, more efficient manufacturing processes in Mexico, which accounted for 6% of disbursed funds. Similarly, during 2023, more than half of the loans disbursed went to five sustainable energy projects in the U.S. (52%), followed by disbursements for two water infrastructure loans (36%) and two sustainable building loans (13%).

Table 11: Annual Loan Disbursements

(Million USD)	2024	2023
By Sector*		
Water	$ 37.43	$ 77.73
Air quality	5.71	–
Urban development	3.98	–
Sustainable energy	165.58	113.39
Sustainable buildings	10.46	27.71
Sustainable food value chains	20.51	–
Green manufacturing	15.00	–
Total	**$ 258.67**	**$ 218.83**
By Country		
Mexico	$ 93.09	$ 60.18
United States	165.58	158.65
Total	**$ 258.67**	**$ 218.83**

* During 2024, loans executed through the COVID-19 Recovery Program (ProRec) were reclassified to environmental sectors. For comparative purposes, the disbursement of a ProRec loan for US$3.25 million in 2023 is now reflected in sustainable buildings.

Disbursements outstripped principal payments as prepayments continued to trend downward in a high-interest-rate environment. During 2024, NADBank received a total of US$175.1 million in principal repayments, consisting of US$11.9 million in partial prepayments on five loans and US$163.2 million in scheduled payments, which included US$102.0 million in short-term bridge loan payments for three sustainable energy projects. In comparison, during 2023, the Bank received US$89.9 million in principal payments, of which US$55.8 million was scheduled amortizations and US$34.1 million was prepayments.

Portfolio Status. As a result of lending activity in 2024, the development asset portfolio increased by US$83.6 million to US$1,132.8 million from US$1,049.2 million a year earlier. Table 12 shows the distribution of the development asset portfolio by sector and country at the end of 2024 and 2023.

Table 12: Distribution of Development Assets

(Million USD)	2024	2023
By Sector*		
Water	$ 243.09	$ 216.73
Solid waste	–	0.61
Air quality	94.98	100.79
Sustainable energy	675.92	658.50
Urban development	35.77	34.76
Sustainable buildings	38.17	27.71
Sustainable food value chains	29.88	10.12
Green manufacturing	15.00	–
Total	**$ 1,132.81**	**$ 1,049.22**
By Country		
Mexico	$ 687.27	$ 646.08
United States	445.54	403.14
Total	**$ 1,132.81**	**$ 1,049.22**

* During 2024, loans executed through the COVID-19 Recovery Program (ProRec) were assigned to environmental sectors, and the ProRec loans as of December 31, 2023, were reclassified for comparison purposes.

Sector Distribution. During 2024, the loans made through the COVID-19 Recovery Program (ProRec) were assigned to environmental sectors, which boosted the outstanding balance of loans in water infrastructure by US$25.9 million, urban development by US$18.0 million and sustainable buildings by US$8.7 million. For comparative purposes, the 2023 loan balances in those same sectors were adjusted upward by US$26.6 million, US$19.4 million and US$3.25 million, respectively.

During 2024, the balance of loans invested in water infrastructure grew 12% (US$26.4 million) with ongoing disbursements under the Baja California sustainability loan executed in 2023, while the balance of sustainable energy loans increased 3% (US$17.4 million) as disbursements in this sector were significantly offset by principal payments. The most significant growth in the portfolio occurred in sustainable food value chains, where the balance of outstanding loans almost tripled with disbursements to three projects in Mexico. A new sector was also introduced with the disbursement of the first loan to support green manufacturing.

As a result of this lending activity and a more diversified portfolio, at the close of 2024, loans invested in sustainable energy assets comprised less than 60% of the development asset portfolio, down from 63% from a year earlier, while loans in water-related assets increased slightly to 21.5% in 2024 from 20.7% in 2023. The level of air quality assets in the portfolio also declined slightly to 8% from 10% with the payoff of two mobility loans. In addition, the only outstanding loan in solid waste management was repaid in full during the year.

Geographic Distribution. Although US$165.6 million or 64% of disbursements in 2024 went to borrowers in the U.S., this new lending was significantly offset by US$113.0 million in short-term bridge loan payments and prepayments. Consequently, portfolio distribution by country in 2024 remained stable with 39% held by borrowers in the U.S. and 61% in Mexico, compared to 38% and 62%, respectively, a year earlier.

In Mexico, the US$687.3 million in outstanding loans were distributed across all six border states, with the largest concentrations in Tamaulipas (26.7%), Sonora (26.5%) and Baja California (21.1%). In the U.S., outstanding loans totaled US$445.5 million, with 70.6% invested in Texas and the remaining 29.4% in California.

Portfolio Quality. NADBank rates its entire loan portfolio annually, including projects in operation and under construction, using a credit risk scorecard developed by an internationally recognized credit rating agency. The Bank uses the standard rating scale of that agency, and the probability of default is estimated using the remaining maturity of the loan.

Table 13 shows a breakdown of the loan portfolio by internal credit rating. At the close of 2024 and 2023, loans rated AAA to BBB-, which would be considered investment grade, represented 50% and 49% of the portfolio, respectively. The largest concentration of loans was in the BB category, with an outstanding balance of US$453.3 million and US$493.3 million, representing 40% and 47% of the loan portfolio in 2024 and 2023, respectively. At those same dates, B category loans represented 9% (US$106.3 million) and 4% (US$43.9 million) of the portfolio, respectively. During 2024, one loan placed on non-accrual was rated D, representing less than one percent of the portfolio.

Table 13: Internal Rating of Loan Portfolio

(Million USD)	2024	2023
AAA	$ –	$ –
AA+	23.05	23.05
AA	1.99	2.60
AA-	21.09	–
A+	–	21.63
A	4.16	4.37
A-	110.23	112.99
BBB+	102.52	108.77
BBB	190.01	170.75
BBB-	110.79	67.86
BB+	104.43	215.58
BB	232.55	248.29
BB-	116.35	29.44
B+	66.69	31.26
B	39.59	12.63
B-	–	–
C	–	–
D	9.36	–
Total	**$ 1,132.81**	**$ 1,049.22**

As of December 31, 2024, the allowance for credit losses was US$27.6 million, equivalent to 2.43% of the balance of outstanding loans, compared to US$16.5 million at the close of 2023. The US$11.1-million increase is mainly attributed to changes in the credit profile of the borrowers, portfolio growth and adjustments deriving from a market update of the default probability tables.

Outlook. At the close of 2024, the Bank had US$229.4 million in loans contracted pending disbursement for 16 projects, as well as up to US$285.5 million in approved loans pending signing for 17 projects. As of December 31, 2024, loans outstanding plus loans contracted pending disbursement totaled US$1,362 million. NADBank also had a pipeline of projects in development at year end, including several water supply and wastewater reuse projects, utility-scale energy storage systems and mobility projects.

Lending Capacity. As of December 31, 2024, the lending capacity of the Bank was US$3,567 million, compared to US$3,570 million at the close of 2023.

Shareholder Support

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

The Bank has received GCI contributions from both shareholders. Mexico has contributed US$41 million in paid-in capital and unqualified US$232.3 million in callable capital. The United States has provided its full contribution of US$225.0 million in paid-in capital, of which US$165.0 million is restricted from commitment until the corresponding payments are received from Mexico, as well as unqualified US$255 million of callable capital.

Table 14: NADBank Capital

(Million USD)	2024	2023
Total subscribed capital[1]	$ 6,000	$ 6,000
of which		
Callable capital[2]	5,100	5,100
Qualified	2,063	2,063
Unqualified	3,037	3,037
Paid-in capital	506	506

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

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

As of December 31, 2024, total equity was US$867.8 million, an increase of US$49.5 million (6%) compared to US$818.3 million at the close of 2023. The increase was primarily due to US$21.7 million in net income and an increase of US$27.8 million in accumulated other comprehensive income.

It is worth noting that in January 2025 Mexico made a GCI contribution of US$46.0 million in paid-in capital (4,600 shares) and unqualified an additional 26,067 shares of callable capital for US$260.67 million.

External Funding

Gross debt increased 16% to US$1,308.5 million in 2024 from US$1,125.3 million a year earlier, due to US$188.5 million in new debt, less US$5.3 million in debt repayments. In January 2024, NADBank increased its Mexican peso treasury with the execution of a third collateralized debt borrowing for $430 million Mexican pesos (US$25.1 million) that will mature in 2029 and, in October, issued a six-year green bond for $140 million Swiss francs (US$163.4 million) that will mature in 2030. The debt proceeds will be used to fund the lending operations of the Bank, as well as payment of a bond maturing in 2025.

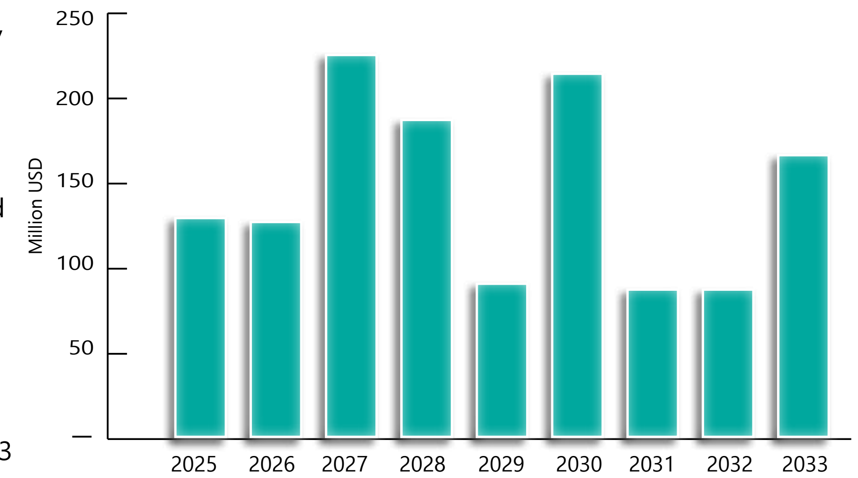
The new debt was contracted under the NADBank Sustainable Financing Framework. Further details about the framework and the allocation of debt proceeds are available on the NADBank website.

