NORTH AMERICAN DEVELOPMENT BANK

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION (UNAUDITED)

MARCH 31, 2016

North American Development Bank
Consolidated Balance Sheets
March 31, 2016 and December 31, 2015

	(Unaudited) March 31, 2016	(Audited) December 31, 2015
Assets		
Cash and cash equivalents:		
Held at other financial institutions in demand deposit accounts	$ 258,229	$ 127,078
Held at other financial institutions in interest bearing accounts	24,768,681	31,052,800
Repurchase agreements	104,200,000	83,800,000
	129,226,910	114,979,878
Held-to-maturity investment securities, at amortized cost	53,747,979	53,730,753
Available-for-sale investment securities, at fair value	343,409,200	337,477,241
Loans outstanding	1,319,171,411	1,325,135,449
Allowance for loan losses	(20,053,834)	(19,941,922)
Unamortized loan fees	(9,527,561)	(9,661,632)
Foreign currency exchange rate adjustment	(42,857,452)	(43,446,961)
Hedged items, at fair value	(22,451,758)	(51,606,468)
Net loans outstanding	1,224,280,806	1,200,478,466
Interest receivable	13,517,319	11,226,560
Grant and other receivable	1,571,326	699,125
Furniture, equipment and leasehold improvements, net	247,411	257,012
Other assets	75,166,935	63,388,898
Total assets	$ 1,841,167,886	$ 1,782,237,933
Liabilities and Equity		
Liabilities:		
Accounts payable	$ 324,119	$ 1,813,084
Accrued liabilities	343,224	350,020
Accrued interest payable	12,368,635	9,079,465
Undisbursed grant funds	1,852	1,000
Other liabilities	8,877,910	6,210,968
Short-term debt	5,262,000	5,262,000
Long-term debt, net of discount	1,182,264,659	1,182,136,693
Hedged items, at fair value	50,215,038	10,180,086
Net long-term debt	1,232,479,697	1,192,316,779
Total liabilities	1,259,657,437	1,215,033,316
Equity:		
Paid-in capital	405,000,000	405,000,000
General Reserve:		
Allocated paid-in capital	2,631,044	3,027,256
Retained earnings:		
Designated	12,636,995	12,920,792
Reserved	99,670,943	99,671,114
Undesignated	49,463,780	39,394,125
Accumulated other comprehensive income (loss)	12,101,970	7,185,567
Non-controlling interest	5,717	5,763
Total equity	581,510,449	567,204,617
Total liabilities and equity	$ 1,841,167,886	$ 1,782,237,933

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

North American Development Bank
Consolidated Statements of Income (Unaudited)
For the Three Months Ended March 31, 2016 and 2015

	For the Three Months Ended March 31,	
	2016	**2015**
Interest income:		
Loans	$ 12,422,238	$ 10,279,848
Investments	1,568,678	1,256,675
Total interest income	13,990,916	11,536,523
Interest expense	4,588,856	3,447,647
Net interest income	9,402,060	8,088,876
Operating expenses:		
Personnel	1,871,231	1,631,763
General and administrative	304,983	282,870
Consultants and contractors	272,511	234,930
Provision for loan losses	111,912	640,951
Depreciation	23,620	13,698
U.S. Domestic Program	52,125	54,963
Total operating expenses	2,636,382	2,859,175
Net operating income	6,765,678	5,229,701
Non-interest income and expenses:		
Income (expense) from hedging activities, net	3,270,511	1,377,738
Income (expense) from foreign exchange activities, net	(43,450)	(297,896)
Fees and other income	100,000	9,014
Total non-interest income (expense)	3,327,061	1,088,856
Income before program activities	10,092,739	6,318,557
Program activities:		
U.S. Environmental Protection Agency (EPA) grant income	191,484	155,624
EPA grant administration expense	(191,484)	(155,624)
Technical Assistance Program expense	(112,761)	(103,065)
Community Assistance Program expense	(119,396)	(420,414)
Water Conservation Investment Fund expense	(74,941)	(136,671)
Net program expenses	(307,098)	(660,150)
Income before minority interest	9,785,641	5,658,407
Net loss attributable to non-controlling interest	(46)	(54)
Net income attributable to NADB	$ 9,785,687	$ 5,658,461

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

North American Development Bank
Consolidated Statements of Comprehensive Income
For the Three Months Ended March 31, 2016 and Year Ended December 31, 2015

	(Unaudited) Three Months Ended March 31, 2016	(Audited) Year Ended December 31, 2015
Income before non-controlling interest	$ 9,785,641	$ 15,249,882
Net loss attributable to non-controlling interest	(46)	(242)
Net income attributable to NADB	9,785,687	15,250,124
Other comprehensive income (loss):		
Available-for-sale investment securities:		
Change in unrealized gains (losses) during the period, net	1,800,246	(344,579)
Reclassification adjustment for net gains included in net income	-	(39,995)
Total unrealized gain (loss) on available-for-sale investment securities	1,800,246	(384,574)
Foreign currency translation adjustment	5,487	147,893
Unrealized gains (losses) on hedging activities:		
Foreign currency translation adjustment, net	589,509	(11,501,378)
Fair value of cross-currency interest rate swaps, net	2,521,161	19,117,644
Total unrealized gain on hedging activities	3,110,670	7,616,266
Total other comprehensive income	4,916,403	7,379,585
Total comprehensive income	$ 14,702,090	$ 22,629,709

