2021 ANNUAL REPORT

PACIFIC ISLANDS DEVELOPMENT BANK

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MESSAGE FROM MANAGEMENT

2021 saw a continuation of the COVID-19 pandemic's impact on the economic and social wellbeing of our island economies. Our communities have had to overcome many hurdles including coordination challenges in government responses to prevention and vaccination, and then later, to addressing new variants of the virus and the anticipated ramifications of re-opening borders to the world. Border closures remained in effect for many jurisdictions in the North Pacific at least through the first half of the year. In January 2021, fully vaccinated or exempt unvaccinated individuals could travel to Guam. By July 2021, Guam was open to all travelers albeit subject to vaccination, testing and quarantine rules. In March 2021, the CNMI instituted strict quarantine and testing requirements for all travelers regardless of vaccination status. Palau opened a travel bubble between the country and Taiwan in April 2021 with strict rules established including limiting tourists' interaction with locals. United Airlines began limited service from Guam to Palau in May 2021. Elsewhere in the region, travel remained restricted throughout the year. Borders remained closed for the Federated States of Micronesia and the Republic of the Marshall Islands, and are expected to remain so until Summer 2022.

Vaccination programs were rolled-out in all parts of the region in 2021 and by the year end, many communities had reached substantial levels of inoculation. Even with the success of vaccination initiatives ongoing throughout the year, there were mixed policy responses among leaders. Some leaders advocated lifting of travel bans, whereas others took a more cautious approach and maintained restrictions. As of the writing of this report, the FSM and Nauru have maintained COVID-19 free status, and the RMI has successfully contained its COVID-19 cases with only four positive cases confirmed since the pandemic outbreak. Palau and Kiribati, who had closed borders until last year, have recently experienced a surge of COVID-19 positive cases, including deaths, as a result of infected inbound travelers on commercial flights. Palau reported its first COVID-19 positive case in August 2021, and by mid-March, had reported over 3,900 including 6 COVID-19 related deaths. CNMI also had relatively low numbers of COVID-19 positive cases until recently where a surge raised its overall numbers to nearly 10,000. At the same time, Guam experienced its fourth surge of COVID-19 spread in the community and by year-end had reported over 19,600 positive cases and 270 deaths.

Even as the pandemic and related national policies continued to unfold, the withdrawal of North Pacific countries from the Pacific Islands Forum (PIF) in early 2021 embodied a shifting sphere of influence and a breakdown in geopolitical diplomacy that many believe signified the end of regionalism. It has been expressed that the loss of the Micronesian counterparts in the three-pronged sub-regional structure of the Forum (comprising also Melanesia and Polynesia) is a major tectonic shift that poses the most serious threat to regional identity including the weakening of a unified voice against regional threats (i.e. climate change, nuclear free EEZs, fair trade blocs, etc.). Given the mounting challenges on many fronts, it will be incumbent upon leaders to recognize that national and regional interests ought to be aligned to facilitate mutual support as all our island communities plan and look towards recovery. National, regional, as well as international cooperation is a requisite to deal with the array of challenges that are underway in a new post-pandemic reality. Livelihoods have suffered throughout the islands and multi-lateral partners indicate that Pacific countries are facing the greatest known economic contraction in several decades given the shutdown of international borders and the slow resumption of economic activity. This of course is particularly devastating for tourism dependent areas, as there remains much uncertainty over when the visitor industries in our respective communities will see substantial return to

pre-pandemic levels, even after restrictions are substantially lifted and borders are fully re-opened.

Other than tourism, fisheries are a major component of economic activity in the region. It has been estimated that 50% of the global skipjack tuna supply is controlled collectively by the parties to the Nauru Agreement. As of November 2021, sixteen American fishing vessels had been allocated fishing days from the signatories of the Nauru Agreement. [The Nauru Agreement Concerning Cooperation in the Management of Fisheries of Common Interest is a subregional agreement signed by the Federated States of Micronesia, Kiribati, the Marshall Islands, Nauru, Palau, Papua New Guinea, the Solomon Islands, Tuvalu, and Tokelau (a dependent territory of New Zealand). Under this agreement, signatories collectively determine how much tuna fishing is sustainable per year and then agree on a set number of fishing days they allow fishing companies to bid for.] Skipjack imports constitute a significant portion of U.S.-Pacific trade, at nearly 100% of Kiribati exports and over 80% of Micronesian exports to the United States. Tuna fisheries will likely remain a key area of U.S.-Pacific engagement, and continue to play a key role in Pacific Islands' development, economic security, and strategic relevance to developed nations. In the ten year period from 2010-2020, revenues from fisheries is estimated to have grown from $50 million to approximately $500 million. This demonstrates there is potential for the signatories to the Nauru Agreement to further benefit directly from these maritime resources with policies that can enable the formation of a regional fleet or a conglomerate of national fleets through public private partnerships.

The Pacific Islands Development Bank (hereinafter "PIDB" or "Bank") bid farewell to Mr. Christopher A. Cruz as President & CEO following his resignation in August 2021. Under new management, the Bank began the painstaking task of re-engaging and strengthening relationships with our stakeholders and customers. Much work has been done and continues to be done to resolve troubled debts and working with our borrowers to address non-performance arising out of financial hardships exacerbated by the impacts of the COVID-19 pandemic. We have granted loan payment deferments and loan restructures that have resulted in reduction of the Bank's delinquency ratio from a peak of 64% in March 2021 to 25% by year-end 2021. Although these concessions have adverse implications on the Bank's profitability, management recognizes and understands that by fostering resiliency in the private sector, we are doing our part, within the bounds of sound policy and practice, to help ensure strong recovery locally as worldwide economic conditions return to some semblance of normalcy. At the same time, we are cognizant of our fiduciary duty to make decisions responsibly so as not to endanger the Bank's precarious capital position.

