35TH

Anniversary Edition

ANNUAL REPORT 2024

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PACIFIC ISLANDS DEVELOPMENT BANK
2024 ANNUAL REPORT

35TH ANNIVERSARY EDITION

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MESSAGE FROM THE CHAIRMAN OF THE BOARD OF GOVERNORS

It is with great honor and pride that I extend warm greetings on behalf of the Board of Governors of the Pacific Islands Development Bank as we present the 2024 Annual Report – marking a significant milestone: the 35th anniversary of the Bank's establishment.

Since its founding in 1989, PIDB has been a pillar of regional development – providing essential financing, strengthening economic resilience, and advancing shared goals across our member island nations. This milestone is not only a celebration of longevity, but a reflection of the Bank's unwavering commitment to the people of our region.

The year 2024 stands as a testament to PIDB's enduring relevance and resilience. In a time marked by ongoing regional challenges and global economic shifts, the Bank has continued to respond with agility and purpose—expanding access to capital, strengthening its governance framework, and supporting strategic partnerships to better serve our island economies.

We celebrate not only the achievements of the past year but also the legacy of leadership, collaboration, and vision that has shaped the Bank's journey over the last 35 years. This legacy belongs to all those who have contributed to PIDB's success—our member governments, dedicated staff, development partners, and the communities we serve.

As we look ahead, the Board of Governors reaffirms its commitment to guiding the Bank's continued progress and growth. We recognize the critical importance of sustainable financing. The road ahead is filled with opportunity, and PIDB is well-positioned to help navigate it.

On this anniversary year, we honor the past, celebrate the present, and invest in a future worthy of the people of our region.

With gratitude and optimism,

Lester D. Mersai
Chairman, PIDB Board of Governors
Speaker, House of Representatives, 18th Chuuk State Legislature

MESSAGE FROM THE PRESIDENT & CEO

Iakwe! Lenwo! Kaselehlie! Ran Annim! Mogethin! Alii! Tirow! and Hafa Adai! to all our valued customers, partners and stakeholders in the island communities throughout the Micronesian region.

On behalf of our Board of Directors and management, and our proud team working from our headquarters on Guam, I am pleased to present the 2024 Annual Report of the Pacific Islands Development Bank (hereinafter "PIDB" or "bank").

Since joining PIDB's management team in January 2020, I have been struck by the incredible potential of this great institution. This report provides an opportunity to reflect on being part of the operations team and the privilege of getting to know people and communities across the Micronesian region.

Reflecting on the PIDB's achievements over more than three decades since its inception, I feel immense gratitude and pride in the Bank's ongoing commitment to its mission within the economic landscapes of the Micronesian region. The region's economies have evolved since PIDB was established in July 1989, presenting a mosaic of challenges and opportunities across our member jurisdictions. This 2024 annual report signifies an important milestone in our journey: 35 years of dedicated service to our diverse island communities. In 2024, we also celebrated the successful fulfillment of the initial subscribed capital of one million dollars by all our member shareholders. This achievement, along with the significant volume of additional capital contributions made in recent years, strengthens our financial foundation and underscores our collective commitment to sustainable development in our region.

Engaging With the Communities We Serve

I have spent much of the past three years in different parts of the region, meeting with people in the communities we serve. During these important conversations, I hear directly from community leaders, business owners, and households about how they are experiencing their local economy. These insights have helped to identify those challenges that are common across the region, as well as challenges that are unique and specific to a community. In my travels I also help people understand more about the work we do at the bank. Ongoing engagement is a vital aspect of our roles as policymakers and service providers.

MESSAGE FROM THE PRESIDENT & CEO

We value our customers and view them as partners, working together to provide financial solutions that are relevant to their financing needs and conducive to financial success. Over the past three years, I have learned a great deal about the diversity of small businesses in the region, from aquaculture producers and landlords to importers and retailers. These interactions have given valuable perspectives that go well beyond the business locales. I am excited by the potential for PIDB to help develop vibrant, connected business communities throughout our region.

The information I hear when engaging with the region's business communities helps inform my views on economic development and regional trade policy. I often share insights gained through engagements during meetings with stakeholders to encourage dialogue around more integrated trade policies and practices. At the forefront of my mind is always the question of: how can PIDB be the conduit and/or catalyst for regional trade integration and contribute to sustainable economic growth? A question that our policymakers and stakeholders have perhaps pondered throughout the bank’s history.

A Vision of Service

Every day our humble team puts forth a genuine commitment to making broad impacts in our island communities. We remain dedicated to supporting our customers' aspirations for home ownership and entrepreneurship. In 2024, our loan team assisted 28 applicants reach the end of their loan processing journey, adding approximately $1.85 million in new investments to the region, contributing to economic growth. We continue to receive and process applications, even while we explore and pursue additional capital funds to bolster our lending capacity. Although there are applications placed on a wait list due to funding gaps, we endeavor to assist every applicant that chooses to remain on wait list and are working together with our shareholders and partners to attract funding to address waitlisted requests. Our long wait list demonstrates the high demand for financing assistance in our communities and is a testament to the need for access to affordable credit and capital.

It is an honor to lead an organization with tremendous potential to contribute to policy decisions that have long term positive impact in our islands. The Board of Directors and management remain focused on doing all we can to achieve our objective of contributing to the acceleration of economic and social development of our member shareholders, individually and collectively.

Looking Ahead

While our most critical role is contributing to economic and social development, we also aspire to establish and maintain effective partnerships and collaborative relationships with stakeholders throughout the region to build greater capacity and professional capabilities; to help foster safe, sound and stable financial systems; to advance safe, efficient and accessible payments systems where needed in our communities; to promote financial literacy; and to help support non-profits and community-based programs where feasible.

I continue to be inspired by the efforts and feedback from our customers, stakeholders, as well as our employees. The past year has provided many opportunities to listen, learn, improve, and establish partnerships. Despite facing economic challenges, there is a renewed sense of optimism as policymakers update the bank's Strategic Plan for the coming years, paving the way for new directions and new pursuits. As we move forward, it will be even more important to deepen our connection—with each other and with those we serve. Hearing perspectives from you and other stakeholders will help ensure our work has the greatest possible impact for local communities and for the region

Statement of Gratitude

On behalf of management, I wish to express heartfelt gratitude and appreciation to our Shareholders, members of the Board of Governors and Board of Directors, all our dedicated and hardworking employees, our partners and affiliates, our families and friends, the donors that have generously contributed to our events and initiatives during the past year, and last but most certainly not least, our valued customers. Your support, cooperation, encouragement, and patronage have contributed to the resilience and growth of the bank. We humbly convey our utmost appreciation for the patience and understanding you've shown as we work diligently to improve the quality and performance of our services.

MESSAGE FROM THE PRESIDENT & CEO

Lastly, I hereby extend a warm “Welcome to Our PIDB Family” to all those who are new to our organization, and look forward to maintaining our strong collaboration and working relationships.

May the region continue on the road to prosperity, and may we all continue to work together in our collective efforts to seek ways to advance the lives and livelihoods of the people in our communities.

Sincerely,

Lindsay M. Timarong, AIFA ®
President & CEO, and Chairwoman of the PIDB Board of Directors

2024 UPDATES & HIGHLIGHTS

New Capital Infusion

2024 was a milestone year for PIDB! Pohnpei, Chuuk and Kosrae injected new capital, raising total capital level to more than $17 million.

In February 2024, Chuuk State government contributed an additional $500,000 in capital, and thus fulfilled its initial share capital subscription of one million dollars. In fact, the value of Chuuk State capital shares as a result of new capital contributed in 2024 exceeds one million. *Kinisou Chapur* to Chuuk State leaders for the trust and support.

In April 2024, Kosrae State contributed a total of $75,000 in capital, and thus fulfilled its initial share capital subscription of one million dollars. *Kulo Mulalap* to Kosrae State leaders for the trust and support.

Also in April 2024, Pohnpei State contributed an additional $1,000,000 in capital, delightfully surprising the bank's stakeholders and honored guests attending the bank's 35th anniversary celebration last year when Pohnpei leaders presented the check to the bank's Board and management. *Kalahngan* to Pohnpei State leaders for the trust and support.

PIDB is so very fortunate to continue to have strong support from our region's leaders. At the April 25th, 2024, Board of Governors meeting, amendments to the Articles of Agreement and By-laws were reviewed and adopted. One of the amendments increased the authorized share capital of the bank from $18 million to $36 million. We are grateful for the advocacy and the commitment of our members to raise capital for the bank in support of our mission.With a higher level of authorized capital, our shareholders have committed to working together to secure additional capital in support of the bank's growth.

Lending Activity

In 2024, we originated twenty-six loans with financing approved totaling approximately $2 million. At the end of the calendar year, roughly half a million in committed funds remained to be disbursed, and several applications were in the pipeline. A long list of applications are on wait list due to inability to fund because we lack available capital for the volume of financing needs requested.

In particular, there continues to be high demand for housing loans, while at the same time, we are getting inquiries and receiving applications for commercial projects valued in the millions. The bank is not accustomed to seeing the kinds of large scale financing requests we have seen in recent years, and although we lack the capital base and substantial funding sources, we are exploring opportunities to see these projects materialize. It is hoped that in future, PIDB will be positioned to support large scale private sector investments.

Mortgage loans comprised roughly 61% of new loans originated in 2024, including financing for construction of new homes or improvements to existing residential units. Notwithstanding higher demand for residential home loans, we continue to explore viable commercial projects as well as look at opportunities to further support our existing business customers. Commercial loans made up 30% of loans originated in 2024, and a third of those commercial loans were funded with our USDA IRP revolving funds. New businesses we helped include a local lumber producer and a water bottling/ice production company.

Supporting Our Communities

During the year, we contributed to several causes and fundraising initiatives through local nonprofit organizations, including UOG Micronesian student groups, the Palau Conservation Society, the Guam Women's Club, and Neechuumeres.

We continue to seek ways to expand our community involvement and welcome opportunities to partner and participate in events and programs that align with our social development mandate.

Operations

Two new hires joined our team in December 2024. Ms. Cassandra Falmeyog and Mr. Danson Piyelit were added to our operations team. Both are Loan Service Specialists and will assist our team in the performance of lending functions. Cassie and Danson have both served Micronesian communities in Guam through their previous work with the Micronesian Resource Center. They bring their community networks and professionalism, as well as their passion and dedication to servicing our people and our region.

Our Bank team will continue to grow as we expand the scope of our services and in anticipation of increase in the size of the Bank and the volume of our financing activities.

Training & Building Capacity

Throughout the year, we continued our efforts to build capacity and raise the standard of professionalism as well as the capabilities of our operations team, individually and collectively. For instance, members of staff attended training courses offered by the SBDC on topics ranging from understanding financial statements to cybersecurity.

In early 2024, our loan officer successfully completed training in California on USDA home loan packaging for the 502 and 504 housing programs. PIDB is now a certified employer under the USDA 502 and 504 home loan programs, which means we are eligible for and may request funding from the USDA to support staff and related resources to package loans for the USDA. This is in line with our aim to expand our partnership with the USDA as an alternative source of financing.

In November 2024, new members of the Board of Directors successfully completed fiduciary coursework in Manila through training provided by fi360 Pacific and facilitated by the Asia Pacific Association for Fiduciary Studies (APAFS). PIDB is one of two regional institution members with a seat on the APAFS Board of Governors. The willingness of our Board members to successfully complete fiduciary training is a demonstration of the commitment and dedication to upholding the integrity and high standard of accountability that is expected of their role in overseeing and ensuring the responsible management of the bank's assets.

As we grow and look to the future, our capacity building initiatives will be focused on developing, retaining and attracting skilled and qualified individuals. Management has regularly conducted professional development training internally and encourages ongoing learning and education by supporting staff capacity building through known available sources. At the same time, we continue to develop and improve our corporate training program, aiming to have the resources to also provide professional development training by request for our stakeholders—making ongoing training part of the service we provide to our communities.

Board Governance Composition and Tenure

There were changes to the leadership and members of the PIDB Board of Governors in 2024.

During the first post-pandemic in-person annual Board of Governors meeting held on April 25th, 2024, the Honorable Speaker Lester D. Mersai, representing the legislative branch of Chuuk State government, was elected Chairman of the Board of Governors. Guam and Yap State continue to hold to the Vice Chair and Secretary seats, respectively.

2024 UPDATES & HIGHLIGHTS

At the April 25th, 2024, Board of Governors meeting, amendments to the Articles of Agreement and By-laws were reviewed and adopted. In addition to the increase in authorized share capital, the tenure of Board officers was changed from one year to two years. At the same time, the historical practice of rotating the Chairperson, Vice Chairperson, and Secretary posts on the Board of Governors—in accordance with the chronological order of when shareholder members fulfill the initial one million dollar capital share subscription—was formalized in the Articles of Agreement and By-laws.

In 2024 we welcomed new members appointed to the Board of Governors following elections and installation of elected leaders in the Republic of the Marshall Islands (RMI) and in Pohnpei State, and following reorganization of the executive branch in Yap State.

For the Marshall Islands, Honorable Speaker Brenson Wase was appointed to represent the legislative branch and Honorable Minister David Paul was appointed to represent the executive branch. Speaker Wase replaced former Speaker Kenneth Kedi whereas Minister Paul replaced Speaker Wase, who was the former Minister of Finance for the RMI and used to serve as the executive branch representative. In a joint nomination letter, Speaker Wase and Minister Paul selected Honorable Senator Wilbur Heine to represent RMI on the Board of Directors.

For Pohnpei State, Honorable Governor Stephenson Joseph replaced former Governor Reed Oliver as the executive branch representative for Pohnpei on the Board of Governors. In a joint nomination letter, Pohnpei's representatives on the Board of Governors selected Ms. Sihna Lawrence as the Pohnpei State representative on the PIDB Board of Directors. Ms. Lawrence replaced Ms. Christina Elnei on the Board of Directors.

For Yap State, following the reorganization of Honorable Governor Charles Chieng's administration, Ms. Katherine Gisog was appointed to represent the Yap State executive branch on the Board of Governors. Ms. Gisog replaced former executive branch representative Ms. Leelkan Southwick.

