



2020 **ANNUAL REPORT**

PACIFIC ISLANDS DEVELOPMENT BANK



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Our island economies have been some of the worst affected globally by the COVID-19 pandemic, with the Pacific region’s tourism sectors being particularly hard hit. However, geography and relative isolation has conferred obvious benefits during a pandemic spread by travel and interaction, with some islands preventing the COVID-19 virus entering at all and others effectively controlling its spread locally. The region saw a sharp collapse in tourism that followed on the heels of the March 11, 2020, COVID-19 pandemic declaration by the World Health Organization. With tourists from countries like China, Japan, Taiwan, Korea, Australia, New Zealand, and others unable or unwilling to travel due to the border controls and travel restrictions instituted by governments, hotels and resorts in the islands were effectively empty throughout most of 2020, forcing business closures and layoffs.

Many of our islands were quick to react to the pandemic, instituting travel restrictions and enhanced screening as early as March 2020, immediately following the World Health Organization’s declaration, in an effort to keep the virus at bay. For instance, nations within our region installed what observers called the most drastic anti-coronavirus travel ban in the world. Acceptance of border closures and lockdowns grew, and many resorts, hotels, and restaurants were forced to close down and dismiss employees. At the same time, remittances sent home from Micronesian citizens working abroad declined, cutting a revenue source for some islands.

By September 2020, the coronavirus officially claimed a million lives worldwide, even as lockdowns began to ease across the world, but shortly thereafter, new variants of the virus emerged, forcing some countries back under lockdown. In December 2020, multiple vaccines were approved, and vaccine campaigns began in major U.S. and European cities. In our region, inoculations began as shipments of the Moderna vaccine arrived in December 2020. As of the writing of this annual report, four countries in the Micronesian region were still reported by the World Health Organization as having zero cases of COVID-19. They are the Federated States of Micronesia (FSM), Kiribati, Nauru, and Palau. According to media reports as of June 2021, the percentage of adults fully vaccinated in CNMI was approximately 64%; in Guam was approximately 58%; in Marshall Islands was approximately 25%; and in Palau was approximately 97%. Vaccination efforts continue and all persons eligible to receive a vaccine are strongly encouraged to avail of the free vaccination programs currently underway in our islands.

The compounding impacts of the COVID-19 pandemic and ongoing climate and disaster shocks will pose major challenges for the region in the near term and beyond. Our region’s nations and territories characteristically face the same challenges and opportunities as other remote island economies worldwide. We are generally small in landmass with limited natural resources, narrow-based economies, relatively distant proximity from major markets, and vulnerable to external shocks, such as the COVID-19 pandemic, all of which can affect economic growth and have often led to a high degree of economic volatility. Sustained development progress will require inclusive community-based approaches as well as long-term cooperation between governments, international development partners and regional organizations.

Elections were held in 2020 resulting in new leadership taking office, or in some cases incumbents maintaining elected positions, in the CNMI, Guam, Marshall Islands, and Palau. For instance, Honorable Senator Kenneth Kedi maintained his position as Speaker of the Legislature for Marshall Islands after re-election in 2020. Speaker Kedi serves on the PIDB Board of Governors representing the Republic of the Marshall Islands’ legislative branch. Also, Honorable Senator Tina Muna-Barnes, representing Guam’s legislative branch on the PIDB Board of Governors, won her bid for re-election during the year and currently serves as Vice Speaker for Guam’s 36th Legislature. In Palau, newly elected President Surangel Whipps, Jr., took office in January following the Republic’s November 2020 general elections. In the CNMI, Representative John Paul P. Sablan was re-elected in November 2020 and



continues to serve on the PIDB Board of Governors representing the CNMI legislative branch. The political support of leaders throughout the region is crucial to the Bank, particularly given the ownership and corporate structure of PIDB. On behalf of management and staff, we extend warm congratulations to our Board members who won in elections during the year under review and look forward to our work together in advancing the mission of PIDB.

In 2020, the bank engaged the services of firms to provide professional consulting in the areas of accounting and human resources. Namely: Burger, Comer & Magliari (BCM) for accounting; and Allied Business Consultants, Inc. (ACBi) for human resources. Management engaged new attorneys in the Federated States of Micronesia, Guam, and Palau, to assist in the collection of delinquent loans. These partnerships with professional service providers are intended to continue the work of enhancing our policies and practices, and to identify areas of operation where further improvements can be made. Work on refining standard processes and procedures is ongoing, including refreshing our application forms, instituting a program for the regular and consistent provision of loan statements, as well as enhancing the quality of our customer service experience.

One of the bank’s strategic objectives is to expand the scope and scale of our services in the islands, which involves the hiring of staff outside of Guam to better serve our customers at the local level. New management has continued the work of evaluating human resource needs and identifying priority areas for investment in support staff. As an example, the bank hired a new Loan Processor based in Ebeye, Kwajalein Atoll, Marshall Islands. We welcomed Mrs. Diane Kabua to the PIDB team in November 2020. She is tasked with helping the bank’s customers in the Marshall Islands, particularly for liaising with applicants and borrowers, putting together customer information, loan applications, and required supporting documents in relation to PIDB’s Kwajalein Atoll Development Authority (KADA) home loan program.

A new loan system was installed and launched in June 2020. The bank selected Margill Loan Manager following a prudent search and selection process that began in February. The acquisition of a new system satisfies one of the goals established by previous management and we are happy to report the successful transition from the former system to the new one. This change has greatly enhanced data storing, analysis, and reporting capabilities. At the same time, the new system has added tremendous value in terms of the accounting functions related to our loan operations by improving administrative efficiencies and internal controls. In addition to a new loan system, the bank made other upgrades in the area of information technology (IT). For instance, our server and staff computer equipment have been upgraded. Given the pandemic related safety measures established last year, in-person interaction was restricted and gave rise to virtual meeting platforms. Software and applications, as well as related auxiliary equipment, were attained to facilitate the hosting of virtual meetings. We continue to seek practical ways to enhance our IT competencies and resources.

ACH payment capability was established during the year under review. This service is made possible to PIDB customers through Bank of Guam, and has provided a more convenient option for loan repayment. Borrowers that avail of this service no longer have to endure long lines at their local bank for the purpose of loan payments (e.g. withdrawing cash and making walk-in payments to PIDB or depositing loan payment funds to the PIDB account at their local Bank of Guam branch).

In March 2020, PIDB entered into an agreement with the Guam Economic Development Authority (GEDA) to participate in the State Small Business Credit Initiative (SSBCI) loan guaranty program. This means the bank may petition GEDA for a cash collateral up to 75% of a qualifying small business loan (not to exceed \$500,000) made to

an existing or prospective Guam business. Under the program, PIDB will maintain loan underwriting guidelines in line with our loan policy and with the terms of the SSBCI program, and submit documentation to GEDA for review and consideration. Management continues to pursue partnerships with development authorities and related agencies across the region. These partnerships are a great step forward for the bank as we advance our efforts to support economic development and contribute to financial stability in our region.

2020 marked the second year under the bank’s current Strategic Plan (2019-2021). The year under review was a challenging year to say the least, and unfortunately, many of the listed objectives established for 2020 under the current Plan had to be deferred until local economic conditions stabilize. Broad strategic goals remain balance sheet growth, improved earnings, and capacity enhancement, especially in financial, human, and technical resources. As we near the end of the final year under the current Plan period, management has begun to consider those goals and action plans that remain relevant as well as new goals and actions plans to undertake in the Strategic Plan to be developed for years 2022-2024.

Finally, on behalf of our PIDB team, we take this opportunity to express our gratitude and appreciation to our Shareholders, Board of Governors, Board of Directors, our partners, and last but not least, our valued customers. Your support, encouragement, and patronage have contributed to the resilience of the Bank. To our staff, thank you very much for your continued dedication, and for the diligence and patience you have shown throughout the year. May our islands continue on the path of recovery, in terms of our economies as well as our health and social wellbeing.

