clerks@guamlegislature.org

From: Speaker's Office <speaker@guamlegislature.org>
Sent: Wednesday, September 2, 2020 5:49 PM
To: Clerks Office
Cc: Rennae Meno
Subject: M&C Fwd: PIDB 2019 Annual Report Rescind and Replace
Attachments: 2019 PIDB Annual Report - Final (Reduced Size).pdf

Buenas and Hafa Adai Clerks,
The Office of the Speaker is kindly requesting to Rescind Messages and Communications 35GL-20-2184 and Replace with Attached Document.
Thank you and Have a Great Day.

09-02-20	4:39 PM	09-02-20	2019 Annual Report.*	Pacific Islands Development Bank	35GL-20-2184

Sinseru yan Minagåhet,

Office of the Speaker • Tina Rose Muña Barnes
Committee on Public Accountability, Human Resources & the Guam Buildup

35th Guam Legislature
I Mina'trentai Singko na Liheslaturan Guåhan

Guam Congress Building | 163 Chalan Santo Papa | Hagatna, GU 96910
T: (671) 477-2520/1
speaker@guamlegislature.org

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Gumai pribilehu yan konfedensia este siha na mensåhi. Solo espesiåtmente para hågu ma entensioña pat ma aturisa para unrisibi. Sen prubidu kumu ti un ma aturisa para manribisa, na'setbe, pat mandespåtcha. Yanggen lachi rinisibu-mu nu este na mensåhi , put fabot ago' guatu gi I numa'huyong gi as speaker@guamlegislature.org yan despues destrosa todu siha I kopian mensåhi. Si Yu'os ma'åse'.

---------- Forwarded message ---------
From: **Christopher A. Cruz** <cruzca3@pacificidb.com>
Date: Wed, Sep 2, 2020 at 4:39 PM

Subject: RE: PIDB 2019 Annual Report
To: Carlos Villazon <villar@mail.fm>, Carson Sigrah <govsigrah_kos@mail.fm>, Elbuchel Sadang <esadang@gmail.com>, Henry Falan <govyap@yapstategov.org>, John Paul P. Sablan <jpsablan4@yahoo.com>, Joseph Giliko <joegiliko@gmail.com>, Kenneth Kedi <kakedi1@gmail.com>, Lourdes Leon Guerrero <governor@guam.gov>, Ralph Torres <ralph.torres@gov.mp>, Reed Oliver <namiki@mail.fm>, Rolner L. Joe <rljoe08@gmail.com>, Swenny Ongidobel <swennyongidobel@gmail.com>, Tina Muna Barnes <speaker@guamlegislature.org>

Good Afternoon Governors,

An error on the previously sent version of our annual report was noted and subsequently corrected, please refer to the attached version of our annual report, which is in final form.

The correction made was to list previous CNMI legislative representative, former Speaker Joseph Deleon Guerrero who served in 2019. The previous version of the annual report had current legislative representative, Representative John Paul P. Sablan listed, who was appointed in March 2020.

Our annual report will be published on our website at www.pacificidb.com.

Do let me know if any questions or concerns come up.

Regards,

Christopher A. Cruz

President and CEO

O: (671) 477-0053

M: (671) 777-8014

www.pacificidb.com

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From: Christopher A. Cruz <cruzca3@pacificdb.com>
Sent: Tuesday, September 1, 2020 5:49 PM
To: Carlos Villazon <villar@mail.fm>; Carson Sigrah <govsigrah_kos@mail.fm>; Elbuchel Sadang <esadang@gmail.com>; Henry Falan <govyap@yapstategov.org>; John Paul P. Sablan <jpsablan4@yahoo.com>; Joseph Giliko <joegiliko@gmail.com>; Kenneth Kedi <kakedi1@gmail.com>; Lourdes Leon Guerrero <governor@guam.gov>; Ralph Torres <ralph.torres@gov.mp>; Reed Oliver <namiki@mail.fm>; Rolner L. Joe <rljoe08@gmail.com>; Swenny Ongidobel <swennyongidobel@gmail.com>; Tina Muna Barnes <speaker@guamlegislature.org>
Subject: PIDB 2019 Annual Report

Hafa Adai and Good Evening Governors,

I am pleased to transmit to you herewith the bank's 2019 annual report in final form. We have already been given the permission to publish this document in soft or hard copy by our auditors as it contains our 2019 audit report. If any questions on the matter or anything else come up, please feel free to contact me directly.

Regards,

Christopher A. Cruz

President and CEO

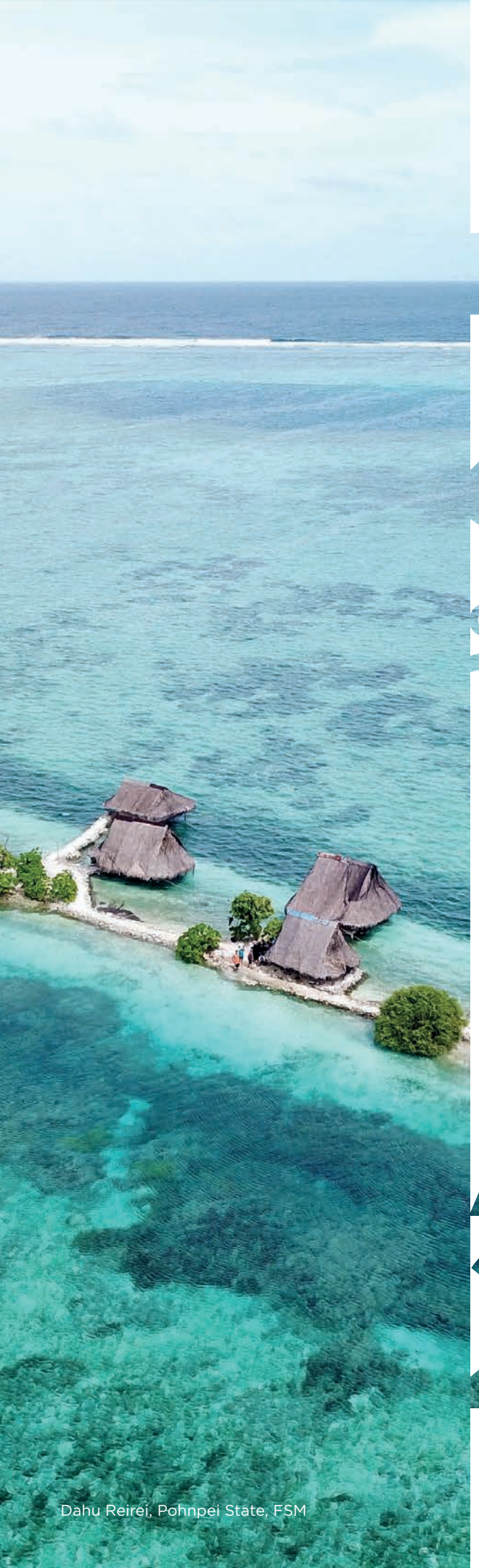
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Dahu Reirei, Pohnpei State, FSM

30TH

PACIFIC ISLANDS DEVELOPMENT BANK
JULY 5, 1989

CHARTER ANNIVERSARY
1989 - 2019

ANNUAL REPORT
2019

Doc. No. 35GL-20-2184.*

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Front and Back Cover Photo: Lee Arkhie M. Perez

Front and Back Cover Design: Chloe Weilbacher

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Valued Shareholders,

I am pleased to report on the bank's progress, financial condition, and outlook in the 30th anniversary (July 5, 1989 to July 5, 2019) of its charter, despite joining the bank in mid-December.

