NORTH AMERICAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

Consolidated Financial Statements
(Unaudited)

March 31, 2024

North American Development Bank
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Contents

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Consolidated Balance Sheets (unaudited)
As of March 31, 2024 and December 31, 2023

	March 31, 2024	December 31, 2023
Assets		
Cash and cash equivalents:		
Held at other financial institutions	$ 29,401,940	$ 22,531,480
Repurchase agreements	4,000,000	31,200,000
Total cash and cash equivalents	33,401,940	53,731,480
Held-to-maturity investment securities, at amortized cost	4,365,879	4,308,115
Available-for-sale investment securities, at fair value	999,949,444	1,020,014,675
Loans outstanding	1,077,941,368	1,049,224,579
Allowance for credit losses	(17,926,361)	(16,546,195)
Unamortized loan fees	(5,885,448)	(6,528,697)
Foreign currency exchange rate adjustment and fair value of hedged items	(61,947,143)	(65,856,259)
Net loans outstanding	992,182,416	960,293,428
Interest receivable	27,702,446	22,420,512
Securities settlement receivable	30,060,143	4,000,000
Other receivable	7,659,924	3,947,387
Furniture, equipment and leasehold improvements, net	115,426	76,601
Other assets	137,821,240	177,206,661
Total assets	$ 2,233,258,858	$ 2,245,998,859
Liabilities and Equity		
Liabilities:		
Current liabilities:		
Accounts payable	$ 8,235,320	$ 4,868,540
Accrued liabilities	2,623,907	3,125,033
Accrued interest payable	16,886,626	15,017,438
Due to Environment Investment and Capacity Facility (EICF)	-	2,000,000
Other liabilities	57,940,901	48,143,933
Short-term debt	5,264,000	5,264,000
Total current liabilities	90,950,754	78,418,944
Long-term liabilities:		
Long-term lease payable	278,654	278,654
Long-term post-retirement benefits payable	3,507,700	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	1,143,559,646	1,118,474,408
Foreign currency exchange rate adjustment and fair value of hedged items	4,145,937	65,092,712
Net long-term debt	1,147,705,583	1,183,567,120
Total long-term liabilities	1,316,491,937	1,352,287,552
Total liabilities	1,407,442,691	1,430,706,496
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	314,921,116	305,849,155
Accumulated other comprehensive income	4,890,575	3,438,714
Non-controlling interest	4,476	4,494
Total equity	825,816,167	815,292,363
Total liabilities and equity	$ 2,233,258,858	$ 2,245,998,859

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

North American Development Bank
Ordinary Capital Resources
Consolidated Statements of Income (unaudited)
For the Three Months Ended March 31, 2024 and 2023

	For the Three Months Ended March 31,	
	2024	**2023**
Interest income:		
Loans	$ 20,376,377	$ 15,128,244
Investments	10,751,944	6,953,208
Total interest income	31,128,321	22,081,452
Interest expense	17,466,716	13,168,243
Net interest income	13,661,605	8,913,209
Provision for credit losses	156,720	2,852,852
Net interest income after provision for loan losses	13,504,885	6,060,357
Operating expenses (income):		
General and administrative:		
Personnel	4,471,973	4,659,672
Administrative	889,879	833,284
Consultants and contractors	533,168	630,512
Other	(379,856)	(465,273)
Grant operating reimbursements, net	(431,493)	(463,680)
Depreciation	16,498	15,343
Total operating expenses	5,100,169	5,209,858
Net operating income	8,404,716	850,499
Non-interest and non-operating income (expenses):		
Loss on sale of securities, net	(141,103)	(464,727)
Fees and other income (expense), net	264,496	(15,424)
Income (expense) from hedging activities, net	543,834	(579,745)
Total non-interest and non-operating income (expense)	667,227	(1,059,896)
Net income (loss)	9,071,943	(209,397)
Non-controlling interest in net loss	(18)	(53)
Controlling interest in net income (loss)	$ 9,071,961	$ (209,344)

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

North American Development Bank
Ordinary Capital Resources
Consolidated Statements of Comprehensive Income (unaudited)
For the Three Months Ended March 31, 2024 and 2023

	For the Three Months Ended March 31,	
	2024	**2023**
Net income (loss)	$ 9,071,943	$ (209,397)
Non-controlling interest in net loss	(18)	(53)
Controlling interest in net income (loss)	9,071,961	(209,344)
Other comprehensive income:		
Available-for-sale investment securities:		
Change in unrealized gains (losses) during the period, net	(4,660,748)	10,650,128
Reclassification adjustment for net losses included in net income	141,103	464,727
Total unrealized income (loss) on available-for-sale investment securities	(4,519,645)	11,114,855
Foreign currency translation adjustment	6,803	(178,168)
Unrealized gains (losses) on hedging activities:		
Foreign currency translation adjustment, net	28,408,490	461,420
Fair value of cross-currency interest rate swaps and options, net	(22,443,787)	(4,667,575)
Total unrealized gain (loss) on hedging activities	5,964,703	(4,206,155)
Total other comprehensive income	1,451,861	6,730,532
Total comprehensive income	$ 10,523,822	$ 6,521,188

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

North American Development Bank
Ordinary Capital Resources
Consolidated Statement of Changes in Equity (unaudited)
For the Three Months Ended March 31, 2024 and Year Ended December 31, 2023

