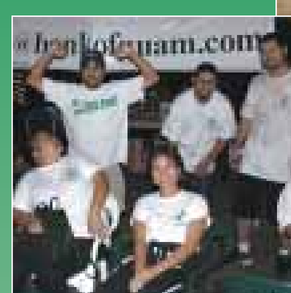
BANK OF GUAM

2003 ANNUAL REPORT



OUR STRENGTH...
Our Relationships!

Contents

Financial Highlights

[$ in thousands, except per share data]

At December 31st	2003	2002	Change in Amount	Change in %	2001
Total assets	$ 704,628	$ 696,277	$ 8,351	1.2%	$ 668,565
Total deposits	$ 623,121	$ 585,049	$ 38,072	6.5%	$ 561,210
Net loans	$ 358,048	$ 366,718	$ (8,670)	-2.4%	$ 396,403
Allowance for loan losses	$ 7,807	$ 7,508	$ 299	4.0%	$ 10,176
Investment securities	$ 247,741	$ 161,342	$ 86,399	53.6%	$ 169,250
Stockholders' equity	$ 64,851	$ 88,182	$ (23,331)	-26.5%	$ 87,197
Net (loss) income	$ (17,280)	$ 4,920	$ (22,200)	-451.2%	$ 7,141
Cash dividends declared					
Common stock	$ 4,274	$ 4,267	$ 7	0.2%	$ 4,781
PER SHARE					
Net (loss) income per common share-basic	$ (2.02)	$ 0.58	$ (2.60)	-448.3%	$ 0.74
Net (loss) income per common share-diluted	$ (1.97)	$ 0.55	$ (2.52)	-458.2%	$ 0.72
Cash dividends declared					
Common stock	$ 0.50	$ 0.50	$ 0.00	0.0%	$ 0.50
Book value per common share (9,947,115 and 9,933,333 shares outstanding at 2003 and 2002, respectively)	$ 7.58	$ 10.33	$ (2.74)	-26.6%	$ 10.23

Corporate Information

Annual Meeting
The 2004 annual meeting of stockholders will be held at 7:00PM on Monday, May 3, 2004, in the Bank's Headquarters Building in the Hagåtña Branch lobby.

Independent Accountants
Deloitte & Touche LLP
361 South Marine Drive
Tamuning, Guam 96913-3911
Tel: (671) 646-3884 • Fax: (671) 649-4932
www.dttguam.com

Tax Consultant
Robert J. Steffy, C.P.A.
210 Archbishop Flores Street • Suite 100
Hagåtña, Guam 96910
Tel: (671) 477-7829

General Counsel
Arriola, Cowan & Arriola
P.O. Box X • Hagåtña, Guam 96932
Tel: (671) 477-9731

Stocks
Bank of Guam stocks, under the symbol "BKG," were listed and eligible for trading in the Pacific Exchange until March 20, 2002. After March 20, 2002, Bank of Guam stocks began and continue to trade at Archipelago Exchange. The Bank of New York is the Registrar, Stock Transfer and Dividend Disbursing Agent for Bank of Guam's common stock, with duties that include: stock transfers, dividend payments, address changes and lost certificate replacements.

The Bank of New York Company, Inc.
One Wall Street • New York, NY 10286
Tel: (212) 495-1784
www.bankofny.com

Food Stamp Facilities
Cost-U-Less in Harmon and Tamuning
7-Day Supermarket in Yona • Hafa Adai Market in Yigo

Other Financial Services
Bank of Guam Trust Services
Headquarters Building • 6th Floor
111 Chalan Santo Papa • Hagåtña, Guam 96910
Tel: (671) 472-5743 • Fax: (671) 472-5527

Bank of Guam Financial Services/PrimeVest®
Headquarters Building • 6th Floor
111 Chalan Santo Papa • Hagåtña, Guam 96910
Tel: (671) 472-5490 • Fax: (671) 472-5527

Insurance Services
BankGuam Insurance Underwriters, Ltd.
Headquarters Building • 2nd Floor
111 Chalan Santo Papa • Hagåtña, Guam 96910
Tel: (671) 479-2265 • Fax: (671) 479-2266

Member
Federal Deposit Insurance Corporation
American Bankers Association
Guam Bankers Association
California Bankers Association
Western States Bankcard Association
Saipan Bankers Association

Government Supervision
Federal Deposit Insurance Corporation
Government of Guam
State of California
Government of the Commonwealth of the Northern Mariana Islands
Government of the Federated States of Micronesia
Government of the Republic of Palau
Government of the Republic of the Marshall Islands

As we entered 2003, the economies of our region continued to present Bank of Guam with both challenges and opportunities. The continuing recession in Japan and the aftermath of two major typhoons in Guam the previous year posed major obstacles. A change in the Administration of the government of Guam brought a move toward austerity, reduced government payrolls and a 50% increase in the business gross receipts tax rate. Early in the year, the U.S. invasion of Iraq and the panic caused by "severe acute respiratory syndrome" (SARS) both crippled tourism in the region. Interest rates remained at historically low levels, constraining net interest margins and eliminating any prospect of revenue growth in our loan portfolio.

