

**FINANCIAL CONDITION OF THE FSM COMMERCIAL BANKING SYSTEM FOR THE QUARTER ENDED
December 31, 2022**

The Balance Sheet of the FSM commercial banking system reported combined assets at \$475.1 million, an increase over the quarter by \$11.1 million (2.4%) and decrease over the year by \$1.7 million (-0.3%). The compositions of total resources of the system for the quarter ended December 31, 2022 are broken down as follows:

	<u>US \$ In Thousands</u>	<u>Percentage</u>
Liquid Assets (Cash & Due from Abroad)	\$ 379,156.00	80%
Loan Portfolio	\$ 85,584.00	18%
Bank Premises and Other Assets	\$ 10,375.00	2%
	\$ 475,115.00	100%

Total loans increased over the quarter by \$2.5 million (3.0%) and also increased in the same period of last year by \$6.5 million (8.2%) to **\$85.6 million**. Commercial lending increased over the quarter by \$1.5 million (3.1%) and increased over the year by \$5.3 million (12.0%) to \$49.5 million in the current quarter. Consumer lending increased over the quarter by \$1.1 million (3.0%) and also increased over the year by \$1.2 million (3.4%) to \$36.1 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 increased over the quarter by \$7.7 million (1.8%); however, decreased when compared to the same period of last year by \$1.9 million (-0.4%) to **\$435.9 million**. Total deposits comprised 91.7% of the system's total liabilities and equity. The system's deposit base structure was significantly dominated by Savings deposit facilities at \$252.4 million (57.9%), followed by Demand Deposits at \$158.0 million (36.3%), TCDs at \$19.6 million (4.5%), with the remaining \$5.9 million (1.3%) 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 19.63%, an increase from 19.40% in the previous quarter. **Return on Average Assets** (*Net Income as a percentage of Average Assets*) for the system is at 1.59% in the current quarter, an increase by 37 basis points over the quarter and 89 basis points over the year. **Net Interest Margin** (*Net Interest Income as a percentage of Average Earning Assets*) is at 2.91% in the current quarter, an increase by 40 basis points from prior quarter.

The system continues to be highly liquid and well capitalized. The Banks' earnings are stable and well managed. The slight increase in Loans both over the quarter and over the year indicates that Lending remains stagnant during this period.