It should be noted that our auditors restated a restricted contribution from Yap state in the amount of $2.25MM originally recorded as other income in 2018 to unrestricted retained earnings which ultimately meant a $96.1M net loss for 2018.

Loans grew in 2019 by 9% to $16.6MM, up from $15.3MM in 2018. The bank saw loan growth from nearly all shareholder jurisdictions and across all loan categories – consumer, real estate, and commercial lending.

Net interest income was $1.15MM in 2019, up from $1.06MM in 2018, a growth of 9%. Following a recommendation from our auditors to increase the allowance for loan and lease losses (ALLL), the bank provisioned $814M in 2019, up from $600M in 2018. The $814M allowance together with a $93M provision for uncollectable interest receivables meant a $410.4M net loss in 2019. In 2018, the bank did not provision for uncollectable interest receivables. We are committed to aggressively pursue collections and ease the pressure the allowance puts on our bottom line.

The growth in loans and interest income realized in 2019 meant a slight increase in shareholders equity, up one percent from $14.5MM in 2018 to $14.7MM in 2019.

A strategic priority for the bank is to sustainably grow value for shareholders. To do this, the bank must stay on the cusp of the ever-evolving needs of borrowers. We must be flexible – take on and manage risk in a more dynamic environment; we must diversify – take advantage of the globalized world, even from the middle of the Pacific; and be ultra-responsive – more than "fast," provide financial solutions that help each borrower be better than when they first came in to see us.

The bank continues to position itself to meet the demands of our borrowers while working to attract new business. A key part of this is building partnerships with the economic arms of the public and private sectors to help create and sustain jobs, increase purchasing power for our people, and develop the communities we serve. It is my hope that you, our valued shareholders, continue to support the bank and its mission to serve the Pacific.

The bank's 30th year of service to the Pacific region is an opportune time to reflect back and acknowledge the work put forth to create the PIDB and how, over the years, you our shareholders, increased its value and purpose not just as a financial institution, but as a partner in the communities we serve. We acknowledge and give thanks to the many hands that came together to bring from concept to ribbon cutting and beyond, a development financial institution representative of the people, the Pacific Islands Development Bank!

In Good Health and Spirit,



Christopher A. Cruz
President, Chief Executive Officer and
Chairman of the Board of Directors
Pacific Islands Development Bank



The Pacific Islands Development Bank, “PIDB” or “bank,” was charted on July 5, 1989 through a resolution by the Association of Pacific Island Legislatures. The PIDB was established to aid in the advancement of economic development of the Pacific region.

More than 30 years after its charter, the bank continues to serve the people throughout the region and positions itself to be a viable community partner.

OUR **MISSION**

The bank’s mission and purpose are to contribute to the acceleration of the process of economic and social development of its member states and nations.

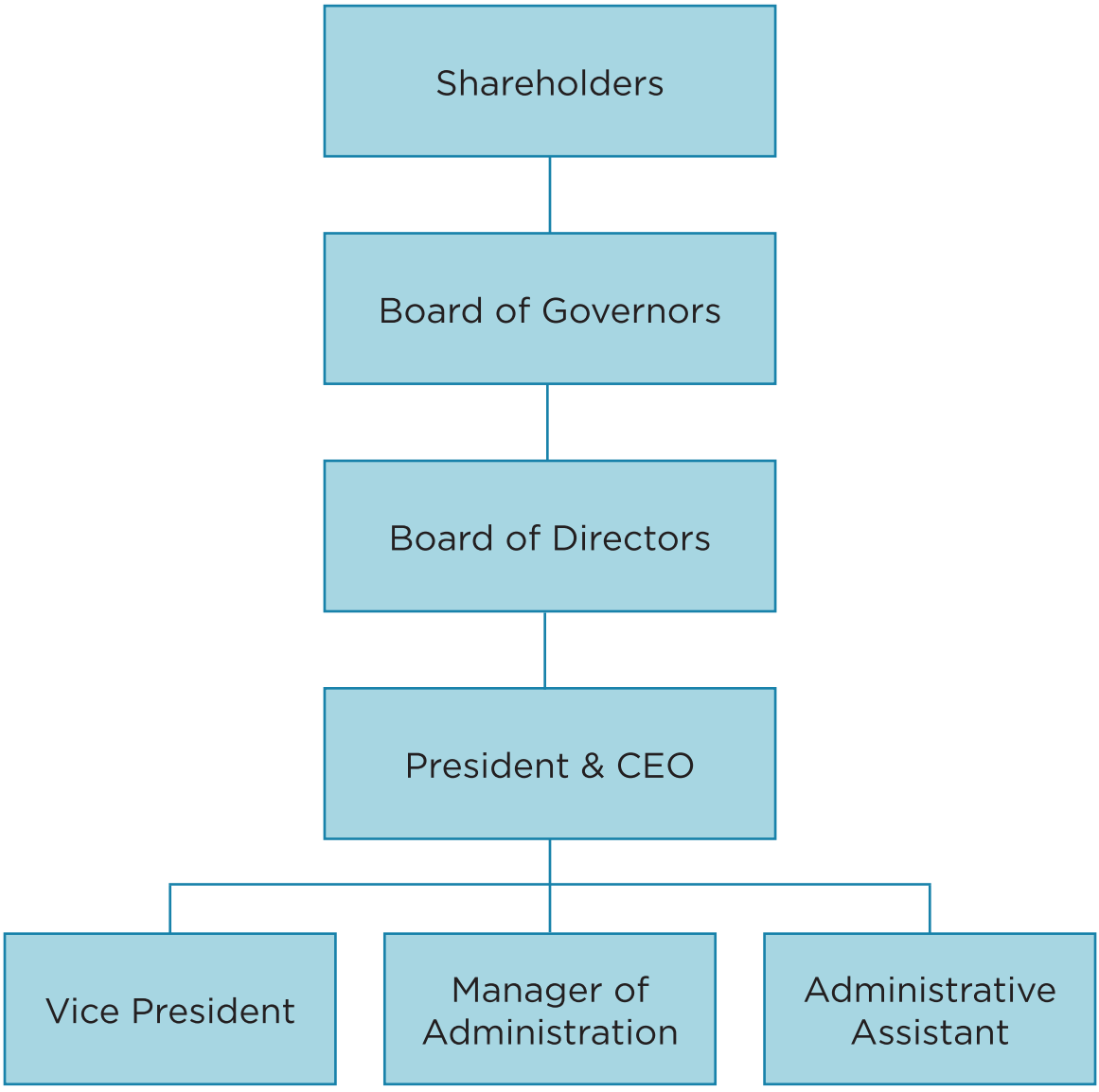
OUR **VISION**

The bank looks to be a stable and sustainable financial institution providing access to funds for the economic and social well-being of its members.

