North American Development Bank
Banco de Desarrollo de América del Norte

2015
Annual Report

North American Development Bank

Content

Transmittal Letter

April 2016

We are pleased to present the 2015 Annual Report of the **North American Development Bank (NADB)**, which includes the results of operations along with information about the activities undertaken during the year for the development and implementation of environmental infrastructure projects benefiting the citizens of the U.S.-Mexico border region.

This report contains the consolidated financial statements of NADB for the years ended December 31, 2015 and 2014, with an unqualified opinion issued by the independent auditor, Ernst & Young LLP. The following management discussion and analysis serves as an introduction to the consolidated financial statements. It is intended to provide additional insights in an objective and easily understandable manner of the most relevant financial, lending and operating activities for the fiscal year ended December 31, 2015, compared to the prior fiscal year ended December 31, 2014.

We hope you find this report useful, and we thank you for your ongoing support of the North American Development Bank and its mission.

Gerónimo Gutiérrez
Managing Director

Alex Hinojosa
Deputy Managing Director

Box 1: Mandate and Governance

NADB is a binational financial institution established and capitalized by the governments of the United States and Mexico for the purpose of financing environmental infrastructure projects, as well as offering technical and other assistance to support the development of eligible projects. The scope of the Bank's mandate—including the geographic jurisdiction and environmental sectors in which it may operate—as well as its functions and limitations, are defined in an agreement between the two governments (the Charter).

Projects that qualify as environmental infrastructure are those that will prevent, control or reduce environmental pollutants, improve the drinking water supply or protect flora and fauna, provided that such projects also improve human health, promote sustainable development or contribute to a higher quality of life.

In addition, eligible projects must be located within 100 kilometers (about 62 miles) north of the U.S.-Mexico international boundary in the U.S. states of Texas, New Mexico, Arizona and California and within 300 kilometers (about 186 miles) south of the border in the Mexican states of Tamaulipas, Nuevo Leon, Coahuila, Chihuahua, Sonora, and Baja California. However, projects beyond these areas may be deemed eligible if the Board determines that they remedy a transboundary environmental or health problem.

NADB and its sister organization, the Border Environment Cooperation Commission (BECC), are governed by a ten-member Board of Directors with equal representation from each member country. The chairmanship alternates between the United States and Mexico each year. All powers of NADB are vested in the Board of Directors, which determines policy within the framework of the Charter and approves all the Bank's programs and financing proposals involving NADB funds.

Eligible Environmental Sectors

Water
Potable water supply, wastewater treatment and reuse, water conservation, storm drainage

Waste Management
Sanitary landfills, collection & disposal equipment, dumpsite closure, recycling

Industrial / Hazardous Waste
Treatment & disposal facilities, industrial site remediation

Air Quality
Street paving and roadway improvements, ports of entry, public transportation, methane capture, industrial emissions

Clean Energy
Solar, wind, biogas, biofuels, hydroelectric, geothermal

Energy Efficiency
Industrial equipment retrofits, public lighting & building upgrades

Board of Directors

Mexico

- Secretary of Finance and Public Credit (SHCP)*
- Secretary of Foreign Relations (SRE)
- Secretary of Environment and Natural Resources (SEMARNAT)
- Mexican border state representative
- Mexican border resident representative

United States

- Secretary of the Treasury
- Secretary of State
- Administrator of the Environmental Protection Agency (EPA)
- U.S. border state representative
- U.S. border resident representative

* Board chair, 2015

Table 1
NADB Financial Summary 2011-2015[1]
(US$ Thousands)

	2015	2014	2013	2012	2011
Balance Sheet Data					
Cash and investments	**$ 504,861**	$ 442,954	$ 545,525	$ 388,574	$ 350,569
Loans outstanding[2]	**1,324,777**	1,185,514	1,011,212	869,981	427,750
Total assets	**1,780,599**	1,633,369	1,573,076	1,302,304	820,018
Borrowings outstanding, gross	**1,190,550**	1,059,953	1,046,386	730,000	250,000
Total liabilities	**1,215,017**	1,090,683	1,054,422	780,457	286,822
Total equity	**565,582**	542,686	518,654	521,848	533,197
Callable capital	**2,295,000**	2,295,000	2,295,000	2,295,000	2,295,000
Income Statement Data					
Total interest income	**$ 51,246**	$ 43,710	$ 39,543	$ 24,321	$ 26,421
Loans	**45,892**	38,487	35,149	19,344	20,994
Investments	**5,354**	5,224	4,394	4,977	5,428
Interest expense	**15,101**	13,548	10,838	5,363	4,532
Net interest income	**36,145**	30,163	28,705	18,958	21,890
Total operating expenses	**18,143**	10,816	19,451	8,456	10,397
Provision for loan losses	**8,559**	2,199	10,544	-	2,350
Total non-interest income (expense)	**2,388**	(1,093)	(888)	(1,044)	10,900
Income before program activity	**20,389**	18,254	8,366	9,458	22,392
Net program expenses[3]	**4,873**	2,077	1,145	2,437	737
Net income	**15,516**	16,177	7,221	7,020	21,655
Ratios					
Usable equity[4] / loans outstanding	**41.1%**	44.2%	50.1%	57.3%	114.3%
Gross debt / callable capital	**51.9%**	46.2%	45.6%	31.8%	10.9%
Gross debt / usable equity	**218.8%**	202.3%	206.7%	146.5%	51.1%
Interest coverage[5]	**2.8x**	2.6x	2.8x	3.0x	4.1x
Liquid assets / total assets	**25.3%**	23.8%	31.3%	25.7%	36.3%
Income before program activity / usable equity	**3.7%**	3.5%	1.7%	1.9%	4.6%
Income before program activity / average assets	**1.2%**	1.1%	0.6%	0.9%	2.7%
Credit Ratings					
Moody's Investor Service	**Aa1/P-1**	Aa1/P-1	Aaa/P-1	Aaa/P-1	Aaa/P-1
FitchRatings	**AA/F1+**	AA/F1+	AA/F1+	--	--
Standard & Poor's	**--**	--	--	A+/A-1	AA+/A-1

[1] Excludes the U.S. domestic program (see Note 8 of the consolidated financial statements).

[2] Before allowance for loan losses, unamortized fees, and effect of foreign exchange adjustments and hedged items.

[3] Program expenses include grant financing and technical assistance funded from the Bank's retained earnings.

[4] Usable equity is defined as the sum of undesignated paid-in capital, undesignated retained earnings and reserves.

[5] Interest coverage ratio is defined as interest income minus operating expenses divided by interest expense.

Management Discussion and Analysis

Annual Highlights

2015 was a year of advances and first-time accomplishments for the Bank, reflecting the continued growth and maturity of its operations as the institution completed 21 years in operation.

NADB continued to advance its environmental mandate on the border disbursing US$261.78 million in loans and grants for the implementation of 38 projects during the year. Among the highlights of its lending activities was the inauguration of the first trans-border wind energy project with power generated in Mexico being sold to a utility in the United States, and the launching of a public transportation program for financing cleaner buses in Mexico. Additionally, the Bank approved its first loan for the prevention of industrial emissions for a project sponsored by a steel mill in Mexico. Financing operations for the past five years are summarized in Table 2, along with related project and technical assistance activity.

As part of its funding activities, NADB completed its first debt issuance in Swiss francs, accessing a favorable bond market for borrowing to support its lending operations. In addition, the Bank began the process for its first general capital increase, requesting that the U.S. and Mexico each contribute US$1.5 billion in additional capital.

As reflected in its credit ratings from Moody's Investors and Fitch Ratings, the Bank continues to maintain a solid financial position, with sound growth, strong asset quality and effective control of expenses. NADB closed the year with an outstanding loan balance of US$1.32 billion, an increase of 11.7% over the previous year, and no loans were in nonaccrual status. A summary of key financial data for the past five years is highlighted in Table 1.

From an institutional standpoint, the Bank began work to integrate its operations and internal processes with those of its sister organization, BECC, in order to form a single entity as approved by its Board in December 2014. While the governments of the United States and Mexico worked to complete their respective domestic authorization processes, the two institutions developed and began implementing a transition plan, including aligning information and accounting systems, harmonizing policies and taking preliminary steps to begin integrating staff in various departments. These ongoing efforts will ensure a seamless transition and allow the merged institution to remain focused on its mission of preserving, protecting and enhancing the environment of the border region and improving the well-being of its communities.

One area that is almost fully integrated is technical assistance, as NADB and BECC were already working to establish a joint program prior to approval of full integration. In January 2015, these efforts culminated in the establishment of a single committee to oversee and manage the program, which led to the approval of an unprecedented number of technical assistance projects.

Finally, the Risk Management Department, established at the close of 2014, began a comprehensive review of all existing policies, procedures, processes and system controls, focusing on those areas that present the highest exposure to risk, while at the same time initiating work to establish an Enterprise Risk Management (ERM) system. In light of the integration with its sister institution, this review also includes the processes of BECC.

Table 2
Summary of Project and Financing Operations 2011-2015
(US$ Thousands)

	2015	2014	2013	2012	2011
Project Certification					
Total projects certified for financing[1]	**14**	16	19	19	14
Loans	**8**	7	11	13	9
NADB-funded grants[2]	**2**	2	5	1	-
NADB-administered grants[3]	**4**	7	2	6	5
Lending Operations					
Approvals	**$ 239,177**	$ 323,670	$ 273,242	$ 660,123	$ 289,830
Contracts signed	**178,262**	304,323	349,881	559,120	105,908
Disbursements	**249,556**	254,163	214,964	501,500	80,347
Grant Operations					
NADB-funded grants					
Approved	**$ 1,000**	$ 765	$ 2,183	$ 450	$ -
Contracted	**1,450**	315	2,183	450	-
Disbursed	**3,694**	1,318	455	1,749	399
NADB-administered grants					
Approved	**20,274**	24,936	6,104	23,296	7,378
Contracted	**16,219**	12,047	7,658	24,221	4,899
Disbursed	**8,698**	14,673	17,459	11,736	16,770
Technical Assistance					
No. of projects approved[4]	**28**	11	14	16	17
No. of seminars presented	**9**	7	10	13	9
Funds expended[5]	**$ 1,179**	$ 759	$ 690	$ 688	$ 337

[1] The technical feasibility and environmental impacts of projects are evaluated and verified by BECC through a certification process that ensures transparency and promotes public participation. Project certification and financing proposals are approved simultaneously by the Board of Directors. In 2012, one project received both a loan and administered grant and is therefore included in both funding categories.

[2] Grants funded from designated retained earnings of the Bank for certified infrastructure projects (excludes technical assistance).

[3] Grants funded by EPA and administered by NADB through the Border Environment Infrastructure Fund (BEIF).

[4] Includes project development activities, training seminars and other capacity-building measures and sector studies. Figures for prior years have been adjusted to include both studies and seminars.

[5] Includes grant disbursements for studies, as well as funds expended for seminars.

Project and Financing Operations

Project Certification

NADB works closely with BECC in developing and submitting joint certification and financing proposals to their Board for approval. During 2015, the Board certified 14 projects, eight of which were approved to receive loans and the remaining six obtained grants. During the previous year, 16 projects were certified: seven for loans and nine for grants. A breakdown of the projects certified by environmental sector in 2014 and 2015 is provided in Table 3.

Table 3
Project Certifications

Sector	2015	2014
Water / wastewater	**7**	9
Water conservation	**-**	1
Air quality	**1**	1
Basic urban infrastructure*	**1**	-
Public transportation	**-**	1
Solar energy	**1**	1
Wind energy	**3**	3
Other clean energy	**1**	-
Total	**14**	16

* These projects consist of a mix of works from various sectors, such as street paving, water and sewer lines, storm drainage and public lighting.

Loan Activity

Lending levels have been maintained as the Bank manages its capital with lower single obligor limits and participates in the emerging renewable energy market in Mexico. New loans totaling US$239.18 million were approved for eight projects in 2015, US$84.5 million less than the US$323.67 million approved in 2014 for the same number of projects, including a loan increase for one project certified previously. Five of the new loans approved in 2015 were contracted before year-end. Altogether, NADB signed US$178.26 million in loans for eight projects in 2015, compared to US$304.32 million contracted for nine projects in 2014. At the close of 2015, an estimated US$209.08 million in approved loans had not yet been contracted, as compared to US$145.11 million at the end of 2014.

Loan approvals and commitments in 2015 are in keeping with several of the objectives of the Bank: i) managing its capital; ii) encouraging public and private investment in projects contributing to its purposes, thereby allowing it to support larger projects by taking a smaller stake; and iii) sharing the credit risk.

A five-year summary of lending activity is provided in Table 2. Over the past five years, loan signings averaged US$299.50 million annually, a 3.4% increase over the average for the previous five-year period ending in 2014 (US$289.65 million).

A breakdown of the loans approved and contracted by sector for the past two years is shown in Tables 4 and 5, respectively. In 2015, the Bank took a significant step forward in pursuit of its objective to support a broader array of environmental projects, by approving financing for its first air quality project for the prevention of industrial emissions sponsored by a steel mill located in Coahuila. Additionally, the Bank closed its first loans for a cogeneration project in a wastewater treatment plant and for a water conservation improvement project in an irrigation district.

Loan disbursements remained stable. A total of US$249.56 million was disbursed to support 14 projects in 2015, including the full or partial disbursement of all loans contracted during the year. Similarly, the Bank disbursed US$254.16 million for 12 projects in 2014. At the close of 2015 an estimated US$51.82 million in contracted loans was pending disbursement, compared to US$126.99 million at the end of 2014.

Table 4
Loan Commitments Approved
(US$ Millions)

Sector	2015	2014
Air quality	**$ 23.20**	$ 46.16
Basic urban infrastructure*	**13.65**	-
Other clean energy	**3.49**	-
Public transportation	**-**	9.12
Solar energy	**18.50**	41.08
Water / wastewater	**5.34**	1.54
Water conservation	**-**	30.77
Wind energy	**175.00**	195.00
Total	**$ 239.18**	$ 323.67

Table 5
Loan Commitments Signed
(US$ Millions)

Sector	2015	2014
Air quality	**$ 0.19**	$ 30.82
Basic urban infrastructure*	**13.65**	-
Other clean energy	**3.49**	2.61
Public transportation	**-**	9.12
Solar energy	**18.50**	81.08
Water / wastewater	**-**	1.54
Water conservation	**7.43**	-
Wind energy	**135.00**	179.15
Total	**$ 178.26**	$ 304.32

Table 6
Loan Disbursements
(US$ Millions)

Sector	2015	2014
Air quality	**$ 0.19**	$ 30.82
Basic urban infrastructure*	**13.65**	3.28
Other clean energy	**1.80**	2.61
Public transportation	**3.78**	-
Solar energy	**15.37**	103.02
Water / wastewater	**2.34**	37.56
Water conservation	**7.43**	-
Wind energy	**205.00**	76.88
Total	**$ 249.56**	$ 254.16

* These projects consist of a mix of works from various sectors, such as street paving, water and sewer lines, storm drainage and public lighting.

Table 6 shows the breakdown of disbursements by sector for the past two years. In 2015, sector distribution was expanded to include two new types of projects, as the Bank funded its first public transportation project for purchase of low-emission buses, as well as a water conservation improvement project. The majority of loan disbursements in 2015 went to wind farms (82.1%) followed by solar parks (6.2%) and basic urban infrastructure (5.5%), which consists of a mix of works including street paving, water and sewer lines, storm drainage and public lighting. In comparison, solar energy accounted for 40.5% of disbursements in 2014, followed by wind energy (30.2%) and water and wastewater projects (14.8%).

All the loans disbursed in 2015 went to projects located in Mexico, with the majority going to private-sector borrowers (89.8%), followed by public-sector borrowers (8.9%) and public-private partnerships (1.3%). In comparison, private-sector borrowers in the U.S. accounted for 40.5% of the loans disbursed in 2014, while the remaining 59.5% went to projects in Mexico and was divided among public-sector (1.3%), private-sector (31.3%) and public-private borrowers (26.9%). This trend in borrowers reflects the strong interest of private companies to invest in renewable energy in Mexico, as well as Mexican municipalities and water utilities seeking partnerships with the private sector as a cost-effective means of providing public services.

Principal payments totaled US$110.30 million in 2015, including the prepayment of two loans totaling US$53.58 million, as well as the liquidation of the remaining balance of a delinquent loan totaling US$3.39 million. In comparison, the Bank received US$76.12 million in principal payments in 2014, which included the prepayment of one loan for US$1.14 million. Excluding prepayments, principal payments have grown at an average annual rate of 23.8% since December 2011 as a result of the steady growth of the loan portfolio.

Table 7 provides a summary of loan activity during the last two years and its impact on the loan portfolio.

Table 7
Annual Lending Activity and Balances
(US$ Millions)

	12/31/2015	12/31/2014
Outstanding balance, beginning of year*	**$ 1,185.51**	$ 1,011.21
Loan disbursements	**249.56**	254.16
Principal repayments	**(110.29)**	(76.12)
Loans written off	**-**	(3.74)
Outstanding balance, end of year*	**$ 1,324.78**	$ 1,185.51
Loans approved, pending contracting	**$ 209.08**	$ 145.11
Loans contracted, pending disbursement	**51.82**	126.99
Total loan commitments	**260.90**	272.10
Outstanding loans & loan commitments	**$ 1,585.68**	$ 1,457.61

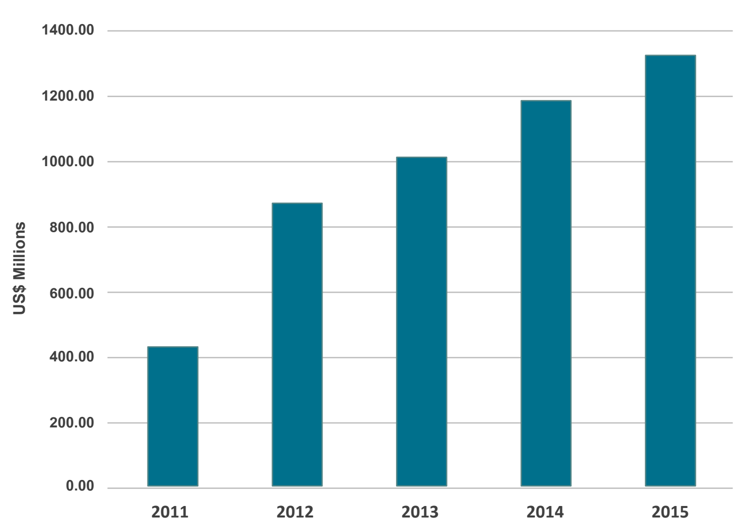
* Outstanding balances, before allowance for loan losses, unamortized fees, and effect of foreign exchange adjustments and hedged items.