	Paid-in Capital	General Reserve 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	-	19,412,489	-	-	19,412,489
Other comprehensive loss	-	-	37,250,879	-	37,250,879
Non-controlling interest	-	-	-	(106)	(106)
Ending balance, December 31, 2023	506,000,000	305,849,155	3,438,714	4,494	815,292,363
Net income	-	9,071,961	-	-	9,071,961
Other comprehensive income	-	-	1,451,861	-	1,451,861
Non-controlling interest	-	-	-	(18)	(18)
Ending balance, March 31, 2024	$ 506,000,000	$ 314,921,116	$ 4,890,575	$ 4,476	$ 825,816,167

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

North American Development Bank
Ordinary Capital Resources
Consolidated Statements of Cash Flows (unaudited)
For the Three Months Ended March 31, 2024 and 2023

	For the Three Months Ended March 31,	
	2024	**2023**
Cash flows from operating activities		
Net income (loss)	$ 9,071,961	$ (209,344)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	16,498	15,343
Amortization of net premiums (discounts) on investments	(3,454,925)	(425,885)
Change in fair value of swaps, options, hedged items and other non-cash items	(11,461,617)	(6,343,133)
Non-controlling interest	(18)	(53)
Loss on sale of securities, net	141,103	464,727
Provision for credit losses	156,720	2,852,852
Post-retirement benefits payable	65,922	80,919
Change in other assets and liabilities:		
(Increase) decrease in interest receivable	(5,281,934)	6,187,560
(Increase) decrease in accounts receivable	287,463	2,122,453
Increase in securities settlement receivable	(30,060,143)	-
Increase (decrease) in accounts payable	3,366,780	(3,546,566)
Increase (decrease) in accrued liabilities	(501,126)	(334,003)
Increase (decrease) in accrued interest payable	1,869,188	(4,558,321)
Increase (decrease) in due to EICF	(2,000,000)	(345,218)
Net cash provided used in operating activities	(37,784,128)	(4,038,669)
Cash flows from lending, investing, and development activities		
Capital expenditures	(55,291)	(36,801)
Loan principal repayments	12,328,916	16,015,240
Loan disbursements	(41,045,705)	(55,577,368)
Purchase of held-to-maturity investment securities	-	(721,758)
Purchase of available-for-sale investment securities	(212,965,903)	(79,626,019)
Proceeds from maturities of held-to-maturity investments	-	2,460,000
Proceeds from sales and maturities of available-for-sale investments	234,124,865	68,188,130
Net cash used in lending, investing, and development activities	(7,613,118)	(49,298,576)
Cash flows from financing activities		
Proceeds from other borrowings	25,067,706	-
Net cash provided by financing activities	25,067,706	-
Net decrease in cash and cash equivalents	(20,329,540)	(53,337,245)
Cash and cash equivalents, beginning of period	53,731,480	164,745,186
Cash and cash equivalents, end of period	$ 33,401,940	$ 111,407,941
Supplemental cash information		
Cash paid during the year for interest	$ 9,068,871	$ 6,761,522
Significant non-cash transactions		
Foreign currency translation adjustment	$ 28,408,490	$ 461,420
Change in fair value of cross-currency interest rate swaps, net	(22,443,787)	(4,667,575)
Change in fair value of available-for-sales investments, net	(4,519,645)	11,114,855

The accompanying notes are an integral part of these unaudited 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 facilitate lending to the Mexican public sector, and since 2006 it has operated the Corporación Financiera de América del Norte, S.A. de C.V. SOFOM E.N.R. As of March 31, 2024 and December 31, 2023, COFIDAN is 99.93% owned by the Bank and 0.07% owned by the Government of Mexico. 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

2. Summary of Significant Accounting Policies (continued)

assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates include the valuation of investments, allowance for credit losses, the fair value of derivative instruments included in other assets and other liabilities, long-term post-retirement benefits payable and debt. Actual results could differ from those estimates.

Principles of Consolidation
These consolidated financial statements of the Bank include the accounts of the Ordinary Capital Resources and its subsidiary, COFIDAN. All material intercompany accounts and transactions with COFIDAN have been eliminated in the consolidation. In accordance with U.S. GAAP, EICF does not meet the criteria for consolidation; therefore, the financial statements of EICF are accounted for and issued separately.

Cash and Cash Equivalents
For the purposes of the consolidated statements of cash flows, cash and cash equivalents include cash deposits, money market accounts with other financial institutions and overnight repurchase agreements. As of March 31, 2024, cash deposits with other financial institutions in demand deposit accounts and interest-bearing accounts totaled $1,041,733 and $28,360,206 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.

2. Summary of Significant Accounting Policies (continued)

Available-for-sale (AFS) – This category is composed of debt securities that are not classified as either trading or held-to-maturity securities. These securities are carried at fair value, with unrealized holding gains and losses excluded from earnings and reported as a net amount in a separate component of comprehensive income or loss until realized.

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

Taxation

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

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 five years, 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.

2. Summary of Significant Accounting Policies (continued)

Loans

Loans are reported at the principal amount, net of allowance for credit losses, unamortized loan fees, foreign currency exchange rate adjustment and fair value of hedged items. Interest income on loans is recognized in the period earned. Net loan commitment and origination fees are deferred and amortized over the life of the loan as an adjustment to loan interest income.

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

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

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.

Loans in nonaccrual status are evaluated on an individual basis for impairment when it is probable that the Bank may sustain some loss. Impairment of these loans 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 generally 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

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

Allowance for Credit Losses

On January 1, 2023, the Bank adopted 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 as of 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 is 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*.

2. Summary of Significant Accounting Policies (continued)

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.