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ORGANIZATION CHART



MEMBER **INFORMATION**

The bank exists through the capital contributions from its members. Current members include:

- Territory of Guam (Guam)
- Commonwealth of the Northern Mariana Islands (CNMI)
- All four states of the Federated States of Micronesia
  - *Chuuk State*
  - *Kosrae State*
  - *Pohnpei State*
  - *Yap State*
- The Republic of the Marshall Islands (RMI)
- The Republic of Palau (ROP)
- The Kwajalein Atoll Development Authority (KADA, RMI - Associate Member)

SHAREHOLDERS & **PAID-IN CAPITAL**

SHAREHOLDER	SHARES	VALUE
Chuuk State, FSM	277	276,783
Commonwealth of the Northern Mariana Islands	1,000	1,000,000
Territory of Guam	1,000	1,000,000
Kosrae State, FSM	900	900,000
Republic of the Marshall Islands	1,992	1,992,000
Republic of Palau	1,000	1,000,000
Pohnpei State, FSM	1,300	1,300,000
Yap State, FSM	1,439	1,438,866
Kwajalein Atoll Development Authority, RMI	1,000	1,000,000
Total	**9,908**	**9,907,649**

Shares in the bank have a par value of $1,000. For 2019, the bank received additional paid-in capital from Kosrae State and the Kwajalein Atoll Development Authority (KADA). Kosrae State increased shares by $80M and our associate member, KADA, contributed an additional $500M.

M denotes thousand
MM denotes million

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BOARD OF **GOVERNORS**

Article 13 Section 2.a of the bank's Articles of Agreement Establishing the Pacific Islands Development Bank establishes "that each member shall be represented on the Board of Governors and shall appoint two Governors (one representing the Executive, and one representing the Legislative branch). At each Annual Meeting, the Board of Governors shall elect one of the Governors as Chairman, who will hold office until the election of the next chairman." The Board of Governors for the period under review are as follows:

SHAREHOLDER	EXECUTIVE BRANCH REPRESENTATIVES	LEGISLATIVE BRANCH REPRESENTATIVES
Commonwealth of the Northern Mariana Islands	Ralph Torres *Governor, Board Chair*	Joseph Deleon Guerrero *Former Speaker*
Territory of Guam	Lourdes Leon Guerrero *Governor, Board Secretary*	Tina Muna Barnes *Speaker*
Chuuk State, FSM	Vacant	Vacant
Kosrae State, FSM	Carson Sigrah *Governor*	Tulensa Palik *Speaker*
Republic of the Marshall Islands	Brenson Wase *Minister of Finance*	Kenneth Kedi *Speaker*
Republic of Palau	Elbuchel Sadang *Minister of Finance*	Swenny Ongidobel *Delegate*
Pohnpei State, FSM	Reed Oliver *Lieutenant Governor*	Carlos Villazon *Budget Officer*
Yap State, FSM	Tony Gannigiyan *Governor*	Stanislaus D. Kensof *Senator*

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BOARD OF **DIRECTORS**

Article 13 Section 5.a of the bank's Articles of Agreement Establishing the Pacific Islands Development Bank establishes "the two Governors representing each member shall appoint, one person to serve as Director. Directors shall hold office for four (4) years and shall be eligible for selection for a further term or terms of office." The Board of Directors for the period under review are as follows:

Pacific Islands Development Bank	Christopher A. Cruz *President and Chief Executive Officer, Board Chair*
Republic of Palau	Elbuchel Sadang *Minister of Finance, Board of Secretary*
Chuuk State, FSM	Vacant
Commonwealth of the Northern Mariana Islands (CNMI)	Diego Benavente *Former Lt. Governor*
Territory of Guam	Francisco Atalig *CFO, Bank of Guam*
Kosrae State, FSM	Robson Henry *U.S. Army, ret.*
Republic of the Marshall Islands	Alfred Alfred, Jr. *Senator, Minister of Resources & Development*
Pohnpei State, FSM	Christina Elnei *Budget Officer, Pohnpei State Finance*
Yap State, FSM	John Masiwemai *Senator*
Kwajalein Atoll Development Authority	Anjojo Kabua III *Executive Director*

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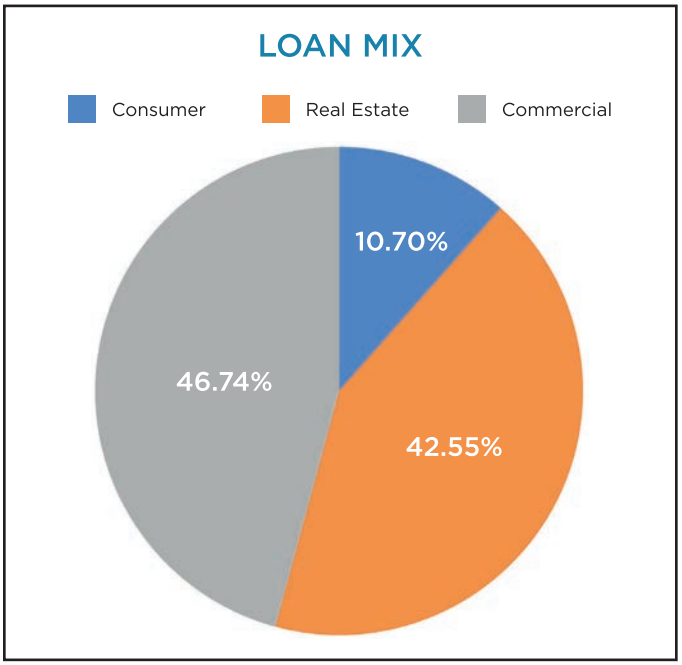
2019 LOAN REPORT

In 2019 the bank made 56 new loans amounting to $3.11MM. New consumer loans accounted for 11% of the total loans, 43% in the real estate lending side, and 47% for commercial loans.

New Loans by Loan Type and Industry

TYPE	COUNT	AMOUNT	%
Consumer	34	$ 333,322	11%
Real Estate	13	$ 1,325,062	43%
Commercial:			
Agriculture	1	$ 34,947	1%
Fisheries	1	$ 9,417	0%
Tourism/Hotel	1	$ 62,041	2%
Services	3	$ 633,037	20%
Commercial Real Estate	2	$ 574,246	18%
All Others	1	$ 141,933	5%
Commercial Total:	9	$ 1,455,621	47%
Total	**56**	**$ 3,114,006**	**100%**

The 56 new loans the bank made in 2019 was spread across all shareholders and in all loan categories, with the exception of Chuuk State. The bank hopes to be able to extend credit again to the people of Chuuk State very soon.