However, elements of a turnaround fell into place. Beginning early last year and accelerating during the first several months, insurance claims and federal disaster assistance from the Federal Emergency Management Agency and the Small Business Administration gave a substantial boost to Guam's construction industry and a facelift for many homes and businesses. The new Administration in Guam revived consumer and business optimism, a fiscal crisis was averted and government operations returned to their accustomed levels by the end of the year. The finalization of renewed Compacts of Free Association with the U.S. reaffirmed prospects and eliminated uncertainty in the Federated States of Micronesia and the Republic of the Marshall Islands. The war in Iraq led to increased military activity and a sudden surge in military construction activity that reaffirms the importance of the American connection in the Pacific. Along with the U.S. economy, the world economy commenced recovery, and tourism throughout the region grew rapidly as a result. By the end of the year, the economies of the Bank's markets were experiencing a rebound.

The greatest accomplishment for Bank of Guam during the year, though, was the settlement of the long-standing dispute with the fiscal authorities in Guam regarding the taxability of interest from U.S. Treasury securities. The issue has presented an inordinately high risk to the Bank for several years, and that risk has now been permanently removed. This $15 million settlement, in addition to write-downs of associated tax credits and other related accounting entries, led to the first financial loss in the thirty-two years of Bank of Guam's history, a loss of $17.3 million compared to an unadjusted profit of $4.9 million in 2002. Nonetheless, management's attention can now be more fully devoted to the business ahead of us, and with the tax dispute a thing of the past, the future of the Bank looks very bright.

MESSAGE TO STOCKHOLDERS

The fundamental results of our operations in 2002 and 2003 can best be examined by removing the accounting effects of the tax settlement and related legal expenses. The Bank's profitability would have actually increased by 20.6%, from a normalized $4.11 million in 2002 to $4.95 million in 2003. While this favorable result was not realized due to the circumstances surrounding the tax case and its settlement, it nonetheless proves useful in analyzing the results of management's actions in the face of the challenging economic conditions that we encountered in 2003. Based upon this performance, Bank of Guam was still able to pay your quarterly dividends throughout 2003.

Despite the non-recurring loss of $17.3 million that Bank of Guam experienced in 2003, our strong capitalization allowed us to continue to be classified as "well capitalized" for regulatory purposes. We continue to exceed the FDIC's standards in our Total Capital ratio (18.0% v. 10.0%), our Tier 1 Capital ratio (9.0% v. 5.0%) and our Tier 1 Risk-Weighted Capital ratio (15.8% v. 6.0%). As I have reported in previous years, Bank of Guam's capitalization is a fundamental source of our strength as an institution. Last year's events tested that strength, and we prevailed.

Overall, the Bank's assets grew by $8.4 million (1.2%) to $704.6 million during 2003. Growth in deposits during the year strengthened our funding and helped the Bank to grow, and was balanced by increases in our investments that were partially offset by attrition in our loan portfolio, a drop in deposits at correspondent banks and a decrease in our sales of federal funds in the overnight market.

Restructuring our investment portfolio allowed us to increase our returns by 43.4% ($1.8 million), with an impact on income that counteracted two-thirds of the effects of historically low loan interest rates. While total interest income decreased by $1.1 million, a reduction in interest expenses of $1.9 million more than compensated, raising net interest income by $0.8 million. The stabilization in our loan portfolio helped to reduce our net loan losses in 2003 by 59.9% from 2002 (to $2.85 million from $7.11 million), and gradually recovering economic conditions strengthened our loan risk profile, allowing us to trim our provision for loan losses by $1.3 million. Even so, our loan loss reserve ratio climbed to 2.13% in 2003 from 2.01% the year before, maintaining our loan loss reserve ratio at a level well above industry standards.

William D. Leon Guerrero, Executive Vice President, and Anthony A. Leon Guerrero, President and Chairman of the Board, present Minyoung Kim (CENTER) of Trinity Christian School a certificate and check for winning Bank of Guam's High School 2004 Calendar Photography Contest.

Our Bank has been preparing for the past several years to take every advantage of the inevitable economic recovery, investing in our personnel, our service delivery systems and in our support technology. In addition, during 2003 we updated our strategic plan with a deliberate focus on our customers as our roadmap to prosperity, and our growth during the year indicates that the resulting restructuring is already yielding results.

The Bank made several advances internally during 2003, many of which were in the human resources side of our business. The Bank redoubled its training efforts, moving well beyond the technical proficiency that we demand of all our employees in their respective roles and changing the culture throughout the Bank more toward the active marketing of services. Cross-training our personnel increased their versatility within the organization. These and other moves during the year strengthened our manpower base and allowed us to reduce our staff by thirty-three (8.5%), resulting in a savings of $0.4 million, all of which was accomplished through attrition. A comprehensive review of the benefits package that the Bank provides to our employees has proven once again that we are highly competitive in the market so that we are better able to hire and retain some of the best workers available throughout the region.

