

PART II

LOAN ACTIVITY REPORT

A. 2013 Loan Approval

Loan Type	2013 Number	Amount	2012 Number	Amount
Commercial Loans				
Agriculture	1	9943	0	0
Fisheries	0	0	0	0
Tourism	3	699,608	1	651,736
Manufacturing	1	300,000	0	0
Services	23	1,284,908	7	1,152,492
Commercial	2	804,566	8	294,650
Sub Total	29	3,099,0258	16	2,098,878
Residential Home Loans	7	691,819	1	44,165
Consumer Loans	93	1,033,405	50	562,363
Total	129	4,824,250	67	2,705,406

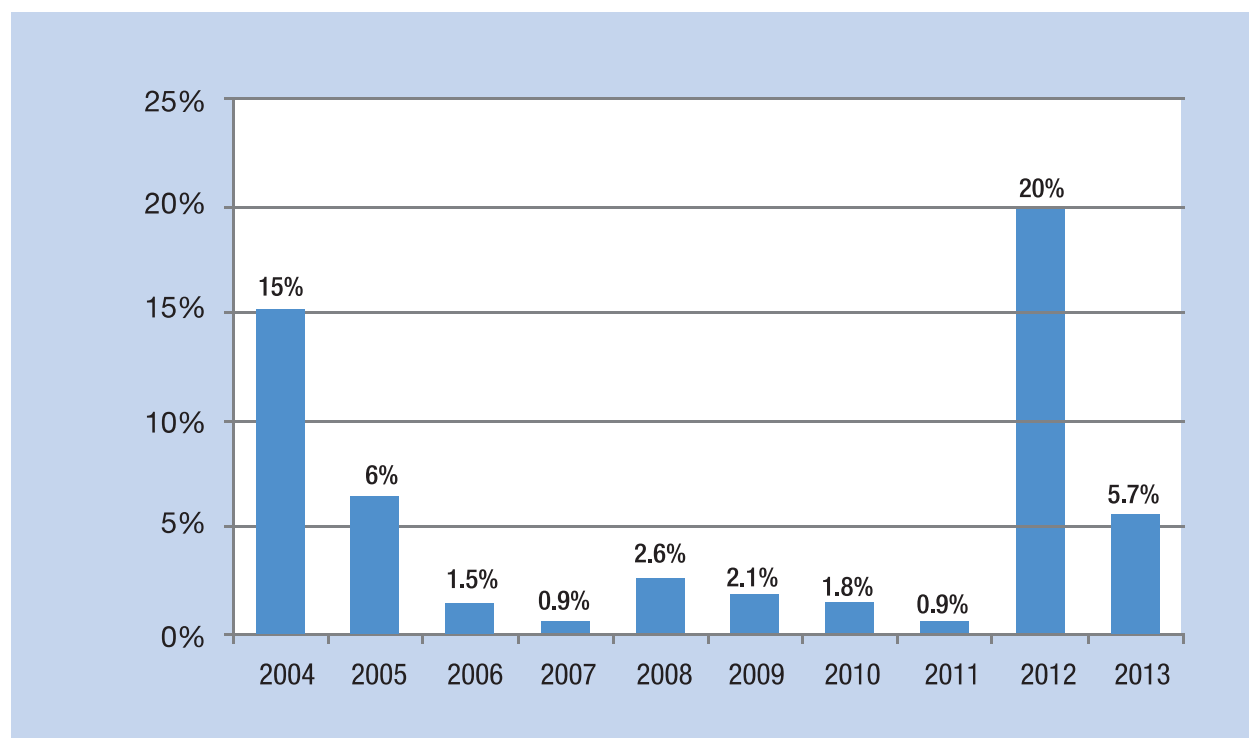
B. Outstanding Loans by Loan Type

Loan Type	2013 Number	Amount	2012 Number	Amount
Commercial Loans				
Agriculture	2	15,230	1	7,215
Fisheries	0	0	1	54,996
Tourism	9	2,213,287	12	1,977,148
Manufacturing	1	293,224	1	18,583
Services	57	2,687,444	36	3,318,822
Commercial	10	2,202,805	26	1,048,934
Sub Total	79	7,411,990	80	6,425,698
Residential Home Loans	15	1,240,210	8	612,200
Consumer Loans	169	1,413,845	112	1,009,262
Total	263	10,066,045	200	8,047,160