New Loans by Shareholder and Loan Type

CONSUMER			
SHAREHOLDER	**COUNT**	**AMOUNT**	**%**
Chuuk State, FSM	0	-	0%
Commonwealth of the Northern Mariana Islands	0	-	0%
Territory of Guam	13	$ 54,805	16%
Kosrae State, FSM	11	$ 119,494	36%
Republic of the Marshall Islands	0	-	0%
Republic of Palau	1	$ 21,457	6%
Pohnpei State, FSM	7	$ 112,274	34%
Yap State, FSM	2	$ 25,292	8%
Kwajalein Atoll Development Authority, RMI	0	-	0%
Total	**34**	**$ 333,322**	**100%**

REAL ESTATE			
SHAREHOLDER	**COUNT**	**AMOUNT**	**%**
Chuuk State, FSM	0	-	0%
Commonwealth of the Northern Mariana Islands	2	$ 324,578	24%
Territory of Guam	1	$ 30,417	2%
Kosrae State, FSM	2	$ 25,274	2%
Republic of the Marshall Islands	3	$ 440,560	33%
Republic of Palau	0	-	0%
Pohnpei State, FSM	1	$ 25,337	2%
Yap State, FSM	2	$ 141,396	11%
Kwajalein Atoll Development Authority, RMI	2	$337,500	25%
Total	**13**	**$ 1,325,062**	**100%**

COMMERCIAL			
SHAREHOLDER	COUNT	AMOUNT	%
Chuuk State, FSM	0	-	0%
Commonwealth of the Northern Mariana Islands	0	-	0%
Territory of Guam	0	-	0%
Kosrae State, FSM	3	$ 79,981	5%
Republic of the Marshall Islands	2	$ 629,556	43%
Republic of Palau	2	$ 410,685	28%
Pohnpei State, FSM	2	$ 335,399	23%
Yap State, FSM	0	-	0%
Kwajalein Atoll Development Authority, RMI	0	-	0%
Total	**9**	**$ 1,455,621**	**100%**

TOTAL NEW LOANS			
SHAREHOLDER	COUNT	AMOUNT	%
Chuuk State, FSM	0	-	0%
Commonwealth of the Northern Mariana Islands	2	$324,578	10%
Territory of Guam	14	$ 85,223	3%
Kosrae State, FSM	16	$ 224,749	7%
Republic of the Marshall Islands	5	$ 1,070,116	34%
Republic of Palau	3	$ 432,142	14%
Pohnpei State, FSM	10	$ 473,009	15%
Yap State, FSM	4	$ 166,688	5%
Kwajalein Atoll Development Authority, RMI	2	$ 337,500	11%
Total	**56**	**$ 3,114,005**	**100%**

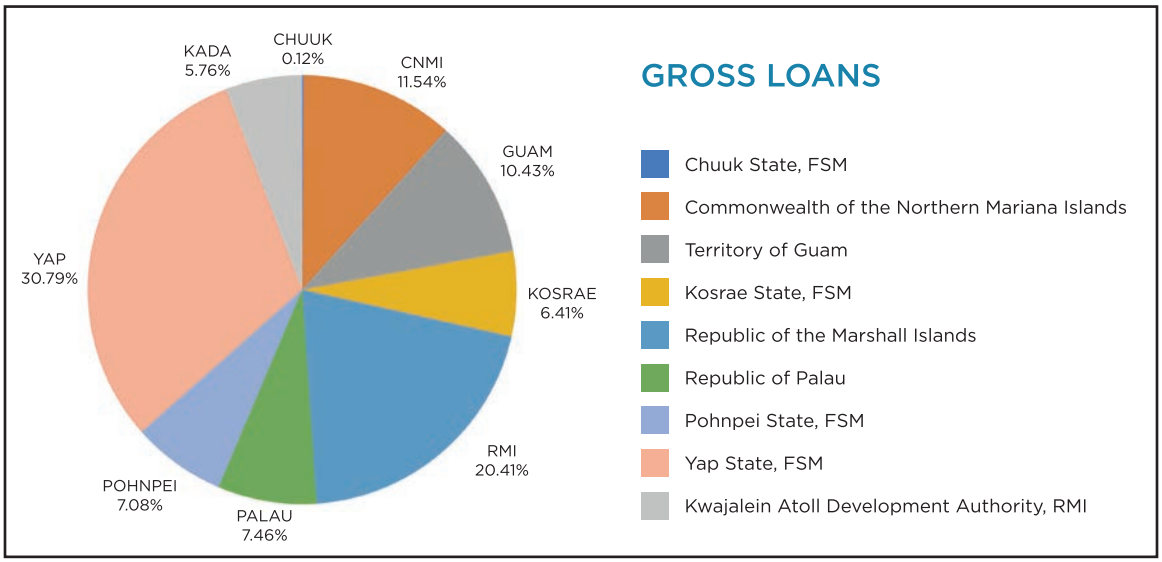
TOTAL **LOANS**

As of December 31, 2019, the bank's loan portfolio is a composite of 280 loans with a total outstanding principal balance of $16.63MM across nine shareholders.

This is further broken down in to three loan categories: consumer or personal loans, real estate or mortgage loans, and commercial or direct loans. The bank ended the year with 140 consumer loans valued at $877M, 58 real estate loans valued at $4.33MM, and 82 commercial loans at $11.42MM.

Total Loans by Shareholder

SHAREHOLDER	TOTAL LOANS		
	COUNT	AMOUNT	%
Chuuk State, FSM	1	$ 19,780	0.1%
Commonwealth of the Northern Mariana Islands	13	$ 1,919,922	12%
Territory of Guam	63	$ 1,734,204	10%
Kosrae State, FSM	70	$ 1,066,967	6%
Republic of the Marshall Islands	23	$ 3,395,477	20%
Republic of Palau	13	$ 1,240,393	7%
Pohnpei State, FSM	32	$ 1,178,573	7%
Yap State, FSM	58	$ 5,121,407	31%
Kwajalein Atoll Development Authority, RMI	7	$ 958,215	6%
Gross Loans	**280**	**$ 16,634,937**	**100%**



2019 Gross Loans by Shareholder and Loan Type

CONSUMER			
SHAREHOLDER	COUNT	AMOUNT	%
Chuuk State, FSM	0	-	0%
Commonwealth of the Northern Mariana Islands	3	$ 15,297	2%
Territory of Guam	44	$ 199,161	23%
Kosrae State, FSM	28	$ 172,693	20%
Republic of the Marshall Islands	2	$ 17,083	2%
Republic of Palau	5	$ 45,681	5%
Pohnpei State, FSM	21	$ 212,976	24%
Yap State, FSM	37	$214,669	24%
Kwajalein Atoll Development Authority, RMI	0	-	0%
Gross Loans	**140**	**$ 877,560**	**100%**

REAL ESTATE			
SHAREHOLDER	COUNT	AMOUNT	%
Chuuk State, FSM	0	-	0%
Commonwealth of the Northern Mariana Islands	7	$ 848,921	20%
Territory of Guam	9	$ 71,564	2%
Kosrae State, FSM	13	$ 243,886	6%
Republic of the Marshall Islands	8	$ 1,245,991	29%
Republic of Palau	1	$ 67,691	2%
Pohnpei State, FSM	7	$ 497,586	11%
Yap State, FSM	6	$ 399,458	9%
Kwajalein Atoll Development Authority, RMI	7	$ 958,215	22%
Total	**58**	**$ 4,333,312**	**100%**

COMMERCIAL			
SHAREHOLDER	**COUNT**	**AMOUNT**	**%**
Chuuk State, FSM	1	$ 19,780	0%
Commonwealth of the Northern Mariana Islands	3	$ 1,055,703	9%
Territory of Guam	10	$ 1,463,478	13%
Kosrae State, FSM	29	$ 650,387	6%
Republic of the Marshall Islands	13	$ 2,132,404	19%
Republic of Palau	7	$ 1,127,021	10%
Pohnpei State, FSM	4	$ 468,011	4%
Yap State, FSM	15	$ 4,507,281	39%
Kwajalein Atoll Development Authority, RMI	0	-	0%
Total	**82**	**$ 11,424,065**	**100%**