Loan Portfolio

As of December 31, 2015, the Bank had an outstanding loan balance of US$1.32 billion, an increase of 11.7% over the balance at the end of 2014 (US$1.19 billion). Since December 31, 2011, the loan portfolio has grown at an average annual rate of 32.7%. However, as shown in Figure 1, over the past three years, portfolio growth has leveled off, increasing at a more moderate average annual rate of 15.0%.

A breakdown of the loan portfolio by environmental sector, borrower type and geographic region for the years ending December 31, 2014 and 2015 is shown in Figure 2.

Figure 1: Annual Loan Portfolio Performance



Box 2: Implementation of Loan Projects in 2015

During the year, two projects funded with loans completed construction: a comprehensive paving project to improve urban mobility and air quality was substantially completed in Juarez, Chihuahua, and a 20-megawatt (MW) solar park began operations in Niland, California. During the same period, five loan-funded projects initiated implementation, including three wind farms, a solar park and a cogeneration facility for a wastewater treatment plant, which altogether represent 262 MW of new power generation capacity from renewable sources. In addition, a border-wide financing program for the purchase or lease of low-emission buses was launched in Mexico and a wind farm in Baja California began exporting electricity to California.

First Cross-border Wind Farm

Located on approximately 13,100 acres of leased land east of the city of Tecate, B.C., the Energía Sierra Juarez 1 Wind Farm consists of 47 wind turbines, as well as a 4.8-mile transboundary dual-circuit transmission line. The electricity generated by the 155-MW wind farm is being purchased by San Diego Gas & Electric (SDG&E) in California, and is expected to be sufficient to cover the annual consumption of about 70,832 households. Commercial operations began in June 2015, and construction is expected to be fully completed by the end of the first quarter of 2016.

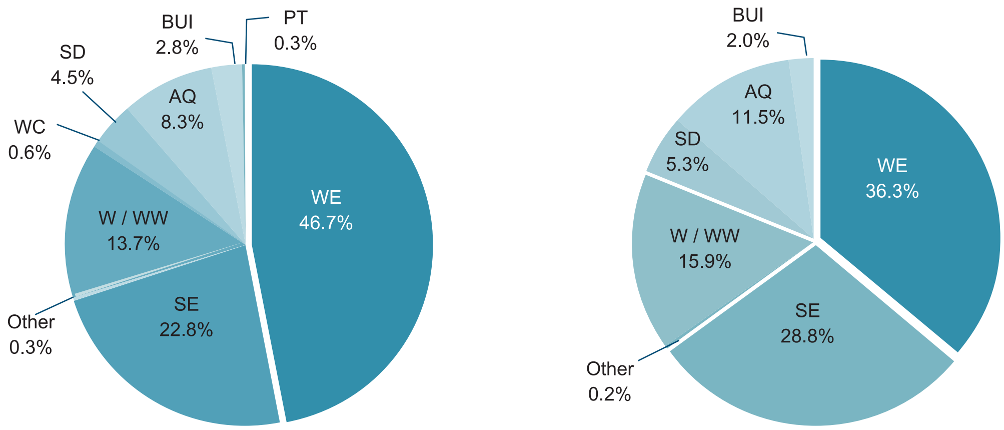
Financing Program for Low-emission Buses

Launched by Mercader Financial, S.A., SOFOM, E.R., in the last quarter of 2015, a total of 33 diesel-fueled buses were financed to partially replace or expand the existing fleets of two public transportation companies, one in Tijuana, B.C. and the other in Hermosillo, SON. All of the new buses manufactured by DINA Camiones, S.A. de C.V., at a minimum comply with EPA 2004 standards, producing approximately 50% less nitrogen oxides and hydrocarbons and nearly 24% less carbon dioxide (CO_2) than older model buses currently in circulation in Mexico. Having used about 60% of the NADB revolving loan to finance those buses, Mercader has approached the Bank about increasing the loan from $120 million to $620 million pesos in order to finance up to 250 additional buses.

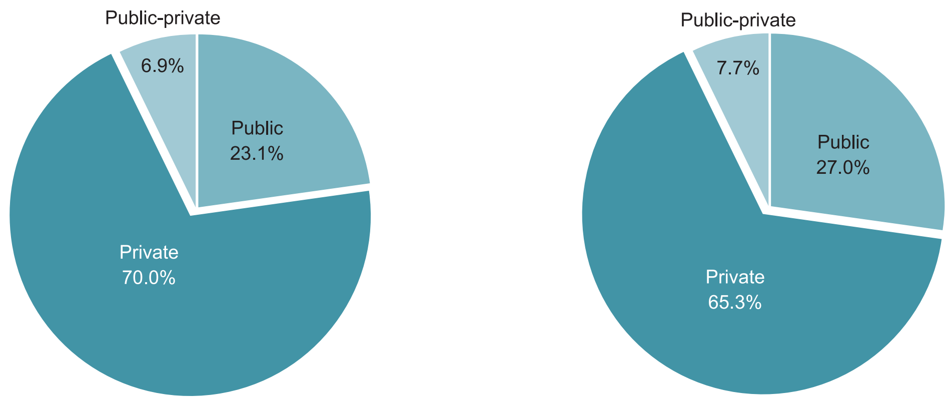
Figure 2: Loan Portfolio Distribution

2015	2014

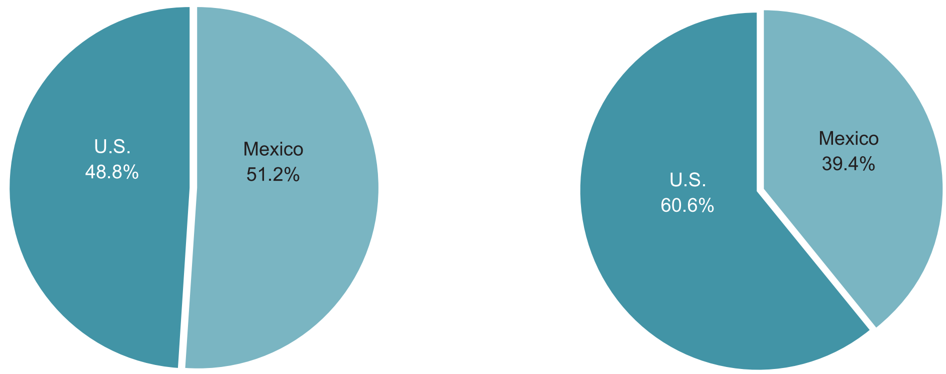
By Environmental Sector



By Borrower Type



By Country



* Air Quality (AQ), Basic Urban Infrastructure (BUI), Public Transportation (PT), Solar Energy (SE), Storm Drainage (SD), Water Conservation (WC), Water/ Wastewater (W/WW), Wind Energy (WE)

** Other includes cogeneration and landfill gas-to-energy in 2015 and landfill gas-to-energy in 2014.

*** Public-private borrower generally refers to a loan structure in which a private company is the borrower, but the source of payment and/or guaranty is a public utility or local government.

Changes in the amount of outstanding loans by environmental sector during the 12-month period ending December 31, 2015, are provided in Table 8. Wind energy registered the largest increase (US$188.06 million), while the largest declines occurred in solar energy (US$39.00 million) and air quality (US$25.52 million), mainly due to the prepayment of a solar energy loan for US$41.08 million and the refinancing and liquidation of two air quality paving loans totaling US$15.89 million.

Table 8
Portfolio Evolution by Environmental Sector
(US$ Millions)

	12/31/2015	12/31/2014	% Change
Wind energy	**$ 618.59**	$ 430.53	43.7%
Solar energy	**302.53**	341.53	-11.4%
Water/wastewater	**181.21**	188.25	-3.7%
Air quality	**110.70**	136.22	-18.7%
Storm drainage	**59.56**	62.86	-5.3%
Basic urban infrastructure*	**36.85**	23.51	56.7%
Water conservation	**7.42**	-	100.0%
Other clean energy**	**4.23**	2.61	62.0%
Public transportation	**3.69**	-	100.0%
Total	**$ 1,324.78**	$ 1,185.51	

* Basic urban infrastructure includes a mix of street paving, water and sewer lines, storm drainage and public lighting.

** Other clean energy includes cogeneration and landfill gas-to-energy in 2015 and landfill gas-to-energy in 2014.

Sector distribution was also further diversified in 2015 with the introduction of two new categories: water conservation and public transportation. Both of these new areas are expected to grow in the future, as local communities and state agencies undertake efforts aimed at addressing infrastructure issues related to drought and depleting water resources, inadequate storm drainage and worsening air quality conditions. In this regard, the Bank expects to close its first loan for an emissions control project with a steel mill in Mexico in 2016 and has also received a request for a loan increase from the sponsor of the public transportation project to expand its low-emission bus program.

These changes are reflected in the year-end portfolio distribution by sector. As illustrated in Figure 2, the most significant changes were a 10.4% increase in wind energy, a 6.0% decline in solar energy and a 3.1% decline in air quality. At the close of 2015 and 2014, wind energy accounted for the largest portion of the loan portfolio at 46.7% and 36.3%, respectively; followed by solar energy with 22.8% and 28.8%, respectively; and water and wastewater with 13.7% and 15.9%, respectively.

Given that the border region offers ideal conditions for solar and wind energy projects and that the Mexican renewable energy market is just emerging, the Bank expects to see continued demand for loans in those sectors. Of the US$260.90 million in loan commitments pending disbursement and/or signing at the end of 2015, just over half (US$132.09 million) is destined for clean energy projects, while the remainder is split between air quality improvements (30.4%) and water-related projects (19.0%).

In terms of borrowers, the loan portfolio is divided into three categories: public, private or public-private. In the latter case, a private company is the direct borrower, but the source of payment and/or guaranty is a public utility or local government and the Bank has recourse to both the private and public entity. During 2015, the volume of loans held by private-sector borrowers increased US$152.55 million to US$927.23 million, mainly as a result of increased lending in clean energy in Mexico. During the same period, the volume of loans held by public-sector borrowers decreased US$14.18 million to US$305.59 million, while loans held by public-private borrowers increased US$0.89 million to US$91.96 million. A breakdown of the loan portfolio by borrower type at the close of 2014 and 2015 is shown in Figure 2.

In terms of portfolio distribution by geographic region, loans for projects in Mexico continued to register strong growth in 2015, mainly as a result of growing activity in clean energy. Loans held by Mexican borrowers grew by 45.2% (US$211.23 million) to a total of US$678.19 million at the close of 2015, compared to an increase of 34.7% (US$120.41 million) in 2014, while the amount held by U.S. borrowers decreased 10.0% (US$71.96 million) to a total of US$646.59 million, compared to an increase of 8.1% (US$53.89 million) the previous year. Although all approved and contracted loans pending disbursement (US$260.90 million) at the close of 2015 are for projects in Mexico, the first two loan proposals submitted for approval in 2016 (US$61.00 million) are for projects in the United States.

As illustrated in Figure 2, these changes resulted in a significant shift in portfolio distribution by country. At the beginning of 2015, projects in the U.S. represented well over half of the loan portfolio (60.6%), but by year-end Mexico accounted for just over half the portfolio (51.2%). This growth trend is expected to continue, albeit at a more moderate pace, as lending activity in Mexico tends to cover a broader array of sectors than in the United States, where borrowers have access to more financing options.

With respect to distribution by border state, new lending activity in 2015 was spread across five of the ten border states within the Bank's geographic jurisdiction. While the largest disbursements were made in Tamaulipas with new loans totaling US$135.00 million, the most noteworthy change occurred in Nuevo Leon, where outstanding loans more than doubled from US$62.87 million to US$132.40 million. Changes in the amount of outstanding loans by state during the 12-month period ending December 31, 2015, are shown in Table 9. New Mexico is the only eligible state with no outstanding NADB loan. The reference to the Mexican border in the table denotes the public transportation project, which is available throughout border region in Mexico. During 2015, buses were financed in Sonora and Baja California.

As shown in Figure 3, this lending activity is resulting in a more even distribution of the portfolio by state. Although the majority of the loan portfolio is still concentrated in the same three states, the level of concentration continues to decline, from 66.5% in 2014 to 63.9% in 2015. At the close of 2015, Texas accounted for 24.0% of the loan portfolio, down from 28.1% at the beginning of the period, followed by Tamaulipas with 21.5% (compared to 13.4% in 2014) and California with 18.4% (compared to 25.0% in 2014). This distribution will level out even more in 2016 when two loan commitments totaling US$118.20 million for projects in Coahuila are expected to be disbursed.

Table 9
Outstanding Loans by State*
(US$ Millions)

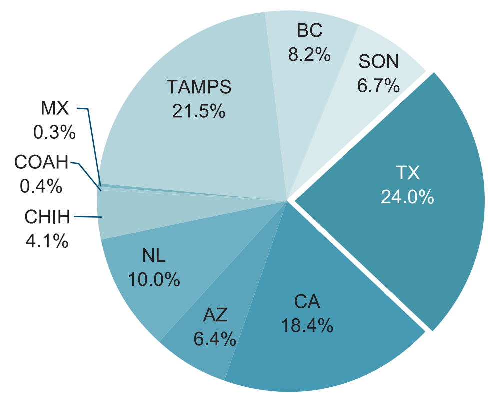
	12/31/2015	12/31/2014	% Change
Texas	**$ 317.55**	$ 333.82	-4.9%
Tamaulipas	**284.78**	158.67	79.5%
California	**243.71**	295.92	-17.6%
Nuevo Leon	**132.40**	62.87	110.6%
Baja California	**108.67**	107.01	1.6%
Sonora	**88.96**	92.94	-4.3%
Arizona	**85.33**	88.81	-3.9%
Chihuahua	**54.76**	40.11	36.5%
Coahuila	**4.93**	5.36	-8.0%
Mexican border**	**3.69**	-	100.0%
Total	**$ 1,324.78**	$ 1,185.51	

* Includes loans to both public and private borrowers.

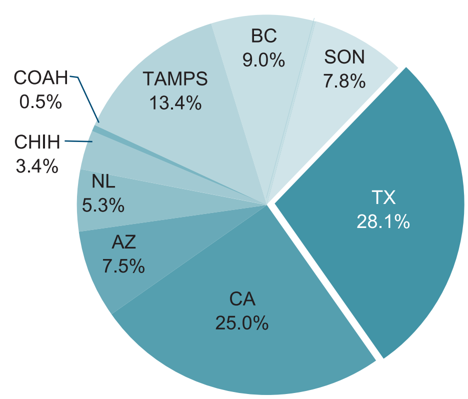
** Border-wide project.

Figure 3: Loan Portfolio Distribution by State*

2015



2014



*MX = Border-wide project in Mexico.

Non-performing Loans: The Bank classifies loans as non-performing when payments of principal or interest on the loan are delinquent for 90 days or more, or where reasonable doubt exists as to the borrower's ability to make timely payment. Of the 71 loans outstanding at the close of 2015, none were classified as non-performing. At the end of 2014, one of the 67 loans outstanding was classified as non-performing with an outstanding balance of US$3.39 million, representing 0.3% of the loan portfolio. This loan was completely liquidated in August 2015.

Lending Limits: Under its charter, the total amount of outstanding loans (and guaranties) may not at any time exceed the total amount of unimpaired subscribed capital of the Bank, plus the unimpaired reserves and undistributed surplus that are included in its capital resources. As of December 31, 2015, the total unimpaired subscribed capital of the Bank was US$2.70 billion (paid-in capital and corresponding callable capital) and its unimpaired reserves and undesignated retained earnings came to US$139.05 million, for a total loan limit of US$2.84 billion, an increase of US$20.06 million (0.7%) over the loan limit of US$2.82 billion at the end of 2014. At the close of 2015, the balance of outstanding loans (US$1.32 billion) represented 46.7% of this limit.

The Bank also imposes limits per project and per borrower. In general, NADB cannot lend a project more than 85% of the eligible project costs. Since 2013, the single obligor limit (SOL) is set at 20% of the Bank's usable equity (funded, unimpaired paid-in capital, plus undesignated retained earnings, the Special Reserve, and the Capital Preservation Reserve). An additional 10% may be made available for obligors that meet certain risk-related criteria. As indicated in Table 10, usable equity grew by US$15.44 million during the 12-month period ending December 31, 2015, resulting in a 3.1% increase in the SOL. With the revised SOL and the growth of the loan portfolio, individual loan risk has been reduced, as reflected by the percentage of top ten loans, which dropped to 53.4% and 49.6% of the portfolio in 2014 and 2015, respectively.

Table 10
Single Obligor Limit
(US$ Millions)

	12/31/2015*	12/31/2014**	Change
20% of usable equity	**$ 101.81**	$ 98.72	$ 3.09
30% of usable equity	**152.71**	148.08	4.63

* Usable equity at year-end totaled US$509.05 million.

**Usable equity at year-end totaled US$493.61 million.

Grant Activity

With the approval of the Board of Directors, NADB uses a portion of its retained earnings to finance critical environmental infrastructure projects in low-income communities with grants through the Community Assistance Program (CAP).

During 2015, the Bank approved US$1.00 million in CAP grants for two projects, contracted US$1.45 million for three projects and disbursed US$1.27 million to support the implementation of five projects. Additionally, three projects completed construction under budget, resulting in a total of US$0.26 million in unused grant funds, which were deobligated and returned to the CAP program for future projects.

Financing activity through the program has remained fairly stable since it began operations in 2013, with grant approvals and signed commitments averaging US$1.32 million annually. A summary of annual financing activity through CAP for the past two years, as well as the overall status of the program, is presented in Table 11.