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

North American Development Bank
Consolidated Statement of Changes in Equity
For the Three Months Ended March 31, 2016 and Year Ended December 31, 2015

	Paid-In Capital	General Reserve		Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest	Total Equity
		Allocated Paid-In Capital	Retained Earnings			
Beginning balance, January 1, 2015	$ 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 (audited)	405,000,000	3,027,256	151,986,031	7,185,567	5,763	567,204,617
Transfer to Targeted Grant Program of the U.S. Domestic Program	-	(396,212)	-	-	-	(396,212)
Net income	-	-	9,785,687	-	-	9,785,687
Other comprehensive income	-	-	-	4,916,403	-	4,916,403
Non-controlling interest	-	-	-	-	(46)	(46)
Ending balance, March 31, 2016 (unaudited)	$ 405,000,000	$ 2,631,044	$ 161,771,718	$ 12,101,970	$ 5,717	$ 581,510,449

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

North American Development Bank
Consolidated Statements of Cash Flows (Unaudited)
For the Three Months Ended March 31, 2016 and 2015

	For the Three Months Ended March 31,	
	2016	**2015**
Cash flows from operating activities		
Net income	$ 9,785,687	$ 5,658,461
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	23,620	13,698
Amortization of net premiums (discounts) on investments	336,830	435,145
Change in fair value of swaps and other non-cash items	4,062,496	4,174,468
Non-controlling interest	(46)	(54)
Provision for loan losses	111,912	640,951
Change in other assets and liabilities:		
Increase in interest receivable	(2,290,759)	(3,918,105)
(Increase) decrease in receivable and other assets	(644,963)	631,571
Decrease in accounts payable	(1,488,965)	(932,043)
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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 March 31, 2016, 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

2. Summary of Significant Accounting Policies

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.

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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.

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.

2. Summary of Significant Accounting Policies (continued)

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 March 31, 2016 and December 31, 2015.

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. 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.

2. Summary of Significant Accounting Policies (continued)

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.

2. Summary of Significant Accounting Policies (continued)

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 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 March 31, 2016, 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 March 31, 2016 and December 31, 2015 was $(42,857,452) and $(43,446,961), 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

2. Summary of Significant Accounting Policies (continued)

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.

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.

2. Summary of Significant Accounting Policies (continued)

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.

3. Investments

All investments held by the Bank are classified as either held-to-maturity or available-for-sale securities. The following schedule summarizes investments as of March 31, 2016 and December 31, 2015.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2016				
Held-to-maturity:				
U.S. agency securities	**$ 3,853,082**	**$ 6,960**	**$ (69)**	**$ 3,859,973**
Mexican government securities (UMS)	**49,894,897**	**4,980,103**	**–**	**54,875,000**
Total held-to-maturity investment securities	**53,747,979**	**4,987,063**	**(69)**	**58,734,973**
Available-for-sale:				
U.S. government securities	**130,486,268**	**457,166**	**(5,716)**	**130,937,718**
U.S. agency securities	**76,858,430**	**542,368**	**(1,529)**	**77,399,269**
Corporate debt securities	**85,569,132**	**394,526**	**(63,337)**	**85,900,321**
Other fixed-income securities	**33,406,845**	**26,003**	**(12,673)**	**33,420,175**
Mexican government securities (UMS)	**15,710,175**	**47,033**	**(9,483)**	**15,747,725**
Mortgage-backed securities	**3,970**	**22**	**–**	**3,992**
Total available-for-sale investment securities	**342,034,820**	**1,467,118**	**(92,738)**	**343,409,200**
Total investment securities	**$ 395,782,799**	**$ 6,454,181**	**$ (92,807)**	**$ 402,144,173**
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

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 March 31, 2016 and December 31, 2015.

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2016						
Held-to-maturity:						
U.S. agency securities	**$ 529,616**	**$ 69**	**$ –**	**$ –**	**$ 529,616**	**$ 69**
Available-for-sale:						
U.S. government securities	**19,902,053**	**5,715**	**–**	**–**	**19,902,053**	**5,715**
U.S. agency securities	**8,700,071**	**1,529**	**–**	**–**	**8,700,071**	**1,529**
Corporate debt securities	**20,697,425**	**63,338**	**–**	**–**	**20,697,425**	**63,338**
Other fixed-income securities	**11,662,380**	**12,674**	**–**	**–**	**11,662,380**	**12,674**
Mexican government securities (UMS)	**7,624,825**	**9,482**	**–**	**–**	**7,624,825**	**9,482**
Total available-for-sale investment securities	**68,586,754**	**92,738**	**–**	**–**	**68,586,754**	**92,738**
Total temporarily impaired securities	**$ 69,116,370**	**$ 92,807**	**$ –**	**$ –**	**$ 69,116,370**	**$ 92,807**
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

None of the unrealized losses identified in the preceding table are considered to be other-than-temporary since, as of March 31, 2016, 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 March 31, 2016 and December 31, 2015 are summarized in the following tables.