Advances in technology have strengthened the Bank's services over the years, and 2003 was no different. Although many of our system upgrades are designed to be transparent to our customers, one enhancement stands out: our Internet banking service, Pacific Express® onLine, now makes it possible for our customers to pay their bills from anywhere in the world at whatever time they choose. Not only is this a milestone in providing the utmost in convenience to our customers; it also allows our tellers more time to serve the needs of our lobby customers and reduces the volume of paper that must be processed in our back room operations.

The Bank's officers continue to maintain a high profile throughout our market area, exhibiting our dedication to the islands, promoting the Bank's interests and being accessible to everyone who may need our services, whether now or in the future. We believe that these efforts will have a lasting effect on the Bank's performance as we broaden and strengthen our relationships with customers and non-customers alike.

For many years, our Bank has taken a more global perspective than other community banks of our size. With the stage set for global economic recovery and growth, that perspective will help to make Bank of Guam an important part of the continuing move toward globalization in our part of the world. After years of positioning in preparation for the upswing in the business cycle and with our new strategic plan in place and activated, we have set a firm agenda for the future progress of our Bank. The time to execute our preparations is upon us, and we are confident that we are ready to profit from the developments that lie ahead, building upon our internal strengths and the strengths of our relationships.

On behalf of the Board of Directors, the Bank's management and staff, and myself, I thank you for your continued support for and dedication to Bank of Guam. As the coming years unfold, I am confident that you will find your support rewarded.

Si Yu´us Ma´ase,´

Anthony A. Leon Guerrero
PRESIDENT AND CHAIRMAN OF THE BOARD

OUR STRENGTH... Our Relationships!

In 2003, in the midst of recovering from one of the region's harshest storms, Bank of Guam management embarked on the task of updating our Strategic Plan by formalizing assumptions and assessments we had about our business, setting in motion plans to propel the organization into a new era—an era of vitality and renewed sense of mission.

In brief, our vision for the future builds upon our accomplishments and a reinvigorated sense of commitment. We are ***"The People's Bank,"*** guided by the principle of delivering exceptional service and value to our customers and our stockholders.

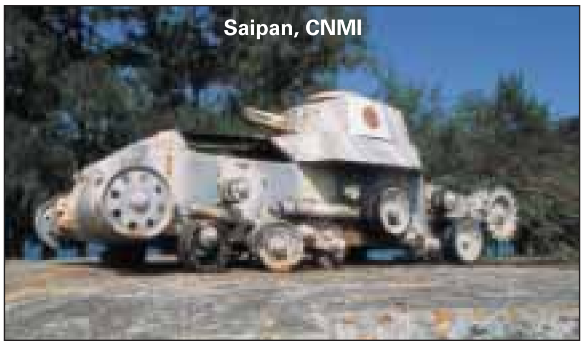
"using technology to deliver exceptional service..."

This year's annual report focuses on the components that have contributed to our incredible history, all of which will also take us into the future. They are simple: our customers, our employees, our delivery networks, our community and our stockholders.

"serving the financial needs of our military friends & neighbors, as well as teaching our children the value of savings..."

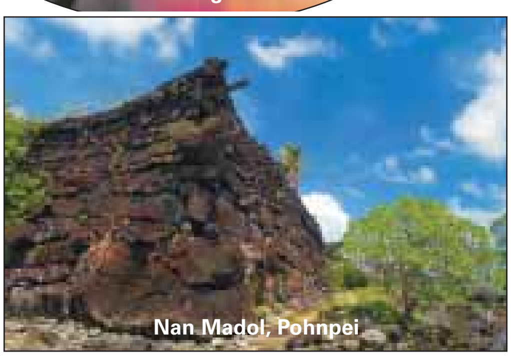
The Bank of Guam manages 23 branches and facilities in 10 locations throughout the Pacific and in San Francisco…


Rock Islands, Palau


Saipan, CNMI

"a proud tradition of serving our island neighbors throughout the Western Pacific..."


Chuuk Lagoon


Nan Madol, Pohnpei


Majuro


Kwajalein

Under the Pacific Express® umbrella of customer products, we have Pacific Express®, our automatic teller network of over 70 machines. Pacific Express® onLine, the Bank's Internet banking service has over 7,000 customers. Over 11,000 customers are on Pacific Express® Access, which provides information to our customers via telephone. The Pacific Express® ATM card is the largest card network in the region, with over 56,000 cardholders. With the Pacific Express® line of products and services, the Bank provides its customers… ***Banking Anytime… Anywhere!***

OUR STRENGTH... Our Customers!

Ben Pablo, AVP/Retail Banking Group Manager, with Ana C. and Mike Cruz, and Tishawnna Smith, PAC/Credit Officer

"providing loans for homes, autos and personal expenses..."

Jeff and Kathleen Bristol of The Nike Store and Island Golf, with Amoretta Carlson (CENTER), AVP/Mortgage Banking Group Manager

Retail and Mortgage Banking

Bank of Guam services thousands of households in this region. We provide loan products for homes, automobiles and personal expenditures. Throughout our network, we offer an array of depository products, including checking and time deposit accounts, IRAs and TCDs. Accounts are accessible through our branches, the telephone and your own computers.

