

**FINANCIAL CONDITION OF THE FSM COMMERCIAL BANKING SYSTEM FOR THE QUARTER ENDED
June 30, 2021**

The Balance Sheet of the FSM commercial banking system reported combined assets at \$472.8 million, an increase over the quarter by \$20.7 million (4.6%) and also an increase over the year by \$61.4 million (14.9%). The compositions of total resources of the system for the quarter ended June 30, 2021 are broken down as follows:

	<u>US \$ In Thousands</u>	<u>Percentage</u>
Liquid Assets (Cash & Due from Abroad)	\$ 388,449.00	82%
Loan Portfolio	\$ 74,132.00	16%
Bank Premises and Other Assets	\$ 10,197.00	2%
	\$ 472,778.00	100%

Total loans decreased over the quarter by \$600 thousand (-0.8%). When compared to the same period of last year, it decreased by \$5.0 million (-6.4%) to **\$74.1 million**. Commercial lending increased over the quarter by \$3.1 million (7.1%) and also increased over the year by \$4.1 million (10.4%) to \$47.0 million in the current quarter. Consumer lending decreased over the quarter by \$3.7 million (-12.0%) and also decreased over the year by \$9.2 million (-25.3%) to \$27.2 million in the current quarter. The loan portfolio comprised 15.7% of the system's total assets, with commercial loans composing of 63.4% of the lending portfolio while consumer lending constitutes 36.6%.

Total deposits increased over the quarter by \$19.5 million (4.7%) and also increased over the year by \$60.1 million (16.1%) to **\$433.3million**. Total deposits comprised 91.6% of the system's total liabilities and equity. The system's deposit base structure was significantly dominated by Savings deposit facilities at \$239.0 million (55.2%), followed by Demand Deposits at \$161.5 million (37.3%), TCDs at \$19.7 million (4.5%), with the remaining \$13.1 million (3.0%) for other deposit facilities. The deposit facility structure remained unchanged from the previous quarter with Savings being the highest, followed by Demand then TCDs and other deposits.

Total Loan to Deposit ratio for the system is currently at 17.1%, a decrease from 18.1% in the previous quarter and also a decrease from last year's 21.2%. **Return on Average Assets** (*Net Income as a percentage of Average Assets*) for the system is at 0.58% in the current quarter, a decrease by 6 basis points from 0.64% in the previous quarter and also a decrease from 1.17% in the same period of the prior year. **Net Interest Margin** (*Net Interest Income as a percentage of Average Earning Assets*) is at 1.92% in the current quarter, a decrease from 2.01% in the prior quarter and also a decrease from 2.82% in the same period in 2020.

The system continues to be highly liquid and well capitalized. The Banks' earnings are stable and well managed amid the COVID-19 crisis. The gross Loans decreased over the quarter and over the year indicate that Loans was stagnant during this difficult period of the pandemic. Offshore investments or placements abroad, on the other hand, increased over the quarter by \$18.9 million (5.3%) and also over the year by \$64.5 million (20.5%). The system's growth and stability, overall, are maintained.