In addition to the change in management, there were also changes to the make up of the PIDB Board of Governors and Board of Directors. Palau's legislative representative on the Board of Governors changed from Delegate Swenny Ongidobel to Delegate Mengkur Rechelulk. Shortly thereafter, Minister Kaleb Udui, Jr was named Palau's executive branch representative. Yap State's executive branch representative was changed following the installation of new Governor Jesse Salalu. Marshall Islands' executive branch representative on the Board of Governors changed from Minister Alfred Alfred, Jr. to Minister Brenson Wase. And on the Board of Directors, Senator David Paul was appointed Marshall Islands' representative. We welcome these new members and have confidence that they will give their unwavering support and commitment to the mission of the Bank. We also express utmost gratitude and appreciation to those whose terms on the respective Boards have concluded and we hope to continue our work together in advocating for support of the Bank and our efforts to improve the livelihoods of the people in our island communities.

In September 2021, the PIDB Board instituted a moratorium on lending following transition in management. Commercial lending resumed the following month although with a maximum amount of new loan proceeds to a given project set at $100,000. Board and management agreed that this was the prudent direction in light of high delinquency rates, diminished earnings and cashflow, limited capital available for lending, and the ongoing uncertainties related to the timeline to recovery and resumption of substantial private sector activity.

As 2021 came to an end, so did PIDB's three-year strategic plan period (2019-2021). An updated plan was drafted and disseminated in December 2021 to the Board of Directors for review. Pursuant to historical practice, the Board of Directors will recommend the new Strategic Plan (2022-2024) to the PIDB Board of Governors for adoption at the next annual meeting of the Board of Governors.

Also in December 2021, management presented enhancements to its existing policies and several new policies for the Board of Directors' approval and adoption. The initiative to formalize policies and processes had begun in 2020 but had fallen by the wayside as management's priorities were shifted to address growing delinquencies. Following the transition in leadership, development of policies came to the forefront as experiences and practices, during 2020 and the first half of 2021, highlighted the need and urgency to improve efficiencies and ensure consistency and fair application of organizational rules and processes. We worked diligently with our consultants at Burger Comer Magliari CPAs in the development and drafting of policies, which were adopted by the Board of Directors at their first regular meeting in this new year.

On behalf of our PIDB team, I wish to take this opportunity to express our heartfelt gratitude and appreciation to our Shareholders, members of the Board of Governors, members of the Board of Directors, our partners, and last but most certainly not least, our customers. Your support, cooperation, encouragement, and patronage have contributed to the resilience of the Bank. And to PIDB staff, thank you very much for your continued dedication, and for the diligence and patience you have continually 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®
President & CEO

BACKGROUND & CORPORATE INFORMATION

Vision

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

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."

Establishment

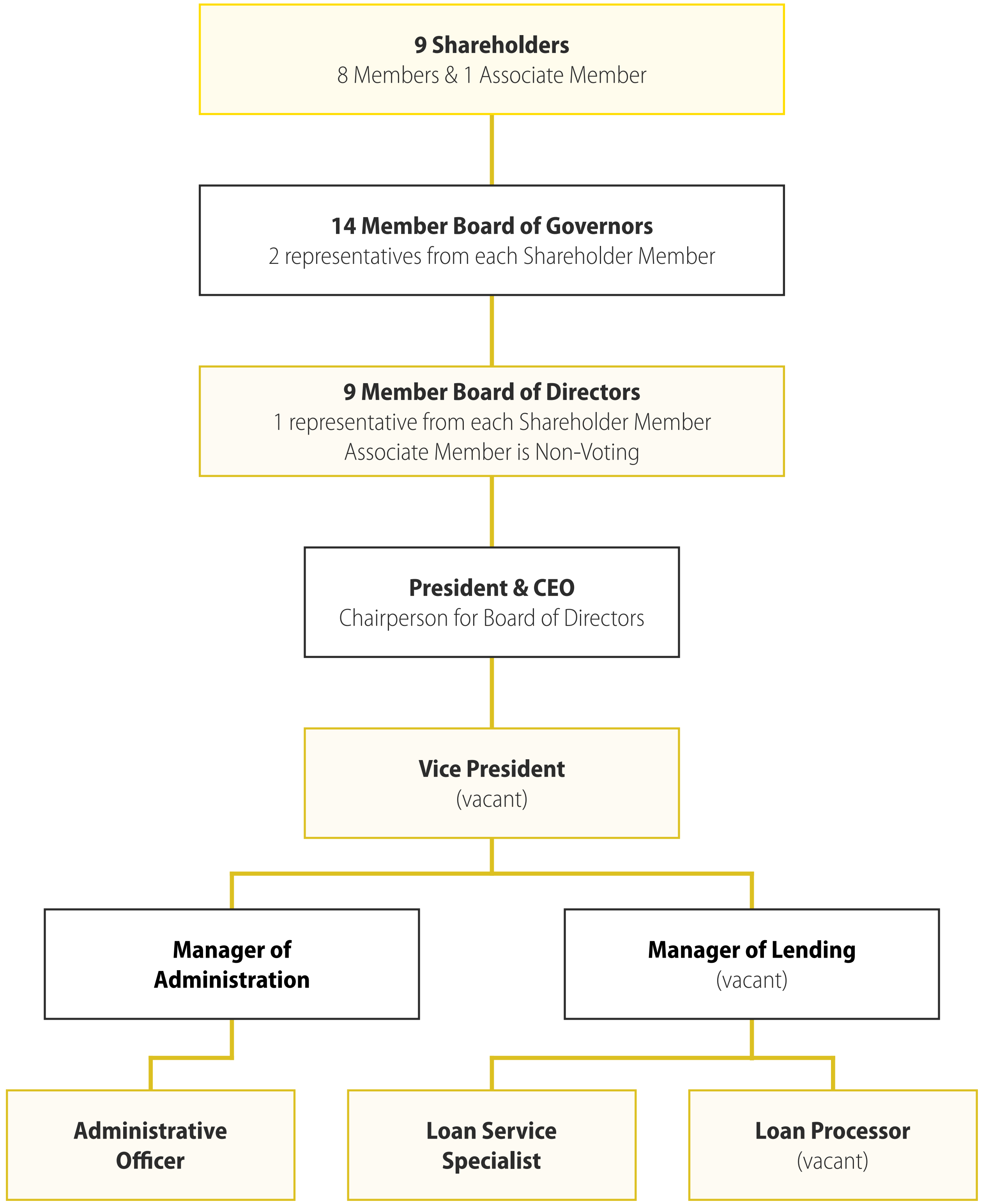
Pacific Islands Development Bank was created on July 5, 1989, through a Resolution approved by the Association of Pacific Island Legislatures (APIL). Its corporate office is in Guam.