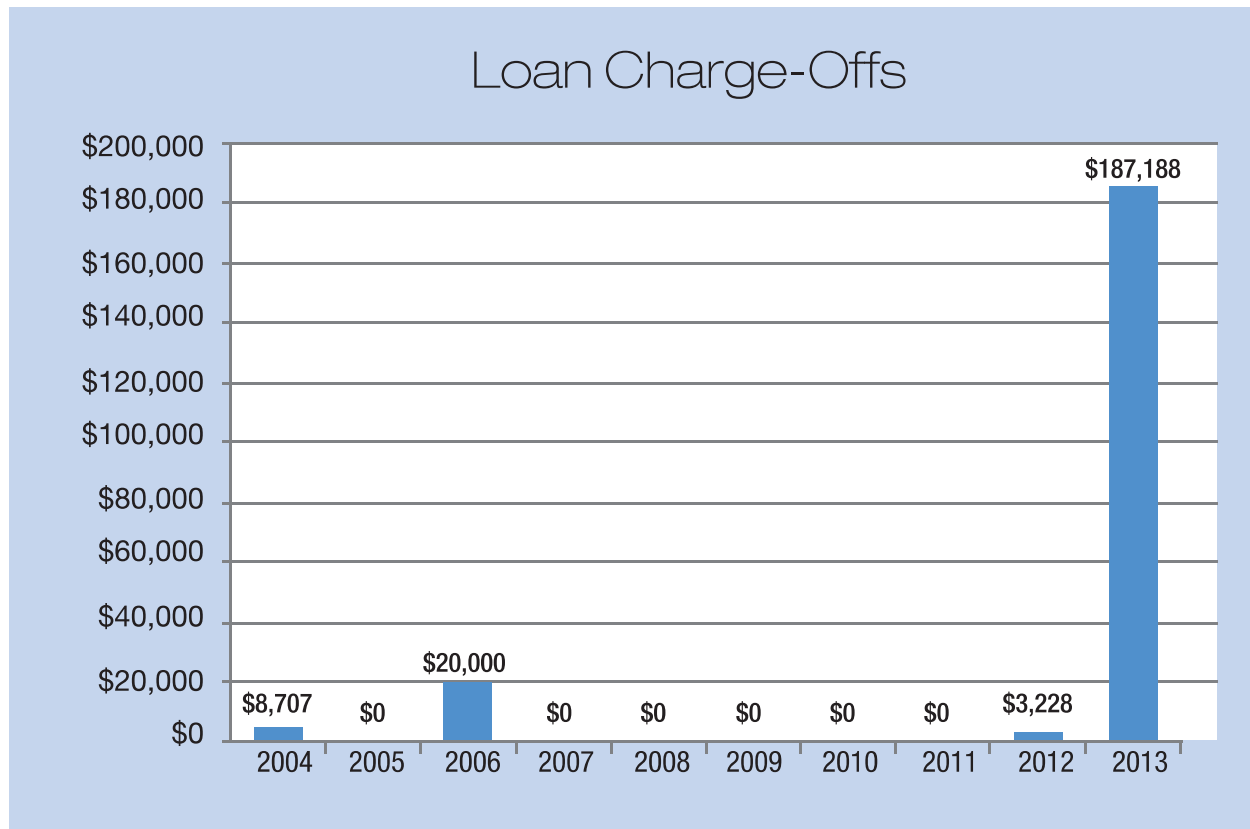
C. Outstanding Loans by Shareholder & Type of Loan