A small portion of CAP funding is used to cover the supervision costs of projects financed under the program. A cumulative total of US$0.39 million and US$0.25 million were committed to supervision contracts as of December 31, 2015 and 2014, respectively. For the years ended in those same dates, a total of US$0.17 million and $0.12 million, respectively, had been expended under supervision contracts. At the close of 2015, a cumulative total of US$0.29 million had been expended for supervision.

For fiscal years 2014 and 2015, no new funding was allocated to the CAP from retained earnings. As of December 31, 2015, NADB had a balance of US$7.39 million in uncommitted CAP funding available for future projects.

Grant Administration: NADB also administers grant funds provided by EPA through the Border Environment Infrastructure Fund (BEIF) for priority water and wastewater projects. These funds are received from EPA prior to disbursement by the Bank to the grantees, and any BEIF-related operating expenses incurred by the Bank are reimbursed by EPA. Consequently, these funds are reflected in NADB's consolidated financial statements, but have no economic effect on its operations.

During 2015, BEIF grants totaling US$20.27 million were approved for five projects, including additional funding for one project approved the previous year; US$16.22 million was contracted for five projects, including two of the grants approved during the year; and US$8.70 million was disbursed to support 15 projects in implementation. Additionally, one grant for US$8.00 million approved in 2014 was cancelled due to significant changes in the original project scope, and the financing agreements for four completed projects were closed out, resulting in a total of US$2.64 million in unused funds. The cancelled and unused grant funds were returned to the BEIF program and are available to support other projects in development. A summary of annual financing activity for the past two years, as well as the overall status of the BEIF program since inception, is presented in Table 12.

For the years ended December 31, 2015 and 2014, NADB recognized US$0.83 million and US$1.04 million, respectively, as reimbursement for administrative expenses incurred in running the program. Since program inception in 1997, NADB has been reimbursed US$22.00 million for administrative expenses, which represents 3.2% of the funds allocated by EPA to the program.

Table 11
Community Assistance Program Annual Financing Activity and Program Status
(US$ Millions)

	2014	2015	Cumulative
Retained earnings allocated	$ -	**$ -**	$ 11.47
Funds allocated for supervision	0.08	**0.15**	0.39
Grants approved	0.77	**1.00**	3.69
Grants contracted	0.32	**1.45**	3.69
Grants disbursed*	0.52	**1.44**	1.94
Cancellations**	-	**(0.26)**	(0.26)
Contracted grants, not yet disbursed			$ 1.75
Additional approvals, not yet contracted			-
Funding available for future projects			7.39

* Includes project grants and supervision disbursements.

** Unused funds deobligated from completed projects and returned to the CAP program for future projects.

Table 12
Border Environment Infrastructure Fund Annual Activity and Program Status
(US$ Millions)

	2014	2015	Cumulative
EPA funding allocations:	$ 5.00	**$ 6.80**	$ 683.42
For projects	4.86	**6.65**	657.12
For program administration	0.14	**0.15**	26.30
Grants approved	24.94	**20.27**	631.92
Grants contracted	12.05	**16.22**	622.97
Grants disbursed	14.67	**8.70**	592.63
Cancellations*	(0.35)	**(10.64)**	(65.93)
Contracted grants, not yet disbursed			$ 30.34
Additional approvals, not yet contracted			8.94
Funding available for projects in development			25.20

* Unused funds deobligated from completed or cancelled projects and returned to the BEIF program for projects in development.

Box 3: Implementation of Grant Projects in 2015

During the year, 10 water and/or wastewater projects completed construction: seven funded with BEIF grants and three with NADB grants. These projects included replacement of an aqueduct in Texas, rehabilitation and expansion of the water distribution systems in two communities in Chihuahua, and rehabilitation or installation of sewer lines and hookups in seven communities on both sides of the border, which altogether are collecting about seven million gallons a day (mgd) of wastewater for proper treatment.

During the same period, work began on five wastewater projects, including rehabilitation of a 0.85-mgd treatment plant to improve effluent quality and the construction or replacement of sewer lines that will collect an estimated 2.55 mgd of wastewater, as well as installation of up to 699 hookups that will provide first-time sewer service to an estimated 2,644 residents. Three of these projects are being financed with BEIF grants and the other two with CAP grants.

Providing a reliable water supply system

The Anacuitas Aqueduct, managed by Hidalgo and Cameron Counties Irrigation District No. 9, delivers 388 mgd of raw water from the Rio Grande to the cities of Elsa, Edcouch, La Villa, Mercedes and Weslaco, as well as to an estimated 350 agricultural accounts in the far western portion of Cameron County and the eastern portion of Hidalgo County in Texas. Inaugurated in June 2015, the new 290-foot aqueduct replaced the old concrete structure built over 100 years ago and is expected to reduce water losses from spills and leaks, in addition to providing a reliable water supply system for more than 65,000 people.

Preventing Sewer Spills in the Street

With a total investment of less than US$450,000, the Municipality of Nuevo Casas Grandes, Chihuahua, installed more than 9,500 feet of wastewater collection lines in Colonia Felipe Angeles to replace part of an undersized system that was prone to sewage spills from manholes, as well as to reroute wastewater flows that were being channeled through an existing creek. The new infrastructure was completed in July 2015 and is preventing approximately 730,000 gallons a day of untreated wastewater from flowing through an open-air canal, as well as sewage discharges in neighborhood streets. In addition, 65 households in the neighborhood that did not have access to sewer services are now connected to the system.

Technical Assistance

To support project sponsors and border communities in the development of sustainable projects for certification and financing, NADB and BECC offer various types of technical assistance. In January 2015, a single committee was established to oversee and administer their merged Technical Assistance Program (TAP), which provides grants in three categories: project development, institutional capacity-building and sector studies to identify needs and generate knowledge about a new sector or technology. During the course of the year, the committee approved a total of US$1.93 million to support 35 studies, training seminars and other development activities. A breakdown of the funding committed by each institution is provided in Table 13.

As indicated in Table 14, roughly half of the US$1.07 million in TAP funding committed by NADB is going to partially fund 16 studies, mainly for the development of energy efficiency improvements in water and wastewater systems and planning studies for other water system upgrades. The other half was allocated to support 12 seminars and forums, in particular the development of a municipal management program to strengthen the administrative and financial capacities and operational efficiencies of city management in Mexican communities. In comparison, NADB approved US$1.19 million for eight studies and three seminars in 2014.

The increase in funding approvals in 2015 is mainly the result of having merged programs with BECC, as NADB is now jointly funding many studies and seminars sponsored by BECC, which is much more proactive in promoting such initiatives. The increase is also partially attributable to changes in the way funding for the Utility Management Institute (UMI) is handled under the joint program. Since NADB funds its TAP and UMI activities under separate budgets, the two programs have been managed and reported separately. However, beginning in 2015, all capacity-building initiatives (including UMI seminars) are now being approved through the joint Technical Assistance Committee and are assigned a TAP project number.

Table 13
Technical Assistance Committee Approvals in 2015
(US$ Millions)

Category	NADB	BECC	Total
Project development	$ 0.43	$ 0.45	$ 0.88
Capacity building*	0.54	0.15	0.69
Sector studies**	0.10	0.26	0.36
Total	**$ 1.07**	**$ 0.86**	**$ 1.93**

Table 14
NADB Technical Assistance Approved in 2015
(US$ Millions)

Category	No.	Amount
Project development studies	15	$ 0.43
Capacity building*	12	0.54
Sector studies**	1	0.10
Total	**28**	**$ 1.07**

*Training seminars, workshops and other measures to help strengthen the administrative and financial capacities of project sponsors.
**Studies to identify needs, promote sound public policy or generate knowledge about a new sector or technology.

During the course of the year, one study to support the development of a wastewater system rehabilitation project in Sabinas, Coahuila, was completed. Geotechnical analyses and topographic surveys were conducted to determine pipeline alignment and hydraulics, among other specifications, which were required for the final design of wastewater system improvements. The project was certified and approved for financing in November 2015.

In addition, nine training seminars sponsored through the UMI were presented, many in collaboration with the Latin American and Caribbean water center, *Centro del Agua para América Latina y el Caribe* (CDA) of the Monterrey Technological Institute (ITESM). The seminars, which mainly focused on water utility management, climate change and its implications for water resources, and solid waste management, were attended by a total of 148 participants representing 68 border communities.

Box 4: Empowerment through Knowledge

Best Practices in Waste Management

Developed and presented by the CDA, the three-day seminar is aimed at providing urban sanitation departments with the tools for developing a comprehensive waste management program, including waste collection, disposal, transportation and recycling. The seminar, which was presented twice in the state of Coahuila and once in Chihuahua in 2015, was attended by a total of 81 local officials representing 37 communities, as well as delegates from the state environmental agencies and representatives of a few private waste management companies. Following these seminars, certification and funding applications were received for five solid waste projects in those two states.

Expanding UMI

In December 2015, NADB signed an agreement with the CDA and the School of Government and Public Transformation (EGTP) of ITESM, to implement a diploma-level utility management program that will be offered in Monterrey, Nuevo Leon, to utility personnel from the northern border states of Mexico. The basic administrative, financial and leadership program of NADB's Utility Management Institute (UMI) will be expanded to incorporate a fifth module on public policy in order to achieve the required 100 credit hours for a diploma. Beginning in 2016, participants who complete the five modules and final project will receive a diploma from ITESM. NADB is looking to establish a similar program in the United States; nevertheless, utility operators in the U.S. border states can already apply participation in UMI seminars towards the continuing education credit hours required to maintain their operating licenses.

For fiscal years 2014 and 2015, no new funding was allocated to the TAP from NADB's retained earnings; however, US$0.45 million was budgeted in both years for UMI. As of December 31, 2015, NADB had a balance of US$3.78 million in TAP funds available for studies.

Results of Operation

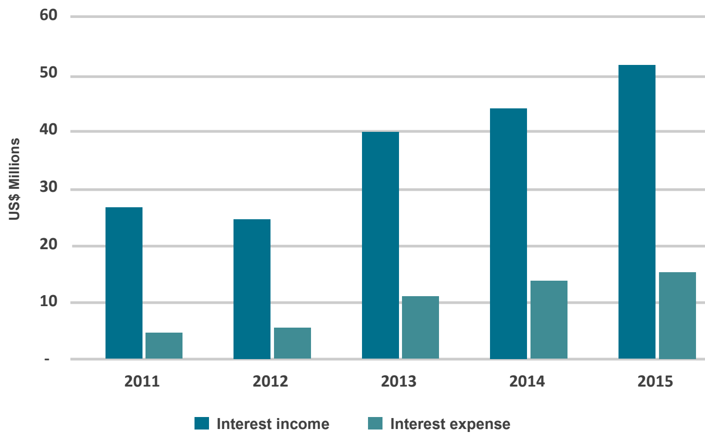
The main source of revenue for NADB is derived from interest income on its loan portfolio and investment holdings. Expenses mainly consist of interest paid on borrowed funds and operating costs, which include provisions for loan losses. Table 15 provides a breakdown of the main operating income and expense categories for the years ended December 31, 2015 and 2014, along with the change between those two years. Key elements influencing the results of operation are described below.

Table 15
Operating Income & Expenses
(US$ Millions)

	2015	2014	Difference
Loan interest income	**$ 45.89**	$ 38.49	$ 7.40
Investment interest income	**5.35**	5.22	0.13
	51.24	43.71	7.53
Interest expense	**15.10**	13.55	1.55
Net interest income	**36.14**	30.16	5.98
Operating expenses	**18.14**	10.82	7.32
Net operating income	**18.00**	19.34	(1.34)
Total non-interest income (expense)	**2.39**	(1.09)	3.48
Income before program activities	**$ 20.39**	$ 18.25	$ 2.14

Net interest income: The 19.8% increase in net interest income in 2015, is mainly attributed to the continued growth of the loan portfolio, which was funded by a more moderate increase in outstanding debt. The loan portfolio grew US$139.27 million during 2015 to close at US$1.32 billion, contributing to a 19.2% increase in interest income from loans. On the other hand, interest expense increased 11.4% on outstanding debt, which grew US$130.60 million in 2015 to a total of US$1.19 billion.

Figure 4: Interest Income vs. Interest Expense



Operating Expenses: Table 16 shows a breakdown of the operating expense categories for the years ended December 31, 2015 and 2014, along with the change between those two years. The US$7.32 million increase in operating expenses in 2015 mainly consisted of a US$ 6.36 million increase with respect to the general allowance for loan losses for private-sector borrowers.

During 2015, the Bank made general provisions for loan losses totaling US$8.56 million as a result of increased lending to the private sector. Private-sector loans totaled US$927.23 million and US$774.67 million as of December 31, 2015 and 2014, respectively, representing a net increase of US$152.56 million or 19.7%. During 2014, the net provision for loan losses was US$2.20 million, which mainly consisted of a general provision of US$1.90 million, while the remaining US$0.30 million was provisioned for a specific impaired loan.

Table 16
Operating Expenses
(US$ Millions)

Category	2015	2014	Difference
Personnel	**$ 5.59**	$ 4.88	$ 0.71
General & administrative	**1.71**	1.31	0.40
Consultants & contractors	**2.21**	2.38	(0.17)
Provision for loan losses	**8.56**	2.20	6.36
Depreciation	**0.07**	0.05	0.02
Total	**$ 18.14**	$ 10.82	$ 7.32

Table 17
Non-interest Income and Expenses
(US$ Millions)

Category	2015	2014
Gains on investments	**$ 0.04**	$ 0.19
Net income from hedging activities	**3.59**	0.99
Net expense from foreign exchange activities	**(0.72)**	(0.42)
Fees and other income	**0.43**	0.06
Loss on real estate owned	**(0.95)**	(1.91)
Total	**$ 2.39**	$ (1.09)

Non-interest income and expenses: Non-interest income and expenses generally consist of net gains (losses) on sales of available-for-sale investment securities, net foreign exchange gains (losses), net gains (losses) from swaps, loan fees and other miscellaneous income and expenses. It should be noted that this category mainly consists of non-cash flow transactions that are recorded on a mark-to-market basis. For the year ended December 31, 2015, the Bank registered total non-interest income of US$2.39 million, compared to total non-interest expenses of US$1.09 million the previous year. Table 17 shows a breakdown of non-interest income and expenses for the years ended December 31, 2015 and 2014.

Program Expenses: These expenses consist of grant disbursements for studies, training and project implementation, which are funded with previously designated retained earnings. A breakdown of grant disbursements by program for the past two years is shown in Table 18. The US$2.79 million increase in 2015 can be attributed to a surge in activity as projects funded with CAP grants began implementation, while the remaining four projects funded under the cancelled Water Conservation Investment Fund (WCIF) are still completing construction. Over the past five years, grant disbursements have averaged US$2.25 million annually.

Table 18
Program Expenses
(US$ Millions)

Program	2015	2014
Community Assistance Program (CAP)	**$ 1.44**	$ 0.80
Water Conservation Investment Fund (WCIF)*	**2.26**	0.52
Technical Assistance Program (TAP)	**0.85**	0.38
Utility Management Institute (UMI)	**0.33**	0.38
Total	**$ 4.87**	$ 2.08

*This grant program was formally terminated in 2013. Grant agreements totaling US$1.04 million were pending disbursement for the last three projects under construction as of December 31, 2015.

Financial Position

Equity

As of December 31, 2015, total equity came to US$565.58 million, an increase of 4.2% compared to US$542.69 million at the close of 2014.

Capital: During 2015 and 2014, there was no change in the capitalization of the Bank. As of December 31, 2015 and 2014, NADB had US$405 million in paid-in capital, along with US$2,295 million in corresponding callable capital. Additional details about the capitalization of the Bank are provided in Note 7 of the consolidated financial statements.

Retained Earnings & Reserves: During 2015, retained earnings grew 11.3% to a total of US$153.39 million from US$137.87 million at the end of 2014 and are held in the General Reserve.

In accordance with its retained earnings policy, NADB also maintains four reserves, which are described in Note 2 of the consolidated financial statements. Annual allocations from undesignated retained earnings to the reserve funds are made as necessary, and if available, to maintain the levels mandated under the policy. At the close of 2014 and 2015, all of these reserves were fully funded.

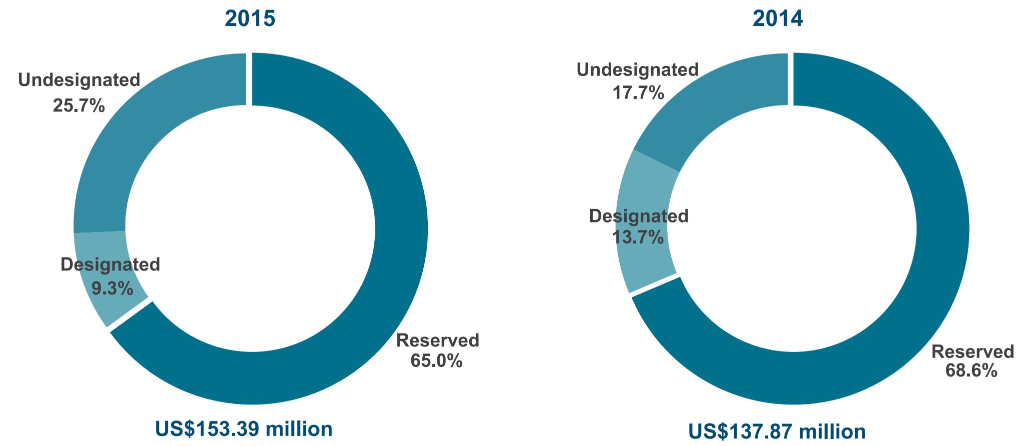
Table 19
Reserved and Designated Retained Earnings
(US$ Millions)

	12/31/2015	12/31/2014
Reserved retained earnings		
Debt Service Reserve	**$ 24.61**	$ 19.99
Operating Expenses Reserve	**10.40**	10.40
Special Reserve*	**30.00**	30.00
Capital Preservation Reserve	**34.65**	34.21
Total reserved	**$99.66**	$ 94.60
Designated retained earnings		
Community Assistance Program (CAP)	**$9.24**	$ 10.68
Water Conservation Investment Fund (WCIF)	**1.04**	3.30
Technical Assistance Program (TAP)	**4.06**	4.90
Total designated	**$ 14.34**	$ 18.88

This reserve may be used to offset losses on outstanding loans or to pay expenses relating to the enforcement of the Bank's rights under outstanding loan and guaranty agreements.