We congratulate all the elected and re-elected officials and welcome the new members of our Board of Governors. We have confidence that they will provide unwavering support and commitment to the bank's mission. We also extend our deepest gratitude and appreciation to those whose terms on the respective Boards have concluded, and we hope to continue our collaboration in advocating for support of the bank and our efforts to improve the livelihoods of people in our island communities.

2024 UPDATES & HIGHLIGHTS

We thank all members of our Board of Governors and Board of Directors for their continued service and support of PIDB.

We are as ever grateful to all our member shareholders for ensuring that appointments of representation to our Board of Governors and Board of Directors have been made with thoughtful consideration, and that our respective Boards are made up of individuals that share in the collective vision and objectives of regional integration, collaboration, and mutually beneficial cooperation.

Partnerships

PIDB seeks to expand our partnership with the USDA, particularly in the areas of commercial real estate and residential housing development in our region. We have successfully administered funds under the USDA Intermediary Relending Program, which has provided communities throughout the region with millions of dollars in private sector capital support and investment. We continue to lend under this program using revolving funds from IRP loan program repayments, and hope to expand this partnership with the USDA with a new application for additional funds in future.

After submitting our Expression of Interest to the U.S. International Development Finance Corporation (DFC) in December 2023, we began the funding application process in 2024 and engaged with DFC officials to provide information in support of our application. The DFC is a development finance institution and agency of the U.S. federal government that invests in development projects, primarily in lower- and middle-income countries. Our application seeks funding to support investments in commercial and housing development projects. At the time of this report, it is challenging to determine our chances of successfully accessing U.S. federal funds, given the uncertainties surrounding the current U.S. administration's policies, particularly regarding international funding.

We remain hopeful and cautiously optimistic that these partnership endeavors will have positive results.

Policies and Practices

New policies were adopted by the Board of Directors during regular quarterly meetings held in 2024. For instance, the Board adopted the bank's Capacity Building, Professional Development & Training Policy Framework in July 2025. Further, the Board of Directors reviewed and adopted a new methodology for measuring allowances for expected losses in line with ASC 326, the new accounting standard for estimating Current Expected Credit Losses (CECL).

Management continues to seek ways to improve our internal controls and processes and to ensure that policy documents reflect prudent practices that are relevant and applicable in communities where we operate.

Establishment of PIDB

The Pacific Islands Development Bank (PIDB) was created following a 1987 proposal by the Association of Pacific Islands Legislatures (APIL). A feasibility study funded by the Bank of Guam supported its establishment. By 1988, APIL members had agreed on the bank's creation, with legislations enacted for membership and initial contributions from various Pacific island nations. The bank was officially established in 1989 by Yap, Pohnpei, and Palau in Guam, with additional memberships following. The Republic of the Marshall Islands joined in 2011. PIDB aims to boost economic and social development in member countries through various financial programs.

*A*s PIDB celebrates its 35th anniversary, it stands as a testament to regional cooperation and a shared vision and commitment to progress.

Board of Governors

Celebrating 35 years of leadership and innovation, the Pacific Islands Development Bank (PIDB) has consistently aimed to enhance the quality of life in its member countries through strategic financial initiatives. The Board of Governors, which convenes annually in April or May, plays a crucial role in this mission. Their diligent review of the bank's operations and thoughtful policy decisions ensure that PIDB remains responsive to the evolving needs of its members.

Since the inception of PIDB, the Board of Governors has been the cornerstone of its governance, guiding the bank through various challenges and opportunities. Their unwavering dedication has been instrumental in driving economic growth and fostering social development across the region. As PIDB continues to grow, their contributions remain invaluable, embodying the enduring vision and legacy of the bank.

We deeply appreciate the Board of Governors as esteemed regional leaders who steer and elevate PIDB. Their leadership is not only pivotal but essential, as they navigate the bank towards a prosperous future for all its members. These governors, with their collective wisdom and tireless efforts, are the true champions of PIDB’s mission, and their value to the institution cannot be overstated. Their commitment to excellence and forward-thinking approach have laid a solid foundation for sustainable development, making them indispensable to the bank's ongoing success and the well-being of its communities.

Board of Directors

In celebrating 35 years of regional impact and excellence, the Pacific Islands Development Bank (PIDB) honors the significant contributions of the Board of Directors. Each member country appoints a Director and an Alternate Director to oversee the bank's operations and ensure its alignment with the strategic goals set by the Board of Governors.

The Board of Directors plays a crucial role in the ongoing success of PIDB. They convene regularly, conducting quarterly reviews of the bank’s performance and preparing an annual report that highlights the institution's achievements and challenges. These diligent efforts guide the bank in its mission to enhance economic growth and social development across the region.

As PIDB commemorates its 35th anniversary in 2024, it celebrates the dedication and leadership of the Board of Directors, whose unwavering commitment has propelled the bank's initiatives and fostered a legacy of regional cooperation and prosperity. Their tireless work exemplifies the enduring vision that PIDB was founded upon, ensuring that it remains a beacon of hope and progress for member countries.

35TH ANNIVERSARY HIGHLIGHTS

Woven Together by Purpose - Celebrating 35 Years

Highlights from the 35th Anniversary Celebration of the Pacific Islands Development Bank, featuring Invocation by Deacon Huan Hosei, Welcoming Remarks by President and CEO Lindsay M. Timarong, Keynote Address by FSM Vice President Aren B. Palik—former President & CEO of PIDB, Opening Remarks by Guam Governor Lourdes A. Leon Guerrero, reading of a Resolution by Guam Legislature Vice Speaker Tina Muna-Barnes, Special Remarks by Former Speaker of the Nitijela Kenneth Kedi and Speaker Edmund Villagomez of the CNMI Legislature, Closing Remarks by the Chairman of the Board of Governors, Speaker Lester D. Mersai, and a special award presentation honoring Ms. Rosa D.L.S. Weilbacher, PIDB Manager of Administration for her 25 years of dedicated service to the Bank.

35TH ANNIVERSARY HIGHLIGHTS

Woven Together by Purpose - Celebrating 35 Years

A vibrant celebration of unity and culture in honor of PIDB's 35th Anniversary - where voices, dances, and traditions from across the region came together to showcase the rich and diverse heritage that binds us as one community. Each performance was a tribute to our shared history, identity, and the spirit of togetherness that defines the Pacific Islands Development Bank and its work in the region.

Cultural performances showcased during the 35th Anniversary Celebration of the Pacific Islands Development Bank, featuring Bendision by Guma'Ma Higa, Tulu'Na Napu, a traditional Sakau Ceremony and Jupwiki Parano dance by the UOG Pohnpei Student Organization, Matamatong by the UOG Palau Student Organization, a dance presentation by the Pollap Community of Guam, Yapese cultural dance by the UOG Yap Student Organization, performances by the UOG Kosrae Student Organization, and a CNMI cultural dance by the UOG CNMI Student Organization—highlighting the rich and diverse heritage of our island communities.

Bendision
Guma'Ma Higa, Tulu' Na Napu

Sakau Ceremony - UOG Pohnpei Student Organization

Jupwiki Parano Performers
UOG Pohnpei Student Organization

Governor Lourdes A. Leon Guerrero & Matamatong Performers -UOG Palau Student Organization

I Iina'lan Chamorru
CNMI UOG Student Organization

APIL Secretariat - Walden Weilbacher & UOG Kosrae Student Organization Performers

UOG Yap Student Organization Performers

UOG Pohnpei Student Organization Performers

Pollap Community of Guam Performers

BACKGROUND & CORPORATE INFORMATION

Establishment

The Pacific Islands Development Bank (PIDB) was established through a resolution approved by the Association of Pacific Island Legislatures (APIL). The formal signing ceremony took place on July 5, 1989, in Guam, where representatives from Yap State, the Federated States of Micronesia (FSM), Pohnpei State (FSM), and the Republic of Palau committed to their capital share subscriptions.

Location

The bank's corporate office has been located in Guam since inception, although operations have relocated several times over the years. We are currently located at 222 E. Chalan Santo Papa, Reflection Center, Suite 102, in Hagatna, Guam.

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.”

Shareholders & Capital

The capital share subscription at inception, or initial capital each shareholder member pledged and agreed to pay, was one million dollars. In 2024, Pohnpei State, Chuuk State, and Kosrae State made new capital contributions to PIDB. Pohnpei State contributed $1 million in new capital; Chuuk State injected $500,000; and Kosrae State contributed $75,000 towards its equity shares in the bank. Altogether, the bank received $1,575,000 in new capital during the year.

Management continues to work with our shareholder members to attract and secure additional capital to expand our lending capacity.

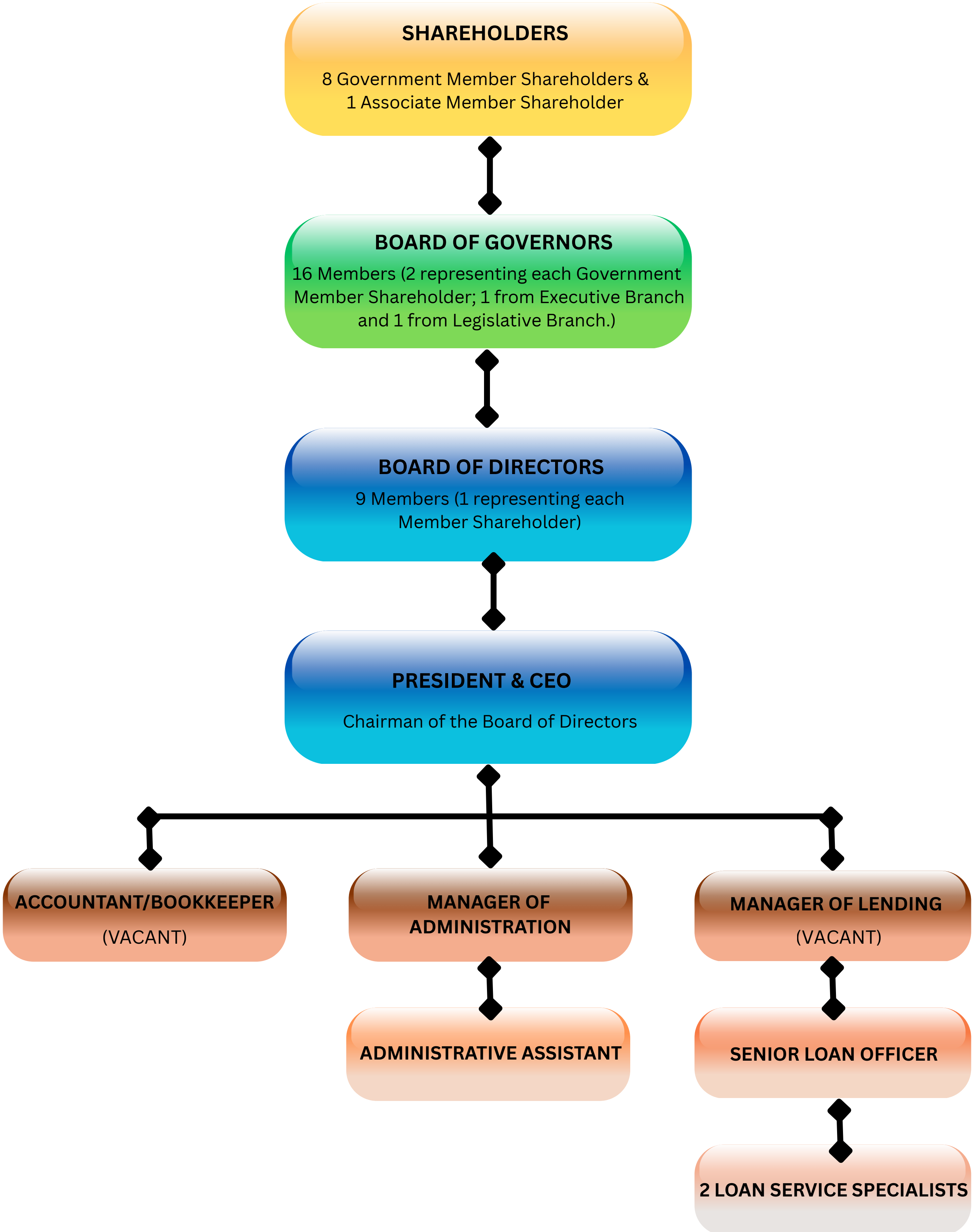
The table below shows the composition of the bank's share capital, as well as the increase in capital contributions during the 3-year Strategic Plan period from 2022 to 2024. As illustrated, our shareholders have demonstrated strong support of the bank's mission and activities, and we are thankful for ongoing commitments to contribute additional capital in the years ahead. The success of the bank is undoubtedly attributed to the level of support from and collaboration amongst our member shareholders.

		as of December 31, 2024						as of December 31, 2021		
	Shareholder	No. Shares	Share Value	% of Total	% change	$ Change	% Change	No. Shares	Share Value	% of Total
1	Yap, FSM	4,439	**4,438,866**	26%	0%	0	0%	4,439	**4,438,866**	34%
2	Pohnpei, FSM	2,300	**2,300,000**	13%	77%	1,000,000	77%	1,300	**1,300,000**	10%
3	Commonwealth of the Northern Mariana Islands	2,000	**2,000,000**	12%	100%	1,000,000	0%	1,000	**1,000,000**	8%
4	Guam	2,000	**2,000,000**	12%	100%	1,000,000	0%	1,000	**1,000,000**	8%
5	Republic of the Marshall Islands	1,992	**1,992,000**	12%	0%	0	0%	1,992	**1,992,000**	15%
6	Kwajalein Atoll Development Authority (KADA)	1,300	**1,300,000**	8%	30%	300,000	0%	1,000	**1,000,000**	8%
7	Chuuk, FSM	1,052	**1,051,783**	6%	222%	725,000	222%	327	**326,783**	3%
8	Republic of Palau	1,000	**1,000,000**	6%	0%	0	0%	1,000	**1,000,000**	8%
9	Kosrae, FSM	1,000	**1,000,000**	6%	8%	75,000	8%	925	**925,000**	7%
	TOTAL SHARES	**17,083**	**17,082,649**	100%	32%	4,100,000	32%	**12,983**	**12,982,649**	100%

Notes
- a) Yap shares include $3 million Yap Development Loan Program funds converted to capital shares in June 2022 pursuant to Yap State legislation passed into law in 2021.
- b) CNMI injected an additional $1 million in capital in August 2022.
- c) KADA injected $300,000 in additional capital in November 2022.
- d) Guam injected an additional $1 million in capital in May 2023.
- e) Chuuk State injected a total of $50,000 in capital share in 2022, a total of $175,000 in 2023, and $500,000 in February 2024.
- f) Kosrae State injected $75,000 in April 2024.
- g) Pohnpei State injected an additional $1 million in capital in April 2024.