Shareholder	Commercial		Consumer		Housing		Total	
	#	\$	#	\$	#	\$	#	\$
Guam	8	907,880	9	70,731	2	234,658	19	1,235,805
Palau	6	1,316,111	3	31,467	1	89,335	10	1,436,913
Pohnpei	9	1,878,310	10	77,893	1	31,016	20	1,987,219
Yap	10	831,154	80	623,691	1	51,952	91	1,506,797
Kosrae	29	803,290	49	479,284	6	167,819	84	1,450,392
CNMI	4	405,629	7	37,505	1	128,164	7	571,298
Chuuk	1	62,916	0	0	0	0	1	62,916
RMI	5	764,473	5	64,893	3	543,376	13	1,372,742
FSMDB/Export	7	442,999	0	0	0	0	5	442,998
Total	79	7,412,760	170	1,413,982	15	1,240,210	263	10,066,045

D. Loan Delinquency



E. Loan Charge offs



PART III

FINANCIAL REPORT

A. Performance Against Budget

As summarized in the Table below, the Bank met or exceeded all its key financial goals and targets for the year. Loans Receivable exceeded budget by \$1.0m or 11% due to a combination of strong loan demand in 2013 and more viable and bankable project proposals. Stockholders' Equity exceeded budget by \$789,758 or 10% attributable to additional capital infusion from members and higher than expected Retained Earnings. Total Assets also exceeded budget by 6% or \$569,608 resulting from additional equity injection, cash drawdown from the 4th IRP loan, and increased Retained Earnings. Retained Earnings exceeded budget by 5% or \$46,109 attributed to a higher than expected Net Income of \$309,577. Gross Revenue was 26% or \$214,847 higher than budget due essentially to increased interest income on loans and realized gains on securities investment when the bank liquidated its investment portfolio in December 2013. Total Operating Expenses was prudently managed resulting in \$51,830 or 9% lower than the budgeted amount. Provision for Loan Losses in the amount of \$185,000 was expensed against a budgeted amount of \$50,000. This amount is based on credit review and risk analysis and a loan portfolio that is expected to grow. Finally, the bank exceeded its Net Income goal of \$177,900 by 74% or \$131,677 due mainly to strong earnings from loans and securities investment.

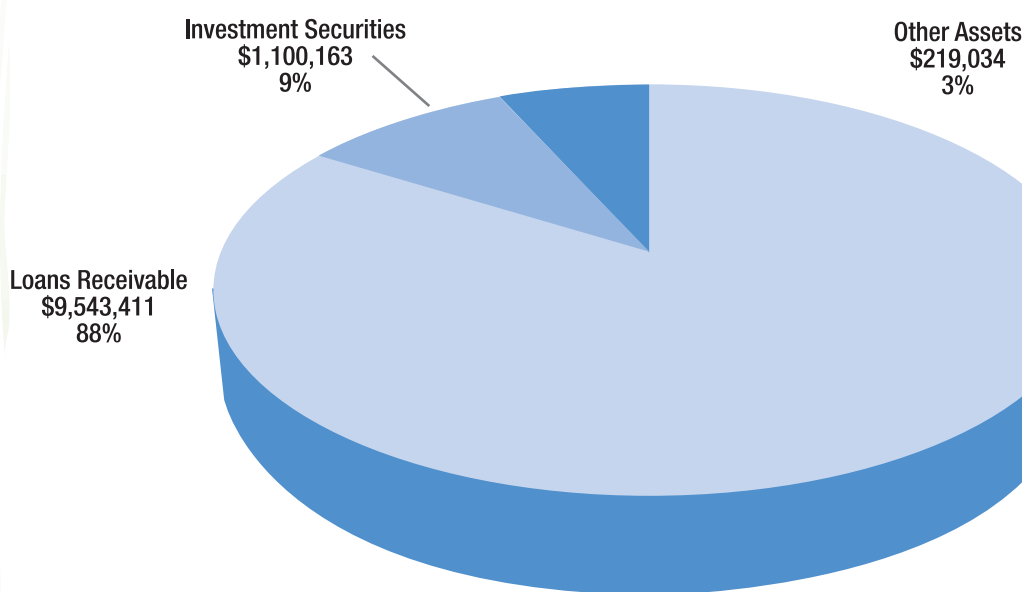
Selected Key Items	2013 Budget	2013 Actual	Variance (\$)	Variance (%)
Loans Receivable	9,050,000	10,066,045	1,016,045	11%
Stockholders' Equity	7,719,000	8,508,758	789,758	10%
Total Assets	10,293,000	10,862,608	569,608	6%
Retained Earnings	962,000	1,008,109	46,109	5%
Gross Revenue	819,000	1,033,847	214,847	26%
Total Operating Expenses	591,100	539,270	-51,830	-9%
Provision for Loan Losses	50,000	185,000	135,000	270%
Net Income	177,900	309,577	131,677	74%