Lindsay M. Timarong, AIFA®
Acting President & CEO



BACKGROUND & CORPORATE INFORMATION

Establishment

Pacific Islands Development Bank was created on July 5, 1989, through a Resolution approved by the Association of Pacific Island Legislatures (APIL). Its corporate office is in Guam.

Bank’s Vision

“To be a stable and sustainable development finance institution providing access to funds for the economic and social well-being of its members.”

Bank’s Mission & Purpose

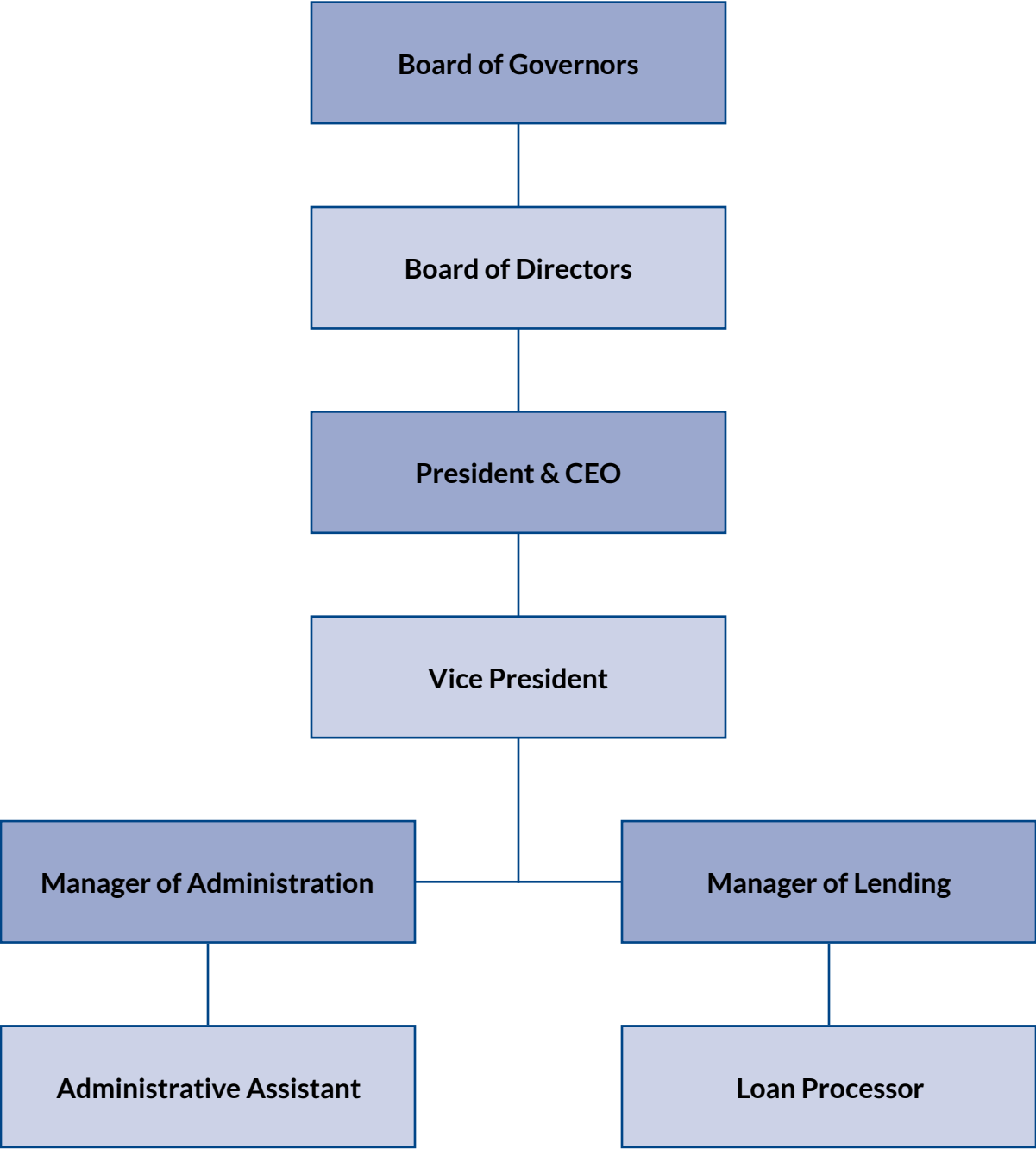
“To contribute to the acceleration of the process of economic and social development of member countries and States, individually and collectively, and to promote economic cooperation among them.”

Shareholders & Paid in Capital

The initial capital each member pledged and agreed to pay is \$1 million. For the period under review, Chuuk State made additional capital contributions totaling \$50,000 towards its equity shares in the bank. Management continues to work with individual shareholder countries or members for additional capital funding.

As of December 31, 2020			
SHAREHOLDER	NO. OF SHARES	SHARE VALUE	% SHARE
Commonwealth of the Northern Mariana Islands	1,000	1,000,000.00	10%
Territory of Guam	1,000	1,000,000.00	10%
Chuuk State, FSM	327	326,783.18	3%
Kosrae State, FSM	900	900,000.00	9%
Pohnpei State, FSM	1,300	1,300,000.00	13%
Yap State, FSM	1,439	1,438,866.00	14%
Republic of the Marshall Islands	1,992	1,992,000.00	20%
Kwajalein Atoll Development Authority (KADA)	1,000	1,000,000.00	10%
Republic of Palau	1,000	1,000,000.00	10%
TOTAL	9,958	9,957,649.18	100%

ORGANIZATIONAL CHART





BOARD OF GOVERNORS

The Articles of Agreement Establishing the Pacific Islands Development Bank, as amended, stipulates that each member shall appoint two Governors (one representing the Executive branch and the other representing the Legislative branch) to the Board of Governors. At its annual meeting, the Board elects new officers for the ensuing year.

The members of the Board of Governors and its officers for the period under review are as follows:

SHAREHOLDER	EXECUTIVE BRANCH REPRESENTATIVE	LEGISLATIVE BRANCH REPRESENTATIVE
Commonwealth of the Northern Mariana Islands	Honorable Ralph D.L.G. Torres <i>Governor Chairman of the Board of Governors</i>	Honorable John Paul P. Sablan <i>Representative House of Representatives Northern Marianas Commonwealth Legislature</i>
Territory of Guam	Honorable Lourdes Leon Guerrero <i>Governor Secretary of the Board of Governors</i>	Honorable Tina Muna-Barnes <i>Senator Vice Speaker of the Legislature of Guam</i>
Chuuk State, FSM	Vacant	Vacant
Kosrae State, FSM	Honorable Carson Sigrah <i>Governor</i>	Honorable Rolner Joe <i>Senator Vice Speaker of the Kosrae State Legislature</i>
Pohnpei State, FSM	Honorable Reed Oliver <i>Governor</i>	Mr. Carlos Villazon <i>Budget Officer for the Pohnpei State Legislature</i>
Yap State, FSM	Honorable Henry Falan <i>Governor</i>	Honorable John Masiwemai <i>Senator Vice Speaker of the Yap State Legislature</i>
Republic of the Marshall Islands	Pending	Honorable Kenneth Kedi <i>Senator Speaker of the Nitijela</i>
Republic of Palau	Honorable Elbuchel Sadang <i>Minister of Finance</i>	Honorable Swenny Ongidobel <i>Delegate House of Delegates Olbiil Era Kelulau</i>

BOARD OF DIRECTORS

The Articles of Agreement Establishing the Pacific Islands Development Bank, as amended, stipulates that the two Governors representing each member shall appoint one person to represent that member entity on the Board of Directors. The Board of Directors is authorized by the Board of Governors to exercise all powers of the Bank with the exception of those expressly reserved to the Board of Governors under the Agreement. The Board of Directors meets quarterly with the Bank President and CEO serving as Chairman pursuant to the Bank’s Articles.