Table 15: Gross Debt

	2024	2023
By Currency		
USD	$ 50.00	$ 55.26
CHF	894.91	731.50
NOK	173.45	173.45
MXN	190.15	165.08
	$ 1,308.51	**$ 1,125.29**
By Maturity		
Short term	$ 128.70	$ 5.26
Long term	1,179.81	1,120.03
	$ 1,308.51	**$ 1,125.29**

Table 15 shows a breakdown of gross outstanding debt by currency and maturity at the close of 2024 and 2023. The maturity schedule for NADBank debt is illustrated in the adjacent graph.

NADBank Debt Amortization Profile



The NADBank debt limit policy establishes that total debt outstanding may not exceed the callable portion of the subscribed capital shares, plus the minimum liquidity level required under the liquidity policy. With US$3,037.3 million in unqualified subscribed callable capital and a minimum liquidity level of US$467 million, the maximum debt limit in 2024 was US$3,504.3 million, compared to the maximum limit of US$3,389.3 million in 2023. At the close of 2024, total debt outstanding (US$1,308.5 million) was 37% of the debt limit.

Use of Derivatives

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

Cash and Investments

At December 31, 2024, cash and investments totaled US$1,240.8 million, up from US$1,078.1 million at year-end 2023. The 15% increase was primarily a result of the proceeds from the debt issuances and net income for the year, offset by disbursements in development assets.

NADBank pledged a portion of its investment securities for borrowings in Mexican pesos in the form of repurchase agreements. At December 31, 2024 and 2023, securities pledged under collateralized borrowings totaled US$270.8 million and US$239.3 million, respectively.

The NADBank investment policy limits the investment portfolio to highly rated, liquid fixed-income securities. Table 16 shows the cash and investment holdings of NADBank as of December 31, 2024 and 2023.

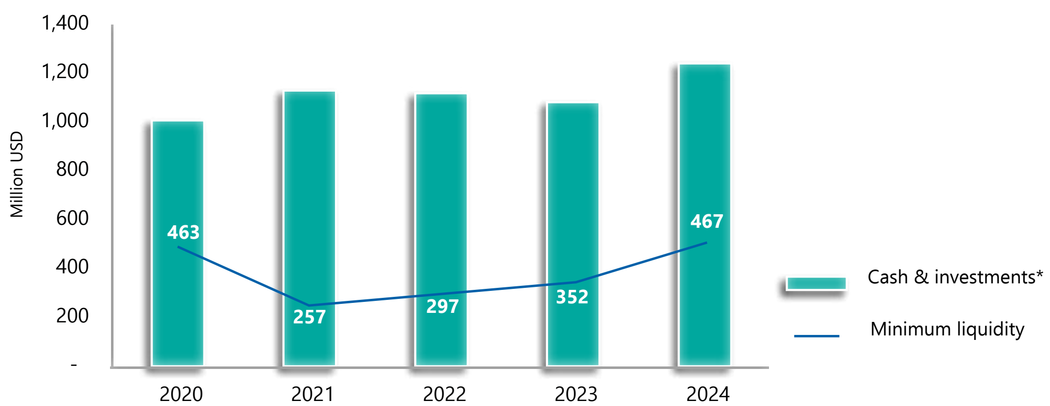
Table 16: NADBank Cash and Investments

(Million USD)	2024		2023	
	Amount	%	Amount	%
Cash and cash equivalents	$ 84.37	6.8	$ 53.73	5.0
U.S. government securities	420.16	33.9	353.77	32.8
U.S. agency securities	84.65	6.8	88.39	8.2
Mexican government securities	131.36	10.6	114.27	10.6
Corporate debt securities	181.96	14.7	164.54	15.3
Other fixed-income securities	63.69	5.1	59.47	5.5
Securities pledged under collateralized borrowings	270.78	21.8	239.32	22.2
Mortgage-backed securities	3.85	0.3	4.56	0.4
Total	**$ 1,240.82**	**100.0**	**$ 1,078.05**	**100.0**

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

In 2024, the minimum liquidity requirement was US$467 million. As of December 31, 2024, liquidity stood at US$1,241 million, which included US$165 million in deferred U.S. capital contributions and US$271 million in investment securities pledged under collateralized borrowings. Minimum liquidity for 2025 is US$359 million.

Cash and Investments Relative to Liquidity Requirements



* Includes deferred capital contributions of US$165 million every year and investment securities pledged under collateralized borrowings for US$141 million, US$239 million and US$271 million in 2022, 2023 and 2024, respectively.

Net Income

Net income totaled US$21.7 million for the year ended 2024, slightly lower than the US$23.5 million reported a year earlier. The main income and expense components are detailed below.

Net Interest Income. With a growing development asset portfolio and higher interest rates on both loans and investments, interest revenue totaled US$128.2 million in 2024, a 25% increase over the US$102.4 million earned in 2023. Additional debt and rising interest rates also affected interest expense, which totaled US$70.4 million by year end, an increase of US$11.3 million over the previous year, resulting in net interest income of US$57.8 million for the year, a 33% increase over the previous year.

Table 17: Interest Income

(Million USD)	2024	2023
Loans	$ 82.70	$ 72.04
Investments	45.47	30.39
Total interest income	128.17	102.43
Interest expense	70.39	59.07
Net interest income	57.78	43.36
Provision for credit losses	10.50	(1.69)
Net interest income after provision for credit losses	**$ 47.28**	**$ 45.05**

In 2024, the Bank recorded provisions for credit losses of US$10.5 million, compared to a decrease of US$1.7 million in 2023. The increase is mainly attributed to an additional provision of US$5.3 million for a non-accrual loan, as well as portfolio growth and adjustments deriving from a market update of the default probability tables used to calculate the allowance for loans. As a result, the Bank closed the year with US$47.3 million in net interest income after provisions, a 5% increase over the previous year.

Table 18: Operating Expenses

(Million USD)	2024	2023
Personnel	$ 17.90	$ 18.14
Administrative	2.77	2.62
Consultants and contractors	2.27	2.10
Other	(1.08)	(0.92)
Grant operating reimbursements, net	(1.55)	(1.54)
Depreciation	0.08	0.06
Total operating expenses	**$ 47.28**	**$ 45.05**

Net Operating Income. Operating expenses, which were partially offset by the reimbursement of expenses incurred in the administration of third-party grants under the EICF, totaled US$20.4 million for the year, in line with the previous year. As a result, the Bank closed the year with net operating income of US$26.9 million, an increase of 9.4% over the US$24.6 million recorded the previous year.

Transfers to EICF. Upon creation of this grant facility, the Board agreed to continue providing ongoing support to the EICF through transfers of allocable income from the Ordinary Capital Resources of the Bank. In 2024, the Bank transferred US$15.3 million to the EICF, including US$10.0 million to pre-seed a water conservation and diversification fund that was under development at the end of the year. In contrast, the Bank transferred US$5.1 million to the EICF during 2023.

Environment Investment and Capacity Facility (EICF)

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

At the close of 2024, the EICF fund balance was US$29.1 million, more than double the US$12.9 million recorded a year earlier. This growth is mainly the result of US$15.3 million in transfers from the allocable income of the Bank, as well as to contributions from the U.S. Department of State that covered US$2.3 million in grant disbursements through the NADBank CAP and TAP. Table 19 presents the summary balance sheet of the facility as of December 31, 2024 and 2023.

Table 19: EICF Summary Balance Sheet

(Million USD)	2024	2023
Cash and cash equivalents	$ 20.14	$ 12.72
Receivables	11.47	2.10
Total assets	**$ 31.61**	**$ 14.82**
Payables	$ 0.16	$ 0.29
Undisbursed grant funds	2.38	1.59
Fund balance	29.07	12.94
Total liabilities and fund balance	**$ 31.61**	**$ 14.82**

During 2024, the Bank disbursed a total of US$24.4 million in grants through the EICF for the implementation of infrastructure projects and technical assistance initiatives, which were entirely funded by third-party donors. Table 20 shows a breakdown of the disbursements by sector, country and type. More information about the grant programs and sources of funding is provided in the notes to the EICF financial statements.

Table 20: Grant Disbursements[1]

(Thousand USD)	2024		2023	
	Amount	Projects	Amount	Projects
By Sector				
Water	$ 23,403	55	$ 15,532	54
Solid waste	236	4	937	6
Air quality	635	7	525	8
Urban development	67	2	59	2
Sustainable building	42	1	4	1
Green manufacturing	–	–	50	1
Emergency preparedness	–	–	39	1
Total	**$ 24,383**	**69**	**$ 17,146**	**73**
By Country				
Mexico	13,203	38	$ 8,965	36
United States	10,266	22	7,665	23
Binational	914	9	516	14
Total	**$ 24,383**	**69**	**$ 17,146**	**73**
By Funding Type				
Project financing[2]	$ 20,371	19	$ 13,663	21
Technical assistance[3]	4,012	50	3,483	52
Total	**$ 24,383**	**69**	**$ 17,146**	**73**

[1] Includes project financing and technical assistance initiatives.
[2] Includes projects financed with BEIF and CAP grants.
[3] Includes technical assistance through TAP/UMI, PDAP, Border 2025 and an Air Quality Monitoring Fund.

Basis of Financial Reporting

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

External Auditors

The accounts of the Bank are audited annually by independent external auditors of international reputation chosen by the Board of Directors on the basis of a proposal by Bank management. Under the policies and principles established by the Board, the external auditors are selected through a competitive process, are appointed for terms of up to five years and are engaged on an annual basis. In 2023, Ernst & Young LLP (E&Y) won the bid and was appointed by the Board of Directors to perform the annual audit of the Bank's accounts for fiscal years 2023 through 2027. The Bank renewed its contract with E&Y to carry out the annual audit of its accounts for fiscal year 2024.

North American Development Bank

Ordinary Capital Resources

Consolidated Financial Statements

December 31, 2024

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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, 2024 and 2023, 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, 2024 and 2023, 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.