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, 2021			
SHAREHOLDER	**NO. OF SHARES**	**SHARE VALUE**	**% SHARE**
Commonwealth of the Northern Mariana Islands	1,000	1,000,000	10%
Territory of Guam	1,000	1,000,000	10%
Chuuk State, FSM	327	326,783	3%
Kosrae State, FSM	900	900,000	9%
Pohnpei State, FSM	1,300	1,300,000	13%
Yap State, FSM	1,439	1,438,866	15%
Republic of the Marshall Islands	1,992	1,992,000	20%
Kwajalein Atoll Development Authority (KADA)	1,000	1,000,000	10%
Republic of Palau	1,000	1,000,000	10%
TOTAL	**9,958**	**9,957,649**	**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 Governor Chairman of the Board of Governors	Honorable John Paul P. Sablan Representative House of Representatives Northern Marianas Commonwealth Legislature
Territory of Guam	Honorable Lourdes Leon Guerrero Governor Secretary of the Board of Governors	Honorable Tina Muna-Barnes Senator Vice Speaker of the Legislature of Guam
Chuuk State, FSM	Vacant	Vacant
Kosrae State, FSM	Honorable Carson Sigrah Governor	Honorable Rolner Joe Senator Vice Speaker of the Kosrae State Legislature
Pohnpei State, FSM	Honorable Reed Oliver Governor	Mr. Carlos Villazon Chief Division of Administration & Budget
Yap State, FSM	Honorable Jesse Salalu Governor	Honorable John Masiwemai Senator Vice Speaker of the Yap State Legislature
Republic of the Marshall Islands	Honorable Brenson Wase Minister of Finance	Honorable Kenneth Kedi Senator Speaker of the Nitijela
Republic of Palau	Honorable Kaleb Udui, Jr. Minister of Finance	Honorable Mengkur Rechelulk Delegate House of Delegates Olbiil Era Kelulau

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.

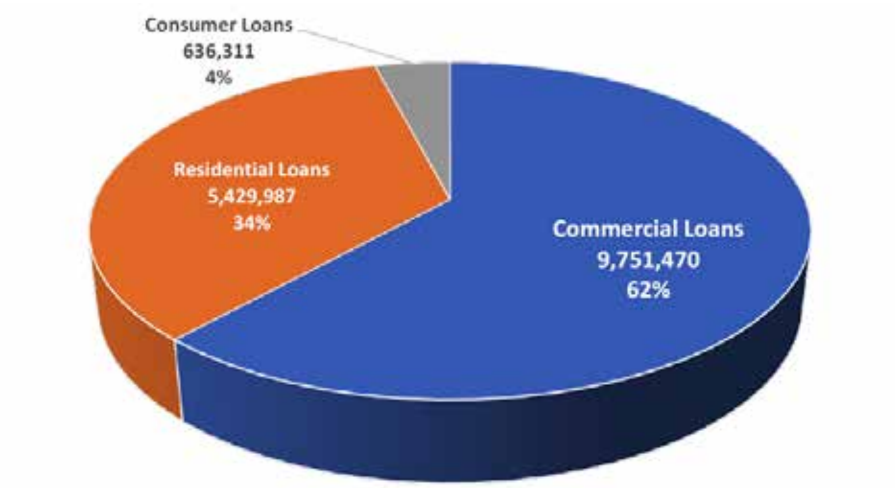
The following individuals served on the Board of Directors during the year under review:

SHAREHOLDER	BOARD DIRECTOR
Commonwealth of the Northern Mariana Islands	Mr. Diego Benavente Former Lt. Governor of CNMI
Territory of Guam	Mr. Frank Atalig Former CFO, Bank of Guam
Chuuk State, FSM	Vacant
Kosrae State, FSM	Mr. Robson Henry U.S. Army, retired
Pohnpei State, FSM	Ms. Christina Elnei Director of Treasury & Administration - Pohnpei State
Yap State, FSM	Ms. Jessica "Numie" Acker Entrepreneur
Republic of the Marshall Islands	Honorable David Paul Senator
Kwajalein Atoll Development Authority (KADA)	Mr. Anjojo Kabua III Executive Director of KADA
Republic of Palau	Mr. Elbuchel Sadang Former Minister of Finance
Pacific Islands Development Bank	Lindsay M. Timarong, AIFA® President & CEO | Chairperson of the Board of Directors

LOAN REPORT

Loan Mix

The Bank's core lending is in Commercial loans, consistent with its core mission and purpose. At December 31, 2021, the composition of our loan portfolio was as follows:



OUTSTANDING LOANS BY SECTOR			
Loan Type	**Count**	**Balance**	**% of Total**
Commercial Loans			
Agriculture	1	66,800	0.4%
Commercial Real Estate	14	2,192,936	14%
Fisheries	3	708,266	4%
Food Service	5	1,098,231	7%
Manufacturing	2	636,124	4%
Services	19	1,751,946	11%
Tourism	7	2,346,822	15%
Wholesale/Retail	13	950,345	6%
Subtotal	**64**	**9,751,470**	**62%**
Residential Loans	**58**	**5,429,987**	**34%**
Consumer Loans	**89**	**636,311**	**4%**
TOTAL	**211**	**15,817,768**	**100%**

For the year under review, total loans declined by 5%. New commercial, residential and consumer loans were funded in 2021; however, rates of loan reduction, including loan charge-offs and payoffs, outpaced additions to the bank's loan portfolio. A total of 34 loan applications were received during the year, with 24% approved by value. A total of 11 new loans were approved in 2021 with value totaling approximately $806,883.