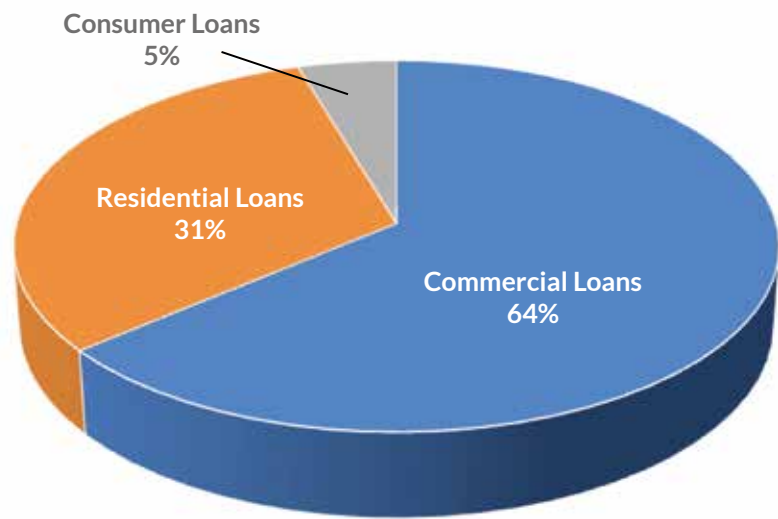
The following individuals served on the Board of Directors during the year under review:

SHAREHOLDER	BOARD DIRECTOR
Commonwealth of the Northern Mariana Islands	Mr. Diego Benavente <i>Former Lt. Governor of CNMI</i>
Territory of Guam	Mr. Frank Atalig <i>CFO Bank of Guam</i>
Chuuk State, FSM	Vacant
Kosrae State, FSM	Mr. Robson Henry <i>U.S. Army, retired</i>
Pohnpei State, FSM	Ms. Christina Elnei <i>Budget Officer Pohnpei State Finance</i>
Yap State, FSM	Honorable John Masiwemai <i>Vice Speaker of the Yap State Legislature</i>
Republic of the Marshall Islands	Honorable Alfred Alfred, Jr. <i>Minister of Finance</i>
Kwajalein Atoll Development Authority (KADA)	Mr. Anjojo Kabua III <i>Executive Director of KADA</i>
Republic of Palau	Honorable Elbuchel Sadang <i>Minister of Finance</i>
Pacific Islands Development Bank	Christopher A. Cruz <i>President & CEO Chairman of the Board of Directors</i>



LOAN MIX

The Bank’s core lending is in Commercial loans, consistent with its core mission and purpose. At December 31, 2020, the composition of our loan portfolio was as follows:



Outstanding Loans by Sector ¹			
LOAN TYPE	COUNT	AMOUNT	% OF TOTAL
Commercial Loans			
Agriculture	1	62,040.70	0.4%
Commercial Real Estate	9	1,167,325.67	7.0%
Fisheries	0	0.00	0.0%
Manufacturing	4	537,017.35	3.2%
Services	29	2,694,662.56	16.2%
Tourism	16	4,398,174.62	26.4%
Wholesale/Retail	14	1,176,617.08	7.1%
Other	2	617,830.05	3.7%
Subtotal	75	10,653,668.03	63.9%
Residential Loans	57	5,235,174.51	31.4%
Consumer Loans	108	778,548.64	4.7%
TOTAL	240	16,667,391.18	

¹ Bank prepared loan listing as of December 31, 2020 shows values that in total may slightly differ from audited figures due to payments received or adjustments made subsequent to audit work.

TOTAL LOANS TO CAPITAL RATIOS BY SHAREHOLDER

As of December 31, 2020					
SHAREHOLDER	NO. SHARES	SHARE VALUE	LOANS TO CAPITAL	NO. LOANS	TOTAL PRINCIPAL VALUE
Commonwealth of the Northern Mariana Islands	1,000	1,000,000.00	191%	13	1,905,425.65
Guam ¹	1,000	1,000,000.00	108%	37	1,083,004.00
Chuuk, FSM	327	326,783.18	2%	1	7,592.26
Kosrae ² , FSM	900	900,000.00	89%	48	804,016.49
Pohnpei, FSM	1,300	1,300,000.00	90%	30	1,171,392.62
Yap ³ , FSM	1,439	1,438,866.00	180%	45	2,591,046.45
Republic of the Marshall Islands ⁴	1,992	1,992,000.00	162%	21	3,220,973.75
Kwajalein Atoll Development Authority (KADA)	1,000	1,000,000.00	96%	8	955,141.59
Republic of Palau	1,000	1,000,000.00	120%	13	1,195,101.05
Total Direct Lending	9,958	9,957,649.18	130%	216	12,933,693.86
Total Special Program Funded Loans⁵				24	3,733,697.32
TOTAL LOANS				240	16,667,391.18

Notes:

	No. Loans	Total Principal Value
¹ Guam loans receivables amount excludes:		
(a) FSMDB Loan Program loans domiciled in Guam	9	\$888,766.34
(b) IRP (USDA) loans domiciled in Guam	2	\$309,190.91
² Kosrae loans receivables amount excludes:		
(a) IRP (USDA) loans domiciled in Kosrae	7	\$172,544.38
³ Yap loans receivable amount excludes:		
(a) FSMDB Loan Program loans domiciled in Yap	1	\$36,901.78
(b) IRP (USDA) loans domiciled in Yap	1	\$38,829.19
(c) Yap Development Loan Program funded loans	4	\$2,287,464.72
⁴ RMI loans receivables amount excludes:		
(a) KADA Home Loan Program loans	8	\$955,141.59
⁵ Funded by administered loan programs: USDA Intermediary Relending Program, FSM Development Bank Loan Program, and Yap Development Loan Program.		



DELINQUENT LOANS TO CAPITAL RATIOS BY SHAREHOLDER

As of December 31, 2020					
SHAREHOLDER	NO. SHARES	SHARE VALUE	DELINQUENT LOANS TO CAPITAL	NO. LOANS	TOTAL PRINCIPAL VALUE
Commonwealth of the Northern Mariana Islands	1,000	1,000,000.00	39%	4	388,692.14
Guam ¹	1,000	1,000,000.00	20%	15	195,723.85
Chuuk, FSM	327	326,783.18	0%	0	0.00
Kosrae ² , FSM	900	900,000.00	53%	24	475,416.84
Pohnpei, FSM	1,300	1,300,000.00	5%	6	63,471.82
Yap ³ , FSM	1,439	1,438,866.00	76%	25	1,087,981.33
Republic of the Marshall Islands ⁴	1,992	1,992,000.00	105%	13	2,085,508.03
Kwajalein Atoll Development Authority (KADA)	1,000	1,000,000.00	12%	1	122,067.76
Republic of Palau	1,000	1,000,000.00	61%	5	610,898.53
Total Direct Lending	9,958	9,957,649.18	51%	93	5,029,760.30
Total Special Program Funded Loans⁵				13	2,623,601.62
TOTAL LOANS				106	7,653,361.92

Notes:

	No. Delinquent Loans	Total Principal Value Delinquent Loans
¹ Guam loans receivables amount excludes:		
(a) FSMDB Loan Program loans domiciled in Guam	3	\$147,476.19
(b) IRP (USDA) loans domiciled in Guam	1	\$289,090.86
² Kosrae loans receivables amount excludes:		
(a) IRP (USDA) loans domiciled in Kosrae	5	\$75,763.99
³ Yap loans receivable amount excludes:		
(a) FSMDB Loan Program loans domiciled in Yap	1	\$36,901.78
(b) IRP (USDA) loans domiciled in Yap	0	\$0.00
(c) Yap Development Loan Program funded loans	3	\$2,074,368.80
⁴ RMI loans receivables amount excludes:		
(a) KADA Home Loan Program loans	1	\$122,067.76
⁵ Funded by administered loan programs: USDA Intermediary Relending Program, FSM Development Bank Loan Program, and Yap Development Loan Program.		
⁶ Delinquent Loans are loans that are 30 or more days past due		