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 2, 2025

Consolidated Balance Sheets
As of December 31, 2024 and 2023

	December 31, 2024	December 31, 2023
Assets		
Cash and cash equivalents:		
Held at other financial institutions	$ 75,072,070	$ 22,531,480
Repurchase agreements	9,300,000	31,200,000
Total cash and cash equivalents	84,372,070	53,731,480
Held-to-maturity investment securities, at amortized cost	4,550,451	4,308,115
Available-for-sale investment securities, at fair value	1,151,890,144	1,020,014,675
Loans outstanding	1,132,807,686	1,049,224,579
Allowance for credit losses	(27,577,193)	(16,546,195)
Unamortized loan fees	(6,695,299)	(6,528,697)
Foreign currency exchange rate adjustment	(89,306,267)	(25,251,690)
Hedged items for loans, at fair value	(12,400,026)	1,296,457
Net loans outstanding	996,828,901	1,002,194,454
Interest receivable	14,978,282	22,420,512
Securities settlement receivable	–	4,000,000
Other receivables	870,053	3,947,387
Furniture, equipment and leasehold improvements, net	267,207	76,601
Other assets	147,806,193	177,206,661
Total assets	$ 2,401,563,301	$ 2,287,899,885

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

Consolidated Balance Sheets
As of December 31, 2024 and 2023

	December 31, 2024	December 31, 2023
Liabilities and Equity		
Liabilities:		
Current liabilities		
Accounts payable	$ 1,081,614	$ 4,868,540
Accrued liabilities	3,148,937	3,125,033
Accrued interest payable	12,736,980	15,017,438
Due to Environment Investment and Capacity Facility (EICF)	11,300,000	2,000,000
Other liabilities	52,497,043	48,143,933
Short-term debt, net of discounts and unamortized debt issuance costs	128,707,491	5,264,000
Foreign currency exchange rate adjustment	9,055,545	–
Net short-term debt	137,763,036	5,264,000
Total current liabilities	218,527,610	78,418,944
Long-term liabilities:		
Long-term lease payable	37,922	278,654
Long-term post-retirement benefits payable	3,293,062	3,441,778
Deferred U.S. capital contribution	165,000,000	165,000,000
Long-term debt, net of discounts and unamortized debt issuance costs	1,177,711,807	1,118,474,408
Foreign currency exchange rate adjustment	(25,541,126)	108,478,892
Hedged items for debt, at fair value	(5,300,748)	(4,458,154)
Net long-term debt	1,146,869,933	1,222,495,146
Total long-term liabilities	1,315,200,917	1,391,215,578
Total liabilities	1,533,728,527	1,469,634,522
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	(394,000,000)	(394,000,000)
Paid-in capital	506,000,000	506,000,000
Retained earnings	331,679,509	309,966,937
Accumulated other comprehensive income	30,150,807	2,293,932
Non-controlling interest	4,458	4,494
Total equity	867,834,774	818,265,363
Total liabilities and equity	$ 2,401,563,301	$ 2,287,899,885

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

Consolidated Statements of Income
For the Years Ended December 31, 2024 and 2023

	For the Years Ended December 31, 2024	For the Years Ended December 31, 2023
Interest income:		
Loans	$ 82,700,428	$ 72,039,640
Investments	45,467,926	30,394,011
Total interest income	128,168,354	102,433,651
Interest expense	70,386,545	59,074,407
Net interest income	57,781,809	43,359,244
Provision for credit losses	10,498,847	(1,689,191)
Net interest income after provision for loan losses	47,282,962	45,048,435
Operating expenses (income):		
General and administrative:		
Personnel	17,902,644	18,138,834
Administrative	2,773,556	2,628,323
Consultants and contractors	2,274,062	2,102,607
Other	(1,080,654)	(922,318)
Grant operating reimbursements, net	(1,552,388)	(1,544,195)
Depreciation	78,438	61,780
Total operating expenses	20,395,658	20,465,031
Net operating income	26,887,304	24,583,404
Non-interest and non-operating income (expenses):		
Gain (loss) on sale of securities, net	85,833	(1,373,307)
Fees and other income (expense), net	572,952	495,456
Income from foreign currency adjustments and hedging activities	9,466,447	4,926,036
Total non-interest and non-operating income	10,125,232	4,048,185
Transfer to Environment Investment and Capacity Facility (EICF)	15,300,000	5,101,424
Net income	21,712,536	23,530,165
Non-controlling interest in net income	(36)	(106)
Controlling interest in net income	$ 21,712,572	$ 23,530,271

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

Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2024 and 2023

	For the Years Ended December 31, 2024	For the Years Ended December 31, 2023
Net income	$ 21,712,536	$ 23,530,165
Non-controlling interest in net income (loss)	(36)	(106)
Controlling interest in net income	21,712,572	23,530,271
Other comprehensive income:		
Available-for-sale investment securities:		
Change in unrealized gains (losses) during the period, net	6,590,066	27,366,381
Reclassification adjustment for net losses (gains) included in net income	(85,833)	1,373,307
Total unrealized gains on available-for-sale investment securities	6,504,233	28,739,688
Post-retirement benefit liability adjustment	387,558	–
Foreign currency translation adjustment	(46,170)	41,002
Unrealized gains (losses) on hedging activities:		
Foreign currency translation adjustment, net	29,360,562	(15,912,110)
Fair value of cross-currency interest rate swaps and options, net	(8,349,308)	23,237,517
Total unrealized gain on hedging activities	21,011,254	7,325,407
Total other comprehensive income	27,856,875	36,106,097
Total comprehensive income	$ 49,569,447	$ 59,636,368

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

Consolidated Statement of Changes in Equity
For the Years Ended December 31, 2024 and 2023

	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest	Total Equity
Beginning balance, January 1, 2023	$ 496,000,000	$ 286,619,700	$ (33,812,165)	$ 4,600	$ 748,812,135
Capital contribution	10,000,000	–	–	–	10,000,000
Cumulative adjustment for adoption of credit loss accounting standard	–	(183,034)	–	–	(183,034)
Net income	–	23,530,271	–	–	23,530,271
Other comprehensive income	–	–	36,106,097	–	36,106,097
Non-controlling interest	–	–	–	(106)	(106)
Ending balance, December 31, 2023	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

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

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2024 and 2023

	For the Years Ended December 31, 2024	For the Years Ended December 31, 2023
Cash flows from operating activities		
Net income	$ 21,712,572	$ 23,530,271
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	78,438	61,780
Amortization of net premiums (discounts) on investments	(14,087,241)	(5,875,630)
Change in fair value of swaps, options, hedged items and other non-cash items	19,504,844	(23,487,368)
Non-controlling interest	(36)	(106)
(Gain) loss on sale of securities, net	(85,833)	1,373,307
Provision for credit losses	10,498,847	(1,689,191)
Post-retirement benefits payable	(148,716)	304,870
Change in other assets and liabilities:		
(Increase) decrease in interest receivable	7,442,230	(4,135,407)
(Increase) decrease in accounts receivable	3,077,334	(362,872)
(Increase) decrease in securities settlement receivable	4,000,000	(4,000,000)
Increase (decrease) in accounts payable	(3,786,926)	748,936
Increase in accrued liabilities	23,904	112,739
Increase (decrease) in accrued interest payable	(2,280,458)	1,359,006
Increase (decrease) in due to EICF	9,300,000	(6,729,539)
Net cash provided by (used in) operating activities	55,248,959	(18,789,204)
Cash flows from lending, investing, and development activities		
Capital expenditures	(269,044)	(57,464)
Loan principal repayments	175,089,961	89,900,704
Loan disbursements	(258,673,068)	(218,828,632)
Purchase of held-to-maturity investment securities	(8,912,862)	(9,871,713)
Purchase of available-for-sale investment securities	(917,008,570)	(645,854,189)
Proceeds from maturities of held-to-maturity investments	8,890,000	9,861,000
Proceeds from sales and maturities of available-for-sale investments	793,053,742	612,805,876
Net cash used in lending, investing, and development activities	(207,829,841)	(162,044,418)
Cash flows from financing activities		
Capital contribution	–	10,000,000
Proceeds from other borrowings	25,067,706	65,083,916
Proceeds from note issuances	163,417,766	–
Principal repayment of other borrowings	(5,264,000)	(5,264,000)
Net cash provided by financing activities	183,221,472	69,819,916
Net increase (decrease) in cash and cash equivalents	30,640,590	(111,013,706)
Cash and cash equivalents, beginning of period	53,731,480	164,745,186
Cash and cash equivalents, end of period	$ 84,372,070	$ 53,731,480
Supplemental cash information		
Cash paid during the year for interest	$ 28,534,963	$ 22,545,961
Significant non-cash transactions		
Foreign currency translation adjustment	$ 29,360,562	$ (15,912,110)
Change in fair value of cross-currency interest rate swaps, net	(8,349,308)	23,237,517
Change in fair value of available-for-sales investments, net	6,504,233	28,739,688

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

Notes to Consolidated Financial Statements

December 31, 2024

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. As of December 31, 2024 and 2023, 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).

On December 28, 2022, the Board approved the establishment of the Environment Investment and Capacity Facility (EICF) to hold the Bank's grant funds available for construction and technical assistance purposes, including funds provided by third-party donors. With the establishment of the grant facility, the activities of the Bank are conducted through either Ordinary Capital Resources or the EICF, which are accounted for separately. All grant and technical assistance activities are reported under the EICF, while all other operations of the Bank are reported through Ordinary Capital Resources.

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

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates in Financial Statements

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

2. Summary of Significant Accounting Policies (continued)

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, 2024, cash deposits with other financial institutions in demand deposit accounts and interest-bearing accounts totaled $496,109 and $74,575,961 respectively. As of December 31, 2023, cash deposits with other financial institutions in demand deposit accounts and interest-bearing accounts totaled $568,112 and $21,963,368, 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.

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.

2. Summary of Significant Accounting Policies (continued)

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 its 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.

Loans that are past due 90 days or more as to principal or interest, or where reasonable doubts exist as to timely collection, including loans that are individually identified as being impaired, are generally classified as nonperforming loans unless well secured and in the process of collection.

Loans are generally placed on nonaccrual status when principal or interest is delinquent for 180 days (unless adequately secured and in the process of collection) or circumstances indicate that the full collection of principal and interest is in doubt. When a loan is placed in nonaccrual status, accrued interest deemed uncollectible is reversed through current-year interest income.