B. Performance Against Previous Year

The Bank's 2013 performance and results against the previous year (2012), as shown in the Table below, improved dramatically in all key selected performance indicators. The reasons and attributes to improved performance are highlighted in the previous Section. As a summary, Loans Receivable grew by \$2.0m or 25%; Stockholders' Equity grew by \$1.2 million or 18%; Total Assets grew by \$1.3 million or 14%; Retained Earnings grew by \$309,577 or 44%; Gross Revenue reached the \$1 million mark, a growth of \$327,976 or 46% from previous year; Total Operating Expenses increased by \$34,462 or 7% due mainly to higher travel expenses necessary to conduct the business of both the board and management; Provision for Loan Losses, by necessity, was kept at previous year's level based on credit review and risk analysis; and Net Income grew by \$296,514 or 2,270% due to strong earnings from loan interests and gains on securities investment.

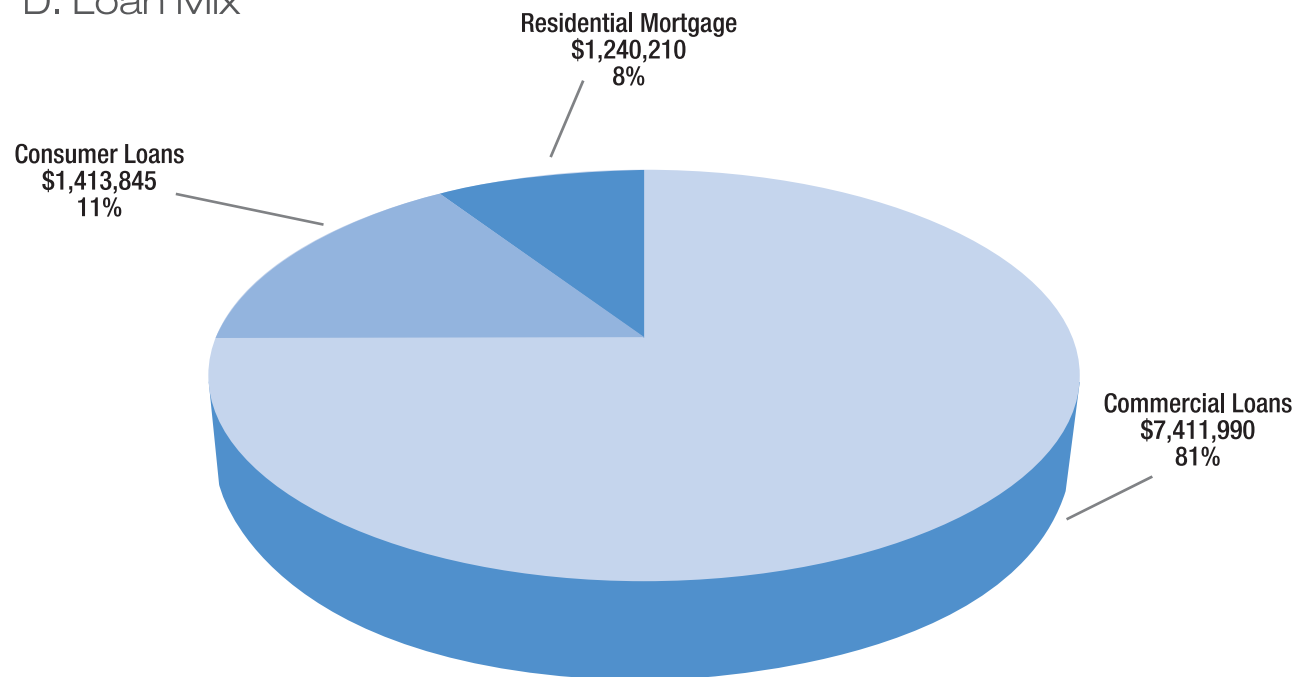
Selected Key Items	2013 Actual	2012 Actual	Variance (\$)	Variance (%)
Loans Receivable	10,066,045	8,047,161	2,018,884	25%
Stockholders' Equity	8,508,758	7,213,336	1,295,422	18%
Total Assets	10,862,608	9,490,818	1,371,790	14%
Retained Earnings	1,008,109	698,532	309,577	44%
Gross Revenue	1,033,847	705,871	327,976	46%
Total Operating Expenses	539,270	504,808	34,462	7%
Provision for Loan Losses	185,000	188,000	-3,000	-2%
Net Income	309,577	13,063	296,514	2270%