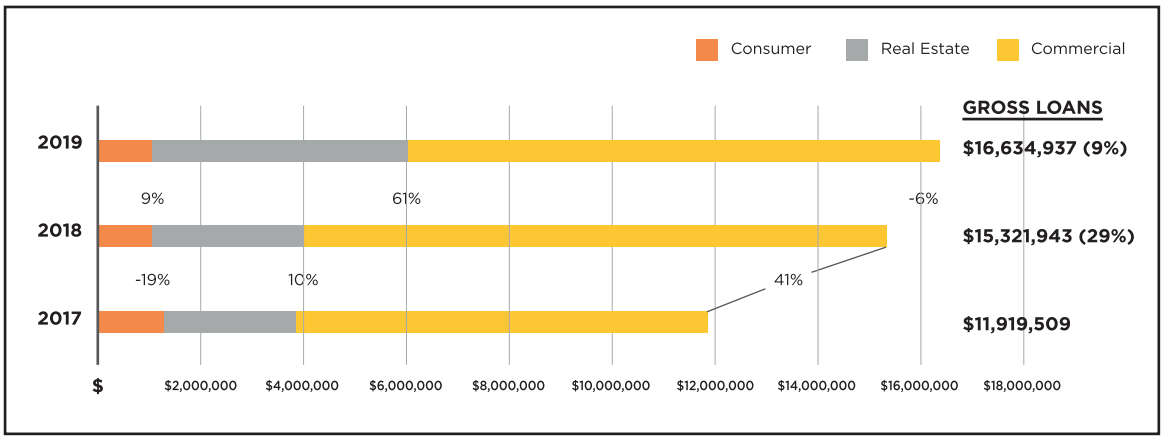
The bank's various loan programs at work show through the numbers across the last three fiscal years, which, for the bank run from January through December of each year. Across each of the last three years, the bank has been able to generate more loans to citizens of all shareholders, with only minor variances. For example, gross loans grew 29% between 2017 and 2018 moving up from nearly $12MM to $15.3MM, respectively. This number grew to $16.64MM in 2019 (up 9%).

The overall growth is attributed to increased demand in real estate and commercial lending. Between 2017 and 2018, real estate loans grew 10% and then 61% between 2018 and 2019, up from $2.87MM to $5.09MM, between 2017 and 2019. Real estate development in the Republic of the Marshall Islands and Ebeye Atoll contributed significantly to this increase.

Loans by Shareholder

SHAREHOLDER	2017	2018	% CHANGE	2019	% CHANGE
Chuuk State, FSM	$ 38,108	$ 28,445	-25%	$ 19,780	-30%
CNMI	$ 1,468,027	$ 1,667,671	14%	$ 1,919,922	15%
Territory of Guam	$ 1,824,203	$ 1,829,932	0%	$ 1,734,204	-5%
Kosrae State, FSM	$ 1,218,946	$ 1,040,232	-15%	$ 1,066,967	3%
Marshall Is.	$ 3,240,201	$ 3,249,709	0%	$ 3,395,477	4%
Palau	$ 1,066,702	$ 859,044	-19%	$ 1,240,393	44%
Pohnpei State, FSM	$ 366,888	$ 790,127	115%	$ 1,178,573	49%
Yap State, FSM	$ 2,696,434	$ 5,212,484	93%	$ 5,121,407	-2%
KADA, RMI	-	$ 644,300		$ 958,215	49%
Gross Loans	**$ 11,919,509**	**$ 15,321,944**	**29%**	**$ 16,634,937**	**9%**

Loans by Type



Loan Aging Report and Summary

	CURRENT	30-59 DAYS	60-89 DAYS	90+ DAYS	TOTAL
2019					
Commercial (Direct)	$ 5,104,677	$ 1,001,898	$ 114,586	$ 3,715,585	$ 9,936,746
Real Estate	$ 3,509,022	$ 493,503	-	$ 330,787	$ 4,333,312
IRP	$ 158,402	$ 32,642	$ 31,413	$ 321,299	$ 543,756
Consumer	$ 478,288	$ 75,043	$ 109,930	$ 214,299	$ 877,560
Import/Export	$ 660,825	$ 258,433	$ 4,841	$ 19,464	$ 943,563
Total	**$ 9,911,214**	**$ 1,861,519**	**$ 260,770**	**$ 4,601,434**	**$ 16,634,937**
%	60%	11%	2%	28%	100%
2018					
Commercial (Direct)	$ 8,816,452	$ 23,774	-	$ 639,681	$ 9,479,907
Real Estate	$ 2,757,893	$ 406,760	-	-	$ 3,164,653
IRP	$ 240,375	$ 319,844	-	$ 318,758	$ 878,977
Consumer	$ 684,623	$ 33,818	-	$ 88,222	$ 806,663
Import/Export	$ 908,980	$ 82,763	-	-	$ 991,743
Total	**$ 13,408,323**	**$ 866,959**	**-**	**$ 1,046,661**	**$ 15,321,944**
%	88%	6%	0%	7%	100%
2017					
Commercial (Direct)	$ 5,800,931	$ 193,504	-	$ 609,860	$ 6,604,295
Real Estate	$ 2,257,424	$ 200,000	-	-	$ 2,457,424
IRP	$ 673,595	-	$ 23,407	$ 369,474	$ 1,066,476
Consumer	$ 739,187	$ 83,184	$ 9,062	$ 168,637	$ 1,000,070
Import/Export	$ 677,971	$ 38,366	-	$ 74,907	$ 791,244
Total	**$ 10,149,108**	**$ 515,054**	**$ 32,469**	**$ 1,222,878**	**$ 11,919,509**
%	85%	4%	0%	10%	100%

In the last three years, delinquency for the bank has grown significantly. For example, of the $11.9MM loans in 2017, 85% or $10.1MM were current and only 10% or $1.2MM in loans were 90 or more days past due. In 2019, the number of current loans dropped to 60% of total portfolio or $9.9MM of loans. The number of loans 90 days or more past due rose to 28% of portfolio or $4.6MM in loans with gross loans at $16.6MM for 2019.

Despite the common expectation that with a growth in total loans for the bank comes a growth in delinquency, the bank must work to continuously measure, manage, and control these risks. Further, all efforts are being made to collect on all delinquent loans to include all historically charged-off loans, where legally possible.



2019 YEAR IN REVIEW

The bank continued to grow loans in 2019, with gross loans up 9% from $15.3MM in 2018 to $16.6MM in 2019. This is also up from just under $12MM in loans in 2017 to $15.3MM in loans for 2018. Total assets stayed relatively the same between 2018 and 2019 at around $17.4MM but up considerable from $15.4MM in 2017.

The bank took a net loss of $410.4M in 2019 due in large part to an increase in the allowance for loan and lease losses (ALLL), up from $600M in 2018 to $814M in 2019. Again, auditors restated a restricted contribution from Yap State government in 2018 for $2.25MM from the income portion of the bank's statement of operations (income statement) to the equity portion of the statement of condition (balance sheet). This means a net loss in 2018 of $96M and down from a net income of $1.12MM in 2017.