2. Summary of Significant Accounting Policies (continued)

In cases where a borrower experiences financial difficulty, the Bank may make certain modifications to the contractual terms of the loan. If the borrower's ability to meet the revised payment schedule is uncertain, the loan is classified as a nonaccrual loan.

At each reporting period, the Bank assesses whether assets continue to display similar risk characteristics. If particular assets no longer display similar risk characteristics to the population, 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 loan's effective interest rate or the fair value of the collateral, if the loan is collateral dependent.

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.

Loan Portfolio Risk Rating

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

2. Summary of Significant Accounting Policies (continued)

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

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

Allowance for Credit Losses

On January 1, 2023, the Bank implemented ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended by ASU 2019-10, 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. Upon adoption of the standard on January 1, 2023, the allowance for credit losses decreased by $1,519,413, which was offset with the allowance for off-balance sheet, undisbursed loan commitments of $1,702,447. The net difference of $183,034 resulted in an opening retained earnings cumulative-effect adjustment using a modified-retrospective approach.

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
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

2. Summary of Significant Accounting Policies (continued)

in foreign currency exchange rates and interest rates. As of December 31, 2024, 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 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.

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

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

2. Summary of Significant Accounting Policies (continued)

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

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

Accumulated Other Comprehensive Income

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

Reclassifications

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

3. Investments

All investments held by the Bank are classified as either held-to-maturity or available-for-sale securities. The following schedule summarizes investments as of December 31, 2024 and 2023.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2024				
Held-to-maturity:				
U.S. government securities	$ 4,550,451	$ 692	$ –	$ 4,551,143
Total held-to-maturity investment securities	4,550,451	692	–	4,551,143
Available-for-sale:				
U.S. government securities	420,758,117	108,186	(5,260,434)	415,605,869
U.S. agency securities	86,493,676	24,551	(1,869,199)	84,649,028
Corporate debt securities	183,072,357	804,026	(1,918,118)	181,958,265
Other fixed-income securities	64,411,188	231,602	(953,273)	63,689,517
Mexican government securities	131,862,449	116,634	(620,937)	131,358,146
Securities pledged under collateralized borrowings[1]	271,316,125	2,027,351	(2,563,169)	270,780,307
Mortgage-backed securities	4,338,018	–	(489,006)	3,849,012
Total available-for-sale investment securities	1,162,251,930	3,312,350	(13,674,136)	1,151,890,144
Total investment securities	$ 1,166,802,381	$ 3,313,042	$ (13,674,136)	$ 1,156,441,287
December 31, 2023				
Held-to-maturity:				
U.S. government securities	$ 4,308,115	$ 1,679	$ –	$ 4,309,794
Total held-to-maturity investment securities	4,308,115	1,679	–	4,309,794
Available-for-sale:				
U.S. government securities	360,049,360	440,956	(11,030,608)	349,459,708
U.S. agency securities	92,284,806	45,023	(3,938,163)	88,391,666
Corporate debt securities	168,052,854	1,099,862	(4,612,075)	164,540,641
Other fixed-income securities	61,126,755	173,901	(1,829,472)	59,471,184
Mexican government securities	114,991,080	58,216	(784,374)	114,264,922
Securities pledged under collateralized borrowings[1]	235,297,666	4,895,996	(871,055)	239,322,607
Mortgage-backed securities	5,078,173	–	(514,226)	4,563,947
Total available-for-sale investment securities	1,036,880,694	6,713,954	(23,579,973)	1,020,014,675
Total investment securities	$ 1,041,188,809	$ 6,715,633	$ (23,579,973)	$ 1,024,324,469

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

3. Investments (continued)

As of December 31, 2024 and 2023, accrued interest on held-to-maturity and available-for-sale securities totaled $4,929,866 and $5,229,329, respectively, and is reported as a component of interest receivable in the consolidated balance sheet.

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, 2024 and 2023.

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2024						
Held-to-maturity securities	$ –	$ –	$ –	$ –	$ –	$ –
Available-for-sale:						
U.S. government securities	59,619,775	160,655	187,490,287	5,099,779	247,110,062	5,260,434
U.S. agency securities	18,909,401	478,515	59,011,917	1,390,684	77,921,318	1,869,199
Corporate debt securities	39,011,835	474,485	68,313,261	1,443,633	107,325,096	1,918,118
Other fixed-income securities	15,016,396	244,836	18,377,897	708,437	33,394,293	953,273
Mexican government securities	17,054,333	33,313	9,616,950	587,624	26,671,283	620,937
Securities pledged under collateralized borrowings[1]	175,157,133	2,563,169	–	–	175,157,133	2,563,169
Mortgage-backed securities	–	–	3,849,012	489,006	3,849,012	489,006
Total available-for-sale investment securities	324,768,873	3,954,973	346,659,324	9,719,163	671,428,197	13,674,136
Total temporarily impaired securities	$ 324,768,873	$ 3,954,973	$ 346,659,324	$ 9,719,163	$ 671,428,197	$ 13,674,136
December 31, 2023						
Available-for-sale:						
U.S. government securities	$ 32,698,075	$ 258,551	$ 222,733,257	$ 10,772,057	$ 255,431,332	$ 11,030,608
U.S. agency securities	824,434	1,565	81,243,582	3,936,598	82,068,016	3,938,163
Corporate debt securities	8,047,355	22,208	96,268,180	4,589,867	104,315,535	4,612,075
Other fixed-income securities	4,979,319	64,566	34,641,868	1,764,906	39,621,187	1,829,472
Mexican government securities	–	–	14,664,520	784,374	14,664,520	784,374
Securities pledged under collateralized borrowings[1]	141,591,699	871,055	–	–	141,591,699	871,055
Mortgage-backed securities	–	–	4,563,947	514,226	4,563,947	514,226
Total available-for-sale investment securities	188,140,882	1,217,945	454,115,354	22,362,028	642,256,236	23,579,973
Total temporarily impaired securities	$ 188,140,882	$ 1,217,945	$ 454,115,354	$ 22,362,028	$ 642,256,236	$ 23,579,973

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

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

3. Investments (continued)

including historical credit loss experience. As of that same date, 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, 2024, no allowance for credit losses for investment securities was recorded.

Contractual maturities of investments as of December 31, 2024 and 2023 are summarized in the following table.

	Held-to-Maturity Securities		Available-for-Sale Securities	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
December 31, 2024				
Less than 1 year	$ 4,551,143	$ 4,550,451	$ 535,614,259	$ 537,990,273
1–5 years	–	–	611,249,394	618,717,840
5–10 years	–	–	1,177,479	1,205,799
More than 10 years	–	–	–	–
Mortgage-backed securities	–	–	3,849,012	4,338,018
	$ 4,551,143	$ 4,550,451	$ 1,151,890,144	$ 1,162,251,930
December 31, 2023				
Less than 1 year	$ 4,309,794	$ 4,308,115	$ 264,716,248	$ 266,140,512
1–5 years	–	–	648,094,720	667,846,709
5–10 years	–	–	102,639,760	97,815,300
More than 10 years	–	–	–	–
Mortgage-backed securities	–	–	4,563,947	5,078,173
	$ 4,309,794	$ 4,308,115	$ 1,020,014,675	$ 1,036,880,694

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, 2024 and 2023.

	Year Ended December 31,	
	2024	2023
Held-to-maturity investment securities:		
Proceeds from maturities	$ 8,890,000	$ 9,861,000
Available-for-sale investment securities:		
Proceeds from sales and maturities	793,053,742	612,805,876
Gross realized gains	351,019	1,704
Gross realized losses	265,186	1,375,011

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, 2024 and 2023.

	Year Ended December 31, 2024	Year Ended December 31, 2023
Net unrealized losses on investment securities available-for-sale, beginning of period	$ (16,866,019)	$ (45,605,707)
Net unrealized gains (losses) on investment securities available-for-sale, arising during the period	6,590,066	27,366,381
Reclassification adjustments for net (gains) losses on investment securities available-for-sale included in net income	(85,833)	1,373,307
Net unrealized loss on investment securities available-for-sale, end of period	$ (10,361,786)	$ (16,866,019)

4. Loans

The following schedule summarizes loans outstanding as of December 31, 2024 and 2023.

	December 31, 2024	December 31, 2023
Loan balance	$ 1,132,807,686	$ 1,049,224,579
Allowance for credit losses	(27,577,193)	(16,546,195)
Unamortized loan fees	(6,695,299)	(6,528,697)
Foreign currency exchange rate adjustment	(89,306,267)	(25,251,690)
Fair value of hedged items	(12,400,026)	1,296,457
Net loans outstanding	$ 996,828,901	$ 1,002,194,454

At December 31, 2024 and 2023, outstanding undisbursed loan commitments on signed loan agreements totaled $229,381,525 and $257,028,338, respectively.

As of December 31, 2024, the Bank had $285,450,987 in Board-approved loans, for which loan agreements were under development. This amount is for informational purposes and is unaudited.

The Bank records a reserve for off-balance sheet credit exposure for its undisbursed loan commitments. As of December 31, 2024 and 2023, this reserve totaled $3,569,312 and $4,101,462, respectively, and is reported as a component of other liabilities on the consolidated balance sheet.

The Bank under certain circumstances offered below-market-rate loans under its Low Interest Rate Lending Facility (LIRF) program, which was terminated in May 2013. As of December 31, 2024 and 2023, the Bank had LIRF loans outstanding of $8,991,878 and $13,053,907, respectively.

4. Loans (continued)

The following table presents the loan portfolio by environmental sector as of December 31, 2024 and 2023.

	December 31, 2024[1]	December 31, 2023
Water	$ 243,089,617	$ 216,731,761
Solid waste	–	615,000
Air quality	94,982,500	100,790,868
Sustainable energy	675,920,730	658,498,525
Urban development	35,767,996	34,758,296
Sustainable buildings	38,168,550	27,708,569
Sustainable food value chains	29,878,293	10,121,560
Green manufacturing	15,000,000	–
	$ 1,132,807,686	$ 1,049,224,579

[1] As of June 30, 2024, COVID-19 Recovery Program (ProRec) loans are reflected within the environmental sectors, and ProRec loans as of December 31, 2023, were reclassified for comparative purposes.