Freely Associated States (COFA Nations):	No. Shares (2024)	Share Value (2024)	% of Total (2024)	No. Shares (2021)	Share Value (2021)	% of Total (2021)
Federated States of Micronesia	*8,791*	*8,790,649*	*51%*	*6,991*	*6,990,649*	*54%*
Republic of the Marshall Islands	*3,292*	*3,292,000*	*19%*	*2,992*	*2,992,000*	*23%*
Republic of Palau	*1,000*	*1,000,000*	*6%*	*1,000*	*1,000,000*	*8%*

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. In accordance with the amended Articles of Agreement and By-laws of the bank, every two years, the Board elects new officers.

In 2024, the officers and members of the Board of Governors were as follows:

As of December 31, 2024		
Shareholder	**Executive Branch Representative**	**Legislative Branch Representative**
Yap State, FSM	Ms. Katherine Gisog *Grant Writer* *Office of Planning & Budget* *Yap State Government*	Honorable Nicholas Figirlaarwon *Speaker* *Yap State Legislature* ***Secretary of the Board of Governors***
Commonwealth of the Northern Mariana Islands	Honorable David Apatang *Lieutenant Governor* *CNMI Government*	Honorable John Paul P. Sablan *Representative* *House of Representatives* *Northern Marianas Commonwealth Legislature*
Territory of Guam	Honorable Lourdes Leon Guerrero Governor ***Vice Chairwoman of the Board of Governors***	Honorable Therese Terlaje *Speaker* *Guam Legislature*
Republic of the Marshall Islands	Honorable David Paul *Minister of Finance* *Member of the Nitijela*	Honorable Brenson Wase *Speaker of the Nitijela*
Pohnpei State, FSM	Honorable Stephenson Joseph *Governor* *Pohnpei State Government*	Mr. Carlos Villazon *Chief, Division of Administration & Budget* *Pohnpei State Legislature*
Chuuk State, FSM	Honorable Alexander Narruhn *Governor* *Chuuk State Government*	Honorable Lester D. Mersai *Speaker* *House of Representatives* *Chuuk State Legislature* ***Chairman of the Board of Governors***
Republic of Palau	Honorable Kaleb Udui, Jr. *Minister of Finance*	Honorable Mengkur Rechelulk *Delegate* *House of Delegates* *Olbiil Era Kelulau*
Kosrae State, FSM	Honorable Tulensa Palik *Governor* *Kosrae State Government*	Honorable Semeon Phillip *Speaker* *Kosrae State Legislature*

BOARD OF DIRECTORS

The Articles of Agreement Establishing the Pacific Islands Development Bank, as amended, stipulates that the two Board Governors representing each member shareholder 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 for the Board of Governors under the Articles of Agreement. The Board of Directors meets quarterly with the Bank President and CEO serving as Chairperson of the Board pursuant to the Bank's Articles.

In 2024, the following individuals served on the Board of Directors:

As of December 31, 2024	
Shareholder	**Board Director**
Yap State, FSM	Mr. Julius Tun *Energy Efficiency Officer, FSM National Government* Ms. Marie Lamaar (Alternate Director) *Investigative Auditor, Yap Public Auditor's Office*
Commonwealth of the Northern Mariana Islands	Mr. Diego Benavente *Former Speaker/Former Lt. Governor of CNMI*
Territory of Guam	Mr. Frank Atalig *Former CFO, Bank of Guam*
Republic of the Marshall Islands	Honorable Wilbur Heine *Member of the Nitijela*
Pohnpei State, FSM	Ms. Sihna Lawrence *Director of Treasury & Administration* *Pohnpei State Government*
Kwajalein Atoll Development Authority (KADA)	Mr. Anjojo Kabua III *Executive Director of KADA*
Chuuk State, FSM	Honorable Andrew A. May *Vice Speaker, House of Representatives* *Chuuk State Legislature*
Republic of Palau	Mr. Elbuchel Sadang *Former Minister of Finance* *Secretary of the Board of Directors*
Kosrae State, FSM	Mr. Robson Henry *U.S. Army, retired*
Pacific Islands Development Bank	Lindsay M. Timarong, AIFA® *President & CEO* *Chairperson of the Board of Directors*

MEET OUR TEAM

The following are current members of Bank staff:

Rosa D.L.S. Weilbacher
Manager of Administration

Jamie J. Aingimea
Senior Loan Officer

Rachel W. Gabiriel
Loan Service Specialist

Regina R. Raigetal
Administrative Assistant

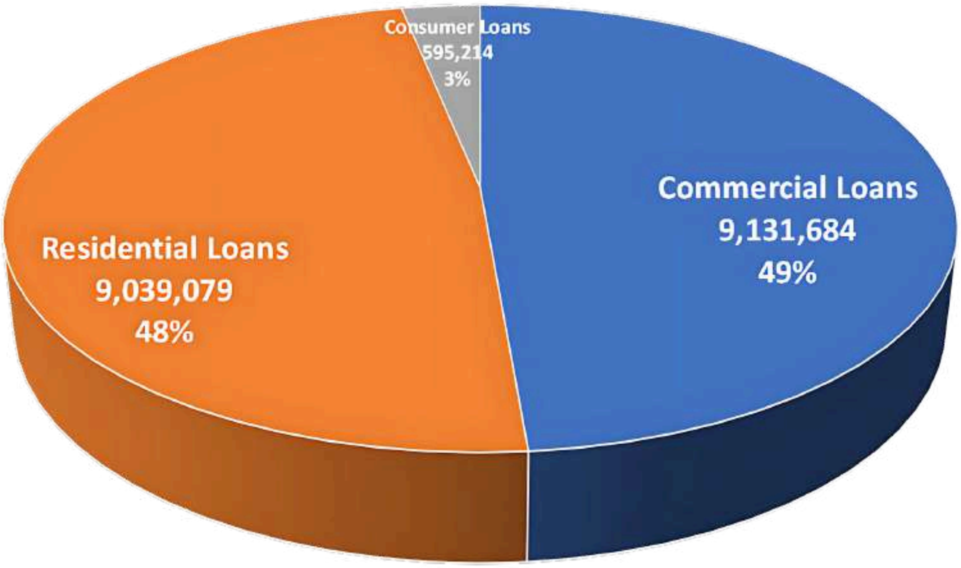
Danson Piyelit
Loan Service Specialist

Cassandra A.M. Falmeyog
Loan Service Specialist

Outstanding Loan Mix

Residential home loans as a percentage of our entire loan portfolio continued to grow due primarily to the higher demand for home financing. Although the Bank's core lending focus remains in commercial loans, our shareholders recognize that housing development is also consistent with our mission and purpose and the region's leaders have expressed the desire to support housing projects among our private sector development objectives. Consumer loans remain a small proportion of our loan book.

At December 31, 2024, the composition of our loan portfolio was as follows:



2024 OUTSTANDING LOANS BY SECTOR			
LOAN TYPE	**COUNT**	**AMOUNT**	**% OF TOTAL**
Commercial Loans			
Agriculture	0	0	0.0%
Commercial Real Estate	15	2,342,315	12.5%
Fisheries	1	409,574	2.2%
Manufacturing	2	1,776,670	9.5%
Services	14	1,418,926	7.6%
Tourism	5	2,274,404	12.1%
Wholesale/Retail	16	844,094	4.5%
Other	2	65,701	0.4%
Subtotal	**55**	**9,131,684**	**49%**
Residential Loans	**82**	**9,039,079**	**48%**
Consumer Loans	**73**	**595,214**	**3%**
TOTAL	**210**	**18,765,977**	**100%**

New Loan Mix

New commercial, residential and consumer loans were originated in 2024. Total loan balances on the books of the bank grew approximately 7% relative to prior year supported largely by new capital injections. A total of twenty six loans were originated in 2024 with book value totaling approximately $1.85 million, including loan refinances.

2024 NEW LOANS BY SECTOR			
LOAN TYPE	**COUNT**	**AMOUNT**	**% OF TOTAL**
Commercial Loans			
Agriculture	0	0	0%
Commercial Real Estate	0	0	0%
Fisheries	0	0	0%
Manufacturing	0	0	0%
Services	1	0	0%
Tourism	0	0	0%
Wholesale/Retail	0	0	0%
Other	1	207,970	11%
Subtotal	**2**	**207,970**	**11%**
Residential Loans	**9**	**1,374,732**	**74%**
Consumer Loans	**15**	**265,208**	**15%**
TOTAL	**26**	**1,847,910**	**100%**

Total Loans to Capital Ratios by Shareholder

Please note that aggregate loan values below may differ from audited figures due to audit adjustments.

December 31, 2024					
Shareholder	No. Shares	Share Value	Loans to Capital Ratio	No. Loans	Total Principal Value Loans
Commonwealth of the Northern Mariana Islands[1]	2,000	2,000,000	144%	17	2,879,631
Guam[2]	2,000	2,000,000	91%	16	1,828,782
Chuuk[3], FSM	1,052	1,051,783	19%	34	194,942
Kosrae[4], FSM	1,000	1,000,000	52%	30	523,118
Pohnpei[5], FSM	2,300	2,300,000	68%	27	1,563,035
Yap[6], FSM	4,439	4,438,866	76%	16	3,366,278
Republic of the Marshall Islands[7]	1,992	1,992,000	170%	23	3,380,867
Kwajalein Atoll Development Authority (KADA)	1,300	1,300,000	77%	8	1,005,567
Republic of Palau[8]	1,000	1,000,000	98%	10	982,685
TOTAL DIRECT LENDING	17,083	17,082,649	92%	181	15,724,904
TOTAL SPECIAL PROGRAM FUNDED LOANS[9]				29	3,041,073
TOTAL LOANS			**110%**	**210**	**18,765,977**

Notes:	No. Loans	Total Principal Value Loans
1/ CNMI Loans receivables amount excludes:		
(b) IRP (USDA) Loans domiciled in CNMI	6	951,608
2/ Guam Loans receivables amount excludes:		
(a) FSMDB Loan Program Loans domiciled in Guam	9	984,195
(b) IRP (USDA) Loans domiciled in Guam	3	178,741
(c) MIDB Loan Program Loans domiciled in Guam	1	98,328
3/ Chuuk Loans receivables amount excludes:		
(b) IRP (USDA) Loans domiciled in Chuuk	1	207,970
4/ Kosrae Loans receivables amount excludes:		
(b) IRP (USDA) Loans domiciled in Kosrae	2	19,267
5/ Pohnpei Loans receivables amount excludes:		
(b) IRP (USDA) Loans domiciled in Pohnpei	2	145,182
6/ Yap Loans receivable amount excludes:		
(b) IRP (USDA) Loans domiciled in Yap	3	48,599
7/ RMI Loans receivables amount excludes:		
(a) KADA Home Loan Program Loans	8	1,005,567
(b) IRP (USDA) Loans domiciled in RMI	1	331,319
8/ Palau Loans receivable amount excludes:		
(b) IRP (USDA) Loans domiciled in Palau	1	75,863

9/ Funded by administered loan programs: USDA Intermediary Relending Program, FSM Development Bank Loan Program, and Marshall Islands Development Bank Loan Program.

Delinquent Loans to Capital Ratios by Shareholder

Please note that aggregate loan values below may differ from audited figures due to audit adjustments.

December 31, 2024					
Shareholder	No. Shares	Share Value	Delinquent Loans to Capital Ratio	No. Loans	Total Principal Value of Delinquent Loans
Commonwealth of the Northern Mariana Islands[1]	2,000	2,000,000	54%	4	1,075,082
Guam[2]	2,000	2,000,000	43%	4	856,695
Chuuk[3], FSM	1,052	1,051,783	3%	4	32,712
Kosrae[4], FSM	1,000	1,000,000	13%	12	126,619
Pohnpei[5], FSM	2,300	2,300,000	20%	7	459,298
Yap[6], FSM	4,439	4,438,866	46%	5	2,055,366
Republic of the Marshall Islands[7]	1,992	1,992,000	41%	5	817,640
Kwajalein Atoll Development Authority (KADA)	1,300	1,300,000	49%	4	637,555
Republic of Palau[8]	1,000	1,000,000	4%	1	43,185
TOTAL DIRECT LENDING	17,083	17,082,649	36%	46	6,104,152
TOTAL SPECIAL PROGRAM FUNDED LOANS[9]				10	933,203
TOTAL LOANS			**41%**	**56**	**7,037,356**

Notes:	No. Loans	Total Principal Value Loans
1/ CNMI Loans receivables amount excludes:		
(b) IRP (USDA) Loans domiciled in CNMI	2	116,712
2/ Guam Loans receivables amount excludes:		
(a) FSMDB Loan Program Loans domiciled in Guam	1	36,922
(b) IRP (USDA) Loans domiciled in Guam	1	70,003
(c) MIDB Loan Program Loans domiciled in Guam	0	0
3/ Chuuk Loans receivables amount excludes:		
(b) IRP (USDA) Loans domiciled in Chuuk	1	207,970
4/ Kosrae Loans receivables amount excludes:		
(b) IRP (USDA) Loans domiciled in Kosrae	1	5,120
5/ Pohnpei Loans receivables amount excludes:		
(b) IRP (USDA) Loans domiciled in Pohnpei	1	69,453
6/ Yap Loans receivable amount excludes:		
(b) IRP (USDA) Loans domiciled in Yap	1	19,841
7/ RMI Loans receivables amount excludes:		
(a) KADA Home Loan Program Loans	4	637,555
(b) IRP (USDA) Loans domiciled in RMI	1	331,319
8/ Palau Loans receivable amount excludes:		
(b) IRP (USDA) Loans domiciled in Palau	1	75,863

9/ Funded by administered loan programs: USDA Intermediary Relending Program, FSM Development Bank Loan Program, and Marshall Islands Development Bank Loan Program.

Non-Performing Loans to Capital Ratios by Shareholder

Please note that aggregate loan values below may differ from audited figures due to audit adjustments.