A marginal increase in shareholders' equity was realized in 2019, up from $14.5MM to $14.7MM or an increase of about 1% from 2018. The bank has been able to grow equity in the past three years, going from $12.3MM in 2017 to $14.7MM in 2019.

Challenges with loan collections and a rise in delinquency mean more pressure on profitability and other measures of financial performance. This includes the bank's return on assets (ROA) and its return on equity (ROE). The bank's ROA for 2018 was -0.55%, after the audit adjustment, and its ROE was -0.66%. In 2019, ROA was -2.36% and ROE was -2.79%.

Management is monitoring delinquency closely and has retained several attorneys throughout the region for collection action. More importantly, the bank is now better able to measure, monitor, and control risk with more frequent reviews of the ALLL to include loan risk ratings and keeping in constant contact with borrowers to follow-up with payments. At this point, a more conservative approach to credit review and decision-making is needed.

Despite the net losses of the last two fiscal years, the bank is motivated to bounce back by growing loans, reducing overhead, and aggressively managing risk. The strategic initiatives for 2020 and beyond include:

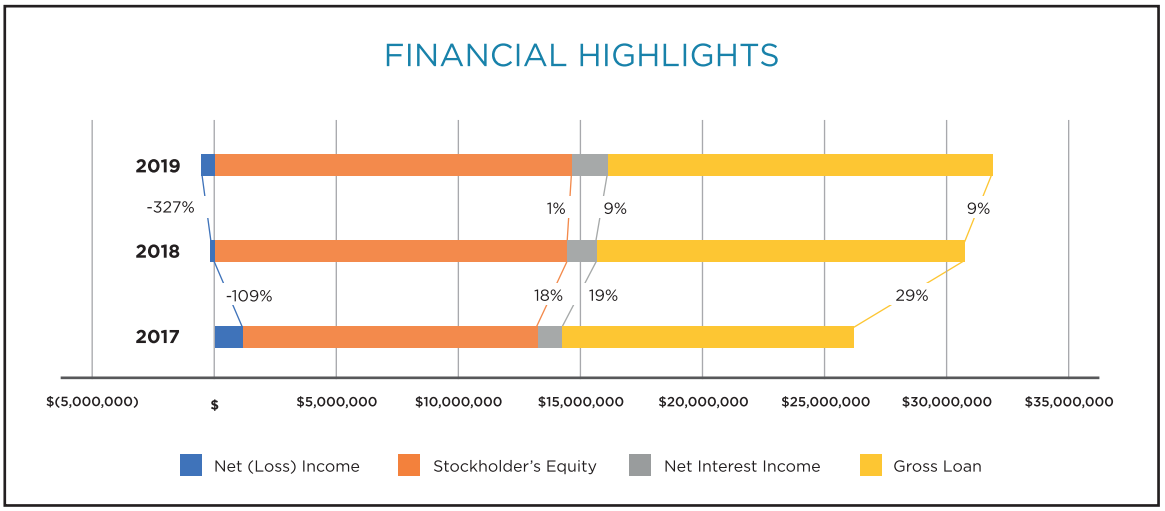
- Pursuing additional loan programs in various forms and continue working with valuable partners in the public sector and with private organizations.
- Gaining efficiency through the effective deployment of technology and industry-specific resources to better respond to the needs of a dynamic customer base.
- Continuing to reach out and contribute to the communities we live and work in.

The Pacific Islands Development Bank looks to 2020, the next 30 years and on, with a greater sense of control and focus to continue to make a difference.

Doc. No. 35GL-20-2184.*

Financial Highlights

	2017	2018	% CHANGE	2019	% CHANGE
Net (Loss) Income	$ 1,120,154	($ 96,073)	-109%	($ 410,363)	-327%
Stockholder's Equity	$ 12,373,404	$ 14,552,331	18%	$ 14,721,968	1%
Net Interest Income	$ 891,043	$ 1,060,244	19%	$ 1,155,806	9%
Gross Loans	**$ 11,919,509**	**$ 15,321,944**	**29%**	**$ 16,634,937**	**9%**
Return on Equity	9.05%	-0.66%	-107%	-2.79%	-322%
Return on Assets	7.25%	-0.55%	-108%	-2.36%	-328%



PACIFIC ISLANDS DEVELOPMENT BANK

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2019 AND 2018

Doc. No. 35GL-20-2184.*

Deloitte.

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Independent Auditors' Report

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

We have audited the accompanying financial statements of Pacific Islands Development Bank (the Bank), which comprise the statements of condition as of December 31, 2019 and 2018, and the related statements of operations, of changes in stockholders' equity and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Deloitte.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pacific Islands Development Bank as of December 31, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 6 to the financial statements, the 2018 financial statements were restated to revise the presentation of the Yap contributions. Our opinion is not modified with respect to this matter.

Deloitte & Touche LLP

June 15, 2020

PACIFIC ISLANDS DEVELOPMENT BANK

Statements of Condition
December 31, 2019 and 2018

ASSETS	2019	2018
Cash and cash equivalents	$ 2,429,924	$ 2,886,664
Loans receivable, net	14,809,058	14,321,927
Interest receivable, net	145,465	197,519
Property and equipment, net	10,051	18,802
Prepaid expenses	738	-
	$ 17,395,236	$ 17,424,912
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Other liabilities	$ 25,026	$ 27,368
Long-term debt	2,648,242	2,845,213
Total liabilities	2,673,268	2,872,581
Commitments		
Stockholders' equity:		
Capital stock	9,907,649	9,327,649
Retained earnings	4,814,319	5,224,682
Total stockholders' equity	14,721,968	14,552,331
	$ 17,395,236	$ 17,424,912

See accompanying notes to financial statements.

PACIFIC ISLANDS DEVELOPMENT BANK

Statements of Operations
Years Ended December 31, 2019 and 2018

	2019	2018 (As Restated)
Loan interest income	$ 1,209,882	$ 1,127,389
Other interest and dividend income	2,949	3,547
Total interest income	1,212,831	1,130,936
Interest expense	57,025	70,692
Net interest income	1,155,806	1,060,244
Provision for loan losses	814,000	600,000
Provision for interest receivable	93,036	-
	907,036	600,000
Net interest income, after provision for loan losses	248,770	460,244
Operating expenses:		
Salaries and related expenses	353,699	296,155
Conference and travel	153,686	144,991
Office rental	63,897	44,968
Insurance	37,142	33,229
Professional fees	27,848	29,811
Depreciation	12,549	21,999
Board meetings	10,815	7,651
Business development and marketing	10,218	5,525
Communications	9,887	9,385
Office supplies	7,678	12,069
Automobile	2,034	3,300
Miscellaneous	25,448	22,465
Total operating expenses	714,901	631,548
Operating loss	(466,131)	(171,304)
Other income (expense):		
Other income	55,768	92,382
Loss on disposal of property and equipment	-	(17,151)
Total other income, net	55,768	75,231
Net loss	$ (410,363)	$ (96,073)

See accompanying notes to financial statements.

