North American Development Bank
Banco de Desarrollo de América del Norte

2019 ANNUAL REPORT

CONTENT

MESSAGE FROM MANAGEMENT

2019 marked the 25th anniversary of the North American Development Bank (NADB). Today NADB is recognized as a successful model in the U.S.-Mexico bilateral relationship that has fostered open dialogue and cooperation in addressing common environmental issues; spurred and leveraged both public and private investment in environmental infrastructure by offering innovative financial, technical and environmental options; and helped strengthen the institutional capacities of utilities and the planning capabilities of communities.

25 years of preserving, protecting and enhancing the environment and quality of life in the U.S.-Mexico border region

In its 25-year history, NADB has contracted financing for 262 environmental infrastructure projects, 236 of which were in operation at the close of 2019. The contracted projects represent a total investment of US$9.95 billion, with US$3.26 billion financed through loans and grants from the Bank. At the same time, NADB has supported institutional strengthening at the local level, closing historical gaps in operational efficiencies.

These projects have contributed to important advances in environmental and public health improvements. As a palpable example, between 1995 and 2015, wastewater treatment coverage in the border region of Mexico increased from 21% to 91%, with NADB participating in most of the treatment plants that were built and went into operation during that period. In addition, the homes of thousands of families on both sides of the border have been connected to reliable water distribution and sanitary sewer systems, providing access for the first time to these basic services that many of us take for granted.

Clean and renewable energy generation is another area that has seen significant growth in the past decade. NADB has been a driving force in the emerging renewable energy market in the border region of both countries, supporting the construction of 32 wind farms and solar parks with a combined installed capacity of 2,861 MW, which is equivalent to the annual consumption of 916,540 homes and the displacement of carbon dioxide emissions from 910,747 cars.

In 2019, NADB approved 12 projects for approximately US$280 million in financing, seven of which are in the water sector. Likewise, in 2019, ten projects went into operation, benefitting about 1.4 million residents on both sides of the border.

NADB also carried out its first transaction with a Development Capital Certificate (CKD) to facilitate institutional investors' access to infrastructure financing in Mexico. The CKD financed 50% of the US$70.9-million outstanding balance of the El Mezquite Wind Farm in Nuevo Leon. This operation demonstrates the confidence of investors in the projects endorsed by the Bank.

Moreover, given its binational nature, NADB is recognized as a key participant in coordinating and supporting local, state, and federal efforts in both countries to develop and implement joint projects and initiatives to prevent transboundary wastewater flows, such as in the case of the sister cities of Tijuana, Baja California and San Diego, California; Nogales, Arizona and Nogales, Sonora; and Laredo, Texas, and Nuevo Laredo, Tamaulipas, among others.

Although substantial progress has been made in fulfilling the mission of the Bank, significant challenges still remain, including achieving universal water and wastewater treatment service coverage, modernizing infrastructure that has reached the end of its useful life and improving air quality through urban mobility projects and clean energy generation, to name just a few.

We are confident that, with the invaluable support of our partners in the border communities, NADB will continue to help preserve, protect and enhance the environment in the region.

Calixto Mateos-Hanel
Managing Director

Salvador López-Córdova
Chief Environmental Officer

MANDATE AND GOVERNANCE

Mandate

NADB is a binational financial institution created and capitalized by the Governments of the United States and Mexico for the purpose of financing infrastructure projects that preserve, protect or enhance the environment in order to advance the well-being of border residents, as well as providing technical and other assistance to support the development of such projects.

NADB was established in San Antonio, Texas, and began operations in November 1994, with the initial capital subscriptions of the U.S. and Mexican governments. The scope of the Bank's mandate—including the geographic jurisdiction and infrastructure 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 eligible 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 (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 (186 miles) south of the border in the Mexican states of Tamaulipas, Nuevo Leon, Coahuila, Chihuahua, Sonora and Baja California.

Eligible Sectors and Projects

WATER

» Water supply, treatment & distribution
» Wastewater collection, treatment & reuse
» Water conservation
» Storm drainage and flood control

SOLID WASTE

» Sanitary landfills
» Dumpsite closure
» Collection & disposal equipment
» Recycling & waste reduction
» Hazardous waste treatment & disposal
» Industrial site remediation

AIR QUALITY

» Street paving & other roadway improvements
» Public transportation
» Ports of entry
» Reduction of industrial emissions
» Methane capture

CLEAN AND EFFICIENT ENERGY

» Solar
» Wind
» Hydroelectric
» Geothermal
» Biogas and biofuels
» Equipment replacement
» Building retrofits

BASIC URBAN INFRASTRUCTURE

» Projects that consist of a mix of works from various sectors, such as street paving, installation of water & sewer lines, storm drainage & public lighting

Board of Directors

NADB is 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 programs and project proposals of the Bank.

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, 2019

Bank Organization as of December 31, 2019

Management

Managing Director	Calixto Mateos-Hanel
Chief Environmental Officer	Salvador López-Córdova

Directors

Acting Chief Financial Officer	Eric Garcia
General Counsel	Lisa A. Roberts
Director of Risk Management and Control	Bernardo Salas
Director of Infrastructure Financing and Financial Services	Carlos Carranza
Director of Project and Loan Administration	Michael Ratliff
Director of Grant Financing	Renata Manning-Gbogbo
Director of Technical Assistance	Mario Vázquez
Director of Public Affairs	Jesse J. Hereford
Director of Administration	Eduardo Macías

Section 1 | ENVIRONMENTAL & OPERATIONAL RESULTS

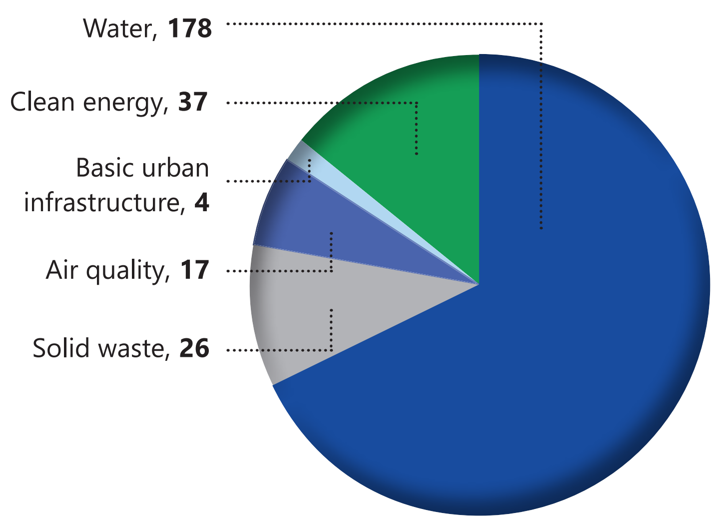
25 YEARS
SERVING BORDER COMMUNITIES

Overall Impact (1995-2019)

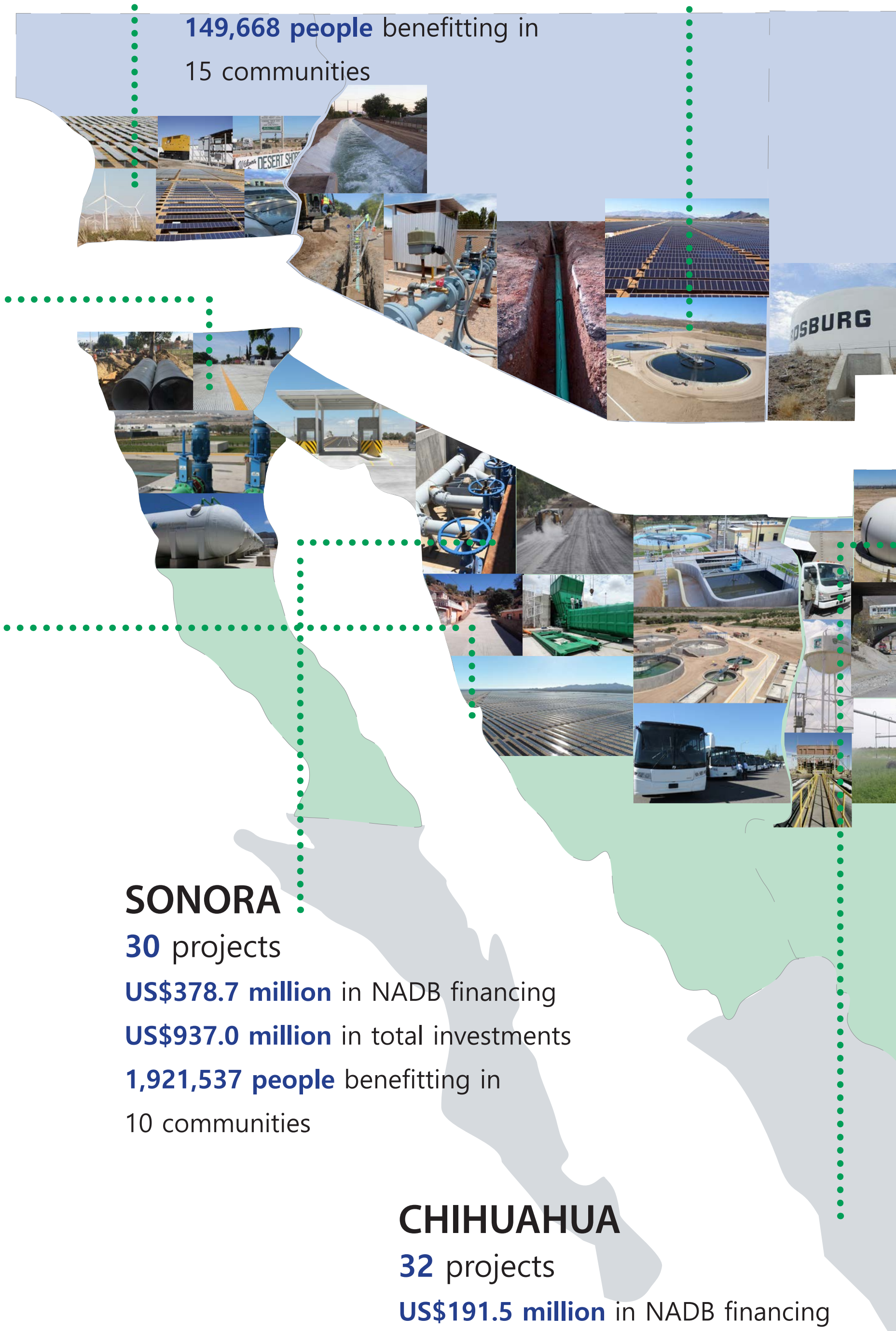
For 25 years, NADB has been dedicated to supporting border communities develop and implement sustainable infrastructure that preserves, protects or enhances the environment, using its own resources, leveraged borrowings and grants from the U.S. Environmental Protection Agency (EPA).

As of December 31, 2019, NADB had contracted close to US$3.3 billion in financing to support the implementation of 262 environmental infrastructure projects. Of those funds, US$2.5 billion were in the form of loans and US$761.7 million in grants, including US$665.9 million provided by EPA and used by NADB to finance critical water and wastewater projects through the Border Environment Infrastructure Fund (BEIF).

FIGURE 1 | Project Distribution by Sector 1995-2019



SCOPE OF NADB PROJECT FINANCING IN THE U.S.-MEXICO BORDER REGION



CALIFORNIA
25 projects
US$412.9 million in NADB financing
US$1,199.1 million in total investments
1,686,358 people benefitting in
13 communities

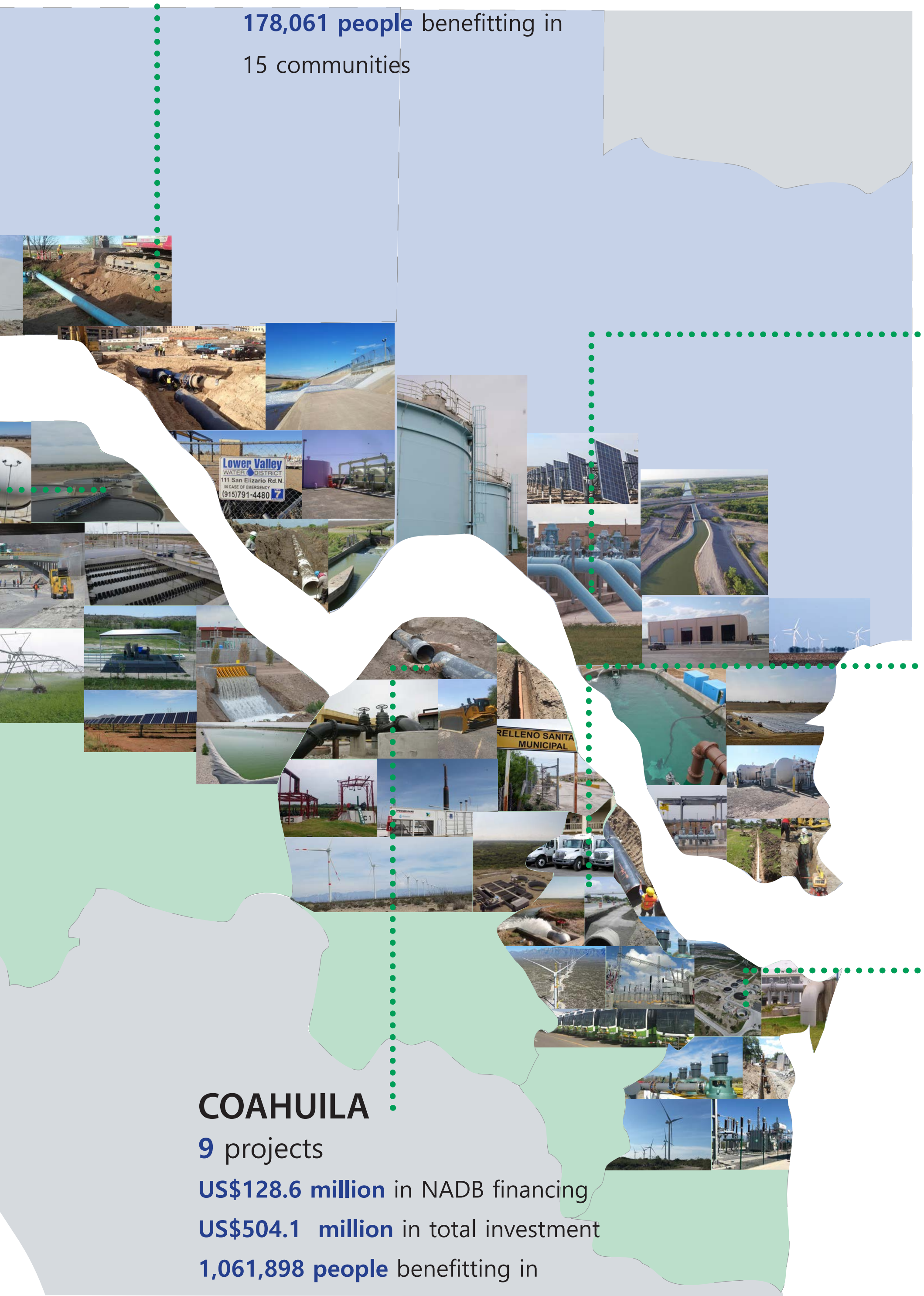
BAJA CALIFORNIA
32 projects
US$415.7 million in NADB financing
US$1,381.7 million in total investments
2,840,000 people benefitting in
5 communities

MEXICAN BORDER REGION
2 public transportation programs
US$79.8 million in NADB financing
US$89.6 million in total investments
8 communities benefitting in Baja California, Chihuahua, Nuevo Leon and Tamaulipas

ARIZONA
23 projects
US$205.7 million in NADB financing
US$386.3 million in total investments
149,668 people benefitting in
15 communities

SONORA
30 projects
US$378.7 million in NADB financing
US$937.0 million in total investments
1,921,537 people benefitting in
10 communities

CHIHUAHUA
32 projects
US$191.5 million in NADB financing
US$672.8 million in total investment
2,713,324 people benefitting in
24 communities



NEW MEXICO

11 projects

US$40.9 million in NADB financing

US$82.2 million in total investments

178,061 people benefitting in 15 communities

TEXAS

62 projects

US$606.1 million in NADB financing

US$1,741.8 million in total investment

1,477,769 people benefitting in 41 communities

NUEVO LEON

11 projects

US$273.7 million in NADB financing

US$1,224.5 million in total investment

4,586,048 people benefitting in 8 communities

TAMAULIPAS

25 projects

US$522.2 million in NADB financing

US$1,666.9 million in total investment

2,117,939 people benefitting in 14 communities

COAHUILA

9 projects

US$128.6 million in NADB financing

US$504.1 million in total investment

1,061,898 people benefitting in 15 communities

Impact of Projects in Operation

Of the 262 projects financed to date, **236** projects are in operation and already helping more than 17.5 million people in the region achieve a better quality of life in a variety of ways, including connecting their homes to basic water and wastewater services, eliminating the risks of flooding and raw sewage discharges, providing for the safe disposal of municipal waste, or reducing air pollution through improved roadways, low-emission buses or cleaner renewable energy sources.

WATER

Providing access to sustainable and safe drinking water and eliminating exposure to unsanitary water conditions in the U.S.-Mexico border region are fundamental objectives of NADB. Conserving fresh water sources in this semi-arid and drought-prone region, as well as providing adequate stormwater management to prevent contaminated runoff and harness rainwater for beneficial uses also support these objectives.

158
projects

US$1.05 billion
in NADB financing

US$2.61 billion
in total investments

13.4 million
people benefitting




▶ Reliable Water Supply

25	treatment plants built, expanded or rehabilitated with a combined capacity of 160 mgd, sufficient to supply 2.4 million people
291	miles of waterlines installed
13,258	new connections for first-time service
39	communities benefitted

▶ Adequate Wastewater Treatment

61	treatment plants built, expanded or rehabilitated with a combined capacity of 442 mgd, sufficient to serve 8.4 million people
1,309	miles of sewer lines installed
387,645	new connections for first-time service
83	communities benefitted

▶ Water Savings

1,033	miles of improved canals and water conveyance systems in irrigation districts
495	cubic feet per second of water being saved for farmers and municipal water systems, sufficient to supply 4.8 million people
19	irrigation districts benefitted

▶ Improved Flood Controls

21.7	miles of stormwater collectors
386	acre-feet of reservoir capacity
175	cubic feet per second of pumping capacity
122,493	households benefitted in 3 communities

SOLID WASTE

Promoting comprehensive waste management systems, including recycling and waste reduction efforts, is another fundamental objective of NADB. Proper waste disposal is crucial for protecting groundwater resources, preventing soil and air pollution and controlling the proliferation of disease-carrying rodents and insects.

23
projects

US$21.4 million
in NADB financing

US$49.0 million
in total investments

3.4 million
people benefitting




▶ Proper Waste Disposal

17	sanitary landfills built or expanded with a combined capacity of 5.9 million cubic meters
13	open-air dumpsites closed, covering 32 acres of land
153	collection and landfill operation vehicles purchased
3,263	metric tons a day of new waste management capacity
32	communities benefitted

AIR QUALITY

Supporting efforts to reduce the emission of greenhouse gases and other airborne pollutants produced by industrial processes, motor vehicles and fossil fuel-based power plants is essential for a healthy environment. Clean energy and more efficient energy use, cleaner and more efficient forms of transportation, paved streets and other roadway improvements are helping achieve this goal.

55
projects

US$1.92 billion
in NADB financing

US$6.87 billion
in total investments

9.9 million
people benefitting




▶ Better Mobility

14.1 | million square meters of street paved or rehabilitated

4,540 | metric tons/year of suspended particulate matter (PM_{10}) avoided

14 | communities benefitted

▶ Clean and Renewable Energy

2.9 | gigawatts of new generation capacity installed

4.3 | million metric tons/year of carbon dioxide avoided, equivalent to the approximate consumption of 750,000 homes

29 | communities benefitted

▶ Public Transportation

722 | buses with cleaner technology

4,750 | metric tons/year of carbon dioxide emissions avoided, equivalent to 11.8 million passenger car-miles

8 | communities benefitted

Project Implementation in 2019

Five projects in the core sectors of clean water and solid waste management completed construction and went into operation, benefitting more than 150,600 border residents. These projects represent a total investment of US$31.7 million. Additionally, five projects in the clean energy sector started commercial operations and were substantially complete at year-end, representing total investments of close to US$1.1 billion. These projects are helping improve air quality for 1.4 million residents.

Main Results at a Glance

INVESTMENT	Water	Wastewater	Solid Waste	Clean Energy
NADB financing	US$500,000	US$12.1 million	US$2.9 million	US$226.8 million
Total investment	US$742,000	US$27.5 million	US$3.4 million	US$1.1 billion
OUTPUTS	1 new water system configuration installed to blend water sources and reduce arsenic concentrations	2 new wastewater treatment plants built	1 sanitary landfill expanded	2 wind farms built
		1.5 million gallons per day of new treatment capacity	312,500 tons of increased disposal capacity	3 solar parks built
	1 reservoir lined	71,718 ft of sewer lines installed		948 megawatts of new generation capacity from renewable sources
	2 wells with improved controls	407 new sewer connections installed		
OUTCOMES	1,380 border residents with better water quality	95,004 border residents with new or improved sewer services	54,258 border residents with ongoing access to proper waste disposal services	3,051 gigawatt-hours of electricity supplying 413,527 households annually
	Arsenic concentration in drinking water reduced to 8 micrograms/liter (mg/L), within federal parameters of < 10 mg/L	4.9 million gallons per day of wastewater collected & safely conveyed for treatment		1.37 million metric tons of carbon dioxide emissions avoided from conventional fossil-fuel power plants

Increased Capacity to Meet Current and Future Wastewater Treatment Demand

Camino Real Regional Authority Wastewater Treatment Project
Location: Sunland Park and Santa Teresa, New Mexico
NADB financing: US$9.0 million BEIF grant




The new wastewater treatment plant with extended aeration technology and the capacity to treat 1.0 million gallons per day is serving an estimated 6,400 residents in these two communities located a few miles northwest of El Paso, Texas. The new plant is expected to treat average wastewater flows of 700,000 gallons per day, which will be discharged to the Rio Grande. The project also included rehabilitation of the View Pointe Lift Station, as well as elements for phased expansion of the plant to meet future demand generated by urban development in the region. The new facility replaces a smaller lagoon-based plant built in the 1970s that was overloaded and unable to comply with its discharge requirements. As part of the project, the Camino Real Regional Utility Authority (CRRUA), which owns and operates the plant, adopted a pretreatment ordinance requiring industrial users to pretreat their wastewater prior to discharge to the sewer system in order to prevent issues with organic loading in the future.

"[This plant] is key to the growth and health of the community, and what we are doing here is to prepare Sunland Park and Santa Teresa for the future."
– Josh Orozco, CRRUA Board chair

Action Taken to Prevent Transboundary Sewer Spills to the Tijuana River

Rehabilitation of the Collector Poniente
Location: Tijuana, Baja California
NADB financing: US$1.5 million BEIF grant




The rehabilitation of three segments of the sewer main known as the Collector Poniente is directly benefitting an estimated 86,950 residents living in the project area by preventing sewage spills on the streets in their neighborhoods and ensuring that wastewater flows are safely conveyed to the treatment plant. More importantly, the project is helping protect the Tijuana River from future spills, thus benefitting people living downstream on both sides of the border and along the Pacific coastline.

Through this project, a total of 2.82 miles of deteriorated pipeline was replaced, along with 1,922 ft of sewer laterals connected to the collector. This sewer main runs parallel to the Tijuana River for about 10 miles and conveys an average of about 4 million gallons per day of wastewater in the project area. In 2017, two major breaks in the pipeline resulted in discharges to the river, a transboundary waterbody that flows into the Tijuana River Estuary that empties into the Pacific Ocean.

"I would like to recognize the collaborative efforts of the State of Baja California, the International Boundary Water Commission, CONAGUA and the North American Development Bank to reduce the discharges of raw wastewater to the Tijuana River, particularly the rehabilitation of the Collector Poniente and the installation of new pumps. These actions resulted in reductions of contamination to the Pacific Ocean and the beaches of my community of Imperial Beach, California."