	Held-to-Maturity Securities		Available-for-Sale Securities	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
March 31, 2016				
Less than 1 year	**$ 529,616**	**$ 529,685**	**$ 199,858,281**	**$ 199,771,759**
1–5 years	**58,205,357**	**53,218,294**	**143,546,927**	**142,259,091**
5–10 years	**–**	**–**	**–**	**–**
More than 10 years	**–**	**–**	**–**	**–**
Mortgage-backed securities	**–**	**–**	**3,992**	**3,970**
	$ 58,734,973	**$ 53,747,979**	**$ 343,409,200**	**$ 342,034,820**
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

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 three months ended March 31, 2016 and 2015.

	Three Months Ended March 31	
	2016	2015
Held-to-maturity investment securities:		
Proceeds from maturities	**$ 1,075,000**	$ –
Available-for-sale investment securities:		
Proceeds from sales and maturities	**65,063,144**	38,317,559
Gross realized gains	**–**	–
Gross realized losses	**–**	–

3. Investments (continued)

The following table sets forth the net unrealized gains (losses) on securities available-for-sale and the reclassification adjustments required for the three months ended March 31, 2016 and the year ended December 31, 2015.

	Three Months Ended March 31, 2016	Year Ended December 31, 2015
Unrealized losses on investment securities available-for-sale, beginning of year	**$ (425,866)**	$ (41,291)
Unrealized gains (losses) on investment securities available-for-sale, arising during the year	**1,800,246**	(344,580)
Reclassification adjustments for (gains) losses on investment securities available-for-sale included in net income	**–**	(39,995)
Unrealized gains (losses) on investment securities available-for-sale, end of year	**$ 1,374,380**	$ (425,866)

4. Loans

The following schedule summarizes loans outstanding as of March 31, 2016 and December 31, 2015.

	International Program	U.S. Domestic Program	Total
March 31, 2016			
Loan balance	**$ 1,318,818,717**	**$ 352,694**	**$ 1,319,171,411**
Allowance for loan losses:			
General	**(20,030,646)**	**(23,188)**	**(20,053,834)**
Specific	**–**	**–**	**–**
Unamortized loan fees	**(9,527,561)**	**–**	**(9,527,561)**
Foreign currency exchange rate adjustment	**(42,857,452)**	**–**	**(42,857,452)**
Fair value of hedged items	**(22,451,758)**	**–**	**(22,451,758)**
Net loans outstanding	**$ 1,223,951,300**	**$ 329,506**	**$ 1,224,280,806**
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

4. Loans (continued)

At March 31, 2016 and December 31, 2015, the International Program had outstanding loan commitments on signed loan agreements totaling $48,267,744 and $51,817,048, respectively. At those same dates, 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 $220,081,926 as of March 31, 2016.

The Bank under certain circumstances offered below-market-rate loans. As of March 31, 2016 and December 31, 2015, the Bank had below-market-rate loans outstanding for the International Program of $42,087,063 and $43,173,661, respectively. At March 31, 2016 and December 31, 2015, the U.S. Domestic Program did not have any below-market-rate loans.

The following table presents the loan portfolio by sector as of March 31, 2016 and December 31, 2015.

	March 31, 2016	**December 31, 2015**
International Program:		
Air quality	**$ 108,800,513**	$ 110,702,431
Basic urban infrastructure	**36,726,172**	36,853,882
Clean energy:		
Solar	**301,872,657**	302,531,030
Wind	**621,039,978**	618,587,633
Other	**4,225,910**	4,225,910
Public transportation	**3,509,369**	3,687,700
Storm drainage	**57,091,304**	59,561,462
Water and wastewater	**178,142,807**	181,210,270
Water conservation	**7,410,007**	7,416,730
Total International Program	**1,318,818,717**	1,324,777,048
U.S. Domestic Program	**352,694**	358,401
	$ 1,319,171,411	$ 1,325,135,449

4. Loans (continued)

The following table presents the loan portfolio by risk category as of March 31, 2016 and December 31, 2015. These risk categories are defined in Note 2, along with additional information on how the Bank evaluates credit quality.

	March 31, 2016	December 31 2015
International Program		
Pass	**$ 1,318,818,717**	$ 1,324,777,048
Special Mention	**–**	–
Substandard	**–**	–
Doubtful	**–**	–
Total International Program	**1,318,818,717**	1,324,777,048
U.S. Domestic Program		
Pass	**–**	–
Special Mention	**352,694**	358,401
Substandard	**–**	–
Doubtful	**–**	–
Total U.S. Domestic Program	**352,694**	358,401
	$ 1,319,171,411	$ 1,325,135,449

There were no loans under the International Program on nonaccrual as of March 31, 2016 and December 31, 2015. The average impaired loan balance for the three months ended March 31, 2016 and the year ended December 31, 2015 totaled $0 and $1,974,930, respectively. No interest income was recognized on the impaired loans for the year ended December 31, 2015. As of March 31, 2016 and December 31, 2015, the Bank had collateral from foreclosed loans reported as other assets of $4,769,287 and $4,786,389, respectively.

