PART V
FINANCIAL RATIOS

Selected Ratios	2008	2009	2010	2011	2012	2013
GROWTH						
Total Asset Growth	4%	8%	9%	8%	5%	14%
Loan Growth	18%	6%	12%	15%	10%	25%
Long Term Debt Growth	3%	21%	35%	14%	0.2%	3.3%
Net Worth Growth	4%	5%	3%	6%	6%	18%
PROFITABILITY						
Return on Assets	1.1%	2.8%	1.5%	2.4%	0.13%	2.9%
Return on Equity	1.3%	3.4%	1.9%	3.1%	0.18%	3.6%
Net Margin	17%	32%	20%	30%	2%	30%
LEVERAGE						
Net Worth	$5.9M	$6.2M	$6.4M	$6.8M	$7.2M	$8.5M
Debt to Worth	21%	24%	31%	33%	32%	28%
Total Liabilities/Total Assets	17%	19%	24%	25%	24%	22%
LIQUIDITY						
Working Capital	$1,9M	$2.1M	$2.3M	$2.0M	$1.9M	$1.3M
Current Ratio	947	1,037	3,444	2,660	425	279

PACIFIC ISLANDS DEVELOPMENT BANK

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2013 AND 2012

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Independent Auditors' Report

The Board of Governors and the Board of Directors
Pacific Islands Development Bank:

We have audited the accompanying financial statements of Pacific Islands Development Bank (the Bank), which comprise the statements of condition as of December 31, 2013 and 2012, and the related statements of comprehensive income, of changes in stockholders' equity and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pacific Islands Development Bank as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

March 25, 2014

PACIFIC ISLANDS DEVELOPMENT BANK

Statements of Condition
December 31, 2013 and 2012

ASSETS		2013		2012
Cash	$	1,100,163	$	72,686
Money market funds		-		373,731
Cash and cash equivalents		1,100,163		446,417
Investment securities		-		1,270,697
Loans receivable, net of an allowance of $522,634 and $524,772 at December 31, 2013 and 2012, respectively		9,543,411		7,522,388
Interest receivable		180,270		198,168
Prepaid expenses		-		13,000
Security deposit		-		1,074
Property and equipment, net		38,764		39,074
	$	10,862,608	$	9,490,818

LIABILITIES AND STOCKHOLDERS' EQUITY				
Liabilities:				
Other liabilities	$	4,582	$	4,541
Long-term debt		2,349,268		2,272,941
Total liabilities		2,353,850		2,277,482
Commitments				
Stockholders' equity:				
Capital stock		7,500,649		6,481,783
Retained earnings		1,008,109		698,532
Accumulated other comprehensive income		-		33,021
Total stockholders' equity		8,508,758		7,213,336
	$	10,862,608	$	9,490,818

See accompanying notes to financial statements.

PACIFIC ISLANDS DEVELOPMENT BANK

Statements of Comprehensive Income
Years Ended December 31, 2013 and 2012

	2013	2012
Interest income	$ 861,320	$ 699,445
Dividend income	13,225	32,859
Realized gain (loss) from investment	93,841	(63,838)
	968,386	668,466
Provision for loan losses	185,000	188,000
	783,386	480,466
Operating expenses:		
Salaries and related expenses	233,356	248,303
Conference and travel	136,449	79,170
Insurance	24,589	35,549
Office rental	22,434	20,873
Professional fees	17,480	16,763
Communications	8,886	11,513
Business development and marketing	8,150	5,732
Board meetings	8,143	6,298
Depreciation	6,401	8,247
Automobile	5,892	3,736
Trust fees	5,717	13,203
Office supplies	3,473	4,006
Miscellaneous	19,236	14,724
Total operating expenses	500,206	468,117
Operating income	283,180	12,349
Other income:		
Other income	65,461	37,404
Interest expense	(39,064)	(36,690)
Total other income	26,397	714
Net income	309,577	13,063
Other comprehensive (loss) income :		
Net unrealized (loss) gain on investment securities	(33,021)	147,694
Comprehensive income	$ 276,556	$ 160,757

See accompanying notes to financial statements.

Statements of Changes in Stockholders' Equity
Years Ended December 31, 2013 and 2012

	Shares of Common Stock	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2011	6,231	6,231,783	685,469	(114,673)	6,802,579
Issuance of common stock	250	250,000	-	-	250,000
Net income	-	-	13,063	-	13,063
Other comprehensive income	-	-	-	147,694	147,694
Balance at December 31, 2012	6,481	6,481,783	698,532	33,021	7,213,336
Issuance of common stock	1,019	1,018,866	-	-	1,018,866
Net income	-	-	309,577	-	309,577
Other comprehensive loss	-	-	-	(33,021)	(33,021)
Balance at December 31, 2013	7,500	$ 7,500,649	$ 1,008,109	$ -	$ 8,508,758

See accompanying notes to financial statements.