C. Asset Mix

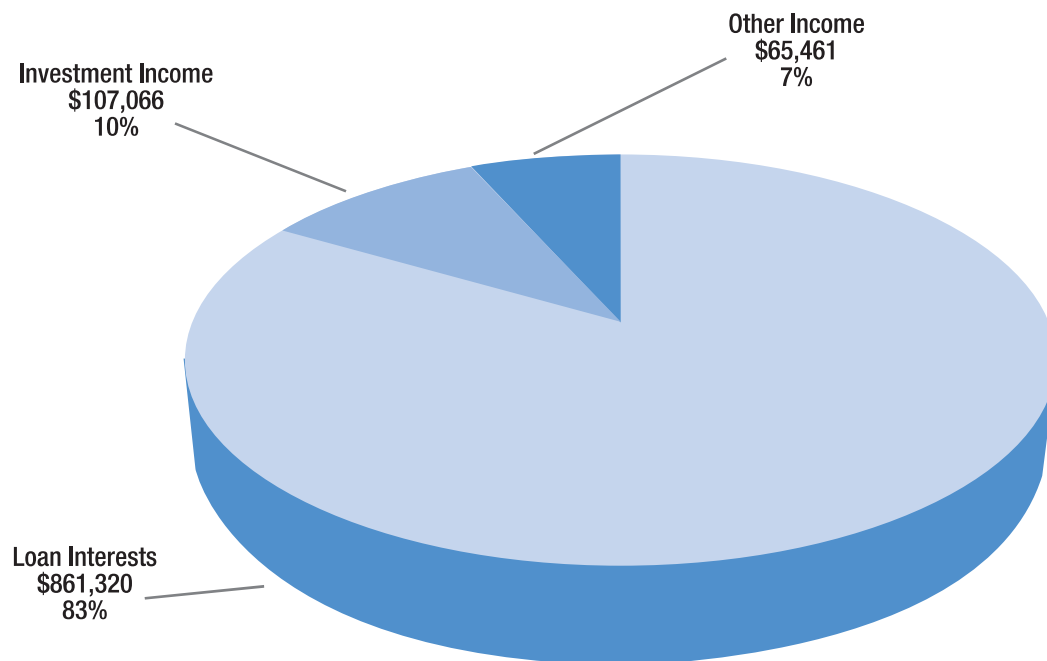


Loans Receivable is net of Loan Loss Reserve