December 31, 2024					
Shareholder	No. Shares	Share Value	NPLs to Capital Ratio	No. Loans	Total Principal Value NPLs
Commonwealth of the Northern Mariana Islands[1]	2,000	2,000,000	30%	1	592,235
Guam[2]	2,000	2,000,000	32%	2	641,850
Chuuk[3], FSM	1,052	1,051,783	1%	1	7,632
Kosrae[4], FSM	1,000	1,000,000	9%	8	85,216
Pohnpei[5], FSM	2,300	2,300,000	2%	4	49,965
Yap[6], FSM	4,439	4,438,866	6%	3	283,281
Republic of the Marshall Islands[7]	1,992	1,992,000	29%	3	586,309
Kwajalein Atoll Development Authority (KADA)	1,300	1,300,000	12%	1	156,612
Republic of Palau[8]	1,000	1,000,000	4%	1	43,185
TOTAL DIRECT LENDING	17,083	17,082,649	14%	24	2,446,285
TOTAL SPECIAL PROGRAM FUNDED LOANS[9]				4	523,894
TOTAL LOANS			**17%**	**28**	**2,970,179**

Notes:	No. Loans	Total Principal Value Loans
1/ CNMI Loans receivables amount excludes:		
(b) IRP (USDA) Loans domiciled in CNMI	2	116,712
2/ Guam Loans receivables amount excludes:		
(a) FSMDB Loan Program Loans domiciled in Guam	0	0
(b) IRP (USDA) Loans domiciled in Guam	0	0
(c) MIDB Loan Program Loans domiciled in Guam	0	0
3/ Chuuk Loans receivables amount excludes:		
(b) IRP (USDA) Loans domiciled in Chuuk	0	0
4/ Kosrae Loans receivables amount excludes:		
(b) IRP (USDA) Loans domiciled in Kosrae	0	0
5/ Pohnpei Loans receivables amount excludes:		
(b) IRP (USDA) Loans domiciled in Pohnpei	0	0
6/ Yap Loans receivable amount excludes:		
(b) IRP (USDA) Loans domiciled in Yap	0	0
7/ RMI Loans receivables amount excludes:		
(a) KADA Home Loan Program Loans	1	156,612
(b) IRP (USDA) Loans domiciled in RMI	1	331,319
8/ Palau Loans receivable amount excludes:		
(b) IRP (USDA) Loans domiciled in Palau	1	75,863

9/ Funded by admnistered loan programs: USDA Intermediary Relending Program, FSM Development Bank Loan Program, and Marshall Islands Development Bank Loan Program.

Delinquent Loans to Total Loans Ratios by Shareholder

Please note that aggregate loan values below may differ from audited figures due to audit adjustments.

December 31, 2024					
Shareholder	No. Loans	Total Principal Value of Loans	Delinquent Loans to Total Loans	No. Delinquent Loans[9]	Total Principal Value of Delinquent Loans
Commonwealth of the Northern Mariana Islands[1]	17	2,879,631	37%	4	1,075,082
Guam[2]	16	1,828,782	47%	4	856,695
Chuuk[3], FSM	34	194,942	17%	4	32,712
Kosrae[4], FSM	30	523,118	24%	12	126,619
Pohnpei[5], FSM	27	1,563,035	29%	7	459,298
Yap[6], FSM	16	3,366,278	61%	5	2,055,366
Republic of the Marshall Islands[7]	23	3,380,867	24%	5	817,640
Kwajalein Atoll Development Authority (KADA)	8	1,005,567	63%	4	637,555
Republic of Palau[8]	10	982,685	4%	1	43,185
TOTAL DIRECT LENDING	181	15,724,904	39%	46	6,104,152
TOTAL SPECIAL PROGRAM FUNDED LOANS[9]	29	3,041,073	31%	10	933,203
TOTAL LOANS	**210**	**18,765,977**	**38%**	**56**	**7,037,356**

Notes:	No. Loans	Total Principal Value Loans
1/ CNMI Loans receivables amount excludes:		
(b) IRP (USDA) Loans domiciled in CNMI	2	116,712
2/ Guam Loans receivables amount excludes:		
(a) FSMDB Loan Program Loans domiciled in Guam	1	36,922
(b) IRP (USDA) Loans domiciled in Guam	1	70,003
(c) MIDB Loan Program Loans domiciled in Guam	0	0
3/ Chuuk Loans receivables amount excludes:		
(b) IRP (USDA) Loans domiciled in Chuuk	1	207,970
4/ Kosrae Loans receivables amount excludes:		
(b) IRP (USDA) Loans domiciled in Kosrae	1	5,120
5/ Pohnpei Loans receivables amount excludes:		
(b) IRP (USDA) Loans domiciled in Pohnpei	1	69,453
6/ Yap Loans receivable amount excludes:		
(b) IRP (USDA) Loans domiciled in Yap	1	19,841
7/ RMI Loans receivables amount excludes:		
(a) KADA Home Loan Program Loans	4	637,555
(b) IRP (USDA) Loans domiciled in RMI	1	331,319
8/ Palau Loans receivable amount excludes:		
(b) IRP (USDA) Loans domiciled in Palau	1	75,863

9/ Funded by admnistered loan programs: USDA Intermediary Relending Program, FSM Development Bank Loan Program, and Marshall Islands Development Bank Loan Program.

Non-Performing Loans to Total Loans Ratios by Shareholder

Please note that aggregate loan values below may differ from audited figures due to audit adjustments.

December 31, 2024					
Shareholder	**No. Loans**	**Total Principal Value of Loans**	**NPLs to Total Loans**	**No. NPLs[9]**	**Total Principal Value of NPLs**
Commonwealth of the Northern Mariana Islands[1]	17	2,879,631	21%	1	592,235
Guam[2]	16	1,828,782	35%	2	641,850
Chuuk[3], FSM	34	194,942	4%	1	7,632
Kosrae[4], FSM	30	523,118	16%	8	85,216
Pohnpei[5], FSM	27	1,563,035	3%	4	49,965
Yap[6], FSM	16	3,366,278	8%	3	283,281
Republic of the Marshall Islands[7]	23	3,380,867	17%	3	586,309
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TOTAL DIRECT LENDING	181	15,724,904	16%	24	2,446,285
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TOTAL LOANS	**210**	**18,765,977**	**16%**	**28**	**2,970,179**

Notes:	No. NPLs	Total Principal Value NPLs
1/ CNMI Loans receivables amount excludes:		
(b) IRP (USDA) Loans domiciled in CNMI	2	116,712
2/ Guam Loans receivables amount excludes:		
(a) FSMDB Loan Program Loans domiciled in Guam	0	0
(b) IRP (USDA) Loans domiciled in Guam	0	0
(c) MIDB Loan Program Loans domiciled in Guam	0	0
3/ Chuuk Loans receivables amount excludes:		
(b) IRP (USDA) Loans domiciled in Chuuk	0	0
4/ Kosrae Loans receivables amount excludes:		
(b) IRP (USDA) Loans domiciled in Kosrae	0	0
5/ Pohnpei Loans receivables amount excludes:		
(b) IRP (USDA) Loans domiciled in Pohnpei	0	0
6/ Yap Loans receivable amount excludes:		
(b) IRP (USDA) Loans domiciled in Yap	0	0
7/ RMI Loans receivables amount excludes:		
(a) KADA Home Loan Program Loans	1	156,612
(b) IRP (USDA) Loans domiciled in RMI	1	331,319
8/ Palau Loans receivable amount excludes:		
(b) IRP (USDA) Loans domiciled in Palau	1	75,863

9/ Funded by admnistered loan programs: USDA Intermediary Relending Program, FSM Development Bank Loan Program, and Marshall Islands Development Bank Loan Program.

FINANCIAL REPORT

Assets saw 7% growth from approximately $19.9 million to $21.2 million—attributed to growth in loans primarily fueled by a 10% increase in shareholder capital. Total value of share capital increased from approximately $15.5 million to $17.1 million during the year. At the same time, the Bank's Retained Earnings grew roughly 4% year-over-year despite a higher level of operational expenses.

Average Annual Revenues continue to be stable and growing, corresponding with new loans contributing to income growth. Operating Expenses were notably higher relative to prior year due primarily to: expenses incurred for Board meetings and related travel, continuing to carry expenses related to our former office space on our books, and the hiring of additional staff.

Audited Financial Statements & Key Performance Indicators

The Tables below show the annual trend in PIDB's financial performance and key performance indicators over the last ten years.

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Condensed Balance Sheet	**Audited**	**Audited**	**Audited**	**Audited**	**Audited**	**Audited**	**Audited**	**Audited**	**Audited**	**Audited**
Cash & Equivalents	1,341,400	2,296,695	3,979,226	2,886,664	2,429,924	2,660,858	2,721,094	4,865,346	3,465,908	3,027,933
Net Accrued Interest Receivables (AIR)	255,618	186,352	173,517	197,519	145,465	110,371	173,566	199,114	150,570	349,153
Net Loans	10,036,481	11,106,544	11,242,552	14,321,927	14,809,058	12,404,910	12,453,662	11,830,204	15,590,449	16,774,059
Total Loans	*10,575,927*	*11,709,661*	*11,919,509*	*15,321,943*	*16,634,937*	*16,670,888*	*15,817,768*	*14,772,975*	*17,530,738*	*18,765,977*
ALLL	*539,446*	*603,117*	*676,957*	*1,000,016*	*1,825,879*	*4,265,978*	*3,364,106*	*2,942,771*	*1,940,289*	*(1,991,918)*
Net Fixed Assets (FE)	73,372	56,100	45,461	18,802	10,051	16,715	17,874	102,410	88,744	70,824
Net Operating Lease Right-of-Use Asset								159,134	370,464	277,658
Foreclosed Assets									214,000	214,000
Other Assets	0	0	0	0	6,119	7,362	8,892	7,362	25,747	508,005
TOTAL ASSETS	**11,706,871**	**13,645,691**	**15,440,756**	**17,424,912**	**17,400,617**	**15,200,216**	**15,375,089**	**17,163,570**	**19,905,882**	**21,221,632**
Accounts Payables	25,896	25,236	30,361	27,368	30,407	32,825	33,516	19,007	34,600	0
Operating Lease Liability								161,177	401,132	284,652
Long-term debt	2,532,613	3,167,205	3,036,991	2,845,213	2,648,242	2,418,953	2,185,099	1,944,190	2,688,896	2,289,962
Other liabilities										54,190
TOTAL LIABILITIES	**2,558,509**	**3,192,441**	**3,067,352**	**2,872,581**	**2,678,649**	**2,451,778**	**2,218,615**	**2,124,374**	**3,124,628**	**2,818,628**
Capital Stock	7,510,649	8,502,649	9,302,649	9,327,649	9,907,649	9,957,649	9,957,649	14,332,649	15,507,649	17,082,649
Retained Earnings	1,637,713	1,950,601	3,070,755	2,561,682	2,151,319	127,789	535,825	706,547	1,273,605	1,320,355
Other Capital	0	0	0	2,663,000	2,663,000	2,663,000	2,663,000	0	0	0
TOTAL EQUITY	**9,148,362**	**10,453,250**	**12,373,404**	**14,552,331**	**14,721,968**	**12,748,438**	**13,156,474**	**15,039,196**	**16,781,254**	**18,403,004**
TOTAL LIABILITIES & EQUITY	**11,706,871**	**13,645,691**	**15,440,756**	**17,424,912**	**17,400,617**	**15,200,216**	**15,375,089**	**17,163,570**	**19,905,882**	**21,221,632**

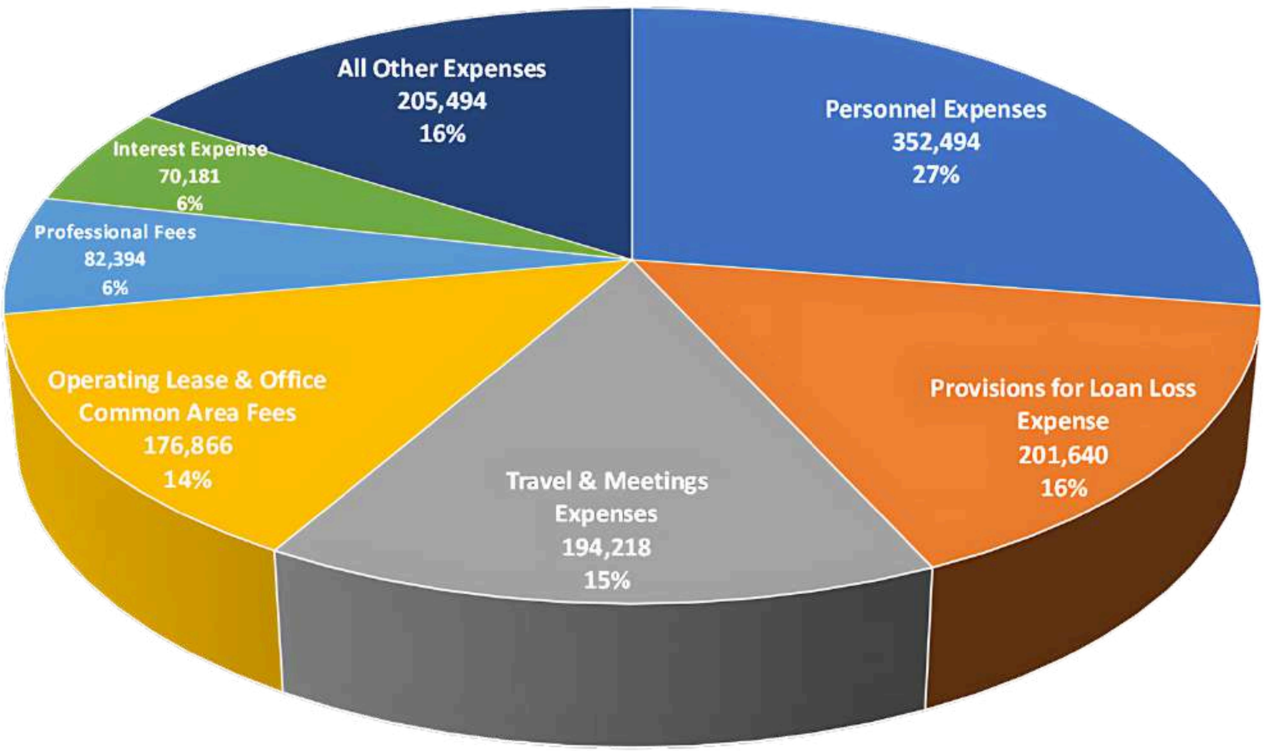
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Condensed Income Statement	**Audited**	**Audited**	**Audited**	**Audited**	**Audited**	**Audited**	**Audited**	**Audited**	**Audited**	**Audited**
Interest & Fee Income from Loans	999,702	965,286	1,075,100	1,219,771	1,116,846	960,993	1,113,543	1,068,008	1,073,710	1,314,198
Interest Expense on Borrowings	51,502	56,664	83,549	70,692	57,025	54,929	50,760	43,707	57,766	70,181
Net Interest Income	**948,200**	**908,622**	**991,551**	**1,149,079**	**1,059,821**	**906,064**	**1,062,783**	**1,024,301**	**1,015,944**	**1,244,017**
Other Income (Expenses)	709	1,182	2,777	(13,604)	58,717	34,269	7,294	36,651	78,445	15,839
Provisions for Loan Loss Expense	150,000	80,000	150,395	600,000	814,000	2,410,000	0	0	(395,802)	201,640
Total Operating Expenses	**492,404**	**516,916**	**473,779**	**631,548**	**714,901**	**553,863**	**662,042**	**549,076**	**923,133**	**1,011,466**
Net Income (Loss)	**306,505**	**312,888**	**370,154**	**(96,073)**	**(410,363)**	**(2,023,530)**	**408,035**	**511,876**	**567,058**	**46,750**
Extraordinary Income			750,000							
Extraordinary Expenses										
Net Change in Retained Earnings	**306,505**	**312,888**	**1,120,154**	**(96,073)**	**(410,363)**	**(2,023,530)**	**408,035**	**511,876**	**567,058**	**46,750**