2021 NEW LOANS BY SECTOR			
Loan Type	**Count**	**Approved Amount**	**% of Total**
Commercial Loans			
Agriculture	0	0	0%
Commercial Real Estate	0	0	0%
Fisheries	0	0	0%
Food Service	0	0	0%
Manufacturing	1	200,000	25%
Services	0	0	0%
Tourism	0	0	0%
Wholesale/Retail	1	75,000	9%
Subtotal	**2**	**275,000**	**34%**
Residential Loans	**4**	**417,007**	**58%**
Consumer Loans	**5**	**60,876**	**8%**
TOTAL	**11**	**806,883**	**100%**

Total Loans to Capital Ratios by Shareholder

As of December 31, 2021					
SHAREHOLDER	NO. SHARES	SHARE VALUE	LOANS TO CAPITAL RATIO	NO. LOANS	TOTAL PRINCIPAL VALUE LOANS
Commonwealth of the Northern Mariana Islands	1,000	1,000,000	181%	12	1,811,917
Guam[1]	1,000	1,000,000	108%	30	1,084,171
Chuuk, FSM	327	326,783	0%	0	0
Kosrae[2], FSM	900	900,000	85%	42	763,698
Pohnpei, FSM	1,300	1,300,000	84%	27	1,089,860
Yap[3], FSM	1,439	1,438,866	164%	39	2,358,941
Republic of the Marshall Islands[4]	1,992	1,992,000	179%	23	3,555,805
Kwajalein Atoll Development Authority (KADA)	1,000	1,000,000	75%	7	750,199
Republic of Palau	1,000	1,000,000	72%	11	718,457
TOTAL DIRECT LENDING	9,958	9,957,649	122%	191	12,133,048
TOTAL SPECIAL PROGRAM FUNDED LOANS[5]				20	3,684,720
TOTAL LOANS			**159%**	**211**	**15,817,768**

Notes:

	No. Loans	Total Principal Value Loans
[1] Guam loans receivables amount excludes:		
(a) FSMDB Loan Program loans domiciled in Guam	9	$1,009,496
(b) IRP (USDA) loans domiciled in Guam	1	$16,760
[2] Kosrae loans receivables amount excludes:		
(a) IRP (USDA) loans domiciled in Kosrae	6	$137,734
[3] Yap loans receivable amount excludes:		
(a) FSMDB Loan Program loans domiciled in Yap	0	$0
(b) IRP (USDA) loans domiciled in Yap	1	$37,149
(c) Yap Development Loan Program funded loans	3	$2,483,581
[4] RMI loans receivables amount excludes:		
(a) KADA Home Loan Program loans	7	$750,199

[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

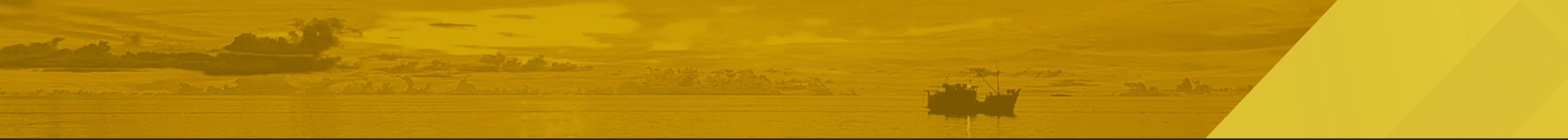
As of December 31, 2021					
SHAREHOLDER	NO. SHARES	SHARE VALUE	DELINQUENT LOANS TO CAPITAL	NO. DELINQUENT LOANS[6]	TOTAL VALUE DELINQUENT LOANS
Commonwealth of the Northern Mariana Islands	1,000	1,000,000	30%	3	301,295
Guam[1]	1,000	1,000,000	1%	3	14,160
Chuuk, FSM	327	326,783	0%	0	0
Kosrae[2], FSM	900	900,000	55%	19	499,141
Pohnpei, FSM	1,300	1,300,000	3%	2	42,358
Yap[3], FSM	1,439	1,438,866	45%	23	647,444
Republic of the Marshall Islands[4]	1,992	1,992,000	27%	4	536,202
Kwajalein Atoll Development Authority (KADA)	1,000	1,000,000	0%	0	0
Republic of Palau	1,000	1,000,000	9%	3	93,478
TOTAL DIRECT LENDING	9,958	9,957,649	21%	57	2,134,078
TOTAL SPECIAL PROGRAM FUNDED LOANS[5]				6	1,754,259
TOTAL LOANS			**39%**	**63**	**3,888,337**

Notes:

	No. Delinquent Loans	Total Value Deliquent Loans
[1] Guam loans receivables amount excludes:		
(a) FSMDB Loan Program loans domiciled in Guam	2	$160,667.72
(b) IRP (USDA) loans domiciled in Guam	0	$0.00
[2] Kosrae loans receivables amount excludes:		
(a) IRP (USDA) loans domiciled in Kosrae	3	$33,434.00
[3] Yap loans receivable amount excludes:		
(a) FSMDB Loan Program loans domiciled in Yap	0	$0.00
(b) IRP (USDA) loans domiciled in Yap	0	$0.00
(c) Yap Development Loan Program funded loans	1	$1,560,157.00
[4] RMI loans receivables amount excludes:		
(a) KADA Home Loan Program loans	0	$0.00

[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, 2021					
SHAREHOLDER	NO. LOANS	TOTAL PRINCIPAL VALUE LOANS	DELINQUENT LOANS TO TOTAL LOANS	NO. DELINQUENT LOANS[6]	TOTAL PRINCIPAL VALUE DELINQUENT LOANS
Commonwealth of the Northern Mariana Islands	12	1,811,917	17%	3	301,295
Guam[1]	30	1,084,171	1%	3	14,160
Chuuk, FSM	0	0	0%	0	0
Kosrae[2], FSM	42	763,698	65%	19	499,141
Pohnpei, FSM	27	1,089,860	4%	2	42,358
Yap[3], FSM	39	2,358,941	27%	23	647,444
Republic of the Marshall Islands[4]	23	3,555,805	15%	4	536,202
Kwajalein Atoll Development Authority (KADA)	7	750,199	0%	0	0
Republic of Palau	11	718,457	13%	3	93,478
TOTAL DIRECT LENDING	191	12,133,048	18%	57	2,134,078
TOTAL SPECIAL PROGRAM FUNDED LOANS[5]	20	3,684,720	48%	6	1,754,259
TOTAL LOANS	**211**	**15,817,768**	**25%**	**63**	**3,888,337**