The following table presents the loan portfolio by borrower type as of December 31, 2024 and 2023.

	December 31, 2024	December 31, 2023
Private	$ 769,085,617	$ 700,092,391
Public	317,229,828	296,577,830
Public-private	46,492,241	52,554,358
	$ 1,132,807,686	$ 1,049,224,579

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

4. Loans (continued)

The following table presents the loan portfolio by risk category and country as of December 31, 2024 and 2023. These risk categories are defined in Note 2, along with additional information on how the Bank evaluates credit quality.

Risk Category	December 31, 2024			December 31, 2023		
	Mexico	United States	Total	Mexico	United States	Total
AAA	$ –	$ –	$ –	$ –	$ –	$ –
AA+	–	23,045,000	23,045,000	–	23,045,000	23,045,000
AA	–	1,990,000	1,990,000	–	2,605,000	2,605,000
AA-	–	21,090,000	21,090,000	–	–	–
A+	–	–	–	–	21,630,000	21,630,000
A	–	4,160,000	4,160,000	–	4,375,000	4,375,000
A-	–	110,225,542	110,225,542	–	112,987,134	112,987,134
BBB+	90,440,000	12,080,000	102,520,000	96,000,000	12,765,000	108,765,000
BBB	190,008,384	–	190,008,384	170,750,964	–	170,750,964
BBB-	33,014,777	77,774,404	110,789,181	15,029,079	52,831,543	67,860,622
BB+	85,808,210	18,618,634	104,426,844	106,232,513	109,344,286	215,576,799
BB	131,526,987	101,027,170	232,554,157	184,737,802	63,556,671	248,294,473
BB-	42,235,117	74,114,829	116,349,946	29,435,632	–	29,435,632
B+	65,279,049	1,410,000	66,689,049	31,259,661	–	31,259,661
B	39,597,140	–	39,597,140	12,639,294	–	12,639,294
B-	–	–	–	–	–	–
CCC to C	–	–	–	–	–	–
D	9,362,443	–	9,362,443	–	–	–
	$ 687,272,107	$ 445,535,579	$ 1,132,807,686	$ 646,084,945	$ 403,139,634	$ 1,049,224,579

The following tables present the loan portfolio by risk category and period committed as of December 31, 2024 and 2023.

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

4. Loans (continued)

Risk Category	Year of Loan Commitment						Total Loans at December 31, 2023
	2023	2022	2021	2020	2019	Prior	
AAA	$ –	$ –	$ –	$ –	$ –	$ –	$ –
AA+ to AA-	–	–	23,045,000	–	–	2,605,000	25,650,000
A+ to A-	20,800,000	63,000,000	–	20,642,614	615,000	33,934,520	138,992,134
BBB+ to BBB-	56,932,828	52,831,543	1,665,000	13,693,695	105,987,814	116,265,706	347,376,586
BB+ to BB-	79,610,695	27,352,463	1,410,000	3,199,752	–	381,733,994	493,306,904
B+ to B-	3,246,244	–	–	–	–	40,652,711	43,898,955
CCC to C	–	–	–	–	–	–	–
Total	$ 160,589,767	$ 143,184,006	$ 26,120,000	$ 37,536,061	$ 106,602,814	$ 575,191,931	$ 1,049,224,579

In May 2024, a loan with an outstanding balance of $10,121,560 was placed on non-accrual. As of December 31, 2024, the Bank had one loan on non-accrual with an outstanding balance of $9,362,443 and a reserve for credit loss of $5,557,633. No loans were on non-accrual or impaired as of December 31, 2023. For the years ended December 31, 2024 and 2023, no loans were modified, and the impaired loan balance was $9,362,443 and $0, respectively.

An age analysis of past-due loans, including both accruing and non-accruing loans, as of December 31, 2024 and 2023, is shown in the following table.

	Loans 30–89 days past due	Loans 90 or more days past due	Total loans 30+ days past due
December 31, 2024	$ –	$ –	$ –
December 31, 2023	–	–	–

There were no loans past due 90 or more days accruing interest as of December 31, 2024 and 2023.

4. Loans (continued)

The following table summarizes the allowance for credit losses related to loans by classification as of December 31, 2024 and 2023.

	Allowance for Credit Losses	Total Loans Outstanding
December 31, 2024		
Mexico:		
Construction	$ 4,260,299	$ 138,274,694
Operation	15,361,791	548,997,413
Total Mexico	19,622,090	687,272,107
United States:		
Construction	4,008,509	272,649,199
Operation	3,946,594	172,886,380
Total United States	7,955,103	445,535,579
	$ 27,577,193	$ 1,132,807,686
December 31, 2023		
Mexico:		
Construction	$ 672,458	$ 17,084,033
Operation	10,699,509	629,000,912
Total Mexico	11,371,967	646,084,945
United States:		
Construction	2,459,284	220,180,104
Operation	2,714,944	182,959,530
Total United States	5,174,228	403,139,634
	$ 16,546,195	$ 1,049,224,579

4. Loans (continued)

The following schedule summarizes the changes in the allowance for credit losses related to loans for the years ended December 31, 2024 and 2023.

		Change in Allowance for Credit Losses			
	Beginning Balance	CECL Adoption Impact[1]	Provision for Credit Losses[2]	Loan (Charge-offs) Recoveries[3]	Ending Balance
December 31, 2024					
Mexico:					
Construction	$ 672,458	$ –	$ 3,587,841	$ –	$ 4,260,299
Operation	10,699,509	–	4,662,282	–	15,361,791
Total Mexico	11,371,967	–	8,250,123	–	19,622,090
United States:					
Construction	2,459,284	–	1,549,225	–	4,008,509
Operation	2,714,944	–	1,231,650	–	3,946,594
Total United States	5,174,228	–	2,780,875	–	7,955,103
	$ 16,546,195	$ –	$ 11,030,998	$ –	$ 27,577,193
December 31, 2023					
Mexico:					
Construction	$ 667,629	$ (1,820)	$ 6,649	$ –	$ 672,458
Operation	13,274,228	(1,355,757)	(1,218,962)	–	10,699,509
Total Mexico	13,941,857	(1,357,577)	(1,212,313)	–	11,371,967
United States:					
Construction	1,391,769	887	1,066,628	–	2,459,284
Operation	6,820,188	(162,723)	(3,942,521)	–	2,714,944
Total United States	8,211,957	(161,836)	(2,875,893)	–	5,174,228
	$ 22,153,814	$ (1,519,413)	$ (4,088,206)	$ –	$ 16,546,195

[1] Current expected credit loss (CECL): The Bank adopted ASU 2016-13 as of January 1, 2023, which decreased the loan allowance by $1,519,413.

[2] For the year ended December 31, 2024, the provision for credit losses totaled $10,498,847, which included $(532,151) in credit loss provisions for undisbursed loan commitments reported as a component of other liabilities. For the year ended December 31, 2023, the provision for credit losses totaled $(1,689,191), which included $2,399,015 in credit loss provisions for undisbursed loan commitments presented as a component of other liabilities. The provision for credit losses is reflected in the consolidated statement of income.

[3] For the years ended December 31, 2024 and 2023, there were no loan charge-offs or recoveries.

Notes to Consolidated Financial Statements
December 31, 2024

5. Other Assets and Other Liabilities

The following table summarizes other assets and other liabilities as of December 31, 2024 and 2023.

	Assets	Liabilities
December 31, 2024		
Swaps and options, net	$ 177,269,560	$ 48,927,732
Collateral to counterparty	–	–
Collateral from counterparties	(27,225,203)	–
Credit valuation adjustment	(2,516,818)	–
Right-of-use lease asset	278,654	–
Off-balance sheet credit exposure	–	3,569,311
Total	$ 147,806,193	$ 52,497,043
December 31, 2023		
Swaps and options, net	$ 167,042,265	$ 44,042,471
Collateral to counterparty	20,196,176	–
Collateral from counterparty	(8,049,975)	–
Credit valuation adjustment	(2,494,782)	–
Right-of-use lease asset	512,977	–
Off-balance sheet credit exposure	–	4,101,462
Total	$ 177,206,661	$ 48,143,933

The following table presents swaps and options subject to counterparty master netting arrangements at December 31, 2024 and 2023.

	Assets	Liabilities
December 31, 2024		
Cross-currency swaps and cross-currency interest rate swaps	$ 150,246,018	$ 68,953,365
Interest rate swaps	25,993,580	6,358,178
Options	27,413,773	–
	203,653,371	75,311,543
Master netting by counterparty	(26,383,811)	(26,383,811)
Total swaps and options, net	$ 177,269,560	$ 48,927,732
December 31, 2023		
Cross-currency swaps and cross-currency interest rate swaps	$ 144,833,059	$ 59,632,128
Interest rate swaps	19,999,994	14,117,988
Options	31,916,857	–
	196,749,910	73,750,116
Master netting by counterparty	(29,707,645)	(29,707,645)
Total swaps and options, net	$ 167,042,265	$ 44,042,471

Notes to Consolidated Financial Statements
December 31, 2024

6. Debt

The following tables summarize the notes payable and other borrowings as of December 31, 2024 and 2023.

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

CHF = Swiss franc; MXN = Mexican peso; NOK = Norwegian krone; USD = U.S. dollar.
[1] Collateralized borrowing in the form of a repurchase agreement.