– Serge Dedina, mayor of Imperial Beach, CA

Safer and More Reliable Drinking Water for Semi-arid Community in Arizona

Drinking Water System Improvements
Location: Tombstone, Arizona
NADB financing: US$500,000 CAP grant

The 1,380 residents of this small desert community now have access to better water quality and more reliable service as a result of the improvements made to the drinking water system, which have reduced arsenic levels in the water supply from 12 to 8 micrograms per liter and optimized water production, storage and distribution. The improvements to the reservoir and its cover are also helping protect water resources from external contaminants and preventing water losses from spills and leaks, thereby achieving a more efficient use of the water sources in this semi-arid region. The main components of the project included installing a new system configuration to blend water from Well No. 1 with spring water to bring arsenic concentrations within the established maximum contaminant level of 10 micrograms per liter, as well as repairs to the reservoir, replacing a booster pump and connection line at Well No. 2, and installing a Supervisory Control and Data Acquisition (SCADA) system at both wells to better manage water flows.

Proper Solid Waste Disposal Extended

Landfill Expansion Project
Location: Maverick County, Texas
NADB Financing: US$2.9 million loan and US$66,683 CAP grant




The construction of Cell No. 3 in the El Indio Municipal Solid Waste Facility ensures that the landfill will be able to continue managing the proper disposal of up to 150 tons of solid waste per day in compliance with federal and state laws. Located approximately 16 miles south of the city of Eagle Pass, the facility serves the entire county and receives an average of around 130 tons of waste a day. The work included installing a leachate collection system, lining the cell floor and side slopes with a high-density polyethylene (HDPE) geomembrane and extending access roads to the new cell. As a result of this project, the useful life of the landfill has been extended almost seven years.

First-time Sewer Service Extended to "*Colonia*" Residents in the Texas Valley

North Alamo Regional Wastewater Collection and Treatment Project
Location: Hidalgo County, Texas
NADB financing: US$1.6 million BEIF grant



More than 1,600 residents from six *colonias* located northwest of the city of Donna, Texas, now have sewer services thanks to the expansion of the wastewater collection and treatment system undertaken by the North Alamo Water Supply Corporation (NAWSC).[1] A total of 407 residential wastewater connections were installed in Alberta Acres, El Charro #2, Isaac's Subdivision, L. J. #1, Muniz Subdivision and Tower Road Estates, and a similar number of substandard septic tanks and other on-site disposal systems were decommissioned. The project also entailed construction of five lift stations and a regional wastewater treatment plant with the capacity to treat 500,000 gallon per day, which was completed in May 2018 with state funds. As a result of this project, an estimated 170,000 gallons per day of wastewater is now being collected and treated.

[1] In the U.S., the term "colonia" refers to residential developments along the border that generally lack basic living necessities, such as running water, sewer systems, electricity and paved roads.

Continued Growth of Renewable Energy in Mexican Border Region

958 MW of new generation capacity installed
NADB financing: US$226.8 million in total loans




Five renewable energy projects achieved substantial completion and began commercial operations: three solar parks with a combined installed capacity of 591 megawatts (MW) located in Chihuahua and Sonora and two wind farms with a combined generation capacity of 368 MW located in Tamaulipas and Nuevo Leon. Altogether, these five plants are expected to produce 3,051 gigawatt-hours of clean electricity annually, sufficient to supply power to an estimated 413,527 households. The power generated by these plants is helping improve the air quality for 1.37 million residents by preventing the emission of an estimated 1.37 million metric tons of carbon dioxide (CO_2) and other greenhouse gases that would otherwise be produced by conventional fossil fuel-based plants. The five projects were co-financed by other financial institutions, with NADB providing approximately 19.8% of the total financing.

TABLE 1 Renewable Energy Projects Initiating Operation in 2019

Project	Location	MW	Metric Tons of CO_2 Avoided Annually
Santa Maria Solar Park	Galeana, CHIH	148.0	161,881
Vicente Guerrero Wind Farm	Güémez, TAM	117.9	177,716
Orejana Solar Park	Hermosillo, SON	125.0	163,808
El Mezquite Wind Farm	Mina, N.L.	250.0	428,787
Puerto Libertad Solar Park	Pitiquito, SON	317.5	440,390
	Total	**958.4**	**1,372,582**

NADB-financed Solar Project Wins Top MIREC Award

Puerto Libertad Solar Park in Pitiquito, Sonora

The Puerto Libertad Solar Park was named Project of the Year in 2019 by the Mexican International Renewable Energy Congress (MIREC). NADB supported the development and financing of the project, which was carried out by Solar Tuto Energy, S.A.P.I. de C.V. (BioFields) and AE Mex Global, S. de R.L. de C.V. (Acciona).

According to MIREC, the solar project marked a milestone in the financing of renewable energy projects in Mexico as it introduced an innovative financial structure that complemented contracted income from a long-term power purchase agreement with income generated in the wholesale electricity market. The MIREC award is presented to a company, organization or collective that has developed a building-integrated, on-site or stand-alone project located in Mexico that has pushed the boundaries of excellence in the renewable and/or clean energy industry.

Located in the municipality of Pitiquito approximately 119 miles northwest of the urban area of Hermosillo, Sonora, Puerto Libertad is one of the largest solar plants in Latin America with more than 1.2 million polycrystalline silicon panels mounted on a horizontal tracking system for a total installed capacity of 317.5 megawatts of nominal power. The plant began commercial operations in June 2019 and is expected to produce 961 gigawatt-hours of clean energy in its first full year of operation, sufficient to supply 132,544 Mexican homes. As a source of clean energy, the project will displace approximately 440,390 metric tons of carbon dioxide emissions that would otherwise be produced by fossil-fuel burning power plants, equivalent to eliminating 95,143 passenger vehicles from the roadway.

The MIREC awards celebrate partnerships among technology companies, developers, innovators, financiers and broader industry players in the Mexican renewable energy and sustainability industry. Puerto Libertad reflects this collaborative spirit having brought together Mexico-based Acciona and Grupo Alego as joint project sponsors and NADB, the Mexican development bank Banobras and the Spanish banks, Instituto de Crédito Oficial (ICO) and Banco Sabadell, as co-financiers.

Technical Support in 2019

Technical assistance has served as a linchpin for NADB's success, advancing its mission by fortifying project sustainability, building the institutional capacities of border communities, generating knowledge on new technologies and emerging issues, and forging strong collaborative relationships among stakeholders at all levels of government, as well as with civil organizations, academia and the private sector.

During the year, 31 communities received technical support for the planning and development of water-related infrastructure projects or to strengthen their institutional capacity to manage and operate public utilities. A total of 12 studies and other activities were completed with US$1.8 million in grants provided by NADB through its Technical Assistance Program (TAP) and Utility Management Institute (UMI) or by EPA through the Project Development Assistance Program (PDAP), which is managed by NADB.

TAP & UMI

Six TAP projects and two UMI modules related to the water sector were completed during the year, representing a total investment of US$781,491, with NADB covering approximately 71.4% of the cost.

Water and Wastewater Rate Studies for Tijuana, Tecate, Ensenada and Mexicali, Baja California. A thorough rate and cost analysis was conducted of each utility based on the characteristics of the systems, operational costs, investment needs, water usage and rate history. The proposed rate model uses a digital, interactive and graphic simulator, in which volumes and cost data are entered to obtain optimal rates and income generation, including funding to cover capital investments. The simulator can also work in reverse, by inputting estimated income requirements and calculating the rates. The Bank is looking to replicate the study in other Mexican border utilities.

The study results also revealed that the volume of water available in each municipality is gradually decreasing, while demand has grown more than 4.5% annually in the border cities—based on population growth and per capita consumption—and is projected to exceed supply by as much as 1.5 times in the near future. Consequently, the utilities are looking at alternate sources of water, including the desalination of brackish water and seawater, the reuse of treated water for non-potable purposes, and options to improve efficiency and reduce consumption.

Water Plan 2040 for the State of Chihuahua. The Chihuahua state water agency (JCAS) received support for the development of a comprehensive water plan aimed at identifying strategies and lines of action to optimize water management and achieve water sustainability, as well as align the state water policy with the national policy. Developed by the Mexican Institute of Water Technology (IMTA), the study focused on identifying projects, updating the

legal framework and public policy, and establishing financing strategies to optimize water management. The final plan includes six general objectives and 654 necessary actions, as well as eight strategic projects that will benefit 37 communities.

Street Paving and Green Infrastructure Designs for Hermosillo, Sonora. In collaboration with the Hermosillo Municipal Institute of Urban Planning (IMPLAN), this project successfully incorporated elements of green infrastructure into urban designs, taking into consideration the existing infrastructure and local environment (rainfall, native vegetation, topography, etc.), as well as current regulations and specifications for roadway and water system construction. Through this project, the city's strategic storm water plan was updated, and final designs were developed for the paving of five roadways in the city, along with a conceptual landscape design for approximately 50 hectares (123.5 acres) of the metropolitan park.

In addition, NADB relaunched its four-module, bilingual course on the basics of water utility management in San Antonio, Texas. The first two UMI modules, presented in July and September, respectively, were attended by 34 participants from 22 utilities in Mexico and the United States. Module I focuses on the basic planning and organizational functions for operating a successful water utility, as well as elements




of good communication and managing for results. Module II covers financial administration, including such topics as recordkeeping, budgeting, rate structures and efficiency indicators. Modules III and IV, which cover financial planning and leadership skills, respectively, are scheduled to be held in 2020. More information about this program is available on the NADB website.

PDAP

Almost all the PDAP funding was used to develop final designs or environmental studies for seven wastewater collection and/or treatment projects. Two of those projects—in Vinton, Texas, and Gustavo Diaz Ordaz, Tamaulipas—were certified and received financing approval prior to year-end.

The environmental studies are critical because they support compliance with U.S. National Environmental Policy Act (NEPA) regulations, which is required to obtain an EPA-funded grant from the Border Environment Infrastructure Fund (BEIF). In the case of the transboundary environmental impact studies performed for the cities of Mexicali and Tijuana in Baja California, as well as Ojinaga, Chihuahua, EPA issued categorical exclusions. The proposed projects will help eliminate untreated wastewater discharges and prevent contamination of shared waterbodies, including the New River and the Salton Sea in El Centro, California, the Tijuana River and Pacific coastline of San Diego County, California, and the Rio Grande in South Texas.

TABLE 2 | PDAP Activities Completed in 2019
(USD)

	Community Benefitted	Sector	Activity	PDAP Funding
1	Tijuana, B.C.	WW	Tijuana River diversion needs assessment and analysis of alternatives	$ 287,762
2	Tijuana, B.C.	WW	Transboundary environmental impact study for wastewater system improvements	76,222
3	Mexicali, B.C.	WW	Transboundary environmental impact study for wastewater system improvements	76,222
4	Ojinaga, CHIH	WW	Transboundary environmental impact study for a wastewater collection project	47,390
5	Sunland Park, NM	WW	Final design of the WWTP and procurement support	526,371
6	Gustavo Díaz Ordaz, TAM.	WW	Final designs to expand the wastewater collection system and build a WWTP	113,413
7	Nueva Ciudad Guerrero, TAM	WW	Final designs to expand the wastewater collection system and build a WWTP	86,329
8	Vinton, TX	WW	Environmental assessment for a wastewater collection project	25,500
			Total	**$ 1,239,209**

WW= Wastewater; WWTP = Wastewater treatment plant.

In addition, PDAP funding was provided to support binational efforts to identify the best alternatives for adequately managing flows in the Tijuana River in order to decrease adverse water quality impacts to the Pacific Ocean.

Tijuana River Diversion Needs Assessment and Analysis of Alternatives
A Collaborative Effort to Address Transboundary Wastewater Flows

The study consisted of a transboundary flow analysis, a needs assessment of the diversion system infrastructure and operations and an analysis of technically feasible alternatives for optimizing the operation of the existing facilities and improving or expanding infrastructure in either Mexico, the U.S. or both countries. In the final report issued in August 2019, fourteen potential alternatives were identified and evaluated, along with the no-action alternative, based on the volume of flows that could be diverted, the necessary capital investment, and ongoing operation and maintenance requirements, among other factors.

Funded with a PDAP grant, the study was overseen by NADB in coordination with EPA, the U.S. Section of the International Boundary and Water Commission (IBWC), the Mexican Section of the International Boundary and Water Commission (CILA), the Mexican National Water Commission (CONAGUA), and the Tijuana water utility (CESPT). Input regarding existing conditions and potential solutions was also obtained from representatives of several entities, including the Cities of Imperial Beach and San Diego, California, as well as non-governmental groups like Surfrider, among others.

Stakeholders from both countries continue to coordinate domestically and binationally to evaluate technical options and define critical administrative, legal and financial aspects of implementing infrastructure to reduce transboundary flows from the Tijuana River. CESPT has submitted applications to the BEIF/PDAP prioritization process for the rehabilitation or replacement of several aging and deteriorated wastewater sewer mains, as well as for a project to improve the Tijuana River diversion infrastructure, which reflects the investment options included in the study. The federal government in Mexico has also committed funding to address inadequate wastewater infrastructure resulting in transboundary flows.

More information about these technical assistance programs and their ongoing activities is provided under 2019 Operations.

U.S.-Mexico Border 2020 Program

NADB continues to provide technical and administrative support for this binational program developed by EPA and the Mexican Ministry of Environment and Natural Resources (SEMARNAT) to improve the environment and protect the health of residents within 100 kilometers of both sides of the border. The program funds projects and workshops focused on five key goals related to clean air, access to safe drinking water, waste management, joint emergency preparedness and environmental stewardship.

Fourteen initiatives under four of the five goals were completed during the year, representing a total investment of US$1.4 million, with Border 2020 covering approximately half of the cost.

TABLE 3 | Border 2020 Activities Completed in 2019 (USD)

	Goal / Community	Sector*	Study	Border 2020 Funds
Goal 1: Reduce Air Pollution				
1	Ciudad Juarez, CHIH	AQ	Climate and Air Quality Network	$ 39,400
2	El Paso, TX and Gadsden, AZ	AQ	Paso del Norte K-12 Collaborative GIS Capacity Building and Research for Environmental Quality Monitoring	65,000
3	Nogales AZ and Nogales, SON	AQ	Quantifying Emission Reduction Benefits from the Unified Cargo Processing (UCP) Facility	83,625
4	Nogales AZ and Nogales, SON	AQ	A Small-scale Solar Implementation Project	44,060
Goal 2: Improve Access to Clean and Safe Water				
1	El Paso, TX and Ciudad Juarez, CHIH	W	Safe Drinking Water in "*Colonias*"	79,636
2	El Paso, TX and Ciudad Juarez, CHIH	GE	Binational Educational Forum: Future Innovation	29,445
3	Nogales AZ and Nogales, SON	WW	Characterization of the Source of Wastewater Contaminants	11,418
4	Nogales, SON	SD	Urban Bioretention for the Protection of Streams	36,659
5	Texas, Tamaulipas, Nuevo Leon, Coahuila & Chihuahua	W	Rio Grande Water Quality Initiative	58,575
Goal 3: Promote Material Management, Waste Management and Clean Sites				
1	Tijuana, B.C.	SW	Reduction of Disposable Plastic Bags	91,286
2	Mexicali, B.C.	SW	Green Dot Waste Recycling Network	48,000
3	Tamaulipas border region	HW	Health and Environmental Risks from Agrochemicals	21,900
Goal 5: Compliance Assurance and Environmental Stewardship				
1	Ciudad Acuña, COAH	GE	Natural Disaster Reduction and Prevention Strategy	26,032
2	Arizona-Sonora border region	GE	Building Joint Advanced Emergency Response Capacity	84,374
14			**Total**	**$ 719,409**

AQ = Air quality; GE = General environment; GIS= Geographic information system; HW = Hazardous waste; SD = Storm drainage; SW = Solid waste; W = Water; WW = Wastewater

Border 2020 Project Highlights in 2019

Characterization of the Source of Wastewater Contaminants

Nogales, Arizona and Nogales, Sonora

The International Wastewater Treatment Plant (IWWTP) provides service to both Nogales, Arizona and Nogales, Sonora. Since 2009, high levels of metals have been reported in the wastewater inflows, impacting the quality of the effluent discharged to the Santa Cruz River. The project monitored discharges to the sewer system in the commercial and industrial areas of Nogales, SON, simultaneously with Manhole No. 1 in Nogales, AZ, for 30 days, and the content of the wastewater was analyzed to identify the presence of the metals found at the manhole. The results confirmed the presence of point-source discharges with metal loads in the New Nogales, Yaqui Hills and California sewer mains, which will be priority areas for future projects. Since reporting the study results, the amount of metal in the wastewater flows entering the IWWTP has decreased according to U.S. Section of the International Boundary and Water Commission (IBWC), indicating efforts are already being made to resolve the problem.

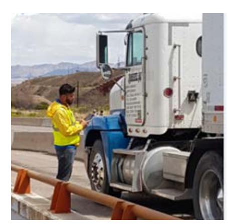
Reducing the Use of Disposable Plastic Bags

Tijuana, Baja California

Through this initiative, a comprehensive work plan was developed to raise public awareness about the environmental impacts of disposable plastic bags, including on waterways such as the Tijuana River and Pacific Ocean, as well as to gain the active participation of civil associations, the city government and local businesses in reducing their usage. Among the success stories reported during the initiative, Sears-Dax stopped providing plastic shopping bags in 25 stores in Baja California, while OXXO with 6,000 convenience stores in Mexico completely eliminated plastic bags in all its stores at the start of 2019. In addition, the environmental protection regulations have been updated in Tijuana, and were in the process of being updated in Tecate, to include guidelines for promoting the reduction of disposable plastic bags.

Quantifying Emission Reductions from the Unified Cargo Processing (UCP) Facility

Nogales, Sonora y Nogales, Arizona



This analysis determined that the UCP Facility and Free and Secure Trade (FAST) programs at the Nogales-Mariposa Land Port of Entry substantially reduce queue lengths and crossing times, thereby reducing the emissions (CO_2, PM_{10} and $PM_{2.5}$) associated with cargo inspection delays for northbound commercial traffic by approximately 85%. The methodology developed to calculate emission reduction benefits of the UCP program can be replicated and could help determine the viability and necessity for similar facilities and programs at other land ports of entry on the U.S.-Mexico and U.S.-Canada borders.

More information about these and other Border 2020 activities is available at www.epa.gov/border2020.

2019 OPERATIONS

New Projects

In pursuit of its core purpose of promoting environmental infrastructure, NADB continued to develop and submit certification and financing proposals to its Board of Directors for approval. During 2019, twelve projects were approved to receive a total of US$382.2 million in loans and grants; however,

TABLE 4 Project Certification in 2019
(Million USD)

	Project	Location	Project Type	Population to Benefit	Financing Approved	
					Type[1]	Amount
Water						
1	Rehabilitation and Upgrade of the North and South WWTPs	Chihuahua, CHIH	WW	809,232	Loan	$ 11.23
2	Water System Improvements Project	Presidio, TX	W	4,000	Loan	0.80
					BEIF	3.00
3	Wastewater Collection and Treatment Project	Gustavo Díaz Ordaz, TAM	WW	12,354	BEIF	4.51
4	Rehabilitation of the Collector Poniente: Segment 1A	Tijuana, B.C.	WW	87,000	BEIF	2.42
5	Wastewater Collection System	Vinton, TX	WW	2,043	BEIF	3.00
6	Water System Improvements	Magdalena, SON	W	12,187	CAP	0.50
7	Stormwater Infrastructure Improvements	Ciudad Acuña, COAH	SD	8,120	CAP	0.50
Solid Waste						
8	Landfill Expansion Project	Maverick County, TX	SW	54,258	Loan	2.85
					CAP	0.07
Air Quality						
9	Metrorrey Light Rail Transit Line 3 [2]	Monterrey, N.L.	PT	–	–	–
Clean Energy						
10	Don Diego Solar Energy Project	Benjamín Hill, SON	SE	186,056	Loan	100.00
11	Delaro Wind Energy Project	Reynosa, TAM	WE	226,219	Loan	50.00
12	Engie Akin Solar Project	Pitiquito, SON	SE	149,954	Loan	100.00
		Total		**1,551,423**		**$ 278.87**

[1] The NADB-funded Community Assistance Program (CAP) and EPA-funded Border Environment Infrastructure Fund (BEIF) are grant programs.

[2] The US$103.3-million loan approved for this project was cancelled prior to year-end.

PT = Public transportation; SD = Storm drainage; SE = Solar energy; SW = Solid waste; W = Water; WE = Wind energy; WW = Wastewater; WWTP = Wastewater treatment plant.

one loan for up to US$103.3 million was subsequently cancelled prior to year-end, reducing the total financing approved to US$278.9 million.[2] The 11 remaining projects represent a total investment of US$532.8 million and will benefit an estimated 1.55 million border residents.

As indicated in Table 4, more than half of the projects certified in 2019 are in the water sector—one of NADB's priority areas. Improvements to the water distribution systems in two communities will ensure access to sustainable and safe drinking water for more than 16,000 people and are expected to prevent approximately 293.2 million gallons a year in water losses, as well as the risk of cross-contamination from leaks and line breaks.

The rehabilitation or installation of approximately 52.6 miles of sewer lines and the improvement or replacement of three wastewater treatment plants with a combined capacity of 54.8 million gallons per day (mgd) will ensure the adequate collection, conveyance and treatment of an estimated 44.8 mgd of wastewater for 910,600 residents in four communities, as well as help protect shared waterbodies, including the Rio Grande and Tijuana River. Two of the projects are expected to provide first-time access to sewer services to 3,150 homes. Moreover, improvements to two stormwater channels in Ciudad Acuña will not only reduce the risk of flooding, they will also protect a critical sewer force main, which due to erosion in both channels, is vulnerable to collapse, thereby reducing the risk of direct discharges of approximately 11.4 mgd of untreated wastewater into the Rio Grande.

In the area of clean and renewable energy, two solar parks and a wind farm in Mexico with a combined generation capacity of 342 megawatts are expected to produce electricity equivalent to the annual consumption of 160,637 households, which would displace the production of fossil fuel-based energy and thus avoid the emission of 509,612 million metric tons of carbon dioxide a year, which would be the same as removing 110,098 automobiles a year from the roadway.

Finally, an entire county in Texas with a population of more 54,000 is already benefitting from the expansion of a sanitary landfill, which was completed prior to year-end (see story on page 16).

Financing Programs

NADB offers market-rate loans and other financial services to public and private project sponsors as well as 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). In addition, it administers grant funds provided by EPA through the Border Environment Infrastructure Fund (BEIF) for the implementation of priority water and wastewater projects located within 100 kilometers of both sides of the U.S.-Mexico border.

[1]After certification, the sponsor of the Metrorrey light rail project changed the train manufacturer, as well as the financial structure of the project, which required the state government to bid out the loan. NADB declined to participate in the bid process, because the time constraints imposed by the competitive process did not allow for an adequate due-diligence review of the revised project. Consequently, the loan approved in April 2019 was cancelled in November 2019.

During 2019, a total of US$280.1 million in financing was approved for 13 projects, consisting of US$278.9 million for the 11 new projects described previously and US$1.2 million in additional funds for two projects approved in previous years. NADB also contracted US$157.4 million with the sponsors of 12 projects and disbursed US$175.2 million to support 25 projects in various stages of implementation, including one project that received both a loan and CAP grant. A breakdown of the funding approved and contracted by program during the year is shown in Table 5.

TABLE 5 Project Financing by Program in 2019
(Million USD)

Community	Project Type	Certified	Amount Approved	Amount Contracted
Loan Program				
Maverick County, TX [1]	SW	30-May-19	$ 2.85	$ 2.85
Chihuahua, CHIH	WW	14-Nov-19	11.23	11.23
Delaro Wind Farm (Reynosa, TAM)	WE	14-Nov-19	50.00	32.00
Don Diego Solar Park (Benjamín Hill, SON)	SE	14-Nov-19	100.00	100.00
Presidio, TX	W	14-Nov-19	0.80	–
Engie Akin Solar Park, (Pitiquito, SON)	SE	2-Dec-19	100.00	–
Community Assistance Program (CAP)				
Maverick County, TX [1]	SW	30-May-19	0.07	0.07
Cd. Acuña, COAH	SD	14-Nov-19	0.50	–
Magdalena SON	W	14-Nov-19	0.50	–
Nogales, AZ [2]	WW	8-Nov-18	–	0.45
José Silva Sánchez, TAM [2]	W	19-Jun-18	–	0.25
Border Environment Infrastructure Fund (BEIF)				
Tijuana, B.C. (Poniente 1A)	WW	20-May-19	2.42	2.42
Gustavo Díaz Ordaz, TAM	WW	24-May-19	4.51	4.51
Presido, TX	W	14-Nov-19	3.00	–
Vinton, TX	WW	14-Nov-19	3.00	–
Camargo, TAM [2]	WW	21-Jun-18	–	2.53
Loma Blanca, CHIH. [3]	WW	9-Nov-17	–	0.07
Marathon, TX [4]	WW	9-Nov-17	0.65	0.65
Tijuana, B.C. (Poniente) [3]	WW	9-Nov-17	–	0.35
Anthony, NM [4]	WW	6-May-16	0.58	–
		Total	**$ 280.10**	**$ 157.37**

1. The project received both a loan and a grant.
2. The funding was approved in 2018.
3. Additional funding was approved for the project in 2018 and contracted in 2019.
4. Project certified previously was approved to receive additional financing in 2019.