Table 19 provides a breakdown of the retained earnings allocated to reserves and programs at the end of fiscal years 2014 and 2015. The amount allocated to reserves increased US$5.06 million (5.3%), mainly as a result of debt service reserve requirements. During the same period, the amount designated to programs decreased US$4.54 million (24.0%) due to grant disbursements. With US$99.66 million of the retained earnings allocated to reserves and US$14.34 million designated to fund programs, the Bank had US$39.39 million

Figure 5: Retained Earnings



in undesignated retained earnings at the end of 2015, an increase of US$15.00 million or 61.5% over the balance of undesignated retained earnings held at the end of 2014 (US$24.39 million).

Debt

NADB leverages its funds by issuing debt in international capital markets or with other financial institutions for the purpose of financing its lending operations or refinancing existing borrowings. Its annual borrowing plan is reviewed and approved by the Board of Directors.

The Bank borrowed a total of US$133.23 million in 2015, compared to US$13.57 million in 2014. No new debt was issued in capital markets during 2014; however, in April 2015, the Bank issued a ten-year non-amortizing note in the Swiss capital market with a face value of CHF 125 million at a fixed coupon rate that generated proceeds of US$128.71 million. In addition, under a fixed-rate loan agreement for up to US$50 million contracted with another development bank in November 2012, the Bank drew down US$4.52 million and US$13.57 million during 2015 and 2014, respectively, to fund eligible wastewater projects in Mexico.

Gross outstanding debt increased 12.3% to a total of US$1.19 billion in 2015, from US$1.06 billion at the close of 2014. All debt was issued at fixed rates and in U.S. dollars, except for one fixed-rate issue in Swiss francs. Most of the debt has been hedged through interest rate swaps, effectively changing it to floating rates. The Swiss debt issue was hedged by a cross-currency interest rate swap, effectively changing it to a floating rate in U.S. dollars. A breakdown of the borrowings by type, currency and maturity is shown in Table 20.

In accordance with its debt limit policy, total debt outstanding may not exceed at any time the callable portion of its subscribed capital shares, plus the minimum liquidity level required under the liquidity policy. With US$2.295 billion in subscribed callable capital and a minimum liquidity level of US$147.70 million for 2015, the

Table 20
Gross Debt
(US$ Millions)

	12/31/2015	12/31/2014
By Type		
Notes payable	**$ 1,158.71**	$ 1,030.00
Other borrowings	**31.84**	29.95
Total	**$ 1,190.55**	$ 1,059.95
By Currency		
U.S. dollars	**$ 1,061.84**	$ 1,059.95
Swiss francs	**128.71**	-
Total	**$ 1,190.55**	$ 1,059.95
By Maturity		
Short-term	**$ 5.26**	$ 2.63
Long-term	**1,185.29**	1,057.32
Total	**$ 1,190.55**	$ 1,059.95

maximum debt limit during 2015 was US$2.44 billion. This figure is slightly lower than the maximum debt limit of US$2.48 billion in 2014, as the Bank had a higher minimum liquidity requirement for 2014 (US$185.50 million). At the close of 2015, total debt outstanding (US$1.19 billion) accounted for 48.7% of the debt limit.

Liquidity Management

NADB has established liquidity and investment policies to help ensure that it can meet its financial obligations at all times, even under conditions of constrained market access, as well as have sufficient cash flows to cover its operational needs in the normal course of business.

Under its liquidity policy, the Bank's minimum level of liquid holdings is equal to the highest consecutive 12 months of the following 18 months of expected debt service obligations, committed net loan disbursements and projected operating expenses for the relevant fiscal year. The minimum liquidity level is determined prior to the beginning of each fiscal year and may be revised during the year in the event of major changes in outlook. In accordance with this policy, the minimum liquidity balance for the 2015 fiscal year was US$147.70 million and for the 2016 fiscal year it will be US$207.00 million.

Table 21
Liquid Assets
(US$ Millions)

	For the Years Ended	
Type of Security	**12/31/2015**	**12/31/2014**
Cash and cash equivalents	**$ 113.65**	$ 85.09
U.S. Treasury securities	**134.42**	106.17
U.S. agency securities	**71.59**	68.83
Mortgage-backed securities	**0.01**	0.02
Mexican government securities (UMS)	**13.64**	15.06
Taxable municipal securities	**2.78**	3.05
Other permissible securities*	**115.04**	111.07
Total	**$ 451.13**	$ 389.29

* Other permissible securities include corporate debt securities, asset-backed securities, commercial paper and certificates of deposit.

The Bank's liquid asset holdings are in the form of cash, cash equivalents (mainly overnight repurchase agreements) and investments in longer term marketable securities (fixed-income securities). All of the investments held in the liquidity portfolio are designated as available-for-sale. As of December 31, 2015, 55.0% of the liquid asset portfolio was comprised of highly liquid assets (cash, cash equivalents and U.S. Treasuries). The remaining 45.0% was comprised of other types of liquid assets held by the Bank. A breakdown of the Bank's liquid assets at the close of 2015 and 2014 is provided in Table 21.

As of December 31, 2015 and 2014, liquid assets totaled US$451.13 million and US$389.29 million, respectively. The US$61.84 million increase was primarily the result of the proceeds of a debt issuance in April 2015 (US$128.71 million), offset by net loan disbursements. At the close of 2015, the Bank's liquid assets represented 25.3% of total assets (US$1,781 million) and 37.9% of total gross debt (US$1,191 million), as compared to 23.8% of total assets (US$1,633 million) and 36.7% of total gross debt (US$1,060 million) at the end of 2014.

The Bank continues to manage its investment portfolio to ensure that its liquid assets are prudently invested to preserve capital and provide necessary liquidity, in compliance with the policies and guidelines approved by its Board.

Risk Management

The Bank continues to strengthen the risk management function within the organization. Between 2013 and 2014, the Bank began seeking improvements through a comprehensive operational risk assessment performed by Chase Cooper Ltd., a premier risk management consulting firm that looked at all operations of the Bank, mapped its processes and identified risk and internal controls for their mitigation or remediation.

In 2014, the Bank decided to centralize the risk management function rather than embed it in operating areas throughout the organization. A Risk Management Department was formed and charged with continuously reviewing, overseeing and reinforcing all aspects of risk management practices and strategies.

During 2015, the Risk Management Department began a comprehensive review of all existing policies, procedures, processes and system controls, focusing on those areas that present the highest exposure to risk, while at the same time initiating work to establish an Enterprise Risk Management (ERM) system. In light of the integration with its sister institution, this review also includes the processes of BECC.

Risk Management also introduced the use of expert risk advisors to assist in the credit analysis process for the Funding Committee. This practice will provide an independent assessment of the potential risks related to a given loan. The risk advisors are independent and objective financial professionals with ample experience covering the region and the full range of sectors in which the Bank operates, and are selected on a case-by-case basis from a short-list of previously vetted experts.

Basis for Reporting and Critical Accounting Policies

The consolidated financial statements of the Bank are prepared in accordance with generally accepted accounting principles (GAAP) in the United States, and are consistent with that of an international organization. The notes to the financial statements contain a summary of NADB's significant accounting policies, including a discussion of recently issued rules and regulations. Certain of these policies are considered to be critical to the portrayal of the Bank's financial condition, because they require NADB management to make difficult, complex or subjective judgments, or relate to matters that are inherently uncertain. These policies include (i) the use of fair value accounting and (ii) the determination of the level of loss allowances and reserves in the loan portfolio.

Fair Value Accounting: The Bank uses fair value measurements to account for the value of its cross-currency interest rate swaps, interest rate swaps and available-for-sale debt securities. Where possible, fair value is determined by reference to quoted market prices. If quoted market prices are unavailable, then fair value is based on pricing and discounted cash flow models. The selection of data included in pricing and cash flow models involves a significant degree of judgment, and changes in the assumptions and measurements underlying this data could have a substantial impact on the amounts the Bank reports as assets and liabilities, as well as the related unrealized gains and losses reported on its income statement. The Bank believes that its estimates of fair value are reasonable in light of its established processes for obtaining data for use in its models; the periodic evaluation, review and validation of its models; and the consistent application of this approach from period to period. Additional information about this policy can be found in Notes 2 and 11 to the consolidated financial statements.

Loan Loss Allowances: The determination of the allowance for loan losses is based on management's current judgments about the credit quality of the loan portfolio, and the allowance is maintained at a level considered adequate by management to provide for probable and estimable losses inherent in the loan portfolio. Determining the appropriate allowance for loan losses involves significant judgment about when a loss has been incurred and the amount of that loss. Actual losses may differ from expected losses due to unforeseen changes in a variety of factors that affect borrowers' creditworthiness and the accuracy of the Bank's allocated allowance. Additional information about this policy can be found in Notes 2 and 4 to the consolidated financial statements.

Consolidation

At the request of the U.S. Government, NADB holds and administers the funds of the U.S. Community Assistance and Investment Program (USCAIP or the U.S. Domestic Program) and, therefore, its accounts are consolidated with those of the Bank. However, the U.S. domestic program's operations and allocated capital are completely independent of those of the Bank, and any net income earned by the program and its profits, losses, expenses and disbursements do not affect the retained earnings of the Bank or paid-in capital. The supplementary information provided at the end of the consolidated financial statements includes combining statements that show the breakdown of NADB and USCAIP accounts. Additional information about the U.S. domestic program can be found in Note 8 to the consolidated financial statements.

External Auditors

The accounts of the Bank are audited annually by independent external auditors with established international experience chosen by the Board on the basis of a proposal by Bank management. In accordance with the policies and principles established by the Board, the external auditors are selected through a competitive process, are appointed for terms of up to five years, and are engaged on an annual basis. Having completed a five-year term as the external auditor of the Bank in 2011, Ernst & Young LLP (E&Y) won the bid in 2012 and was appointed by the Board for a second five-year term that will end in 2016. The Bank renewed its contract with E&Y to carry out the annual audit of its accounts for fiscal year 2015.

Consolidated Financial Statements and Supplemental Information

North American Development Bank
Years Ended December 31, 2015 and 2014
With Report of Independent Auditors

Report of Independent Auditors

Ernst & Young

The Board of Directors
North American Development Bank

We have audited the accompanying consolidated financial statements of North American Development Bank (the Bank), which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of North American Development Bank at December 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Ernst & Young, LLP

San Antonio, Texas
March 31, 2016

Consolidated Balance Sheets

	December 31 2015	2014
Assets		
Cash and cash equivalents:		
Held at other financial institutions in demand deposit accounts	**$ 127,078**	$ 1,836,490
Held at other financial institutions in interest-bearing accounts	**31,052,800**	52,919,581
Repurchase agreements	**83,800,000**	32,900,000
	114,979,878	87,656,071
Held-to-maturity investment securities, at amortized cost	**53,730,753**	53,664,254
Available-for-sale investment securities, at fair value	**337,477,241**	304,203,394
Loans outstanding	**1,325,135,449**	1,186,205,931
Allowance for loan losses	**(19,941,922)**	(11,378,816)
Unamortized loan fees	**(9,661,632)**	(8,535,936)
Foreign currency exchange rate adjustment	**(43,446,961)**	(32,890,748)
Hedged items, at fair value	**(51,606,468)**	1,698,406
Net loans outstanding	**1,200,478,466**	1,135,098,837
Interest receivable	**11,226,560**	10,458,143
Grant and other receivable	**699,125**	1,631,316
Furniture, equipment and leasehold improvements, net	**257,012**	177,321
Other assets	**63,388,898**	43,692,549
Total assets	**$ 1,782,237,933**	$ 1,636,581,885
Liabilities and equity		
Liabilities:		
Accounts payable	**$ 1,813,084**	$ 1,066,206
Accrued liabilities	**350,020**	292,225
Accrued interest payable	**9,079,465**	8,394,741
Undisbursed grant funds	**1,000**	1,000
Other liabilities	**6,210,968**	20,426,135
Short-term debt	**5,262,000**	2,631,000
Long-term debt, net of discount	**1,182,136,693**	1,052,838,328
Hedged items, at fair value	**10,180,086**	5,047,280
Net long-term debt	**1,192,316,779**	1,057,885,608
Total liabilities	**1,215,033,316**	1,090,696,915
Equity:		
Paid-in capital	**405,000,000**	405,000,000
General Reserve:		
Allocated paid-in capital	**3,027,256**	4,337,076
Retained earnings:		
Designated	**12,920,792**	17,719,949
Reserved	**99,671,114**	94,623,755
Undesignated	**39,394,125**	24,392,203
Accumulated other comprehensive income (loss)	**7,185,567**	(194,018)
Non-controlling interest	**5,763**	6,005
Total equity	**567,204,617**	545,884,970
Total liabilities and equity	**$ 1,782,237,933**	$ 1,636,581,885

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

Consolidated Statements of Income

	Year Ended December 31 2015	2014
Interest income:		
Loans	**$ 45,910,933**	$ 38,528,324
Investments	**5,355,434**	5,224,734
Total interest income	**51,266,367**	43,753,058
Interest expense	**15,101,220**	13,547,601
Net interest income	**36,165,147**	30,205,457
Operating expenses:		
Personnel	**5,590,704**	4,877,951
General and administrative	**1,712,742**	1,308,917
Consultants and contractors	**2,205,079**	2,380,353
Provision for loan losses	**8,559,254**	2,199,499
Depreciation	**76,409**	49,738
U.S. Domestic Program	**285,955**	301,055
Total operating expenses	**18,430,143**	11,117,513
Net operating income	**17,735,004**	19,087,944
Non-interest income and expenses:		
Gains on sales of available-for-sale securities	**39,995**	188,097
Income (expense) from hedging activities, net	**3,584,628**	993,359
Income (expense) from foreign exchange activities, net	**(715,955)**	(425,022)
Fees and other income	**429,078**	62,227
Loss on other real estate owned	**(950,000)**	(1,911,927)
Total non-interest income (expenses)	**2,387,746**	(1,093,266)
Income before program activities	**20,122,750**	17,994,678
Program activities:		
U.S. Environmental Protection Agency (EPA) grant income	**832,143**	1,041,909
EPA grant administration expense	**(832,143)**	(1,041,909)
Technical Assistance Program expense	**(1,179,090)**	(759,069)
Community Assistance Program expense	**(1,436,053)**	(796,259)
Water Conservation Investment Fund expense	**(2,257,725)**	(521,904)
Net program expenses	**(4,872,868)**	(2,077,232)
Income before non-controlling interest	**15,249,882**	15,917,446
Net loss attributable to non-controlling interest	**(242)**	(368)
Net income attributable to NADB	**$ 15,250,124**	$ 15,917,814

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

Consolidated Statements of Comprehensive Income

	Year Ended December 31	
	2015	**2014**
Income before non-controlling interest	**$ 15,249,882**	$ 15,917,446
Net loss attributable to non-controlling interest	**(242)**	(368)
Net income attributable to NADB	**15,250,124**	15,917,814
Other comprehensive income (loss):		
Available-for-sale investment securities:		
Change in unrealized gains (losses) during the period, net	**(344,579)**	918,065
Reclassification adjustment for net gains included in net income	**(39,995)**	(188,097)
Total unrealized gain (loss) on available-for-sale investment securities	**(384,574)**	729,968
Foreign currency translation adjustment	**147,893**	47,575
Unrealized gains (losses) on hedging activities:		
Foreign currency translation adjustment, net	**(11,501,378)**	(16,357,061)
Fair value of cross-currency interest rate swaps, net	**19,117,644**	23,435,855
Total unrealized gain on hedging activities	**7,616,266**	7,078,794
Total other comprehensive gain	**7,379,585**	7,856,337
Total comprehensive income	**$ 22,629,709**	$ 23,774,151

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

Consolidated Statement of Changes in Equity

	Paid-in Capital	General Reserve: Allocated Paid-in Capital	General Reserve: Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest	Total Equity
Beginning balance, January 1, 2014	$ 405,000,000	$ 5,773,589	$ 120,818,093	$ (8,050,355)	$ 6,373	$ 523,547,700
Transfer to Targeted Grant Program of the U.S. Domestic Program	–	(1,436,513)	–	–	–	(1,436,513)
Net income	–	–	15,917,814	–	–	15,917,814
Other comprehensive loss	–	–	–	7,856,337	–	7,856,337
Non-controlling interest	–	–	–	–	(368)	(368)
Ending balance, December 31, 2014	405,000,000	4,337,076	136,735,907	(194,018)	6,005	545,884,970
Transfer to Targeted Grant Program of the U.S. Domestic Program	**–**	**(1,309,820)**	**–**	**–**	**–**	**(1,309,820)**
Net income	**–**	**–**	**15,250,124**	**–**	**–**	**15,250,124**
Other comprehensive income	**–**	**–**	**–**	**7,379,585**	**–**	**7,379,585**
Non-controlling interest	**–**	**–**	**–**	**–**	**(242)**	**(242)**
Ending balance, December 31, 2015	**$ 405,000,000**	**$ 3,027,256**	**$ 151,986,031**	**$ 7,185,567**	**$ 5,763**	**$ 567,204,617**

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

Consolidated Statements of Cash Flows

	Year Ended December 31	
	2015	**2014**
Operating activities		
Net income	$ **15,250,124**	$ 15,917,814
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	**76,409**	49,738
Amortization of net premium on investments	**1,618,069**	2,582,651
Change in fair value of swaps, hedged items, and other non-cash items	**43,358,596**	41,396,025
Non-controlling interest	**(242)**	(368)
Gain on sales of available-for-sale investment securities, net	**(39,995)**	(188,097)
Provision for loan losses	**8,559,254**	2,199,499
Change in other assets and liabilities:		
Increase in interest receivable	**(768,416)**	(126,306)
Decrease in receivable and other assets	**2,081,279**	1,425,083
Increase in accounts payable	**746,878**	72,670
Increase (decrease) in accrued liabilities	**57,795**	(30,131)
Increase in accrued interest payable	**684,724**	51,553
Net cash provided by operating activities	**71,624,475**	63,350,131
Lending, investing, and development activities		
Capital expenditures	**(156,100)**	(34,109)
Loan principal repayments	**110,630,097**	76,585,766
Loan disbursements	**(249,555,763)**	(254,162,523)
Purchase of held-to-maturity investments	**(2,292,397)**	(3,224,685)
Purchase of available-for-sale investments	**(257,306,015)**	(295,316,846)
Proceeds from maturities of held-to-maturity investments	**2,250,000**	3,203,000
Proceeds from sales and maturities of available-for-sale investments	**222,045,417**	424,521,011
Net cash used in lending, investing, and development activities	**(174,384,761)**	(48,428,386)
Financing activities		
Proceeds from other borrowings	**4,521,469**	13,566,518
Proceeds from note issuance	**129,503,444**	–
Principal repayments - other borrowings	**(2,631,000)**	–
Grant funds from the Environmental Protection Agency (EPA)	**9,633,948**	15,672,030
Grant disbursements – EPA	**(9,633,948)**	(15,672,035)
Grant activity – U.S. Domestic Program	**(1,309,820)**	(1,436,513)
Net cash provided by financing activities	**130,084,093**	12,130,000
Net increase in cash and cash equivalents	**27,323,807**	27,051,745
Cash and cash equivalents at January 1, 2015 and 2014	**87,656,071**	60,604,326
Cash and cash equivalents at December 31, 2015 and 2014	$ **114,979,878**	$ 87,656,071
Supplemental cash information		
Cash paid during the year for interest	$ **30,439,744**	$ 30,266,987
Significant noncash transactions		
Foreign currency translation adjustment	$ **(11,501,378)**	$ (16,357,061)
Change in fair value of cross-currency interest rate swaps, net	$ **19,117,644**	$ 23,435,855
Change in fair value of available-for-sales investments, net	$ **(384,574)**	$ 729,968

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

1. Organization and Purpose

The North American Development Bank (NADB 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 (the International Program) and community adjustment and investment projects throughout the U.S. and Mexico in support of the purposes of the North American Free Trade Agreement (NAFTA) (the Domestic Programs). On March 16, 1994, the President of the United States issued an Executive Order designating the Bank an international organization under the International Organization Immunities Act.