Notes:	No. Delinquent Loans	Total Principal Value Deliquent Loans
[1] Guam loans receivables amount excludes:		
(a) FSMDB Loan Program loans domiciled in Guam	2	$160,667.72
(b) IRP (USDA) loans domiciled in Guam	0	$0.00
[2] Kosrae loans receivables amount excludes:		
(a) IRP (USDA) loans domiciled in Kosrae	3	$33,434.00
[3] Yap loans receivable amount excludes:		
(a) FSMDB Loan Program loans domiciled in Yap	0	$0.00
(b) IRP (USDA) loans domiciled in Yap	0	$0.00
(c) Yap Development Loan Program funded loans	1	$1,560,157.00
[4] RMI loans receivables amount excludes:		
(a) KADA Home Loan Program loans	0	$0.00

[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, 2021					
SHAREHOLDER	NO. SHARES	SHARE VALUE	NPLs TO CAPITAL	NO. NPLs[6]	TOTAL PRINCIPAL VALUE NPLs
Commonwealth of the Northern Mariana Islands	1,000	1,000,000	30%	3	301,295
Guam[1]	1,000	1,000,000	1%	3	14,160
Chuuk, FSM	327	326,783	0%	0	0
Kosrae[2], FSM	900	900,000	54%	18	487,978
Pohnpei, FSM	1,300	1,300,000	3%	2	42,358
Yap[3], FSM	1,439	1,438,866	45%	23	647,444
Republic of the Marshall Islands[4]	1,992	1,992,000	27%	4	536,202
Kwajalein Atoll Development Authority (KADA)	1,000	1,000,000	0%	0	0
Republic of Palau	1,000	1,000,000	9%	3	93,478
TOTAL DIRECT LENDING	9,958	9,957,649	21%	56	2,122,917
TOTAL SPECIAL PROGRAM FUNDED LOANS[5]				5	1,733,443
TOTAL LOANS			**39%**	**61**	**3,856,360**

Notes:	No. NPLs	Total Principal Value NPLs
[1] Guam loans receivables amount excludes:		
(a) FSMDB Loan Program loans domiciled in Guam	1	$139,852.35
(b) IRP (USDA) loans domiciled in Guam	0	$0.00
[2] Kosrae loans receivables amount excludes:		
(a) IRP (USDA) loans domiciled in Kosrae	3	$33,434.00
[3] Yap loans receivable amount excludes:		
(a) FSMDB Loan Program loans domiciled in Yap	0	$0.00
(b) IRP (USDA) loans domiciled in Yap	0	$0.00
(c) Yap Development Loan Program funded loans	1	$1,560,157.00
[4] RMI loans receivables amount excludes:		
(a) KADA Home Loan Program loans	0	$0.00

[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

FINANCIAL REPORT

Non-Performing Loans to Total Loans by Shareholder

As of December 31, 2021					
SHAREHOLDER	NO. LOANS	TOTAL PRINCIPAL VALUE LOANS	NPLs TO TOTAL LOANS	NO. NPLs[6]	TOTAL PRINCIPAL VALUE NPLs
Commonwealth of the Northern Mariana Islands	12	1,811,917	17%	3	301,295
Guam[1]	30	1,084,171	1%	3	14,160
Chuuk, FSM	0	0	0%	0	0
Kosrae[2], FSM	42	763,698	64%	18	487,978
Pohnpei, FSM	27	1,089,860	4%	2	42,358
Yap[3], FSM	39	2,358,941	27%	23	647,444
Republic of the Marshall Islands[4]	23	3,555,805	15%	4	536,202
Kwajalein Atoll Development Authority (KADA)	7	750,199	0%	0	0
Republic of Palau	11	718,457	13%	3	93,478
TOTAL DIRECT LENDING	191	12,133,048	17%	56	2,122,917
TOTAL SPECIAL PROGRAM FUNDED LOANS[5]	20	3,684,720	47%	5	1,733,443
TOTAL LOANS	**211**	**15,817,768**	**24%**	**61**	**3,856,360**

Notes:

	No. NPLs	Total Principal Value NPLs
[1] Guam loans receivables amount excludes:		
(a) FSMDB Loan Program loans domiciled in Guam	1	$139,852.35
(b) IRP (USDA) loans domiciled in Guam	0	$0.00
[2] Kosrae loans receivables amount excludes:		
(a) IRP (USDA) loans domiciled in Kosrae	3	$33,434.00
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(a) FSMDB Loan Program loans domiciled in Yap	0	$0.00
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(c) Yap Development Loan Program funded loans	1	$1,560,157.00
[4] RMI loans receivables amount excludes:		
(a) KADA Home Loan Program loans	0	$0.00

[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

Assets saw a nominal 1.2% growth—from approximately $15.2 million to $15.4 million—attributed to improved loan portfolio quality relative to prior year performance. At the same time, as a result of decline in ALLL, the value of net loans slightly grew by 0.4% or by roughly $48,000.

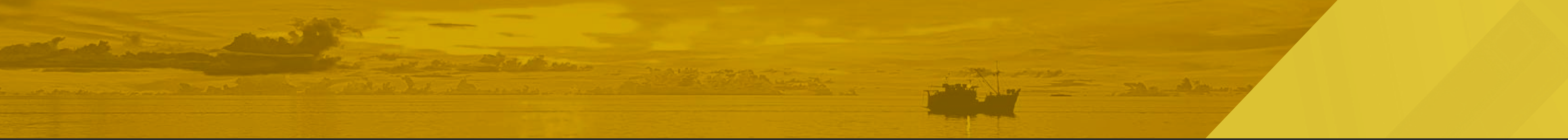
Equity grew by 3.2% or by $408,035—from $12.7 million to $13.2 million—due primarily to increase in the Bank's Retained Earnings. 2021 was a significant financial year for the Bank, showing a Net Income that exceeded projections for the year and breaking a three-year Net Loss streak.