of \$522,634

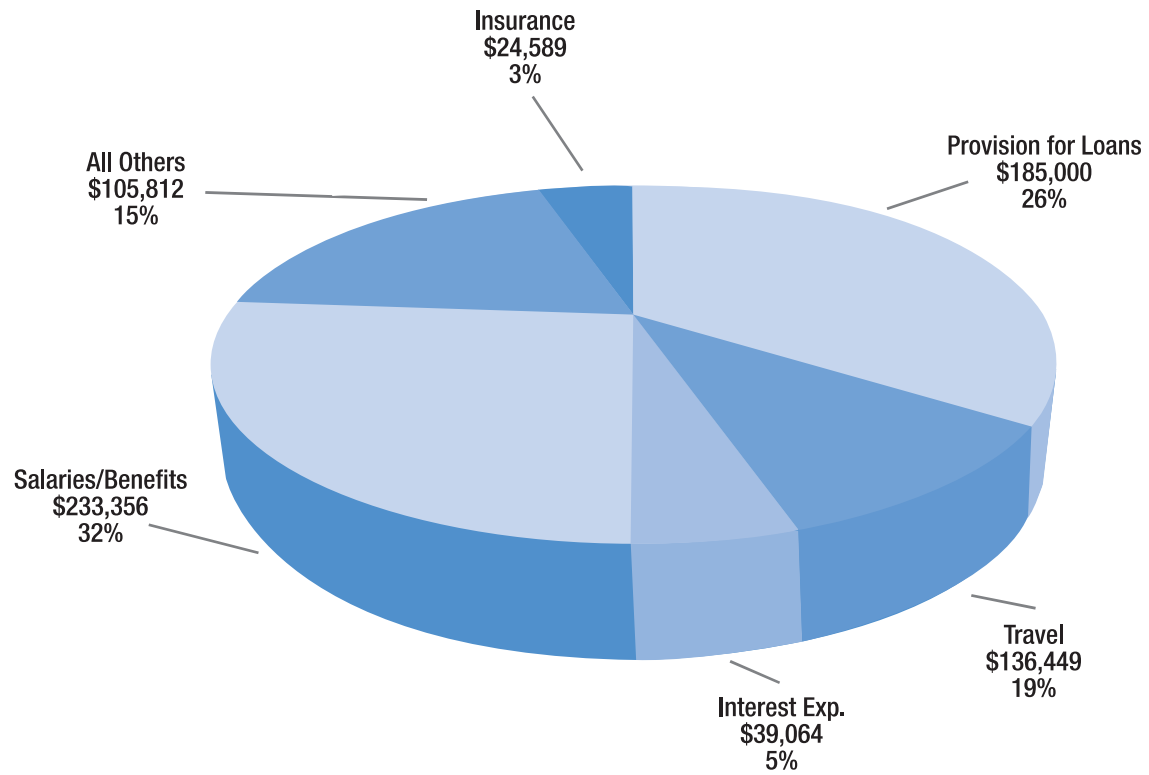
D. Loan Mix



E. Revenue by Source