The Bank is governed by a Board of Directors appointed by the two countries. The operations of the Bank are subject to certain limitations outlined in the Charter, as amended on August 6, 2004. The geographic jurisdiction of the International Program is within 100 kilometers north of the U.S.-Mexico border and within 300 kilometers south of the border. The Bank is located in San Antonio, Texas.

Under its International Program, the Bank provides loan and grant financing and technical assistance for environmental infrastructure projects certified by the Border Environment Cooperation Commission (BECC), as appropriate, and administers grant funding provided by other entities. Under the Domestic Programs, the Bank contributed funds from its equity to establish the domestic program of each country, and continues to administer the funds of the U.S. Domestic Program (see Note 8).

On June 2, 1998, the Board of Directors adopted a resolution authorizing the Bank to establish a limited-purpose financial institution (*sociedad financiera de objeto limitado*, SOFOL) for the purpose of facilitating Bank lending to the Mexican public sector. In January 1999, the *Corporación Financiera de América del Norte, S.A. de C.V. SOFOL* (COFIDAN) began operations in Mexico City and, in October 2006, COFIDAN was converted from a SOFOL to a non-regulated, multipurpose financial institution (SOFOM, E.N.R.), and its name was modified to *Corporación Financiera de América del Norte, S.A. de C.V. SOFOM E.N.R.* As of December 31, 2015, COFIDAN is 99.90% owned by the Bank and 0.10% owned by the Mexican government. The accounts of COFIDAN are consolidated with the Bank, and all material intercompany accounts and transactions are eliminated in consolidation. The non-controlling interest reflected in the consolidated balance sheets and consolidated statements of income represents the ownership of the Mexican government through the Ministry of Finance and Public Credit (SHCP).

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates in Financial Statements

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (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 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 loan losses, the fair value of derivative instruments and other real estate owned included in other assets, and the fair value of derivative instruments included in other liabilities and in long-term debt. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of the Bank and its subsidiary, COFIDAN. All significant intercompany accounts and transactions have been eliminated in consolidation.

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash deposits with other financial institutions and overnight repurchase agreements.

Repurchase Agreements

The Bank has entered into agreements with two major financial institutions to purchase various U.S. government and federally sponsored agency securities under an agreement to resell. The purchase and resale of these securities occur daily, and the obligation to repurchase is backed by the assets of the related financial institutions. The underlying securities related to the repurchase transaction are held in the possession of the respective financial institutions.

Investment Securities

The Bank's investments are classified into the following categories:

Held-to-maturity – 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 – 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 interest method. Realized gains and losses are determined using the specific identification method. Investments in a loss position are reviewed in order to determine whether the unrealized loss, which is considered an impairment, is temporary or other-than-temporary. In the event of other-than-temporary impairment, the cost basis of the investment would be written down to its fair value, and the credit component of the loss would be included in current earnings. The Bank had no securities classified as other-than-temporarily impaired as of December 31, 2015 and 2014.

Taxation

As an international organization, the Bank is exempt from all federal, state, and local taxation to the extent implemented by law under the U.S. International Organizations Immunities Act of 1945.

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.

General Reserve

The Board of Directors defines the General Reserve as retained earnings plus allocated paid-in capital for the U.S. Domestic Program, as described in Note 8. Retained earnings are classified as either designated for a specific program, reserved, or undesignated.

2. Summary of Significant Accounting Policies (continued)

Undesignated retained earnings in excess of one percent (1.0%) of total assets of the International Program 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 general allowance for loan 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.

Loans and Allowance for Loan Losses

Loans are reported at the principal amount, net of allowance for loan 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 in 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 either reversed (if current-year interest) or charged against current-year interest (if prior-year interest).

Payments received on nonaccrual loans are generally applied 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, the ability of the borrower to fulfill the contractual repayment terms is fully expected, and the loan is not classified as "doubtful" or "loss." 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.

In cases where a borrower experiences financial difficulties and the Bank makes certain concessions to the borrower through modifications of the contractual terms of the loan, the loan is classified as a troubled debt restructuring. If the borrower's ability to meet the revised payment schedule is uncertain, the loan is classified as a nonaccrual loan.

2. Summary of Significant Accounting Policies (continued)

The allowance for loan losses is a valuation account used to reasonably estimate loan losses incurred as of the financial statement date. Determining the appropriate allowance for loan losses involves significant judgment about when a loss has been incurred and the amount of that loss. A specific allowance is established for impaired loans that exhibit a distinct possibility 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. In 2013, under the International Program, a general allowance for loans to private-sector borrowers was established based on statistical cumulative default and recovery rates for project finance loans.

The allowance for loan losses is maintained at a level considered adequate by management to provide for probable and estimable losses inherent in the loan portfolio. The allowance is increased through provision for loan losses and is decreased through reversals of provision for loan losses and loan charge-offs. Upon final settlement of impaired loans, any remaining loss is charged off immediately.

Credit Quality

The Bank monitors the credit quality of its loan portfolio on an ongoing basis by tracking certain credit quality indicators related to the borrower's: (i) payment history, (ii) strength of management, (iii) financial performance, (iv) appropriateness and effectiveness of project technology, and (v) loan covenant compliance, as well as (vi) general economic conditions in the borrower's geographic location, (vii) the legal and regulatory environment, and (viii) the effects, if any, of the current political environment. Based on this evaluation, each loan is assigned to one of the following risk categories:

Pass – The loan is not considered a greater than normal credit risk. The Bank believes the borrower has the ability to meet its obligations; therefore, the Bank anticipates insignificant uncollectible amounts.

Special Mention – The loan has exhibited potential weaknesses that deserve the Bank's close attention. If left uncorrected, these potential weaknesses may result in noticeable deterioration of the repayment prospects for the asset or of the borrower's credit position.

Substandard – The loan is inadequately protected by the current financial condition and paying capacity of the borrower or by any collateral pledged. The loan has a well-defined weakness or weaknesses that may jeopardize the collection of the debt pursuant to the contractual principal and interest terms. Such risk is characterized by the distinct possibility that the Bank may sustain some loss if the deficiencies are not corrected.

Doubtful – In addition to the risk characteristics described in the substandard category, the loan exhibits conditions and values that make collection or liquidation in full highly improbable. Loans in this risk category are closely managed to determine the highest recovery alternatives.

Program Activities

Program income represents reimbursed administrative expenses associated with the U.S. Environmental Protection Agency (EPA) grant activities. Such amounts are earned and recognized as program income in the accompanying consolidated statements of income as the associated expenses are incurred.

Program expenses include grant disbursements made by the Bank and administrative costs associated with EPA grant activities. Grants are recognized at the date the Bank becomes obligated under the terms of the grant agreements, and associated costs are recognized as incurred. EPA and U.S. Domestic Program grant receipts and disbursements reflected in the consolidated statements

2. Summary of Significant Accounting Policies (continued)

of cash flows are not reflected in the accompanying consolidated statements of income, as these grants are approved and funded by the respective entities noted above. The Bank's role is to administer these funds.

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 lending activities of the Bank include making loans that are denominated in Mexican pesos. For such loans, the Bank enters into cross-currency interest rate swaps that mitigate its exposure to fluctuations in foreign currency exchange rates and interest rates. As of December 31, 2015, the Bank had entered into swap counterparty agreements with *Fondo de Apoyo a Estados y Municipios* (FOAEM), a fund owned by the government of Mexico and administered by the federally run development bank, *Banco Nacional de Obras y Servicios Publicos, S.N.C.* (Banobras); directly with Banobras outside the FOAEM arrangement; and with five other financial institutions. The foreign currency translation adjustment on loans denominated in Mexican pesos as of December 31, 2015 and 2014 was $(43,446,961) and $(32,890,748), respectively. Changes in the foreign currency translation adjustment are reported through other comprehensive income.

All swaps relating to the lending activities of the Bank have been designated as cash flow or fair value hedges and are recognized in the accompanying consolidated balance sheets at their fair value. Changes in the fair value of the cash flow hedges are reported in other comprehensive income and are reclassified to earnings at the time of the hedged loan repayment. Changes in the fair value of the fair value hedges are reported in other income or expense.

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 all swap counterparties except for FOAEM 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 interest rate swaps, interest rate swaps, 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, United Mexican States (UMS) securities, and mortgage-backed debt securities.

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 cross-currency interest rate swaps, interest rate swaps, the fair value of hedged items, and other real estate owned where independent pricing information is not available for a significant portion of the underlying assets. For these consolidated financial statements, the Bank also obtains dealer quotations for comparative purposes to assess the reasonableness of the pricing models.

Additional information on the fair value of the financial instruments of the Bank is provided in Note 11.

Accumulated Other Comprehensive Income

The components of other comprehensive income are reported in the accompanying consolidated statements of comprehensive income for all 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, 2015 and 2014.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2015				
Held-to-maturity:				
U.S. agency securities	**$ 3,842,082**	**$ 1,188**	**$ (6,178)**	**$ 3,837,092**
Mexican government securities (UMS)	**49,888,671**	**4,611,329**	**–**	**54,500,000**
Total held-to-maturity investment securities	**53,730,753**	**4,612,517**	**(6,178)**	**58,337,092**
Available-for-sale:				
U.S. government securities	**134,578,402**	**35,197**	**(193,458)**	**134,420,141**
U.S. agency securities	**71,593,623**	**109,503**	**(108,783)**	**71,594,343**
Corporate debt securities	**86,571,067**	**71,599**	**(228,745)**	**86,413,921**
Other fixed-income securities	**31,410,892**	**19,308**	**(25,880)**	**31,404,320**
Mexican government securities (UMS)	**13,741,982**	**–**	**(104,682)**	**13,637,300**
Mortgage-backed securities	**7,141**	**75**	**–**	**7,216**
Total available-for-sale investment securities	**337,903,107**	**235,682**	**(661,548)**	**337,477,241**
Total investment securities	**$ 391,633,860**	**$ 4,848,199**	**$ (667,726)**	**$ 395,814,333**
December 31, 2014				
Held-to-maturity:				
U.S. agency securities	$ 3,799,685	$ 489	$ (4,634)	$ 3,795,540
Mexican government securities (UMS)	49,864,569	5,260,431	–	55,125,000
Total held-to-maturity investment securities	53,664,254	5,260,920	(4,634)	58,920,540
Available-for-sale:				
U.S. government securities	106,194,365	49,534	(74,585)	106,169,314
U.S. agency securities	68,850,600	66,249	(89,660)	68,827,189
Corporate debt securities	83,946,144	110,439	(91,205)	83,965,378
Other fixed-income securities	30,131,807	54,159	(31,408)	30,154,558
Mexican government securities (UMS)	15,099,181	14,824	(50,263)	15,063,742
Mortgage-backed securities	22,588	625	–	23,213
Total available-for-sale investment securities	304,244,685	295,830	(337,121)	304,203,394
Total investment securities	$ 357,908,939	$ 5,556,750	$ (341,755)	$ 363,123,934

3. Investments (continued)

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, 2015 and 2014.

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2015						
Held-to-maturity:						
U.S. agency securities	**$ 1,528,507**	**$ 6,178**	**$ –**	**$ –**	**$ 1,528,507**	**$ 6,178**
Available-for-sale:						
U.S. government securities	**120,167,738**	**193,457**	**–**	**–**	**120,167,738**	**193,457**
U.S. agency securities	**44,930,182**	**108,784**	**–**	**–**	**44,930,182**	**108,784**
Corporate debt securities	**56,118,940**	**228,745**	**–**	**–**	**56,118,940**	**228,745**
Other fixed-income securities	**24,132,655**	**25,880**	**–**	**–**	**24,132,655**	**25,880**
Mexican government securities (UMS)	**13,637,300**	**104,682**	**–**	**–**	**13,637,300**	**104,682**
Total available-for-sale investment securities	**258,986,815**	**661,548**	**–**	**–**	**258,986,815**	**661,548**
Total temporarily impaired securities	**$ 260,515,322**	**$ 667,726**	**$ –**	**$ –**	**$ 260,515,322**	**$ 667,726**
December 31, 2014						
Held-to-maturity:						
U.S. agency securities	$ 3,220,051	$ 4,634	$ –	$ –	$ 3,220,051	$ 4,634
Available-for-sale:						
U.S. government securities	67,687,951	74,585	–	–	67,687,951	74,585
U.S. agency securities	32,392,395	89,660	–	–	32,392,395	89,660
Corporate debt securities	35,682,081	91,205	–	–	35,682,081	91,205
Other fixed-income securities	6,001,354	31,408	–	–	6,001,354	31,408
Mexican government securities (UMS)	11,049,242	50,263	–	–	11,049,242	50,263
Total available-for-sale investment securities	152,813,023	337,121	–	–	152,813,023	337,121
Total temporarily impaired securities	$ 156,033,074	$ 341,755	$ –	$ –	$ 156,033,074	$ 341,755

None of the unrealized losses identified in the preceding table are considered to be other-than-temporary since, as of December 31, 2015, the Bank did not have the intent to sell any of these securities 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.

3. Investments (continued)

Contractual maturities of investments as of December 31, 2015 and 2014 are summarized in the following tables.

	Held-to-Maturity Securities		Available-for-Sale Securities	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
December 31, 2015				
Less than 1 year	**$ 575,057**	**$ 575,000**	**$ 187,802,072**	**$ 187,898,629**
1–5 years	**57,762,035**	**53,155,753**	**147,637,953**	**147,916,989**
5–10 years	**–**	**–**	**2,030,000**	**2,080,348**
More than 10 years	**–**	**–**	**–**	**–**
Mortgage-backed securities	**–**	**–**	**7,216**	**7,141**
	$ 58,337,092	**$ 53,730,753**	**$ 337,477,241**	**$ 337,903,107**
December 31, 2014				
Less than 1 year	$ –	$ –	$ 159,765,448	$ 159,783,965
1–5 years	3,795,540	3,799,685	144,414,733	144,438,132
5–10 years	55,125,000	49,864,569	–	–
More than 10 years	–	–	–	–
Mortgage-backed securities	–	–	23,213	22,588
	$ 58,920,540	$ 53,664,254	$ 304,203,394	$ 304,244,685

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, call, and maturity activity of investment securities for the years ended December 31, 2015 and 2014.

	Year Ended December 31	
	2015	2014
Held-to-maturity investment securities:		
Proceeds from maturities	**$ 2,250,000**	$ 3,203,000
Available-for-sale investment securities:		
Proceeds from sales and maturities	**222,045,417**	424,521,011
Gross realized gains	**150,969**	190,182
Gross realized losses	**110,974**	2,085

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, 2015 and 2014.

	2015	2014
Unrealized losses on investment securities available-for-sale, beginning of year	**$ (41,291)**	$ (771,259)
Unrealized gains (losses) on investment securities available-for-sale, arising during the year	**(344,580)**	918,065
Reclassification adjustments for gains on investment securities available-for-sale included in net income	**(39,995)**	(188,097)
Net unrealized losses on investment securities available-for-sale, end of year	**$ (425,866)**	$ (41,291)

4. Loans

The following schedule summarizes loans outstanding as of December 31, 2015 and 2014.

	International Program	U.S. Domestic Program	Total
December 31, 2015			
Loan balance	**$ 1,324,777,048**	**$ 358,401**	**$ 1,325,135,449**
Allowance for loan losses:			
General	**(19,918,734)**	**(23,188)**	**(19,941,922)**
Specific	**–**	**–**	**–**
Unamortized loan fees	**(9,661,632)**	**–**	**(9,661,632)**
Foreign currency exchange rate adjustment	**(43,446,961)**	**–**	**(43,446,961)**
Fair value of hedged items	**(51,606,468)**	**–**	**(51,606,468)**
Net loans outstanding	**$ 1,200,143,253**	**$ 335,213**	**$ 1,200,478,466**
December 31, 2014			
Loan balance	$ 1,185,514,182	$ 691,749	$ 1,186,205,931
Allowance for loan losses:			
General	(11,355,628)	(23,188)	(11,378,816)
Specific	–	–	–
Unamortized loan fees	(8,535,936)	–	(8,535,936)
Foreign currency exchange rate adjustment	(32,890,748)	–	(32,890,748)
Fair value of hedged items	1,698,406	–	1,698,406
Net loans outstanding	$ 1,134,430,276	$ 668,561	$ 1,135,098,837

At December 31, 2015 and 2014, the International Program had outstanding loan commitments on signed loan agreements totaling $51,817,048 and $126,985,036, respectively. At December 31, 2015 and 2014, the U.S. Domestic Program did not have any outstanding loan commitments on signed loan agreements. The International Program also had loan agreements under development for an additional $209,081,926 as of December 31, 2015.