6. Debt (continued)

			December 31, 2023					
Issue Date	Maturity Date	Rate (%)	Principal Amount	Unamortized Premium/ (Discount)	Unamortized Debt Issuance Costs	FX Translation Adjustment	Fair Value of Hedged Items	Net Debt
Notes Payable								
USD Issuance								
12/17/12	12/17/30	3.30	$ 50,000,000	$ –	$ (119,678)	$ –	$ (4,458,154)	$ 45,422,168
CHF Issuance								
04/30/15	04/30/25	0.25	128,706,754	122,608	(110,755)	19,849,869	–	148,568,476
04/26/17	10/26/27	0.20	124,443,117	175,085	(273,284)	24,113,507	–	148,458,425
07/24/18	07/24/26	0.30	126,415,858	56,180	(261,090)	22,140,766	–	148,351,714
05/28/20	11/28/28	0.20	186,316,116	13,588	(619,114)	27,605,423	–	213,316,013
05/28/20	05/27/33	0.55	165,614,326	562,807	(766,946)	24,538,152	–	189,948,339
NOK Issuance								
03/10/17	03/10/31	2.47	86,724,283	–	(151,492)	(15,698,763)	–	70,874,028
03/10/17	03/10/32	2.47	86,724,283	–	(161,054)	(15,698,763)	–	70,864,466
Total notes payable			954,944,737	930,268	(2,463,413)	86,850,191	(4,458,154)	1,035,803,629
Other Borrowings								
USD								
03/17/17	06/30/24	1.90	2,632,000	–	–	–	–	2,632,000
03/17/17	12/30/24	1.90	2,170,720	–	–	–	–	2,170,720
11/13/17	12/30/24	1.90	461,280	–	–	–	–	461,280
MXN								
12/14/22 [1]	12/01/27	TIIE var.	100,000,606	–	(21,706)	16,574,458	–	116,553,358
10/27/23 [1]	10/01/29	TIIE var.	65,083,916	–	–	5,054,243	–	70,138,159
Total other borrowings			170,348,522	–	(21,706)	21,628,701	–	191,955,517
			$ 1,125,293,259	$ 930,268	$ (2,485,119)	$ 108,478,892	$ (4,458,154)	$ 1,227,759,146

CHF = Swiss franc; MXN = Mexican peso; NOK = Norwegian krone; USD = U.S. dollar.
[1] Collateralized borrowing in the form of a repurchase agreement.

Notes Payable

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

The fair value of a hedge relating to an interest rate swap on notes payable denominated in U.S. dollars was reported at December 31, 2024 and 2023 as other assets of $(5,300,748) and $(4,458,154), respectively. The fair value of the hedges relating to cross-currency swaps and cross-currency interest rate swaps on notes payable not denominated in U.S. dollars was reported at December 31, 2024 and 2023 as other assets of $47,491,226 and $72,876,949, respectively, and as other liabilities of $48,927,731 and $35,536,063, respectively. The fair value of hedges relating to options on notes payable not

6. Debt (continued)

denominated in U.S. dollars was reported at December 31, 2024 and 2023 as other assets of $27,413,773 and $31,916,857, 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 are with other financial institutions. The borrowings in U.S. dollars are unsecured, and the borrowings in Mexican pesos are collateralized in the form of repurchase agreements using U.S. Treasury Notes, which are reflected on the consolidated balance sheet as available-for-sale investment securities.

The following table summarizes the maturities of the notes payable and other borrowings as of December 31, 2024 and 2023.

	December 31, 2024	December 31, 2023
Less than one year	$ 128,706,754	$ 5,264,000
1-2 years	126,415,858	128,706,754
2-3 years	224,443,723	126,415,858
3-4 years	186,316,116	224,443,723
4-5 years	90,151,622	186,316,116
5-10 years	552,480,658	454,146,808
More than 10 years	–	–
Total	$ 1,308,514,731	$ 1,125,293,259

The following table summarizes short-term and long-term debt as of December 31, 2024 and 2023.

	December 31, 2024	December 31, 2023
Short-term debt:		
Notes payable	$ 128,706,754	$ –
Other borrowings	–	5,264,000
Total short-term debt	128,706,754	5,264,000
Long-term debt:		
Notes payable	989,655,749	954,944,737
Other borrowings	190,152,228	165,084,522
Total long-term debt	1,179,807,977	1,120,029,259
Total debt	$ 1,308,514,731	$ 1,125,293,259

7. Equity

Subscribed Capital

At December 31, 2024 and 2023, 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 paid-in and 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, 2024 and 2023 is shown in the following table.

	Mexico		United States		Total	
	Shares	USD Million	Shares	USD Million	Shares	USD Million
Subscribed capital	300,000	$ 3,000.0	300,000	$ 3,000.0	600,000	$ 6,000.0
Qualified callable capital	(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; US 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, 2024 and 2023, Mexico has unqualified 4,100 shares of paid-in capital and 23,233 shares of callable capital from its GCI subscription.

As of December 31, 2024 and 2023, the United States has unqualified 22,500 shares of paid-in capital from its GCI subscription. Of these shares, 16,500 shares were restricted from commitment, until Mexico unqualifies corresponding payments. As such, the restricted shares are recorded as a deferred U.S. capital contribution. As of those same dates, the United States has also unqualified 25,500 shares of callable capital from its GCI subscription.

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

7. Equity (continued)

Retained Earnings

At December 31, 2024 and 2023, retained earnings are classified as reserved or undesignated as shown in the following table.

	December 31, 2024	December 31, 2023
Reserved retained earnings		
Debt Service Reserve	$ 74,700,000	$ 65,894,000
Operating Expenses Reserve	29,884,160	28,088,200
Special Reserve	30,000,000	30,000,000
Capital Preservation Reserve	172,979,223	159,320,901
Total reserved retained earnings	307,563,383	283,303,101
Undesignated retained earnings	24,116,126	26,663,836
Total retained earnings	$ 331,679,509	$ 309,966,937

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

7. Equity (continued)

Accumulated Other Comprehensive Income (Loss)

The following table presents the changes in accumulated other comprehensive income (loss) for the years ended December 31, 2024 and 2023.

	Beginning Balance	Period Activity	Ending Balance
December 31, 2024			
Net unrealized gain (loss) on available-for-sale investment securities	$ (16,866,019)	$ 6,504,233	$ (10,361,786)
Post-retirement benefit liability adjustment	285,079	387,558	672,637
Foreign currency translation adjustment	328,367	(46,170)	282,197
Unrealized gain (loss) on hedging activities:			
Foreign currency translation adjustment	(39,994,658)	29,360,562	(10,634,096)
Fair value of cross-currency interest rate swaps and options, net	58,541,163	(8,349,308)	50,191,855
Net unrealized gain on hedging activities	18,546,505	21,011,254	39,557,759
Total accumulated other comprehensive income	$ 2,293,932	$ 27,856,875	$ 30,150,807
December 31, 2023			
Net unrealized gain (loss) on available-for-sale investment securities	$ (45,605,707)	$ 28,739,688	$ (16,866,019)
Post-retirement benefit liability adjustment	285,079	–	285,079
Foreign currency translation adjustment	287,365	41,002	328,367
Unrealized gain (loss) on hedging activities:			
Foreign currency translation adjustment	(24,082,548)	(15,912,110)	(39,994,658)
Fair value of cross-currency interest rate swaps and options, net	35,303,646	23,237,517	58,541,163
Net unrealized gain on hedging activities	11,221,098	7,325,407	18,546,505
Total accumulated other comprehensive income (loss)	$ (33,812,165)	$ 36,106,097	$ 2,293,932

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, 2024 and 2023.

	Year Ended December 31, 2024	2023
Cross-currency swaps and hedged items for loans, net	$ –	$ (1,863,794)
Cross-currency swaps, options and hedged items for debt, net	21,011,254	9,189,201
Total	$ 21,011,254	$ 7,325,407

7. Equity (continued)

For the years ended December 31, 2024 and 2023, $0 and $1,863,794, respectively, 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. Additionally, in December 2024, the Board approved an additional transfer to EICF of up to $10,000,000 for a water conservation fund under development. For the years ended December 31, 2024 and 2023, the Bank transferred $15,300,000 and $5,101,424, respectively, to the EICF, which are reflected in the consolidated statements of income. For the year ended December 31, 2024, $10,000,000 of the transfers-in were for the water conservation fund under development.

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, 2024 and 2023, the Bank recognized $1,552,388 and $1,544,195, respectively, in net reimbursements from the EICF.

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, 2024 and 2023, the Bank expended $1,335,423 and $1,380,024, 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 $96,158 and $63,130 for the years ended December 31, 2024 and 2023, 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. As of December 31, 2023, the unfunded portion of the plan totaled $3,543,778 and is reflected in the consolidated balance sheet as a component of accrued liabilities and long-term post-retirement benefits payable of $102,000 and $3,441,778, respectively.

9. Employee Benefits (continued)

The following table presents the change in benefit obligations as of December 31, 2024 and 2023.

	December 31, 2024	December 31, 2023
Beginning balance	$ 3,543,778	$ 3,215,908
Service expense	253,000	253,000
Interest expense	138,000	138,000
Net benefits paid	(96,158)	(63,130)
Actuarial (gain) loss	(387,558)	–
Ending balance	$ 3,451,062	$ 3,543,778

The change in post-retirement health plan assets as of December 31, 2024 and 2023, is presented in the following table.

	December 31, 2024	December 31, 2023
Beginning balance	$ –	$ –
Employer contributions	96,158	63,130
Net benefits paid	(96,158)	(63,130)
Ending balance	$ –	$ –

The following table presents post-retirement health plan liabilities as of December 31, 2024 and 2023.

	December 31, 2024	December 31, 2023
Current liabilities	$ 158,000	$ 102,000
Non-current liabilities	3,293,062	3,441,778
Total	$ 3,451,062	$ 3,543,778

The net periodic benefit cost of the post-retirement health plan for the years ended December 31, 2024 and 2023, is presented in the following table.

	Year Ended December 31, 2024	Year Ended December 31, 2023
Service expense	$ 253,000	$ 253,000
Interest expense	138,000	138,000
Total	$ 391,000	$ 391,000

9. Employee Benefits (continued)

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

The assumptions used to determine the benefit obligations as of December 31, 2024 and 2023, are presented in the following table.

	December 31, 2024	December 31, 2023
Discount rate	5.18%	4.36%
Current healthcare cost trend rate	7.60%	6.30%
Ultimate healthcare cost trend rate	5.00%	5.00%
Year in which ultimate trend is reached	2035	2028

The assumptions used to determine the net periodic post-retirement benefit costs of the plan as of December 31, 2024 and 2023, are presented below.