Commercial Banking

Numerous businesses bank with Bank of Guam. From the region's largest multinationals…

Caroline H. Sablan, AVP/Business Development Officer, and Neil Davy, General Manager of LSG Guam & Saipan

Joseph Husslein, PacifiCare Asia Pacific President, and Wayne S.N. Santos, AVP/Marketing Officer

…to local entrepreneurs…

John Perez, Tom Perez and Joseph Perez, the principals of Perez Brothers, Inc.

Shawn Leon Guerrero, AVP/Loan Review Officer, and Bo Heon Lee of Yona Mobil station

Linda Yeomans of Primo Surf and Joseph Cruz, AC/ Marketing Officer

Ben Agulto, AVP/Credit Manager, and Patricia Villagomez Cepeda, MSV Enterprises, Saipan

from schools…

Kalistus Rengiil, AVP/Credit Officer, with Santa Barbara Catholic School's Sister Maria Rosario Gaite, Vice Principal, and Sister Jeanette Pangelinan, Principal

Dr. Ellen Bez, Dr. Annie U. Bordallo (CENTER) and their staff with Joyce Miyashita (FAR RIGHT), VP/Credit Administrator

…to modern health care facilities… Bank of Guam offers loan and depository products. We offer an Internet cash management product to manage cash effectively, and also operate merchant services to process credit and debit card transactions. PrimeVest® Financial Services provides brokerage and financial services, while BG Insurance meets the insurance needs of our corporate and consumer customers.

Ann M. Roth, VP/Financial Services Officer and PrimeVest® Investment Executive, and Flora Baza Quan, Executive Director of University of Guam Endowment Foundation, Inc.

OUR STRENGTH... *Our Community!*

BANK OF GUAM IS THE COMMUNITY

Bank of Guam has traditionally been one of the region's most generous benefactors to civic, philanthropic and athletic organizations.

Guam Special Olympics

From very significant cash donations to the American Red Cross to sponsoring athletic and civic events, Bank of Guam is an integral part of the community. But more important than such donations are the leadership roles played by Bank of Guam management and staff in spearheading activities which improve the quality of life for our people in the islands.

American Cancer Society's Relay for Life First Place Team Winner

CNMI Nurses Association

Marcie Tomokane (second from right), VP/CNMI Regional Manager, together with the CNMI Nurses Association for a fundraising event to provide additional nursing education

Independent Auditors' Report

Deloitte & Touche LLP
361 South Marine Drive
Tamuning, Guam 96913-3911

Tel: (671) 646-3884
Fax: (671) 649-4932
www.dttguam.com

Deloitte Touche Tohmatsu

To the Board of Directors and
Stockholders of the Bank of Guam:

We have audited the accompanying consolidated statement of condition of Bank of Guam and its subsidiaries as of December 31, 2003, and the related consolidated statements of (loss) income, comprehensive (loss) income, changes in stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Bank for the years ended December 31, 2002 and 2001 were audited by other auditors whose report dated February 28, 2003, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bank of Guam and its subsidiaries as of December 31, 2003, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

February 13, 2004

[$ in thousands]

Consolidated Statements of Condition

	As of December 31, 2003	As of December 31, 2002
Assets		
Cash and due from banks	$ 33,465	$ 39,207
Federal funds sold	7,830	36,600
Interest bearing deposits with banks	5,587	33,519
Total cash and cash equivalents	46,882	109,326
Investment securities	247,741	161,342
Loans, net of allowance for loan losses	358,048	366,718
Accrued interest receivable	3,576	3,196
Premises and equipment, net	26,229	28,911
Goodwill	789	789
Other assets	21,363	25,995
	$ 704,628	$ 696,277
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits:		
Non-interest bearing	$ 166,245	$ 162,301
Interest bearing	456,876	422,748
Total deposits	623,121	585,049
Accrued interest payable	492	571
FHLB advance	10,000	15,000
Long-term borrowings	4,000	6,000
Other liabilities	2,164	1,475
Total liabilities	639,777	608,095
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.2083 par value; 48,000,000 shares authorized; 9,947,115 and 9,933,333 shares outstanding at 2003 and 2002, respectively	2,073	2,070
Additional paid-in capital	14,011	13,942
Retained earnings	65,532	87,086
Accumulated other comprehensive (loss) income	(1,434)	415
	80,182	103,513
Common stock in treasury, at cost (1,393,761 shares)	(15,331)	(15,331)
Total stockholders' equity	64,851	88,182
	$ 704,628	$ 696,277

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

[$ in thousands, except per share amounts]