The Bank under certain circumstances offered below-market-rate loans. As of December 31, 2015 and 2014, the Bank had below-market-rate loans outstanding for the International Program of $43,173,661 and $46,808,142, respectively. At December 31, 2015 and 2014, the U.S. Domestic Program did not have any below-market-rate loans.

4. Loans (continued)

The following table presents the loan portfolio by sector as of December 31, 2015 and 2014.

	December 31 2015	December 31 2014
International Program:		
Air quality	**$ 110,702,431**	$ 136,216,927
Basic urban infrastructure	**36,853,882**	23,514,816
Clean energy:		
Solar	**302,531,030**	341,536,534
Wind	**618,587,633**	430,528,983
Other	**4,225,910**	2,608,099
Public transportation	**3,687,700**	–
Storm drainage	**59,561,462**	62,862,096
Water and wastewater	**181,210,270**	188,246,727
Water conservation	**7,416,730**	–
Total International Program	**1,324,777,048**	1,185,514,182
U.S. Domestic Program	**358,401**	691,749
	$ 1,325,135,449	$ 1,186,205,931

The following table presents the loan portfolio by risk category as of December 31, 2015 and 2014. These risk categories are defined in Note 2, along with additional information on how the Bank evaluates credit quality.

	December 31 2015	December 31 2014
International Program		
Pass	**$ 1,324,777,048**	$ 1,182,128,587
Special Mention	**–**	3,385,595
Substandard	**–**	–
Doubtful	**–**	–
Total International Program	**1,324,777,048**	1,185,514,182
U.S. Domestic Program		
Pass	**–**	314,541
Special Mention	**358,401**	377,208
Substandard	**–**	–
Doubtful	**–**	–
Total U.S. Domestic Program	**358,401**	691,749
	$ 1,325,135,449	$ 1,186,205,931

There were no loans under the International Program on nonaccrual as of December 31, 2015, and one nonaccrual loan with an outstanding balance of $3,385,595 as of December 31, 2014. The average impaired loan balance for the years ended December 31, 2015 and 2014 totaled $1,974,930 and $4,488,469, respectively. No interest income was recognized on the impaired loans for the years ended December 31, 2015 and 2014. As of December 31, 2015 and 2014, the Bank had collateral from foreclosed loans reported as other assets of $4,786,389 and $5,953,307, respectively.

4. Loans (continued)

Under the International Program there were no loans past due 90 days or more that were still accruing interest as of December 31, 2015 and 2014. Under the U.S. Domestic Program, the outstanding balance of loans past due 90 days or more that was still accruing interest was $358,401 and $377,208 as of December 31, 2015 and 2014, respectively.

An age analysis of past-due loans, including both accruing and non-accruing loans, as of December 31, 2015 and 2014, is shown in the following table.

	Loans 30–89 Days Past Due	Loans 90 or More Days Past Due	Total Past-due Loans
December 31, 2015			
International Program	**$ –**	**$ –**	**$ –**
U.S. Domestic Program	**–**	**358,401**	**358,401**
	$ –	**$ 358,401**	**$ 358,401**
December 31, 2014			
International Program	$ –	$ 3,385,595	$ 3,385,595
U.S. Domestic Program	–	377,208	377,208
	$ –	$ 3,762,803	$ 3,762,803

The following table summarizes the allowance for loan losses by classification as of December 31, 2015 and 2014.

	Allowance for Loan Losses			
	General Allowance	Specific Allowance	Total	Total Loans Outstanding
December 31, 2015				
International Program:				
Private:				
Construction	**$ 10,300,322**	**$ –**	**$ 10,300,322**	**$ 258,088,762**
Operation	**9,618,412**	**–**	**9,618,412**	**669,139,482**
Public	**–**	**–**	**–**	**305,588,205**
Public-private	**–**	**–**	**–**	**91,960,599**
Total International Program	**19,918,734**	**–**	**19,918,734**	**1,324,777,048**
U.S. Domestic Program	**23,188**	**–**	**23,188**	**358,401**
	$ 19,941,922	**$ –**	**$ 19,941,922**	**$ 1,325,135,449**
December 31, 2014				
International Program:				
Private:				
Construction	$ 5,528,110	$ –	$ 5,528,110	$ 178,946,567
Operation	5,827,518	–	5,827,518	595,727,049
Public	–	–	–	319,768,042
Public-private	–	–	–	91,072,524
Total International Program	11,355,628	–	11,355,628	1,185,514,182
U.S. Domestic Program	23,188	–	23,188	691,749
	$ 11,378,816	$ –	$ 11,378,816	$ 1,186,205,931

Public-private refers to loans made to private-sector borrowers and backed by public-sector federal tax revenue.

4. Loans (continued)

The following schedule summarizes the allowance for loan losses for the years ended December 31, 2015 and 2014.

	Allowance for Loan Losses				
		Loan Loss Provisions		Loan	
	Beginning Balance	Specific	General	(Charge-offs) Recoveries	Ending Balance
December 31, 2015					
International Program:					
Private:					
Construction	**$ 5,528,110**	**$ –**	**$ 4,772,212**	**$ –**	**$ 10,300,322**
Operation	**5,827,518**	**–**	**3,790,894**	**–**	**9,618,412**
Public	**–**	**–**	**(3,852)**	**3,852**	**–**
Public-private	**–**	**–**	**–**	**–**	**–**
Total International Program	**11,355,628**	**–**	**8,559,254**	**3,852**	**19,918,734**
U.S. Domestic Program	**23,188**	**–**	**–**	**–**	**23,188**
	$ 11,378,816	**$ –**	**$ 8,559,254**	**$ 3,852**	**$ 19,941,922**
December 31, 2014					
International Program:					
Private:					
Construction	$ 4,950,438	$ –	$ 577,672	$ –	$ 5,528,110
Operation	7,943,681	(11,208)	1,324,892	(3,429,847)	5,827,518
Public	–	308,143	–	(308,143)	–
Public-private	–	–	–	–	–
Total International Program	12,894,119	296,935	1,902,564	(3,737,990)	11,355,628
U.S. Domestic Program	23,188	–	–	–	23,188
	$ 12,917,307	$ 296,935	$ 1,902,564	$ (3,737,990)	$ 11,378,816

5. Other Assets and Other Liabilities

The following table presents the gross and net balances of other assets and other liabilities, including the result of master netting arrangements for derivatives with certain swap counterparties, at December 31, 2015 and 2014.

	Gross Amount	Master Netting Arrangements	Net Amount
December 31, 2015			
Other assets			
Cross-currency interest rate swaps	**$ 136,668,543**	**$ (29,973,461)**	**$ 106,695,082**
Interest rate swaps	**17,780,265**	**(2,053,020)**	**15,727,245**
Collateral from swap counterparty	**(67,600,000)**	**–**	**(67,600,000)**
Credit valuation adjustment for swaps	**(504,961)**	**–**	**(504,961)**
Unamortized debt issuance costs	**4,285,143**	**–**	**4,285,143**
Other real estate owned	**4,786,389**	**–**	**4,786,389**
Total other assets	**$ 95,415,379**	**$ (32,026,481)**	**$ 63,388,898**
Other liabilities			
Cross-currency interest rate swaps	**$ 2,395,365**	**$ –**	**$ 2,395,365**
Interest rate swaps	**3,815,603**	**–**	**3,815,603**
Total other liabilities	**$ 6,210,968**	**$ –**	**$ 6,210,968**
December 31, 2014			
Other assets			
Cross-currency interest rate swaps	$ 55,371,929	$ (18,433,614)	$ 36,938,315
Interest rate swaps	18,433,614	–	18,433,614
Collateral from swap counterparty	(21,900,000)	–	(21,900,000)
Unamortized debt issuance costs	4,267,313	–	4,267,313
Other real estate owned	5,953,307	–	5,953,307
Total other assets	$ 62,126,163	$ (18,433,614)	$ 43,692,549
Other liabilities			
Interest rate swaps	$ 20,426,135	$ –	$ 20,426,135
Total other liabilities	$ 20,426,135	$ –	$ 20,426,135

6. Debt

The following tables summarize the notes payable and other borrowings as of December 31, 2015 and 2014.

			December 31, 2015			
Issue Date	Maturity Date	Fixed Rate	Principal Amount	Unamortized Premium/ (Discount)	Fair Value of Hedged Items	Net Debt
Notes payable						
USD Issuance						
Feb. 11, 2010	Feb. 11, 2020	4.375%	$ 250,000,000	$ (268,250)	$ 16,479,919	$ 266,211,669
Oct. 26, 2012	Oct. 26, 2022	2.400	250,000,000	(586,472)	(1,949,072)	247,464,456
Dec. 17, 2012	Oct. 26, 2022	2.400	180,000,000	(2,580,656)	(3,344,004)	174,075,340
Dec. 17, 2012	Dec. 17, 2030	3.300	50,000,000	–	(575,548)	49,424,452
Oct. 10, 2013	Oct. 10, 2018	2.300	300,000,000	(459,503)	1,300,346	300,840,843
CHF Issuance						
Apr. 30, 2015	Apr. 30, 2025	0.250	128,706,754	743,365	(1,731,555)	127,718,564
Total notes payable			1,158,706,754	(3,151,516)	10,180,086	1,165,735,324
Other borrowings						
Mar. 7, 2013	Jun. 30, 2016	1.900	1,653,972	–	–	1,653,972
Aug. 15, 2013	Jun. 30, 2016	1.900	977,028	–	–	977,028
Aug. 15, 2013	Dec. 30, 2016	1.900	2,631,000	–	–	2,631,000
Aug. 15, 2013	Jun. 30, 2017	1.900	2,631,000	–	–	2,631,000
Aug. 15, 2013	Dec. 30, 2017	1.900	2,631,000	–	–	2,631,000
Aug. 15, 2013	Jun. 30, 2018	1.900	2,631,000	–	–	2,631,000
Aug. 15, 2013	Dec. 30, 2018	1.900	600,467	–	–	600,467
Apr. 11, 2014	Dec. 30, 2018	1.900	2,030,533	–	–	2,030,533
Apr. 11, 2014	Jun. 30, 2019	1.900	2,631,000	–	–	2,631,000
Apr. 11, 2014	Dec. 30, 2019	1.900	2,632,000	–	–	2,632,000
Apr. 11, 2014	Jun. 30, 2020	1.900	526,785	–	–	526,785
Aug. 14, 2014	Jun. 30, 2020	1.900	2,105,215	–	–	2,105,215
Aug. 14, 2014	Dec. 30, 2020	1.900	2,632,000	–	–	2,632,000
Aug. 14, 2014	Jun. 30, 2021	1.900	1,008,985	–	–	1,008,985
Feb. 13, 2015	Jun. 30, 2021	1.900	1,623,015	–	–	1,623,015
Feb. 13, 2015	Dec. 30, 2021	1.900	1,470,635	–	–	1,470,635
Jul. 29, 2015	Dec. 30, 2021	1.900	1,161,365	–	–	1,161,365
Jul. 29, 2015	Jun. 30, 2022	1.900	266,455	–	–	266,455
Total other borrowings			31,843,455	–	–	31,843,455
			$ 1,190,550,209	$ (3,151,516)	$ 10,180,086	$ 1,197,578,779

6. Debt (continued)

			December 31, 2014			
Issue Date	Maturity Date	Fixed Rate	Principal Amount	Unamortized Discount	Fair Value of Hedged Items	Net Debt
Notes payable						
Feb. 11, 2010	Feb. 11, 2020	4.375%	$ 250,000,000	$ (333,500)	$ 18,314,050	$ 267,980,550
Oct. 26, 2012	Oct. 26, 2022	2.400	250,000,000	(672,472)	(5,714,651)	243,612,877
Dec. 17, 2012	Oct. 26, 2022	2.400	180,000,000	(2,959,082)	(6,291,382)	170,749,536
Dec. 17, 2012	Dec. 17, 2030	3.300	50,000,000	–	(1,380,301)	48,619,699
Oct. 10, 2013	Oct. 10, 2018	2.300	300,000,000	(518,603)	119,564	299,600,961
Total notes payable			1,030,000,000	(4,483,657)	5,047,280	1,030,563,623
Other borrowings						
Mar. 7, 2013	Dec. 30, 2015	1.900	2,631,000	–	–	2,631,000
Mar. 7, 2013	Jun. 30, 2016	1.900	1,653,972	–	–	1,653,972
Aug. 15, 2013	Jun. 30, 2016	1.900	977,028	–	–	977,028
Aug. 15, 2013	Dec. 30, 2016	1.900	2,631,000	–	–	2,631,000
Aug. 15, 2013	Jun. 30, 2017	1.900	2,631,000	–	–	2,631,000
Aug. 15, 2013	Dec. 30, 2017	1.900	2,631,000	–	–	2,631,000
Aug. 15, 2013	Jun. 30, 2018	1.900	2,631,000	–	–	2,631,000
Aug. 15, 2013	Dec. 30, 2018	1.900	600,467	–	–	600,467
Apr. 11, 2014	Dec. 30, 2018	1.900	2,030,533	–	–	2,030,533
Apr. 11, 2014	Jun. 30, 2019	1.900	2,631,000	–	–	2,631,000
Apr. 11, 2014	Dec. 30, 2019	1.900	2,632,000	–	–	2,632,000
Apr. 11, 2014	Jun. 30, 2020	1.900	526,785	–	–	526,785
Aug. 14, 2014	Jun. 30, 2020	1.900	2,105,215	–	–	2,105,215
Aug. 14, 2014	Dec. 30, 2020	1.900	2,632,000	–	–	2,632,000
Aug. 14, 2014	Jun. 30, 2021	1.900	1,008,985	–	–	1,008,985
Total other borrowings			29,952,985	–	–	29,952,985
			$ 1,059,952,985	$ (4,483,657)	$ 5,047,280	$ 1,060,516,608

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. Unamortized debt issuance costs related to these notes, which are included in other assets, totaled $4,285,143 and $4,267,313 at December 31, 2015 and 2014, respectively.

The fair value of the hedges relating to interest rate swaps on a portion of the notes payable was reported at December 31, 2015 as other assets of $15,727,245 and other liabilities of $3,815,603 and at December 31, 2014 as other assets of $18,433,614 and other liabilities of $13,386,334. The fair value of the hedges relating to cross-currency interest rate swaps on notes payable denominated in non U.S. dollars was reported at December 31, 2015 and 2014 as other liabilities of $2,395,365 and $0, respectively. For additional information on the fair value of financial instruments and derivatives, see Notes 11 and 12.

6. Debt (continued)

Other Borrowings

On November 8, 2012, the Bank signed a loan commitment with another development bank to borrow up to $50 million to fund eligible projects in Mexico. This loan will amortize semiannually, with the first principal payment due on December 30, 2015 and final principal payment due on December 30, 2024. As of December 31, 2015, the Bank has borrowed $34,474,455.

The following table summarizes the maturities of the notes payable and other borrowings as of December 31, 2015 and 2014.

	December 31	
	2015	**2014**
Less than 1 year	**$ 5,262,000**	$ 2,631,000
1–2 years	**5,262,000**	5,262,000
2–3 years	**305,262,000**	5,262,000
3–4 years	**5,263,000**	305,262,000
4–5 years	**255,264,000**	305,263,000
5–10 years	**564,237,209**	386,272,985
More than 10 years	**50,000,000**	50,000,000
Total	**$ 1,190,550,209**	$ 1,059,952,985

The following table summarizes the short-term and long-term debt as of December 31, 2015 and 2014.

	December 31	
	2015	**2014**
Short-term debt:		
Notes payable	**$ –**	$ –
Other borrowings	**5,262,000**	2,631,000
Total short-term debt	**5,262,000**	2,631,000
Long-term debt:		
Notes payable	**1,158,706,754**	1,030,000,000
Other borrowings	**26,581,455**	27,321,985
Total long-term debt	**1,185,288,209**	1,057,321,985
Total debt	**$ 1,190,550,209**	$ 1,059,952,985

7. Equity

Subscribed Capital

At December 31, 2015 and 2014, the Bank had authorized and subscribed 300,000 shares of capital stock, with a par value of $10,000 per share. As defined in the Charter, capital is classified as callable or paid-in at December 31, 2015 and 2014 as follows:

	Mexico		United States		Total	
	Shares	Dollars	Shares	Dollars	Shares	Dollars
Subscribed capital	150,000	$ 1,500,000,000	150,000	$ 1,500,000,000	300,000	$ 3,000,000,000
Less callable subscribed capital	(127,500)	(1,275,000,000)	(127,500)	(1,275,000,000)	(255,000)	(2,550,000,000)
Paid-in capital	22,500	225,000,000	22,500	225,000,000	45,000	450,000,000
Less transfer to General Reserve for Domestic Programs	–	(22,500,000)	–	(22,500,000)	–	(45,000,000)
Total funded paid-in capital	22,500	$ 202,500,000	22,500	$ 202,500,000	45,000	$ 405,000,000

7. Equity (continued)

The callable portion of the subscription for capital shares of the Bank will be subject to call only when required to meet obligations, as outlined in Article II, Section 3(d), of Chapter II of the Charter.

