

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

The Balance Sheet of the FSM commercial banking system reported combined assets at \$474.1 million, an increase over the quarter by \$1.3 million (0.3%) and also an increase over the year by \$50.8 million (12.0%). The compositions of total resources of the system for the quarter ended September 30, 2021 are broken down as follows:

	<u>US \$ In Thousands</u>	<u>Percentage</u>
Liquid Assets (Cash & Due from Abroad)	\$ 386,212.00	81%
Loan Portfolio	\$ 77,814.00	16%
Bank Premises and Other Assets	\$ 10,050.00	3%
	\$ 474,076.00	100%

Total loans increased over the quarter by \$3.7 million (5.0%). When compared to the same period of last year, it also increased by \$22 thousand (0.1%) to **\$77.8 million**. Commercial lending decreased over the quarter by \$2.4 million (-5.2%) but increased over the year by \$1.9 million (4.5%) to \$44.6 million in the current quarter. Consumer lending increased over the quarter by \$6.1 million (22.5%) but decreased over the year by \$1.9 million (-5.4%) to \$33.3 million in the current quarter. The loan portfolio comprised 16.4% of the system's total assets, with commercial loans composing of 57.3% of the lending portfolio while consumer lending constitutes 42.7%.

Total deposits increased over the quarter by \$2.2 million (0.5%) and also increased over the year by \$51.4 million (13.4%) to **\$435.5 million**. Total deposits comprised 91.9% of the system's total liabilities and equity. The system's deposit base structure was significantly dominated by Savings deposit facilities at \$236.9 million (54.4%), followed by Demand Deposits at \$163.6 million (37.6%), TCDs at \$21.7 million (5.0%), with the remaining \$13.2 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 17.87%, an increase from 17.11% in the previous quarter but a decrease from last year's 20.25%. **Return on Average Assets** (*Net Income as a percentage of Average Assets*) for the system is at 0.62% in the current quarter, an increase by 4 basis points from 0.58% in the previous quarter and also a decrease from 1.08% in the same period of the prior year. **Net Interest Margin** (*Net Interest Income as a percentage of Average Earning Assets*) is at 1.89% in the current quarter, a decrease from 1.92% in the prior quarter and also a decrease from 2.63% in the same period in 2020.

The system continues to remain highly liquid and well capitalized. However, with the continued difficult economic conditions with the pandemic, the Offshore investments or placements abroad slightly decreased over the quarter by \$878 thousand (-0.2%). Gross Loans increased over the quarter by \$3.7 million (5.0%). The system's growth and stability are maintained.