Under the U.S. Domestic Program, there was one loan on non-accrual as of March 31, 2016 with an outstanding balance of $352,694, and no loans on non-accrual as of December 31, 2015. The average impaired loan balance for the three months ended March 31, 2016 and the year ended December 31, 2015 total $354,597 and $0, respectively. No interest income was recognized on the impaired loan for the three months ended March 31, 2016.

4. Loans (continued)

An age analysis of past-due loans, including both accruing and non-accruing loans, as of March 31, 2016 and December 31, 2015, is shown in the following table

	Loans 30–89 Days Past Due	Loans 90 or More Days Past Due	Total Past-due Loans
March 31, 2016			
International Program	**$ –**	**$ –**	**$ –**
U.S. Domestic Program	**–**	**352,694**	**352,694**
	$ –	**$ 352,694**	**$ 352,694**
December 31, 2015			
International Program	$ –	$ –	$ –
U.S. Domestic Program	–	358,401	358,401
	$ –	$ 358,401	$ 358,401

The following table summarizes the allowance for loan losses by classification as of March 31, 2016 and December 31, 2015.

	Allowance for Loan Losses			
	General Allowance	Specific Allowance	Total	Total Loans Outstanding
March 31, 2016				
International Program:				
Private:				
Construction	**$ 10,441,975**	**$ –**	**$ 10,441,975**	**$ 261,638,066**
Operation	**9,588,671**	**–**	**9,588,671**	**667,205,819**
Public	**–**	**–**	**–**	**298,699,913**
Public-private	**–**	**–**	**–**	**91,274,919**
Total International Program	**20,030,646**	**–**	**20,030,646**	**1,318,818,717**
U.S. Domestic Program	**23,188**	**–**	**23,188**	**352,694**
	$ 20,053,834	**$ –**	**$ 20,053,834**	**$ 1,319,171,411**
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

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 three months ended March 31, 2016 and the year ended December 31, 2015.

	Allowance for Loan Losses				
	Beginning Balance	Specific Provisions	General Provisions	Loan (Charge-offs) Recoveries	Ending Balance
March 31, 2016					
International Program:					
Private:					
Construction	**$ 10,300,322**	**$ –**	**$ 141,653**	**$ –**	**$ 10,441,975**
Operation	**9,618,412**	**–**	**(29,741)**	**–**	**9,588,671**
Public	**–**	**–**	**–**	**–**	**–**
Public-private	**–**	**–**	**–**	**–**	**–**
Total International Program	**19,918,734**	**–**	**111,912**	**–**	**20,030,646**
U.S. Domestic Program	**23,188**	**–**	**–**	**–**	**23,188**
	$ 19,941,922	**$ –**	**$ 111,912**	**$ –**	**$ 20,053,834**
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

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 March 31, 2016 and December 31, 2015.

	Gross Amount	Master Netting Arrangements	Net Amount
March 31, 2016			
Other assets			
Cross-currency interest rate swaps	**$ 145,548,256**	**$ (41,567,864)**	**$ 103,980,392**
Interest rate swaps	**38,051,239**	**–**	**38,051,239**
Collateral from swap counterparty	**(75,010,000)**	**–**	**(75,010,000)**
Credit valuation adjustment for swaps	**(698,990)**	**–**	**(698,990)**
Unamortized debt issuance costs	**4,075,007**	**–**	**4,075,007**
Other real estate owned	**4,769,287**	**–**	**4,769,287**
Total other assets	**$ 116,734,799**	**$ (41,567,864)**	**$ 75,166,935**
Other liabilities			
Cross-currency interest rate swaps	**$ –**	**$ –**	**$ –**
Interest rate swaps	**8,877,910**	**–**	**8,877,910**
Total other liabilities	**$ 8,877,910**	**$ –**	**$ 8,877,910**
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

6. Debt

The following table summarizes the notes payable and other borrowings as of March 31, 2016 and December 31, 2015.

			March 31, 2016			
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**	**$ (251,937)**	**$ 19,733,661**	**$ 269,481,724**
Oct. 26, 2012	Oct. 26, 2022	2.400	**250,000,000**	**(564,972)**	**7,371,669**	**256,806,697**
Dec. 17, 2012	Oct. 26, 2022	2.400	**180,000,000**	**(2,486,050)**	**3,399,217**	**180,913,167**
Dec. 17, 2012	Dec. 17, 2030	3.300	**50,000,000**	**–**	**2,951,143**	**52,951,143**
Oct. 10, 2013	Oct. 10, 2018	2.300	**300,000,000**	**(444,727)**	**4,595,549**	**304,150,822**
CHF Issuance						
Apr. 30, 2015	Apr. 30, 2025	0.250	**128,706,754**	**724,136**	**12,163,799**	**141,594,689**
Total Notes Payable			**1,158,706,754**	**(3,023,550)**	**50,215,038**	**1,205,898,242**
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	**$ (3,023,550)**	**$ 50,215,038**	**$ 1,237,741,697**

6. Debt (continued)

Issue Date	Maturity Date	Fixed Rate	December 31, 2015 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

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 $4,075,007 and $4,285,143 at March 16, 2016 and December 31, 2015, respectively.