Retained Earnings increased 14.6%—from approximately $2.8 million to $3.2 million—due to the Net Income realized for the year under review. Gross Revenue increased by 13% corresponding with improvement in loan portfolio quality and new loans contributing to income generation. At the same time, Operating Expenses grew by 20% primarily as a result of higher legal fees and personnel expenses.

Key Performance Indicators

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

Key Performance Indicators	2017	2018	2019	2020	2021
Profitability Ratios					
Return on Assets	2.4%	-0.6%	-2.4%	-13.3%	2.7%
Return on Equity	3.0%	-0.7%	-2.8%	-15.9%	3.1%
Net Interest Margin	8.3%	7.4%	6.7%	5.6%	6.8%
Efficiency (Expense) Ratio	52%	58%	66%	61%	64%
Liquidity Ratios					
Total Assets to Total Liabilities (x)	5.0	6.1	6.5	6.2	6.9
Policy Liquidity Ratio (x)	5.8	3.2	2.5	3.2	2.9
Leverage Ratios					
Debt to Assets	20%	16%	15%	16%	14%
Debt to Equity	25%	20%	18%	19%	17%
Equity to Total Assets	80%	84%	85%	84%	86%



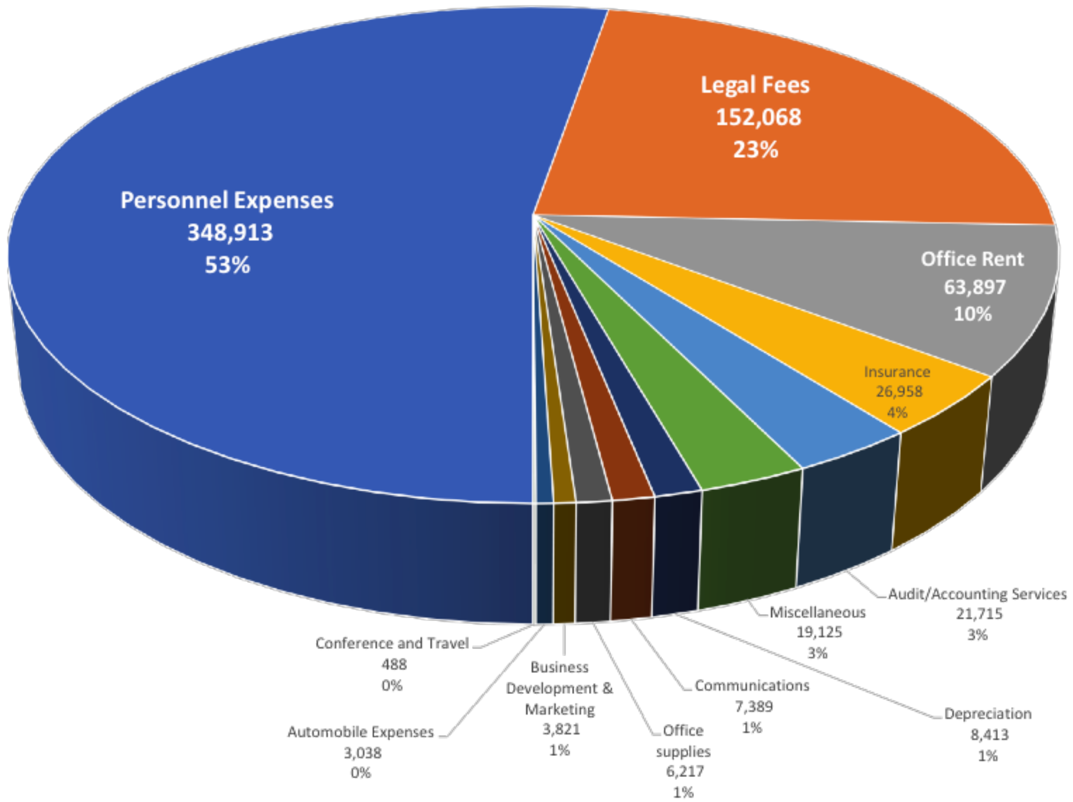
Key Performance Indicators	2017	2018	2019	2020	2021
Growth Indicators					
Loan Growth	1.8%	28.5%	8.6%	0.2%	-5.1%
Liquidity Growth	73.3%	-27.5%	-15.8%	9.5%	2.3%
Total Asset Growth	13.2%	12.9%	-0.1%	-12.6%	1.2%
Debt Growth	-4.1%	-6.3%	-6.9%	-8.7%	-9.7%
Equity Growth	18.4%	17.6%	1.2%	-13.4%	3.2%
Revenue Growth	11.5%	11.9%	-2.5%	-15.3%	13%
Operating Expense Growth	-8.3%	33.3%	13.2%	-22.5%	20%
Operating Leverage	19.9%	-21.4%	-15.7%	7.2%	-7%
Loan Portfolio Quality Indicators					
ALLL to Total Loans	5.7%	6.5%	11.0%	25.6%	21%
Past Due Loans to Total Loans	14.9%	12.5%	40.4%	45.9%	25%
NPLs to Total Loans	10.3%	6.8%	27.7%	44.5%	24%
Doubtful Loans to Total Loans	7.9%	5.4%	5.0%	19%	16%
Loss Loans to Total Loans	NA	NA	NA	5%	0%
ALLL Adequacy Indicators					
Loss Loans to ALLL	NA	NA	NA	20%	0%
Doubtful + Loss Loans to ALLL	139%	83%	45%	94%	73%
Capital Adequacy Ratios					
Tier 1 Capital Ratio	102%	77%	72%	60%	83%
NPLs to Total Capital	10%	7%	31%	58%	29%
ALLL to Total Capital	5%	7%	12%	33%	26%

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 determined that its level of Allowances for Loan Losses was adequate, and with the auditor's concurrence, no additional provisions were expensed for 2021. The Bank maintained a stable and decreasing level of interest expense commensurate with the continued repayments on borrowed funds. Interest Expense in the amount of $50,760 in 2021 was for both the IRP and the FSM Development Bank export loan facilities.