The foreign currency translation adjustment on loans denominated in Mexican pesos as of March 31, 2024 and December 31, 2023 was $(13,051,475) and $(17,273,777), respectively.

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 March 31, 2024, the Bank had entered into agreements with 12 swap counterparties.

All swaps relating to the lending activities of the Bank are designated as cash flow or fair value hedges and recognized in the accompanying consolidated balance sheet at their fair value. Changes in the fair value of the cash flow hedges are reported in other comprehensive income. Changes in the fair value of the fair value hedges and the hedged items 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. If it is probable that the hedged loan repayments will not occur, gains and losses accumulated in other comprehensive income (loss) are recognized immediately in earnings.

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

2. Summary of Significant Accounting Policies (continued)

Fair Value

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

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

> *Level 2* – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. This category generally includes U.S. agency securities, corporate debt securities, other fixed-income securities, Mexican government securities, securities pledged under collateralized borrowings, mortgage-backed securities, cross-currency 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 accompanying consolidated statements of comprehensive income for the periods presented and in Note 7.

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 March 31, 2024 and December 31, 2023.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2024				
Held-to-maturity:				
U.S. government securities	$ 4,365,879	$ –	$ (287)	$ 4,365,592
Total held-to-maturity investment securities	4,365,879	–	(287)	4,365,592
Available-for-sale:				
U.S. government securities	348,721,421	27,662	(11,333,681)	337,415,402
U.S. agency securities	75,536,384	10,226	(3,591,868)	71,954,742
Corporate debt securities	161,784,427	538,811	(4,139,041)	158,184,197
Other fixed-income securities	64,823,232	105,780	(1,618,550)	63,310,462
Mexican government securities	94,730,011	57,501	(888,865)	93,898,647
Securities pledged under collateralized borrowings[1]	270,827,356	3,079,830	(3,084,234)	270,822,952
Mortgage-backed securities	4,912,277	–	(549,235)	4,363,042
Total available-for-sale investment securities	1,021,335,108	3,819,810	(25,205,474)	999,949,444
Total investment securities	$ 1,025,700,987	$ 3,819,810	$ (25,205,761)	$ 1,004,315,036
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 March 31, 2024 and December 31, 2023, accrued interest on held-to-maturity and available-for-sale securities totaled $7,463,287 and $5,229,329, respectively, 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 March 31, 2024 and December 31, 2023.

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2024						
Held-to-maturity:						
U.S. agency securities	$ 4,365,592	$ 287	$ –	$ –	$ 4,365,592	$ 287
Total held-to-maturity securities	4,365,592	287	–	–	4,365,592	287
Available-for-sale:						
U.S. government securities	46,810,335	836,029	187,973,944	10,497,652	234,784,279	11,333,681
U.S. agency securities	4,579,625	16,791	64,221,311	3,575,077	68,800,936	3,591,868
Corporate debt securities	18,187,515	105,500	90,189,002	4,033,541	108,376,517	4,139,041
Other fixed-income securities	11,950,482	59,803	33,317,557	1,558,747	45,268,039	1,618,550
Mexican government securities	–	–	14,506,490	888,865	14,506,490	888,865
Securities pledged under collateralized borrowings[1]	174,722,484	3,084,234	–	–	174,722,484	3,084,234
Mortgage-backed securities	–	–	4,363,042	549,235	4,363,042	549,235
Total available-for-sale investment securities	256,250,441	4,102,357	394,571,346	21,103,117	650,821,787	25,205,474
Total temporarily impaired securities	$ 260,616,033	$ 4,102,644	$ 394,571,346	$ 21,103,117	$ 655,187,379	$ 25,205,761
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 March 31, 2024. This assessment is based on the overall high quality of the investment portfolio, the underlying

3. Investments (continued)

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 recovery of cost. Therefore, as of March 31, 2024, no allowance for credit losses for investment securities was recorded.

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

	Held-to-Maturity Securities		Available-for-Sale Securities	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
March 31, 2024				
Less than 1 year	$ 4,365,592	$ 4,365,879	$ 305,035,354	$ 308,477,882
1–5 years	–	–	555,246,571	575,501,200
5–10 years	–	–	135,304,477	132,443,749
More than 10 years	–	–	–	–
Mortgage-backed securities	–	–	4,363,042	4,912,277
	$ 4,365,592	$ 4,365,879	$ 999,949,444	$ 1,021,335,108
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 three months ended March 31, 2024 and 2023.

	Three Months Ended March 31,	
	2024	2023
Held-to-maturity investment securities:		
Proceeds from maturities	$ –	$ 2,460,000
Available-for-sale investment securities:		
Proceeds from sales and maturities	234,124,865	68,188,130
Gross realized gains	30,499	–
Gross realized losses	171,602	464,727

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 three months ended March 31, 2024 and the year ended December 31, 2023.

	Three Months Ended March 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	(4,660,748)	27,366,381
Reclassification adjustments for net losses on investment securities available-for-sale included in net income	141,103	1,373,307
Net unrealized loss on investment securities available-for-sale, end of period	$ (21,385,664)	$ (16,866,019)

4. Loans

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

	March 31, 2024	December 31, 2023
Loan balance	$ 1,077,941,368	$ 1,049,224,579
Allowance for credit losses	(17,926,361)	(16,546,195)
Unamortized loan fees	(5,885,448)	(6,528,697)
Foreign currency exchange rate adjustment and fair value of hedged items	(61,947,143)	(65,856,259)
Net loans outstanding	$ 992,182,416	$ 960,293,428

At March 31, 2024, outstanding undisbursed loan commitments on signed loan agreements totaled $196,230,946. As of the same date, the Bank had loan agreements under development for an additional $213,471,070.