PACIFIC ISLANDS DEVELOPMENT BANK

Statements of Changes in Stockholders' Equity
Years Ended December 31, 2019 and 2018

	Shares of Common Stock	Common Stock	Restricted Contributions	Retained Earnings	Total
Balance at December 31, 2017, As Restated	9,302	$ 9,302,649	$ 413,000	$ 2,657,755	$ 12,373,404
Issuance of common stock	25	25,000	-	-	25,000
Restricted contributions received from Yap State Government			2,250,000		2,250,000
Loan disbursements under loan fund			(2,663,000)	2,663,000	-
Net loss	-	-		(96,073)	(96,073)
Balance at December 31, 2018, As Restated	9,327	9,327,649	-	5,224,682	14,552,331
Issuance of common stock	580	580,000	-	-	580,000
Net loss	-	-	-	(410,363)	(410,363)
Balance at December 31, 2019	9,907	$ 9,907,649	$ -	$ 4,814,319	$ 14,721,968

See accompanying notes to financial statements.

PACIFIC ISLANDS DEVELOPMENT BANK

Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018 (As Restated)
Cash flows from operating activities:		
Net loss	$ (410,363)	$ (96,073)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	12,549	21,999
Provision for loan loss	814,000	600,000
Provision for interest receivable	93,036	-
Loss on disposal of property and equipment	-	17,151
Increase in interest receivable	(40,982)	(24,002)
Increase in prepaid expenses	(738)	-
Decrease in other liabilities	(2,342)	(2,993)
Net cash provided by operating activities	465,160	516,082
Cash flows from investing activities:		
Loan originations and repayments, net	(1,301,131)	(3,679,375)
Additions to property and equipment	(3,798)	(12,491)
Net cash used in investing activities	(1,304,929)	(3,691,866)
Cash flows from financing activities:		
Repayment on long-term debt	(196,971)	(191,778)
Proceeds from issuance of capital stock	580,000	25,000
Restricted contributions from Yap State Government	-	2,250,000
Net cash provided by financing activities	383,029	2,083,222
Net change in cash and cash equivalents	(456,740)	(1,092,562)
Cash and cash equivalents at beginning of year	2,886,664	3,979,226
Cash and cash equivalents at end of year	$ 2,429,924	$ 2,886,664
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	$ 57,025	$ 70,692

See accompanying notes to financial statements.

PACIFIC ISLANDS DEVELOPMENT BANK

Notes to Financial Statements
December 31, 2019 and 2018

(1) Organization and Summary of Significant Accounting Policies

Organization

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

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

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

Cash and Cash Equivalents

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

Loans

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

Non-Performing Loans

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

When a loan is placed on non-accrual status, the accrued and unpaid interest receivable is reversed and the loan is accounted for on the cash or cost recovery method until qualifying for return to accrual status. All payments received on non-accrual loans are applied against the principal balance of the loan. A loan may be returned to accrual status when all delinquent interest and principal become current in accordance with the terms of the loan and when doubt about repayment is resolved. At December 31, 2019 and 2018, two loans totaling $744,253 are on non-accrual status and as such, no interest income or accrued interest receivable have been recognized. Additionally, at December 31, 2019, accrued interest receivable was net of an allowance of $190,880, for loans that are past due over ninety days.

Impaired Loans

A loan is considered impaired when, based on current information and events, it is probable that the Bank will not be able to collect all amounts due from the borrower in accordance with the contractual terms of the loan, including scheduled interest payments. Impaired loans include all non-accruing loans, all loans modified in a troubled debt restructuring and loans classified as doubtful (see note 3).

PACIFIC ISLANDS DEVELOPMENT BANK

Notes to Financial Statements
December 31, 2019 and 2018

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

Impaired Loans, Continued

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

Loans Modified in a Troubled Debt Restructuring (TDRs)

Loans are considered to have been modified in a troubled debt restructuring when, due to a borrower's financial difficulties, the Bank makes certain concessions to the borrower that it would not otherwise consider. Modifications may include interest rate reductions, principal or interest forgiveness, forbearance, and other actions intended to minimize economic loss and to avoid foreclosure or repossession of collateral. A modification that results in an insignificant delay in contractual cash flows is not considered to be a concession. During the years ended December 31, 2019 and 2018, the Bank granted loan modifications and temporary payment deferments.

Allowance for Loan Losses

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

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

Property and Equipment

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

Taxation

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

PACIFIC ISLANDS DEVELOPMENT BANK

Notes to Financial Statements
December 31, 2019 and 2018

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

Significant Group Concentration of Credit Risk

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

As of December 31, 2019 and 2018, loan to one borrower aggregated $1.56 million and represented 9% and 10.2% of gross loans, respectively (see note 3).

Estimates

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

Risks and Uncertainties

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

Subsequent Events

Management has evaluated subsequent events through June 15, 2020, which is the date that the financial statements are available to be issued. There were no material subsequent events that would require recognition or disclosure in the financial statements for the year ended December 31, 2019.

The Allowance for Credit Losses at December 31, 2019 was estimated based on a range of economic conditions as of that date. Since early January 2020, the COVID-19 outbreak has spread across the world, causing disruption to business and economic activity in varying degrees in 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 impact on qualitative indicators of the economic condition and an evaluation of borrowers' repayment ability will be considered in 2020 when determining the Allowance

PACIFIC ISLANDS DEVELOPMENT BANK

Notes to Financial Statements
December 31, 2019 and 2018

(2) Loans Receivable

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

A summary of the balances of loans at December 31, 2019 and 2018 follows:

	2019	2018
Commercial – PIDB direct loan program	$ 9,936,746	$ 9,479,907
Residential loans	4,333,312	3,164,653
Commercial – USDA Intermediary Relending Program (IRP)	543,756	878,977
Consumer	877,560	806,663
Commercial – FSMDB import/export	943,563	991,743
Gross loans	16,634,937	15,321,943
Less: allowance for loan losses	(1,825,879)	(1,000,016)
Net loans	$ 14,809,058	$ 14,321,927

In the ordinary course of business, the Bank has entered into transactions with its employees, directors and their affiliates. Such transactions were made on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers. The aggregate amount of loans outstanding to such related parties at December 31, 2019 and 2018 was $888,000 and $819,000, respectively. The December 31, 2019 balance includes $259,000 loans outstanding from former officers and directors.