CONSOLIDATED STATEMENTS OF (LOSS) INCOME

	For the Years Ended December 31,		
	2003	2002	2001
Interest income:			
Loans	$ 28,557	$ 31,257	$ 39,237
Investment securities	5,800	4,046	8,138
Federal funds sold	231	343	651
Deposits with banks	153	200	241
Total interest income	34,741	35,846	48,267
Interest expense:			
Time deposits	1,380	2,184	7,409
Savings deposits	2,433	3,565	7,113
Other borrowed funds	763	743	1,178
Total interest expense	4,576	6,492	15,700
Net interest income	30,165	29,354	32,567
Provision for loan losses	3,150	4,439	3,571
Net interest income after provision for loan losses	27,015	24,915	28,996
Non-interest income:			
Service charges and fees	4,302	4,582	4,202
Other income	5,937	6,402	5,132
Total non-interest income	10,239	10,984	9,334
Non-interest expenses:			
Salaries and employee benefits	12,997	13,366	14,604
Occupancy	4,477	4,284	4,240
Furniture and equipment	3,354	3,201	3,144
General, administrative and other	11,545	9,543	9,465
Total non-interest expenses	32,373	30,394	31,453
Income before income taxes	4,881	5,505	6,877
Income tax expense (benefit) (Note 9)	22,161	585	(264)
Net (loss) income	$ (17,280)	$ 4,920	$ 7,141
(Loss) earnings per share:			
Basic	$ (2.02)	$ 0.58	$ 0.74
Diluted	$ (1.97)	$ 0.55	$ 0.72

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

[$ in thousands]

Consolidated Statements of Comprehensive (Loss) Income

	For the Years Ended December 31,		
	2003	2002	2001
Net (loss) income	$ (17,280)	$ 4,920	$ 7,141
Other comprehensive (loss) income, net of tax effects:			
Unrealized holding (loss) gain on available-for-sale securities arising during the period	(1,890)	254	114
Reclassification for gains realized on available-for-sale securities during the period	41	-	-
Total other comprehensive (loss) income	(1,849)	254	114
Comprehensive (loss) income	$ (19,129)	$ 5,174	$ 7,255

Consolidated Statements of Changes in Stockholders' Equity

	For the Years Ended December 31,		
	2003	2002	2001
Common stock:			
Balance at beginning of year (9,933,333, 9,919,087 and 9,902,569 shares, respectively)	$ 2,070	$ 2,067	$ 2,063
Common stock issued to employees (13,782, 14,246 and 16,518 shares issued, respectively)	3	3	4
Balance at end of year (9,947,115, 9,933,333 and 9,919,087 shares, respectively)	2,073	2,070	2,067
Additional paid-in capital:			
Balance at beginning of year	13,942	13,867	13,775
Common stock issued to employees	69	75	92
Balance at end of year	14,011	13,942	13,867
Common stock in treasury (1,393,761 shares)	(15,331)	(15,331)	(15,331)
Accumulated other comprehensive (loss) income:			
Balance at beginning of year	415	161	47
Change in unrealized (loss) gain on securities available-for-sale, net of tax effects	(1,849)	254	114
Balance at end of year	(1,434)	415	161
Retained earnings:			
Balance at beginning of year	87,086	86,433	84,073
Net (loss) income	(17,280)	4,920	7,141
Cash dividends declared	(4,274)	(4,267)	(4,781)
Balance at end of year	65,532	87,086	86,433
Total stockholders' equity	$ 64,851	$ 88,182	$ 87,197

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

[$ in thousands]

Consolidated Statements of Cash Flows

	For the Years Ended December 31, 2003	2002	2001
Cash flows from operating activities:			
Net (loss) income	$ (17,280)	$ 4,920	$ 7,141
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:			
Provision for loan losses	3,150	4,439	3,571
Depreciation and amortization	3,068	3,067	3,196
Amortization of goodwill	-	-	43
Amortization (accretion) of fees, discounts and premiums	1,625	(895)	(6,480)
Realized gain on sale of available-for-sale securities	(128)	(538)	(34)
Loss on foreign exchange valuation	-	1	13
Gain on sale of assets	(5)	(21)	(13)
Writedown and loss on sale of foreclosed assets	955	2,600	458
Write-off of tax assets due to tax settlement	4,471	-	-
Net change in:			
Accrued interest receivable	(380)	(231)	1,287
Other assets	(695)	(292)	(2,203)
Accrued interest payable	(79)	(613)	(1,638)
Other liabilities	689	501	157
Net cash (used in) provided by operating activities	(4,609)	12,938	5,498
Cash flows from investing activities:			
Purchases of investment securities	(443,335)	(472,314)	(529,225)
Proceeds from sales of investment securities	90,013	22,430	29,790
Maturity of investment securities	263,577	459,389	490,212
Net (increase) decrease in loans receivable	(15,411)	(1,948)	22,198
Proceeds from sale of loans	21,066	20,825	8,816
Purchase of bank premises and equipment	(668)	(884)	(1,899)
Proceeds from sale of bank premises and equipment	53	22	19
Net cash (used in) provided by investing activities	(84,705)	27,520	19,911
Cash flows from financing activities:			
Net increase (decrease) in deposits	38,072	23,839	(5,510)
Payment of subordinated debt	(2,000)	(2,000)	(2,000)
Proceeds from (payment of) FHLB advances	(5,000)	5,000	(5,000)
Proceeds from issuance of common stock	72	78	96
Purchase of treasury stock	-	-	(15,331)
Dividends paid	(4,274)	(4,267)	(4,781)
Net cash provided by (used in) financing activities	26,870	22,650	(32,526)
Net (decrease) increase in cash and cash equivalents	(62,444)	63,108	(7,117)
Cash and cash equivalents at beginning of year	109,326	46,218	53,335
Cash and cash equivalents at end of year	$ 46,882	$ 109,326	$ 46,218
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	$ 4,655	$ 7,105	$ 17,338
Income taxes	16,299	-	-
Supplemental schedule of noncash investing and financing activities:			
Foreclosed assets transferred from loans, net	$ 1,487	$ 11,294	$ 7,612
Transfer of foreclosed assets to loans	(1,385)	(1,111)	(979)
Transfer of fixed assets to insurance receivable	(234)	-	-