The pie chart below shows the major operational expenses of the Bank, in dollar amount and as a percentage of total expenses, during the year under review. Personnel Expenses, Legal Fees, and Office Rent are major expense categories. Other categories of expenses, individually, comprise 4% or less of total expenses.

2021 Operations Expenses



BOARD ACTIVITIES DURING THE YEAR (2021)

Board of Governors

- Held special meetings via Zoom meeting platform

Board of Directors

- Held 2 regular meetings during the year to review bank operations and financial performance against budget.
- Prepared and submitted to the Board of Governors the 2020 Annual Report and Independent Audit Report.
- Reviewed and approved budget and goals.
- Reviewed loan reports and management's actions to address delinquency.

PACIFIC ISLANDS DEVELOPMENT BANK

FINANCIAL STATEMENTS & INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2020 AND 2019

Deloitte.

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Independent Auditors' Report

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

Opinion

We have audited the financial statements of Pacific Islands Development Bank (the Bank), which comprise the statements of condition as of December 31, 2021 and 2020, 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 (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Bank and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bank's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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

Deloitte.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bank's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte & Touche LLP

April 1, 2022

PACIFIC ISLANDS DEVELOPMENT BANK

Statements of Condition
December 31, 2021 and 2020

ASSETS	2021	2020
Cash and cash equivalents	$ 2,721,094	$ 2,660,858
Loans receivable, net	12,453,662	12,404,910
Interest receivable, net	173,566	110,371
Property and equipment, net	17,874	16,715
Prepaid expenses	8,892	7,362
	$ 15,375,088	$ 15,200,216
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Other liabilities	$ 33,516	$ 32,825
Long-term debt	2,185,099	2,418,953
Total liabilities	2,218,615	2,451,778
Commitments		
Stockholders' equity:		
Capital stock	9,957,649	9,957,649
Retained earnings	3,198,824	2,790,789
Total stockholders' equity	13,156,473	12,748,438
	$ 15,375,088	$ 15,200,216

See accompanying notes to financial statements.

PACIFIC ISLANDS DEVELOPMENT BANK

Statements of Operations
Years Ended December 31, 2021 and 2020

	2021	2020
Loan interest income	$ 1,113,543	$ 960,993
Other interest and dividend income	1,255	2,157
Total interest income	1,114,798	963,150
Interest expense	50,760	54,929
Net interest income	1,064,038	908,221
Provision for loan losses	-	2,410,000
Net interest income (loss), after provision for loan losses	1,064,038	(1,501,779)
Operating expenses:		
Salaries and related expenses	348,913	304,861
Professional fees	176,514	67,126
Office rental	63,897	63,897
Insurance	26,958	47,105
Depreciation	8,413	14,591
Communications	7,389	7,285
Office supplies	6,217	9,782
Business development and marketing	3,821	1,045
Automobile	3,038	1,984
Conference and travel	488	15,253
Board meetings	-	915
Miscellaneous	16,394	20,019
Total operating expenses	662,042	553,863
Operating income (loss)	401,996	(2,055,642)
Other income (expense):		
Other income	6,039	34,010
Loss on disposal of property and equipment	-	(1,898)
Total other income, net	6,039	32,112
Net income (loss)	$ 408,035	$ (2,023,530)

See accompanying notes to financial statements.

PACIFIC ISLANDS DEVELOPMENT BANK

Statements of Changes in Stockholders' Equity
Years Ended December 31, 2021 and 2020

	Shares of Common Stock		Common Stock		Retained Earnings		Total
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
Net income	-		-		408,035		408,035
Balance at December 31, 2021	9,957	$	9,957,649	$	3,198,824	$	13,156,473

See accompanying notes to financial statements.

PACIFIC ISLANDS DEVELOPMENT BANK

Statements of Cash Flows
Years Ended December 31, 2021 and 2020

		2021		2020
Cash flows from operating activities:				
Net income (loss)	$	408,035	$	(2,023,530)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation		8,413		14,591
Provision for loan loss		-		2,410,000
Loss on disposal of property and equipment		-		1,898
(Increase) decrease in interest receivable		(63,195)		35,094
Increase in prepaid expenses		(1,530)		(1,243)
Increase in other liabilities		691		2,418
Net cash provided by operating activities		352,414		439,228
Cash flows from investing activities:				
Loan originations and repayments, net		(48,752)		(5,852)
Additions to property and equipment		(9,572)		(23,153)
Cash used in investing activities		(58,324)		(29,005)
Cash flows from financing activities:				
Repayment on long-term debt		(233,854)		(229,289)
Proceeds from issuance of capital stock		-		50,000
Net cash used in financing activities		(233,854)		(179,289)
Net change in cash and cash equivalents		60,236		230,934
Cash and cash equivalents at beginning of year		2,660,858		2,429,924
Cash and cash equivalents at end of year	$	2,721,094	$	2,660,858
Supplemental disclosure of cash flow information:				
Cash paid during the year for:				
Interest	$	50,760	$	54,929

See accompanying notes to financial statements.

(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, 2021, a loan with an outstanding balance of $1,560,157 is on non-accrual status and as such, no accrued interest receivable has been recognized at December 31, 2021. Interest income of $7,314 was recorded, based on actual collections during the year ended December 31, 2021. Additionally, at December 31, 2021, no accrued interest receivable was recorded for loans that are past due over ninety days.

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.

(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 year ended December 31, 2021, the Bank granted various loan restructuring to borrowers who experienced financial difficulties which resulted in loan delinquencies prior to the restructures. The TDRs have brought accounts to current status, recapitalized accrued interest receivable, and typically resulted in lower monthly payment requirements, either temporarily or permanently. These restructured loans have total outstanding balance of $3,628,852 at December 31, 2021.