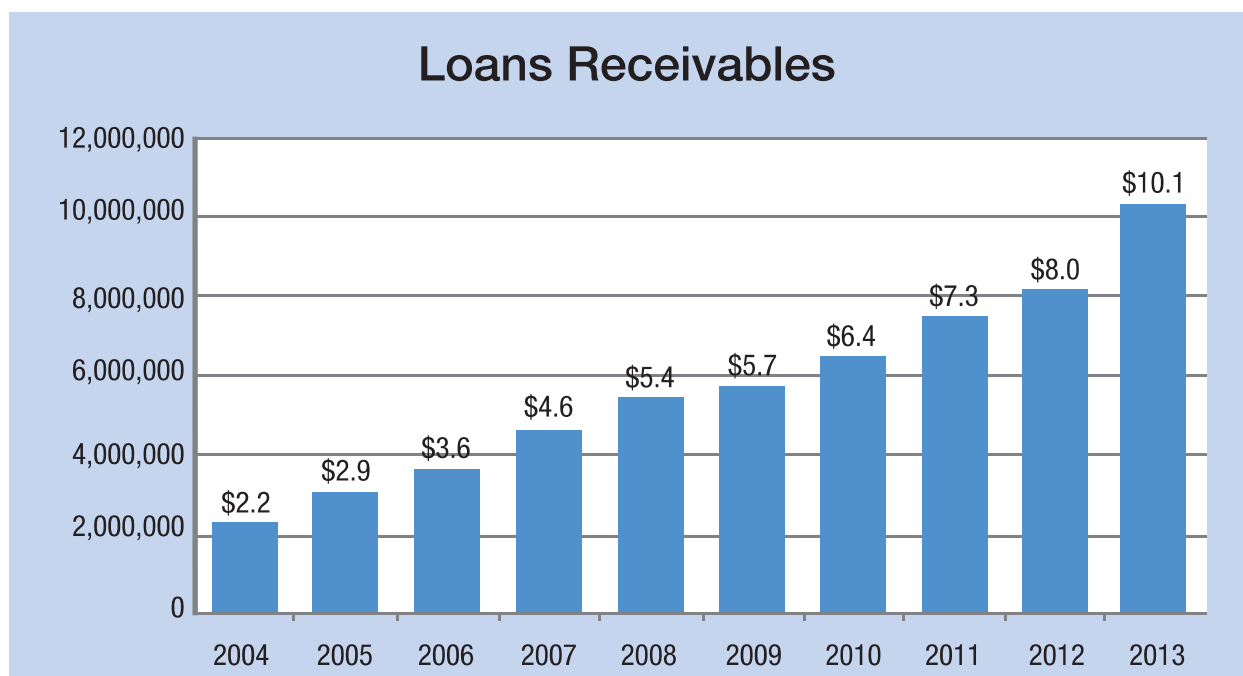
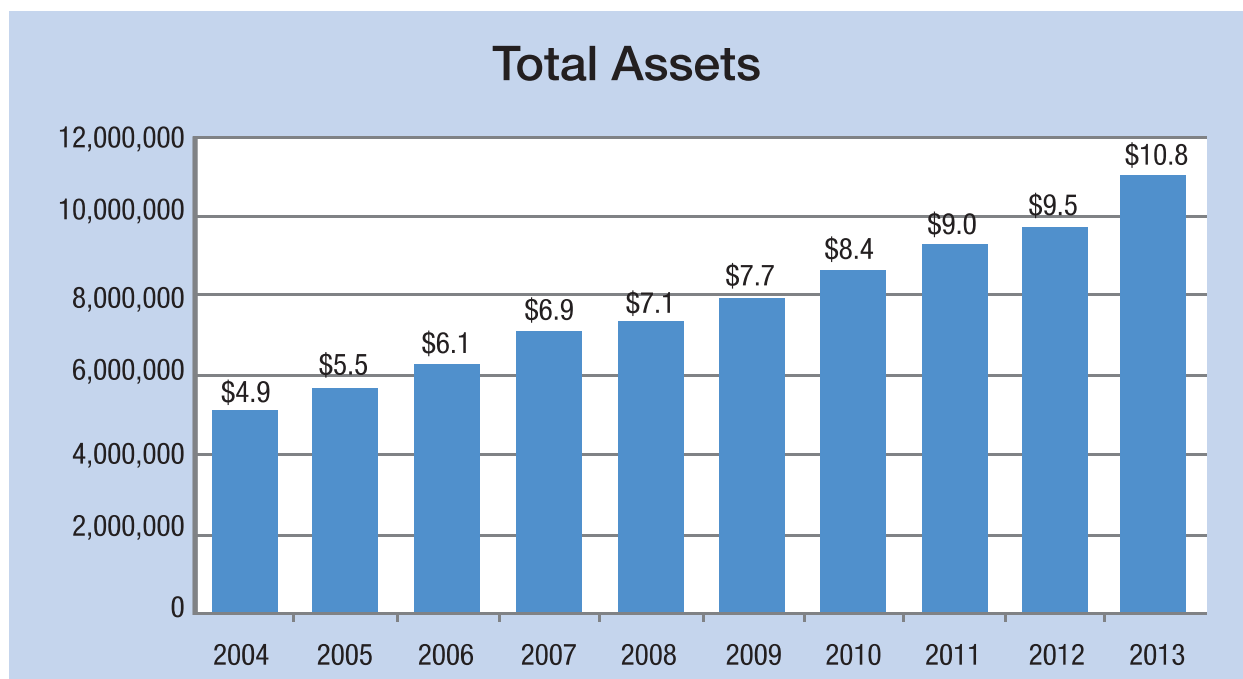
F. Major Expenses