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Key Performance Indicators	**Audited**	**Audited**	**Audited**	**Audited**	**Audited**	**Audited**	**Audited**	**Audited**	**Audited**	**Audited**
Loan Growth	-3%	11%	2%	29%	9%	0.22%	-5%	-7%	19%	7%
Asset Growth	4%	17%	13%	13%	0%	-13%	1%	12%	16%	7%
Debt Growth	6%	25%	-4%	-6%	-7%	-9%	-10%	-11%	38%	-15%
Capital Growth	0.13%	13%	9%	0.27%	6%	1%	0%	44%	8%	10%
Retained Earnings Growth	23%	19%	57%	-17%	-16%	-94%	319%	32%	80%	4%
Average Annual Revenues	*997,941*	*987,056*	*1,009,067*	*1,051,208*	*1,062,148*	*1,047,697*	*1,055,928*	*1,057,270*	*1,058,914*	*1,090,716*
Average Annual Revenues to Capital Contributions	12.06%	10.79%	10.14%	8.20%	7.95%	7.89%	7.98%	7.38%	6.83%	6.38%
Average Annual Revenues to Assets	7.74%	6.72%	6.11%	5.64%	5.75%	6.55%	6.55%	6.16%	5.32%	5.14%
Net Interest Margin	8.97%	7.76%	8.32%	7.50%	6.37%	5.44%	6.72%	6.93%	5.80%	6.63%
Net Income to Shareholder Capital	4.08%	3.68%	3.98%	-0.80%	-3.26%	-16.03%	3.23%	3.57%	3.66%	0.27%
Return on Assets	2.62%	2.29%	2.40%	-0.55%	-2.36%	-13.31%	2.65%	2.98%	2.85%	0.22%
Efficiency Ratio	49%	53%	44%	52%	61%	56%	59%	50%	80%	76%
Delinquency Ratio	12%	10%	15%	13%	40%	46%	25%	37%	34%	26%
Non-Performing Loans to Total Loans	9%	8%	10%	7%	28%	44%	24%	25%	12%	5%
Loans to Total Assets Ratio	90%	86%	77%	88%	96%	110%	103%	86%	88%	88%

Major Expenses

The Bank's operating expenses reflect its operational structure and geographical representation with a 16-member Board of Governors during the year in review, and a 9-member Board of Directors. The Bank's corporate office continues to be 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 a new generally accepted accounting standard implemented for the year and in relation to the bank's Current Expected Credit Loss (CECL) methodology, it was determined that additional provisions were required to bring Allowances for Loan Losses to an adequate level commensurate with the estimated credit risk in our loan portfolio. Interest expenses grew relative to prior years commensurate with the payments of interest on the borrowed funds. Interest Expenses totaling roughly $70k in 2024 were associated with loan payments made in relation to our USDA IRP, FSM Development Bank, and MIDB borrowings.

The pie chart below shows the composition of major operational expenses of the Bank, in dollar amount and as a percentage of total expenses, during the year under review. Personnel Expenses, Provisions for Loan Loss Expense, Travel & Meetings' Expenses, and Operating Lease Expenses & Common Area Fees were among the major expense categories for 2024. Other categories of expenses, individually, comprise 6% or less of total expenses.



2024 BOARD ACTIVITIES

Board of Governors

- Held its first post-COVID-19 pandemic in-person meeting on April 25, 2024, in Guam.
  - Reviewed and adopted amendments to the Articles of Agreement and By-laws of the bank.
  - Reviewed and adopted the 2023 Annual Report together with the 2023 Independent Audit Report.
  - A new Chairman of the Board was elected during the annual meeting.

Board of Directors

- Held 4 regular meetings during the year to review Bank operations and financial performance.

  Board of Directors meetings were held in:
  - Zoom meeting virtual platform, on February 7, 2024
  - Guam, on April 23, 2024
  - Majuro, RMI on July 30, 2024
  - Yap State, FSM on November 11-12, 2024
- Prepared and delivered the 2023 Annual Report and 2023 Independent Audit Report to the Board of Governors.
- Reviewed and approved budget and goals.
- Reviewed loan reports and management's actions to address delinquency and personnel issues.
- Reviewed and approved for presentation to the Board of Governors the most recent amendments to the PIDB Articles of Agreement and By-laws..
- Reviewed and adopted amendments to operational policies, and reviewed and adopted new policy.

2024
INDEPENDENT AUDIT REPORT
BY BURGER COMER & ASSOCIATES CPAS

BURGER · COMER · & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Governors and the Board of Directors
Pacific Islands Development Bank

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Pacific Islands Development Bank (the Bank), which comprise the statements of condition as of December 31, 2024 and 2023, and the related statements of operation, of changes in stockholders' equity, and 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 referred to above present fairly, in all material respects, the financial position of the Bank as of December 31, 2024 and 2023, 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Change in Accounting Principle

As discussed in Notes 1 and 3 to the financial statements, the Bank changed its method for accounting for credit losses effective January 01, 2023, due to the adoption of Financial Accounting Standards Board ("FASB") Accounting Standards Codification No. 326, *Financial Instruments – Credit Losses* (ASC 326). The Bank adopted the new credit loss standard using the modified retrospective method provided in ASC 326. Additionally, on July 30, 2024, the Bank changed its methodology for estimating the allowance for credit losses. Prior period amounts continue to be reported in accordance with the previous methodology. Our opinion is not modified with respect to this matter.

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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 Banks's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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.

Burger Comer & Associates
Tamuning, Guam
April 01, 2025

STATEMENT OF CONDITION DECEMBER 31,2024 & 2023

ASSETS

		2024		2023
Current Assets:				
Cash and cash equivalents	$	3,027,933	$	3,465,908
Loans receivable, net of allowance for credit losses of $1,991,918 and $1,940,289, at December 31, 2024 and 2023, respectively		16,774,059		15,590,449
Interest receivable, net		349,153		150,570
Prepaid expenses		20,621		25,747
Total current assets		20,171,766		19,232,674
Due from employee		487,384		-
Operating lease right-of-use asset, net		277,658		370,464
Property and equipment, net		70,824		88,744
Foreclosed asset held for use		214,000		214,000
	$	21,221,632	$	19,905,882

LIABILITIES AND STOCKHOLDERS' EQUITY

		2024		2023
Current Liabilities:				
Current portion of long-term debt	$	189,824	$	187,093
Other liabilities		54,190		34,600
Operating lease liability		284,652		401,132
Total current liabilities		528,666		622,825
Long-term debt, net of current portion		2,289,962		2,501,803
Total liabilities		2,818,628		3,124,628
Commitments and contingencies				
Stockholders' equity:				
Capital stock of $1,000 par value, authorized 36,000 shares, 17,082 and 15,507 shares issued and outstanding, respectively		17,082,000		15,507,000
Additional paid-in capital		649		649
Retained earnings		1,320,355		1,273,605
Total stockholders' equity		18,403,004		16,781,254
	$	21,221,632	$	19,905,882

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

STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2024 & 2023

	2024	2023
Revenues:		
Loan interest income	$ 1,309,775	$ 1,066,590
Other interest and dividend income	4,423	7,120
Total interest income	1,314,198	1,073,710
Interest expense on borrowings	70,181	57,766
Net interest income	1,244,017	1,015,944
Provision (Recovery) for loan losses	175,000	(395,802)
Provision for unfunded loan commitments	26,640	-
Net interest income, after provision for loan losses	1,042,377	1,411,746
Operating expenses:		
Salaries and benefits	352,494	319,189
Conference and travel	184,826	184,675
Operating lease expense	136,848	48,965
Professional fees	82,394	150,059
Insurance	62,570	48,967
Office common area fees	40,018	30,777
Depreciation	27,457	27,393
Board meetings	9,392	23,012
Communications	9,261	10,389
Office supplies	8,283	9,116
Business development and marketing	6,779	13,791
Automobile	1,981	3,756
Miscellaneous	89,163	53,044
Total operating expenses	1,011,466	923,133
Earnings from operations	30,911	488,613
Other income (expense):		
Other income	15,839	99,890
Other expense	-	(21,445)
Total other income, net	15,839	78,445
Net earnings	$ 46,750	$ 567,058

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

STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY
YEAR ENDED DECEMBER 31, 2024 & 2023

Assets	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Total
Balance at December 31, 2022	14,332	$ 14,332,000	$ 649	$ 706,547	$ 15,039,196
Issuance of common stock	1,175	1,175,000	-	-	1,175,000
Net income	-	-	-	567,058	567,058
Balance at December 31, 2023	15,507	15,507,000	649	1,273,605	16,781,254
Issuance of common stock	1,575	1,575,000	-	-	1,575,000
Net income	-	-	-	46,750	46,750
Balance at December 31, 2024	17,082	$ 17,082,000	$ 649	$ 1,320,355	$ 18,403,004

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

STATEMENTS OF CASH FLOW
YEAR ENDED DECEMBER 31, 2024 & 2023

	2024	2023
Cash flows from operating activities:		
Net income	$ 46,750	$ 567,058
Adjustment to reconcile net income to net cash provided by operating activities:		
Operating lease expense	136,848	39,092
Depreciation	27,457	27,393
Provision (Recovery) for loan losses	175,000	(395,802)
Provision for unfunded loan commitments	26,640	-
(Increase) decrease in assets:		
Due from employee	(487,384)	-
Interest receivable	(198,583)	48,544
Prepaid expenses	5,126	(20,593)
Increase (decrease) in liabilities:		
Operating lease liability	(116,480)	(17,118)
Other liabilities	(7,050)	15,593
Net cash (used in) provided by operating activities	(391,676)	264,167
Cash flows from investing activities:		
Loan originations	(3,954,797)	(6,663,655)
Loan repayments	2,552,145	3,300,703
Acquisition of other real estate owned	-	(214,000)
Acquisition of property and equipment	(9,537)	(13,727)
Net cash used in investing activities	(1,412,189)	(3,590,679)
Cash flows from financing activities:		
Repayment on long-term debt	(209,110)	(247,926)
Proceeds from long-term debt	-	1,000,000
Proceeds from issuance of capital stock	1,575,000	1,175,000
Net cash provided by financing activities	1,365,890	1,927,074
Net change in cash and cash equivalents	(437,975)	(1,399,438)
Cash and cash equivalents at beginning of year	3,465,908	4,865,346
Cash and cash equivalents at end of year	$ 3,027,933	$ 3,465,908
Supplemental disclosure of cash flow information		
Cash paid during the year for:		
Interest expense on borrowings	$ 70,181	$ 57,766
Operating lease right-of-use asset	$ 277,658	$ 370,464

The accompanying notes are an integral part of these 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.

In January 1991, Resolution 91-1 adopted by the Bank's Board of Governors amended Article 3 Section 1 of the Bank's articles of agreement allowing for the admission of associate members. Associate members may be admitted by the approval of the Board of Governors. Associate members are required to contribute sums of money as determined by the Board of Directors. During March 1999, the Board of Governors adopted Resolution 99-1 establishing three classes of associate membership based on the level of capital contributions such that an entity that puts in:

1) A $1,000,000 capital contribution qualifies as a Class A associate member;
2) A minimum of $500,000 capital contribution qualifies as a Class B associate member; and
3) A minimum of $250,000 capital contribution qualifies as a Class C associate member.

Voting privilege is the distinction between shareholder members and associate members. Associate members, regardless of membership class, do not have voting power but may appoint non-voting representation to the Bank's respective governing boards in accordance with their class of associate membership.

At December 31, 2024 and 2023, the Kwajalein Atoll Development Authority (KADA) is the only associate member of the Bank. KADA has approximately 1,300 shares in the Bank and has elected to maintain its Class B associate membership status despite having met the criteria for Class A associate membership. All other Bank stockholders are voting shareholder members in accordance with Article 3 Section 1 of the Bank's articles of agreement.

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

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 and in banks.

Loans

Loans are stated at unpaid principal balance less the allowance for credit losses (the "Allowance"). Interest income is recognized on an accrual basis. Other credit-related fees are recognized as fee income, a component of other 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, 2024 and 2023, significant loans with an outstanding balance totaling $4,277,082 and $3,402,405, respectively, are on non-accrual status and as such, no accrued interest receivable has been recognized. Additionally at December 31, 2024 and 2023, accrued interest receivable was not recorded for loans past due over ninety days.

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 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 due to borrowers experiencing financial difficulty and loans classified as doubtful. (Refer to Note 3 for further discussion).