7. Equity

Subscribed Capital

At March 31, 2016 and December 31, 2015, 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 March 31, 2016 and December 31, 2015 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

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.

7. Equity (continued)

Retained Earnings

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

	March 31, 2016	December 31, 2015
Designated retained earnings		
International Program:		
Water Conservation Investment Fund (WCIF)	**$ 964,787**	$ 1,039,728
Technical Assistance Program (TAP)		

7. Equity (continued)

Accumulated Other Comprehensive Income

The following table presents the changes in accumulated other comprehensive income (loss) for three months ended March 31, 2016 and the year ended December 31, 2015.

	Beginning Balance	Period Activity	Ending Balance
March 31, 2016			
Unrealized gain (loss) on available-for-sale investment securities	**$ (425,865)**	**$ 1,800,245**	**$ 1,374,380**
Foreign currency translation adjustment	**214,219**	**5,487**	**219,706**
Unrealized gain (loss) on hedging activities:			
Foreign currency translation adjustment	**(43,446,961)**	**589,509**	**(42,857,452)**
Fair value of cross-currency interest rate swaps	**50,844,174**	**2,521,162**	**53,365,336**
Net unrealized gain (loss) on hedging activities	**7,397,213**	**3,110,671**	**10,507,884**
Total accumulated other comprehensive gain (loss)	**$ 7,185,567**	**$ 4,916,403**	**$ 12,101,970**
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 income (loss)	$ (194,018)	$ 7,379,585	$ 7,185,567

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.

8. Domestic Programs (continued)

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.

In accordance with the Charter and MOU with the United States, net assets of the Bank in the amounts of $1,175,004 and $1,622,830 were designated for the U.S. Domestic Program at March 31, 2016 and December 31, 2015, respectively. The revenue related to these amounts for the three months ended March 31, 2016 and 2015 were $684 and $5,095, respectively. Additionally, expenses directly related to the operation of the U.S. Domestic Program of $52,298 and $55,136, are included in the operations of the Bank for the three months ended March 31, 2016 and 2015, 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 March 31, 2016 and December 31, 2015 were $1,456,040 and $1,404,426, respectively. Under the U.S. Domestic Program, $867,282 in cash and cash equivalents was available for disbursement as of March 31, 2016.

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 March 31, 2016 and December 31, 2015, the U.S. Domestic Program's allocated paid-in capital totaled $2,631,044 and $4,174,571, respectively. For the three months ended March 31, 2016 and 2015, $396,212 and $162,505, 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:

	Three Months Ended March 31,	
	2016	**2015**
Program income:		
EPA grant	**$ 191,484**	$ 155,624
Total program income	**191,484**	155,624
Program expenses:		
EPA grant administration	**(191,484)**	(155,624)
Technical Assistance Program	**(112,761)**	(103,065)
Community Assistance Program	**(119,393)**	(420,414)
Water Conservation Investment Fund	**(74,941)**	(136,671)
Total program expenses	**(498,582)**	(815,774)
Net program expenses	**$ (307,098)**	$ (660,150)

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 March 31, 2016 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 March 31, 2016, EPA has approved project funding proposed by the Bank totaling $641,810,336, of which $594,223,907 has been disbursed through the Bank. The Bank recognized $191,484 and $155,624 as reimbursement of expenses incurred for the three months ended March 31, 2016 and 2015, respectively. These funds have been recorded as program revenue and expenses in the consolidated statements of income.

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 in three categories: project development, institutional capacity-building measures, and sector studies to identify needs and generate knowledge about a new sector or technology. For the three months ended March 31, 2016 and 2015, $38,017 and $78,359, respectively, was disbursed under this program. These disbursements were funded with previously designated retained earnings and have been reported as a program expense.

9. Program Activities (continued)

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 three months ended March 31, 2016 and 2015, $74,744 and $24,706, 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 three months ended March 31, 2016 and 2015, $74,941 and $136,671 respectively, were disbursed under this fund. As of March 31, 2016, cumulative disbursements total $37,989,610 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 March 31, 2016, a cumulative total of $11,473,415 has been allocated to the CAP. For the three months ended March 31, 2016 and 2015, $119,396 and $420,414, 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 three months ended March 31, 2016 and 2015, the Bank expended $169,066 and $151,704, 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.

11. Fair Value of Financial Instruments (continued)

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.

