# NORTH AMERICAN DEVELOPMENT BANK
## ORDINARY CAPITAL RESOURCES

Consolidated Financial Statements

December 31, 2024

North American Development Bank
Ordinary Capital Resources

Consolidated Financial Statements
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## Contents

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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

North American Development Bank
Ordinary Capital Resources

**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.

North American Development Bank
Ordinary Capital Resources

**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 | 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.

North American Development Bank
Ordinary Capital Resources

**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.

North American Development Bank
Ordinary Capital Resources

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

| | For the Years Ended December 31, | |
|---|---|---|
| | **2024** | **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.

## 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

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

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.

### 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.

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

The accretion of discounts and the amortization of premiums are computed using the effective interest method. Realized gains and losses are determined using the specific identification method.

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

**Furniture, Equipment, and Leasehold Improvements**
Furniture and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method. The estimated useful life is three years for computers and five years for furniture and other equipment. Leasehold improvements are recorded at cost and amortized over 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.

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

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.

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+<br>AA<br>AA- | Very high quality, very low credit risk |
| | A+<br>A<br>A- | High credit quality, strong payment capacity |
| B | BBB+<br>BBB<br>BBB- | Good credit quality, adequate payment capacity |
| | BB+<br>BB<br>BB- | Moderate credit quality, likely to meet obligations, some uncertainty under adverse conditions |
| | B+<br>B<br>B- | Low credit quality, still able to meet obligations, highly vulnerable to adverse conditions |
| C | CCC+<br>CCC<br>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.

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

### Derivatives

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

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

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

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

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

**Accumulated Other Comprehensive Income**

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

**Reclassifications**

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

## 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, 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

## 3. Investments (continued)

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 Mexico | December 31, 2024 United States | December 31, 2024 Total | December 31, 2023 Mexico | December 31, 2023 United States | December 31, 2023 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 2024 | 2023 | 2022 | 2021 | 2020 | Prior | Total Loans at December 31, 2024 |
|---|---|---|---|---|---|---|---|
| AAA | $ – | $ – | $ – | $ – | $ – | $ – | $ – |
| AA+ to AA- | – | 20,800,000 | – | 23,045,000 | – | 2,280,000 | 46,125,000 |
| A+ to A- | – | – | 63,000,000 | – | 19,253,782 | 32,131,760 | 114,385,542 |
| BBB+ to BBB- | 49,555,395 | 118,827,276 | 21,061,450 | 1,600,000 | 11,422,521 | 200,850,923 | 403,317,565 |
| BB+ to BB- | 107,285,682 | 37,476,235 | 887,236 | – | 3,903,983 | 303,777,811 | 453,330,947 |
| B+ to B- | 9,000,000 | 8,706,225 | – | 1,410,000 | – | 87,169,964 | 106,286,189 |
| C | – | – | – | – | – | – | – |
| D | – | – | 9,362,443 | – | – | – | 9,362,443 |
| Total | $ 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 2023 | 2022 | 2021 | 2020 | 2019 | Prior | Total Loans at December 31, 2023 |
|---|---|---|---|---|---|---|---|
| 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 $9,362,443and $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, 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, 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.

## 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 |

## 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

## 6. Debt (continued)

$48,927,731 and $35,536,063, respectively. The fair value of hedges relating to options on notes payable not 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.

## 7. Equity (continued)

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

**Retained Earnings**

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

| | December 31, | |
|---|---|---|
| | **2024** | **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 | Year Ended December 31, 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** | **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** | **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 |

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

The Bank's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 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.

| Fair Value of Level 3 Instruments | Year Ended December 31, 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 Financial 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 Financial 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 Financial 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 | 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.

### 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.