Retained Earnings

Retained earnings are classified as designated, reserved, and undesignated as follows:

	December 31 2015	December 31 2014
Designated retained earnings		
International Program:		
Water Conservation Investment Fund (WCIF)	**$ 1,039,728**	$ 3,297,453
Technical Assistance Program (TAP)	**4,055,139**	4,904,334
Community Assistance Program (CAP)	**9,241,103**	10,677,156
Total International Program	**14,335,970**	18,878,943
U.S. Domestic Program	**(1,415,178)**	(1,158,994)
Total designated retained earnings	**12,920,792**	17,719,949
Reserved retained earnings		
International Program:		
Debt Service Reserve	**24,609,470**	19,991,327
Operating Expenses Reserve	**10,396,093**	10,396,093
Special Reserve	**30,000,000**	30,000,000
Capital Preservation Reserve	**34,654,799**	34,215,583
Total International Program	**99,660,362**	94,603,003
U.S. Domestic Program:		
Special Reserve	**10,752**	20,752
Total reserved retained earnings	**99,671,114**	94,623,755
Undesignated retained earnings		
International Program	**39,394,125**	24,392,203
Total undesignated retained earnings	**39,394,125**	24,392,203
Total retained earnings	**$ 151,986,031**	$ 136,735,907
Retained earnings by program		
International Program	**$ 153,390,457**	$ 137,874,149
U.S. Domestic Program	**(1,404,426)**	(1,138,242)
Total retained earnings	**$ 151,986,031**	$ 136,735,907

Additional information regarding the reserved funds and each program listed above is provided in Notes 2 and 9, respectively.

7. Equity (continued)

Accumulated Other Comprehensive Income

The following table presents the changes in accumulated other comprehensive income (loss) for the years ended December 31, 2015 and 2014.

	Beginning Balance	Period Activity	Ending Balance
December 31, 2015			
Unrealized gain (loss) on available-for-sale investment securities	**$ (41,291)**	**$ (384,574)**	**$ (425,865)**
Foreign currency translation adjustment	**66,326**	**147,893**	**214,219**
Unrealized gain (loss) on hedging activities:			
Foreign currency translation adjustment	**(31,945,583)**	**(11,501,378)**	**(43,446,961)**
Fair value of cross-currency interest rate swaps	**31,726,530**	**19,117,644**	**50,844,174**
Net unrealized gain (loss) on hedging activities	**(219,053)**	**7,616,266**	**7,397,213**
Total accumulated other comprehensive gain (loss)	**$ (194,018)**	**$ 7,379,585**	**$ 7,185,567**
December 31, 2014			
Unrealized gain (loss) on available-for-sale investment securities	$ (771,259)	$ 729,968	$ (41,291)
Foreign currency translation adjustment	18,751	47,575	66,326
Unrealized gain (loss) on hedging activities:			
Foreign currency translation adjustment	(15,588,522)	(16,357,061)	(31,945,583)
Fair value of cross-currency interest rate swaps	8,290,675	23,435,855	31,726,530
Net unrealized gain (loss) on hedging activities	(7,297,847)	7,078,794	(219,053)
Total accumulated other comprehensive income (loss)	$ (8,050,355)	$ 7,856,337	$ (194,018)

8. Domestic Programs

As specified in the Charter, 10% of each country's paid-in capital is to be set aside to finance community adjustment and investment programs in support of the purposes of NAFTA. In accordance with the Charter, the Board of Directors approved transfers in prior years of $45,000,000, equal to 10% of paid-in capital of $450,000,000, to the General Reserve to support these programs. To further clarify operations related to these programs, the Bank entered into a Memorandum of Understanding (MOU) with each country. In accordance with the MOUs, the U.S. and Mexican programs are administered independently.

Mexico

The MOU with Mexico indicates that 10% of paid-in capital from Mexico and the related earnings be set aside for the community adjustment and investment program endorsed by Mexico. The Mexican federal government instituted its domestic program, titled *Programa Complementario de Apoyo a Comunidades y Empresas* (Mexican Domestic Program), through the offices of the SHCP. In June 1996, the SHCP entered into a mandate agreement with Banobras to receive and administer the funds allocated for this program. The Mexican Domestic Program funds were fully transferred to Mexico as of June 1999. Accordingly, the activities of the Mexican Domestic Program are not reflected as operations of the Bank.

United States

The MOU with the U.S. government specifies that 10% of the paid-in capital from the United States and the related earnings be set aside for the U.S. Community Adjustment and Investment Program (U.S. Domestic Program). The Bank provides financing endorsed by the Finance Committee appointed by the U.S. government for that purpose.

8. Domestic Programs (continued)

In accordance with the Charter and MOU with the United States, net assets of the Bank in the amounts of $1,622,830 and $3,198,834 were designated for the U.S. Domestic Program at December 31, 2015 and 2014, respectively. The revenue related to these amounts for the years ended December 31, 2015 and 2014 were $20,463 and $42,906, respectively. Additionally, expenses directly related to the operation of the U.S. Domestic Program of $285,955 and $301,055, are included in the operations of the Bank for the years ended December 31, 2015 and 2014, respectively. All expenses and disbursements are paid out of the U.S. Domestic Program funds. Deficit retained earnings on the U.S. Domestic Program capital funds as of December 31, 2015 and 2014 were $1,404,426 and $1,138,242, respectively. Under the U.S. Domestic Program, $1,327,149 in cash and cash equivalents was available for disbursement as of December 31, 2015.

In January 2009, the Finance Committee approved a Targeted Grant Program (TGP) to be funded with the remaining balance of the U.S. Domestic Program's allocated paid-in capital. As of December 31, 2015 and 2014, the U.S. Domestic Program's allocated paid-in capital totaled $3,027,256 and $4,337,076, respectively. For the years ended December 31, 2015 and 2014, $1,309,820 and $1,436,513, respectively, were disbursed through the TGP. These disbursements were reported as a deduction from allocated paid-in capital.

9. Program Activities

Program activities are comprised of the following:

	Year Ended December 31	
	2015	**2014**
Program income:		
EPA grant	**$ 832,143**	$ 1,041,909
Total program income	**832,143**	1,041,909
Program expenses:		
EPA grant administration	**(832,143)**	(1,041,909)
Technical Assistance Program	**(1,179,090)**	(759,069)
Water Conservation Investment Fund	**(2,257,725)**	(796,259)
Community Assistance Program	**(1,436,053)**	(521,904)
Total program expenses	**(5,705,011)**	(3,119,141)
Net program expenses	**$ (4,872,868)**	$ (2,077,232)

EPA Grants

The Bank administers grant funds from EPA through the Border Environment Infrastructure Fund (BEIF). EPA grant awards since the initial grant made in April 1997 to December 31, 2015 total $683,090,285. Under the terms of the grants, the Bank reviews and submits prospective projects to EPA, which approves the projects. EPA then disburses funds to the Bank, which directs the grant monies to the specified project. The Bank also oversees progress and compliance requirements for EPA and receives an allocation of the EPA grant funds for administrative expenses incurred.

As of December 31, 2015, EPA has approved project funding proposed by the Bank totaling $631,918,424, of which $592,629,530 has been disbursed through the Bank. The Bank recognized $832,143 and $1,041,909 as reimbursement of expenses incurred for the years ended December 31, 2015 and 2014, respectively. These funds have been recorded as program revenue and expenses in the consolidated statements of income.

9. Program Activities (continued)

Technical Assistance Program (TAP)

The Bank uses a portion of its retained earnings as authorized by the Board of Directors to offer technical assistance and training to project sponsors for the purpose of strengthening their financial performance and ensuring the long-term sustainability of their infrastructure. Through the TAP, assistance is provided for studies related to the design and implementation of environmental infrastructure projects, as well as for capacity-building measures aimed at achieving the effective and efficient operation of public services. For the years ended December 31, 2015 and 2014, $849,195 and $380,650, respectively, was disbursed under this program. These disbursements were funded with previously designated retained earnings and have been reported as a program expense.

As part of its technical assistance program, the Utility Management Institute (UMI) provides water utility managers and their staff with an opportunity for ongoing professional development aimed at enhancing their managerial and financial skills. For the years ended December 31, 2015 and 2014, $329,895 and $378,419, respectively, was expended under this program.

Water Conservation Investment Fund (WCIF)

In August 2002, the Board of Directors established the WCIF to finance water conservation projects in the U.S.-Mexico border region and designated $80,000,000 of the Bank's undesignated retained earnings to the program. Of that amount, $40,000,000 was reserved exclusively for water conservation projects in each country. For the years ended December 31, 2015 and 2014, $2,257,725 and $521,904 respectively, were disbursed under this fund. As of December 31, 2015, cumulative disbursements total $37,914,669 for the United States and $39,990,407 for Mexico. These disbursements were funded with previously designated retained earnings and have been reported as a program expense.

In May 2013, the Board agreed to close out the WCIF and transfer any uncommitted funds to the CAP program. In December 2013, a cumulative total of $1,055,196 in uncommitted WCIF funds was transferred to the CAP program

Community Assistance Program (CAP)

In February 2011, the Board of Directors approved a grant program to support public projects in all sectors eligible for Bank financing. The CAP program is funded from the Bank's undesignated retained earnings as authorized by the Board. As of December 31, 2015, a cumulative total of $11,473,415 has been allocated to the CAP. For the years ended December 31, 2015 and 2014, $1,436,053 and $796,259, respectively, were disbursed under this program. These disbursements were funded with previously designated retained earnings and have been reported as a program expense.

10. 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, 2015 and 2014, the Bank expended $604,386 and $576,393, respectively, relating to the plan.

11. Fair Value of Financial Instruments

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

Cash and Cash Equivalents

The carrying amounts for cash and cash equivalents approximate their fair value.

11. Fair Value of Financial Instruments (continued)

Securities Held-to-Maturity

Securities classified as held-to-maturity are reported at amortized costs. The fair value of these securities is estimated using Level 2 observable inputs. For these securities, the Bank obtains fair value measurements from an independent pricing service which are based on prices quoted for a similar instrument.

Securities Available-for-Sale

Securities classified as available-for-sale are reported at fair value using Level 1 and Level 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.

Loans Receivable and Interest Receivable

The fair value of loans is estimated based on Level 2 observable inputs using discounted cash flow analyses and interest rates currently being offered for loans made by the Bank with similar terms to borrowers of similar credit quality, net of allowance for loan loss. The fair value of nonaccrual loans is estimated to equal the aggregate net realizable value of the underlying collateral and guaranties. The carrying amount of accrued interest approximates its fair value. This valuation does not consider liquidity discounts currently being used by certain market participants, since measuring their impact would not be cost-beneficial for the Bank, given the nature of its loan portfolio.

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. Mexican-peso cash flows are discounted using the Mexico Benchmark Interbank Deposit Rate (TIIE) 28-day swap curve. U.S.-dollar cash flows 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 3 unobservable 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 external pricing models and counterparty pricing. The Bank’s cross-currency interest rate swaps are all Mexican-peso for U.S.-dollar operations except for one Swiss-franc for U.S.-dollar operation in connection with a debt issuance in Swiss francs. Mexican-peso cash flows are discounted using the TIIE 28-day swap curve. Swiss franc (CHF) cash flows are discounted using the CHF swap curve. U.S.-dollar cash flows are discounted using the USD OIS curve.

Interest Rate Swaps

Interest rate swaps are reported at fair value using Level 3 unobservable 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 external pricing models and counterparty pricing.

Other Real Estate Owned

Other real estate owned is reported at fair value using Level 3 unobservable inputs based on customized discounting criteria.

11. Fair Value of Financial Instruments (continued)

Debt and Accrued Interest Payable

The notes payable and other borrowings are carried at amortized cost. The fair value of the debt is estimated by discounting the cash flow stream using the USD OIS curve. The carrying amount of accrued interest payable approximates its fair value.

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 and the CHF swap curve for the Swiss Franc 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.

	December 31, 2015		December 31, 2014	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Cash and cash equivalents	**$ 114,979,878**	**$ 114,979,878**	$ 87,656,071	$ 87,656,071
Held-to-maturity securities	**53,730,753**	**58,337,092**	53,664,254	58,920,540
Available-for-sale securities	**337,477,241**	**337,477,241**	304,203,394	304,203,394
Loans, net	**1,200,478,466**	**1,222,140,888**	1,135,098,837	1,149,694,238
Interest receivable	**11,226,560**	**11,226,560**	10,458,143	10,458,143
Cross-currency interest rate swaps	**106,695,082**	**106,695,082**	36,938,315	36,938,315
Interest rate swaps	**15,727,245**	**15,727,245**	18,433,614	18,433,614
Other real estate owned	**4,786,389**	**4,786,389**	5,953,307	5,953,307
Liabilities				
Accrued interest payable	**9,079,465**	**9,079,465**	8,394,741	8,394,741
Short-term debt	**5,262,000**	**5,262,000**	2,631,000	2,631,000
Cross-currency interest rate swaps	**2,395,365**	**2,395,365**	–	–
Interest rate swaps	**3,815,603**	**3,815,603**	20,426,135	20,426,135
Long-term debt, net	**1,182,136,693**	**1,186,343,386**	1,052,838,328	1,059,961,530

The Bank's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2015 and 2014 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.

11. Fair Value of Financial Instruments (continued)

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total Fair Value
December 31, 2015				
Assets				
Available-for-sale (AFS) securities:				
U.S. government securities	**$ 134,420,141**	**$ –**	**$ –**	**$ 134,420,141**
U.S. agency securities	**–**	**71,594,343**	**–**	**71,594,343**
Corporate debt securities	**–**	**86,413,921**	**–**	**86,413,921**
Other fixed-income securities	**–**	**31,404,320**	**–**	**31,404,320**
Mexican government securities (UMS)	**–**	**13,637,300**	**–**	**13,637,300**
Mortgage-backed securities	**–**	**7,216**	**–**	**7,216**
Total AFS securities	**134,420,141**	**203,057,100**	**–**	**337,477,241**
Cross-currency interest rate swaps	**–**	**–**	**106,695,082**	**106,695,082**
Interest rate swaps	**–**	**–**	**15,727,245**	**15,727,245**
Hedged items for loans	**–**	**–**	**(51,606,468)**	**(51,606,468)**
Total assets at fair value	**$ 134,420,141**	**$ 203,057,100**	**$ 70,815,859**	**$ 408,293,100**
Liabilities				
Cross-currency interest rate swaps	**$ –**	**$ –**	**$ 2,395,365**	**$ 2,395,365**
Interest rate swaps	**–**	**–**	**3,815,603**	**3,815,603**
Hedged item for notes payable	**–**	**–**	**10,180,086**	**10,180,086**
Total liabilities at fair value	**$ –**	**$ –**	**$ 16,391,054**	**$ 16,391,054**
December 31, 2014				
Assets				
Available-for-sale (AFS) securities:				
U.S. government securities	$ 106,169,314	$ –	$ –	$ 106,169,314
U.S. agency securities	–	68,827,189	–	68,827,189
Corporate debt securities	–	83,965,378	–	83,965,378
Other fixed-income securities	–	30,154,558	–	30,154,558
Mexican government securities (UMS)	–	15,063,742	–	15,063,742
Mortgage-backed securities	–	23,213	–	23,213
Total AFS securities	106,169,314	198,034,080	–	304,203,394
Cross-currency interest rate swaps	–	–	36,938,315	36,938,315
Interest rate swaps	–	–	18,433,614	18,433,614
Hedged items for loans	–	–	1,698,406	1,698,406
Total assets at fair value	$ 106,169,314	$ 198,034,080	$ 57,070,335	$ 361,273,729
Liabilities				
Interest rate swaps	$ –	$ –	$ 20,426,135	$ 20,426,135
Hedged item for notes payable	–	–	5,047,280	5,047,280
Total liabilities at fair value	$ –	$ –	$ 25,473,415	$ 25,473,415

11. Fair Value of Financial Instruments (continued)

The following table summarizes the changes to the financial assets and liabilities measured at fair value on a recurring basis using unobservable inputs (Level 3) during the years ended December 31, 2015 and 2014. Additional information on how the Bank measures fair value is provided in Note 2.

	Fair Value of Level 3 Instruments		
	Cross-currency Interest Rate Swaps	Interest Rate Swaps	Hedged Items
Assets			
Beginning balance, January 1, 2015	**$ 36,938,315**	**$ 18,433,614**	**$ 1,698,406**
Total realized and unrealized gains (losses):			
Included in earnings (expenses)	**53,303,097**	**(2,266,369)**	**(53,304,874)**
Included in other comprehensive income	**19,117,644**	**–**	**–**
Purchases	**–**	**–**	**–**
Settlements	**(2,663,974)**	**(440,000)**	**–**
Transfers in/out of Level 3	**–**	**–**	**–**
Ending balance, December 31, 2015	**$ 106,695,082**	**$ 15,727,245**	**$ (51,606,468)**
Beginning balance, January 1, 2014	$ 20,059,058	$ 26,962,548	$ (17,343,992)
Total realized and unrealized gains (losses):			
Included in earnings (expenses)	(6,255,478)	(8,528,934)	19,042,398
Included in other comprehensive loss	23,435,855	–	–
Purchases	–	–	–
Settlements	(301,120)	–	–
Transfers in/out of Level 3	–	–	–
Ending balance, December 31, 2014	$ 36,938,315	$ 18,433,614	$ 1,698,406
Liabilities			
Beginning balance, January 1, 2015	**$ –**	**$ 20,426,135**	**$ 5,047,280**
Total realized and unrealized (gains) losses:			
Included in (earnings) expenses	**2,395,365**	**(16,610,532)**	**5,132,806**
Included in other comprehensive income	**–**	**–**	**–**
Purchases	**–**	**–**	**–**
Settlements	**–**	**–**	**–**
Transfers in/out of Level 3	**–**	**–**	**–**
Ending balance, December 31, 2015	**$ 2,395,365**	**$ 3,815,603**	**$ 10,180,086**
Beginning balance, January 1, 2014	$ 6,606,616	$ 50,763,499	$ (34,189,989)
Total realized and unrealized (gains) losses:			
Included in (earnings) expenses	(5,641,616)	(30,337,364)	39,237,269
Included in other comprehensive loss	–	–	–
Purchases	–	–	–
Settlements	(965,000)	–	–
Transfers in/out of Level 3	–	–	–
Ending balance, December 31, 2014	$ –	$ 20,426,135	$ 5,047,280

11. Fair Value of Financial Instruments (continued)

The Bank entered into 12 cross-currency interest rate swaps and no other interest rate swaps during the year ended December 31, 2015. Upon issuance, the fair value of the swaps is $0 and, therefore, is not portrayed in the purchases line item in the preceding table. The change in fair value of these instruments is included within the total gains (losses) line item.