PT = Public transportation; SD = Storm drainage; SE = Solar energy; SW = Solid waste; W = Water; WE = Wind energy; WW = Wastewater.



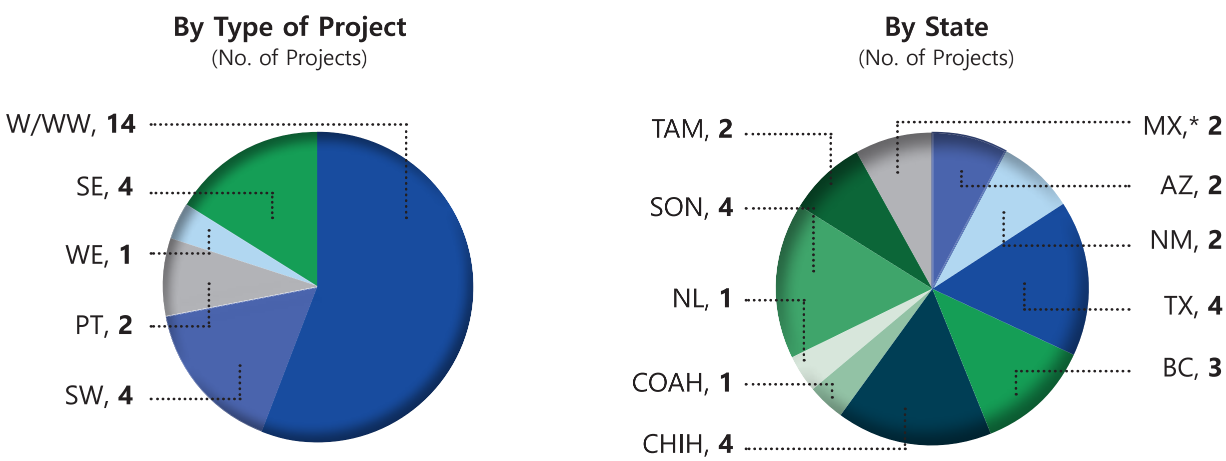

NADB disbursed 26 loans and grants to support the implementation of 25 projects in 2019. Disbursements were spread across nine of the ten border states within the geographic jurisdiction of the Bank. Of the funds disbursed, 82.7% went to support four solar projects and one wind farm in three states in Mexico. However, in terms of the number of projects funded, more than half (56.0%) were in the water and wastewater sector in seven states.

TABLE 6 | Financing Disbursed by Program in 2019 (USD)

Program	No.	Amount
Loans*	8	$ 164,293,344
BEIF grants	13	10,722,947
CAP grants*	5	181,625
	26	**$ 175,197,916**

* One project received both a loan and a grant.

FIGURE 2 | Loan and Grant Disbursments in 2019



PT = Public transportation; SE = Solar energy; SW = Solid waste; WE= Wind energy; W/WW = Water and wastewater.
* MX = Border-wide programs in Mexico; all 2019 participants from Nuevo Leon.

A more detailed analysis of NADB financing activity is provided in Section 2, Financial Results.

Technical Assistance Programs

NADB Technical Assistance Program (TAP). This program is intended to support a better understanding of regional and community needs and priorities, as well as articulate how they may be met through environmental infrastructure projects and solutions. At the beginning of each year, NADB establishes a technical assistance workplan with input from all Bank departments and in particular the areas involved in project development.

During 2019, NADB approved a total of US$395,000 in grants to fund three technical assistance projects related to the core sector of water—including development of a legal framework for establishing stormwater utilities in the state of Chihuahua; the creation of a sub-municipal water utility for San Quintin and Lázaro Cárdenas, Baja California, and a regional watershed analysis and engineering study for Nogales, Arizona, and Nogales, Sonora—as well as the first two modules of its bilingual course on the basics of water utility management, which were presented in San Antonio, Texas, in July and September.

At the close of 2019, there were five studies in process with a total grant commitment of US$676,050.

Project Development Assistance Program (PDAP). NADB administers this program funded by EPA to support studies and other activities related to the planning and design of water and wastewater projects that have been prioritized to receive a BEIF construction grant, as well as to reinforce the long-term sustainability and proper operation of those projects.

During the year, close to US$1.09 million in PDAP grants were approved to fund 12 studies or other activities to support the development of 10 water and/or wastewater projects selected by EPA through its BEIF/PDAP project application and prioritization process. These studies include preliminary engineering reports, environmental studies and final designs, as well as water audits for five utilities. These audits help assess the severity of water losses and to identify the areas in the distribution system with frequent line breaks, as well as calculate the volume of wastewater flows requiring treatment. Additional funding was also approved to complete the diversion needs assessment and analysis of alternatives to address transboundary flows in the Tijuana River.

At year-end, there were 10 studies in process with a total PDAP grant commitment of US$1.46 million.

Border 2020: U.S.-Mexico Environmental Program. Through this binational program, EPA provides grants to support the joint efforts of the U.S. and Mexico governments to improve the environment and protect the health of residents within 100 kilometers of their shared border. NADB provides technical and administrative services with respect to identifying, contracting and managing projects and workshops funded under the program.

During the year, EPA authorized US$152,372 in grant funding to support four new initiatives, including a rainwater harvesting demonstration and education project for colonia residents in El Paso, Texas; an inventory of illegal dumpsites on privately owned land and public roads in Nogales, Sonora; implementation of six solid waste separation stations in parks and public squares in Matamoros, Tamaulipas; and development of bilingual outreach materials regarding cost-effective technology options available to reduce emissions from idling diesel engines in Laredo, Texas.

At the end of 2019, there were 11 Border 2020 initiatives in process with a total grant commitment of US$618,173.

Next year will mark the end of this eight-year program. During the NADB Board of Directors meeting in November, EPA announced that it had been authorized to begin negotiations for a Border 2025 Program. In addition to providing support in closing out the Border 2020 Program and compiling its results and achievements, NADB will work with EPA and SEMARNAT to help shape the proposed successor program.

Measuring Results

NADB has established a results measurement system to provide an objective assessment of project outcomes and performance. The system consists of two components: a closeout process to verify that the project was constructed as approved and has been operating as intended, which is conducted after the project has been in operation one year; and an impact assessment of select projects to ascertain the actual impact of the project on specific environmental and human health indicators. The impact assessment is not intended to establish a quantitative cause-effect correlation, but rather identify evidence of the impact, whether positive or negative, of the project under review.

During 2019, closeout reports for 11 projects were finalized and delivered to the NADB Board—the majority in the clean energy sector. Consequently, of the 236 infrastructure projects in operation at the close of 2019, a total of 117 have undergone the closeout process to verify their actual performance versus the intended performance at the time of approval.

NADB also completed a study aimed at assessing and documenting the impacts of wastewater infrastructure projects in the sister cities of Nogales, Arizona and Nogales, Sonora. Unlike previous assessments that only considered the impact on the community directly benefitted, this study evaluated how infrastructure improvements in one city have impacted the adjacent city on the other side of the border. The study results are highlighted on the next page.

To date, NADB has carried out four impact assessments covering several water-related projects in 12 border communities. For its next impact assessment, NADB is evaluating two public transportation projects aimed at improving air quality by facilitating the purchase of low-emission buses throughout the Mexican border region.

Binational Impact of Wastewater Projects on the Border

	Nogales, Arizona	Nogales, Sonora
Project:	Replacement of the International Outfall Interceptor, Upgrade and Expansion of the Nogales International Wastewater Treatment Plant (IWWTP), and Partial Replacement of the Wastewater Collection System	Wastewater Collection System Rehabilitation Project
Certified:	June 22, 2000	July 30, 2004
Completed:	July 2009	March 2010
Population Benefitted:	21,574 residents of Nogales AZ, 31,400 residents of Rio Rico, AZ and 168,000 residents of Nogales, SON	213,976 residents of Nogales, SON
Cost:	US$64.8 million	US$11.4 million



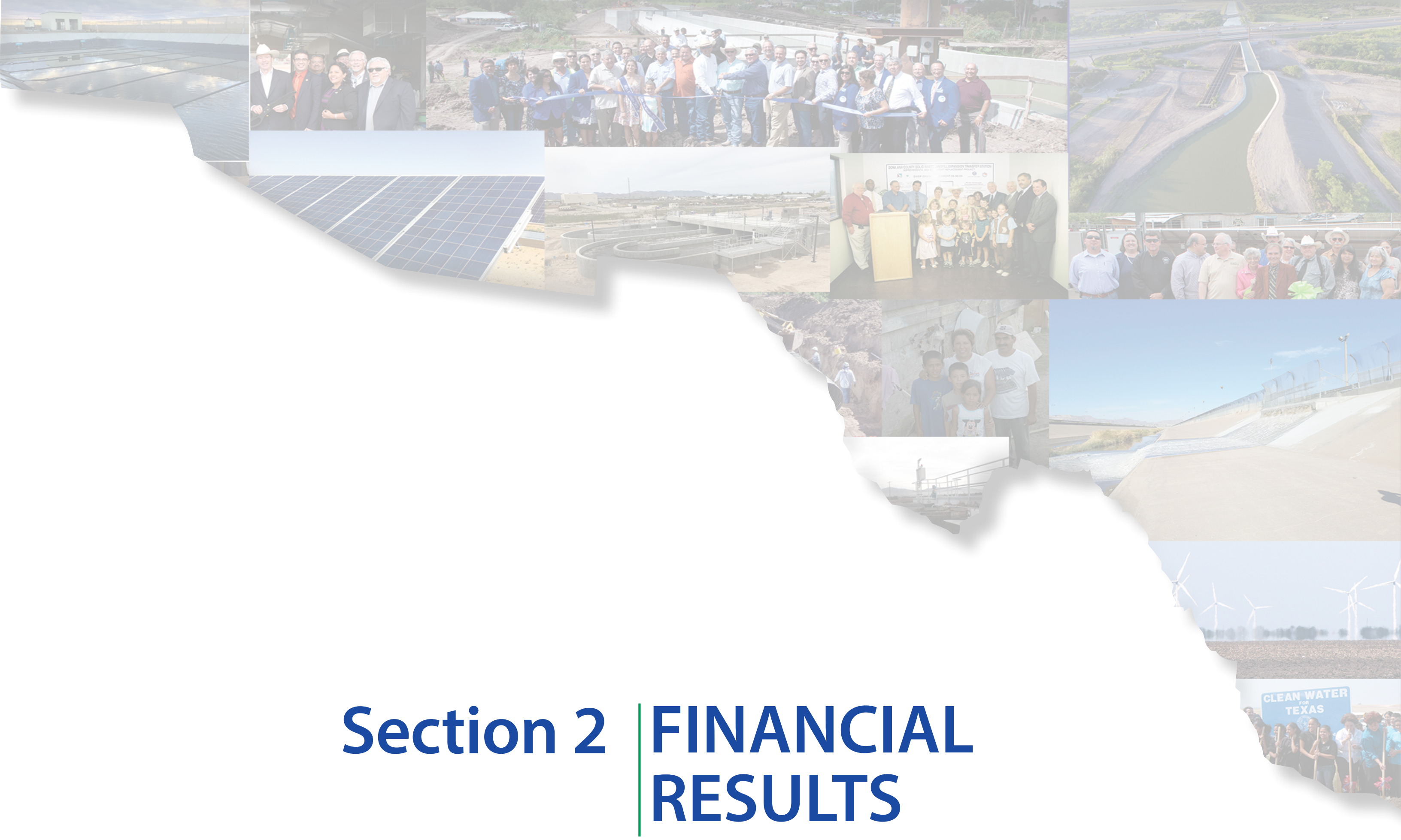

Result Highlights

Study results indicate that expansion and improvements to the IWWTP have had a positive impact on river flows and riparian ecosystems, mainly in the area of Rio Rico. Moreover, wastewater collection coverage in Nogales, SON, increased from 88% in 2004 to 97% in 2010. While Nogales, AZ, already had a high level of wastewater collection coverage, improved systems in both communities may have had a positive impact on public health, as Hepatitis A cases in Nogales, AZ, decreased from 89 in 2001 to just three in 2017.

Moreover, based on a survey of 650 households in Nogales, SON and 100 households in Nogales, AZ:

- 84% of respondents in Sonora and 96% of respondents in Arizona believe that improvements in wastewater infrastructure have contributed to better environmental and health conditions in their communities.
- Approximately 75% of respondents in both communities indicated that improved wastewater services had led to a better quality of life.

The full report is available on the NADB website.



Section 2 | FINANCIAL RESULTS

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

In 2019, NADB modified the way in which it assesses the quality of its loan portfolio and calculates its general allowance. At the end of 2019, the entire loan portfolio was rated internally, including projects in operation and under construction, through 13 internal credit risk rating methodologies, which began to be introduced in 2017. In addition to a more detailed classification of its project risk, the new methodology assigns specific default rates to each loan rather than using general market estimates.

- The risk methodologies are tailored to the characteristics of each project sector, based on a review of credit rating standards, Basel II internal ratings-based (IRB) approaches, credit risk agency methodologies and best practices of the industry, as well as current regulatory factors.
- With the use of these new methodologies, the risk categories used to evaluate loans expanded to nine from four.
- At the same time, the Bank created a comparative database for renewable energy projects, encompassing 20 active wind and solar energy projects analyzed with at least two years of production.
- Based on the revised rating system, at the close of 2019, 63% of the loans in the NADB portfolio, representing 77% of the outstanding balance, were rated in the three categories with the lowest credit risk.
- At December 31, 2019, the general allowance totaled US$16.8 million, which is equivalent to 1.3% of the outstanding loan portfolio.

Lending activity grew 1.3% during 2019 reflecting a steady pace of approvals based on prudent capital and risk management.

- New loans for up to US$264.9 million were approved for six projects.
- Loan agreements for US$146.1 million were signed.
- Disbursements of US$164.3 million were made to support eight projects.
- Clean energy projects represented most of the disbursements (77% solar, 11% wind farms).
- Private-sector borrowers in Mexico accounted for the majority of disbursements (98%).
- NADB received principal payments of US$147.0 million, including prepayments.

In 2019, NADB executed its first transaction with PMIC LATAM, an investment vehicle [CKD] issued on the Mexican Stock Exchange, funded by Mexican pension funds (Afores) and managed by Fondo de Fondos (ticker FFBANCK). NADB transferred to the CKD approximately 50% (US$35.4 million) of the loan to finance the construction of the El Mezquite Wind Farm.

Although the Bank did not issue any debt during 2019, its credit ratings from Moody's Investors Service (Aa1) and Fitch Ratings (AA), remained unchanged, reflecting a solid financial position, with strong asset quality and excellent capitalization and liquidity levels. Maintaining these high ratings is a strategic priority for NADB and serves as the basis for its capital management strategies and lending activity.

The Bank's key financial data and operational activity for the past five years is highlighted in Tables 7 and 8.

TABLE 7 | Financial Summary 2015- 2019[1]
(Thousand USD)

	2015	2016	2017	2018	2019
Balance Sheet Data					
Cash and investments	$ 504,861	$ 511,558	$ 954,962	$ 799,146	**$ 753,537**
Loans[2]	1,324,777	1,411,296	1,293,807	1,284,478	**1,301,747**
Total assets	1,780,599	1,812,866	2,145,753	1,958,997	**2,007,483**
Borrowings, gross	1,190,550	1,187,505	1,493,443	1,314,597	**1,309,334**
Total liabilities	1,215,017	1,208,832	1,511,438	1,305,971	**1,324,519**
Paid-in capital	415,000	415,000	415,000	415,000	**415,000**
Total equity	565,582	604,034	634,315	653,027	**682,964**
Callable capital	2,295,000	2,351,670	2,351,670	2,351,670	**2,351,670**
Income Statement Data					
Total interest income	$ 51,246	$ 59,012	$ 68,622	$ 78,918	**$ 84,302**
Loans	45,892	52,427	57,761	61,981	**65,635**
Investments	5,354	6,585	10,861	16,936	**18,667**
Interest expense	15,101	19,950	31,640	47,242	**44,648**
Net interest income	36,145	39,061	36,982	31,675	**39,655**
Total operating expenses	18,143	17,934	8,448	15,618	**19,150**
Provision for loan losses	8,559	5,134	(3,945)	(1,953)	**62**
Total non-interest income (expense)	2,388	(369)	3,156	7,833	**9,869**
Income before program activity	20,389	20,758	31,690	23,890	**30,374**
Net program expenses[3]	4,873	1,088	2,163	2,536	**673**
Net income	15,516	19,670	29,527	21,354	**29,701**
Ratios					
Equity / loans (%)	42.7	42.8	49.0	50.8	**52.5**
Equity / assets (%)	31.8	33.3	29.6	33.3	**34.0**
Gross debt / callable capital (%)	51.9	50.5	63.5	55.9	**55.7**
Gross debt / total equity (%)	210.5	196.6	235.4	201.3	**191.7**
Interest coverage (x)[4]	2.8	2.3	1.8	1.3	**1.5**
Liquid assets / total assets (%)	25.3	25.3	44.3	40.6	**37.3**
Liquid assets / short-term debt (x)	85.7	87.0	3.1	151.2	**2.9**
Income before program activity / total equity (%)	3.6	3.4	5.0	3.7	**4.4**
Income before program activity / average assets (%)	1.2	1.2	1.6	1.2	**1.5**
Non-acrual loans / loans outstanding	-	-	1.1	1.1	**1.1**
Credit Ratings					
Moody's Investor Service	Aa1/P-1	Aa1/P-1	Aa1/P-1	Aa1/P-1	**Aa1/P-1**
Fitch Ratings	AA/F1+	AA/F1+	AA/F1+	AA/F1+	**AA/F1+**

1 As of November 10, 2017, the figures reflect the finances of the NADB under the amended charter.

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, as well as related administrative expenses.

4 Interest coverage ratio is defined as interest income minus operating expenses less provision for loan losses divided by interest expense.

TABLE 8 Financing Operations 2015- 2019
(Thousand USD)

	2015	2016	2017	2018	2019
Project Certification					
Total projects certified[1]	14	15	10	6	**12**
By Sector					
Water	7	7	5	5	**7**
Solid waste	-	5	-	-	**1**
Air quality[2]	1	1	-	-	**1**
Basic urban infrastructure[3]	1	-	-	-	**-**
Clean and efficient energy	5	2	5	1	**3**
By Financing Type[4]					
Loans	8	3	6	2	**6**
NADB-funded grants	2	7	-	3	**3**
NADB-administered grants	4	5	4	1	**4**
Loan Operations					
Approved	$ 239,177	$ 96,876	$ 273,186	$ 131,737	**$ 264,871**
Contracted	178,262	146,767	229,536	122,729	**146,071**
Disbursed	249,556	136,253	101,426	167,009	**164,293**
Principal payments	110,297	49,734	218,915	176,338	**147,025**
Amortizations	56,712	43,102	98,120	78,549	**80,903**
Prepayments	53,584	6,632	120,795	97,789	**66,122**
Grant Operations					
NADB-funded grants[5]					
Approved	$ 1,000	$ 3,100	$ -	$ 1,200	**$ 1,067**
Contracted	1,450	1,600	1,500	500	**767**
Disbursed[6]	3,525	438	1,184	2,177	**182**
NADB-administered grants[7]					
Approved	20,274	25,022	6,236	2,881	**14,160**
Contracted	16,219	21,231	14,535	4,318	**10,530**
Disbursed	8,698	10,228	11,278	24,959	**10,723**

1 Project certification and financing proposals are approved simultaneously by the Board of Directors.

2 This category includes roadway improvements, industrial emissions reduction and public transportation.

3 These projects consist of works from various sectors, such as roadway improvements, water and sewer lines, storm drainage, and public lighting.

4 Two projects in 2019 were approved to receive both a loan and a grant. The 2019 figures do not include the loan for the air quality project, which was cancelled prior to year-end.

5 Grants funded from designated retained earnings of the Bank for certified infrastructure projects (excludes technical assistance)

6 Includes grant disbursements through the Community Assistance Program (CAP) and for the years 2015-2017 through the Water Conservation Infrastructure Fund (WCIF). It excludes expenditures for CAP supervision.

7 Grants funded by the U.S. Environmental Protection Agency (EPA) and administered by NADB through the Border Environment Infrastructure Fund (BEIF).

Internal Rating of Loan Portfolio. In 2019, NADB modified the way in which it assesses the quality of its loan portfolio by introducing 13 internal credit risk rating methodologies. Using detailed information provided by these internal rating methodologies, the portfolio risk categories were expanded to nine from four in 2018, as shown in Table 9.

TABLE 9 | Loan Portfolio Rating Scale

2019 Rating Scale			
Borrower Rating	**Scale**	**Risk Grade**	**2018 Rating Scale**
1	A	A-1	Pass
2		A-2	
3		A-3	
4	B	B-1	
5		B-2	
6		B-3	
7	C	C	Special mention
8	D	D	Substandard
9	E	E	Doubtful

The probability of default for each loan is estimated using risk methodologies tailored to the characteristics of each project sector and mapped into the credit risk rating scale. These methodologies were developed from a review of credit rating standards, Basel II IRB approaches, credit risk agency methodologies and the best practices of the industry, as well as current regulatory factors.

Based on the revised rating system, at the close of 2019, 63% of the loans in the NADB portfolio, representing 77% of the outstanding balance, were rated in the three categories with the lowest credit risk (A-1 to A-3) with individual probabilities of default estimated between 0% and 3%, which means that 77% of the loan book has very low risk exposure. The weighted average probability of default of the loan portfolio as a whole was estimated at 2.0%.

The main benefit of the change in methodology is that it allows NADB to calculate its allowances with a better approximation of its actual risk exposure. Additionally, it allows the reserves to respond more quickly to a change in the status of a loan—meaning that the Bank will be better prepared to respond more quickly in the event of a negative impact.

Financing Operations

NADB offers three types of financing operations: its lending program, grant programs and technical assistance programs.

NADB's lending program offers market-rate loans and other financial services to public and private project sponsors. In certain circumstances and under well-defined criteria, the Bank can make available grant or technical assistance funds to its borrowers and other eligible grantees.

The Bank administers three grant financing programs. The largest of those programs, the Border Environment Infrastructure Fund (BEIF), is fully funded by the Environmental Protection Agency (EPA) and administered by the Bank. Currently, the Bank has only one active grant program funded by its retained earnings, the Community Assistance Program (CAP).

Lending Program

Over the past few years, the lending strategy of NADB has been based on prudent capital and risk management aimed at maintaining and gradually growing its loan portfolio, as well as encouraging increased investment from the private sector in public infrastructure and services. Lending activity in 2019 reflects this strategy, as NADB maintained a steady pace of loan approvals and disbursements in line with the activity of previous years.

During 2019, outstanding loans grew 1.3% from the end of 2018. NADB closed the year with an outstanding loan balance of US$1,302 million. Loan balances do not reflect all the lending activity of the Bank in 2019. New loans for up to US$264.9 million were approved for six projects; loan agreements totaling US$146.1 million were signed with the sponsors of four of those projects prior to year-end; and US$164.3 million were disbursed to support eight projects in implementation.

In contrast, in 2018, outstanding loans declined 0.8%, to an outstanding balance of US$1,284 million. In that year, the Bank approved US$131.7 million in loans for three projects; signed three loan agreements totaling US$122.7 million and disbursed US$167.0 million to support the execution of 10 projects.

Table 10 provides a summary of lending activity during the past two years and its impact on the loan portfolio.