	December 31, 2024	December 31, 2023
Discount rate	4.36%	4.36%
Current healthcare cost trend rate	6.30%	6.30%
Ultimate healthcare cost trend rate	5.00%	5.00%
Year in which ultimate trend is reached	2028	2028

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

Year ending December 31:	
2025	$ 158,000
2026	207,000
2027	243,000
2028	273,000
2029	269,000
2030-2034	1,701,000

10. Fair Value of Financial Instruments

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

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

Hedged Items for Loans – Hedged items for loans are reported at fair value using Level 3 unobservable inputs. The fair value of these hedged items is estimated by discounting each cash flow stream using the benchmark swap curve of the contractual currency and converting the resulting net present value at the spot exchange rate, as well as using external pricing models and counterparty pricing. Cash flows in Mexican pesos (MXN) are discounted using the MXN swap curve. Cash flows in U.S. dollars are discounted using the Secured Overnight Financing Rate (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. The Bank's cross-currency interest rate swaps are all Mexican-peso for U.S.-dollar operations except for seven (7) debt issuances in foreign currencies for U.S.-dollar operations. Cash flows in Mexican pesos are discounted using the MXN swap curve. Cash flows in Swiss francs (CHF) are discounted using the CHF swap curve. Cash flows in Norwegian kroner (NOK) are discounted using the NOK swap curve. Cash flows in U.S. dollars are discounted using the USD Overnight Index Swap (OIS) or SOFR curve.

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

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

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

10. Fair Value of Financial Instruments (continued)

The following table summarizes the carrying amounts and fair value of the Bank's financial instruments measured at fair value as of December 31, 2024 and 2023.

	December 31, 2024		December 31, 2023	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Available-for-sale securities	$ 1,151,890,144	$ 1,151,890,144	$ 1,020,014,675	$ 1,020,014,675
Loans, net of interest rate swaps	246,540,838	234,140,812	226,956,094	228,252,551
Cross-currency swaps and cross-currency interest rate swaps	150,246,018	150,246,018	144,833,059	144,833,059
Interest rate swaps	25,993,580	25,993,580	19,999,994	19,999,994
Options	27,413,773	27,413,773	31,916,857	31,916,857
Liabilities				
Long-term debt	50,000,000	44,699,253	50,000,000	45,541,847
Cross-currency interest rate swaps	68,953,365	68,953,365	59,632,128	59,632,128
Interest rate swaps	6,358,178	6,358,178	14,117,988	14,117,988

The Bank's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2024 and 2023 are summarized in the following table by the valuation level of the inputs used to measure fair value. Additional information on how the Bank measures and classifies the levels of fair-value inputs is provided in Note 2.

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

10. Fair Value of Financial Instruments (continued)

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total Fair Value
December 31, 2023				
Assets				
Available-for-sale (AFS) securities:				
U.S. government securities	$ 349,459,708	$ –	$ –	$ 349,459,708
U.S. agency securities	–	88,391,666	–	88,391,666
Corporate debt securities	–	164,540,641	–	164,540,641
Other fixed-income securities	–	59,471,184	–	59,471,184
Mexican government securities	–	114,264,922	–	114,264,922
Securities pledged under collateralized borrowings	–	239,322,607	–	239,322,607
Mortgage-backed securities	–	4,563,947	–	4,563,947
Total AFS securities	349,459,708	670,554,967	–	1,020,014,675
Cross-currency swaps and cross-currency interest rate swaps	–	144,833,059	–	144,833,059
Interest rate swaps	–	19,999,994	–	19,999,994
Options	–	31,916,857	–	31,916,857
Hedged items for loans	–	–	1,296,457	1,296,457
Total assets at fair value	$ 349,459,708	$ 867,304,877	$ 1,296,457	$ 1,218,061,042
Liabilities				
Cross-currency interest rate swaps	$ –	$59,632,128	$ –	$ 59,632,128
Interest rate swaps	–	14,117,988	–	14,117,988
Hedged items for debt	–	–	(4,458,154)	(4,458,154)
Total liabilities at fair value	$ –	$ 73,750,116	$ (4,458,154)	$ 69,291,962

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, 2024 and 2023. Additional information on how the Bank measures fair value is provided in Note 2.

	Year Ended December 31,	
Fair Value of Level 3 Instruments	2024	2023
Assets		
Beginning balance	$ 1,296,457	$ (106,748,200)
Total realized and unrealized gains (losses):		
Included in earnings (expenses)	(13,696,482)	108,044,657
Included in other comprehensive income (loss)	–	–
Purchases	–	–
Settlements	–	–
Transfers in/out of Level 3	–	–
Ending balance	$ (12,400,025)	$ 1,296,457
Liabilities		
Beginning balance	$ (4,458,154)	$ (57,376,728)
Total realized and unrealized (gains) losses:		
Included in (earnings) expenses	(842,594)	52,918,574
Included in other comprehensive income (loss)	–	–
Purchases	–	–
Settlements	–	–
Transfers in/out of Level 3	–	–
Ending balance	$ (5,300,748)	$ (4,458,154)

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.

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.

On January 1, 2023, the Bank implemented ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.* Prior to that date, the Bank elected to apply the contract amendments prospectively.

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 $27,225,203 and $8,049,975 were posted from counterparties to the Bank as of December 31, 2024 and 2023, respectively. As of those same dates, $0 and $20,196,176 in cash collateral was posted by the Bank, respectively.

11. Derivative Instruments (continued)

The notional amounts and estimated fair values of the swaps and options outstanding at December 31, 2024 and 2023, 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, 2024		December 31, 2023	
	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value
Derivative assets				
Designated as accounting hedges:				
Cross-currency swaps for debt	$ 175,965,221	$ 33,697,451	$ 175,965,221	$ 37,543,676
Cross-currency options for debt	175,965,221	27,413,773	175,965,221	31,916,857
Interest rate swaps for loans	160,841,494	13,239,029	77,327,055	8,363,377
	512,771,936	74,350,253	429,257,497	77,823,910
Not designated as accounting hedges:				
Cross-currency interest rate swaps for debt	489,565,730	33,819,407	379,565,730	49,929,490
Cross-currency interest rate swaps for loans	250,110,300	82,729,160	208,646,560	57,359,893
Interest rate swaps for loans	56,782,405	12,754,551	58,941,099	11,636,617
	796,458,435	129,303,118	647,153,389	118,926,000
Derivative liabilities				
Designated as accounting hedges:				
Interest rate swaps for debt	50,000,000	5,300,747	50,000,000	4,458,153
Interest rate swaps for loans	27,847,774	839,003	–	–
	77,847,774	6,139,750	50,000,000	4,458,153
Not designated as accounting hedges:				
Cross-currency interest rate swaps for debt	208,466,658	68,953,365	173,448,566	50,132,281
Cross-currency interest rate swaps for loans	–	–	70,506,240	9,499,847
Interest rate swaps for loans	11,498,428	218,428	161,127,468	9,659,835
	219,965,086	69,171,793	405,082,274	69,291,963

There were no swaps that were considered ineffective due to borrower default as of December 31, 2024 and 2023.

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 $39,557,759 and $18,546,505 at December 31, 2024 and 2023, respectively.

11. Derivative Instruments (continued)

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, 2024 and 2023.

	Year Ended December 31, 2024	Year Ended December 31, 2023
Foreign currency exchange rate adjustments	$ 10,139,472	$ (47,908,386)
Credit valuation adjustment	(22,036)	(745,042)
Changes in hedged items and derivative instruments:		
Hedged items for loans and fair value swaps	34,280,178	101,795,810
Hedged items for debt and fair value swaps	(34,931,167)	(52,918,575)
Hedged items for debt and cash flow options	–	4,702,229
	(650,989)	53,579,464
Income from foreign currency exchange rate adjustments and hedging activities	$ 9,466,447	$ 4,926,036

Income 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. Commitments

In the normal course of business, the Bank has various outstanding commitments, in addition to the loans receivable disclosed in Note 4 and borrowings disclosed in Note 6. Under agreements with consultants and contractors in effect on December 31, 2024, 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.

13. Commitments (continued)

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, 2024, the right-of-use lease asset totaled $278,654 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 sheet in accrued liabilities and as a long-term lease payable of $240,732 and $37,922, respectively. For the years December 31, 2024 and 2023, operating lease expenses recognized on a straight-line basis totaled $238,857 and $233,071, respectively, and are included as a component of operating expenses in the consolidated statements of income.

As of December 31, 2024, the weighted average term of the lease remaining was 1.2 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:

Year ending December 31,	
2025	$ 240,732
2026	40,122
Total operating lease	280,854
Discount	(2,200)
Operating lease liability	$ 278,654

14. Subsequent Events

On January 27, 2025, the Bank received a payment of $46 million in paid-in capital from the Government of Mexico and, on January 30, 2025, the Government of Mexico unqualified 30,667 shares of its General Capital Increase (GCI) subscription, consisting of 4,600 shares of paid-in capital ($46 million) and 26,067 shares of callable capital ($260.67 million).

The Bank has evaluated subsequent events for potential recognition and/or disclosure through April 2, 2025, the date these consolidated financial statements were issued.

North American Development Bank

Environment Investment and Capacity Facility

Financial Statements

December 31, 2024

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Report of Independent Auditors

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

Opinion

We have audited the financial statements of North American Development Bank - Environment Investment and Capacity Facility (EICF), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of changes in fund balance and statements of 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 EICF at December 31, 2024 and 2023, 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 EICF and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

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 EICF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the EICF's ability to continue as a going concern for a reasonable period of time.