DELINQUENT LOANS TO TOTAL LOANS BY SHAREHOLDER

As of December 31, 2020					
SHAREHOLDER	TOTAL NO. LOANS	TOTAL VALUE LOANS	DELINQUENT LOANS TO TOTAL LOANS	NO. DELINQUENT LOANS ⁶	TOTAL PRINCIPAL VALUE DELINQUENT LOANS
Commonwealth of the Northern Mariana Islands	13	1,905,425.65	20%	4	388,692.14
Guam ¹	37	1,083,004.00	18%	15	195,723.85
Chuuk, FSM	1	7,592.26	0%	0	0.00
Kosrae ² , FSM	48	804,016.49	59%	24	475,416.84
Pohnpei, FSM	30	1,171,392.62	5%	6	63,471.82
Yap ³ , FSM	45	2,591,046.45	42%	25	1,087,981.33
Republic of the Marshall Islands ⁴	21	3,220,973.75	65%	13	2,085,508.03
Kwajalein Atoll Development Authority (KADA)	8	955,141.59	13%	1	122,067.76
Republic of Palau	13	1,195,101.05	51%	5	610,898.53
Total Direct Lending	216	12,933,693.86	39%	93	5,029,760.30
Total Special Program Funded Loans⁵	24	3,733,697.32	70%	13	2,623,601.62
TOTAL LOANS	240	16,667,391.18	46%	106	7,653,361.92

Notes:

	No. Delinquent Loans	Total Value Delinquent Loans	Total Value	% of Total Value
¹ Guam loans receivables amount excludes:				
(a) FSMDB Loan Program loans domiciled in Guam	3	\$147,476.19	\$888,766.34	17%
(b) IRP (USDA) loans domiciled in Guam	1	\$289,090.86	\$309,190.91	93%
² Kosrae loans receivables amount excludes:				
(a) IRP (USDA) loans domiciled in Kosrae	5	\$75,763.99	\$172,544.38	44%
³ Yap loans receivable amount excludes:				
(a) FSMDB Loan Program loans domiciled in Yap	1	\$36,901.78	\$36,901.78	100%
(b) IRP (USDA) loans domiciled in Yap	0	\$0.00	\$38,829.19	0%
(c) Yap Development Loan Program funded loans	3	\$2,074,368.80	\$2,287,464.72	91%
⁴ RMI loans receivables amount excludes:				
(a) KADA Home Loan Program loans	1	\$122,067.76	\$955,141.59	13%
⁵ Funded by administered loan programs: USDA Intermediary Relending Program, FSM Development Bank Loan Program, and Yap Development Loan Program.				
⁶ Delinquent Loans are loans that are 30 or more days past due				



NON-PERFORMING LOANS TO CAPITAL RATIOS BY SHAREHOLDER

As of December 31, 2020					
SHAREHOLDER	NO. SHARES	SHARE VALUE	NPLS TO CAPITAL	NO. NPLS ⁶	TOTAL VALUE NPLS
Commonwealth of the Northern Mariana Islands	1,000	1,000,000.00	21%	2	209,424.94
Guam ¹	1,000	1,000,000.00	16%	12	161,479.25
Chuuk, FSM	327	326,783.18	0%	0	0.00
Kosrae ² , FSM	900	900,000.00	51%	23	455,191.00
Pohnpei, FSM	1,300	1,300,000.00	5%	5	61,733.84
Yap ³ , FSM	1,439	1,438,866.00	75%	23	1,086,240.92
Republic of the Marshall Islands ⁴	1,992	1,992,000.00	105%	13	2,085,508.03
Kwajalein Atoll Development Authority (KADA)	1,000	1,000,000.00	12%	1	122,067.76
Republic of Palau	1,000	1,000,000.00	61%	5	610,898.53
Total Direct Lending	9,958	9,957,649.18	48%	84	4,792,544.27
Total Special Program Funded Loans⁵				12	2,614,815.43
TOTAL LOANS				96	7,407,359.70

Notes:

	No. NPLs	Total Value NPLs
¹ Guam loans receivables amount excludes:		
(a) FSMDB Loan Program loans domiciled in Guam	3	\$147,476.19
(b) IRP (USDA) loans domiciled in Guam	1	\$289,090.86
² Kosrae loans receivables amount excludes:		
(a) IRP (USDA) loans domiciled in Kosrae	4	\$66,977.80
³ Yap loans receivable amount excludes:		
(a) FSMDB Loan Program loans domiciled in Yap	1	\$36,901.78
(b) IRP (USDA) loans domiciled in Yap	0	\$0.00
(c) Yap Development Loan Program funded loans	3	\$2,074,368.80
⁴ RMI loans receivables amount excludes:		
(a) KADA Home Loan Program loans	1	\$122,067.76
⁵ Funded by administered loan programs: USDA Intermediary Relending Program, FSM Development Bank Loan Program, and Yap Development Loan Program.		
⁶ NPLs = Non-Performing Loans; these are loans that are 90 or more days past due		

NON-PERFORMING LOANS TO TOTAL LOANS BY SHAREHOLDER

As of December 31, 2020					
SHAREHOLDER	TOTAL NO. LOANS	TOTAL VALUE LOANS	NPLS TO TOTAL LOANS	NPLS ⁶	TOTAL VALUE NPLS
Commonwealth of the Northern Mariana Islands	13	1,905,425.65	11%	2	209,424.94
Guam ¹	37	1,083,004.00	15%	12	161,479.25
Chuuk, FSM	1	7,592.26	0%	0	0.00
Kosrae ² , FSM	48	804,016.49	57%	23	455,191.00
Pohnpei, FSM	30	1,171,392.62	5%	5	61,733.84
Yap ³ , FSM	45	2,591,046.45	42%	23	1,086,240.92
Republic of the Marshall Islands ⁴	21	3,220,973.75	65%	13	2,085,508.03
Kwajalein Atoll Development Authority (KADA)	8	955,141.59	13%	1	122,067.76
Republic of Palau	13	1,195,101.05	51%	5	610,898.53
Total Direct Lending	216	12,933,693.86	37%	84	4,792,544.27
Total Special Program Funded Loans⁵	24	3,733,697.32	70%	12	2,614,815.43
TOTAL LOANS	240	16,667,391.18	44%	96	7,407,359.70

Notes:

	No. NPLs	Total Value NPLs	Total Value	% of Total Value
¹ Guam loans receivables amount excludes:				
(a) FSMDB Loan Program loans domiciled in Guam	3	\$147,476.19	\$888,766.34	17%
(b) IRP (USDA) loans domiciled in Guam	1	\$289,090.86	\$309,190.91	93%
² Kosrae loans receivables amount excludes:				
(a) IRP (USDA) loans domiciled in Kosrae	4	\$66,977.80	\$172,544.38	39%
³ Yap loans receivable amount excludes:				
(a) FSMDB Loan Program loans domiciled in Yap	1	\$36,901.78	\$36,901.78	100%
(b) IRP (USDA) loans domiciled in Yap	0	\$0.00	\$38,829.19	0%
(c) Yap Development Loan Program funded loans	3	\$2,074,368.80	\$2,287,464.72	91%
⁴ RMI loans receivables amount excludes:				
(a) KADA Home Loan Program loans	1	\$122,067.76	\$955,141.59	13%
⁵ Funded by administered loan programs: USDA Intermediary Relending Program, FSM Development Bank Loan Program, and Yap Development Loan Program.				
⁶ NPLs = Non-Performing Loans; these are loans that are 90 or more days past due				



For the year under review, loan growth was nominal at 0.2%. New commercial, residential and consumer loans were funded in 2020; however, rates of loan reduction, including loan payoffs, outpaced additions to the bank’s loan portfolio. A total of 50 loan applications were received during the year, with 31% approved by value. A total of 10 new loans were approved in 2020 with value totaling approximately \$741,183.