The Bank records a reserve for off-balance sheet credit exposure for its undisbursed loan commitments. As of March 31, 2024, this reserve estimate totaled $2,878,016 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 March 31, 2024, and December 31, 2023 the Bank had LIRF loans outstanding of $11,869,698 and $13,053,907, respectively.

4. Loans (continued)

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

	March 31, 2024	December 31, 2023
Water	$ 194,858,517	$ 190,128,972
Solid waste	-	615,000
Air quality	97,678,490	100,790,868
Sustainable energy	671,467,842	658,498,525
Urban development	15,011,488	15,370,682
Sustainable food value chains	10,121,560	10,121,560
Green Manufacturing	15,000,000	-
Sustainable Buildings	24,462,325	24,462,325
ProRec[1]	49,341,146	49,236,647
	$ 1,077,941,368	$ 1,049,224,579

[1] In May 2020, the Board approved a COVID-19 Recovery Program (ProRec) to enhance the economic recovery and the general health and welfare of U.S.-Mexico border communities, while supporting projects with a positive environmental impact. The program was closed as of December 31, 2022.

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

	March 31, 2024	December 31, 2023
Private	$ 728,280,477	$ 700,092,391
Public	298,459,526	296,577,830
Public-private	51,201,365	52,554,358
	$ 1,077,941,368	$ 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 March 31, 2024 and December 31, 2023. These risk categories are defined in Note 2, along with additional information on how the Bank evaluates credit quality.

	March 31, 2024			December 31, 2023		
Risk Category	Mexico	United States	Total	Mexico	United States	Total
AAA	$ –	$ –	$ –	$ –	$ –	$ –
AA+	–	23,045,000	23,045,000	–	23,045,000	23,045,000
AA	–	2,605,000	2,605,000	–	2,605,000	2,605,000
AA-	–	–	–	–	–	–
A+	–	21,090,000	21,090,000	–	21,630,000	21,630,000
A	–	4,375,000	4,375,000	–	4,375,000	4,375,000
A-	–	111,078,302	111,078,302	–	112,987,134	112,987,134
BBB+	96,000,000	12,765,000	108,765,000	96,000,000	12,765,000	108,765,000
BBB	174,184,714	–	174,184,714	170,750,964	–	170,750,964
BBB-	14,580,232	56,260,547	70,840,779	15,029,079	52,831,543	67,860,622
BB+	105,733,662	105,811,737	211,545,399	106,232,513	109,344,286	215,576,799
BB	170,183,465	28,974,597	199,158,062	184,737,802	63,556,671	248,294,473
BB-	56,223,532	49,845,808	106,069,340	29,435,632	–	29,435,632
B+	32,710,135	–	32,710,135	31,259,661	–	31,259,661
B	12,474,637	–	12,474,637	12,639,294	–	12,639,294
B-	–	–	–	–	–	–
CCC to C	–	–	–	–	–	–
	$ 662,090,377	$ 415,850,991	$ 1,077,941,368	$ 646,084,945	$ 403,139,634	$ 1,049,224,579

The following table presents the loan portfolio by risk category and period committed as of March 31, 2024 and December 31, 2023.

Risk Category	March 31, 2024	Year of Loan Commitment 2023	2022	2021	2020	Prior	Total Loans at March 31, 2024
AAA	$ –	$ –	$ –	$ –	$ –	$ –	$ –
AA+ to AA-	–	–	–	23,045,000	–	2,605,000	25,650,000
A+ to A-	–	20,800,000	63,000,000	–	19,348,782	33,394,520	136,543,302
BBB+ to BBB-	–	64,263,691	56,260,547	1,665,000	13,323,728	218,277,527	353,790,493
BB+ to BB-	–	108,436,922	25,742,182	1,410,000	3,099,753	378,083,944	516,772,800
B+ to B-	–	4,705,855	–	–	–	40,478,917	45,184,773
CCC to C	–	–	–	–	–	–	–
Total	$ –	$ 198,206,468	$ 145,002,729	$ 26,120,000	$ 35,772,263	$ 672,839,908	$ 1,077,941,368

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

As of March 31, 2024 and December 31, 2023, no loans were on non-accrual or impaired. For the three months ended March 31, 2024 and December 31, 2023, no loans were modified, and the average impaired loan balance was $0.

An age analysis of past-due loans, including both accruing and non-accruing loans, as of March 31, 2024 and December 31, 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
March 31, 2024	$ –	$ –	$ –
December 31, 2023	–	–	–

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

4. Loans (continued)

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

	Allowance for Credit Losses	Total Loans Outstanding
March 31, 2024		
Mexico:		
Construction	$ 775,714	$ 18,537,364
Operation	11,564,616	643,553,013
Total Mexico	12,340,330	662,090,377
United States:		
Construction	2,519,372	235,831,335
Operation	3,066,659	180,019,656
Total United States	5,586,031	415,850,991
	$ 17,926,361	$ 1,077,941,368
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 three months ended March 31, 2024 and the year ended December 31, 2023.

