

**FINANCIAL CONDITION OF THE FSM COMMERCIAL BANKING SYSTEM FOR THE QUARTER ENDED
September 30, 2022**

The Balance Sheet of the FSM commercial banking system reported combined assets at \$463.9 million, a decrease over the quarter by \$9.2 million (-2.0%) and over the year by \$10.1 million (-2.1%). The compositions of total resources of the system for the quarter ended September 30, 2022 are broken down as follows:

	US \$ In Thousands	Percentage
Liquid Assets (Cash & Due from Abroad)	\$ 370,883.00	81%
Loan Portfolio	\$ 83,056.00	16%
Bank Premises and Other Assets	\$ 10,057.00	3%
	\$ 463,996.00	100%

Total loans decreased over the quarter by \$1.9 million (-2.2%); however, when compared to the same period of last year, it increased by \$5.2 million (6.7%) to **\$83.1 million**. Commercial lending decreased over the quarter by \$957 thousand (-2.0%) but increased over the year by \$3.4 million (7.7%) to \$47.9 million in the current quarter. Consumer lending decreased over the quarter by \$935 thousand (-2.6%) but increased over the year by \$1.8 million (5.4%) to \$35.1 million in the current quarter. The loan portfolio comprised 18.0% of the system's total assets, with commercial loans composing 57.8% of the lending portfolio while consumer lending constitutes 42.2%.

Total deposits decreased over the quarter by \$9.9 million (-2.3%) and also decreased when compared to the same period of last year by \$7.3 million (-1.7%) to **\$428.2 million**. Total deposits comprised 92.3% of the system's total liabilities and equity. The system's deposit base structure was significantly dominated by Savings deposit facilities at \$248.4 million (58.0%), followed by Demand Deposits at \$152.1 million (35.5%), TCDs at \$19.5 million (4.5%), with the remaining \$8.3 million (2.0%) 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 19.40%, an increase from 19.39% in the previous quarter. **Return on Average Assets** (*Net Income as a percentage of Average Assets*) for the system is at 1.55% in the current quarter, an increase by 63 basis points over the quarter and 93 basis points over the year. **Net Interest Margin** (*Net Interest Income as a percentage of Average Earning Assets*) is at 2.51% in the current quarter, an increase by 37 basis points from prior quarter.

Despite the challenges after the covid-19 crisis, the banking system continues to be strong and stable with strong liquidity and capital positions. Profitability ratios are beginning to pick up to its pre-pandemic levels after declining for the past two years.