New Loans in 2020 by Sector			
LOAN TYPE	COUNT	AMOUNT	% OF TOTAL
Commercial Loans			
Agriculture	0	0.00	
Commercial Real Estate	0	0.00	
Fisheries	0	0.00	
Manufacturing	1	440,561.78	59.4%
Services	0	0.00	
Tourism	0	0.00	
Wholesale/Retail	0	0.00	
Other	0	0.00	
Subtotal	1	440,561.78	59.4%
Residential Loans	3	225,355.82	30.4%
Consumer Loans	6	75,265.78	10.2%
TOTAL	10	741,183.38	

FINANCIAL REPORT

Assets saw a 12.6% decline—from \$17.4 million to \$15.2 million—attributed to audit adjusted significant increase in allowances for loan and lease losses (ALLL), which had a notable impact on the bank’s balance sheet. As a result of higher ALLL, the value of net loans fell by roughly \$2.4 million, or 16%. As a result, the value of overall assets fell year over year.

Equity declined by 13.4% or approximately \$2 million—from \$14.7 million to \$12.7 million—due primarily to decrease in the Bank’s Retained Earnings. Chuuk State injected a total of \$50,000 during the year towards fulfillment of their subscribed capital. The contribution from Chuuk State brought the value of capital stock to \$9,957,649 as of December 31, 2020.

The Bank saw substantial decline in Retained Earnings. Excluding audit adjusted specific capital amounts related to the Yap Development Loan Program funds, retained earnings fell 94%—from approximately \$2.2 million to roughly \$128,000—due to Provisions for Loan Loss Expenses incurred for the year under review, which totaled \$2.4 million. Gross Revenue declined by 15.3% corresponding to the growth in loan delinquency seen throughout the year. On the other hand, Operating Expenses declined by 22.5% as a result of notable reduction in travel and related expenses. The Bank realized a record Net Loss of roughly \$2 million for 2020.



Key Performance Indicators

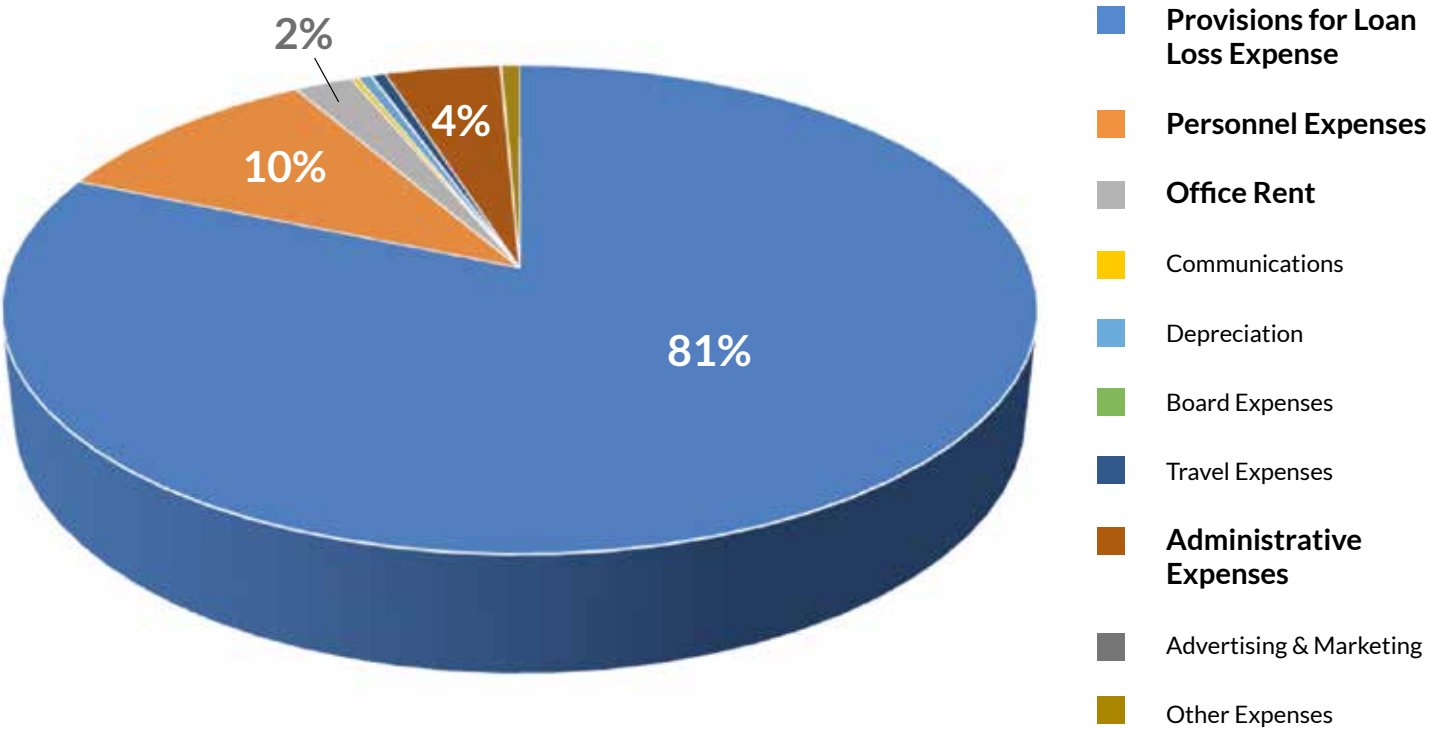
The Table below shows the annual trend in PIDB’s key performance indicators over the last five years.

KEY PERFORMANCE INDICATORS	2016	2017	2018	2019	2020
<i>Profitability Ratios</i>					
Return on Assets	2.3%	2.4%	-0.6%	-2.4%	-13.3%
Return on Equity	3.0%	3.0%	-0.7%	-2.8%	-15.9%
Net Interest Margin	7.8%	8.3%	7.4%	6.7%	5.6%
Efficiency (Expense) Ratio	59.3%	51.7%	58.2%	65.7%	61.2%
<i>Liquidity Ratios</i>					
Total Assets to Total Liabilities (x)	4.3	5.0	6.1	6.5	6.2
Policy Liquidity Ratio (x)	3.3	5.8	3.2	2.5	3.2
<i>Leverage Ratios</i>					
Debt to Assets	23.2%	19.7%	16.3%	15.2%	15.9%
Debt to Equity	30.3%	24.5%	19.6%	18.0%	19.0%
Equity to Total Assets	76.6%	80.1%	83.5%	84.6%	83.9%
<i>Growth Indicators</i>					
Loan Growth	10.7%	1.8%	28.5%	8.6%	0.2%
Liquidity Growth	71.2%	73.3%	-27.5%	-15.8%	9.5%
Total Asset Growth	16.6%	13.2%	12.9%	-0.1%	-12.6%
Debt Growth	25.1%	-4.1%	-6.3%	-6.9%	-8.7%
Equity Growth	14.3%	18.4%	17.6%	1.2%	-13.4%
Revenue Growth	-3.4%	11.5%	11.9%	-2.5%	-15.3%
Operating Expense Growth	5.0%	-8.3%	33.3%	13.2%	-22.5%
Operating Leverage	-8.4%	19.9%	-21.4%	-15.7%	7.2%
<i>Loan Portfolio Quality Indicators</i>					
ALLL to Total Loans	5.2%	5.7%	6.5%	11.0%	25.6%
Past Due Loans to Total Loans	9.8%	14.9%	12.5%	40.4%	45.9%
NPLs to Total Loans	7.8%	10.3%	6.8%	27.7%	44.5%
Doubtful Loans to Total Loans	7.7%	7.9%	5.4%	5.0%	19.0%
Loss Loans to Total Loans	NA	NA	NA	NA	5.1%
<i>ALLL Adequacy Indicators</i>					
Loss Classified Loans to ALLL					20.1%
Doubtful + Loss Classified Loans to ALLL	148.8%	138.9%	82.7%	45.4%	94.2%
<i>Capital Adequacy Ratios</i>					
Tier 1 Capital ratio	87.5%	101.9%	76.5%	72.4%	60.4%
NPLs to Total Capital	8.7%	9.9%	7.2%	31.3%	58.1%
ALLL to Total Capital	5.8%	5.5%	6.9%	12.4%	33.5%