	Beginning Balance	Change in Allowance for Credit Losses: CECL adoption impact[1]	Change in Allowance for Credit Losses: Provision for Credit Losses[2]	Change in Allowance for Credit Losses: Loan (Charge-offs) Recoveries[3]	Ending Balance
March 31, 2024					
Mexico:					
Construction	$ 672,458	$ –	$ 103,256	$ –	$ 775,714
Operation	10,699,509	–	865,107	–	11,564,616
Total Mexico	11,371,967	–	968,363	–	12,340,330
United States:					
Construction	2,459,284	–	60,088	–	2,519,372
Operation	2,714,944	–	351,715	–	3,066,659
Total United States	5,174,228	–	411,803	–	5,586,031
	$ 16,546,195	$ –	$ 1,380,166	$ –	$ 17,926,361
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 due to adjustments for unamortized loan fees, foreign exchange adjustments and hedged items at fair value.

[2] For the three months ended March 31, 2024, provision for credit losses totaled $156,720, which included $(1,223,446) in credit loss provisions for undisbursed loan commitments presented as a component of other liability. 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 liability. The provision for credit losses is reflected in the consolidated statement of income.

[3] For the three months ended March 31, 2024 and for the year ended December 31, 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 March 31, 2024 and December 31, 2023.

	Assets	Liabilities
March 31, 2024		
Swaps and options, net	$ 116,342,383	$ 55,062,885
Collateral to counterparty	24,460,199	–
Collateral from counterparty	(1,679,975)	–
Credit valuation adjustment	(1,756,039)	–
Right-of-use lease asset	454,672	–
Off-balance sheet credit exposure	–	2,878,016
Total	$ 137,821,240	$ 57,940,901
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 March 31, 2024 and December 31, 2023.

	Assets	Liabilities
March 31, 2024		
Cross-currency interest rate swaps	$ 100,352,530	$ 72,786,817
Interest rate swaps	22,827,412	10,331,065
Options	21,217,438	–
	144,397,380	83,117,882
Master netting by counterparty	(28,054,997)	(28,054,997)
Total swaps and options, net	$ 116,342,383	$ 55,062,885
December 31, 2023		
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 March 31, 2024 and December 31, 2023.

			March 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	$ –	$ (115,381)	$ (5,459,075)	$ 44,425,544
CHF Issuance							
04/30/15	04/30/25	0.25	128,706,754	92,925	(89,988)	7,396,901	136,106,592
04/26/17	10/26/27	0.20	124,443,117	152,629	(255,397)	5,600,745	129,941,094
07/24/18	07/24/26	0.30	126,415,858	47,295	(235,630)	8,177,110	134,404,633
05/28/20	11/28/28	0.20	186,316,116	12,029	(587,577)	13,229,363	198,969,931
05/28/20	05/27/33	0.55	165,614,326	511,030	(746,561)	11,759,434	177,138,229
NOK Issuance							
03/10/17	03/10/31	2.47	86,724,283	–	(146,227)	(31,236,117)	55,341,939
03/10/17	03/10/32	2.47	86,724,283	–	(156,139)	(32,553,915)	54,014,229
Total notes payable			954,944,737	815,908	(2,332,900)	(23,085,554)	930,342,191
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	12/01/27	TIIE var.	100,000,606	–	(20,326)	19,484,857	119,465,137
10/27/23	10/01/29	TIIE var.	65,083,916	–	–	6,805,303	71,889,219
01/24/24	10/01/29	TIIE var.	25,067,706	–	–	941,330	26,009,036
Total other borrowings			195,416,228	–	(20,326)	27,231,490	222,627,392
			$ 1,150,360,965	$ 815,908	$ (2,353,226)	$ 4,145,936	$ 1,152,969,583

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

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)	16,474,561	145,193,168
04/26/17	10/26/27	0.20	124,443,117	175,085	(273,284)	14,867,096	139,212,014
07/24/18	07/24/26	0.30	126,415,858	56,180	(261,090)	17,435,188	143,646,136
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)	(25,912,458)	60,660,333
03/10/17	03/10/32	2.47	86,724,283	–	(161,054)	(27,085,797)	59,477,432
Total notes payable			954,944,737	930,268	(2,463,413)	43,464,011	996,875,603
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	12/01/27	TIIE var.	100,000,606	–	(21,706)	16,574,458	116,553,358
10/27/23	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)	$ 65,092,712	$ 1,188,831,120

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

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 the hedges relating to interest rate swaps on notes payable denominated in U.S. dollars was reported at March 31, 2024 and December 31, 2023 as other assets of $(5,459,075) and $(4,458,153), respectively. The fair value of the hedges relating to cross-currency interest rate swaps on notes payable not denominated in U.S. dollars was reported at March 31, 2024 and December 31, 2023 as other assets of $36,756,741 and $72,876,949, respectively, and as other liabilities of $47,635,398 and $35,536,063, respectively. The fair value of hedges relating to options on notes payable not

6. Debt (continued)

denominated in U.S. dollars was reported at March 31, 2024 and December 31, 2023 as other assets of $21,217,438 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

On November 8, 2012, the Bank signed a loan commitment with another financial institution to borrow up to $50 million to fund eligible projects in Mexico. This loan amortizes semiannually, with the first principal payment paid on December 30, 2015, and final principal payment due on December 30, 2024. At March 31, 2024 and December 31, 2023, the outstanding balance was $5,264,000.

On December 14, 2022, the Bank entered into a collateralized borrowing with another financial institution in the form of a repurchase agreement to borrow MXN $1,978 million ($100 million USD) with a maturity date of December 1, 2027. The loan carries a variable interest rate referenced to Mexico's Benchmark Interbank Deposit Rate (TIIE). This borrowing is collateralized by U.S. Treasury Notes, which are reflected on the consolidated balance sheet as available-for-sale investment securities.