Statements of Cash Flows
Years Ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Net earnings	$ 309,577	$ 13,063
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	6,401	8,247
Provision for loan loss	185,000	188,000
Realized (loss) gain on sale of investment securities	(93,841)	63,838
Decrease (increase) in interest receivables	17,898	(78,995)
Decrease (increase) in prepaid expenses	13,000	(13,000)
Decrease in security deposit	1,074	-
Increase in other liabilities	41	3,763
Net cash provided by operating activities	439,150	184,916
Cash flows from investing activities:		
Decrease in time certificates of deposit	-	150,507
Loan originations and repayments, net	(2,206,023)	(717,333)
Investment securities purchases and sales, net	1,331,517	4,119
Additions to property and equipment	(6,091)	(38,752)
Net cash used in investing activities	(880,597)	(601,459)
Cash flows from financing activities:		
Proceeds from issuance of capital stock	1,018,866	250,000
Proceeds from long-term debt	142,750	75,188
Repayment on long-term debt	(66,423)	(71,287)
Net cash provided by financing activities	1,095,193	253,901
Net change in cash and cash equivalents	653,746	(162,642)
Cash and cash equivalents at beginning of year	446,417	609,059
Cash and cash equivalents at end of year	$ 1,100,163	$ 446,417
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	$ 39,064	$ 36,690

See accompanying notes to financial statements.

Notes to Financial Statements
December 31, 2013 and 2012

(1) Organization and Summary of Significant Accounting Policies

Organization

Pacific Islands Development Bank (the Bank) was created on July 5, 1989 to provide financial and technical expertise to persons and businesses within the Pacific Island region.

The accounting and reporting policies of the Bank are in accordance with accounting principles generally accepted in the United States of America and conform to general practices within the banking industry. The more significant of the principles used in preparing the financial statements are briefly described below.

In August 2001, the Bank was recognized as a non-profit 501c(3) corporation by the Government of Guam. However, the Bank's characterization of its capital stock has yet to be resolved with Guam authorities. Therefore, the Bank has continued its historic financial statement presentation and has yet to adopt not-for-profit financial reporting.

Cash and Cash Equivalents

For the purposes of the statements of condition and cash flows, cash and cash equivalents is defined as cash on hand, in banks and in money market funds. Time certificates of deposit with initial maturities in excess of ninety days are separately classified.

Investment Securities

Debt securities that management has the positive intent and ability to hold to maturity are classified as "held to maturity" and recorded at amortized cost, adjusted for premiums and discounts that are recognized in interest income using the straight-line method over the period to maturity. This method does not differ materially from the interest method. Securities not classified as held to maturity or trading, including equity securities with readily determinable fair values, are classified as "available for sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. Declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses.

At December 31, 2012 the Bank has classified all of its investment securities as available for sale. During the year ended December 31, 2013, the Bank sold and closed its investment accounts.

Loans

Loans are stated at unpaid principal balance less the allowance for loan losses (the "Allowance"). Interest income is recognized on an accrual basis. Other credit-related fees are recognized as fee income, a component of noninterest income, when earned.

Non-Performing Loans

Generally, loans are placed on non-accrual status upon becoming contractually past due 90 days as to principal or interest (unless loans and leases are adequately secured by collateral, are in the process of collection, and are reasonably expected to result in repayment), when terms are renegotiated below market levels, or where substantial doubt about full repayment of principal or interest is evident.

(1) Organization and Summary of Significant Accounting Policies, Continued

Non-Performing Loans, Continued

When a loan is placed on non-accrual status, the accrued and unpaid interest receivable is reversed and the loan is accounted for on the cash or cost recovery method until qualifying for return to accrual status. All payments received on non-accrual loans are applied against the principal balance of the loan. A loan may be returned to accrual status when all delinquent interest and principal become current in accordance with the terms of the loan or lease agreement and when doubt about repayment is resolved. At December 31, 2013, the Bank has placed one loan in the amount of $289,091 on non-accrual status.

Impaired Loans

A loan is considered impaired when, based on current information and events, it is probable that the Bank will not be able to collect all amounts due from the borrower in accordance with the contractual terms of the loan, including scheduled interest payments. Impaired loans include all non-accruing loans, all loans modified in a troubled debt restructuring and loans classified as doubtful (see note 4).

When a loan has been identified as being impaired, the amount of impairment is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the estimated fair value of the collateral, less any selling costs, if the loan is collateral-dependent. If the measurement of the impaired loan is less than the recorded investment in the loan (including accrued interest), an impairment is recognized by establishing or adjusting an existing allocation of the Allowance.

Loans Modified in a Troubled Debt Restructuring (TDRs)

Loans are considered to have been modified in a troubled debt restructuring when, due to a borrower's financial difficulties, the Bank makes certain concessions to the borrower that it would not otherwise consider. Modifications may include interest rate reductions, principal or interest forgiveness, forbearance, and other actions intended to minimize economic loss and to avoid foreclosure or repossession of collateral. A modification that results in an insignificant delay in contractual cash flows is not considered to be a concession. During the years ended December 31, 2013 and 2012, the Bank granted loan modifications and temporary payment deferments that are not considered to be TDRs.

Allowance for Loan Losses

The Bank maintains an Allowance adequate to cover management's estimate of probable credit losses as of the balance sheet date. Changes to the level of the Allowance are recognized through charges or credits to provisions for loan losses. Loans that are charged-off reduce the Allowance while recoveries of loans previously charged-off increase the Allowance.

The Bank does not disaggregate its loan portfolio by segments for the purposes of determination of the Allowance. The level of Allowance is generally based on analyses of individual borrowers and historical loss experience supplemented as necessary by credit judgment to address observed changes in trends and conditions, and other relevant environmental and economic factors that may affect the collectability of loans. On a quarterly basis, the Bank performs an analysis of individual loans based on its internal risk rating methodology.