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2003, 2002 and 2001

Note 1 - Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of the Bank of Guam (the Bank) and its wholly-owned subsidiaries, BankGuam Properties, Inc. and BankGuam Insurance Underwriters, Ltd. All significant intercompany and interbranch balances and transactions have been eliminated in consolidation.

Assets held by the Bank's Trust department in a fiduciary capacity are not assets of the Bank, and, accordingly, are not included in the accompanying consolidated financial statements.

Business

The Bank provides a variety of financial services to individuals, small businesses and government through its branches. The Bank's headquarters is located in Hagatna, Guam and operates branches located on Guam, the Commonwealth of the Northern Mariana Islands (CNMI), the Federated States of Micronesia (FSM), the Republic of the Marshall Islands (RMI), the Republic of Palau and the USA. The Bank currently has twelve branches in Guam, three in the CNMI, two in the FSM, two in the RMI, one in Palau, and one in San Francisco. Its primary deposit products are demand deposits, savings and term certificate accounts, and its primary lending products are consumer, commercial and real estate loans.

Risks and Uncertainties

In the normal course of its business, the Bank encounters two significant types of risks: economic and regulatory. There are three main components of economic risk: interest rate risk, credit risk and market risk. The Bank is subject to interest rate risk to the degree that its interest-bearing liabilities mature or re-price at different speeds, or on a different basis, than its interest-earning assets. Incorporated into interest rate risk is prepayment risk. Prepayment risk is the risk associated with the prepayment of assets, and the write-off of premiums associated with those assets, if any, should interest rates fall significantly. Credit risk is the risk of default, primarily in the Bank's loan portfolio that results from the borrower's inability or unwillingness to make contractually required payments. Market risk reflects changes in the value of securities, the value of collateral underlying loans receivable and valuation of real estate owned. Credit and market risks can be affected by a concentration of business in the Pacific Rim.

The Bank is subject to the regulations of various government agencies. These regulations may change significantly from period to period. Such regulations can also restrict the growth of the Bank as a result of capital requirements. The Bank also undergoes periodic examinations by the regulatory agencies, which may subject it to further changes with respect to asset valuations, amounts of required loss allowances and operating restrictions. Such changes may result from the regulators' judgments based on information available to them at the time of their examination.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the periods presented. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, and the valuation of real estate owned.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash and balances due from banks, federal funds sold, and interest bearing deposits with banks, all of which mature within ninety days. The Bank is required by the Federal Reserve System to maintain non-interest earning cash reserves against certain of their deposit accounts. At December 31, 2003, the required combined reserves totaled approximately $10,957.

The Bank is required to maintain non-interest bearing compensating balances with Bank of the West in consideration for the federal funds purchased and Letters of Credit facilities with the institution. The average balance required to be maintained for such purposes for 2003 and 2002 was $250.

Investment Securities

The Bank accounts for investment securities based on their classification as trading, available-for-sale or held-to-maturity. Securities are classified in accordance with management's intention regarding their retention. Accounting for each group of securities follows the requirements of Statement of Financial Accounting Standards (SFAS) No. 115, *Accounting for Certain Investments in Debt and Equity Securities.* Investments in the trading category are carried at fair value with unrealized gains and losses recorded in earnings. Investments in the available-for-sale category are recorded at fair value with unrealized gains and losses excluded from earnings and reported in other comprehensive income. Gains and losses on the sale of investment securities are recorded on the trade date and are determined using the specific identifi-

(Note 1: Summary of Significant Accounting Policies, Continued...)

...Investment Securities, Continued

cation method. Investments in the held-to-maturity category are recorded at amortized cost. For investments classified as held-to-maturity, premiums and discounts are initially recorded as part of the investment securities' balance, and are amortized or accreted, respectively, to interest income on the straight-line method, which approximates the interest yield method, over the period to maturity (call dates, if earlier, with respect to premiums) of the related securities.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in income using the straight-line method over the contractual life of the loans. Differences between this method and the interest method are not significant and do not otherwise materially affect the accompanying financial statements.