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 carrying amounts and fair value of the Bank's financial instruments are as follows:

	March 31, 2016		December 31, 2015	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Cash and cash equivalents	**$ 129,226,910**	**$ 129,226,910**	$ 114,979,878	$ 114,979,878
Held-to-maturity securities	**53,747,979**	**58,734,973**	53,730,753	58,337,092
Available-for-sale securities	**343,409,200**	**343,409,200**	337,477,241	337,477,241
Loans, net	**1,224,280,806**	**1,266,006,711**	1,200,478,466	1,222,140,888
Interest receivable	**13,517,319**	**13,517,319**	11,226,560	11,226,560
Cross-currency interest rate swaps	**103,980,392**	**103,980,392**	106,695,082	106,695,082
Interest rate swaps	**38,051,239**	**38,051,239**	15,727,245	15,727,245
Other real estate owned	**4,769,287**	**4,769,287**	4,786,389	4,786,389
Liabilities				
Accrued interest payable	**12,368,365**	**12,368,365**	9,079,465	9,079,465
Short-term debt	**5,262,000**	**5,262,000**	5,262,000	5,262,000
Cross-currency interest rate swaps	**–**	**–**	2,395,365	2,395,365
Interest rate swaps	**8,877,910**	**8,877,910**	3,815,603	3,815,603
Long-term debt, net	**1,182,264,659**	**1,187,285,920**	1,182,136,693	1,186,343,386

11. Fair Value of Financial Instruments (continued)

The Bank's financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2016 and December 31, 2015 are summarized in the following table by the valuation level of the inputs used to measure fair value. Additional information on how the Bank measures and classifies the levels of fair-value inputs is provided in Note 2.

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total Fair Value
March 31, 2016				
Assets				
Available-for-sale (AFS) securities:				
U.S. government securities	**$ 130,937,718**	**$ –**	**$ –**	**$ 130,937,718**
U.S. agency securities	**–**	**77,399,269**	**–**	**77,399,269**
Corporate debt securities	**–**	**85,900,321**	**–**	**85,900,321**
Other fixed-income securities	**–**	**33,420,175**	**–**	**33,420,175**
Mexican government securities (UMS)	**–**	**15,747,725**	**–**	**15,747,725**
Mortgage-backed securities	**–**	**3,992**	**–**	**3,992**
Total AFS securities	**130,937,718**	**212,471,482**	**–**	**343,409,200**
Cross-currency interest rate swaps	**–**	**–**	**103,980,392**	**103,980,392**
Interest rate swaps	**–**	**–**	**38,051,239**	**38,051,239**
Hedged items for loans	**–**	**–**	**(22,451,758)**	**(22,451,758)**
Total assets at fair value	**$ 130,937,718**	**$ 212,471,482**	**$ 119,579,873**	**$ 462,989,073**
Liabilities				
Cross-currency interest rate swaps	**$ –**	**$ –**	**$ –**	**$ –**
Interest rate swaps	**–**	**–**	**8,877,910**	**8,877,910**
Hedged item for notes payable	**–**	**–**	**50,215,038**	**50,215,038**
Total liabilities at fair value	**$ –**	**$ –**	**$ 59,092,948**	**$ 59,092,948**
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

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 three months ended March 31, 2016 and the year ended December 31, 2015. 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, 2016	**$ 106,695,082**	**$ 15,727,245**	**$ (51,606,468)**
Total realized and unrealized gains (losses):			
Included in earnings (expenses)	**(5,235,851)**	**22,323,994**	**29,154,710**
Included in other comprehensive income (loss)	**2,521,161**	**–**	**–**
Purchases	**–**	**–**	**–**
Settlements	**–**	**–**	**–**
Transfers in/out of Level 3	**–**	**–**	**–**
Ending balance, March 31, 2016	**$ 103,980,392**	**$ 38,051,239**	**$ (22,451,758)**
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 (loss)	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)
Liabilities			
Beginning balance, January 1, 2016	**$ 2,395,365**	**$ 3,815,603**	**$ 10,180,086**
Total realized and unrealized (gains) losses:			
Included in (earnings) expenses	**(2,395,365)**	**5,062,307**	**40,034,952**
Included in other comprehensive (income) loss	**–**	**–**	**–**
Purchases	**–**	**–**	**–**
Settlements	**–**	**–**	**–**
Transfers in/out of Level 3	**–**	**–**	**–**
Ending balance, March 31, 2016	**$ –**	**$ 8,877,910**	**$ 50,215,038**
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) loss	–	–	–
Purchases	–	–	–
Settlements	–	–	–
Transfers in/out of Level 3	–	–	–
Ending balance, December 31, 2015	$ 2,395,365	$ 3,815,603	$ 10,180,086

11. Fair Value of Financial Instruments (continued)

The Bank did not enter any cross-currency interest rate swaps or interest rate swaps during the three months ended March 31, 2016. 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 $4,769,287 and $4,786,389 at March 31, 2016 and December 31, 2015, respectively. For the three months ended March 31. 2016 and 2015, the Bank did not remeasure any existing real estate owned, and did not record any impairment on long-lived assets.

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.

12. Derivative Financial Instruments (continued)

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 $75,010,000 and $67,600,000 was posted from counterparties to the Bank as of March 31, 2016 and December 31, 2015, respectively. No collateral was posted by the Bank as of March 31, 2016 and December 31, 2015.

The notional amounts and estimated fair values of the swaps outstanding at March 31, 2016 and December 31, 2015 are presented in the following table. The fair value of these swaps is estimated using internal valuation models with observable market data inputs.