On October 27, 2023, the Bank entered into a collateralized borrowing with another financial institution in the form of a repurchase agreement to borrow MXN $1,190 million ($65 million USD) with a maturity date of October 1, 2029, and a variable interest rate referenced to Mexico's TIIE. This borrowing is collateralized by U.S. Treasury Notes, which are reflected on the consolidated balance sheet as available-for-sale investment securities.

On January 23, 2024, the Bank entered into a collateralized borrowing with another financial institution in the form of a repurchase agreement to borrow MXN $430 million ($25 million USD) with a maturity date of October 1, 2029, and a variable interest rate referenced to Mexico's TIIE. This borrowing is collateralized by 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 March 31, 2024 and December 31, 2023.

	March 31, 2024	December 31, 2023
Less than one year	$ 5,264,000	$ 5,264,000
1-2 years	128,706,754	128,706,754
2-3 years	126,415,858	126,415,858
3-4 years	224,443,723	224,443,723
4-5 years	186,316,116	186,316,116
5-10 years	479,214,514	454,146,808
More than 10 years	–	–
Total	$ 1,150,360,965	$ 1,125,293,259

6. Debt (continued)

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

	March 31, 2024	December 31, 2023
Short-term debt:		
Other borrowings	$ 5,264,000	$ 5,264,000
Total short-term debt	5,264,000	5,264,000
Long-term debt:		
Notes payable	954,944,737	954,944,737
Other borrowings	190,152,228	165,084,522
Total long-term debt	1,145,096,965	1,120,029,259
Total debt	$ 1,150,360,965	$ 1,125,293,259

7. Equity

Subscribed Capital

At March 31, 2024 and December 31, 2023, the shareholders of the Bank had subscribed 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 March 31, 2024 and December 31, 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	–	(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 original subscription have been unqualified. In 2015, the member countries agreed to a General Capital Increase (GCI) of 300,000 shares ($3 billion), also with equal commitments from

7. Equity (continued)

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 did so on September 1, 2016.

As of March 31, 2024 and December 31, 2023, Mexico has unqualified 4,100 shares of paid-in capital and 23,233 shares of callable capital from its GCI subscription.

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

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

Retained Earnings

Retained earnings are classified as reserved or undesignated as shown in the following table.

	March 31, 2024	December 31, 2023
Reserved retained earnings		
Debt Service Reserve	$ 65,894,000	$ 65,894,000
Operating Expenses Reserve	28,088,200	28,088,200
Special Reserve	30,000,000	30,000,000
Capital Preservation Reserve	159,320,901	159,320,901
Total reserved retained earnings	283,303,101	283,303,101
Undesignated retained earnings	31,618,015	22,546,054
Total retained earnings	$ 314,921,116	$ 305,849,155

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

7. Equity (continued)

Accumulated Other Comprehensive Income (Loss)

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

	Beginning Balance	Period Activity	Ending Balance
March 31, 2024			
Net unrealized gain (loss) on available-for-sale investment securities	$ (16,866,019)	$ (4,519,645)	$ (21,385,664)
Post-retirement benefit liability adjustment	285,079	–	285,079
Foreign currency translation adjustment	328,367	6,803	335,170
Unrealized gain (loss) on hedging activities:			
Foreign currency translation adjustment	(50,823,460)	28,408,490	(22,414,970)
Fair value of cross-currency interest rate swaps and options, net	70,514,747	(22,443,787)	48,070,960
Net unrealized gain on hedging activities	19,691,287	5,964,703	25,655,990
Total accumulated other comprehensive income	$ 3,438,714	$ 1,451,861	$ 4,890,575
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)	(26,740,912)	(50,823,460)
Fair value of cross-currency interest rate swaps and options, net	35,303,646	35,211,101	70,514,747
Net unrealized gain on hedging activities	11,221,098	8,470,189	19,691,287
Total accumulated other comprehensive income (loss)	$ (33,812,165)	$ 37,250,879	$ 3,438,714

Hedging Activities in Other Comprehensive Income (Loss)

The following table summarizes the net unrealized gain (loss) on derivatives designated as cash flow hedges and their related hedged items included in other comprehensive income for the three months ended March 31, 2024 and year ended December 31, 2023.

	Three Months Ended March 31, 2024	Year Ended December 31, 2023
Cross-currency swaps and hedged items for loans, net	$ (547,975)	$ (719,012)
Cross-currency swaps, options and hedged items for debt, net	6,512,678	9,189,201
Total	$ 5,964,703	$ 8,470,189

For the three months ended March 31, 2024 and year ended December 31, 2023, no amounts were reclassified from other comprehensive income and recorded as a component of net swap settlements in the consolidated statements of income.

8. EICF Transfers and Reimbursements

As part of the establishment of the EICF, the Board agreed to continue providing support to the EICF by transferring a portion of allocable income from the Bank's Ordinary Capital Resources. For the three months ended March 31, 2024 and for the year ended December 31, 2023, the Bank transferred $0 and $5,101,424 to the EICF, respectively, which is reflected in the consolidated statements of income.

All operating expenses of the Bank are paid through the accounts of the Ordinary Capital Resources, including those related to grant operations under the EICF. Operating expenses incurred for third-party grants are subject to reimbursement to the Bank. Such reimbursements represent personnel expenses, net of administrative expenses, and are recorded in the consolidated income statements as net grant operating reimbursements. For the three months ended March 31, 2024 and for the year ended December 31, 2023, the Bank recognized $431,493 and $1,544,195 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 three months ended March 31, 2024 and 2023, the Bank expended $329,092 and $339,651, 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 $23,078 and $11,081 for the three months ended March 31, 2024 and 2023, respectively. As of March 31, 2024, the unfunded portion of the plan totaled $3,618,450 and is reflected in the consolidated balance sheet as a component of accrued liabilities and long-term post-retirement benefits payable of $110,750 and $3,507,700, 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.