Loans are placed on a nonaccrual basis when principal and interest is past due on a contractual basis 90 days or more and the loan is not fully collateralized or when, in the opinion of management, principal and interest is not likely to be paid in accordance with its terms. At the time the loan is placed on a nonaccrual basis, interest previously recorded but not collected is reversed against current income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured, or the loan becomes sufficiently secured and is in the process of collection.

The Bank accounts for impaired loans in accordance with SFAS No. 114, *Accounting by Creditors for Impairment of a Loan.* SFAS No. 114 requires that impaired loans be measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, or as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. When the measure of the impaired loan is less than the recorded balance of the loan, the impairment is recorded through a valuation allowance included in the allowance for loan losses. The Bank considers a loan to be impaired when, based on current information and events, it is probable the Bank will be unable to collect all amounts due (principal and interest) according to the contractual terms.

Allowance for Loan Losses

The allowance for loan losses is maintained at a level adequate to provide for losses that can reasonably be anticipated. The allowance for loan losses is increased by provisions charged to earnings. Loan losses or charge-offs are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. The provision for loan losses is based on management's evaluation of the adequacy of the allowance for loan losses. Such evaluation encompasses consideration of past loss experience and other factors, including change in composition and volume of the loan portfolio, the relationship of the allowance to the portfolio and other economic conditions. The allowance is based on estimates and ultimate losses may differ from current estimates.

Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Bank has entered into commitments to extend credit, including commitments under credit card arrangements, commercial letters of credits and standby letters of credit. Such financial instruments are recorded when they are funded.

Premises and Equipment

Premises and equipment are reported at cost, less accumulated depreciation and amortization. Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the related assets. Depreciation expense has been computed principally using estimated lives of 15 to 40 years for premises and 5 to 10 years for furniture and equipment. Leasehold improvements are amortized ratably over the shorter of the respective lease term or the estimated useful lives of the improvements.

Construction-in-progress consists of accumulated direct and indirect costs associated with the Bank's construction of premises and equipment which have not been placed in service and, accordingly, have not been subjected to depreciation. Such assets are depreciated over their estimated useful lives when completed and placed in service.

Foreclosed Assets

Properties acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at the lower of the carrying amount of the loan or the fair value of the property reduced by estimated selling costs. Write-downs of the asset at, or prior to, the date of foreclosure are charged to the allowance for losses on loans. Subsequent write-down, income and expense incurred in connection with holding such assets, and gains and losses realized from the sales of such assets are included in other income and expenses.

[in thousands, except per share data]

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2003, 2002 and 2001

(Note 1: Summary of Significant Accounting Policies, Continued...)

Goodwill

Effective January 1, 2002, goodwill which is deemed to have indefinite lives is no longer amortized, but instead will be tested at least annually for impairment in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets.* Upon adoption of SFAS No. 142, the Bank did not identify any existing intangible assets to be separately reported from goodwill.

Treasury Stock

In October 2001, the Bank repurchased 1,393,761 shares of common stock in accordance with the terms of a litigation settlement. The Bank's repurchased shares of common stock are recorded as "common stock in treasury" and are recorded as a reduction of stockholders' equity. These shares were recorded under the cost method of accounting for treasury stock. Pursuant to the approval terms of the Bank's primary regulatory agency, the shares must be reissued within five years.

Income Taxes

Income taxes represent taxes recognized under laws of the Government of Guam, which generally conform to U.S. income tax laws. Foreign income taxes result from payments of taxes with effective rates ranging from 2% to 4% of gross income of the Commonwealth of the Northern Mariana Islands, the FSM, the RMI and Palau to their respective government jurisdictions. U.S. Federal and California income taxes have been reflected as foreign taxes for financial reporting purposes.

The Bank accounts for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes.* Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws.

Dividends Declared

At its discretion, the Bank declares dividends to its stockholders on record as of the declaration date. The Bank declared and paid dividends of $0.125 per each share of common stock outstanding for each of the quarters in 2003 and 2002.

Comprehensive Income

Accounting principles generally accepted in the United States of America require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the consolidated statement of condition, such items, along with net income, are components of comprehensive income.

Earnings Per Common Share

Basic earnings per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Bank relate solely to outstanding stock options, and are determined using the treasury stock method.

Earnings per common share have been computed based on the following:

	2003	2002	2001
Net (loss) income	$ (17,280)	$ 4,920	$ 7,141
Less: preferred stock dividend	-	-	-
Net (loss) income applicable to common stock	$ (17,280)	$ 4,920	$ 7,141
Average number of common shares outstanding	8,545	8,533	9,630
Effect of dilutive options	231	338	231
Average number of common shares outstanding used to calculate diluted earnings per common share	8,776	8,871	9,861

Note 2 - Recent Accounting Pronouncements

Goodwill and Other Intangibles

In June 2001, the Financial Accounting Standards Board (FASB or the "Board") issued SFAS No. 142, *Goodwill and Other Intangible Assets.* SFAS No. 142 supersedes APB No. 17, *Intangible Assets,* and primarily addresses the accounting for goodwill and intangible assets subsequent to their initial recognition. The provisions of SFAS No. 142 (1) prohibit the amortization of goodwill and indefinite-lived intangible assets, (2) require that goodwill and indefinite-lived intangible assets be tested annually for impairment (and in interim periods if certain events occur indicating that the carrying value of goodwill and/or indefinite-lived intangible assets may be impaired), (3) require that reporting units be identified for the purpose of assessing potential future impairments of goodwill, and (4) remove the forty-year limitation on the amortization period of intangible assets that have finite lives. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001, and the Bank adopted the provisions of SFAS No. 142 in its first quarter beginning January 1, 2002. The Bank has insignificant balances related to goodwill and/or intangible assets and the adoption of SFAS No. 142 did not have a material impact on the Bank's results of operations.