	March 31, 2016		**December 31, 2015**	
	Notional Amount	**Estimated Fair Value**	**Notional Amount**	**Estimated Fair Value**
Cross-currency interest rate swaps	**$ 639,509,404**	**$ 103,980,392**	$ 645,173,665	$ 104,299,717
Interest rate swaps	**1,417,318,223**	**29,173,329**	1,418,452,744	11,911,642

The referenced exchange rate received for the cross-currency interest rate swaps outstanding at March 31, 2016 and December 31, 2015 was 5.79% and 5.81%, 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 March 31, 2016 and December 31, 2015.

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 $10,507,884 and $7,397,214 at March 31, 2016 and December 31, 2015, respectively.

12. Derivative Financial Instruments (continued)

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 three months ended March 31, 2016 and 2015, changes in the aforementioned swaps included in the accompanying consolidated statements of income were $4,625,808 and $1,485,591, 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 three months ended March 31, 2016 and 2015, changes in the aforementioned swaps included in the accompanying consolidated statements of income were $(1,161,268) and $(101,985), 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 loan receivables disclosed in Note 4 and the long-term borrowings disclosed in Note 6. Under agreements with consultants and contractors in effect at March 31, 2016, 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

15. Accounting Standards Updates (continued)

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 and did not 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-

15. Accounting Standards Updates (continued)

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.

Supplementary Information

North American Development Bank
Combining Balance Sheet by Program (Unaudited)
March 31, 2016

	International Program	U.S. Domestic Program (A)	Eliminations	Total
Assets				
Cash and cash equivalents:				
Held at other financial institutions in demand deposit accounts	$ 258,229	$ -	$ -	$ 258,229
Held at other financial institutions in interest bearing accounts	24,201,399	567,282	-	24,768,681
Repurchase agreements	103,900,000	300,000	-	104,200,000
	128,359,628	867,282	-	129,226,910
Held-to-maturity investment securities, at amortized cost	53,747,979	-	-	53,747,979
Available-for-sale investment securities, at fair value	343,409,200	-	-	343,409,200
Loans outstanding	1,318,818,717	352,694	-	1,319,171,411
Allowance for loan losses	(20,030,646)	(23,188)	-	(20,053,834)
Unamortized loan fees	(9,527,561)	-	-	(9,527,561)
Foreign currency exchange rate adjustment	(42,857,452)	-	-	(42,857,452)
Hedged items, at fair value	(22,451,758)	-	-	(22,451,758)
Net loans outstanding	1,223,951,300	329,506	-	1,224,280,806
Interest receivable	13,517,316	3	-	13,517,319
Grant and other receivable	1,571,326	-	-	1,571,326
Due from U.S. Domestic Program	18,790	-	(18,790)	-
Furniture, equipment and leasehold improvements, net	246,892	519	-	247,411
Other assets	75,166,935	-	-	75,166,935
Total assets	$ 1,839,989,366	$ 1,197,310	$ (18,790)	$ 1,841,167,886
Liabilities and Equity				
Liabilities:				
Accounts payable	$ 324,119	$ -	$ -	$ 324,119
Accrued liabilities	339,708	3,516	-	343,224
Due to International Program	-	18,790	(18,790)	-
Accrued interest payable	12,368,635	-	-	12,368,635
Undisbursed grant funds	1,852	-	-	1,852
Other liabilities	8,877,910	-	-	8,877,910
Short-term debt	5,262,000	-	-	5,262,000
Long-term debt, net of discount	1,182,264,659	-	-	1,182,264,659
Hedged items, at fair value	50,215,038	-	-	50,215,038
Net long-term debt	1,232,479,697	-	-	1,232,479,697
Total liabilities	1,259,653,921	22,306	(18,790)	1,259,657,437
Equity:				
Paid-in capital	405,000,000	-	-	405,000,000
General Reserve:				
Allocated paid-in capital	-	2,631,044	-	2,631,044
Retained earnings:				
Designated	14,103,616	(1,466,621)	-	12,636,995
Reserved	99,660,362	10,581	-	99,670,943
Undesignated	49,463,780	-	-	49,463,780
Accumulated other comprehensive loss	12,101,970	-	-	12,101,970
Non-controlling interest	5,717	-	-	5,717
Total equity	580,335,445	1,175,004	-	581,510,449
Total liabilities and equity	$ 1,839,989,366	$ 1,197,310	$ (18,790)	$ 1,841,167,886

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

North American Development Bank
Combining Statement of Income by Program (Unaudited)
For the Three Months Ended March 31, 2016