TABLE 10 Summary of Loan Balances and Lending Activity (2018-2019)
(Million USD)

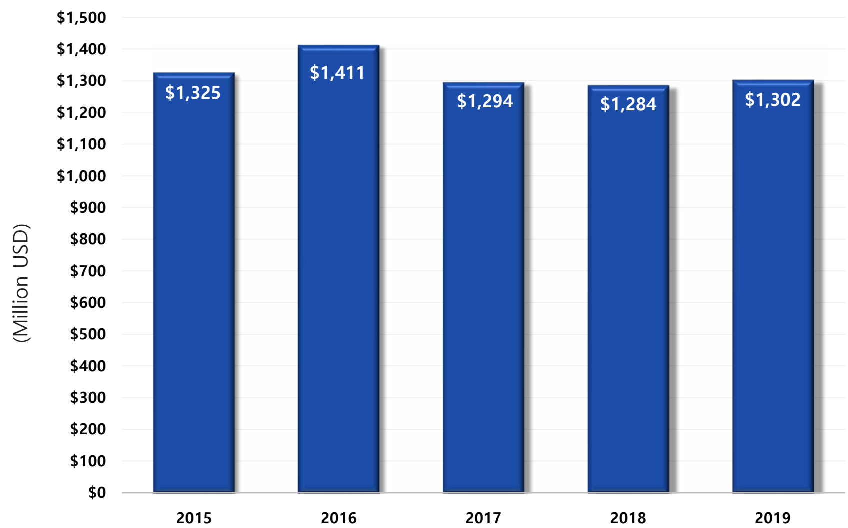
	12/31/2018	12/31/2019
Outstanding balance, beginning of year*	$ 1,293.8	**$ 1,284.5**
Loan disbursements	167.0	**164.3**
Principal payments	(176.3)	**(147.0)**
Outstanding balance, end of year*	1,284.5	**1,301.7**
Loans contracted, pending disbursement	150.6	**99.9**
Loans approved, pending contracting	128.9	**128.8**
Total loan commitments	279.5	**228.7**
Outstanding loans & loan commitments	$ 1,564.0	**$ 1,530.5**

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

In the near term, NADB expects its lending activity will meet loan demand to address critical environmental issues along the border, including private-sector borrowers investing in renewable energy, energy storage and water/wastewater management solutions in both countries. Water and wastewater infrastructure will continue to be a priority for NADB.

As noted earlier, NADB closed the year with an outstanding loan balance of US$1,302 million, an increase of 1.3% compared to the balance at the end of 2018 (US$1,284 million), but still -7.8% below the peak at the end of 2016 (US$1,411 million) as shown in Figure 3. A surge in lending activity at the beginning of the decade fueled by strong growth in the renewable energy sector in both countries drove portfolio growth. Maturation and consolidation in that industry in a macroeconomic environment that favored refinancing led to a series of loan prepayments which drove a decline in 2017.

FIGURE 3 | Year-end Loan Portfolio Balances



Lending activity in 2019 was similar to that of the prior year in terms of sectors. As shown in Table 11, solar energy accounted for 77.1% of disbursements, followed by wind energy (11.0%), public transportation (10.1%) and solid waste (1.7%). Likewise, in 2018, solar energy accounted for 54.1% of disbursements, followed by wind energy (36.7%), public transportation (9.0%) and basic urban infrastructure (0.2%).

TABLE 11 | Lending Activity by Sector in 2018 and 2019
(Million USD)

Project Type	Approvals		Signings		Disbursements	
	2018	2019	2018	2019	2018	2019
Basic urban infrastructure*	$ –	**$ –**	$ –	**$ –**	$ 0.4	**$ –**
Public transportation	20.1	**–**	20.1	**–**	15.0	**16.6**
Solar energy	75.0	**200.0**	66.0	**100.0**	90.3	**126.7**
Solid waste	–	**2.9**	–	**2.9**	–	**2.9**
Water / wastewater	36.6	**12.0**	36.6	**11.2**	–	**–**
Wind energy	–	**50.0**	–	**32.0**	61.3	**18.1**
Total	$ 131.7	**$ 264.9**	$ 122.7	**$ 146.1**	$ 167.0	**$ 164.3**

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

The Bank received principal payments in 2019 of US$147.0 million, a lower amount than in 2018 (US$176.3 million), but higher than the average since 2015 of US$140.5 million per year (Table 8). Lower interest rates and continued interest in the energy sector provided opportunities for borrowers to refinance their obligations. Principal payments in 2019 included prepayments of US$30.7 million for three loans, plus the US$35.4 million transfer of a portion of a wind energy loan to PMIC LATAM, the CKD mentioned earlier, and scheduled amortizations. Principal payments in 2018 involved prepayments of three loans totaling US$97.8 million, plus scheduled amortizations.

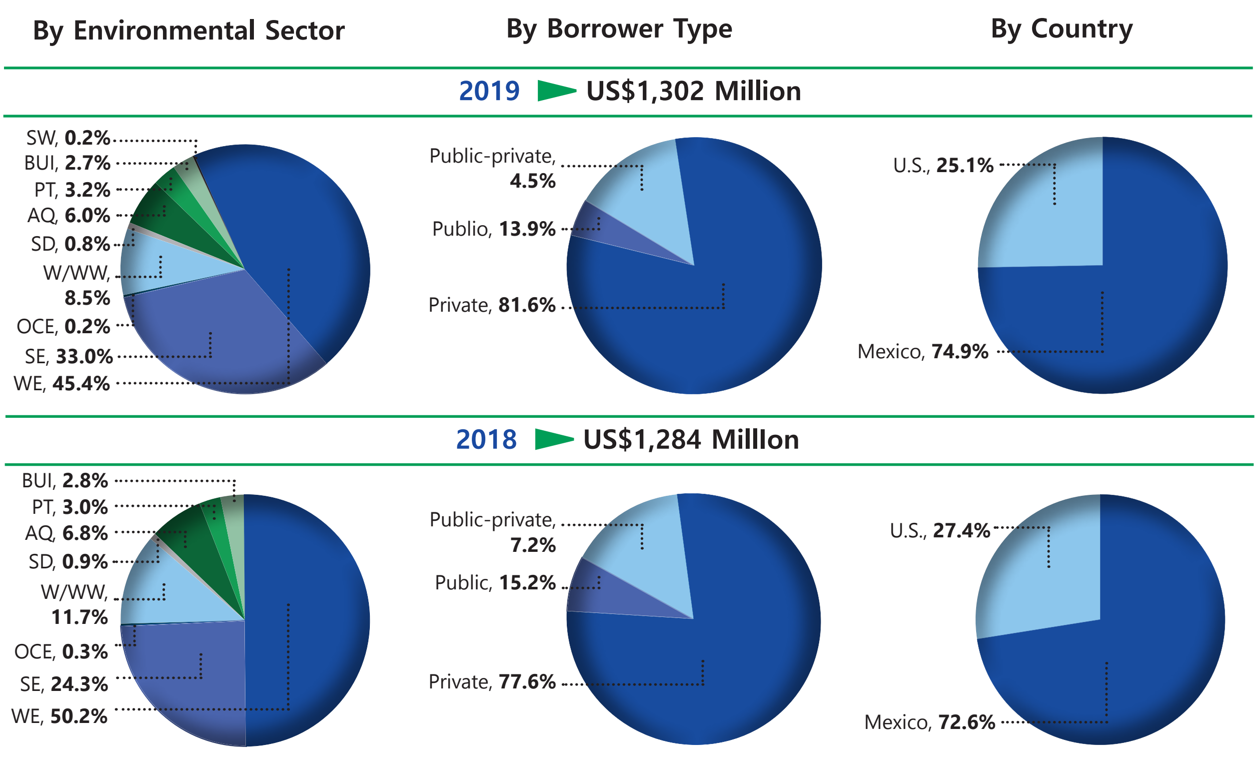
Loan Portfolio Analysis

A breakdown of the outstanding loan balance by environmental sector, borrower type and geographic region as of December 31, 2018 and 2019 is provided in Figure 4.

Environmental Sectors by Amount. During 2019, clean energy projects represented most of the disbursements (77% solar, 11% wind); consequently, the importance of solar energy in the portfolio increased to 33% from 24% in 2018. Wind energy represents 45.4% of the portfolio, down from 50.2% in 2018.

Private/Public Borrowers. Private sector borrowers represent the bulk of the loans outstanding, with 81.6% of the total at US$1.1 billion, up from 77.6% a year ago. Public sector borrowers represent 13.9% of the total, at US$180.6 million, down from 15.2% in 2018. The decline of public-private borrowers to 4.5% at the end of 2019 is due to a US$29.9-million prepayment of a loan for a wastewater project. The Bank divides its borrowers in three categories: public, private or public-private. In the last category, a

FIGURE 4 | Loan Portfolio Distribution



* Air quality (AQ), Basic urban infrastructure (BUI), Other clean energy (OCE), Public transportation (PT), Storm drainage (SD), Solar energy (SE), Solid waste (SW); Water/ wastewater (W/WW), Wind energy (WE)

** Other clean energy includes cogeneration and landfill gas-to-energy projects.

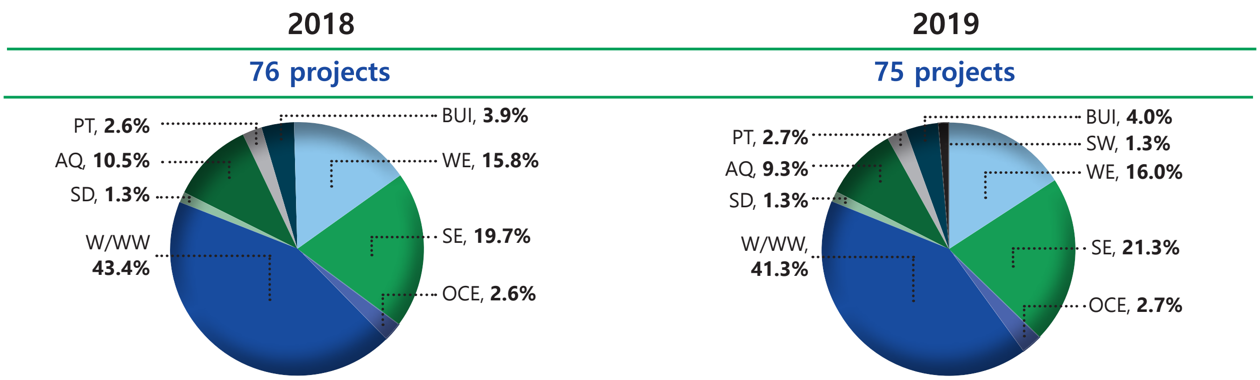
*** Public-private borrower generally refers to a loan structure in which a private company is the borrower, but the source of payment and/or guaranty is a public utility or local government.

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.

Mexico/U.S. As 98% of disbursements in 2019 went to borrowers in Mexico, its share of loans outstanding rose to 74.9% from 72.6% in 2018.

Environmental Sectors by Project. The sector distribution when the loan portfolio is considered by number of projects, rather than by loan amounts. The sector with the most projects in the NADB loan book is water at 42.6% of total in 2019, slightly down from 44.7% a year earlier (Figure 5). Clean energy projects—including solar, wind and other clean energy—represent 40.0% of total projects, up from 37.1% a year earlier. During 2019, the disbursement of a loan for the expansion of a landfill in Texas meant the solid waste category went to 1.3% from 0% a year ago.

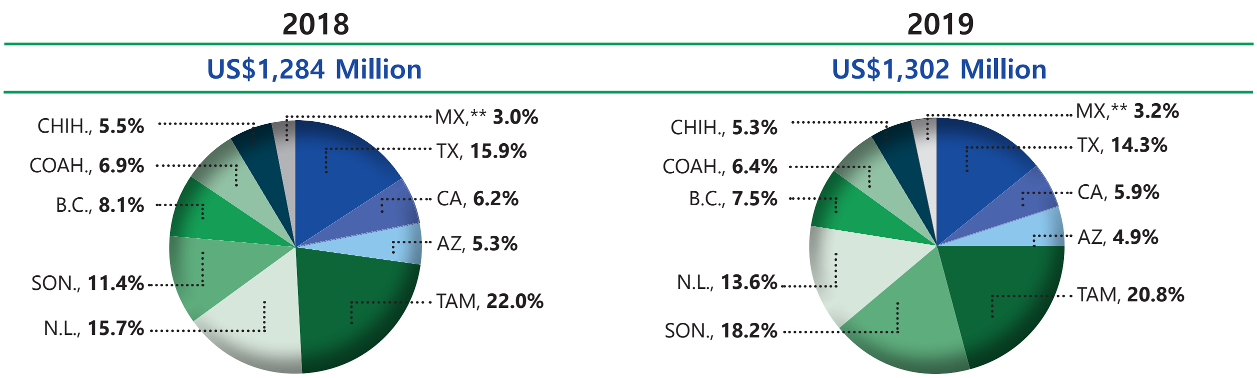
FIGURE 5 | Loan Portfolio by Number of Projects



Air quality (AQ), Basic urban infrastructure (BUI), Other clean energy (OCE), Public transportation (PT), Storm drainage (SD), Solar energy (SE), Solid waste (SW), Water/wastewater (W/WW), Wind energy (WE). Other clean energy includes cogeneration and landfill gas-to-energy projects.

By State. Tamaulipas at 20.8% and Texas at 14.3% are the entities with the largest participation in the Bank's loans among Mexican and U.S. states, respectively. Sonora increased its participation to 18.2% in 2019 from 11.4% a year earlier; otherwise, portfolio distribution by border state remained relatively stable between 2019 and 2018. Three states (Tamaulipas, Sonora and Texas) represent over one half of the portfolio in 2019. In 2018, three states also represented over one half of the portfolio, with Nuevo Leon in place of Sonora. New Mexico is the only eligible state with no outstanding loan.

FIGURE 6 | Loan Portfolio Distribution by State *



* Includes loans to both public and private borrowers.
** Border-wide programs, with current participants from Baja California, Chihuahua, Nuevo Leon and Sonora.

Credit Quality. As of December 31, 2019 and 2018, the Bank had one non-accrual loan with a balance of US$14.1 million and US$14.6 million, respectively. As of those same dates, this loan represented 1.09% and 1.14% of the loan portfolio (Table 7). In July 2018, the loan was restructured with no charge-offs, and the borrower has been current since the restructuring.

Each loan is evaluated annually and assigned an internal credit rating using project-specific methodologies designed by NADB based on industry standards. The credit ratings help quantify the risk of default of each project loan. The Bank generally classifies loans as non-accrual when payments of principal or interest on the loan are delinquent for 180 days or where reasonable doubt exists as to the ability of the borrower to make timely payment. Non-accrual loans are returned to accrual status when principal and interest payments are current and NADB is confident that the borrower has the ability to repay the loan in full in accordance with the established amortization schedule.

General Loan Loss Allowance Calculation. At December 31, 2019, the general allowance totaled US$16,834,062, which is equivalent to 1.29% of the outstanding loan portfolio and slightly more conservative than the average for banks operating in the United States (1.2%) according to the Federal Reserve.

The updated internal credit risk rating methodologies described earlier allowed NADB to refine its calculation of the general allowance for loan losses by using specific default rates for each loan rather general market estimates. This change from general market to individual estimates did not have a significant impact on loan loss reserves, as the general allowance calculated under the previous methodology would have been US$17,103,120.

Specific Loan Loss Allowance Calculation. In the event that the full repayment of a loan is deemed unlikely, the Bank allocates a specific allowance for probable and estimable loan losses on its financial statements. The Bank had a specific allowance of US$2.4 million and US$2.3 million for the aforesaid non-accrual loan as of December 31, 2019 and 2018, respectively.

Lending Activity

By Environmental Sector. In 2019, disbursements of US$164.3 million outpaced payments received of US$147.0 million, although that is not the case for every sector. Disbursements for solar energy, public transportation and solid waste were greater than payments. Principal payments outpaced disbursements in wind energy, mainly as a result of the aforementioned partial transfer of a loan to PMIC LATAM, the CKD. There were no disbursements in the water/wastewater, air quality, basic urban infrastructure, storm drainage and other clean energy sectors.

TABLE 12 Lending Activity by Environmental Sector
(Million USD)

Project Type	Balance 12/31/2018	Disbursements	Payments	Balance 12/31/2019
Wind energy	$ 644.7	$ 18.1	$ (72.2)	**$ 590.6**
Solar energy	312.6	126.7	(10.2)	**429.1**
Water/wastewater	150.4	–	(39.9)	**110.5**
Air quality	86.8	–	(8.3)	**78.5**
Public transportation	38.4	16.6	(13.0)	**42.0**
Basic urban infrastructure*	36.0	–	(1.5)	**34.5**
Storm drainage	12.0	–	(1.3)	**10.7**
Other clean energy**	3.6	–	(0.6)	**2.9**
Solid waste	–	2.9	–	**2.9**
Total	$ 1,284.5	$ 164.3	$ (147.0)	**$ 1,301.7**

* These projects include a mix of street paving, water and sewer lines, storm drainage and public lighting.
** Other clean energy includes cogeneration and landfill gas-to-energy.

By State. In terms of portfolio distribution by geographic region, growth continued along the same lines as prior years.

Mexico had US$43.0 million more in disbursements than payments, leading to an increase in the outstanding balance to US$975.0 million by year-end 2019. Disbursements were greater for border-wide programs (public transportation) and Sonora (three solar parks), the only state that saw an increase in balances. Disbursements were less than payments in all other states in Mexico.

The amount held by U.S. borrowers decreased by US$25.8 million as payments were larger than disbursements, with declines in the outstanding balance in all states.

TABLE 13 | Lending Activity by State*
(Million USD)

	Balance 12/31/2018	Disbursements	Payments	Balance 12/31/2019
Mexico				
Tamaulipas	$ 283.1	$ –	$ (13.0)	**$ 270.1**
Sonora	146.2	124.7	(34.3)	**236.4**
Nuevo Leon	201.8	18.1	(43.1)	**176.9**
Baja California	103.5	–	(6.3)	**97.2**
Coahuila	87.9	–	(4.9)	**83.0**
Chihuahua	71.1	2.1	(3.8)	**69.4**
Mexican border**	38.4	16.6	(13.0)	**42.0**
	932.0	161.5	(118.4)	**975.0**
United States				
Texas	204.2	2.9	(21.1)	**186.0**
California	80.0	–	(3.6)	**76.4**
Arizona	68.3	–	(3.9)	**64.3**
	352.5	2.9	(28.6)	**326.7**
Total	$ 1,284.5	$ 164.4	$ (147.0)	**$ 1,301.7**

* Includes loans to both public and private borrowers.
** Two border-wide public transportation programs, with current participants from Baja California, Chihuahua, Nuevo Leon and Sonora.

Grant Programs

In certain limited circumstances and under well-defined criteria, the Bank can make available grant or technical assistance funds to its borrowers and other eligible grantees. The Bank administers three grant programs.[3]

NADB-funded Grants. With the approval of the Board of Directors, NADB uses a portion of its retained earnings to provide grants through the Community Assistance Program (CAP) for communities with little to no debt capacity.

During 2019, the Bank approved close to US$1.1 million in grants for three projects, including a landfill expansion project that also received a loan; signed grant agreements totaling US$766,683 with the sponsors of three projects, and disbursed US$181,625 in grants to support five projects in implementation.

Over the past five years, grant approvals through this program have averaged US$1.3 million a year, while grant disbursements have averaged just under US$1.0 million annually.

A small portion of CAP funding is used to cover the supervision costs of the projects financed under the program. In 2019, US$70,813 was expended under supervision contracts. A cumulative total of close to US$1.1 million was committed to supervision contracts as of December 31, 2019, representing 7.6% of the cumulative funding under CAP.

[3] The Water Conservation Investment Fund (WCIF) was officially terminated in 2013. At the end of 2019, one project funded through the program was still in the implementation phase and pending final disbursement.

In 2019, no new funding was allocated to the program from retained earnings. As of December 31, 2019, NADB had a balance of US$4.4 million in uncommitted CAP funding available for future projects. The overall status of program funding at the end of 2019 is summarized in Table 14.

TABLE 14 Community Assistance Program Funding Status
(Million USD)

	2019	Cumulative
Retained earnings allocated	$ -	$ 14.1
Grants approved for projects	1.1	(8.6)
Funds allocated for supervision	0.3	(1.1)
Funding available for future projects		$ 4.4

Administered Grants. NADB administers grant funds provided by EPA through the Border Environment Infrastructure Fund (BEIF). These funds are received by the Bank from EPA prior to disbursement to the grantees, and any BEIF-related operating expenses incurred by the Bank are reimbursed by EPA. Consequently, the reception and disbursement of these funds are reflected in the consolidated financial statements but have no economic effect on Bank operations. For the years ended December 31, 2019 and 2018, NADB recognized US$997,312 and US$772,003, respectively, as reimbursement for administrative expenses incurred in running the program.

In 2019, BEIF grants totaling almost US$14.2 million were approved for six projects, grants agreements totaling US$10.5 million were signed with the sponsors of six projects, and US$10.7 million was disbursed to support 13 projects in implementation.

During the year, EPA allocated an additional US$13.3 million to the BEIF program: US$10.8 million for project construction and US$2.4 million for program administration. At the end of the year, there was approximately US$17.3 million available for projects in development. A summary of the overall status of BEIF program funding at the end of 2019 is provided in Table 15.

TABLE 15 Border Environment Infrastructure Fund Program Funding Status
(Million USD)

	2019	Cumulative
EPA funding allocations[1]	$ 13.3	$ 721.3
Funds allocated for program administration	2.4	(31.6)
Grants approved for projects[2]	14.6	(672.5)
Grant cancellations in 2019[3]	(4.9)	–
Funding available for future projects		17.3

1. The cumulative figure includes US$329,029 in interest earned.
2. Cumulative figure less grant cancellations from prior years, including 2019.
3. Unused funds deobligated from completed or cancelled projects during the current year.

Technical Assistance Programs

In addition to lending and grant programs, NADB has technical assistance programs available that also support capacity-building initiatives. Currently, the Bank has four technical assistance programs: the Project Development Assistance Program (PDAP); the Technical Assistance Program (TAP); the Border 2020: U.S.-Mexico Environmental Program (Border 2020); and the Utility Management Institute (UMI). PDAP and Border 2020 are funded by the EPA, while TAP and UMI are funded from the Bank's retained earnings and current earnings, respectively.

NADB-funded Technical Assistance. In 2019, NADB disbursed US$261,570 for seven technical assistance projects and two UMI modules, a 4.2% increase over 2018. Over the past five years, NADB has disbursed an average of US$602,153 annually in technical assistance and UMI funding (Table 16).

As of December 31, 2019, NADB had a balance of US$2.8 million in retained earnings designated to TAP, of which approximately US$647,095 was committed to specific studies in progress at year-end. As part of its funds management strategy, NADB has set a disbursement cap of US$1.1 million for technical assistance and training in 2020.

Administered Technical Assistance. In support of its environmental mandate, NADB administers two technical assistance programs funded with grants from EPA.

PDAP. Under the terms of the grant agreements with EPA, the Bank contracts and/or supervises consultants that perform studies and other project development activities and receives an allocation of the grant funds for administrative expenses incurred. During 2019, the Bank disbursed US$976,694 for technical assistance projects under the program and recognized US$675,438 in reimbursed administrative expenses.

Border 2020. Under the terms of the grant agreements with EPA, the Bank provides logistical and administrative services to facilitate meetings, as well as identifies, contracts and manages projects and workshops funded under the program. The Bank receives an allocation of the grant funds for administrative expenses incurred. During 2019, the Bank disbursed US$542,426 for technical assistance projects and recognized US$295,064 in administrative expenses, of which US$136,238 were reimbursed under the program.