Major Expenses

The Bank’s operating expenses reflect its operational structure and geographical representation with a 14-member Board of Governors and a 9-member Board of Directors. The Bank’s corporate office is currently in Guam with no branch offices yet. The annual Provision for Loan Losses is based on Bank management’s review and grading of the bank’s loan portfolio and the Independent Auditor’s recommendation. Based on such review, the Bank provisioned \$2,410,000 for 2020. Interest Expense in the amount of \$54,929 was for both the IRP and the FSM Development Bank export loan facilities.

The pie chart below shows the major expenses of the bank, as a percentage of total expenses, during the year under review, including the substantial Provisions for Loan Loss Expense, which comprised 81% of total expenses for the year, and the primary reason for the large Net Loss incurred. Personnel Expenses, Administrative Expenses, and Office Rent are other major expense categories. Other types of expenses listed to the right of the pie chart below, individually, comprise 1% or less of total expenses.



Excluding the Provisions for Loan Loss Expense, a Net Income of approximately \$386,000 would have been realized.



BOARD ACTIVITIES DURING THE YEAR (2020)

Board of Governors

- Met via Zoom meeting platform in July 2020 and took the following actions:
 - Received and reviewed the Bank's 2019 Annual Report and Audit Report.
 - Received the Bank's 2020 Budget and Goals for information.

Board of Directors

- Held 2 regular meetings during the year to review bank operation and performance against budget.
- Prepared and submitted to the Board of Governors the 2019 Annual Report and Independent Audit Report.
- Reviewed and approved budget and goals for the ensuing year (2021).
- Reviewed loan reports and management's actions to address delinquency.

PACIFIC ISLANDS DEVELOPMENT BANK

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020 and 2019, and the related statements of operations, 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, 2020 and 2019, 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

May 11, 2021

PACIFIC ISLANDS DEVELOPMENT BANK

Statements of Condition
December 31, 2020 and 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,660,858	\$ 2,429,924
Loans receivable, net	12,404,910	14,809,058
Interest receivable, net	110,371	145,465
Property and equipment, net	16,715	10,051
Prepaid expenses	7,362	6,119
	<u>\$ 15,200,216</u>	<u>\$ 17,400,617</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Liabilities:		
Other liabilities	\$ 32,825	\$ 30,407
Long-term debt	2,418,953	2,648,242
Total liabilities	<u>2,451,778</u>	<u>2,678,649</u>
Commitments		
Stockholders' equity:		
Capital stock	9,957,649	9,907,649
Retained earnings	2,790,789	4,814,319
Total stockholders' equity	<u>12,748,438</u>	<u>14,721,968</u>
	<u>\$ 15,200,216</u>	<u>\$ 17,400,617</u>

See accompanying notes to financial statements.

PACIFIC ISLANDS DEVELOPMENT BANK

Statements of Operations
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Loan interest income	\$ 960,993	\$ 1,116,846
Other interest and dividend income	2,157	2,949
Total interest income	<u>963,150</u>	<u>1,119,795</u>
Interest expense	<u>54,929</u>	<u>57,025</u>
Net interest income	<u>908,221</u>	<u>1,062,770</u>
Provision for loan losses	<u>2,410,000</u>	<u>814,000</u>
Net interest (loss) income, after provision for loan losses	<u>(1,501,779)</u>	<u>248,770</u>
Operating expenses:		
Salaries and related expenses	304,861	353,699
Professional fees	67,126	27,848
Office rental	63,897	63,897
Insurance	47,105	37,142
Conference and travel	15,253	153,686
Depreciation	14,591	12,549
Office supplies	9,782	7,678
Communications	7,285	9,887
Automobile	1,984	2,034
Business development and marketing	1,045	10,218
Board meetings	915	10,815
Miscellaneous	20,019	25,448
Total operating expenses	<u>553,863</u>	<u>714,901</u>
Operating loss	<u>(2,055,642)</u>	<u>(466,131)</u>
Other income (expense):		
Other income	34,010	55,768
Loss on disposal of property and equipment	(1,898)	-
Total other income, net	<u>32,112</u>	<u>55,768</u>
Net loss	<u>\$ (2,023,530)</u>	<u>\$ (410,363)</u>

See accompanying notes to financial statements.

PACIFIC ISLANDS DEVELOPMENT BANK

Statements of Changes in Stockholders' Equity
Years Ended December 31, 2020 and 2019

	Shares of Common Stock	Common Stock	Retained Earnings	Total
Balance at December 31, 2018, As Restated	9,327	\$ 9,327,649	\$ 5,224,682	\$ 14,552,331
Issuance of common stock	580	580,000	-	580,000
Net loss	-	-	(410,363)	(410,363)
Balance at December 31, 2019	9,907	9,907,649	4,814,319	14,721,968
Issuance of common stock	50	50,000	-	50,000
Net loss	-	-	(2,023,530)	(2,023,530)
Balance at December 31, 2020	9,957	\$ 9,957,649	\$ 2,790,789	\$ 12,748,438

See accompanying notes to financial statements.

PACIFIC ISLANDS DEVELOPMENT BANK

Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Net loss	\$ (2,023,530)	\$ (410,363)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	14,591	12,549
Provision for loan loss	2,410,000	814,000
Loss on disposal of property and equipment	1,898	-
Decrease in interest receivable	35,094	52,054
Increase in prepaid expenses	(1,243)	(6,119)
Increase in other liabilities	2,418	3,039
Net cash provided by operating activities	439,228	465,160
Cash flows from investing activities:		
Loan originations and repayments, net	(5,852)	(1,301,131)
Additions to property and equipment	(23,153)	(3,798)
Cash used in investing activities	(29,005)	(1,304,929)
Cash flows from financing activities:		
Repayment on long-term debt	(229,289)	(196,971)
Proceeds from issuance of capital stock	50,000	580,000
Net cash (used in) provided by financing activities	(179,289)	383,029
Net change in cash and cash equivalents	230,934	(456,740)
Cash and cash equivalents at beginning of year	2,429,924	2,886,664
Cash and cash equivalents at end of year	\$ 2,660,858	\$ 2,429,924
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	\$ 54,929	\$ 57,025

See accompanying notes to financial statements.

PACIFIC ISLANDS DEVELOPMENT BANK

Notes to Financial Statements
December 31, 2020 and 2019

(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 are 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.

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.

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 and when doubt about repayment is resolved.

At December 31, 2020, three loans totaling \$2,304,410 are on non-accrual status and as such, no interest income or accrued interest receivable have been recognized. Additionally, at December 31, 2020, no accrued interest receivable was recorded for loans that are past due over ninety days.

At December 31, 2019, two loans totaling \$744,253 are on non-accrual status and as such, no interest income or accrued interest receivable have been recognized. Additionally, at December 31, 2019, accrued interest receivable was net of an allowance of \$190,880, for loans that are past due over ninety days.