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.

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

Impaired Loans, continued

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.

Modifications for Borrowers Experiencing Financial Difficulty

In March 2022, the FASB issued ASU 2022-02, "*Troubled Debt Restructuring and Vintage Disclosures*", which amends the guidance in former ASC topic 310-40 *Receivables – Troubled Debt Restructurings by Creditors*. This standard is intended to enhance disclosure requirements for certain loan refinancings and restructurings when a borrower is experiencing financial difficulty. Rather than applying recognition and measurement guidance for Troubled Debt Restructures (TDR's), an entity must apply the loan refinancing and restructuring guidance in paragraphs 310-20-35-9 through 35-11 to determine whether a modification results in a new loan or a continuation of an existing loan. Under the Standard, additional disclosures are required to enable financial statement users to assess: (1) the magnitude of certain modifications of loans made to borrowers experiencing financial difficulty; (2) the financial effect of those modifications; and (3) the degree of success of the modifications in mitigating potential credit losses. Further additional disclosures are to be made as necessary to help users understand significant changes in the type or magnitude of modifications, even if the modification otherwise would not require disclosure. As permitted by the Standard, the Bank adopted these provisions prospectively with an effective date of January 01, 2023. Accordingly, no cumulative adjustment to beginning retained earnings has resulted from this implementation.

The Bank evaluates whether a borrower is experiencing financial difficulties by communicating and making certain qualitative and quantitative considerations. These include at a minimum:

1) Whether the borrower is currently in payment default on any of its outstanding loans to the Bank and whether it is probable that the borrower would be in payment default on its debt in the foreseeable future without loan modification.
2) Whether the borrower has declared or is in the process of declaring bankruptcy.
3) If the borrower is the recipient of a commercial loan, whether there is substantial doubt whether the business securing such loan will continue to be a going concern.
4) Whether, on the basis of estimates that project the borrower's current capabilities, is it likely that the borrower's current and future cashflows will be insufficient to service its loan obligations (both for interest and principal) in accordance with the contractual terms of the existing loan agreement and the possible revisions to be proposed.
5) Whether it is likely that without the current modification, the borrower will not be able to service its loan obligation.

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

Modifications for Borrowers Experiencing Financial Difficulty, continued

6) Whether it is likely that without the current modification, the borrower cannot obtain funds from sources other than the existing creditors at an effective interest rate equal to the current market interest rate for similar debt for a nontroubled debtor.

When the Bank has concluded that a borrower is experiencing financial difficulty and intends to issue a modification, the Bank must first determine whether such modification results in a new loan or a restructure. First, the Bank considers whether the revised terms are as favorable to the Bank as the terms for comparable loans to other borrowers with similar collection risks who are not refinancing or restructuring. If not, the loan is recognized as a modification, and accordingly, a restructured loan.

If the terms are favorable, the Bank will then assess whether the present value of cash flows are at least 10% different from those under the original terms. If not, the Bank will assess qualitatively whether the modification is more than minor based on specific facts and circumstances. If these tests fail, the loan is recognized as a modification, and accordingly, a restructured loan. If present values are at least 10% different or the assessment of facts and circumstances indicate that the change is more than minor, the loan is considered a new loan and unamortized fees and charges are recognized in interest income upon origination.

During the years ended December 31, 2024 and 2023, the Bank granted various loan modifications to borrowers who experienced financial difficulties which resulted in loan delinquencies prior to restructure. The modifications have brought certain accounts to current status, recapitalized accrued interest receivable, and typically resulted in lower monthly payment requirements, either temporarily or permanently. The restructured loans outstanding totaled $691,218 and $686,318 at December 31, 2024 and 2023, respectively. (Refer to Note 3 for further discussion).

Allowance for Credit Losses

Consistent with the guidance in ASC topic 326 *Financial Instruments – Credit Losses*, the Bank maintains an allowance adequate to cover management's estimate of its loan portfolio's lifetime expected credit losses as of the statement of condition date. The estimation of the allowance requires management to consider relevant available information from both internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. The measurement of the allowance is performed collectively by evaluating loans with similar risk characteristics. Loans that do not share risk characteristics are evaluated on an individual basis. Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications.

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

Allowance for Credit Losses, continued

Changes to the level of the allowance are recognized through charge-offs or credits to provisions for estimated loan losses. Recoveries of loans previously charged-off increase the allowance.

From January 01, 2023 to July 29, 2024, the Bank estimated the allowance using a net flow rate model (NFR). The Bank segmented its loan portfolio by consumer, commercial, and residential loan types and established a two-year measurement period. For each pool, the NFR model began by quantifying the rate of change in loan balances by category of aging (current, 30 days, 60 days, etc.). The quantified changes in aging categories were weighed and averaged per quarter over the measurement period. Forecasted Consumer Price Index (CPI) for each quarter in the measurement period were determined by using a linear regression model against actual CPI from the Guam Bureau of Statistics and Planning. Once average NFR's and forecasted CPI's were determined for each quarter in the two-year measurement period, a point in range was selected through a slope formula. Loans that did not share risk characteristics with each pool, were individually evaluated and were not included in the collective assessment.

Effective July 30, 2024, the Bank adopted a new internally developed allowance methodology. The policy segments the loan portfolio into two primary pools. First by loan type: consumer, commercial, and residential. Then by borrower location: CNMI, Guam, Palau, FSM, RMI, and Palau. The provision is then determined by blending 3 analyses: historical loss rates to determine – average annual historical charge-off rate, Weighted Average Remaining Maturity to determine estimated unadjusted life-time charge-off rate, and qualitative factor provisioning based on macroeconomic trends refined by qualitative risk classifications.

The final allowance per pool is determined through aggregation of all evaluations. It is expressed as follows:

1) Historical loss rate percentage + 2) Estimated Unadjusted Lifetime Charge-off Rate + 3) Qualitative Factor Provisioning = Allowance for Estimated Credit Losses.

Allowance for Credit Losses – Average Annual Historical Charge-Off Rate and Warm Methodology

The Bank utilizes the Weighted-Average Remaining Maturity (WARM) methodology as the initial basis for estimating the allowance. Under this approach, the Bank determines the Average Annual Historical Charge-Off Rate (AAHCOR), which is applied to the remaining contractual term for loans within each portfolio segment to derive the Estimated Unadjusted Annual Charge-Off Rate (EUACOR).

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

Allowance for Credit Losses – Average Annual Historical Charge-Off Rate and Warm Methodology, continued

To calculate the AAHCOR, the Bank has established a five-year measurement period, which includes the current reporting year and the four preceding years. Historical charge-off rates are determined by segment for each year within the measurement period. These annual rates are then averaged to produce a rolling AAHCOR for each segment.

The Bank subsequently determines the amortized cost basis of each loan pool. The remaining contractual life of each pool is adjusted for expected scheduled payments and anticipated prepayments. The AAHCOR is then applied to the adjusted amortized cost basis of each loan pool to estimate the EUACOR.

This methodology provides a foundational loss rate which may be further adjusted for current conditions, forecasted economic factors, and other qualitative considerations in accordance with the Bank's allowance policy.

Economic Forecasts

ASC 326 requires the Bank to consider reasonable and supportable forecasts of future conditions when estimating the allowance. The Bank's policy makes use of macroeconomic factors that impact a borrower's ability to fulfill their loan obligations.

Effective July 30, 2024, the Bank's policy establishes the collective evaluation of several macroeconomic indicators: Gross Domestic Product (GDP), inflation, and either GDP per capita or the change in wage rates depending on source availability. Management relies upon third-party sources and uses judgement to determine appropriate macroeconomic sources that are relevant to each country in the Bank's loan portfolio. Because of the degree of diversity in the Bank's lending jurisdictions, the Bank's policy does not currently establish that data may only come from specific sources.

The selection of macroeconomic data, relevant scenarios, and the manner of their assignment to the loan portfolio are all based on management judgement.

Management measures economic data over a four-year period. Two historical years and two forecasted years. Trends by pool (loan type and country) are categorized into one of three categories: 1 – Strong, 2 – Stable, and 3 – Weak.

Management's criteria for assessing economic trends are as follows:

- Strong – For positive economic factors (Such as GDP, Wage rates, or GDP per capita), % increases. For negative economic factors (Such as inflation), % decreases;
- Stable – For positive and negative economic factors, negligible or steady % rates; and

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

Economic Forecasts, continued

- Weak – For positive economic factors, % decreases. For negative economic factors, % increases.

Management categorizes the results by qualitative factors:

- Qualitative factor 1 – GDP
- Qualitative factor 2 – Inflation
- Qualitative factor 3 – GDP per capita or wage rate fluctuation

For each pool (loan type and jurisdiction), the economic trend result (strong, stable, or weak), is averaged across all qualitative factors (GDP, inflation, or GDP per capita/wage rate fluctuations). The final weighted average may fall within ranges, the weighted qualitative factor per pool will still be concluded as strong if the range falls between (1 to 1.49), stable if between (1.5 – 2.49), and weak if between (2.5 – 3).

The final weighted average qualitative factor is used in tandem with the Bank's existing credit quality indicators and are applied against a provision matrix to determine the final qualitative factor provision per pool.

Credit Quality Indicators

For qualitative considerations underlying the allowance, 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.

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, potential weaknesses may result in deterioration of repayment prospects and loan default. Special mention loans are not adversely classified and do not expose the Bank to significant credit 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.

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

Credit Quality Indicators, continued

They are characterized by the distinct possibilities 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.

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.

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are either held-for-sale or held-for-use and are initially recorded at fair market value at the date of foreclosure, establishing a net cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Subsequent write-downs, income and expense incurred in holding such assets, and gains and losses realized from the sale of such assets, are included in current operations.

Impairment of Long-Lived Assets

Long-lived assets to be held and used by the Bank are reviewed for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the assets.

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

Impairment of Long-Lived Assets, continued

The factors considered by the Bank in performing this assessment include current operating results, trends, and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other factors. During the years ended December 31, 2024 and 2023, the Bank determined that no events or changes in circumstances indicated that an impairment of its long-lived assets had occurred.

Leases

Consistent with the guidance in ASC topic 842 *Leases,* the Bank recognizes leases that are longer than 12 months as right right-of-use ("ROU") assets and lease liabilities on the balance sheet. Disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement, over the expected term on a straight-line basis. Operating leases are recognized on the balance sheet as right-of-use assets and noncurrent operating lease liabilities. The Bank determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use asset and operating lease liability in the accompanying statement of condition. All leases within the Bank's portfolio are classified as operating leases.

The Bank leases office space in two locations. In cases where the lease agreement includes renewal options, the renewal periods are included in the expected lease term if it is reasonably certain of being exercised. As of December 31, 2024 and 2023, the Bank is not reasonably certain that it will exercise its option to renew the office leases at the end of their respective terms. The Bank's lease agreements do not include material residual value guarantees or material restrictions or covenants.

Long-term leases (leases with terms greater than 12 months) are recorded as liabilities at the present value of minimum lease payments not yet paid. The Bank uses its incremental borrowing rate to determine the present value of the lease when the rate implicit in the lease is not readily determinable. Short-term leases (leases with an initial term of 12 months or less or leases that are cancelable by the lessee and lessor without significant penalties) are not capitalized but expensed on a straight-line basis over the lease term.

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.

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

Estimates, continued

Material estimates that are particularly susceptible to significant change in the near term are related to the Bank's estimate of its incremental borrowing rate on operating leases and the macroeconomic and qualitative estimates underlying the allowance.

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. The total principal balance due by location as of December 31, 2024 and 2023, is as follows:

	2024		2023	
RMI	$ 4,717,774	25.14%	$ 4,686,583	26.74%
CNMI	3,831,239	20.42%	3,488,495	19.90%
Yap	3,451,799	18.39%	3,580,550	20.42%
Guam	3,053,103	16.27%	2,127,265	12.13%
Pohnpei	1,708,217	9.10%	1,491,540	8.51%
Palau	1,058,548	5.64%	1,153,217	6.58%
Kosrae	542,385	2.89%	562,212	3.21%
Chuuk	402,912	2.15%	440,876	2.51%
Gross loans	$ 18,765,977	100.00%	$ 17,530,738	100.00%

As of December 31, 2024 and 2023, Yap loans includes one loan approximating $1.73 million and represents 9.24% and 10% of gross loans, respectively.

Fair Value of Financial Instruments

Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures,* defines fair value, establishes a framework for measuring fair value and expands financial statement disclosure about fair value measurements.

Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

Fair Value of Financial Instruments, continued

ASC 820 also establishes a fair value hierarchy, which prioritizes the inputs to valuation technique used to measure fair value into three broad levels:

Level 1 - Quoted prices in active markets for identical assets of liabilities.

Level 2 - Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

Recurring Fair Value Measurements

In accordance with accounting principles generally accepted in the United States of America, certain assets and liabilities are required to be recorded at fair value on a recurring basis. The Bank's financial instruments are cash, accrued interest receivable, prepaid expenses, and other liabilities. The carrying amount reflected in the statement of condition for loans receivables approximates fair value as the notes either carry variable interest rates or are with interest rates that are comparable to similar arrangements offered to other borrowers having similar repayment terms, collateral requirements, and level of credit risk.

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 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 receivables. Credit and market risks can be affected by a concentration of business within the Pacific Island region.

(2) Loans Receivable

The loan portfolio consists of direct and programmatic loans. The interest rate on direct financed commercial loans, consumer loans and residential loans are predominately fixed at rates of 10%, 13% and 7%, respectively. Commercial and residential loans are secured by various forms of collateral whereas consumers loans are mostly unsecured. Loans financed by the Bank's borrowings from the United States Department of Agriculture (USDA) are classified under its Intermediary Relending Program (IRP). Loans financed by the Bank's borrowings from the Federated States of Micronesia Development Bank (FSMDB) are classified under the FSMDB loan program. Programmatic loans subject to unique terms are:

- The CNMI promotion – The Bank offer's discounted interest rates for borrowers located in the CNMI that are considered essential workers such as: educators, law enforcement personnel, or healthcare service members. The interest rate discount-applied depends on the loan type applied for. Residential and Business loans may have interest rates as low as 4% and 6%, respectively. No discounted consumer loan programs are available under the promotion terms. As of December 31, 2024 the funding pool for this program is fully disbursed, currently the Bank only has residential loans subject to the promotional provisions on its books.