During the year ended December 31, 2020, 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.

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

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.

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, 2021 and 2020, loan to one borrower aggregated $1.56 million and represented 10% and 9%, respectively, 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.

Subsequent Events

Management has evaluated subsequent events through April 1, 2022, 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, 2021.

PACIFIC ISLANDS DEVELOPMENT BANK

Notes to Financial Statements
December 31, 2021 and 2020

(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, 2021 and 2020 follows:

	2021	2020
Commercial – PIDB direct loan program	$ 9,419,184	$ 9,950,151
Residential loans	4,561,134	4,495,358
Commercial – USDA Intermediary Relending Program (IRP)	191,643	520,672
Consumer	636,311	778,783
Commercial – FSMDB import/export	1,009,496	925,924
Gross loans	15,817,768	16,670,888
Less: allowance for loan losses	(3,364,106)	(4,265,978)
Net loans	$ 12,453,662	$ 12,404,910

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, 2021 and 2020 was $838,000 and $863,000, respectively. The December 31, 2021 and 2020 balance includes $238,000 and $250,000 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, 2021 and 2020, follows

	2021	2020
Balance at beginning of year	$ 4,265,978	$ 1,825,879
Loan charge-offs	(930,183)	-
Recoveries of loans previously charged off	28,311	30,099
Provision for loan losses	-	2,410,000
Balance at end of year	$ 3,364,106	$ 4,265,978

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.

(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, 2021 and 2020:

	Pass	Special mention	Sub-standard	Doubtful	Loss	Total
2021						
PIDB direct	$ 4,358,262	$ -	$ 2,983,492	$ 2,077,430	$ -	$ 9,419,184
Residential	3,642,626	61,935	657,328	199,245	-	4,561,134
IRP	158,209	-	3,767	29,667	-	191,643
Consumer	393,851	-	93,581	148,879	-	636,311
Import/export	988,681	-	20,815	-	-	1,009,496
Total	$ 9,541,629	$ 61,935	$ 3,758,983	$ 2,455,221	$ -	$ 15,817,768

	Pass	Special mention	Sub-standard	Doubtful	Loss	Total
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	741,546	-	164,914	19,464	-	925,924
Total	$ 8,787,705	$ 550,993	$ 3,313,475	$ 3,163,149	$ 855,566	$ 16,670,888

(3) Allowance for Loan Losses, Continued

At December 31, 2021, impaired loans of $2,455,221 represent loans classified as doubtful, with total recorded allowances of $1,617,650. Included is one loan of $1,560,157 classified as doubtful as of December 31, 2021 with a 75% allowance of approximately $1,170,000. During the year ended December 31, 2021, collections from this loan aggregated $10,000, of which $7,314 was applied to interest.

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.

These loans are significantly past due and no collections have been received or interest income recognized during the years ended December 31, 2021 and 2020, other than the $7,314 recognized for the $1,560,157 loan. Although the Bank continues to aggressively pursue collection efforts, provisions ranging from 50%-100% have been provided as ultimate collectibility is uncertain.

The following presents by class, an aging analysis of the Bank's loan portfolio as of December 31, 2021 and 2020:

	Current	30 – 59 Days Past Due	60 – 89 Days Past Due	Past Due 90 Days or More	Total
2021					
PIDB direct	$ 6,542,748	$ 11,163	$ -	$ 2,865,273	$ 9,419,184
Residential	3,976,796	-	-	584,338	4,561,134
IRP	158,209	-	-	33,434	191,643
Consumer	402,848	-	-	233,463	636,311
Import/export	848,829	20,815	-	139,852	1,009,496
Total	$ 11,929,430	$ 31,978	$ -	$ 3,856,360	$ 15,817,768
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	741,546	-	-	184,378	925,924
Total	$ 9,012,109	$ 37,855	$ 208,146	$ 7,412,778	$ 16,670,888

At December 31, 2021, current loans include loans totaling $3,628,852 that had been subjected to TDRs in the last quarter of 2021 and were past due 90 days or more prior to restructuring.

(4) Property and Equipment

A summary of property and equipment as of December 31, 2021 and 2020, is as follows:

Description	Estimated Useful Lives	2021	2020
Computer and software	5 years	$ 24,182	$ 23,194
Vehicles	5 years	37,423	37,423
Office furniture and equipment	10 years	20,814	12,230
		82,419	72,847
Less accumulated depreciation		(64,545)	(56,132)
		$ 17,874	$ 16,715

(5) Long-Term Debt

Long-term debt as of December 31, 2021 and 2020, consists of the following:

	2021	2020
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.	$ 237,870	$ 256,529
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.	462,151	489,316
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.	494,015	520,646
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.	183,758	198,605
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.	118,730	173,487
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.	688,575	780,370
Total	$ 2,185,099	$ 2,418,953

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, 2021 and 2020

(5) Long-Term Debt, Continued

At December 31, 2021, future maturities of long-term debt are as follows:

Year ending December 31,	
2022	$ 233,006
2023	220,331
2024	208,872
2025	189,825
2026	195,062
Thereafter	1,138,003
	$ 2,185,099

(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, 2021 and 2020, the program includes three (3) and four (4) loans, respectively, with total outstanding balance of $2,483,581 and $2,287,465, respectively.

As of December 31, 2021 and 2020, 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,	
2022	$ 63,900
2023	63,900
2024	63,900
2025	63,900
2026	63,900
Thereafter	95,850
	$ 415,350

(7) Leases, Continued

Additionally, the Bank entered into a five-year equipment lease in December 2019. The lease calls for monthly fixed payments of $215 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, 2021 and 2020, the Bank contributed $17,051 and $6,041, 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 Bank'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 Bank's borrowers during 2020 and 2021. As discussed in note 3, the Bank restructured a number of past due loans for borrowers experienced financial difficulties by resetting due dates, recapitalizing uncollected interest, extending maturity dates, and/or lowering monthly payments temporarily or permanently during the last quarter of 2021. The restructuring resulted in the loans being reflected as current as of December 31, 2021.

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