TABLE 16 Technical Assistance Programs 2015-2019
(Thousand USD)

	2015	2016	2017	2018	2019
Programs Funded by NADB					
Technical Assistance Program (TAP)					
Funding					
Approved	$ 719	$ 458	$ 832	$ 780	**$ 295**
Disbursed	849	327	552	251	**122**
Activities[1]					
Approved	16	12	11	5	**3**
Completed	1	4	14	6	**6**
Utility Management Institute (UMI)					
Funding					
Approved[2]	$ 450	$ 270	$ 335	$ 450	**$ 100**
Disbursed	330	210	229	-	**139**
Seminars					
Approved	12	10	7	-	**2**
Presented	9	10	6	-	**2**
Programs Administered by NADB[3]					
Project Development Assistance Program					
Funding					
Approved	$ -	$ -	$ 7	$ 661	**$ 1,085**
Disbursed	-	-	285	617	**977**
Activities[4]					
Approved	-	-	1	5	**12**
Completed	-	-	2	6	**8**
U.S.-Mexico Border 2020 Program					
Funding					
Approved	$ -	$ -	$ 300	$ 988	**$ 152**
Disbursed	-	-	75	412	**542**
Activities[5]					
Approved	-	-	4	21	**4**
Completed	-	-	1	7	**14**

1 Includes project development studies and related activities, capacity-building initiatives, and studies to identify needs and generate knowledge about a new sector or technology.

2 Funding committed from the UMI budget to support the development and/or presentation of seminars.

3 Programs funded with grants from the U.S. Environmental Protection Agency (EPA). Figures reflect activity under NADB administration beginning as of November 10, 2017. Disbursements exclude administrative expenses.

4 Includes project development studies and related activities, such as final design.

5 Includes studies and workshops on topics related to clean air, safe drinking water, reduced risk of exposure to hazardous waste and emergency preparedness.

Results of Operation

The main source of revenue for NADB is net interest income—the difference between the income generated from its loan portfolio and investment holdings and the interest expense from its borrowed funds. In 2019, the Bank had interest revenue of US$84.3 million and interest expense of US$44.6 million, providing net interest income of US$39.7 million, up 25.2% from the prior year.

Operating expenses, which include loan loss reserves, totaled US$19.2 million in 2019, up 20.8% from a year earlier, resulting in net operating income of US$20.5 million, up 29.5% from 2018.

Non-interest income and non-operating expenses were US$9.9 million in 2019, up 26.0% from a year earlier, resulting in income before program activities of US$30.4 million, up 28.4% from 2018.

Program expenses, consisting of the net result of grant income plus reimbursed administrative expenses minus grant and technical assistance disbursements, were US$672,834, down 73.5% from 2018.

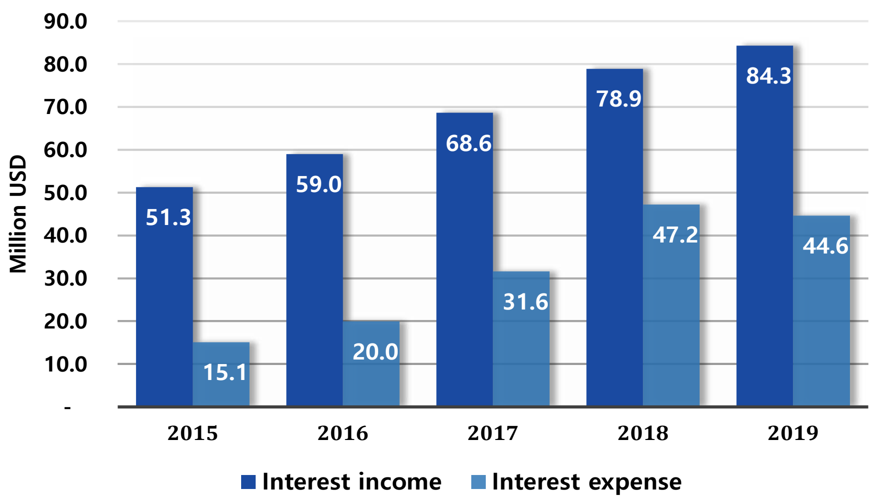
After program expenses and non-controlling interest, the Bank had net income of US$29.7 million, 40.6% up from US$ 21.1 million in 2018 (Table 17).

TABLE 17 Income Statement
(Million USD)

	2018	2019	Change (%)
Loan interest income	$ 62.0	**$ 65.6**	5.9
Investment interest income	16.9	**18.7**	10.2
	78.9	**84.3**	6.8
Interest expense	47.2	**44.6**	(5.5)
Net interest income	31.7	**39.7**	25.2
Operating expenses	15.8	**19.2**	20.8
Net operating income	15.8	**20.5**	29.5
Total non-interest income and non-operating expenses	7.8	**9.9**	26.0
Income before program activities	23.7	**30.4**	28.4
Net program expenses	2.5	**0.7**	(73.5)
Net income	$ 21.1	**$ 29.7**	40.6

Net Interest Income. In 2019, net interest income grew 25.2% over the previous year, to reach US$39.7 million. Interest income of US$84.3 million in 2019 was 6.8% greater than in 2018, driven by an increase of 5.9% in loan interest income of US$65.6 million. The increase in interest revenue was boosted by the increase in interest rates and the growth of the loan portfolio. Interest expense decreased 5.5% to US$44.6 million, due to lower outstanding debt after a US$300-million debt issuance maturing in October 2018 was paid.

FIGURE 7 | Interest Income vs. Interest Expense



Operating Expenses. Operating expenses, which include loan loss reserves, totaled US$19.2 million in 2019, up 22.6% from a year earlier. In 2019, personnel expenses increased 15.6% over the previous year, mainly as a result of a one-time post-retirement benefit expense of US$2.1 million. During 2018, loan loss provisions were reduced by US$2.0 million, while in 2019 provisions were increased by US$62,338.

TABLE 18 | Operating Expenses (Million USD)

Category	2018	2019	% Change
Personnel	$ 12.8	**$ 14.9**	15.6
General & administrative	2.4	**2.3**	(4.9)
Consultants & contractors	2.2	**1.8**	(15.8)
Provision for loan losses	(2.0)	**0.1**	(103.2)
Depreciation	0.2	**0.1**	(17.2)
Total	$ 15.6	**$ 19.2**	22.6

Non-interest Income and Non-operating Expenses. Total non-interest and non-operating income (expenses) were US$9.9 million in 2019, up 26.0% from a year earlier. This category consists of net foreign exchange gains (losses) and net gains (losses) from swaps used for hedging (both of which are non-cash items), as well as net gains (losses) on sales of available-for-sale investment securities, loan fees and other miscellaneous income and expenses (Table 19). It also includes contributions from the U.S. and Mexican governments, which were the main source of funding for the Border Environment

Cooperation Commission (BECC) prior to its merger with NADB. The increase in 2019 is mainly related to net income from hedging activities.

Net Program Expenses. These expenses consist of the net result of grant income plus reimbursed administrative expenses minus grant and technical assistance disbursements for studies, training and project implementation. In 2019, net program expenses were US$672,834, down 73.5% from a year earlier. The change is mostly due to the CAP program which had US$252,438 in 2019 disbursements compared to US$2.3 million in 2018.

TABLE 19 Non-interest Income and Non-operating Expenses (Million USD)

Category	2018	2019	% Change
Government contributions	$ 4.7	**$ 4.7**	–
Gains on sales and call of investment securities	–	**0.1**	1,700.0
Net income (expense) from hedging activities	2.6	**4.4**	72.8
Net income from foreign exchange activities	0.2	**–**	(100.0)
Fees and other income	0.6	**0.7**	0.5
Loss on real estate owned	(0.3)	**–**	(100.0)
Total	$ 7.8	**$ 9.9**	26.0

TABLE 20 Net Program Income (Million USD)

	2018	2019	% Change
Program Income			
EPA grant income:			
BEIF	$ 0.8	**$ 1.0**	29.5
PDAP	1.4	**1.7**	20.7
Border 2020	0.5	**0.7**	34.7
Total program income	2.6	**3.3**	25.9
Program Expenses			
NADB grant disbursements			
CAP	2.3	**0.3**	(89.0)
TAP	0.2	**0.1**	(51.4)
UMI	–	**0.1**	–
Total NADB grant disbursements	2.5	**0.5**	(79.8)
EPA grant expenditures:			
Administrative expenses:			
BEIF	0.8	**1.0**	29.5
PDAP	0.8	**0.7**	(10.9)
Border 2020	0.1	**0.3**	222.6
Grant disbursements:			
PDAP	0.6	**1.0**	58.3
Border 2020	0.4	**0.5**	31.9
Total EPA grant expenditures	2.6	**3.5**	31.9
Total program expenses	5.2	**4.0**	(22.8)
Net program income (expenses)	$ (2.5)	**$ (0.7)**	(73.5)

Financial Position

Equity

As of December 31, 2019, total equity was US$683.0 million, an increase of 4.6% (US$29.9 million) compared to US$653.0 million at the close of 2018.

Capital. During 2019 there was no change in the capitalization of the Bank. As of December 31, 2019 and 2018, NADB had US$415 million in paid-in capital, along with US$2,352 million in corresponding callable capital. A breakdown of the capital stock by source and type is provided in Table 21. Additional details about the capitalization of the Bank are provided in Note 7 of the consolidated financial statements.

TABLE 21 Capital Funded as of December 31, 2019
(Million USD)

Source	
Mexico	$ 1,416.67
United States	1,350.00
Total	$ 2,766.67
Type	
Paid-in	$ 415.00
Callable	2,351.67
Total	$ 2,766.67

It is worth noting that in January 2020 the U.S. Government signed into law the United States-Mexico-Canada Agreement (USMCA). Within this legislation, the U.S. authorized 22,500 shares of paid in capital of NADB with a par value of US$10,000 per share or US$225,000,000 and appropriations of US$215,000,000. Prior to this date, the capital shares were conditionally subscribed subject to the necessary authorizing legislation and availability of appropriations.

Retained Earnings and Reserves. During 2019, retained earnings grew 13.0% to a total of US$258.6 million from US$228.9 million at the end of 2018 and are held in the General Reserve.

In accordance with its retained earnings policy, NADB also maintains four specific 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 2018 and 2019, all the reserves were fully funded.

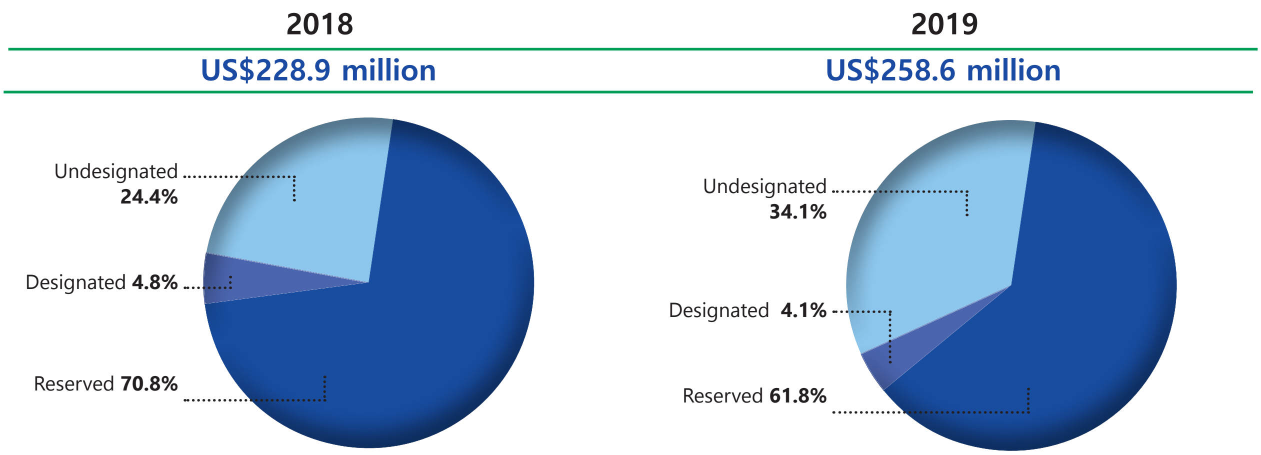
Table 22 provides a breakdown of the retained earnings allocated to reserves and programs at the end of 2018 and 2019. The balance of reserves decreased US$2.3 million (1.4%) in 2019, mainly because of a 22.2% reduction in debt service reserve requirements offset by a 14% increase in capital preservation reserve requirements. During the same period, the balance designated to programs decreased US$374,915 (3.4%) due to program expenditures. The Bank had US$88.2 million in undesignated retained earnings at the end of 2019, an increase of 58.0% (US$32.4 million) compared to the balance at the end of 2018 (US$55.8 million).

TABLE 22 | Reserved and Designated Retained Earnings
(Million USD)

	12/31/2018	12/31/2019	% Change
Reserved Retained Earnings			
Debt Service Reserve	$ 49.2	**$ 38.3**	(22.2)
Operating Expenses Reserve	21.8	**21.8**	0.2
Special Reserve*	30.0	**30.0**	-
Capital Preservation Reserve	61.1	**69.7**	14.0
Total reserved	$ 162.1	**$ 159.8**	(1.4)
Designated Retained Earnings			
Community Assistance Program (CAP)	$ 8.0	**$ 7.7**	(3.2)
Water Conservation Investment Fund (WCIF)	0.1	**0.1**	-
Technical Assistance Program (TAP)	2.9	**2.8**	(4.2)
Total designated	$ 11.0	**$ 10.6**	(3.4)

* 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.

FIGURE 8 | Retained Earnings Distribution



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 did not issue any new debt in the capital markets during 2019. In 2018, the Bank issued an 8-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$126.4 million.

Gross outstanding debt totaled US$1,309 million and US$1,315 million at the close of 2018 and 2019, respectively. A breakdown of gross outstanding debt by type, currency and maturity is shown in Table 23. All of the debt was issued at fixed rates and mostly in U.S. dollars, except for three issues in Swiss francs and one issue in Norwegian kroner. Most of the debt has been hedged through interest rate swaps, effectively changing it to floating rates. The four debt issues not denominated in U.S. dollars were hedged by cross-currency interest rate swaps, effectively changing them to floating rates in U.S. dollars.

TABLE 23 Gross Debt
(Million USD)

	12/31/2018	12/31/2019
By Type		
Notes payable	$ 1,283.0	**$ 1,283.0**
Other borrowings	31.6	**26.3**
Total	$ 1,314.6	**$ 1,309.3**
By Currency		
U.S. dollars	$ 761.6	**$ 756.3**
Swiss francs	379.6	**379.6**
Norwegian kroner	173.4	**173.4**
Total	$ 1,314.6	**$ 1,309.3**
By Maturity		
Short term	$ 5.3	**$ 255.2**
Long term	1,309.3	**1,054.1**
Total	$ 1,314.6	**$ 1,309.3**

In accordance with its debt limit policy, total debt outstanding may not exceed at any time the callable portion of the subscribed capital shares, plus the minimum liquidity level required under the liquidity policy. With US$2,352 million in subscribed callable capital and a minimum liquidity level of US$490 million, the maximum debt limit was US$2,842 million, 0.5% lower than the maximum limit in 2018 (US$2,855 million). At the close of 2019, total debt outstanding (US$1,309 million) accounted for 46.1% of the debt limit.

Liquidity

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. Minimum liquidity requirements are 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 requirement in 2019 was US$490 million, and liquidity remained above the required minimum level throughout the year.

For 2020, the minimum liquidity level will be US$483 million in January and, upon redemption of a US$250-million debt issuance that will mature in February 2020, the minimum liquidity level will decrease to US$233 million for the rest of the year.

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 investments held in the liquidity portfolio are designated as available-for-sale. As of December 31, 2019, 82.6% of the liquid asset portfolio was comprised of highly liquid assets (cash, cash equivalents and U.S.

Treasuries and government agencies). The remaining 17.4% was comprised of other types of liquid assets held by the Bank. A breakdown of the Bank's liquid assets at the close of 2019 and 2018 is provided in Table 24.

The portfolio of liquid assets decreased 5.8% (US$46.4 million) in 2019, compared to the prior-year balance. At the close of 2019, the Bank's liquid assets represented 37.3% of total assets (US$2,007 million) and 57.2% of total gross debt (US$1,309 million), as opposed to 40.6% of total assets (US$1,959 million) and 60.5% of total gross debt (US$1,315 million) at the end of 2018.

TABLE 24 | Liquid Assets (Million USD)

Type of Security	12/31/2018	12/31/2019
Cash and cash equivalents	$ 175.0	**$ 121.6**
U.S. Treasury securities	281.4	**432.4**
U.S. agency securities	119.5	**65.1**
Mexican government securities (UMS)	15.2	**14.3**
Corporate debt securities	1.2	**90.0**
Other fixed-income securities	203.5	**26.0**
Total	$ 795.8	**$ 749.4**

The Bank manages 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. Under these policies, the Bank is restricted from investing more than 5% of its investment portfolio in the securities of any one issuer, excluding obligations of the U.S. Government, the Mexican Government and U.S. government agencies. The majority of the securities must be rated AA (or its equivalent) or higher by a recognized securities rating agency. There are only two exceptions: 1) Mexican government securities; and 2) corporate debt securities denominated in U.S. dollars and rated A (or its equivalent) or higher, which cannot exceed 25% of the total investment portfolio.

Risk Management

Given the nature of its business, NADB is subject to credit, market, liquidity and operational risks. The Bank operates within a conservative risk management framework in accordance with the provisions of its Charter and the policies approved by the Board of Directors and has a Risk Management and Control Department that continually assesses and reinforces all aspects of the Bank's risk management strategy and tools.

Credit Risk

As a result of its core activity of providing environmental infrastructure loans, NADB is subject to potential losses arising from the failure of a borrower to pay principal and/or interest on a loan in accordance with the agreed-upon terms (loan portfolio credit risk), as well as from the possible default of an investment or swap counterparty (counterparty risk).

Loan Portfolio Credit Risk. To mitigate this risk, NADB has established prudent policies limiting its exposure per project and per obligor and actively seeks to share the risk with other financial institutions. The Bank follows a well-established loan review and structuring process based on a thorough analysis of the technical and financial characteristics of the project, as well as the managerial capacity and credit quality of the borrower. As part of this process, all loan proposals must be reviewed and approved by the Funding Committee prior to submission to the Board. To support the Funding Committee's analysis, an expert advisor may be hired to provide an independent assessment of the potential risks associated with a given loan. Finally, the Bank continually monitors covenant compliance and the financial stability of each borrower throughout the term of the loan. Each project is evaluated annually and assigned an internal credit rating using project-specific methodologies designed by NADB based on industry standards. The credit ratings help quantify the risk of default of each project loan.

To further mitigate this credit default risk, all loans in the Bank's outstanding portfolio are secured by some form of credit support, such as project revenue, borrower cash flows, senior liens on project equity and assets, step-in rights or, in the case of loans to Mexican states and municipalities, federal tax revenue pledged to an irrevocable trust or pursuant to a mandate agreement. The Bank also maintains an allowance for loan losses, as well as a Special Reserve funded from its retained earnings, which are available to offset any losses on outstanding loans or pay expenses relating to the enforcement of the Bank's rights under outstanding loan agreements.

Lending Limits. Under the 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, 2019, the total unimpaired subscribed capital of the Bank was just under US$2.8 billion (paid-in capital and corresponding callable capital) and its unimpaired reserves and undesignated retained earnings came to US$248.0 million, for a total loan limit of US$3.0 billion, which represents an increase of US$30.1 million (1.0%) over the previous year. At the close of 2019, the balance of outstanding loans (US$1.30 billion) represented 43.2% of this limit.

The Bank also imposes limits per project and per borrower. By policy, NADB cannot lend a project more than 85% of eligible project costs. Since 2013, the single obligor limit (SOL) is set at 20% of the sum of 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. In addition to limiting potential credit risk, the SOL fosters diversification of the loan portfolio, while still accommodating increases in the limit as the capacity of the Bank to absorb unexpected losses increases.

At the close of 2019, the SOL was US$120.6 million. Nevertheless, the Bank has been pursuing a more moderate lending strategy that entails taking a smaller stake in large projects, not only as a means of reducing its credit risk exposure and managing its capital resources, but also to encourage increased investment from the private sector in public infrastructure and services. The largest loan contracted and outstanding in 2019 was for US$100 million.

TABLE 25 | Single Obligor Limits (SOL)
(Million USD)

	12/31/2018	12/31/2019
20% SOL	$ 112.4	**$ 120.6**
30% SOL	168.6	**180.9**

Counterparty Risk. The main sources of the Bank's counterparty risk are the financial instruments in which the Bank invests its liquidity and the swap transactions it enters into with other financial institutions as the counterparty. The Bank maintains cash and cash equivalents, investments, and certain other financial instruments with various major financial institutions, performs periodic evaluations of their financial performance and relative credit standing, and limits the amount of credit exposure with any one institution. The criteria for selection of potential swap counterparties requires Board authorization, and NADB signs an International Swap and Derivatives Association (ISDA) agreement with appropriate collateral support provisions with the commercial banks with which it enters into swap transactions. As its hedging needs have evolved, the Bank has expanded its list of eligible counterparties with the dual purpose of allowing for price competition while simultaneously diversifying counterparty risk exposure. All swaps are currently with 11 counterparties, two of which are backed by the Government of Mexico. The other nine are commercial financial institutions with ratings ranging from AA to BBB from two internationally-recognized rating agencies, with some institutions having a split rating.

Market and Liquidity Risk

The Bank is exposed to market risks related to general market movements, mainly through fluctuations in interest and exchange rates affecting earnings on its loan and investment portfolios and the cost of its external borrowings. Liquidity risk arises from an inability to meet contractual obligations in a timely manner without adversely affecting the daily operations or the financial condition of the institution.

To mitigate market risks, NADB makes extensive use of financial derivatives, mainly interest-rate and cross-currency swaps, for the sole purpose of hedging its positions. Loans with repayment sources in Mexican pesos must be hedged to U.S. dollars (unless the source of funds is also in pesos), while fixed-rate loans and investments are mostly swapped to a variable rate.

To maintain adequate liquidity and protect the investment portfolio from significant losses caused by interest rate movements, the average duration of the portfolio may not exceed four years. Moreover, the Bank structures the portfolio so that its investment securities mature concurrent with anticipated cash flow requirements, with additional consideration for unanticipated cash demands. Additional information about the Bank’s liquidity and investment policies is provided in the preceding section on Liquidity.

Operational Risk

Operational risk is the potential loss arising from external events or from the inadequacy or failure of internal processes and systems or human error. It includes fraud and failures in the execution of legal, fiduciary and contractual responsibilities. These risks stem from the manner in which the Bank is operated, as opposed to the risk arising from its financial transactions. NADB manages its operational risk through a system of internal controls based on established policies and procedures for all significant areas of operation, including funds management, disbursements, procurement and financial reporting.

NADB is in the process of developing an Enterprise Resource Planning (ERP) system that will improve workflow and control mechanisms for administrative, financial and project processes. It consists of a suite of integrated applications that will collect, store, manage and interpret organizational data from all departments in order to provide a real-time integrated view of core business processes and the ability to report on the status of ongoing projects. The ERP system will boost operational efficiency, as well as mitigate risks related to human error. The first two phases of the system were implemented in 2019, and work to implement the final phase began in October 2019.

As part of its best practices, NADB has money-laundering prevention procedures in place for all monetary transactions, including disbursements to projects and payments to suppliers and service providers for its daily operations. Companies are independently screened against a series of compliance lists for any potential risks using specialized software.

The Bank outsources the internal audit function as a means of strengthening its operational framework with an emphasis on risk management. Garza/Gonzalez and Associates was selected through a competitive process to provide the internal audit services. During 2019, the firm performed five process audits, including technical assistance contracts; management of non-performing loans; grant project implementation and follow-up; payroll; and loan project development. No significant findings were reported.

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 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 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 consistent with industry practices. 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 judgment about the credit quality of the loan portfolio, and the allowance is maintained at a level considered appropriate 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.

External Auditors

The accounts of the Bank are audited annually by independent external auditors with established international experience chosen by the Board of Directors based on 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.

Ernst & Young LLP completed a two-year extension, as approved by the Board of Directors, of its second five-year term as the external auditor of the Bank in 2018. In compliance with its procurement and external auditor policies, NADB carried out a competitive bid process in 2019 to select a new accounting firm to perform the annual audit of its accounts. BDO USA LLP (BDO) won the bid and was appointed by the Board of Directors to perform the annual audit of the Bank's accounts for fiscal years 2019 through 2023. The Bank signed a contract with BDO to carry out the annual audit of its accounts for fiscal year 2019.