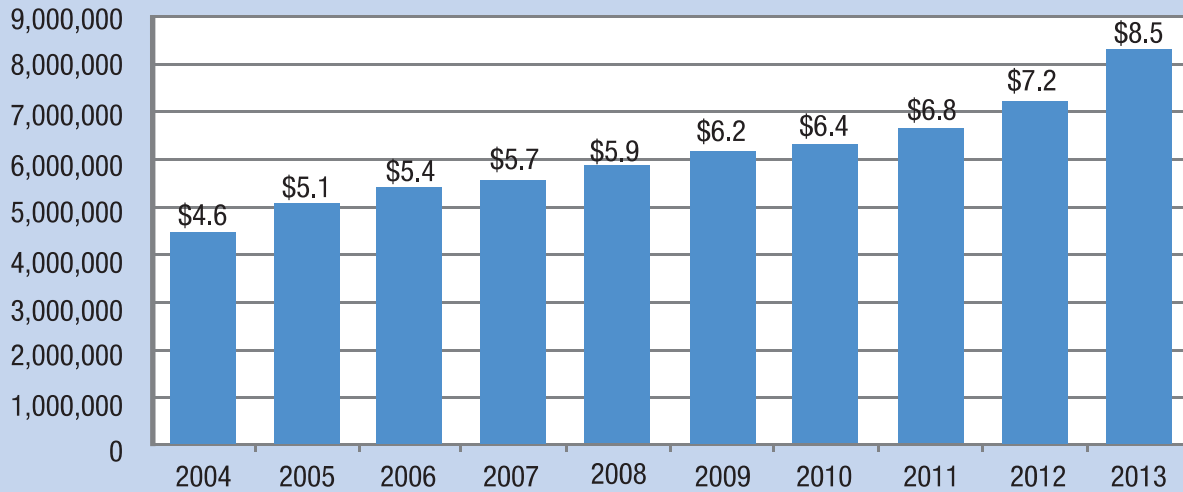
PART IV

HISTORICAL PERFORMANCE

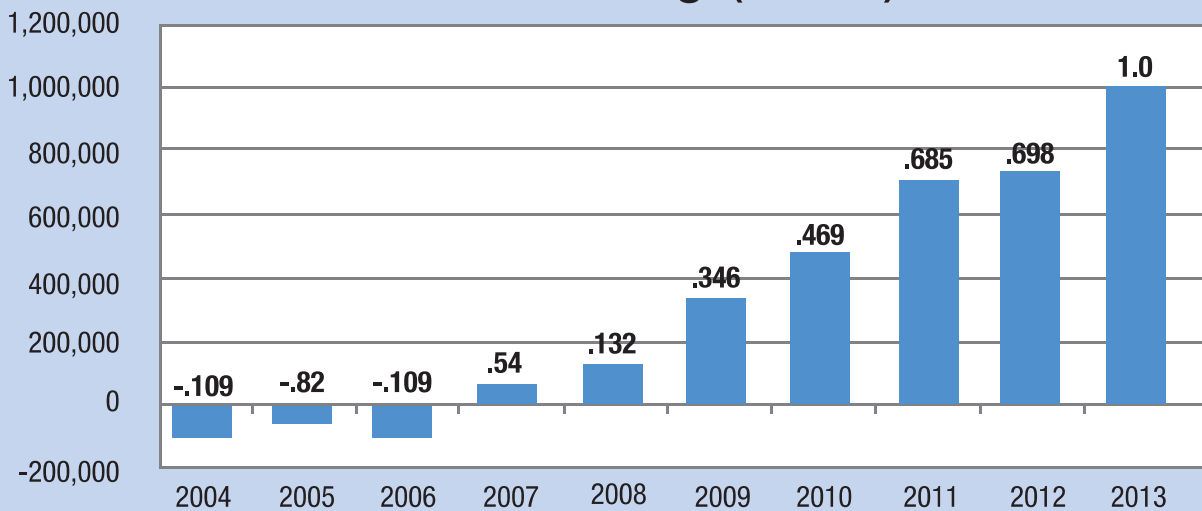
The following graphs show the historical performance of the Bank from 2004 to 2013 on selected key performance indicators.



Stockholders' Equity



Retained Earnings(Deficit)



Net Income (Loss)