- The Short Term Guaranteed Repayment Credit Facility Loan Program – The Bank offers discounted short-term consumer financing to government employees in shareholder member jurisdictions that have policies restricting the cessation or modification of payroll allotment loan deductions. The program provides unsecured consumer loans at 4% interest rate and origination amounts capped at $25,000 on the condition that loan repayments are made through government payroll deductions. Payroll deductions cannot be amended without the permission of the Bank and should employment with a government agency cease, loan terms will revert to the provisions of a direct consumer loan subject to revisions of loan agreements and promissory notes.

  As of December 31, 2024 and 2023, the terms of this program are documented in a memorandum of understanding (MOU) with the State of Chuuk giving further effect to the government's agreement to enforce the Bank's right to payroll allotments. Similar memorandums with the finance departments of all other applicable membership countries are under negotiation and as such are not effective as of the statement of condition date. For loans provided under this program to borrowers in countries where no MOU has been executed, the Bank relies primarily on allotment authorization forms which must be signed by a director level executive.

  As of December 31, 2024 and 2023, the Bank has not experienced any issues with payroll allotment collections in countries where no MOU is established. Those membership countries are specifically the State of Pohnpei and the State of Kosrae.

(2) Loans Receivable, Continued

A summary of the balances of loans at December 31, 2024 and 2023 follows:

	2024	2023
Commercial - PIDB direct loan program	$ 7,070,918	$ 7,388,652
Residential loans - PIDB direct loan program	6,777,370	5,767,829
Commercial - USDA IRP	1,958,550	1,487,742
CNMI Residential loans	1,379,730	1,139,138
Consumer - PIDB direct loan program	323,638	244,770
Government Consumer	271,576	477,726
Commerical - FSMDB import/export	102,196	128,626
Residential - FSMDB	881,999	896,255
Gross loans	18,765,977	17,530,738
Less: allowance for estimated credit losses	(1,991,918)	(1,940,289)
Net loans	$ 16,774,059	$ 15,590,449

In the normal course of business, the Bank engages in transactions with its employees, directors, and related affiliates. These transactions are conducted on terms and conditions— including interest rates and collateral requirements—substantially similar to those offered to other borrowers for comparable transactions.

As of December 31, 2024 and 2023, loans outstanding from related parties totaled $1,677,000 and $1,831,000, respectively. Additionally, loans outstanding from former officers amounted to $239,000 and $250,000 as of December 31, 2024 and 2023, respectively.

On May 3, 2023, the Bank agreed to finance the purchase of a residential property, interest-free, for the Bank's President. The President's monthly housing allowance was designated to be applied toward the property. Until the transaction was completed, the Bank continued to provide the housing allowance.

On January 30, 2024, the Bank acquired the residential property on behalf of the President at a historical cost of $512,584. The amount was recorded as an intercompany receivable (due from employee). Legal title to the property was transferred to the President, and the Bank's right to repayment is governed by an internal agreement. Under the terms of this agreement, the President is responsible for all taxes, maintenance, repairs, and other related property expenses.

In the event the President's employment with the Bank is terminated, the outstanding balance will convert to a receivable measured at amortized cost, with terms equivalent to those extended to other direct residential loan borrowers. At that time, the Bank will also secure a first lien mortgage on the property.

As of December 31, 2024, the outstanding balance due from the President was $487,384.

(3) Allowance for Credit Losses

On January 01, 2023, the Bank adopted ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. The Bank adopted the standard using the modified retrospective method for all financial assets measured at amortized cost.

Effective July 30, 2024, the Bank developed and implemented a new allowance for credit loss methodology. Prior period allowance balances were determined under a methodology driven quantitatively by net flow rates (the rate of change in loan balances by category of aging) and by current and forecasted consumer price index rates.

The components of the Bank's new methodology is further described at (Note 1) to the financial statements. No impact to retained earnings occurred as a result of the adoption of the new policy.

The Bank has elected not to measure an allowance on accrued interest receivable. Instead, it reverses accrued interest receivable on loans placed on nonaccrual status. In accordance with the Bank's policy, loans are placed on nonaccrual when they are 90 days past due, or earlier if the collection of interest is deemed doubtful at the Bank's discretion. The Bank has determined that this approach results in the timely reversal of uncollectible interest.

Reductions to accrued interest receivable and interest income due to loans on nonaccrual status totaled $699,867 and $528,675 as of December 31, 2024 and 2023, respectively.

The changes in the allowance for credit losses for the years ended December 31, 2024 and 2023, is as follows:

	2024	2023
Balance at beginning of year	$ 1,940,289	$ 2,942,771
Loan charge-offs	(144,878)	(1,099,866)
Recoveries of loans previously charged-off	21,507	493,186
Provision for loan losses	175,000	100,000
Recovery from estimated credit loss valuation	-	(495,802)
Balance at end of year	$ 1,991,918	$ 1,940,289

(3) Allowance for Credit Losses, Continued

The allowance by loan class as of December 31, 2024 and 2023, is as follows:

	Total	Allowance for Credit losses	% by category
2024			
Commercial - PIDB direct loan program	$ 7,070,918	$ 1,416,630	20.03%
Residential - PIDB direct loan program	6,777,370	180,263	2.66%
CNMI RHL	1,379,730	203,267	14.73%
Commercial - USDA IRP	1,958,550	140,100	7.15%
Residential - FSMDB	881,999	9,449	1.07%
Consumer - PIDB direct loan program	323,638	23,560	7.28%
Government Consumer	271,576	9,052	3.33%
Commerical - FSMDB import/export	102,196	9,597	9.39%
Total	$ 18,765,977	$ 1,991,918	10.61%

	Total	Allowance for Credit losses	% by category
2023			
Commercial - PIDB direct loan program	$ 7,388,652	$ 1,096,475	14.84%
Residential - PIDB direct loan program	5,767,829	396,775	6.88%
Commercial - USDA IRP	1,487,742	156,076	10.49%
CNMI RHL	1,139,138	78,214	6.87%
Residential - FSMDB	896,255	62,306	6.95%
Government Consumer	477,726	90,423	18.93%
Consumer - PIDB direct loan program	244,770	46,535	19.01%
Commerical - FSMDB import/export	128,626	13,485	10.48%
Total	$ 17,530,738	$ 1,940,289	11.07%

(3) Allowance for Credit Losses, Continued

The following tables present the Bank's recorded investment in loans by class and by qualitative indicator as of December 31, 2024 and 2023:

	Pass	Special Mention	Sub-standard	Doubtful	Loss	Total
2024						
PIDB Direct	$ 3,165,470	$ -	$ 3,490,396	$ 415,052	$ -	$ 7,070,918
Residential	6,068,202	649,530	59,638	-	-	6,777,370
CNMI RHL	1,379,730	-	-	-	-	1,379,730
IRP	1,434,655	407,183	116,712	-	-	1,958,550
Consumer	256,020	17,616	50,002	-	-	323,638
Government Consumer	264,846	-	6,730	-	-	271,576
FSMDB:						
Commercial	65,274	36,922	-	-	-	102,196
Residential	881,999	-	-	-	-	881,999
Total	$ 13,516,196	$ 1,111,251	$ 3,723,478	$ 415,052	$ -	$ 18,765,977

	Pass	Special Mention	Sub-standard	Doubtful	Loss	Total
2023						
PIDB Direct	$ 3,619,471	$ 1,237,797	$ 2,426,703	$ 104,702	$ -	$ 7,388,673
Residential	5,054,647	450,778	230,328	32,076	-	5,767,829
CNMI RHL	969,148	169,989	-	-	-	1,139,137
IRP	1,109,788	353,841	24,113	-	-	1,487,742
Consumer	170,442	39,042	17,472	17,794	-	244,750
Government Consumer	477,726	-	-	-	-	477,726
FSMDB:						
Commercial	89,632	38,994	-	-	-	128,626
Residential	632,740	263,515	-	-	-	896,255
Total	$ 12,123,594	$ 2,553,956	$ 2,698,616	$ 154,572	$ -	$ 17,530,738

As of December 31, 2024 and 2023, impaired loans totaled $415,052 and $154,572, respectively. These amounts represent loans classified as doubtful, with allowances of $164,809 and $16,485. The loans are significantly past due, with minimal collections, and no interest income was accrued during the years ended December 31, 2024 and 2023. Provisions ranging from 30% to 40% have been recognized due to the uncertainty of ultimate collectability, and the Bank continues to actively pursue collection efforts. Management has not applied any additional specific provisions to these loans. As of December 31, 2024, all loans classified as doubtful relate to borrowers located within the Federated States of Micronesia (FSM), and it is reasonably expected that these loans may soon be subject to FSM Supreme Court-ordered restructuring, modified repayment terms, or extended collection periods.

As of December 31, 2024 and 2023, special mention loans included four loans totaling $571,426 and two loans totaling $636,124, respectively. Allowances for these loans were approximately $80,556 and $66,341. Due to their past-due status, no interest income was accrued on these loans during either period.

(3) Allowance for Credit Losses, Continued

An aging analysis of the Bank's loan portfolio by class as of December 31, 2024 and 2023 is as follows:

2024	Current	30-59 Days Past Due	60-89 Days Past Due	Past Due 90 Days or More	Total
PIDB Direct	$ 2,482,376	$ 683,095	$ 1,733,046	$ 2,172,401	$ 7,070,918
Residential	5,527,820	317,378	715,923	216,249	6,777,370
CNMI RHL	1,225,146	154,584	-	-	1,379,730
IRP	1,062,269	74,573	297,814	523,894	1,958,550
Consumer	246,395	19,609	-	57,634	323,638
Government Consumer	237,343	27,503	6,730	-	271,576
FSMDB:					
Commercial	65,274	36,922	-	-	102,196
Residential	881,999	-	-	-	881,999
Total	$ 11,728,622	$ 1,313,664	$ 2,753,513	$ 2,970,178	$ 18,765,977

2023	Current	30-59 Days Past Due	60-89 Days Past Due	Past Due 90 Days or More	Total
PIDB Direct	$ 3,570,849	$ 583,060	$ 1,791,798	$ 1,442,966	$ 7,388,673
Residential	4,700,246	381,353	161,965	524,265	5,767,829
CNMI RHL	969,148	169,989	-	-	1,139,137
IRP	1,109,787	241,319	28,261	108,375	1,487,742
Consumer	145,427	44,640	11,794	42,889	244,750
Government Consumer	442,041	35,685	-	-	477,726
FSMDB:					
Commercial	89,632	-	38,994	-	128,626
Residential	462,771	245,134	188,350	-	896,255
Total	$ 11,489,901	$ 1,701,180	$ 2,221,162	$ 2,118,495	$ 17,530,738

PIDB Direct, IRP, and FSMDB commercial loans are financing assets for which repayment is primarily expected from the operation of the collateral securing the loan. For commercial loan collateral, the Bank typically requires, at a minimum: a first chattel mortgage on all existing and future business assets; a first lien mortgage on the real property where the borrower's business operates; personal guarantees from the business principals; and, when applicable, an assignment of rental income from the collateral property.

As of December 31, 2024 and 2023, the Bank's loan portfolio did not include any unsecured commercial or residential loans.

(3) Allowance for Credit Losses, Continued

Modifications for Debtors Experiencing Financial Difficulty

When the Bank has determined that a borrower is experiencing financial difficulty, it typically offers one or more of the following contractual term modifications:

1) Interest rate reduction
2) Term extension
3) Principal forgiveness
4) Accrued interest waiver
5) Late fee waiver

Certain modifications that include one or more of the above-mentioned modifications are made as a result of the judgements from the FSM Supreme Court. Although the Bank has determined that these loans qualify as restructurings, the Bank does not hold the substantial discretion to determine the exact nature and terms of loan modifications. Loans subject to FSM Supreme Court judgement modification typically will have interest rates fixed at 9% whereas principal, interest, and the timing, amount, and schedule of repayments are dictated solely by the FSM Supreme Court.

The Bank's allowance methodology is not affected by modifications provided to borrowers experiencing financial difficulty or due to FSM Supreme Court restructure, except in the cases where principal forgiveness or term extension is granted. In such cases adjustments are made to existing allowances through the normal execution of the Bank's policy. If principal forgiveness occurs, the amortized cost basis of the asset is written off against the allowance. The amount of the principal forgiven is deemed uncollectible; therefore, that portion of the loan is written off, resulting in a principal reduction that affects all pools in the Bank's allowance segmentation. If term extension occurs, the revised term is incorporated into and reflected within the pooled WARM component of the Bank allowance methodology. Typically, this will result in a granular impact to the calculation of a particular loan pools estimated unadjusted life-time charge off rate, which accordingly, will result in an adjustment to the allowance.

No loans in the Bank's portfolio were subject to FSM Supreme Court restructure during fiscal year 2024. At December 31, 2023, the FSM Supreme Court judgement restructured loans included one consumer loan and one commercial loan in the amount of $1,620 and $48,362, respectively. The terms of the court order caused a combination of modifications relating specifically to principal adjustments, unpaid accrued interest adjustments, term extensions, and mandatory interest rate reductions.

At December 31, 2024, loan modifications made in which the Bank did have the substantial discretion to dictate terms, included one commercial loan in the amount of $636,124 which was permitted various modifications as a part of a consolidation of two other commercial loans owed by the same borrower. The conversion arose from the borrowers request to aggregate their financial liabilities with the Bank and reduce administrative burdens. No principal was forgiven as a result of the consolidation.

(3) Allowance for Credit Losses, Continued

Modifications for Debtors Experiencing Financial Difficulty

At December 31, 2023, loan modifications made with which the Bank did have the substantial discretion to dictate terms, included one consumer loan in the amount of $9,556 which was permitted various loan modifications as a part of a conversion from commercial loan status to consumer loan status. This conversion arose due to the fact that the commercial business that the loan was originally underwritten for is now defunct. Principal forgiven due to the conversion approximated $21,962.

Of the six loans modified from fiscal year 2023 to 2024, three (3) were current as of December 31, 2024. The exceptions include two commercial loans not under FSM court restructure and one consumer loan under FSM court restructure, totaling $ 890,834, that are past due more than 90 days. Those borrowers have not compiled with their agreed upon modified loan repayment terms and conditions.