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

	March 31, 2024	December 31, 2023
Beginning balance	$ 3,543,778	$ 3,215,908
Service expense	63,250	253,000
Interest expense	34,500	138,000
Net benefits paid	(23,078)	(63,130)
Actuarial loss (gain)	–	–
Ending balance	$ 3,618,450	$ 3,543,778

9. Employee Benefits (continued)

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

	March 31, 2024	December 31, 2023
Beginning balance	$ –	$ –
Employer contributions	23,078	63,130
Net benefits paid	(23,078)	(63,130)
Ending balance	$ –	$ –

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

	March 31, 2024	December 31, 2023
Current liabilities	$ 110,750	$ 102,000
Non-current liabilities	3,507,700	3,441,778
Total	$ 3,618,450	$ 3,543,778

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

	Three Months Ended March 31, 2024	2023
Service expense	$ 63,250	$ 63,250
Interest expense	34,500	34,500
Total	$ 97,750	$ 97,750

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

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

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

9. Employee Benefits (continued)

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

April 1 – December 31, 2024	$	76,500
Year ending December 31:		
2025		137,000
2026		177,000
2027		220,000
2028		220,000
2029-2032		1,531,000

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 are discounted using the Mexico TIIE 28-day swap curve. Cash flows in U.S. dollars are discounted using the USD Overnight Index Swap (OIS) curve.

Cross-currency Interest Rate Swaps
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 six (6) debt issuances in foreign currencies for U.S.-dollar operations. Cash flows in Mexican pesos are discounted using the TIIE 28-day 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 OIS curve.

10. Fair Value of Financial Instruments (continued)

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 each cash flow stream is discounted using the USD OIS curve, 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.

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 Notes Payable

Hedged items for notes payable 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 USD OIS curve for USD issuances, the CHF swap curve for Swiss franc issuances and the NOK swap curve for the Norwegian krone issuance, as well as on external pricing models and counterparty pricing.

The following table summarizes the carrying amounts and fair value of the Bank's financial instruments.

	March 31, 2024		December 31, 2023	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Cash and cash equivalents	$ 33,401,940	$ 33,401,940	$ 53,731,480	$ 53,731,480
Held-to-maturity securities	4,365,879	4,365,592	4,308,115	4,309,794
Available-for-sale securities	999,949,444	999,949,444	1,020,014,675	1,020,014,675
Loans, net	992,182,416	1,014,486,552	960,293,428	991,123,880
Interest receivable	27,702,446	27,702,446	22,420,512	22,420,512
Cross-currency interest rate swaps	100,352,530	100,352,530	144,833,059	144,833,059
Interest rate swaps	22,827,412	22,827,412	19,999,994	19,999,994
Options	21,217,438	21,217,438	31,916,857	31,916,857
Master netting	(28,054,997)	(28,054,997)	(29,707,645)	(29,707,645)
Total swaps and options net	116,342,383	116,342,383	167,042,265	167,042,265
Liabilities				
Accrued interest payable	16,886,626	16,886,626	15,017,438	15,017,438
Short-term debt, net	5,264,000	5,264,000	5,264,000	5,264,000
Long-term debt, net	1,143,559,646	1,147,248,665	1,118,474,408	1,119,432,054
Cross-currency interest rate swaps	72,786,817	72,786,817	59,632,128	59,632,128
Interest rate swaps	10,331,065	10,331,065	14,117,988	14,117,988
Master netting	(28,054,997)	(28,054,997)	(29,707,645)	(29,707,645)
Total swaps net	55,062,885	55,062,885	44,042,471	44,042,471

10. Fair Value of Financial Instruments (continued)

The Bank's financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2024 and December 31, 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
March 31, 2024				
Assets				
Available-for-sale (AFS) securities:				
U.S. government securities	$ 337,415,402	$ –	$ –	$ 337,415,402
U.S. agency securities	–	71,954,742	–	71,954,742
Corporate debt securities	–	158,184,197	–	158,184,197
Other fixed-income securities	–	63,310,462	–	63,310,462
Mexican government securities	–	93,898,647	–	93,898,647
Securities pledged under collateralized borrowings	–	270,822,952	–	270,822,952
Mortgage-backed securities	–	4,363,042	–	4,363,042
Total AFS securities	337,415,402	662,534,042	–	999,949,444
Cross-currency interest rate swaps	–	100,352,530	–	100,352,530
Interest rate swaps	–	22,827,412	–	22,827,412
Options	–	21,217,438	–	21,217,438
Master netting of swaps and options	–	(28,054,997)	–	(28,054,997)
Hedged items for loans	–	–	(48,895,668)	(48,895,668)
Total assets at fair value	$ 337,415,402	$ 778,876,425	$ (48,895,668)	$ 1,067,396,159
Liabilities				
Cross-currency interest rate swaps	$ –	$ 72,786,817	$ –	$ 72,786,817
Interest rate swaps	–	10,331,065	–	10,331,065
Master netting of swaps	–	(28,054,997)	–	(28,054,997)
Hedged items for notes payable	–	–	(48,074,350)	(48,074,350)
Total liabilities at fair value	$ –	$ 55,062,885	$ (48,074,350)	$ 6,988,535