North American Development Bank

Consolidated Financial Statements (and supplementary information)

As of December 31, 2019 and 2018

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North American Development Bank
San Antonio, Texas

We have audited the accompanying consolidated financial statements of North American Development Bank (the "Bank"), which comprise the consolidated balance sheet as of December 31, 2019, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of North American Development Bank as of December 31, 2019, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The 2018 consolidated financial statements of North American Development Bank were audited by other auditors, whose report dated March 29, 2019 expressed an unqualified opinion on those statements.

Emphasis of a Matter – COVID-19

As more fully described in Note 16 to the consolidated financial statements, the Bank could be negatively impacted by the outbreak of a novel coronavirus (COVID-19), which was declared a global pandemic by the World Health Organization in March 2020.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated 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 consolidated financial statements as a whole.

BDO USA, LLP

March 31, 2020

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets

December 31,		2019		2018
Assets				
Cash and cash equivalents:				
Held at other financial institutions in demand deposit accounts	$	**406,916**	$	374,898
Held at other financial institutions in interest bearing accounts		**45,890,923**		48,419,515
Repurchase agreements		**75,300,000**		126,300,000
Cash and cash equivalents		**121,597,839**		175,094,413
Held-to-maturity investment securities, at amortized cost		**4,038,722**		3,335,360
Available-for-sale investment securities, at fair value		**627,900,720**		620,823,835
Loans outstanding		**1,301,746,523**		1,284,477,904
Allowance for loan losses		**(19,216,845)**		(19,154,507)
Unamortized loan fees		**(12,284,799)**		(12,685,298)
Foreign currency exchange rate adjustment		**(33,301,924)**		(40,516,565)
Hedged items, at fair value		**(62,856,585)**		(155,900,516)
Net loans outstanding		**1,174,086,370**		1,056,221,018
Interest receivable		**15,987,916**		15,941,621
Grant and other receivable		**1,310,349**		1,499,144
Furniture, equipment and leasehold improvements, net		**167,710**		251,731
Other assets		**62,393,503**		85,890,652
Total Assets	**$**	**2,007,483,129**	$	1,959,057,774
Liabilities and Equity				
Current Liabilities				
Accounts payable	**$**	**814,012**	$	1,064,675
Accrued liabilities		**1,921,177**		2,560,410
Accrued interest payable		**17,487,066**		18,367,661
Undisbursed grant funds		**9,880**		1,002
Other liabilities		**1,466,112**		7,257,372
Short-term debt, net of discounts and unamortized debt issuance costs		**255,238,795**		5,263,000
Hedged item, at fair value		**357,621**		–
Net short-term debt		**255,596,416**		5,263,000
Total Current Liabilities		**277,294,663**		34,514,120
Long-term Liabilities				
Long-term post-retirement benefits payable		**2,481,519**		–
Long-term debt, net of discounts and unamoritized debt issuance costs		**1,050,594,907**		1,304,721,548
Hedged items, at fair value		**(5,851,918)**		(33,204,590)
Net long-term debt		**1,044,742,989**		1,271,516,958
Total Long-term Liabilitites		**1,047,224,508**		1,271,516,958
Total liabilities		**1,324,519,171**		1,306,031,078
Equity				
Paid-in capital		**415,000,000**		415,000,000
General Reserve:				
Retained earnings:				
Designated		**10,613,305**		10,988,220
Reserved		**159,763,504**		162,065,724
Undesignated		**88,221,692**		55,843,436
Accumulated other comprehensive income		**9,360,292**		9,124,014
Non-controlling interest		**5,165**		5,302
Total Equity		**682,963,958**		653,026,696
Total Liabilities and Equity	**$**	**2,007,483,129**	$	1,959,057,774

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

Consolidated Statements of Income

Years Ended December 31,		2019		2018
Interest Income				
Loans	**$**	**65,635,241**	$	61,981,255
Investments		**18,667,228**		16,938,554
Total Interest Income		**84,302,469**		78,919,809
Interest expense		**44,647,559**		47,242,402
Net Interest Income		**39,654,910**		31,677,407
Operating Expenses (Income)				
Personnel		**14,846,765**		12,839,428
General and administrative		**2,285,686**		2,404,145
Consultants and contractors		**1,834,600**		2,175,543
Provision for loan losses		**62,338**		(1,953,438)
Other		**(9,572)**		(4,506)
Depreciation		**129,862**		156,798
U.S. Domestic Program		–		230,535
Total Operating Expenses		**19,149,679**		15,848,505
Net Operating Income		**20,505,231**		15,828,902
Non-interest income and Non-operating Income (Expenses):				
U.S. Department of State contribution		**2,902,000**		2,902,000
Ministry of Environment and Natural Resources (SEMARNAT) contribution		**1,793,750**		1,793,750
Gains on securities		**90,325**		5,111
Income from hedging activities, net		**4,437,134**		2,566,698
Income from foreign exchange activities, net		–		213,393
Fees and other income, net		**645,378**		642,284
Loss on other real estate owned		–		(290,300)
Total Non-interest Income and Non-operating Income		**9,868,587**		7,832,936
Income before Program Activities		**30,373,818**		23,661,838
Program Activities				
Border Environment Infrastructure Fund (BEIF):				
U.S. Environmental Protection Agency (EPA) grant income		**997,312**		772,003
EPA grant administration expense		**(997,312)**		(772,003)
Community Assistance Program expense		**(252,438)**		(2,284,995)
Technical Assistance Program:				
EPA grant income		**2,330,796**		1,872,834
EPA grant administration expense		**(970,502)**		(844,211)
Inter-American Development Bank (IDB) Multilateral Investment Fund (MIF) grant income		–		10,621
Technical assistance expenses		**(1,780,690)**		(1,290,290)
Other grant income		**32,687**		13,776
Other grant administration expense		**(32,687)**		(13,776)
Net Program Expenses		**(672,834)**		(2,536,041)
Net Income		**29,700,984**		21,125,797
Non-controlling interest in net loss		**(137)**		(173)
Controlling Interest in Net Income	**$**	**29,701,121**	$	21,125,970

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

Consolidated Statements of Comprehensive Income

Years Ended December 31,	2019	2018
Net income	**$ 29,700,984**	$ 21,125,797
Non-controlling interest in net loss	**(137)**	(173)
Controlling interest in net income	**29,701,121**	21,125,970
Other Comprehensive Income (Loss)		
Available-for-sale investment securities:		
Change in unrealized gains (losses) during the period, net	**4,336,628**	96,684
Reclassification adjustment for net gains included in net income	**(87,852)**	(2,611)
Total unrealized gain in available-for-sale investment securities	**4,248,776**	94,073
Foreign currency translation adjustment	**(32,997)**	3,803
Unrealized gains (losses) on hedging activities:		
Foreign currency translation adjustment, net	**7,214,641**	5,480,786
Fair value of cross-currency interest rate swaps, net	**(11,194,142)**	(8,221,092)
Total unrealized loss on hedging activities	**(3,979,501)**	(2,740,306)
Total Other Comprehensive Income (Loss)	**236,278**	(2,642,430)
Total Comprehensive Income	**$ 29,937,399**	$ 18,483,540

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, 2018	$ 415,000,000	$ 2,338,897	$ 205,682,513	$ 11,766,444	$ 5,475	$ 634,793,329
Transfer to Targeted Grant Program of the U.S. Domestic Program	–	(250,000)	–	–	–	(250,000)
Closeout of U.S. Domestic Program	–	(2,088,897)	2,088,897	–	–	–
Net income	–	–	21,125,970	–	–	21,125,970
Other comprehensive income	–	–	–	(2,642,430)	–	(2,642,430)
Non-controlling interest	–	–	–	–	(173)	(173)
Ending balance, December 31, 2018	415,000,000	–	228,897,380	9,124,014	5,302	653,026,696
Net income	**–**	**–**	**29,701,121**	**–**	**–**	**29,701,121**
Other comprehensive income	**–**	**–**	**–**	**236,278**	**–**	**236,278**
Non-controlling interest	**–**	**–**	**–**	**–**	**(137)**	**(137)**
Ending balance, December 31, 2019	**$ 415,000,000**	**$ –**	**$ 258,598,501**	**$ 9,360,292**	**$ 5,165**	**$ 682,963,958**

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

Consolidated Statements of Cash Flows

Years Ended December 31,	2019	2018
Cash Flows from Operating Activities		
Net income	**$ 29,701,121**	$ 21,125,970
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	**129,862**	156,798
Amortization of net premiums (discounts) on investments	**(4,590,154)**	(3,026,257)
Change in fair value of swaps, hedged items and other non-cash items	**(58,143,283)**	(17,976,051)
Non-controlling interest	**(137)**	(173)
Gains on securities, net	**(87,852)**	(5,111)
Provision for loan losses	**62,338**	(1,953,438)
Long-term post-retirement benefits payable	**2,481,519**	–
Change in other assets and liabilities:		
(Increase) decrease in interest receivable	**(46,295)**	12,840,026
Decrease in receivable and other assets	**188,795**	6,129,434
Decrease in accounts payable	**(250,663)**	(5,684,431)
Increase (decrease) in accrued liabilities	**(639,233)**	1,174,621
Decrease in accrued interest payable	**(880,595)**	(3,330,007)
Net cash provided by (used in) operating activities	**(32,074,577)**	9,451,381
Cash Flows from Lending, Investing, and Development Activities		
Capital expenditures	**(45,791)**	(53,534)
Loan principal repayments	**147,024,725**	176,337,591
Loan disbursements	**(164,293,344)**	(165,984,284)
Purchase of held-to-maturity investments	**(2,969,362)**	(610,000)
Purchase of available-for-sale investments	**(459,209,582)**	(905,827,329)
Proceeds from maturities and call of held-to-maturity investments	**2,266,000**	1,178,000
Proceeds from sales and maturities of available-for-sale investments	**461,059,479**	1,075,412,149
Net cash provided by (used in) lending, investing, and development activities	**(16,167,875)**	180,452,593
Cash Flows from Financing Activities		
Proceeds from note issuances	**–**	126,415,858
Principal repayment of other borrowings	**(5,263,000)**	(5,262,000)
Principal repayment of notes payable	**–**	(300,000,000)
Grant funds from the Environmental Protection Agency (EPA)	**11,607,674**	26,340,883
Grant funds from other sources	**119,708**	–
Grant disbursements – EPA	**(11,607,674)**	(26,340,883)
Grant disbursements – U.S. Domestic Program	**–**	(250,000)
Grant disbursements from other sources	**(110,830)**	–
Net cash used in financing activities	**(5,254,122)**	(179,096,142)
Net Increase (Decrease) in Cash and Cash Equivalents	**(53,496,574)**	10,807,832
Cash and Cash Equivalents, Beginning of Year	**175,094,413**	164,286,581
Cash and Cash Equivalents, End of Year	**$ 121,597,839**	$ 175,094,413
Supplemental Cash Information		
Cash paid during the year for interest	**$ 28,707,051**	$ 35,424,793
Significant Non-cash Transactions		
Foreign currency translation adjustment	**$ 7,214,641**	$ 5,480,786
Change in fair value of cross-currency interest rate swaps, net	**(11,194,142)**	(8,221,092)
Change in fair value of available-for-sale investments, net	**4,248,776**	94,073

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

Notes to 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 support domestic programs for community adjustment and investment projects throughout the U.S. and Mexico (the Domestic Programs). On March 16, 1994, the President of the United States issued an Executive Order designating the Bank as an international organization under the International Organization Immunities Act.

The Bank is governed by a Board of Directors appointed by the two countries. The operations of the Bank are subject to certain limitations outlined in the Charter. 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 headquartered in San Antonio, Texas, and also has an office in Ciudad Juarez, Chihuahua (Juarez Office).

The Bank provides loan and grant financing and technical assistance for environmental infrastructure projects approved by the Board, as appropriate, and administers grant funding provided by other entities. In accordance with the Charter, the Bank also made available limited funds from its equity to establish the domestic program of each country and administered 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, 2019, COFIDAN is 99.90% owned by the Bank and 0.10% owned by the Government of Mexico. The accounts of COFIDAN are consolidated with the Bank, and all material intercompany accounts and transactions are eliminated in the consolidation. The non-controlling interest reflected in the consolidated balance sheets and consolidated statements of income represents the ownership of the Government of Mexico 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 U.S. generally accepted accounting principles (GAAP) and are presented in a manner consistent with that of an international organization. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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 included in other assets, the fair value of derivative instruments included in other liabilities, long-term post-retirement benefits payable, and debt. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies (Continued)

Principles of Consolidation

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

Cash and Cash Equivalents

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

Repurchase Agreements

The Bank has entered into agreements with a major financial institution 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 that financial institution. The underlying securities related to the repurchase transaction are held in the possession of that financial institution.

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 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 at December 31, 2019 and 2018.

Taxation

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

2. Summary of Significant Accounting Policies (Continued)

Furniture, Equipment, and Leasehold Improvements

Furniture and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method. The estimated useful life is three years for computers and five years for furniture and other equipment. Leasehold improvements are recorded at cost and amortized over 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 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 on nonaccrual status when principal or interest is delinquent for 180 days (unless adequately secured and in the process of collection) or circumstances indicate that the full collection of principal and interest is in doubt. When a loan is placed in nonaccrual status, accrued interest deemed uncollectible is either reversed (if current-year interest) or charged against current-year interest (if prior-year interest).

2. Summary of Significant Accounting Policies (continued)

Loans and Allowance for Loan Losses (Continued)

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, and the ability of the borrower to fulfill the contractual repayment terms is fully expected. All three of these conditions must be met in order to return a loan to accrual status. If previously unrecognized interest income exists upon reinstatement of a nonaccrual loan to accrual status, interest income will only be recognized upon receipt of cash payments applied to the loan.

In cases where a borrower experiences financial difficulty 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.

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 general allowance is established for all loans. In 2019 the Bank modified the way in which it calculates the general allowance by estimating default rates for each loan using internal credit risk methodologies, along with statistical cumulative recovery rates for each sector. Additional details about these methodologies are provided below.

A specific allowance is established for impaired loans when it is probable that the Bank may sustain some loss. Impairment of these loans is measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate or the fair value of the collateral, if the loan is collateral dependent.

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

Loan Portfolio Risk Rating

During 2019, the Bank modified the way in which it assesses the quality of its loan portfolio by introducing internal credit risk methodologies. As a result, the risk categories expanded to nine from four (Pass, Special mention, Substandard, and Doubtful).

The internal portfolio risk methodologies are tailored to the characteristics of each transaction and project sector and were developed using both quantitative and qualitative variables to address both project and borrower risks. The analysis includes all financial and operating metrics relevant to the overall performance of the project, as well as any relevant credit risk mitigating measures. The variables are well defined and consistently applied to each individual loan. For each loan, the probability of default is estimated using the corresponding methodology and mapped onto the credit risk rating scale. The rating scale used in 2018 is shown for comparative purposes.

2. Summary of Significant Accounting Policies (Continued)

Loan Portfolio Risk Rating (Continued)

2019 Rating Scale			2018
Borrower Rating	Scale	Risk Grade	Rating Scale
1		A-1	
2		A-2	
3	A	A-3	Pass
4		B-1	
5		B-2	
6	B	B-3	
7	C	C	Special mention
8	D	D	Substandard
9	E	E	Doubtful

Government Contributions

The Bank receives contributions from the federal governments through the U.S. Department of State and the Mexican Ministry of Environment and Natural Resources (SEMARNAT), which are reflected in the consolidated statement of income.

Program Activities

Grant income from the U.S. Environmental Protection Agency (EPA) associated with the Border Environment Infrastructure Fund (BEIF) represents reimbursed administrative expenses. Such amounts are earned and recognized as grant income in the accompanying consolidated statements of income as the associated expenses are incurred. In addition, the Bank may receive and administer grants from other entities under cooperative agreements for the financing of joint projects. Reimbursed administrative expenses are recognized as grant income in the accompanying consolidated statements of income as the associated expenses are incurred.

Grant income from EPA and other sources associated with technical assistance activities represent reimbursed administrative expenses and technical assistance grant disbursements funded by those entities. Such amounts are earned and recognized as grant income in the accompanying consolidated statements of income as the associated expenses are incurred.

Program expenses also represent grant disbursements funded with previously designated retained earnings of the Bank through its Community Assistance Program (CAP), Water Conservation Investment Fund (WCIF) and Technical Assistance Program. 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-funded BEIF grants 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

2. Summary of Significant Accounting Policies (Continued)

Foreign Currency (Continued)

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, 2019, 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 nine (9) other financial institutions. The foreign currency translation adjustment on loans denominated in Mexican pesos as of December 31, 2019 and 2018 was $(33,301,924) and $(40,516,565), 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 as non-interest 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, U.S. agency securities, corporate debt securities, other fixed income securities, and Mexican government securities (UMS).

2. Summary of Significant Accounting Policies (Continued)

Fair Value (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 cross-currency interest rate swaps and interest rate swaps.

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

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, 2019 and 2018.

	Amortized Cost	Gross Unrealized		Fair Value
December 31, 2019		**Gains**	**Losses**	
Held-to-maturity:				
U.S. government securities	**$ 3,575,722**	**$ 15,800**	**$ (5,670)**	**$ 3,585,852**
U.S. agency securities	**463,000**	**–**	**(32)**	**462,968**
Total held-to-maturity investment securities	**4,038,722**	**15,800**	**(5,702)**	**4,048,820**
Available-for-sale:				
U.S. government securities	**431,399,709**	**1,070,888**	**(57,102)**	**432,413,495**
U.S. agency securities	**65,065,747**	**89,882**	**(32,206)**	**65,123,423**
Corporate debt securities	**89,491,507**	**559,199**	**(8,410)**	**90,042,296**
Other fixed-income securities	**25,931,037**	**77,166**	**(13,054)**	**25,995,149**
Mexican government securities (UMS)	**14,093,290**	**251,701**	**(18,634)**	**14,326,357**
Total available-for-sale investment securities	**625,981,290**	**2,048,836**	**(129,406)**	**627,900,720**
Total investment securities	**$ 630,020,012**	**$ 2,064,636**	**$ (135,108)**	**$ 631,949,540**

	Amortized Cost	Gross Unrealized		Fair Value
December 31, 2018		Gains	Losses	
Held-to-maturity:				
U.S. agency securities	$ 3,335,360	$ 2,017	$ (23,674)	$ 3,313,703
Total held-to-maturity investment securities	3,335,360	2,017	(23,674)	3,313,703
Available-for-sale:				
U.S. government securities	282,187,720	239,637	(979,644)	281,447,713
U.S. agency securities	119,904,756	59,491	(465,849)	119,498,398
Corporate debt securities	149,796,837	52,802	(737,541)	149,112,098
Other fixed-income securities	55,678,638	1,755	(106,461)	55,573,932
Mexican government securities (UMS)	15,585,230	1,278	(394,814)	15,191,694
Total available-for-sale investment securities	623,153,181	354,963	(2,684,309)	620,823,835
Total investment securities	$ 626,488,541	$ 356,980	$ (2,707,983)	$ 624,137,538

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, 2019 and 2018.

	Less Than 12 Months		12 Months or More		Total	
December 31, 2019	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Held-to-maturity:						
U.S government securities	$ **1,763,893**	$ **5,670**	$ **–**	$ **–**	$ **1,763,893**	$ **5,670**
U.S. agency securities	**462,968**	**32**	**–**	**–**	**462,968**	**32**
Total held-to-maturity securities	**2,226,861**	**5,702**	**–**	**–**	**2,226,861**	**5,702**
Available-for-sale:						
U.S. government securities	**3,822,874**	**245**	**21,249,428**	**56,857**	**25,072,302**	**57,102**
U.S. agency securities	**–**	**–**	**8,765,302**	**32,206**	**8,765,302**	**32,206**
Corporate debt securities	**3,122,705**	**1,186**	**4,992,000**	**7,224**	**8,114,705**	**8,410**
Other fixed-income securities	**2,664,488**	**1,339**	**3,754,812**	**11,715**	**6,419,300**	**13,054**
Mexican government securities (UMS)	**3,605,000**	**18,634**	**–**	**–**	**3,605,000**	**18,634**
Total available-for-sale investment securities	**13,215,067**	**21,404**	**38,761,542**	**108,002**	**51,976,609**	**129,406**
Total temporarily impaired securities	**$ 15,441,928**	**$ 27,106**	**$ 38,761,542**	**$ 108,002**	**$ 54,203,470**	**$ 135,108**

	Less Than 12 Months		12 Months or More		Total	
December 31, 2018	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Held-to-maturity:						
U.S. agency securities	$ 2,705,325	$ 23,674	$ –	$ –	$ 2,705,325	$ 23,974
Available-for-sale:						
U.S. government securities	213,189,806	979,645	–	–	213,189,806	979,645
U.S. agency securities	65,854,290	465,848	–	–	65,854,290	465,848
Corporate debt securities	123,662,566	737,542	–	–	123,662,566	737,542
Other fixed-income securities	51,150,386	106,460	–	–	51,150,386	106,460
Mexican government securities (UMS)	14,196,744	394,814	–	–	14,196,744	394,814
Total available-for-sale investment securities	468,053,792	2,684,309	–	–	468,053,792	2,684,309
Total temporarily impaired securities	$ 470,759,117	$ 2,707,983	$ –	$ –	$ 470,759,117	$ 2,707,983

None of the unrealized losses identified in the preceding table are considered to be other-than-temporary or related to a credit impairment of an issuer as of December 31, 2019. As of that same date, the Bank did not have the intent to sell any of the securities with unrealized losses and believed that it was more-likely-than-not that the Bank would not be required to sell any such securities before a recovery of cost.

3. Investments (continued)

Contractual maturities of investments as of December 31, 2019 and 2018 are summarized in the following tables.

	Held-to-Maturity Securities		Available-for-Sale Securities	
December 31, 2019	**Fair Value**	**Amortized Cost**	**Fair Value**	**Amortized Cost**
Less than 1 year	**$ 1,729,878**	**$ 1,718,471**	**$ 512,521,292**	**$ 512,218,478**
1–5 years	**2,318,942**	**2,320,251**	**115,379,428**	**113,762,812**
5–10 years	**–**	**–**	**–**	**–**
More than 10 years	**–**	**–**	**–**	**–**
	$ 4,048,820	**$ 4,038,722**	**$ 627,900,720**	**$ 625,981,290**
December 31, 2018				
Less than 1 year	$ 2,248,659	$ 2,266,000	$ 309,268,703	$ 309,628,251
1–5 years	1,065,044	1,069,360	311,555,132	313,524,930
5–10 years	–	–	–	–
More than 10 years	–	–	–	–
	$ 3,313,703	$ 3,335,360	$ 620,823,835	$ 623,153,181

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, 2019 and 2018.

Year Ended December 31,	**2019**	2018
Held-to-maturity investment securities:		
Proceeds from maturities	**$ 2,266,000**	$ 1,178,000
Available-for-sale investment securities:		
Proceeds from sales and maturities	**461,059,479**	1,075,412,149
Gross realized gains	**102,627**	4,980
Gross realized losses	**14,775**	2,369

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, 2019 and 2018.

Year Ended December 31,	**2019**	2018
Net unrealized losses on investment securities available-for-sale, beginning of year	**$ (2,329,346)**	$ (2,423,419)
Net unrealized gains on investment securities available-for-sale, arising during the year	**4,336,628**	96,684
Reclassification adjustments for net (gains) losses on investment securities available-for-sale included in net income	**(87,852)**	(2,611)
Net unrealized gains (losses) on investment securities available-for-sale, end of year	**$ 1,919,430**	$ (2,329,346)

4. Loans

The following schedule summarizes loans outstanding as of December 31, 2019 and 2018.

December 31,	2019	2018
Loan balance	$ 1,301,746,523	$ 1,284,477,904
Allowance for loan losses:		
General	(16,834,062)	(16,827,406)
Specific	(2,382,783)	(2,327,101)
Unamortized loan fees	(12,284,799)	(12,685,298)
Foreign currency exchange rate adjustment	(33,301,924)	(40,516,565)
Fair value of hedged items	(62,856,585)	(155,900,516)
Net loans outstanding	$ 1,174,086,370	$ 1,056,221,018

At December 31, 2019 and 2018, outstanding unfunded loan commitments on signed loan agreements totaled $99,857,959 and $150,637,189, respectively. As of December 31, 2019, the Bank had loan agreements under development for an additional $128,846,885.