(3) Allowance for Loan Losses

A summary of the changes in the allowance for loan losses for the years ended December 31, 2019 and 2018, follows

	2019	2018
Balance at beginning of year	$ 1,000,016	$ 676,957
Loans charged off	-	(281,594)
Recoveries of loans previously charged off	11,863	4,653
Provision for loan losses	814,000	600,000
Balance at end of year	$ 1,825,879	$ 1,000,016

Credit Quality Indicators

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

PACIFIC ISLANDS DEVELOPMENT BANK

Notes to Financial Statements
December 31, 2019 and 2018

(3) Allowance for Loan Losses, Continued

Credit Quality Indicators, Continued

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

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

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

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

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

The Bank's credit quality indicators are periodically updated on a case-by-case basis. The following presents by class and by credit quality indicator, the recorded investment in the Bank's loans as of December 31, 2019 and 2018:

	Pass	Special mention	Sub-standard	Doubtful	Total
2019					
PIDB direct	$ 6,784,320	$ 920,403	$ 1,711,588	$ 520,435	$ 9,936,746
Residential	4,133,439	13,333	186,540	-	4,333,312
IRP	213,039	39,085	2,541	289,091	543,756
Consumer	809,369	43,394	5,896	18,901	877,560
Import/export	929,239	14,324	-	-	943,563
Total	$ 12,869,406	$ 1,030,539	$ 1,906,565	$ 828,427	$ 16,634,937
2018					
PIDB direct	$ 7,850,674	$ 958,724	$ 151,431	$ 519,078	$ 9,479,907
Residential	2,959,391	18,722	186,540	-	3,164,653
IRP	547,236	40,008	2,643	289,090	878,977
Consumer	726,815	54,928	6,018	18,902	806,663
Import/export	972,123	19,620	-	-	991,743
Total	$ 13,056,239	$ 1,092,002	$ 346,632	$ 827,070	$ 15,321,943

PACIFIC ISLANDS DEVELOPMENT BANK

Notes to Financial Statements
December 31, 2019 and 2018

(3) Allowance for Loan Losses, Continued

At December 31, 2019 and 2018, impaired loans of $828,427 and $827,070, respectively, represent loans classified as Doubtful, with total recorded allowances of $786,340 and $785,574, respectively. Included are two loans totaling $744,253 as of December 31, 2019 and 2018, which were provided with 100% allowance. The loans are significantly past due and no collections have been received or interest income recognized during the years ended December 31, 2019 and 2018. Although the Bank continues to aggressively pursue collection efforts, full provision has been provided as ultimate collectibility is uncertain.

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

The following presents by class, an aging analysis of the Bank's loan portfolio as of December 31, 2019 and 2018:

	Current	30 – 59 Days Past Due	60 – 89 Days Past Due	Past Due 90 Days or More	Total
2019					
PIDB direct	$ 5,104,677	$ 1,001,898	$ 114,586	$ 3,715,585	$ 9,936,746
Residential	3,509,022	493,503	-	330,787	4,333,312
IRP	158,402	32,642	31,413	321,299	543,756
Consumer	478,288	75,043	109,930	214,299	877,560
Import/export	660,825	258,433	4,841	19,464	943,563
Total	$ 9,911,214	$ 1,861,519	$ 260,770	$ 4,601,434	$ 16,634,937
2018					
PIDB direct	$ 8,816,452	$ 23,774	$ -	$ 639,681	$ 9,479,907
Residential	2,757,893	406,760	-	-	3,164,653
IRP	240,375	319,844	-	318,758	878,977
Consumer	684,623	33,818	-	88,222	806,663
Import/export	908,980	82,763	-	-	991,743
Total	$ 13,408,323	$ 866,959	$ -	$ 1,046,661	$ 15,321,943

(4) Property and Equipment

A summary of property and equipment as of December 31, 2019 and 2018, is as follows:

Description	Estimated Useful Lives	2019	2018
Computer and software	5 years	$ 15,790	$ 12,683
Vehicles	5 years	37,423	37,423
Leasehold improvements	3 years	639	639
Office furniture and equipment	10 years	20,323	19,632
		74,175	70,377
Less accumulated depreciation		(64,124)	(51,575)
		$ 10,051	$ 18,802

PACIFIC ISLANDS DEVELOPMENT BANK

Notes to Financial Statements
December 31, 2019 and 2018

(5) Long-Term Debt

Long-term debt as of December 31, 2019 and 2018, consists of the following:

	2019	2018
A $500,000 Intermediary Relending Program (IRP) loan by the U.S. Department of Agriculture (USDA) on October 7, 2003. Interest fixed at 1% per annum. Interest-only payment for the first three years with twenty-seven equal principal and interest annual installments beginning on October 7, 2007.	$ 275,004	$ 293,296
A $750,000 IRP loan by the USDA on June 27, 2006. Interest fixed at 1% per annum. Interest-only payment for the first three years with twenty-seven equal principal and interest annual installments beginning on June 27, 2010.	503,120	520,962
A $750,000 IRP loan by the USDA on September 8, 2008. Interest fixed at 1% per annum. Interest-only payment for the first three years with twenty-seven equal principal and interest annual installments beginning on September 8, 2012.	547,014	571,667
A $350,000 IRP loan by the USDA on March 7, 2013. Interest fixed at 1% per annum. Interest-only payment for the first three years with twenty-seven equal principal and interest annual installments beginning on March 7, 2017.	228,081	241,704
A $500,000 loan with the FSM Development Bank (FSMDB) on September 16, 2010. Interest fixed at 4% per annum. Interest-only payment for the first three years, thereafter forty equal quarterly installments of $15,228.	226,200	276,214
A $1,000,000 loan with FSMDB on March 17, 2015. Interest fixed at 4% per annum. Interest only payments for the first three years, thereafter forty equal quarterly installments of $30,456.	868,823	941,370
Total	$ 2,648,242	$ 2,845,213

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.

At December 31, 2019, future maturities of long-term debt are as follows:

Year ending December 31,	
2020	$ 197,146
2021	226,188
2022	233,006
2023	220,331
2024	203,126
Thereafter	1,568,445
	$ 2,648,242

PACIFIC ISLANDS DEVELOPMENT BANK

Notes to Financial Statements
December 31, 2019 and 2018

(6) Restricted Contributions

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

During the year ended December 31, 2017, the Bank received $750,000 in contributions and disbursed $337,000 for approved loans. During the year ended December 31, 2018, the Bank received the remaining $2,250,000 of contributions and disbursed all remaining funds. At December 31, 2019, the program includes five loans with total outstanding balance of $3,327,725.

In the 2018 financial statements, the Bank has recorded the contributions received from the Yap State as a component of other-income. During 2019, the Bank has changed the presentation of contributions received as an additions to restricted contributions, a component of shareholders' equity, and loan disbursements as a subtraction from restricted contributions and an additions to unrestricted retained earnings. The change in presentation is aligned with its understanding of the MOU terms.

The effects of the changes on the 2018 financial statements are as follows:

	As Previously Reported	Adjustment	As Restated
As of January 1, 2018:			
Restricted contributions	$ -	$ 413,000	$ 413,000
Retained earnings	$ 3,070,755	$ (413,000)	$ 2,657,755
For the year ended December 31, 2018:			
Net income (loss)	$ 2,153,927	$ (2,250,000)	$ (96,073)

PACIFIC ISLANDS DEVELOPMENT BANK

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(7) Leases

The Bank operates from a leased office space with monthly lease payments of $5,325 starting July 2018 through June 2028. Previously, it occupied an office space at a monthly rent of $1,732, plus allocation of utility charges, through June 30, 2018.

Future commitment under the lease is as follows:

Year ending December 31,	
2020	$ 63,900
2021	63,900
2022	63,900
2023	63,900
2024	63,900
Thereafter	223,650
	$ 543,150

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

(8) Employee Benefit Plan

The Bank has a 401(k) Plan whereby substantially all employees participate in the Plan after meeting certain eligibility requirements, namely, completion of one year of continuous employment. Contributions to the Plan are 10% of gross salaries and are 100% vested after three years of service. During the years ended December 31, 2019 and 2018, the Bank contributed $11,649 and $15,137, respectively, to the Plan.



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