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 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
Master netting of swaps and options	–	(29,707,645)	–	(29,707,645)
Hedged items for loans	–	–	(48,582,482)	(48,582,482)
Total assets at fair value	$ 349,459,708	$ 837,597,232	$ (48,582,482)	$ 1,138,474,458
Liabilities				
Cross-currency interest rate swaps	$ –	$ 59,632,128	$ –	$ 59,632,128
Interest rate swaps	–	14,117,988	–	14,117,988
Master netting of swaps	–	(29,707,645)	–	(29,707,645)
Hedged items for notes payable	–	–	(8,679,564)	(8,679,564)
Total liabilities at fair value	$ –	$ 44,042,471	$ (8,679,564)	$ 35,362,907

10. Fair Value of Financial Instruments (continued)

The following table summarizes the changes to hedged items included in financial assets and liabilities measured at fair value on a recurring basis using unobservable inputs (Level 3) for the three months ended March 31, 2024 and year ended December 31, 2023. Additional information on how the Bank measures fair value is provided in Note 2.

Fair Value of Level 3 Instruments	Three Months Ended March 31, 2024	Year Ended December 31, 2023
Assets		
Beginning balance	$ (48,582,482)	$ (106,748,200)
Total realized and unrealized gains (losses):		
Included in earnings (expenses)	(313,186)	58,165,718
Included in other comprehensive income (loss)	–	–
Purchases	–	–
Settlements	–	–
Transfers in/out of Level 3	–	–
Ending balance	$ (48,895,668)	$ (48,582,482)
Liabilities		
Beginning balance	$ (8,679,564)	$ (57,376,728)
Total realized and unrealized (gains) losses:		
Included in (earnings) expenses	(39,394,786)	48,697,164
Included in other comprehensive income (loss)	–	–
Purchases	–	–
Settlements	–	–
Transfers in/out of Level 3	–	–
Ending balance	$ (48,074,350)	$ (8,679,564)

11. Derivative Financial Instruments

The Bank utilizes cross-currency interest rate swaps to mitigate exposure to fluctuations in foreign currency exchange rates and interest rate swaps to mitigate exposure to fluctuations in interest rates. 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.

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 interest rate swaps for its long-term notes payable issued in Swiss francs and Norwegian kroner. These swaps have been designated as hedging instruments because they hedge the risk of fluctuations in cash flows due to changes in foreign currency exchange rates. The 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 certain 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. The 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.

Beginning 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 $1,679,975 and $8,049,975 were posted from counterparties to the Bank as of March 31, 2024 and December 31, 2023, respectively. As of those same dates $24,460,199 and $24,196,176 in cash collateral was posted by the Bank.

The notional amounts and estimated fair values of the swaps and options outstanding at March 31, 2024 and December 31, 2023 are presented in the following table. The fair value of these swaps is estimated using internal valuation models with observable market data inputs.

	March 31, 2024		December 31, 2023	
	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value
Cross-currency interest rate swaps	$ 1,014,778,484	$ 27,565,713	$ 1,020,350,695	$ 85,200,930
Interest rate swaps	346,239,368	12,496,347	347,395,621	5,882,007
Options	175,965,221	21,217,438	175,965,221	31,916,857

Swaps that are no longer deemed effective because of borrower default on the hedged loans are not included in the preceding table. There were no swaps that were considered ineffective due to borrower default as of March 31, 2024 and December 31, 2023.

11. Derivative Financial Instruments (continued)

Gains and Losses on Derivative Cash Flows

Cross-currency interest rate Swaps and Options –The fair value adjustments of cross-currency interest rate swaps and options designated as cash flow hedges are included in the accompanying 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 $25,655,990 and $19,691,287 at March 31, 2024 and December 31, 2023, respectively.

The changes in the fair value of cross-currency interest rate swaps designated as fair value hedges and hedged items are both reported in income (expense) from net hedging activities.

For the three months ended March 31, 2024 and 2023, changes in the derivative instruments designated as hedges and the hedged items included in the accompanying consolidated statements of income were $194,909 and $932,950, respectively.

Interest Rate Swaps – The changes in the fair value of interest rate swaps offset the changes in the fair value of the loans and debt (hedged items) due to changes in the USD OIS curve and are included in income (expense) from net hedging activities. For the three months ended March 31, 2024 and 2023, changes in the aforementioned swaps included in the accompanying consolidated statements of income were $0.

Income (Expense) from Hedging Activities

The following table summarizes the net income (expense) from hedging activities for the three months ended March 31, 2024 and 2023.

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Fair value hedges with swaps and hedged items for loans	$ (311,911)	$ 554,727
Fair value hedges with swaps and hedged items for debt	117,002	(771,846)
Cash flow hedges with options and hedged items for debt	-	(715,831)
Credit valuation adjustment	738,743	353,205
Income (expense) from hedging activities, net	$ 543,834	$ (579,745)

Net income from hedging activities is included as a component of non-operating income (expenses) in the accompanying 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 March 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 March 31, 2024, the right-of-use lease asset totaled $454,672 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 $176,018 and $278,654, respectively. For the three months ended March 31, 2024 and 2023, operating lease expenses recognized on a straight-line basis totaled $59,280 and $58,123, respectively, and are included as a component of operating expenses in the consolidated statements of income.

As of March 31, 2024, the weighted average term of the lease remaining was 1.9 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:

April 1 – December 31, 2024	$	179,577
Year Ending December 31,		
2025		240,732
2026		40,122
Total operating lease		460,431
Discount		(5,759)
Operating lease liability	$	454,672