PACIFIC ISLANDS DEVELOPMENT BANK

Notes to Financial Statements
December 31, 2020 and 2019

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

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 3).

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, 2020 and 2019, the Bank granted loan modifications and temporary payment deferments.

Allowance for Loan Losses

The Bank maintains an Allowance adequate to cover management's estimate of probable credit losses as of the statement of condition 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. The Bank performs an analysis of individual loans based on its internal risk rating methodology.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation on all property and equipment is computed under the straight-line method over the estimated useful lives of the assets or, for leasehold improvements over the term of lease.

Taxation

The Bank is not subject to taxation within Guam and therefore, no provision for taxes is included within the accompanying financial statements.

PACIFIC ISLANDS DEVELOPMENT BANK

Notes to Financial Statements
December 31, 2020 and 2019

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

Significant Group Concentration of Credit Risk

All of the Bank's lending activities are with individuals and businesses located within Guam, the Commonwealth of the Northern Mariana Islands, the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau.

As of December 31, 2020 and 2019, loan to one borrower aggregated \$1.56 million and represented 9% of gross loans (see note 3).

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses.

Risks and Uncertainties

In the normal course of its business, the Bank encounters the three components of economic risks: interest rate risk, credit risk and market risk. The Bank is subject to interest rate risk to the degree that its interest-bearing liabilities mature or re-price at different speeds, or on a different basis, than its interest-earning assets. Incorporated into interest rate risk is prepayment risk. Prepayment risk is the risk associated with the prepayment of assets, and the write-off of premiums associated with those assets, if any, should interest rates fall significantly. Credit risk is the risk of default, primarily in the Bank's loan portfolio that results from the borrower's inability or unwillingness to make contractually required payments. Market risk reflects changes in the value of securities, and the value of collateral underlying loans receivable. Credit and market risks can be affected by a concentration of business within the Pacific Island region.

Reclassification

Certain reclassifications have been made to the 2019 financial statements to correspond to the 2020 presentation.

Subsequent Events

Management has evaluated subsequent events through May 11, 2021, which is the date that the financial statements are available to be issued. There were no material subsequent events that would require recognition or disclosure in the financial statements for the year ended December 31, 2020.

PACIFIC ISLANDS DEVELOPMENT BANK

Notes to Financial Statements
December 31, 2020 and 2019

(2) Loans Receivable

The loan portfolio consists of direct loans. The interest rates on commercial loans, consumer loans and residential loans are predominately at a fixed rate of 10%, 13% and 7%, respectively. Most commercial and residential loans have been collateralized by various forms of collateral wherein consumer loans are mostly unsecured.

A summary of the balances of loans at December 31, 2020 and 2019 follows:

	2020	2019
Commercial – PIDB direct loan program	\$ 9,950,151	\$ 9,936,746
Residential loans	4,495,358	4,333,312
Commercial – USDA Intermediary Relending Program (IRP)	520,672	543,756
Consumer	778,783	877,560
Commercial – FSMDB import/export	925,924	943,563
Gross loans	16,670,888	16,634,937
Less: allowance for loan losses	(4,265,978)	(1,825,879)
Net loans	\$ 12,404,910	\$ 14,809,058

In the ordinary course of business, the Bank has entered into transactions with its employees, directors and their affiliates. Such transactions were made on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers. The aggregate amount of loans outstanding to such related parties at December 31, 2020 and 2019 was \$863,000 and \$888,000, respectively. The December 31, 2020 and 2019 balance includes \$250,000 and \$259,000 loans outstanding from former officers and directors, respectively.

(3) Allowance for Loan Losses

A summary of the changes in the allowance for loan losses for the years ended December 31, 2020 and 2019, follows

	2020	2019
Balance at beginning of year	\$ 1,825,879	\$ 1,000,016
Recoveries of loans previously charged off	30,099	11,863
Provision for loan losses	2,410,000	814,000
Balance at end of year	\$ 4,265,978	\$ 1,825,879

Credit Quality Indicators

The Bank uses an internal credit risk rating system that categorizes loans into pass, special mention, substandard, doubtful or loss categories. Credit risk ratings are applied individually to each loan on a quarterly basis.

PACIFIC ISLANDS DEVELOPMENT BANK

Notes to Financial Statements
December 31, 2020 and 2019

(3) Allowance for Loan Losses, Continued

Credit Quality Indicators, Continued

The following are the definitions of the Bank's credit quality indicators:

Pass: Loans in this category have a high probability of being paid as agreed. The credit carries a level of risk commensurate with the returns provided without placing the Bank in any exposure.

Special Mention: Loans in this category have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for default of loan. Special mention loans are not adversely classified and do not expose the Bank to significant risk to warrant such adverse classification.

Substandard: Loans in this category are inadequately protected by the current worth and paying capacity of the obligors or of the collateral pledged. Loans so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Bank may sustain some losses if the deficiencies are not corrected.

Doubtful: Loans classified in this category have all the weaknesses inherent in those classified Substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions and values, highly questionable and improbable. Loans classified as Doubtful are considered to be impaired.

Loss: Loan is considered uncollectible and of such little value that its continuance on the books is not warranted. A loan under this classification does not mean it has absolutely no recovery or salvage value, rather it is not practical or desirable to defer writing off the loan even though partial recovery may occur in the future.

The Bank's credit quality indicators are periodically updated on a case-by-case basis. The following presents by class and by credit quality indicator, the recorded investment in the Bank's loans as of December 31, 2020 and 2019:

	<u>Pass</u>	<u>Special mention</u>	<u>Sub- standard</u>	<u>Doubtful</u>	<u>Loss</u>	<u>Total</u>
2020						
PIDB direct	\$ 3,923,182	\$ 380,781	\$ 2,523,650	\$ 2,576,545	\$ 545,993	\$ 9,950,151
Residential	3,561,197	86,267	489,435	358,459	-	4,495,358
IRP	164,602	-	66,979	-	289,091	520,672
Consumer	397,178	83,945	68,497	208,681	20,482	778,783
Import/export	<u>741,546</u>	<u>-</u>	<u>164,914</u>	<u>19,464</u>	<u>-</u>	<u>925,924</u>
Total	<u>\$ 8,787,705</u>	<u>\$ 550,993</u>	<u>\$ 3,313,475</u>	<u>\$ 3,163,149</u>	<u>\$ 855,566</u>	<u>\$ 16,670,888</u>
2019						
PIDB direct	\$ 6,784,320	\$ 920,403	\$ 1,711,588	\$ 520,435	\$ -	\$ 9,936,746
Residential	4,133,439	13,333	186,540	-	-	4,333,312
IRP	213,039	39,085	2,541	289,091	-	543,756
Consumer	809,369	43,394	5,896	18,901	-	877,560
Import/export	<u>929,239</u>	<u>14,324</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>943,563</u>
Total	<u>\$ 12,869,406</u>	<u>\$ 1,030,539</u>	<u>\$ 1,906,565</u>	<u>\$ 828,427</u>	<u>\$ -</u>	<u>\$ 16,634,937</u>

PACIFIC ISLANDS DEVELOPMENT BANK

Notes to Financial Statements
December 31, 2020 and 2019

(3) Allowance for Loan Losses, Continued

At December 31, 2020, impaired loans of \$4,018,715 represent loans classified as doubtful and loss, with total recorded allowances of \$3,217,219. Included are one loan of \$1,560,157 classified as doubtful and two loans classified as loss totaling \$744,253 as of December 31, 2020, which were provided with 100% allowance. At December 31, 2019, impaired loans of \$828,427 represent loans classified as doubtful, with total recorded allowances of \$786,340. Included are two loans totaling \$744,253 as of December 31, 2019, which were provided with 100% allowance.