The Bank under certain circumstances offered below-market-rate loans. As of December 31, 2019, and 2018, the Bank had below-market-rate loans outstanding of $27,438,337 and $31,504,406, respectively.

The following table presents the loan portfolio by sector as of December 31, 2019 and 2018.

December 31,	2019	2018
Air quality	$ 78,483,962	$ 86,833,221
Basic urban infrastructure	34,525,116	36,005,319
Clean energy:		
Solar	429,095,367	312,603,682
Wind	590,585,436	644,675,776
Other	2,945,529	3,552,841
Public transportation	42,004,524	38,390,399
Solid waste	2,845,000	–
Storm drainage	10,713,740	11,974,394
Water and wastewater	110,547,849	150,442,272
	$ 1,301,746,523	$ 1,284,477,904

The following table presents the loan portfolio by borrower type as of December 31, 2019 and 2018.

December 31,	2019	2018
Private	$ 1,062,617,460	$ 996,974,427
Public	180,595,606	195,216,867
Public-private	58,533,457	92,286,610
	$ 1,301,746,523	$ 1,284,477,904

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

4. Loans (Continued)

The following table presents the loan portfolio by risk category as of December 31, 2019 and 2018. These risk categories are defined in Note 2, along with additional information on how the Bank evaluates credit quality.

December 31,	2019	2018[1]
A-1	**$ 34,593,756**	$ 53,797,752
A-2	**355,904,478**	323,118,217
A-3	**610,206,818**	567,893,919
B-1	**276,452,024**	313,855,929
B-2	**9,529,283**	9,872,898
B-3	**932,135**	1,304,571
C	**–**	–
D	**14,128,029**	14,634,618
E	**–**	–
	$ 1,301,746,523	$ 1,284,477,904

1 The 2018 figures are presented for comparative purposes since the rating methodology became effective during 2019. Loans rated as A1 – B3 above were classified as "Pass" as of December 31, 2018 and totaled $1,269,843,286. The loan rated as "D" was classified as "Special Mention" as of December 31, 2018. Pass rated loans were not considered to have a greater than normal credit risk. Special Mention rated loans exhibited potential weaknesses that deserved the Bank's close attention.

As of December 31, 2019, and 2018, the Bank had one non-accrual loan with an outstanding balance of $14,128,029 and $14,634,618, respectively.

In July 2018, the Bank restructured a non-accrual loan as a "troubled debt restructuring" with a restructured balance of $14,976,865 and an extended amortization period. There was no charge-off of principal and interest related to the restructured loan for the year ended December 31, 2018. The specific allowance for this loan totaled $2,382,783 and $2,327,101 as of December 31, 2019 and 2018, respectively.

No non-accrual loans were restructured during the year ended December 31, 2019. The average impaired loan balance for the years ended December 31, 2019 and 2018 totaled $14,300,091 and $14,407,620, respectively.

An age analysis of past-due loans, including both accruing and non-accruing loans, as of December 31, 2019 and 2018, 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, 2019	$ –	$ –	$ –
December 31, 2018	–	–	–

There were no loans past due 90 or more days accruing interest as of December 31, 2019 and 2018.

4. Loans (Continued)

The following table summarizes the allowance for loan losses by classification as of December 31, 2019 and 2018.

	Allowance for Loan Losses			
December 31, 2019	**General Allowance**	**Specific Allowance**	**Total**	**Total Loans Outstanding**
Mexico:				
Construction	**$ 4,877,573**	**$ –**	**$ 4,877,573**	**$ 282,303,028**
Operation	**8,032,616**	**2,382,783**	**10,415,399**	**692,724,906**
Total Mexico	**12,910,189**	**2,382,783**	**15,292,972**	**975,027,934**
United States:				
Construction	**47,926**	**–**	**47,926**	**2,845,000**
Operation	**3,875,947**	**–**	**3,875,947**	**323,873,589**
Total United States	**3,923,873**	**–**	**3,923,873**	**326,718,589**
	$ 16,834,062	**$ 2,382,783**	**$ 19,216,845**	**$ 1,301,746,523**

	Allowance for Loan Losses			
December 31, 2018	**General Allowance**	**Specific Allowance**	**Total**	**Total Loans Outstanding**
Mexico:				
Construction	$ 6,240,336	$ –	$ 6,240,336	$ 176,609,937
Operation	7,113,342	2,327,101	9,440,443	755,324,716
Total Mexico	13,353,678	2,327,101	15,680,779	931,934,653
United States:				
Construction	251,799	–	251,799	9,264,133
Operation	3,221,929	–	3,221,929	343,279,118
Total United States	3,473,728	–	3,473,728	352,543,251
	$ 16,827,406	$ 2,327,101	$ 19,154,507	$ 1,284,477,904

In 2019, the Bank redefined the manner in which it calculates the general allowance for loan losses as described in Note 2. For the year ended December 31, 2019, the general allowance calculated under the previous methodology would have totaled $17,103,121.

4. Loans (Continued)

The following schedule summarizes the allowance for loan losses for the years ended December 31, 2019 and 2018.

	Allowance for Loan Losses				
December 31, 2019	**Beginning Balance**	**Specific Provisions**	**General Provisions**	**Loan (Charge-offs) Recoveries**	**Ending Balance**
Mexico:					
Construction	**$ 6,240,336**	**$ –**	**$ (1,362,763)**	**$ –**	**$ 4,877,573**
Operation	**9,440,443**	**55,682**	**919,274**	**–**	**10,415,399**
Total Mexico	**15,680,779**	**55,682**	**(443,489)**	**–**	**15,292,972**
United States:					
Construction	**251,799**	–	**(203,873)**	**–**	**47,926**
Operation	**3,221,929**	**–**	**654,018**	**–**	**3,875,947**
Total United States	**3,473,728**	**–**	**450,145**	**–**	**3,923,873**
	$ 19,154,507	**$ 55,682**	**$ 6,656**	**$ –**	**$ 19,216,845**

	Allowance for Loan Losses				
December 31, 2018	**Beginning Balance**	**Specific Provisions**	**General Provisions**	**Loan (Charge-offs) Recoveries**	**Ending Balance**
Mexico:					
Construction	$ 1,770,577	$ –	$ 4,469,759	$ –	$ 6,240,336
Operation	14,833,449	(342,446)	(5,050,560)	–	9,440,443
Total Mexico	16,604,026	(342,446)	(580,801)	–	15,680,779
United States:					
Construction	90,335	–	161,464	–	251,799
Operation	4,413,584	–	(1,191,655)	–	3,221,929
Total United States	5,503,919	–	(1,030,191)	–	3,473,728
	$ 21,107,945	$ (342,446)	$ (1,610,922)	$ –	$ 19,154,507

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, 2019 and 2018.

December 31, 2019	**Gross Amount**	**Master Netting Arrangements**	**Net Amount**
Assets			
Cross-currency interest rate swaps	**$ 146,184,534**	**$ (41,851,728)**	**$ 104,332,806**
Interest rate swaps	**3,168,171**	**(249,065)**	**2,919,106**
Collateral from swap counterparty	**(43,950,000)**	**–**	**(43,950,000)**
Credit valuation adjustment for swaps	**(908,410)**	**–**	**(908,410)**
Total other assets	**$ 104,494,295**	**$ (42,100,793)**	**$ 62,393,502**
Liabilities			
Cross-currency interest rate swaps	**$ 1,000,876**	**$ –**	**$ 1,000,876**
Interest rate swaps	**465,236**	**–**	**465,236**
Total other liabilities	**$ 1,466,112**	**$ –**	**$ 1,466,112**

December 31, 2018	**Gross Amount**	**Master Netting Arrangements**	**Net Amount**
Assets			
Cross-currency interest rate swaps	$ 196,524,505	$ (8,963,537)	$ 187,560,968
Interest rate swaps	(5,904,367)	5,904,367	–
Collateral from swap counterparty	(100,360,000)	–	(100,360,000)
Credit valuation adjustment for swaps	(1,310,316)	–	(1,310,316)
Total other assets	$ 88,949,822	$ (3,059,170)	$ 85,890,652
Liabilities			
Interest rate swaps	$ 7,257,372	$ –	$ 7,257,372
Total other liabilities	$ 7,257,372	$ –	$ 7,257,372

6. Debt

The following tables summarize the notes payable and other borrowings as of December 31, 2019 and 2018.

Issue Date	Maturity Date	Fixed Rate	December 31, 2019 Principal Amount	Unamortized Premium/ (Discount)	Unamortized Debt Issuance Costs	Fair Value of Hedged Items	Net Debt
Notes Payable							
USD Issuance							
02/11/10	02/11/20	4.375%	$ 250,000,000	$ (7,250)	$ (17,955)	$ 357,621	$ 250,332,416
10/26/12	10/26/22	2.400	250,000,000	(242,472)	(419,289)	794,892	250,133,131
12/17/12	10/26/22	2.400	180,000,000	(1,066,952)	(265,588)	(249,065)	178,418,395
12/17/12	12/17/30	3.300	50,000,000	–	(188,411)	2,015,659	51,827,248
CHF Issuance							
04/30/15	04/30/25	0.250	128,706,754	437,476	(443,029)	1,857,340	130,558,541
04/26/17	10/26/27	0.200	124,443,117	301,186	(559,473)	2,644,695	126,829,525
07/24/18	07/24/26	0.300	126,415,858	122,647	(668,432)	6,293,435	132,163,508
NOK Issuance							
03/10/17	03/10/32	2.470	173,448,566	–	(483,051)	(19,208,874)	153,756,641
Total notes payable			1,283,014,295	(455,365)	(3,045,228)	(5,494,297)	1,274,019,405
Other Borrowings							
04/11/14	06/30/20	1.900	526,785	–	–	–	526,785
08/14/14	06/30/20	1.900	2,105,215	–	–	–	2,105,215
08/14/14	12/30/20	1.900	2,632,000	–	–	–	2,632,000
08/14/14	06/30/21	1.900	1,008,985	–	–	–	1,008,985
02/13/15	06/30/21	1.900	1,623,015	–	–	–	1,623,015
02/13/15	12/30/21	1.900	1,470,635	–	–	–	1,470,635
07/29/15	12/30/21	1.900	1,161,365	–	–	–	1,161,365
07/29/15	06/30/22	1.900	266,455	–	–	–	266,455
09/16/16	06/30/22	1.900	2,216,528	–	–	–	2,216,528
03/17/17	06/30/22	1.900	149,017	–	–	–	149,017
03/17/17	12/30/22	1.900	2,632,000	–	–	–	2,632,000
03/17/17	06/30/23	1.900	2,632,000	–	–	–	2,632,000
03/17/17	12/30/23	1.900	2,632,000	–	–	–	2,632,000
03/17/17	06/30/24	1.900	2,632,000	–	–	–	2,632,000
03/17/17	12/30/24	1.900	2,170,720	–	–	–	2,170,720
11/13/17	12/30/24	1.900	461,280	–	–	–	461,280
Total other borrowings			26,320,000	–	–	–	26,320,000
			$ 1,309,334,295	$ (455,365)	$ (3,045,228)	$ (5,494,297)	$ 1,300,339,405

6. Debt (Continued)

Issue Date	Maturity Date	Fixed Rate	December 31, 2018 Principal Amount	Unamortized Premium/ (Discount)	Unamortized Debt Issuance Costs	Fair Value of Hedged Items	Net Debt
Notes Payable							
USD Issuance							
02/11/10	02/11/20	4.375%	$ 250,000,000	$ (72,500)	$ (179,574)	$ 2,005,955	$ 251,753,881
10/26/12	10/26/22	2.400	250,000,000	(328,472)	(568,003)	(6,889,039)	242,214,486
12/17/12	10/26/22	2.400	180,000,000	(1,445,378)	(359,787)	(6,047,843)	172,146,992
12/17/12	12/17/30	3.300	50,000,000	–	(205,600)	(2,230,811)	47,563,589
CHF Issuance							
04/30/15	04/30/25	0.250	128,706,754	515,390	(526,098)	(1,525,496)	127,170,550
04/26/17	10/26/27	0.200	124,443,117	340,008	(631,020)	(2,818,385)	121,333,720
07/24/18	07/24/26	0.300	126,415,858	141,226	(770,267)	2,591,722	128,378,539
NOK Issuance							
03/10/17	03/10/32	2.470	173,448,566	–	(522,672)	(18,290,693)	154,635,201
Total notes payable			1,283,014,295	(849,726)	(3,763,021)	(33,204,590)	1,245,196,958
Other Borrowings							
04/11/14	06/30/19	1.900	2,631,000	–	–	–	2,631,000
04/11/14	12/30/19	1.900	2,632,000	–	–	–	2,632,000
04/11/14	06/30/20	1.900	526,785	–	–	–	526,785
08/14/14	06/30/20	1.900	2,105,215	–	–	–	2,105,215
08/14/14	12/30/20	1.900	2,632,000	–	–	–	2,632,000
08/14/14	06/30/21	1.900	1,008,985	–	–	–	1,008,985
02/13/15	06/30/21	1.900	1,623,015	–	–	–	1,623,015
02/13/15	12/30/21	1.900	1,470,635	–	–	–	1,470,635
07/29/15	12/30/21	1.900	1,161,365	–	–	–	1,161,365
07/29/15	06/30/22	1.900	266,455	–	–	–	266,455
09/16/16	06/30/22	1.900	2,216,528	–	–	–	2,216,528
03/17/17	06/30/22	1.900	149,017	–	–	–	149,017
03/17/17	12/30/22	1.900	2,632,000	–	–	–	2,632,000
03/17/17	06/30/23	1.900	2,632,000	–	–	–	2,632,000
03/17/17	12/30/23	1.900	2,632,000	–	–	–	2,632,000
03/17/17	06/30/24	1.900	2,632,000	–	–	–	2,632,000
03/17/17	12/30/24	1.900	2,170,720	–	–	–	2,170,720
11/13/17	12/30/24	1.900	461,280	–	–	–	461,280
Total other borrowings			31,583,000	–	–	–	31,583,000
			$ 1,314,597,295	$ (849,726)	$ (3,763,021)	$ (33,204,590)	$ 1,276,779,958

6. Debt (Continued)

Notes Payable

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

The fair value of the hedges relating to interest rate swaps on a portion of the notes payable denominated in U.S. dollars was reported at December 31, 2019 as other assets of $2,919,106 and other liabilities of $0 and at December 31, 2018 as other assets of $(5,904,367) and other liabilities of $7,257,372. The fair value of the hedges relating to cross-currency interest rate swaps on notes payable not denominated in U.S. dollars was reported at December 31, 2019 and 2018 as other assets of $(3,394,273) and $(15,958,507), respectively. Additional information on the fair value of financial instruments and derivatives is provided in Notes 11 and 12.

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 amortizes semiannually, with the first principal payment paid on December 31, 2015 and final principal payment due on December 31, 2024. As of December 31, 2019, and 2018, the outstanding balance was $26,320,000 and $31,583,000, respectively.

The following table summarizes the maturities of the notes payable and other borrowings as of December 31, 2019 and 2018.

December 31,	2019	2018
Less than 1 year	**$ 255,264,000**	$ 5,263,000
1–2 years	**5,264,000**	255,264,000
2–3 years	**435,264,000**	5,264,000
3–4 years	**5,264,000**	435,264,000
4–5 years	**5,264,000**	5,264,000
5–10 years	**379,565,729**	384,829,729
More than 10 years	**223,448,566**	223,448,566
Total	**$ 1,309,334,295**	$ 1,314,597,295

The following table summarizes short-term and long-term debt as of December 31, 2019 and 2018.

December 31,	2019	2018
Short-term debt:		
Notes payable	**$ 250,000,000**	**$ –**
Other borrowings	**5,264,000**	5,263,000
Total short-term debt	**255,264,000**	5,263,000
Long-term debt:		
Notes payable	**1,033,014,295**	1,283,014,295
Other borrowings	**21,056,000**	26,320,000
Total long-term debt	**1,054,070,295**	1,309,334,295
Total debt	**$ 1,309,334,295**	$ 1,314,597,295

7. Equity

Subscribed Capital

At December 31, 2019 and 2018, the shareholders of the Bank had subscribed 600,000 shares of capital stock, with a par value of $10,000 per share. As defined in the Charter, capital includes unqualified and qualified subscribed shares. Qualified subscribed shares are subject to the necessary legal requirements of each subscribing country. Unqualified subscribed shares have either been funded or authorized for purchase by the subscribing country. Capital is further classified as callable or paid-in capital at December 31, 2019 and 2018 as shown in the following table (in USD Thousands).

	Mexico			United States			Total		
	Shares	USD Thousand		Shares	USD Thousand		Shares	USD Thousand	
Subscribed capital	300,000	$	3,000,000	300,000	$	3,000,000	600,000	$	6,000,000
Less:									
Qualified callable capital	(121,833)		(1,218,330)	(127,500)		(1,275,000)	(249,333)		(2,493,330)
Unqualified callable capital	(133,167)		(1,331,670)	(127,500)		(1,275,000)	(260,667)		(2,606,670)
Qualified paid-in capital	(21,500)		(215,000)	(22,500)		(225,000)	(44,000)		(440,000)
Total funded paid-in capital	23,500		235,000	22,500		225,000	46,000		460,000
Less transfer to General Reserve for Domestic Programs	–		(22,500)	–		(22,500)	–		(45,000)
Total paid-in capital	23,500	$	212,500	22,500	$	202,500	46,000	$	415,000

In 1994, the initial subscribed capital of the Bank was $3,000,000,000 with equal commitments from Mexico and the United States. Each government subscribed 150,000 shares of capital with a par value of $10,000 per share or $1,500,000,000. By 2009, the Bank had received $225,000,000 in paid-in capital and $1,275,000,000 in unqualified callable capital from each country for a total of $450,000,000 paid-in capital and $2,550,000,000 unqualified callable capital.

As permitted in the Charter, 10% of each country's initial subscription of paid-in and callable capital was set aside to finance community adjustment and investment programs. Accordingly, the Bank approved transfers in prior years of $45,000,000, equal to 10% of the paid-in capital of $450,000,000 from the initial subscriptions, to support these programs. As of June 29, 1999, the paid-in capital of the Mexican Domestic Program was fully transferred to Mexico. As of December 31, 2018, the paid-in capital of the U.S. Domestic Program was fully disbursed or expended as endorsed by the Finance Committee appointed by the U.S. Government for this program.

In 2015, Mexico and the United States each agreed to subscribe 150,000 additional shares. With this new capital subscription, each government has subscribed 300,000 shares of capital with a par value of $10,000 per share or $3,000,000,000 for a total of $6,000,000,000 as of December 31, 2019 and 2018.

7. Equity (Continued)

Subscribed Capital (Continued)

On May 6, 2016, Mexico submitted its letter of subscription to conditionally subscribe to 150,000 additional shares of capital stock with a par value of $10,000 per share, subject to the necessary legal requirements and availability of budget allocations. The capital stock is further classified as 22,500 qualified paid-in capital shares or $225,000,000 and 127,500 qualified callable shares or $1,275,000,000.

On September 1, 2016, the United States submitted its letter of subscription to conditionally subscribe to 150,000 additional shares of capital stock with a par value of $10,000 per share, subject to the necessary authorizing legislation and availability of appropriations. The capital stock is further classified as 22,500 qualified paid-in capital shares or $225,000,000 and 127,500 qualified callable shares or $1,275,000,000.

On September 26, 2016, Mexico made its first contribution of the additional paid-in capital of $10,000,000 or 1,000 shares and unqualified $56,670,000 or 5,667 callable capital shares in accordance with Board Resolution (BR) 2015-24.

In accordance with BR 2015-24, the remaining subscriptions shall be made in several installments by December 31, 2022, or such later dates as the Board of Directors shall determine. 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, or undesignated by program, as shown in the following table:

December 31,	**2019**	2018
Designated retained earnings		
Water Conservation Investment Fund (WCIF)	**$ 95,594**	$ 95,594
Technical Assistance Program (TAP)	**2,802,305**	2,924,782
Community Assistance Program (CAP)	**7,715,406**	7,967,844
Total designated retained earnings	**10,613,305**	10,988,220
Reserved retained earnings		
Debt Service Reserve	**38,290,000**	49,200,000
Operating Expenses Reserve	**21,812,376**	21,774,242
Special Reserve	**30,000,000**	30,000,000
Capital Preservation Reserve	**69,661,128**	61,091,482
Total reserved retained earnings	**159,763,504**	162,065,724
Undesignated retained earnings		
Operations	**81,145,125**	51,178,760
Mark-to-market hedge valuations	**7,076,567**	4,664,676
Total undesignated retained earnings	**88,221,692**	55,843,436
Total retained earnings	**$ 258,598,501**	$ 228,897,380

7. Equity (Continued)

Retained Earnings (Continued)

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

Accumulated Other Comprehensive Income

The following table presents the changes in accumulated other comprehensive income (loss) for years ended December 31, 2019 and 2018.

December 31, 2019	**Beginning Balance**	**Period Activity**	**Ending Balance**
Net unrealized gain (loss) on available-for-sale investment securities	**$ (2,329,346)**	**$ 4,248,776**	**$ 1,919,430**
Foreign currency translation adjustment	**337,247**	**(32,997)**	**304,250**
Unrealized gain (loss) on hedging activities:			
Foreign currency translation adjustment	**(40,516,565)**	**7,214,641**	**(33,301,924)**
Fair value of cross-currency interest rate swaps	**51,632,678**	**(11,194,142)**	**40,438,536**
Net unrealized gain (loss) on hedging activities	**11,116,113**	**(3,979,501)**	**7,136,612**
Total accumulated other comprehensive income (loss)	**$ 9,124,014**	**$ 236,278**	**$ 9,360,292**

December 31, 2018	**Beginning Balance**	**Period Activity**	**Ending Balance**
Net unrealized gain (loss) on available-for-sale investment securities	$ (2,423,419)	$ 94,073	$ (2,329,346)
Foreign currency translation adjustment	333,444	3,803	337,247
Unrealized gain (loss) on hedging activities:			
Foreign currency translation adjustment	(45,997,351)	5,480,786	(40,516,565)
Fair value of cross-currency interest rate swaps	59,853,770	(8,221,092)	51,632,678
Net unrealized gain (loss) on hedging activities	13,856,419	(2,740,306)	11,116,113
Total accumulated other comprehensive income (loss)	$ 11,766,444	$ (2,642,430)	$ 9,124,014

8. Domestic Programs

As permitted in the Charter, 10% of each country's initial subscription of capital stock was set aside to finance community adjustment and investment programs. Accordingly, the Bank approved transfers in prior years of $45,000,000, equal to 10% of the initial paid-in capital of $450,000,000 from the initial subscriptions, 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 specified that 10% of the initial paid-in capital from its initial capital subscription and the related earnings be set aside for the community adjustment and investment program endorsed by Mexico. The Government of Mexico instituted its domestic program, entitled *Programa Complementario de Apoyo a Comunidades y Empresas* (Mexican Domestic Program), through the offices of SHCP. In June 1996, SHCP entered into a mandate agreement

8. Domestic Programs (Continued)

Mexico (Continued)

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 29, 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 specified that 10% of the initial paid-in capital from its initial capital subscription and the related earnings be set aside or the U.S. Community Adjustment and Investment Program (U.S. Domestic Program). The Bank provided financing endorsed by the Finance Committee appointed by the U.S. Government for that purpose. The funds set aside for the U.S. Domestic Program were recorded as allocated paid-in capital within the General Reserve of the Bank.

For the years ended December 31, 2019 and 2018, the U.S. Domestic Program had total interest income of $0 and $2,177, respectively. Total expenses for the same periods paid from U.S. Domestic Program funds were $0 and $230,535, respectively.

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. For the years ended December 31, 2019 and 2018, $0 and $250,000, respectively, were disbursed through the TGP. These disbursements were reported as a deduction from allocated paid-in capital.

The U.S. Domestic Program was closed as of December 31, 2018 in accordance with the Finance Committee closeout plan. Remaining cash of $107,894 as of December 31, 2018 was committed to pay for retiree health insurance plan benefits and outstanding liabilities that will be liquidated by the Bank. The closeout of the program is reflected in the consolidated statement of changes in equity as of December 31, 2018. As of December 31, 2019 and 2018, the outstanding liabilities from this program totaled $51,045 and $107,894, respectively.