The Bank has no nonfinancial assets or liabilities measured at fair value on a recurring basis. Certain nonfinancial assets and liabilities measured at fair value on a nonrecurring basis include foreclosed assets (upon initial recognition or subsequent impairment) and other nonfinancial long-lived assets measured at fair value for impairment assessment. The fair value of the collateral from foreclosed loans is measured using Level 3 unobservable inputs and is reported in other assets as other real estate owned of $4,786,389 and $5,953,307 at December 31, 2015 and 2014, respectively. For the years ended December 31, 2015 and 2014 the Bank recorded an impairment of $950,000 and $1,533,203, respectively, on the other real estate owned. The impairment is recorded in non-interest expenses in the consolidated statement of income.

12. 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 specific fixed, variable, or adjustable rate loans denominated in Mexican pesos that the Bank has entered into directly with the borrower or with COFIDAN. In the latter case, COFIDAN then enters into loans denominated in Mexican pesos under the exact same terms with its borrowers. The Bank has also entered into a cross-currency interest rate swap for a portion of its long-term notes payable issued in Swiss francs. 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 loans and the notes payable.

The Bank enters into interest rate swaps that are matched to the terms of loans and to a portion of its long-term 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. The Bank designated the LIBOR swap rate as the benchmark interest rate. The swaps are structured so that the notional amounts mature to match the expected maturity of the loans and the notes payable.

Under its arrangement with FOAEM, neither the Bank nor the counterparty is required to post collateral to support the outstanding fair value of the swaps. Beginning in July 2009, under counterparty relationships with other financial institutions, collateral may be required to be posted by either the Bank or the counterparty. Cash collateral of $67,600,000 and $21,900,000 was posted from counterparties to the Bank as of December 31, 2015 and 2014, respectively. No collateral was posted by the Bank as of December 31, 2015 and December 31, 2014.

12. Derivative Financial Instruments (continued)

The notional amounts and estimated fair values of the swaps outstanding at December 31, 2015 and 2014 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, 2015		December 31, 2014	
	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value
Cross-currency interest rate swaps	**$ 645,173,665**	**$ 104,299,717**	$ 386,697,778	$ 36,938,315
Interest rate swaps	**1,418,452,744**	**11,911,642**	1,295,780,184	(1,992,521)

The referenced exchange rate received for the cross-currency interest rate swaps outstanding at December 31, 2015 and 2014 was 5.81% and 6.77%, respectively.

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 December 31, 2015 and 2014.

Gains and Losses on Derivative Cash Flows

Cross-currency Interest Rate Swaps – The effective portion of the gain or loss due to changes in the fair value of cross-currency interest rate swaps designated as cash flow hedges is included in the accompanying consolidated statements of comprehensive income, while the ineffective portion is included in income (expense) from net hedging activities. The accumulated gain (loss) is reclassified into earnings as the hedged cash flows are received to offset the foreign currency gains (losses) that would have been recognized in earnings if the Bank had not been a party to the swaps. The accumulated net gain (loss) related to the swaps included in accumulated other comprehensive income (loss) totaled $7,397,214 and $(219,053) at December 31, 2015 and 2014, respectively.

Gains or losses due to changes in the fair value of cross-currency interest rate swaps designated as fair value hedges and ineffective swaps are reported in income (expense) from net hedging activities. For the years ended December 31, 2015 and 2014, changes in the aforementioned swaps included in the accompanying consolidated statements of income were $2,974,496 and $2,062,718, respectively.

Interest Rate Swaps – With regard to the interest rate swaps on outstanding loans and a portion of the long-term notes payable, the changes in the fair value of the swaps offset the changes in the fair value of the loans and debt due to changes in the USD OIS curve, while the ineffective portion is included in income (expense) from net hedging activities. For the years ended December 31, 2015 and 2014, changes in the aforementioned swaps included in the accompanying consolidated statements of income were $1,115,092 and $(1,069,359), respectively.

13. 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, investments, loans receivable, and swaps. The Bank maintains cash and 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.

14. Commitments

In the normal course of business, the Bank has various outstanding commitments, in addition to the loans receivable disclosed in Note 4 and the long-term borrowings disclosed in Note 6. Under agreements with consultants and contractors in effect at December 31, 2015, 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 financial statements.

15. Accounting Standards Updates

Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 implements a common revenue standard that clarifies the principles for recognizing revenue. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 is effective for the Bank on January 1, 2017. The Bank does not anticipate a significant impact to its consolidated financial statements since the primary source of revenue is interest income from loans and investments.

ASU 2015-01, *Income Statement – Extraordinary and Unusual Items (Subtopic 225-20) – Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*. ASU 2015-01 eliminates from U.S. GAAP the concept of extraordinary items, which, among other things, required an entity to segregate extraordinary items considered to be unusual and infrequent from the results of ordinary operations and show the item separately in the income statement, net of tax, after income from continuing operations. ASU 2015-01 is effective for the Bank beginning January 1, 2016, though early adoption is permitted. ASU 2015-01 is not expected to have a significant impact on the Bank's consolidated financial statements.

ASU 2015-02, *Consolidation (Topic 810) – Amendments to the Consolidation Analysis*. ASU 2015-02 implements changes to both the variable interest consolidation model and the voting interest consolidation model. ASU 2015-02 (i) eliminates certain criteria that had to be met in determining when fees paid to a decision-maker or service provider do not represent a variable interest, (ii) amends the criteria for determining whether a limited partnership is a variable interest entity and (iii) eliminates the presumption that a general partner controls a limited partnership in the voting model. ASU 2015-02 will be effective for the Bank on January 1, 2017 and is not expected to have a significant impact on the Bank's consolidated financial statements.

ASU 2015-03, *Interest – Imputation of Interest (Subtopic 835-30) – Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in ASU 2015-03. ASU 2015-03 will be effective for the Bank on January 1, 2017, though early adoption is permitted. The Bank is evaluating the potential impact to the consolidated financial statements.

ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-1, among other things, (i) requires equity investments, with certain exceptions, to be measured at fair value with changes in fair value recognized in net income, (ii) simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment, (iii) eliminates the requirement for public business entities to disclose the methods and significant assumptions used to estimate the fair value that is required to

15. Accounting Standards Updates (continued)

be disclosed for financial instruments measured at amortized cost on the balance sheet, (iv) requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, (v) requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments, (vi) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements and (viii) clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities. ASU 2016-1 will be effective for the Bank on January 1, 2019 and is not expected to have a significant impact on the Bank's consolidated financial statements.

16. Other Significant Event

On December 3, 2014, the Board approved a resolution recommending the merger of NADB and BECC into a single institution. The proposed integration would preserve the current mission, purposes and functions of both organizations, including their environmental mandate and geographic jurisdiction. The integration is currently in process.

17. Subsequent Events

The Bank has evaluated subsequent events for potential recognition and/or disclosure through March 31, 2016, the date these consolidated financial statements were issued.

Supplementary Information

Combining Balance Sheet by Program

December 31, 2015

	International Program	U.S. Domestic Program (A)	Eliminations	Total
Assets				
Cash and cash equivalents:				
Held at other financial institutions in demand deposit accounts	$ 127,078	$ –	$ –	$ 127,078
Held at other financial institutions in interest-bearing accounts	30,725,651	327,149	–	31,052,800
Repurchase agreements	82,800,000	1,000,000	–	83,800,000
	113,652,729	1,327,149	–	114,979,878
Held-to-maturity investment securities, at amortized cost	53,730,753	–	–	53,730,753
Available-for-sale investment securities, at fair value	337,477,241	–	–	337,477,241
Loans outstanding	1,324,777,048	358,401	–	1,325,135,449
Allowance for loan losses	(19,918,734)	(23,188)	–	(19,941,922)
Unamortized loan fees	(9,661,632)	–	–	(9,661,632)
Foreign currency exchange rate adjustment	(43,446,961)	–	–	(43,446,961)
Hedged items, at fair value	(51,606,468)	–	–	(51,606,468)
Net loans outstanding	1,200,143,253	335,213	–	1,200,478,466
Interest receivable	11,224,728	1,832	–	11,226,560
Grant and other receivable	699,125	–	–	699,125
Due from U.S. Domestic Program	25,874	–	(25,874)	–
Furniture, equipment and leasehold improvements, net	256,320	692	–	257,012
Other assets	63,388,898	–	–	63,388,898
Total assets	$ 1,780,598,921	$ 1,664,886	$ (25,874)	$ 1,782,237,933
Liabilities and equity				
Liabilities:				
Accounts payable	$ 1,813,084	$ –	$ –	$ 1,813,084
Accrued liabilities	333,838	16,182	–	350,020
Due to International Program	–	25,874	(25,874)	–
Accrued interest payable	9,079,465	–	–	9,079,465
Undisbursed grant funds	1,000	–	–	1,000
Other liabilities	6,210,968	–	–	6,210,968
Short-term debt	5,262,000	–	–	5,262,000
Long-term debt, net of discount	1,182,136,693	–	–	1,182,136,693
Hedged items, at fair value	10,180,086	–	–	10,180,086
Net long-term debt	1,192,316,779	–	–	1,192,316,779
Total liabilities	1,215,017,134	42,056	(25,874)	1,215,033,316
Equity:				
Paid-in capital	405,000,000	–	–	405,000,000
General Reserve:				
Allocated paid-in capital	–	3,027,256	–	3,027,256
Retained earnings:				
Designated	14,335,970	(1,415,178)	–	12,920,792
Reserved	99,660,362	10,752	–	99,671,114
Undesignated	39,394,125	–	–	39,394,125
Accumulated other comprehensive loss	7,185,567	–	–	7,185,567
Non-controlling interest	5,763	–	–	5,763
Total equity	565,581,787	1,622,830	–	567,204,617
Total liabilities and equity	$ 1,780,598,921	$ 1,664,886	$ (25,874)	$ 1,782,237,933

Note A – The Mexican Domestic Program funds were fully transferred to Mexico as of June 1999.

Combining Statement of Income by Program

Year Ended December 31, 2015

	International Program	U.S. Domestic Program (A)	Total
Interest Income:			
Loans	$ 45,892,014	$ 18,919	$ 45,910,933
Investments	5,353,890	1,544	5,355,434
Total interest income	51,245,904	20,463	51,266,367
Interest expense	15,101,220	–	15,101,220
Net interest income	36,144,684	20,463	36,165,147
Operating expenses:			
Personnel	5,590,704	–	5,590,704
General and administrative	1,712,742	–	1,712,742
Consultants and contractors	2,205,079	–	2,205,079
Provision for loan losses	8,559,254	–	8,559,254
Depreciation	75,717	692	76,409
U.S. Domestic Program	–	285,955	285,955
Total operating expenses	18,143,496	286,647	18,430,143
Net operating income (loss)	18,001,188	(266,184)	17,735,004
Non-interest income and expenses:			
Gains on sales of available-for-sale securities	39,995	–	39,995
Other income (expense) from hedging activities, net	3,584,628	–	3,584,628
Other income (expense) from foreign exchange activities, net	(715,955)	–	(715,955)
Fees and other income	429,078	–	429,078
Loss on other real estate owned	(950,000)	–	(950,000)
Total non-interest income (expenses)	2,387,746	–	2,387,746
Income (loss) before program activities	20,388,934	(266,184)	20,122,750
Program activities:			
EPA grant income	832,143	–	832,143
EPA grant administration	(832,143)	–	(832,143)
TAP	(1,179,090)	–	(1,179,090)
CAP	(1,436,053)	–	(1,436,053)
WCIF	(2,257,725)	–	(2,257,725)
Net program expenses	(4,872,868)	–	(4,872,868)
Income (loss) before non-controlling interest	15,516,066	(266,184)	15,249,882
Net loss attributable to non-controlling interest	(242)	–	(242)
Net income (loss)	$ 15,516,308	$ (266,184)	$ 15,250,124
General Reserve, January 1, 2015			
Allocated paid-in capital	$ –	$ 4,337,076	$ 4,337,076
Retained earnings	137,874,149	(1,138,242)	136,735,907
Current period activity:			
Net income (loss)	15,516,308	(266,184)	15,250,124
TGP disbursements of the U.S. Domestic Program	–	(1,309,820)	(1,309,820)
General Reserve, December 31, 2015			
Allocated paid-in capital	–	3,027,256	3,027,256
Retained earnings	153,390,457	(1,404,426)	151,986,031
	$ 153,390,457	$ 1,622,830	$ 155,013,287

Note A – The Mexican Domestic Program funds were fully transferred to Mexico as of June 1999.

Combining Statement of Comprehensive Income by Program

Year Ended December 31, 2015

	International Program	U.S. Domestic Program (A)	Total
Income (loss) before non-controlling interest	$ 15,516,066	$ (266,184)	$ 15,249,882
Net loss attributable to non-controlling interest	(242)	–	(242)
Net income (loss)	15,516,308	(266,184)	15,250,124
Other comprehensive income (loss):			
Available-for-sale investment securities:			
Change in unrealized loss during the period, net	(344,579)	–	(344,579)
Reclassification adjustment for net gain included in net income	(39,995)	–	(39,995)
Total unrealized loss on available-for-sale investment securities	(384,574)	–	(384,574)
Foreign currency translation adjustment	147,893	–	147,893
Unrealized gains (losses) on hedging activities:			
Foreign currency translation adjustment, net	(11,501,378)	–	(11,501,378)
Fair value of cross-currency interest rate swaps, net	19,117,644	–	19,117,644
Total unrealized gain on hedging activities	7,616,266	–	7,616,266
Total other comprehensive income	7,379,585	–	7,379,585
Total comprehensive income (loss)	$ 22,895,893	$ (266,184)	$ 22,629,709

Note A – The Mexican Domestic Program funds were fully transferred to Mexico as of June 1999.

Combining Statement of Cash Flows by Program

Year Ended December 31, 2015

	International Program	U.S. Domestic Program (A)	Total
Operating activities			
Net income (loss)	$ 15,516,308	$ (266,184)	$ 15,250,124
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation	75,717	692	76,409
Amortization of net premium on investments	1,618,069	–	1,618,069
Change in fair value of swaps, hedged items, and other non-cash items	43,358,596	–	43,358,596
Non-controlling interest	(242)	–	(242)
Gain on sales of available-for-sale investment securities, net	(39,995)	–	(39,995)
Provision for loan losses	8,559,254	–	8,559,254
Change in other assets and liabilities:			
(Increase) decrease in interest receivable	(768,608)	192	(768,416)
Decrease in receivable and other assets	2,081,279	–	2,081,279
Decrease in due from U.S. Domestic Program and decrease due to International Program	3,362	(3,362)	–
Increase in accounts payable	746,878	–	746,878
Increase (decrease) in accrued liabilities	55,706	2,089	57,795
Increase in accrued interest payable	684,724	–	684,724
Net cash provided by (used in) operating activities	71,891,048	(266,573)	71,624,475
Lending, investing, and development activities			
Capital expenditures	(156,100)	–	(156,100)
Loan principal repayments	110,296,749	333,348	110,630,097
Loan disbursements	(249,555,763)	–	(249,555,763)
Purchase of held-to-maturity investments	(2,292,397)	–	(2,292,397)
Purchase of available-for-sale investments	(257,306,015)	–	(257,306,015)
Proceeds from maturities of held-to-maturity investments	2,250,000	–	2,250,000
Proceeds from sales and maturities of available-for-sale investments	222,045,417	–	222,045,417
Net cash provided by (used in) lending, investing, and development activities	(174,718,109)	333,348	(174,384,761)
Financing activities			
Proceeds from other borrowings	4,521,469	–	4,521,469
Proceeds from note issuance	129,503,444	–	129,503,444
Principal repayments – other borrowings	(2,631,000)	–	(2,631,000)
Grant funds – EPA	9,633,948	–	9,633,948
Grant disbursements – EPA	(9,633,948)	–	(9,633,948)
Grant activity – U.S. Domestic Program	–	(1,309,820)	(1,309,820)
Net cash provided by (used in) financing activities	131,393,913	(1,309,820)	130,084,093
Net increase (decrease) in cash and cash equivalents	28,566,852	(1,243,045)	27,323,807
Cash and cash equivalents at January 1, 2015	85,085,877	2,570,194	87,656,071
Cash and cash equivalents at December 31, 2015	$ 113,652,729	$ 1,327,149	$ 114,979,878

Note A – The Mexican Domestic Program funds were fully transferred to Mexico as of June 1999.

Border Environment Infrastructure Fund (BEIF)

As of and for the Year Ended December 31, 2015

Balance Sheet

	Region 6	Region 9	Total
Assets			
Cash	$ 500	$ 500	$ 1,000
Total assets	$ 500	$ 500	$ 1,000
Liabilities			
Undisbursed grant funds	$ 500	$ 500	$ 1,000
Total liabilities	$ 500	$ 500	$ 1,000

Statement of Income

	Region 6	Region 9	Total
Income:			
U.S. Environmental Protection Agency grant income	$ 346,761	$ 485,382	$ 832,143
Total income	346,761	485,382	832,143
BEIF operating expenses:			
Personnel	165,005	168,215	333,220
Consultants	151,788	255,454	407,242
General and administrative	11,114	21,633	32,747
Operational travel	18,854	40,080	58,934
Total BEIF operating expenses	346,761	485,382	832,143
Net income	$ –	$ –	$ –

Statement of Cash Flows

	Region 6	Region 9	Total
Operating activities			
Net income	$ –	$ –	$ –
Net cash provided by operating activities	–	–	–
Financing activities			
Grant funds – EPA	5,040,230	4,593,718	9,633,948
Grant disbursements – EPA	(5,040,230)	(4,593,718)	(9,633,948)
Net cash provided by financing activities	–	–	–
Net increase in cash and cash equivalents	–	–	–
Cash and cash equivalents at January 1, 2015	500	500	1,000
Cash and cash equivalents at December 31, 2015	$ 500	$ 500	$ 1,000

Region 6: EPA Regional Office located in Dallas, Texas

Region 9: EPA Regional Office located in San Francisco, California

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North American Development Bank
203 South St. Mary's, Suite 300
San Antonio, TX 78205

www.nadb.org