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

Ernst + Young LLP

April 2, 2025

Balance Sheet
As of December 31, 2024 and 2023

	December 31, 2024	December 31, 2023
Assets		
Cash and cash equivalents:		
Held at other financial institutions	$ 43,378	$ 24,069
Repurchase agreements	20,100,000	12,700,000
Total cash and cash equivalents	20,143,378	12,724,069
Due from Ordinary Capital Resources	11,300,000	2,000,000
Interest receivable	2,373	5,609
Grants receivable:		
U.S. Environmental Protection Agency (EPA):		
Border Environment Infrastructure Fund (BEIF)	79,867	62,855
Project Development Assistance Program (PDAP)	61,307	23,323
U.S.-Mexico Environmental Border 2025 Program (Border 2025)	24,048	7,896
Total grants receivable	165,222	94,074
Total assets	$ 31,610,973	$ 14,823,752
Liabilities and Fund Balance		
Due to Ordinary Capital Resources	$ 165,841	$ 291,485
Undisbursed grants:		
U.S. Department of State (DOS)	2,284,951	1,457,280
Air Quality Monitoring Fund (AQ Fund)	93,468	132,768
Total undisbursed grants	2,378,419	1,590,048
Total liabilities	2,544,260	1,881,533
Fund balance	29,066,713	12,942,219
Total liabilities and fund balance	$ 31,610,973	$ 14,823,752

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

Statements of Changes in Fund Balance
For the Years Ended December 31, 2024 and 2023

	For the Years Ended December 31, 2024	For the Years Ended December 31, 2023
Transfers from Ordinary Capital Resources	$ 15,300,000	$ 5,101,424
Interest income	824,494	340,795
Change in fund balance	16,124,494	5,442,219
Beginning fund balance	12,942,219	7,500,000
Ending fund balance	$ 29,066,713	$ 12,942,219

Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023

	For the Years Ended December 31, 2024	For the Years Ended December 31, 2023
Cash flows from operating activities		
Changes in fund balance	$ 16,124,494	$ 5,442,219
Adjustments to reconcile change in fund balance to net cash provided by operating activities:		
Change in other assets and liabilities:		
(Increase) decrease in interest receivable	3,236	(5,609)
(Increase) decrease in grants receivable	(71,148)	36,032
(Increase) decrease in due from Ordinary Capital Resources	(9,300,000)	6,729,539
Increase (decrease) in due to Ordinary Capital Resources	(125,644)	161,379
Net cash provided by operating activities	6,630,938	12,363,560
Cash flows from financing activities		
Grant funds received from third parties:		
EPA:		
BEIF	21,467,462	13,628,700
PDAP	2,171,092	2,011,869
Border 2025	549,203	1,016,556
Other	–	43,316
DOS	3,000,000	3,000,000
AQ Fund	145,550	74,363
Grant disbursements:		
EPA:		
BEIF	(21,467,462)	(13,629,709)
PDAP	(2,171,092)	(2,011,869)
Border 2025	(549,203)	(1,016,556)
Other	–	(43,316)
DOS	(2,172,329)	(2,563,925)
AQ Fund	(184,850)	(148,920)
Net cash provided by financing activities	788,371	360,509
Net increase in cash and cash equivalents	7,419,309	12,724,069
Cash and cash equivalents, beginning of period	12,724,069	–
Cash and cash equivalents, end of period	$ 20,143,378	$ 12,724,069

Notes to Financial Statements
December 31, 2024

1. Organization and Purpose

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

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

On December 28, 2022, the Board approved the establishment of the Environment Investment and Capacity Facility (EICF) to hold the Bank's grant funds available for project implementation and technical assistance purposes, including funds provided by third-party donors. With the establishment of the grant facility, the activities of the Bank are conducted through either Ordinary Capital Resources or EICF, which are accounted for separately. All grant and technical assistance activities are reported under the EICF, while all other operations of the Bank are reported under Ordinary Capital Resources.

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

Grant Programs

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

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

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

1. Organization and Purpose (continued)

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

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

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

2. Summary of Significant Accounting Policies

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

Cash and Cash Equivalents
For the purposes of the statements of cash flows, cash and cash equivalents include cash deposits with a financial institution and overnight repurchase agreements. As of December 31, 2024 and 2023, cash deposits with the financial institution totaled $43,378 and $24,069, respectively.

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

Grant Recognition

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

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

2. Summary of Significant Accounting Policies (continued)

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

Income Transfers from Ordinary Capital Resources
As part of the establishment of the EICF, the Board agreed to continue providing support to the EICF by transferring a portion of allocable income from Ordinary Capital Resources. For the years ended December 31, 2024, and 2023, EICF received transfers-in from Ordinary Capital Resources of $15,300,000 and $5,101,424 respectively, which is reflected in the statements of changes in fund balance.

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

3. Undisbursed Third-party Grant Funds

The following table summarizes the changes in undisbursed grants from third-party grantors as of December 31, 2024 and 2023.

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

	Beginning Balance January 1, 2023	Grant Receipts	Grant Disbursements for Projects[1]	Grant Disbursements for Expense Reimbursements	Ending Balance December 31, 2023
EPA:					
BEIF	$ 1,009	$ 13,628,700	$ 12,472,492	$ 1,157,217	$ –
PDAP	–	2,011,869	1,197,131	814,738	–
Border 2025	–	1,016,556	726,390	290,166	–
Other	–	43,316	42,500	816	–
	1,009	16,700,441	14,438,513	2,262,937	–
DOS	1,021,205	3,000,000	2,563,925	–	1,457,280
Air Quality Fund	207,325	74,363	143,765	5,155	132,768
Total	$ 1,229,539	$ 19,774,804	$ 17,146,203	$ 2,268,092	$ 1,590,048

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

4. Disbursements by Program and Source

The following table summarizes disbursements for project implementation and technical assistance by program and source for the years ended December 31, 2024 and 2023.

	Year Ended December 31, 2024	Year Ended December 31, 2023
By Program		
BEIF	$ 20,231,696	$ 12,472,492
PDAP	1,467,539	1,197,131
Border 2025	330,781	726,390
CAP	139,700	1,191,055
TAP	2,032,630	1,372,870
Air Quality Fund	181,125	143,765
Other	–	42,500
	$ 24,383,471	$ 17,146,203
By Source		
Bank-funded	$ –	$ –
Third-party:		
EPA	22,030,016	14,438,513
DOS	2,172,330	2,563,925
Air Quality Fund	181,125	143,765
	$ 24,383,471	$ 17,146,203

5. Fund Balance

The following table summarizes the changes in fund balance for the years ended December 31, 2024 and 2023.

	CAP	TAP	Undesignated Funds	Total
Beginning balance, January 1, 2024	$ 7,339,718	$ 5,261,706	$ 340,795	$ 12,942,219
Interest income	–	–	824,494	824,494
Fund balance designation	–	1,465,289	(1,465,289)	–
Transfers-in from Ordinary Capital Resources[1]	–	–	15,300,000	15,300,000
Disbursements	–	–	–	–
Ending balance, December 31, 2024	$ 7,339,718	$ 6,726,995	$ 15,000,000	$ 29,066,713
Beginning balance, January 1, 2023	$ 5,685,234	$ 1,814,766	$ –	$ 7,500,000
Interest income	–	–	340,795	340,795
Transfers-in from Ordinary Capital Resources	1,654,484	3,446,940	–	5,101,424
Disbursements	–	–	–	–
Ending balance, December 31, 2023	$ 7,339,718	$ 5,261,706	$ 340,795	$ 12,942,219

[1] The transfers-in included $10 million for a water conservation fund under development.

Notes to Financial Statements
December 31, 2024

6. Undisbursed Commitments

Undisbursed commitments are signed grant agreements less disbursements. The following table summarizes the changes in undisbursed commitments by program for the years ended December 31, 2024 and 2023.

	CAP	TAP	Total
Undisbursed commitments, January 1, 2024	$ 626,367	$ 1,239,705	$ 1,866,072
Commitments, net	1,935,993	2,755,116	4,691,109
Disbursements:			
Bank-funded	–	–	–
DOS-funded	(139,700)	(2,032,629)	(2,172,329)
Undisbursed commitments, December 31, 2024	$ 2,422,660	$ 1,962,192	$ 4,384,852
Undisbursed commitments, January 1, 2023	$ 899,883	$ 1,024,720	$ 1,924,603
Commitments, net	917,539	1,587,855	2,505,394
Disbursements:			
Bank-funded	–	–	–
DOS-funded	(1,191,055)	(1,372,870)	(2,563,925)
Undisbursed commitments, December 31, 2023	$ 626,367	$ 1,239,705	$ 1,866,072

The following table summarizes the grant funds available for commitment as of December 31, 2024 and 2023.

	CAP	TAP	Undesignated Funds	Total
December 31, 2024				
Total fund balance	$ 7,339,718	$ 6,726,995	$ 15,000,000	$ 29,066,713
Undisbursed commitments	(2,422,660)	(1,962,192)	–	(4,384,852)
Approved, pending commitment	(500,000)	(990,378)	–	(1,490,378)
Total available for commitment	$ 4,417,058	$ 3,774,425	$ 15,000,000	$ 23,191,483
December 31, 2023				
Total fund balance	$ 7,339,718	$ 5,261,706	$ 340,795	$ 12,942,219
Undisbursed commitments	(626,367)	(1,239,705)	–	(1,866,072)
Approved, pending commitment	–	(622,000)	–	(622,000)
Total available for commitment	$ 6,713,351	$ 3,400,001	$ 340,795	$ 10,454,147

In addition to the fund balance available for commitment in the above table, $2,284,951 and $1,457,280 in undisbursed grant funds from DOS were available as of December 31, 2024 and 2023, respectively, to cover disbursements under those programs.

7. Subsequent Event

The Bank has evaluated subsequent events for potential recognition and/or disclosure through April 2, 2025, the date these financial statements were issued.

Appendix

Governance

Board of Directors

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

* Board chair, 2024

Bank Organization as of December 31 , 2024

Management

Managing Director	John Beckham
Chief Environmental Officer	Salvador López Córdova

Directors

Chief Financial Officer	Fay Ramdass
General Counsel	Donald J. Hobbs
Director of Environmental Infrastructure Finance	Carlos Carranza
Director of Technical Services and Grants	Renata Manning-Gbogbo
Director of Risk and Asset Management	Michael Ratliff

Unit Heads

Strategy and Planning	Mauricio Mora
Environment and Knowledge Management	Fernando Ortiz
Partnerships and Stakeholder Engagement	Jesse J. Hereford
Institutional Relations and Communication	Oscar Durán
Human Resources and Facilities Management	Diana Rojas

Credits

Offices Responsible for Publication

Finance Department and Institutional Relations & Communication Unit

Photography

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