Below is an analysis, categorized by class of financing receivables, of loans that underwent restructure due to borrowers facing financial challenge, including court-ordered restructures. Restructures which included interest rate reductions, as of December 31, 2024 and 2023, are as follows:

	Interest Rate Reduction					
	Amortized Cost Basis at 12/31/2024	Amortized Cost Basis at 12/31/2023	Total Cost Basis of Financing Receivable at 12/31/2024	Total Cost Basis of Financing Receivable at 12/31/2023	% of Financing Receivable at 12/31/2024	% of Financing Receivable at 12/31/2023
PIDB Direct	$ 636,124	$ 48,362	$ 7,070,918	$ 7,388,652	9.00%	0.65%
Residential	55,094	-	6,777,370	5,767,829	0.81%	-
IRP	-	-	1,958,550	1,139,138	-	-
CNMI RHL	-	-	1,379,730	1,487,742	-	-
Consumer	-	11,175	323,638	244,770	-	4.57%
Government Consumer	-	-	271,576	477,726	-	-
FSMDB:						
Commercial	-	-	102,196	128,626	-	-
Residential	-	-	881,999	896,255	-	-
Total	$ 691,218	$ 59,537	$ 18,765,977	$ 17,530,738	3.68%	0.34%

(3) Allowance for Credit Losses, Continued

Modifications for Debtors Experiencing Financial Difficulty, continued

Below is an analysis, categorized by class of financing receivables, of loans that underwent restructuring in the current year due to borrowers experiencing financial challenges, including court-ordered restructures. Restructures which included loan-term extensions, as of December 31, 2024 and 2023, are as follows:

	Term Extension					
	Amortized Cost Basis at 12/31/2024	Amortized Cost Basis at 12/31/2023	Total Cost Basis of Financing Receivable at 12/31/2024	Total Cost Basis of Financing Receivable at 12/31/2023	% of Financing Receivable at 12/31/2024	% of Financing Receivable at 12/31/2023
PIDB Direct	$ 636,124	$ 675,143	$ 7,070,918	$ 7,388,652	9.00%	9.14%
Residential	55,094	-	6,777,370	5,767,829	0.81%	-
CNMI RHL	-	-	1,958,550	1,139,138	-	-
IRP	-	-	1,379,730	1,487,742	-	-
Consumer	-	11,175	323,638	244,770	-	4.57%
Government Consumer	-	-	271,576	477,726	-	-
FSMDB:						
Commercial	-	-	102,196	128,626	-	-
Residential	-	-	881,999	896,255	-	-
Total	$ 691,218	$ 686,318	$ 18,765,977	$ 17,530,738	3.68%	3.91%

The following table presents by class of financing receivables, an analysis of loans restructured in the current year due to borrowers experiencing financial challenges and court-ordered restructures.

No modifications occurred during fiscal year 2024 that involved principal forgiveness. Modifications involving forgiveness of loan principal as of December 31, 2023, are as follows:

	Principal Forgiveness		
	Amortized Cost Basis at 12/31/2023	Total Cost Basis of Financing Receivable at 12/31/2023	% of Financing Receivable at 12/31/2023
PIDB Direct	$ 373,565	$ 7,388,652	5.06%
Residential	-	5,767,829	-
CNMI RHL	-	1,139,138	-
IRP	-	1,487,742	-
Consumer	9,556	244,770	3.90%
Government Consumer	-	477,726	-
FSMDB:			
Commercial	-	128,626	-
Residential	-	896,255	-
Total	$ 383,121	$ 17,530,738	2.19%

(3) Allowance for Credit Losses, Continued

Modifications for Debtors Experiencing Financial Difficulty, continued

The table below provides a composite analysis, categorized by class of financing receivable, of loans that were restructured during the current year due to borrowers facing financial challenges. These restructuring efforts involved a combination of modifications to loan terms, effective as of December 31, 2024 and 2023, as follows:

	Modification Combinations			
	Amortized Cost Basis at 12/31/2024	Total Cost Basis of Financing Receivable at 12/31/2024	% of Financing Receivable	Description
PIDB Direct	$ 636,124	$ 7,070,918	9.00%	Modifications include interest rate reductions, term extensions, adjustment of required payment schedule, and waiver of late charges and other fees.
Residential	55,094	6,777,370	0.81%	Modifications include interest rate reductions, term extensions, adjustment of required payment schedule, and waiver of late charges and other fees.
CNMI RHL	-	1,958,550	-	
IRP	-	1,379,730	-	
Consumer	-	323,638	-	
Government Consumer	-	271,576	-	
FSMDB:				
Commercial	-	102,196	-	
Residential	-	881,999	-	
Total	$ 691,218	$ 18,765,977	3.68%	

	Modification Combinations			
	Amortized Cost Basis at 12/31/2023	Total Cost Basis of Financing Receivable at 12/31/2023	% of Financing Receivable	Description
PIDB Direct	$ 675,143	$ 7,388,652	9.14%	Modifications include term extensions, adjustment of required payment schedule, waiver of unpaid accrued interest, and waiver of late charges and other fees.
Residential	-	5,767,829	-	
CNMI RHL	-	1,139,138	-	
IRP	-	1,487,742	-	
Consumer	11,175	244,770	4.57%	Modifications include term extensions, adjustment of required payment schedule, waiver of unpaid accrued interest, and waiver of late charges and other fees.
Government Consumer	-	477,726	-	
FSMDB:				
Commercial	-	128,626	-	
Residential	-	896,255	-	
Total	$ 686,318	$ 17,530,738	3.91%	

(4) Property and Equipment

A summary of depreciable property and equipment as of December 31, 2024 and 2023, is as follows:

Description	Estimated Useful Lives	2024	2023
Computers and software	5 years	$ 44,668	$ 39,530
Vehicles	5 years	85,900	85,900
Office furniture and equipment	10 years	28,229	23,830
		158,797	149,260
Less: accumulated depreciation		(87,973)	(60,516)
		$ 70,824	$ 88,744

The Bank has two real property lots in the Republic of Palau (ROP) aggregately valued at $214,000 as of December 31, 2024 and 2023. The lots were acquired in fiscal year 2023 from foreclosure proceedings. The parcels are undeveloped and sellable in their current condition. As of December 31, 2023, the Bank was seeking buyers for the properties and intended for liquidation to occur within one year should price offers be commensurate to fair market value respective to the ROP. At December 31, 2024, the sale still has not occurred, and it is now undeterminable as to when or if a sale shall occur in the near term future. The land no longer meets the criteria provisions under ASC Topic 360-10-45-9 *Initial Criteria for Classifications as Held for Sale*. Accordingly, the parcels have been reclassified in the statement of condition from property held-for-sale to property held-for-use.

(5) Leases

On November 1, 2023, the Bank entered into a new lease agreement with a lessor to relocate its office to a new commercial Building. The lease agreement is for a period of three years from November 1, 2023 to September 30, 2026 with an option to extend for an additional two years. The Bank is obligated to pay $104,940 per year under this new lease. There were no variable lease payments other than base rent for this lease agreement as of December 31, 2024 and 2023. Despite the relocation, the Bank continues to maintain its lease agreement with First Hawaiian Bank (FHB).

The FHB lease agreement has a remaining term of 4 years and includes an option to extend the lease subject to agreements between the lessor and lessee. Variable non-index lease payments include charges, other than base rent, that are passed on to the Bank from the lessor. Such charges for the Bank's commercial lease include common area maintenance fees and gross receipts tax; both of which are expensed as incurred. At December 31, 2024, these variable lease payments totaled $27,456 and $3,255, respectively. At December 31, 2023, these variable lease payments totaled $29,952 and $3,236, respectively.

(5) Leases, Continued

For both leases, the Bank is not reasonably certain that it will exercise it options to extend.

Supplemental Statement of Condition information related to leases were as follows:

	2024	2023
Operating lease right-of-use assets	$ 277,658	$ 370,464
Operating lease liabilities:		
Current portion of operating lease liabilities	$ 123,074	$ 117,208
Noncurrent portion of operating lease liabilities	161,578	283,924
Total operating lease liabilities	$ 284,652	$ 401,132
Weighted-average remaining lease term - operating leases	2.43 years	3.37 years
Weighted-average discount rate - operating leases	7%	6%

The components of lease expense were as follows:

	2024	2023
Operating lease cost	$ 136,848	$ 40,653

Supplemental cash flow information related to leases were as follows:

Cash paid for amounts included in measurement of lease liabilities:	2024	2023
Operating cash flows from operating leases	$ 135,325	$ 40,294

The following is a schedule, by years, of future minimum lease payments required under operating leases:

Year Ending December 31,	
2025	$ 123,074
2026	135,610
2027	33,147
2028	16,572
Total lease payments	$ 308,403
Imputed interest	(23,751)
Present value of lease liabilities	$ 284,652

(6) Long-term Debt

Debt as of December 31, 2024 and 2023, consists of the following:

	2024	2023
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 3 years with twenty-seven equal principal and interest annual installments beginning October 7, 2007.	$ 180,763	$ 199,989
A $750,000 IRP loan by the USDA on June 27, 2006. Interest fixed at 1% per annum. Interest-only payment for the first 3 years with twenty-seven equal principal and interest annual installments beginning June 27, 2010.	356,794	384,784
A $750,000 IRP loan by the USDA on September 9, 2008. Interest fixed at 1% per annum. Interest-only payment for the first 3 years with twenty-seven equal principal and interest annual installments beginning September 8, 2012.	412,512	439,950
A $350,000 IRP loan by the USDA on March 7, 2013. Interest fixed at 1% per annum. Interest-only payment for the first 3 years with twenty-seven equal principal and interest annual installments beginning March 7, 2017.	153,168	168,465
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 3 years, thereafter forty equal quarterly of $15,228.	-	2,372
A $1,000,000 loan with the FSMDB on March 17, 2015. Interest fixed at 4% per annum. Interest only payments for the first 3 years, thereafter forty equal quarterly of $30,456.	376,549	493,336
A $1,000,000 loan with the Marshall Islands Development Bank (MIDB) on March 28, 2023. Interest fixed at 4% per annum. Interest only payments for the first 3 years, thereafter forty equal quarterly of $34,097.	1,000,000	1,000,000
Total debt	$ 2,479,786	$ 2,688,896
Less: Current portion of long-term debt	(189,824)	(187,093)
Long-term debt, net of current portion	$ 2,289,962	$ 2,501,803

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. The MIDB loan is secured under a quarterly assignment of revenue whereby the MIDB has a right to loan repayments from the Bank's revenue.

(6) Long-term Debt, Continued

The Bank paid $70,181 and $57,766 in interest expense on the aforementioned debt as of December 31, 2024 and 2023, respectively.

At December 31, 2024, future maturities of debt are as follows:

Year Ending December 31,		
2025	$	189,824
2026		236,179
2027		285,213
2028		192,082
2029		191,267
Thereafter		1,385,221
	$	2,479,786

(7) Previously Restricted Contributions

In February 2017, the Bank and the Yap State Government entered into a Memorandum of Understanding (MOU) pursuant to Yap State Public Law 9-35 (the Act) dated July 2016. The Act authorizes an 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 essentially performs all underwriting, disbursement, credit administration activities relating to funded loans and is required to provide periodic reports to Yap State Government. The MOU sets forth eligibility requirements, including business sector, borrower citizenship and residency requirements, as well as loan requirements, such as collateral and interest rates. The MOU does not contain provisions to require the repayment of unused loan funds or payments collected from borrowers back to the Yap State Government. The MOU does not contain any provisions for the sharing of interest income earned. Furthermore, the MOU does not contain any provisions to require funds to be maintained in a revolving fund. The Bank has determined obligations are met once the funds have been disbursed for its intended purposes; however, it intends to re-lend available funds to eligible Yap State borrowers.

On September 03, 2021, pursuant to Yap State Public Law 10-58, the Yap State Government amended the Act to reclassify the fully disbursed $3 million contribution to capital stock in the Bank. Furthermore, Yap State Law No. 10-58 established subsequent negotiations between the Yap State Government and the Bank to terminate the Yap State development loan program. Pursuant to Public Law 10-58, the contributions were reclassified to Yap State common stock in the Bank. There are three remaining outstanding loans under the program totaling $2,621,229 and $2,651,257, as of December 31, 2024 and 2023, respectively. At December 31, 2024 and 2023, the contributions are presented as a part of unrestricted contributions, a component of shareholders' equity, consistent with its understanding of the terms of the MOU.

(8) Commitments and Contingencies

Undisbursed Loans

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans. The Bank's exposure to credit loss in the event of nonperformance by an other party to the financial instrument for off-balance sheet loan commitments is represented by the contractual amount of those instruments. Such financial instruments are recorded when they are funded.

As required by ASC 326-20, the Bank records a liability for estimated life-time credit losses on off-balance sheet credit exposures, unless the commitments to extend credit are unconditionally cancelable, through a charge to provision for unfunded commitments in the Bank's income statement. The allowance on off-balance sheet credit exposures is estimated by loan segment at each balance sheet date under the CECL model using the same methodologies as portfolio loans, taking into consideration the likelihood that funding will occur as well as third-party guarantees.

As of December 31, 2024 and 2023, the Bank has $650,857 and $977,317 in undisbursed loan commitments, respectively.

Compensated Absences

Certain employees are entitled to vacation and sick leave. The Bank's policy is to expense these items as incurred.

(9) Employee Benefit Plan

The Bank has a 401(k) Employee Benefit Plan whereby substantially all employees participate in the Plan after meeting certain eligibility requirements, namely, completion of one year of continuous employment. Employee contributions to the Plan are not subject to a specified cap and become fully vested upon completion of three years of service. For employer matching purposes, the Bank matches employee contributions up to 10% of gross salary. However, the matching contribution for the Bank's President is limited to 10% of base salary. During the years ended December 31, 2024 and 2023, the Bank contributed $17,584 and $16,197, respectively, to the Plan which is included as a component of salaries and related expenses in the statement of operations.

(10) Reclassifications

Certain reclassifications have been made to the 2023 financial statements for comparative purposes. Such reclassifications had no effect on previously reported retained earnings and net income.

(11) Subsequent Events

Management has evaluated subsequent events through April 01, 2025, 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 years ended December 31, 2024 and 2023.

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