These loans are significantly past due and no collections have been received or interest income recognized during the years ended December 31, 2020 and 2019. Although the Bank continues to aggressively pursue collection efforts, full provision has been provided as ultimate collectibility is uncertain.

As of December 31, 2020 and 2019, loan to one borrower of \$1.56 million approved under the Yap Loan Program (see note 6) was over one year past due and four months past due, respectively, classified as doubtful and substandard, respectively, with an allowance of \$1.56 million and \$468,000, respectively.

The following presents by class, an aging analysis of the Bank's loan portfolio as of December 31, 2020 and 2019:

	<u>Current</u>	<u>30 – 59 Days Past Due</u>	<u>60 – 89 Days Past Due</u>	<u>Past Due 90 Days or More</u>	<u>Total</u>
2020					
PIDB direct	\$ 4,136,278	\$ -	\$ -	\$ 5,813,873	\$ 9,950,151
Residential	3,561,197	20,238	179,270	734,653	4,495,358
IRP	155,812	8,790	-	356,070	520,672
Consumer	417,276	8,827	28,876	323,804	778,783
Import/export	<u>741,546</u>	<u>-</u>	<u>-</u>	<u>184,378</u>	<u>925,924</u>
Total	<u>\$ 9,012,109</u>	<u>\$ 37,855</u>	<u>\$ 208,146</u>	<u>\$ 7,412,778</u>	<u>\$ 16,670,888</u>
2019					
PIDB direct	\$ 5,104,677	\$ 1,001,898	\$ 114,586	\$ 3,715,585	\$ 9,936,746
Residential	3,509,022	493,503	-	330,787	4,333,312
IRP	158,402	32,642	31,413	321,299	543,756
Consumer	478,288	75,043	109,930	214,299	877,560
Import/export	<u>660,825</u>	<u>258,433</u>	<u>4,841</u>	<u>19,464</u>	<u>943,563</u>
Total	<u>\$ 9,911,214</u>	<u>\$ 1,861,519</u>	<u>\$ 260,770</u>	<u>\$ 4,601,434</u>	<u>\$ 16,634,937</u>

PACIFIC ISLANDS DEVELOPMENT BANK

Notes to Financial Statements
December 31, 2020 and 2019

(4) Property and Equipment

A summary of property and equipment as of December 31, 2020 and 2019, is as follows:

Description	Estimated Useful Lives	2020	2019
Computer and software	5 years	\$ 23,194	\$ 15,790
Vehicles	5 years	37,423	37,423
Leasehold improvements	3 years	-	639
Office furniture and equipment	10 years	<u>12,230</u>	<u>20,323</u>
		72,847	74,175
Less accumulated depreciation		<u>(56,132)</u>	<u>(64,124)</u>
		\$ <u>16,715</u>	\$ <u>10,051</u>

(5) Long-Term Debt

Long-term debt as of December 31, 2020 and 2019, consists of the following:

	2020	2019
A \$500,000 Intermediary Relending Program (IRP) loan by the U.S. Department of Agriculture (USDA) on October 7, 2003. Interest fixed at 1% per annum. Interest-only payment for the first three years with twenty-seven equal principal and interest annual installments beginning on October 7, 2007.	\$ 256,529	\$ 275,004
A \$750,000 IRP loan by the USDA on June 27, 2006. Interest fixed at 1% per annum. Interest-only payment for the first three years with twenty-seven equal principal and interest annual installments beginning on June 27, 2010.	489,316	503,120
A \$750,000 IRP loan by the USDA on September 8, 2008. Interest fixed at 1% per annum. Interest-only payment for the first three years with twenty-seven equal principal and interest annual installments beginning on September 8, 2012.	520,646	547,014
A \$350,000 IRP loan by the USDA on March 7, 2013. Interest fixed at 1% per annum. Interest-only payment for the first three years with twenty-seven equal principal and interest annual installments beginning on March 7, 2017.	198,605	228,081
A \$500,000 loan with the FSM Development Bank (FSMDB) on September 16, 2010. Interest fixed at 4% per annum. Interest-only payment for the first three years, thereafter forty equal quarterly installments of \$15,228.	173,487	226,200
A \$1,000,000 loan with FSMDB on March 17, 2015. Interest fixed at 4% per annum. Interest only payments for the first three years, thereafter forty equal quarterly installments of \$30,456.	<u>780,370</u>	<u>868,823</u>
Total	\$ <u>2,418,953</u>	\$ <u>2,648,242</u>

The IRP loans are collateralized by all repayments, interest, fees, investments and other revenues collected or generated from the IRP loans. The FSMDB loans are collateralized by the Bank's general assets under a security agreement.

PACIFIC ISLANDS DEVELOPMENT BANK

Notes to Financial Statements
December 31, 2020 and 2019

(5) Long-Term Debt, Continued

At December 31, 2020, future maturities of long-term debt are as follows:

Year ending December 31,	
2021	\$ 226,188
2022	233,006
2023	220,331
2024	203,804
2025	189,825
Thereafter	<u>1,345,799</u>
	\$ <u>2,418,953</u>

(6) Restricted Contributions

In February 2017, the Bank and the Yap State Government entered into a Memorandum of Understanding (MOU) pursuant to Yap State Law No. 9-35 (the Act) dated July 2016. The Act authorizes the appropriation of \$3 million for the purpose of funding a Yap State development loan program to be administered by the Bank. Under the MOU, the Bank is essentially performing all underwriting, disbursement, credit administration activities relating to funded loans and makes periodic reports to Yap State. The MOU also sets forth eligibility requirements, including business sector, borrower citizenship and residency requirements, as well as loan requirements, such as collateral and interest rate. The MOU does not contain provisions to require the repayment of unused loan funds or payments collected from borrowers back to the Yap State. The MOU does not contain any provisions in sharing of interest income earned. Lastly, the MOU does not contain any provisions to require the funds to be maintained on a revolving basis. The Bank has determined obligations are met once the funds have been disbursed for intended purposes; however, it intends to re-lend available funds to eligible Yap State borrowers.

At December 31, 2020 and 2019, the program includes four (4) and five (5) loans, respectively, with total outstanding balance of \$2,287,465 and \$3,327,725, respectively.

As of December 31, 2020 and 2019, the contributions, which have been fully disbursed are presented as part of unrestricted contributions, a component of shareholders' equity, consistent with its understanding of the MOU terms.

(7) Leases

The Bank operates from a leased office space with monthly lease payments of \$5,325 starting July 2018 through June 2028.

Future commitment under the lease is as follows:

Year ending December 31,	
2021	\$ 63,900
2022	63,900
2023	63,900
2024	63,900
2025	63,900
Thereafter	<u>159,750</u>
	\$ <u>479,250</u>

PACIFIC ISLANDS DEVELOPMENT BANK

Notes to Financial Statements
December 31, 2020 and 2019

(7) Leases, Continued

Additionally, the Bank entered into a five-year equipment lease in October 2014. The lease calls for monthly fixed payments of \$210 with additional excess-usage charges.

(8) Employee Benefit Plan

The Bank has a 401(k) Plan whereby substantially all employees participate in the Plan after meeting certain eligibility requirements, namely, completion of one year of continuous employment. Contributions to the Plan are 10% of gross salaries and are 100% vested after three years of service. During the years ended December 31, 2020 and 2019, the Bank contributed \$6,041 and \$11,649, respectively, to the Plan.

(9) Risk and Uncertainty

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. In response, governments all over the world implemented actions which impacted the macroeconomic environment, increased economic uncertainty and reduced economic activities. The Company's business and earnings are closely tied to the economies of Guam, CNMI and ROP, which rely heavily on tourism, real estate, construction and other related service-based industries. The impacts of travel restrictions, business closures and stay-at-home orders have resulted in immediate adverse impact to some of the Company's customers. The length of time such conditions will continue to exist as well as the significance of the impact to the Bank's operations and financial performance are not estimable at present.