9. Program Activities

Program activities are comprised of the following:

Year Ended December 31,	2019	2018
Program income:		
Border Environment Infrastructure Fund (BEIF)		
EPA grant income	**$ 997,312**	$ 772,003
Technical Assistance Program:		
EPA grant income		
Project Development Assistance Program (PDAP)	**1,652,132**	1,368,628
U.S.-Mexico Border 2020 Program (Border 2020)	**678,664**	504,206
IDB Multilateral Investment Fund (MIF) grant income	**–**	10,621
Other grant income	**32,687**	13,776
Total program income	**3,360,795**	2,669,234
Program expenses:		
BEIF:		
EPA grant administration	**997,312**	772,003
Community Assistance Program	**252,438**	2,284,995
Technical Assistance Program:		
NADB technical assistance and training expense	**261,570**	251,046
EPA grant administration	**970,502**	844,211
EPA grant expense – PDAP	**976,694**	617,111
EPA grant expense – Border 2020	**542,426**	411,512
IDB-MIF grant expense	–	10,621
Other grant administration	**32,687**	13,776
Total program expenses	**4,033,629**	5,205,275
Net program expenses	**$ 672,834**	$ 2,536,041

Border Environment Infrastructure Fund (BEIF)

The Bank administers grant funds from EPA through the BEIF. EPA grant awards since the initial grant made in April 1997 to December 31, 2019, total $721,002,335. Under the terms of the grants, the Bank reviews and submits prospective projects to EPA. EPA approves the projects and they are subsequently certified for financing by the Board of Directors. 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, 2019, EPA has approved project funding proposed by the Bank totaling $672,499,973, of which $649,817,312 has been disbursed through the Bank. The Bank recognized $997,312 and $772,003 as reimbursement of expenses incurred for the years ended December 31, 2019 and 2018, respectively. These funds have been recorded as program revenue and expenses in the consolidated statements of income.

9. Program Activities (Continued)

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, 2019 and 2018, no funds were disbursed under this program. As of December 31, 2019 and 2018, cumulative disbursements total $38,239,378 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. As of December 31, 2019 and 2018, a cumulative total of $1,674,621 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, 2019, a cumulative total of $14,092,840 has been allocated to the CAP. For the years ended December 31, 2019 and 2018, $252,438 and $2,284,995, respectively, were disbursed under this program. These disbursements were funded with previously designated retained earnings and have been reported as a program expense.

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. For the years ended December 31, 2019 and 2018, $122,477 and $251,046, 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, 2019 and 2018, $139,092 and $0, respectively were expended under this program.

Additionally, the Bank administers grant funds for technical assistance provided by other entities as follows:

Project Development Assistance Program (PDAP) – The Bank administers grants from EPA, on a reimbursement basis, to assist communities in the development of water and wastewater projects that have been prioritized by EPA to receive BEIF grants. For the years ended December 31, 2019 and 2018, the Bank recognized $976,694 and $617,111, respectively, in technical assistance expenses. as well as $675,438 and $751,517 in grant administrative expenses, respectively. These funds have been recorded as program revenue and expenses in the consolidated statement of income.

9. Program Activities (Continued)

Technical Assistance Program (TAP) (Continued)

Border 2020: U.S.-Mexico Environmental Program – The Bank administers grants from EPA, on a reimbursement basis, to support joint efforts of the two governments to improve the environment and protect the health of residents within 100 kilometers of the U.S.-Mexico border. The Bank provides logistical and administrative services to identify, contract and manage projects and workshops funded under the program. For the years ended December 31, 2019 and 2018, the Bank recognized $542,426 and $411,512, respectively, in technical assistance expenses, as well as $295,064 and $92,694 in grant administrative expenses, respectively. The Bank recognized $678,664 and $504,206 as reimbursement of expenses incurred for the years ended December 31, 2019 and 2018, respectively. These funds have been recorded as program revenue and expenses in the consolidated statement of income.

Multilateral Investment Fund (MIF) Grant – The Bank administered grant funds provided by MIF, on a reimbursement basis, to support the development and implementation of a sustainable e-waste management and recycling system in Mexicali, Baja California. The Bank recognized $0 and $10,621 in technical assistance expense for the years ended December 31, 2019 and 2018, respectively. These funds have been recorded as program revenue and expenses in the consolidated statement of income. This grant was completed and closed as of December 31, 2018.

10. Employee Benefits

401(a) Retirement Plan

The Bank has a 401(a) Retirement Plan for its employees. This plan provides for employee and nondiscretionary employer contributions. For the years ended December 31, 2019 and 2018, the Bank expended $1,141,074 and $1,143,749, respectively, relating to the plan.

Post-retirement Health Insurance Plan

The Bank has a post-retirement health insurance plan for qualifying employees based on number of years of service and age. Qualified retirees may purchase group health insurance coverage at the current employee rate subject to the plan limits. During 2019, an actuarial study of the plan was performed by a certified third party to estimate the prior, current and long-term benefit obligation as of December 31, 2019. The plan is funded by the Bank as benefits are paid. The Bank paid benefits of $16,481 for the year ended December 31, 2019. The unfunded portion of the plan totaled $2,518,519 and is reflected in the consolidated balance sheet as of December 31, 2019 as a component of accrued liability and long-term liability of $37,000 and $2,481,519, respectively.

The following table presents the change in benefit obligations as of December 31, 2019:

Beginning balance	$	–
Prior service expense		2,448,000
Current period service expense		67,000
Interest expense		20,000
Net benefits paid		(16,481)
Ending balance	$	2,518,519

10. Employee Benefits (Continued)

Post-retirement Health Insurance Plan (Continued)

The following table presents the change in post-retirement health plan assets as of December 31, 2019:

Beginning balance	$	–
Employer contributions		16,481
Net benefits paid		(16,481)
Ending balance	$	–

The following table presents post-retirement health plan liabilities as of December 31, 2019:

Current liabilities	$	37,000
Non-current liabilities		2,481,519
Total	$	2,518,519

The following table presents the net periodic benefit cost of the post-retirement health plan for the year ended December 31, 2019:

Service expense	$	67,000
Interest expense		20,000
		87,000
Prior service expense		2,082,306
Total	$	2,169,306

Service expenses are reflected in the consolidated statement of income as a component of personnel under operating expenses. Interest expense in relation to post-retirement benefit obligations is reported as a non-operating expense in the consolidated statement of income.

The following table presents the assumptions used to determine the benefit obligations and net periodic post-retirements benefit costs of the plan for the year ended December 31, 2019.

Discount rate	3.22%
Current healthcare cost trend rate	6.30%
Ultimate healthcare trend rate	5.00%
Year in which ultimate trend rate is reached	2028

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

Year Ending:		
December 31, 2020	$	37,000
December 31, 2021		61,000
December 31, 2022		68,000
December 31, 2023		82,000
December 31, 2024		117,000
December 31, 2025 thru December 31, 2029		990,000

11. Fair Value of Financial Instruments

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

Cash and Cash Equivalents

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

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 1 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 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 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, unamortized loan fees, foreign currency exchange rate adjustment and hedged items. 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. 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.

Hedged Items for Loans

Hedged items for loans are reported at fair value using Level 3 unobservable inputs. The fair value of these hedged items is estimated by discounting each cash flow stream using the benchmark swap curve of the contractual currency and converting the resulting net present value at the spot exchange rate, as well as using external pricing models and counterparty pricing. Cash flows in Mexican pesos are discounted using the Mexico Benchmark Interbank Deposit Rate (TIIE) 28-day swap curve. Cash flows in U.S. dollars are discounted using the USD Overnight Index Swap (OIS) curve.

Cross-currency Interest Rate Swaps

Cross-currency interest rate swaps are reported at fair value using Level 2 observable inputs. The fair value of these swaps is estimated based on discounting procedures, whereby each cash flow stream is discounted using the benchmark swap curve of the respective currency and converting the resulting net present value at the spot exchange rate, as well as external pricing models and counterparty pricing. The Bank's cross-currency interest rate

11. Fair Value of Financial Instruments (Continued)

Cross-currency Interest Rate Swaps (Continued)

swaps are all Mexican-peso for U.S.-dollar operations except for four (4) debt issuances in foreign currencies for U.S.-dollar operations. Cash flows in Mexican pesos are discounted using the TIIE 28-day swap curve. Cash flows in Swiss francs (CHF) are discounted using the CHF swap curve. Cash flows in Norwegian krone (NOK) are discounted using the NOK swap curve. Cash flows in U.S. dollars are discounted using the USD OIS curve.

Interest Rate Swaps

Interest rate swaps are reported at fair value using Level 2 observable inputs. The fair value of these swaps is estimated based on discounting procedures, whereby each cash flow stream is discounted using the USD OIS curve, as well as external pricing models and counterparty pricing.

Debt and Accrued Interest Payable

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, the CHF swap curve for the Swiss franc issuance and the NOK swap curve for the Norwegian krone issuance, as well as on external pricing models and counterparty pricing.

Long-term post-retirement benefits payable

Long-term post-retirement benefits payable are reported at fair value. The fair value of these liabilities is estimated based on a third-party actuarial study.

11. Fair Value of Financial Instruments (Continued)

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

	December 31, 2019		December 31, 2018	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Cash and cash equivalents	**$ 121,597,839**	**$ 121,597,839**	$ 175,094,413	$ 175,094,413
Held-to-maturity securities	**4,038,722**	**4,048,820**	3,335,360	3,313,703
Available-for-sale securities	**627,900,720**	**627,900,720**	620,823,835	620,823,835
Loans, net	**1,174,086,370**	**1,239,969,203**	1,056,221,018	1,074,690,417
Interest receivable	**15,987,916**	**15,987,916**	15,941,621	15,941,621
Cross-currency interest rate swaps	**104,332,806**	**104,332,806**	193,465,335	193,465,335
Interest rate swaps	**2,919,106**	**2,919,106**	(5,904,367)	(5,904,367)
Liabilities				
Accrued interest payable	**17,487,066**	**17,487,066**	18,367,661	18,367,661
Short-term debt, net	**255,238,795**	**255,238,888**	5,263,000	5,263,000
Long-term debt, net	**1,050,594,907**	**1,050,357,445**	1,304,721,548	1,304,693,268
Long-term post-retirement benefits payable	**2,481,519**	**2,481,519**	–	–
Cross-currency interest rate swaps	**1,000,876**	**1,000,876**	–	–
Interest rate swaps	**465,236**	**465,236**	7,257,372	7,257,372

11. Fair Value of Financial Instruments (Continued)

The Bank's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2019 and 2018 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			
December 31, 2019	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets				
Available-for-sale (AFS) securities:				
U.S. government securities	**$ 432,413,495**	**$ –**	**$ –**	**$ 432,413,495**
U.S. agency securities	**65,123,423**	**–**	**–**	**65,123,423**
Corporate debt securities	**90,042,296**	**–**	**–**	**90,042,296**
Other fixed-income securities	**25,995,149**	**–**	**–**	**25,995,149**
Mexican government securities (UMS)	**14,326,357**	**–**	**–**	**14,326,357**
Total AFS securities	**627,900,720**	**–**	**–**	**627,900,720**
Cross-currency interest rate swaps	**–**	**104,332,806**	**–**	**104,332,806**
Interest rate swaps	**–**	**2,919,106**	**–**	**2,919,106**
Hedged items for loans	**–**	**–**	**(62,856,585)**	**(62,856,585)**
Total assets at fair value	**$ 627,900,720**	**$ 107,251,912**	**$ (62,856,585)**	**$ 672,296,047**
Liabilities				
Cross-currency interest rate swaps	**$ –**	**$ 1,000,876**	**$ –**	**$ 1,000,876**
Interest rate swaps	**–**	**465,236**	**–**	**465,236**
Hedged items for notes payable	**–**	**–**	**(5,494,297)**	**(5,494,297)**
Total liabilities at fair value	**$ –**	**$ 1,466,112**	**$ (5,494,297)**	**$ (4,028,185)**

	Fair Value Measurements Using			
December 31, 2018	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets				
Available-for-sale (AFS) securities:				
U.S. government securities	$ 281,447,713	$ –	$ –	$ 281,447,713
U.S. agency securities	–	119,498,398	–	119,498,398
Corporate debt securities	–	149,112,098	–	149,112,098
Other fixed-income securities	–	55,573,932	–	55,573,932
Mexican government securities (UMS)	–	15,191,694	–	15,191,694
Total AFS securities	281,447,713	339,376,122	–	620,823,835
Cross-currency interest rate swaps	–	–	193,465,335	193,465,335
Interest rate swaps	–	–	(5,904,367)	(5,904,367)
Hedged items for loans	–	–	(155,900,516)	(155,900,516)
Total assets at fair value	$ 281,447,713	$ 339,376,122	$ 31,660,452	$ 652,484,287
Liabilities				
Cross-currency interest rate swaps	$ –	$ –	$ –	$ –
Interest rate swaps	–	–	7,257,372	7,257,372
Hedged items for notes payable	–	–	(33,204,590)	(33,204,590)
Total liabilities at fair value	$ –	$ –	$ (25,947,218)	$ (25,947,218)

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, 2019 and 2018. 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, 2019	**$ 187,560,968**	**$ –**	**$ (155,900,516)**
Total realized and unrealized gains (losses):			
Included in earnings (expenses)	**(69,989,016)**	**2,919,106**	**93,043,931**
Included in other comprehensive income (loss)	**(11,194,142)**	**–**	**–**
Purchases	**–**	**–**	**–**
Settlements	**(2,045,004)**	**–**	**–**
Transfers in/out of Level 3	**(104,332,806)**	**(2,919,106)**	**–**
Ending balance, December 31, 2019	**$ –**	**$ –**	**$ (62,856,585)**
Beginning balance, January 1, 2018	$ 201,613,458	$ –	$ (144,105,721)
Total realized and unrealized gains (losses):			
Included in earnings (expenses)	(5,831,398)	–	11,794,795
Included in other comprehensive income	(8,221,092)	–	–
Purchases	–	–	–
Settlements	–	–	–
Transfers in/out of Level 3	–	–	–
Ending balance, December 31, 2018	$ 187,560,968	$ –	$ (155,900,516)
Liabilities			
Beginning balance, January 1, 2019	**$ –**	**$ 7,257,372**	**$ (33,204,590)**
Total realized and unrealized (gains) losses:			
Included in (earnings) expenses	**1,000,876**	**(6,792,136)**	**(27,710,293)**
Included in other comprehensive income	**–**	**–**	**–**
Purchases	**–**	**–**	**–**
Settlements	**–**	**–**	**–**
Transfers in/out of Level 3	**(1,000,876)**	**(465,236)**	**–**
Ending balance, December 31, 2019	**$ –**	**$ –**	**$ (5,494,297)**
Beginning balance, January 1, 2018	$ –	$ –	$ (6,311,088)
Total realized and unrealized (gains) losses:			
Included in (earnings) expenses	–	8,083,214	(26,893,502)
Included in other comprehensive income	–	–	–
Purchases	–	–	–
Settlements	–	(825,842)	–
Transfers in/out of Level 3	–	–	–
Ending balance, December 31, 2018	$ –	$ 7,257,372	$ (33,204,590)

11. Fair Value of Financial Instruments (Continued)

The Bank entered into four (4) cross-currency interest rate swaps and no interest rate swaps during the year ended December 31, 2019. 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 or non-recurring basis as of December 31, 2019 and 2018.

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 cross-currency interest rate swaps for its long-term notes payable issued in Swiss francs and Norwegian kroner. These swaps have been designated as hedging instruments because they hedge the risk of fluctuations in cash flows due to changes in foreign currency exchange rates. The swaps are structured so that the notional amounts mature to match the expected maturity of the 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 $43,950,000 and $100,360,000 was posted from counterparties to the Bank as of December 31, 2019 and 2018, respectively. No collateral was posted by the Bank as of those same dates.

The notional amounts and estimated fair values of the swaps outstanding at December 31, 2019 and 2018 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, 2019		December 31, 2018	
	Notional Amount	**Estimated Fair Value**	**Notional Amount**	**Estimated Fair Value**
Cross-currency interest rate swaps	**$ 1,018,903,740**	**$ 103,331,930**	$ 1,071,857,976	$ 193,465,335
Interest rate swaps	**951,401,589**	**2,453,870**	951,701,197	(13,161,739)

The referenced exchange rate received for the cross-currency interest rate swaps outstanding at December 31, 2019 and 2018 was 5.28% and 5.09%, respectively.

12. Derivative Financial Instruments (Continued)

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, 2019 and 2018.

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 totaled $7,136,612 and $11,116,113 at December 31, 2019 and 2018, 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, 2019 and 2018, changes in the aforementioned swaps included in the accompanying consolidated statements of income were $4,035,953 and $2,009,937, 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, 2019 and 2018, changes in the aforementioned swaps included in the accompanying consolidated statements of income were $(725) and $790,508, 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 and cash equivalents, 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, 2019, 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.

14. Commitments (Continued)

Lease Commitments

The Bank rents office space for its headquarters in San Antonio, Texas, under an operating lease that expires on February 28, 2026. The Bank also rents office space for its Juarez Office under an operating lease that expires on April 3, 2020. Rent expense totaled $251,196 and $255,444 for the years ended December 31, 2019 and 2018, respectively. The following schedule summarizes the minimum future expenses for the forgoing leases.

Year Ending December 31,		
2020	$	233,622
2021		223,064
2022		229,712
2023		232,493
2024		239,436
Thereafter		280,853
	$	1,439,180

15. Accounting Standards Updates

Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). ASU 2016-02, among other things, requires lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. ASU 2016-02 does not significantly change lease accounting requirements applicable to lessors; however, certain changes were made to align, where necessary, lessor accounting with the lessee accounting model and ASC Topic 606: Revenue from Contracts with Customers. ASU 2016-02 will be effective for the Bank on January 1, 2021 and will require transition using a modified retrospective approach for leases existing at or entered into after, the beginning of the earliest comparative period presented in the financial statements.

Notwithstanding the foregoing, in January 2018, the Financial Accounting Standards Board issued a proposal to provide an additional transition method that would allow entities not to apply the guidance in ASU 2016-02 in the comparative periods presented in the financial statements and instead recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Bank is evaluating the potential impact of ASU 2016-02 to its consolidated financial statements and disclosures.

ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts and requires enhanced disclosures related to the significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. In addition, ASU 2016-13 amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. ASU 2016-13 will be effective for the Bank on January 1, 2023. The Bank is evaluating the potential impact of ASU 2016-13 to its consolidated financial statements.

15. Accounting Standards Updates (Continued)

ASU 2017-12, Derivatives and Hedging (Topic 815) – Targeted Improvements to Accounting for Hedging Activities. ASU 2017-12 amends the hedge accounting recognition and presentation requirements in ASC 815 to improve the transparency and understandability of information conveyed to financial statement users about an entity's risk management activities to better align the entity's financial reporting for hedging relationships with those risk management activities and to reduce the complexity and simplify the application of hedge accounting. ASU 2017-12 will be effective for the Bank on January 1, 2021. The Bank is evaluating the potential impact of ASU 2017-12 to its consolidated financial statements.

ASU 2018-14, Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework Changes to the Disclosure Requirements for Defined Benefit Plans, made minor changes to the disclosure requirements for employers that sponsor defined benefit pension and/or other post-retirement benefit plans. The new guidance eliminates requirements for certain disclosures that are no longer considered cost beneficial and requires new ones that the FASB considers pertinent. ASU 2018-14 will be effective for the Bank on January 1, 2022. The Bank is evaluating the potential impact of ASU 2018-14 to its consolidated financial statements.

16. Subsequent Events

The Bank has evaluated the events subsequent to December 31, 2019 and through March 31, 2020, the date the consolidated financial statements were available to be issued.

On January 29, 2020, the U.S. Government signed into law the United States-Mexico-Canada Agreement (USMCA). Within this legislation, the U.S. authorized 22,500 shares of paid in capital with a par value of $10,000 per share or $225,000,000 and appropriations of $215,000,000. Prior to this date, the capital shares were conditionally subscribed subject to the necessary authorizing legislation and availability of appropriations.

On January 30, 2020, the World Health Organization (WHO) declared a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic.

The COVID-19 outbreak continues to evolve as of the date of this report. As such, the full impact that the COVID-19 outbreak could have on the Bank's financial condition, liquidity, and future results of operations is uncertain. Management is actively monitoring the potential impact on liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Bank may not be able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for 2020.

The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. Although management cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it could have a material adverse effect on the

16. Subsequent Events (Continued)

Bank's results of future operations, financial position, and liquidity in 2020. In addition to the Bank's underwriting standards, as well as low counterparty risk concentration, most of the Bank's loans are project finance, with repayment dependent upon cash flows generated by infrastructure facilities or guaranteed by Mexican Federal government transfers. Management believes these characteristics may help protect the loan portfolio from the risk of economic deterioration. Moreover, debtors give preference to supranational lenders versus other creditors in their choices of debt repayment, as supported by Fitch Ratings' "Evidence of supranationals' preferred creditor status" (Special Report, March 16, 2020). If the Bank's operations are impacted from the effects of the COVID-19 outbreak, the Bank's capitalization structure and liquidity (both ranked in the "excellent" range by outside rating agencies) are expected to mitigate potential adverse effects to the Bank in 2020, as discussed in Note 7.

SUPPLEMENTARY INFORMATION

Statement of Income of NADB Office in Juarez, Chihuahua

	EPA				
Year Ended December 31, 2019	**PDAP**	**Border 2020**	**Other**	**Operation**	**Total**
Income					
U.S. State Department contribution	$ –	$ –	$ –	$ 2,902,000	$ 2,902,000
SEMARNAT contribution	–	–	–	1,793,750	1,793,750
U.S. Environmental Protection Agency:					
Project Development Assistance Program (PDAP) grant income	1,652,132	–	–	–	1,652,132
U.S.-Mexico Border 2020 Program grant income	–	678,664	–	–	678,664
Other grant income	–	–	32,687	–	32,687
Interest income	–	–	–	2,622	2,622
Other income	–	–	–	7,327	7,327
Total income	1,652,132	678,664	32,687	4,705,699	7,069,182
Operating expenses					
Personnel	535,262	224,174	25,050	3,284,626	4,069,112
General and administrative	136,388	52,781	7,637	488,384	685,190
Consultants	3,788	18,109	–	169,376	191,273
Depreciation	–	–	–	11,318	11,318
Total Operating Expenses	675,438	295,064	32,687	3,953,704	4,956,893
Income before Program Activities	976,694	383,600	–	751,995	2,112,289
Technical assistance expenses	976,694	542,426	–	257,648	1,776,768
Net Income (Loss)	$ –	$ (158,826)	$ –	$ 494,347	$ 335,521

Border Environment Infrastructure Fund (BEIF)

Balance Sheet

December 31, 2019	Region 6	Region 9	Total
Assets			
Cash	$ 501	$ 501	$ 1,002
Total Assets	$ 501	$ 501	$ 1,002
Liabilities			
Undisbursed grant funds	$ 501	$ 501	$ 1,002
Total Liabilities	$ 501	$ 501	$ 1,002

Statement of Income

Year Ended December 31, 2019	Region 6	Region 9	Total
Income			
U.S. Environmental Protection Agency grant income	$ 735,107	$ 262,205	$ 997,312
Total income	735,107	262,205	997,312
BEIF Operating Expenses			
Personnel	421,761	208,990	630,751
Consultants	291,414	36,718	328,132
General and administrative	10,767	66	10,833
Operational travel	11,165	16,431	27,596
Total BEIF operating expenses	735,107	262,205	997,312
Net income	$ –	$ –	$ –

Statement of Cash Flows

Year Ended December 31, 2019	Region 6	Region 9	Total
Cash Flows from Operating Activities			
Net income	$ –	$ –	$ –
Net cash provided by operating activities	–	–	–
Cash Flows from Financing Activities:			
Grant funds – EPA	9,038,385	2,569,289	11,607,674
Grant disbursements – EPA	(9,038,385)	(2,569,289)	(11,607,674)
Net cash provided by financing activities	–	–	–
Net increase in cash and cash equivalents	–	–	–
Cash and cash equivalents at January 1, 2019	501	501	1,002
Cash and cash equivalents at December 31, 2019	$ 501	$ 501	$ 1,002

Region 6: EPA Regional Office located in Dallas, Texas

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

CREDITS

Office Responsible for Publication	Public Affairs Department
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