	International Program	U.S. Domestic Program (A)	Total
Interest income:			
Loans	$ 12,422,238	$ -	$ 12,422,238
Investments	1,567,994	684	1,568,678
Total interest income	13,990,232	684	13,990,916
Interest expense	4,588,856	-	4,588,856
Net interest income	9,401,376	684	9,402,060
Operating expenses:			
Personnel	1,871,231	-	1,871,231
General and administrative	304,983	-	304,983
Consultants and contractors	272,511	-	272,511
Provision for loan losses	111,912	-	111,912
Depreciation	23,447	173	23,620
U.S. Domestic Program	-	52,125	52,125
Total operating expenses	2,584,084	52,298	2,636,382
Net operating income (loss)	6,817,292	(51,614)	6,765,678
Non-interest income and expenses:			
Income (expense) from hedging activities, net	3,270,511	-	3,270,511
Income (expense) from foreign exchange activities, net	(43,450)	-	(43,450)
Fees and other income	100,000	-	100,000
Total non-interest income (expense)	3,327,061	-	3,327,061
Income (loss) before program activities	10,144,353	(51,614)	10,092,739
Program activities:			
EPA grant income	191,484	-	191,484
EPA grant administration	(191,484)	-	(191,484)
TAP	(112,761)	-	(112,761)
CAP	(119,396)	-	(119,396)
WCIF	(74,941)	-	(74,941)
Net program expenses	(307,098)	-	(307,098)
Income (loss) before non-controlling interest	9,837,255	(51,614)	9,785,641
Net loss attributable to non-controlling interest	(46)	-	(46)
Net income (loss)	$ 9,837,301	$ (51,614)	$ 9,785,687
General Reserve, January 1, 2016			
Allocated paid-in capital	$ -	$ 3,027,256	$ 3,027,256
Retained earnings	153,390,457	(1,404,426)	151,986,031
Current Period Activity:			
Net income (loss)	9,837,301	(51,614)	9,785,687
TGP disbursements of the U.S. Domestic Program	-	(396,212)	(396,212)
General Reserve, March 31, 2016			
Allocated paid-in capital	-	2,631,044	2,631,044
Retained earnings	163,227,758	(1,456,040)	161,771,718
	$ 163,227,758	$ 1,175,004	$ 164,402,762

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

North American Development Bank
Combining Statement of Comprehensive Income by Program (Unaudited)
For the Three Months Ended March 31, 2016

	International Program	U.S. Domestic Program (A)	Total
Income (loss) before non-controlling interest	$ 9,837,255	$ (51,614)	$ 9,785,641
Net loss attributable to non-controlling interest	(46)	-	(46)
Net income (loss)	9,837,301	(51,614)	9,785,687
Other comprehensive income (loss):			
Available-for-sale investment securities:			
Change in unrealized loss during the period, net	1,800,246	-	1,800,246
Reclassification adjustment for net gain included in net income	-	-	-
Total unrealized loss on available-for-sale investment securities	1,800,246	-	1,800,246
Foreign currency translation adjustment	5,487	-	5,487
Unrealized gains (losses) on hedging activities:			
Foreign currency translation adjustment, net	589,509	-	589,509
Fair value of cross-currency interest rate swaps, net	2,521,161	-	2,521,161
Total unrealized gain on hedging activities	3,110,670	-	3,110,670
Total other comprehensive income	4,916,403	-	4,916,403
Total comprehensive income (loss)	$ 14,753,704	$ (51,614)	$ 14,702,090

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

North American Development Bank
Combining Statement of Cash Flows by Program (Unaudited)
For the Three Months Ended March 31, 2016

	International Program	U.S. Domestic Program (A)	Total
Cash flows from operating activities			
Net income (loss)	$ 9,837,301	(51,614)	$ 9,785,687
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	23,447	173	23,620
Amortization of net premium (discount) on investments	336,830	-	336,830
Change in fair value of swaps and other non-cash items	4,062,496	-	4,062,496
Non-controlling interest	(46)	-	(46)
Provision for loan losses	111,912	-	111,912
Change in other assets and liabilities:			
(Increase) decrease in interest receivable	(2,292,588)	1,829	(2,290,759)
Increase in receivable and other assets	(644,963)	-	(644,963)
Decrease in due from U.S. Domestic Program and decrease due to International Program	7,084	(7,084)	-
Decrease in accounts payable	(1,488,965)	-	(1,488,965)
Increase (decrease) in accrued liabilities	5,870	(12,666)	(6,796)
Increase in accrued interest payable	3,289,170	-	3,289,170
Net cash provided by (used in) operating activities	13,247,548	(69,362)	13,178,186
Cash flows from lending, investing, and development activities			
Capital expenditures	(14,063)	-	(14,063)
Loan principal repayments	9,507,635	5,707	9,513,342
Loan disbursements	(3,549,304)	-	(3,549,304)
Purchase of held-to-maturity investments	(1,086,000)	-	(1,086,000)
Purchase of available-for-sale investments	(69,537,913)	-	(69,537,913)
Proceeds from maturities of held-to-maturity investments	1,075,000	-	1,075,000
Proceeds from sales and maturities of available-for-sale investments	65,063,144	-	65,063,144
Net cash provided by lending, investing, and development activities	1,458,499	5,707	1,464,206
Cash flows from financing activities			
Grant funds - EPA	1,825,362	-	1,825,362
Grant disbursements - EPA	(1,824,510)	-	(1,824,510)
Grant activity - U.S. Domestic Program	-	(396,212)	(396,212)
Net cash provided by (used in) financing activities	852	(396,212)	(395,360)
Net increase (decrease) in cash and cash equivalents	14,706,899	(459,867)	14,247,032
Cash and cash equivalents at January 1, 2016	113,652,729	1,327,149	114,979,878
Cash and cash equivalents at March 31, 2016	$ 128,359,628	$ 867,282	$ 129,226,910

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