Long-lived Assets

In August 2001, the FASB issued SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets.* SFAS No. 144 requires the recognition of an impairment loss on long-lived assets if the carrying amount exceeds its fair value, as determined using undiscounted cash flows expected to result from the use and eventual disposition of the asset. SFAS No. 144 is effective for the Bank's fiscal year beginning on January 1, 2002. The adoption of SFAS No. 144 did not have a material effect on the Bank's results of operations.

Other Recent Accounting Pronouncements

In April 2002, the FASB issued SFAS No. 145, *Rescission of FASB Statement Nos. 4, 44, and 64, Amendment of FASB Statement No. 13 and Technical Corrections.* Accordingly, gains or losses from the extinguishment of debt shall not be reported as extraordinary items unless the extinguishment qualifies as an extraordinary item under the criteria of APB No. 30. Gains or losses from extinguishment of debt that do not meet the criteria of APB No. 30 should not be reclassified to income from continuing operations in all prior periods presented. This standard, which became effective May 15, 2002, rescinded or amended several previous statements. The adoption of SFAS No. 145 did not have a material effect on the Bank's results of operations or financial position.

In June 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with the Exit or Disposal of Activities.* The Bank adopted this statement as of January 1, 2003. SFAS No. 146 requires that liability for a cost associated with an exit or disposal of activity be recognized when the liability is incurred and nullifies the guidance of EITF No. 94-3, which recognizes a liability for an exit cost at the date of an entity's commitment to an exit plan. SFAS No. 146 requires that the initial measurement of a liability be at fair value. The Bank has no plans to exit or dispose of any of its segment or lines of business; therefore, the adoption of SFAS 146 did not have a material effect on the Bank's results of operations or financial position.

In October 2002, the FASB issued SFAS No. 147, *Acquisitions of Certain Financial Institutions, an amendment of FASB Statement Nos 72 and 144 and FASB Interpretation No. 9.* This statement became effective October 1, 2002. This statement clarifies that except for transactions between two or more mutual enterprises, acquisition of all or a part of a financial institution is to be accounted for in accordance with SFAS Nos. 141 and 142. SFAS No. 147 did not have a material impact on the Bank.

In November 2002, the FASB issued Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements of Guarantees* (FIN 45). FIN 45 expands on the accounting guidance of SFAS Nos. 5, 57 and 107 and incorporates without change the provisions of FIN 34, which is superceded. FIN 45 elaborates on the existing disclosure requirements for most guarantees and requires that guarantors recognize a liability for the fair value of guarantees at inception. The disclosure requirements of FIN 45 are effective for financial statement periods ending after December 15, 2002. The initial recognition and measurement provisions of FIN 45 are applied on a prospective basis to guarantees issued or modified after December 31, 2002. Refer to note 15 for a complete description of significant guarantees that have been entered into by the Bank. Adopting the measurement provisions of FIN 45 did not have a material impact at the adoption date and management believes that it will not have a material impact on the Bank's future financial position or results of operations.

In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of FASB Statement No. 123.* SFAS No. 123, *Accounting for Stock-Based Compensation,* permitted two methods of accounting for stock options granted to employees. SFAS No. 148 now permits companies voluntarily changing to the "fair value" method to choose between the current prospective transition method and two other new transition approaches if the change occurs in 2002 or 2003. After 2003, companies voluntarily changing to the "fair value" method

[in thousands, except per share data]

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2003, 2002 and 2001

(Note 2: Recent Accounting Pronouncements, Continued...)

...Other Recent Accounting Pronouncements, Continued

will have to use one of the two new transition approaches. The Bank has decided not to adopt SFAS No. 123, the result of which does not have a material effect on the Bank's results of operations, financial position, or cash flows.

In January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities, an interpretation of ARB No. 51.* FIN 46 provides a new framework for identifying variable interest entities (VIEs) and determining when a company should include the assets, liabilities, non-controlling interests and results of activities of a VIE in its consolidated financial statements. In December 2003, the FASB issued a modification to FIN 46 (FIN 46R), which delayed the effective date for certain entities until no later than fiscal periods ending after March 31, 2004. The Bank does not have variable interest entities, therefore, the adoption of this statement did not have a material effect on the Bank's results of operations, financial position, or cash flows.

In April 2003, the FASB issued SFAS No. 149, *Amendment of Statement 133 and Derivative Instruments and Hedging Activities.* SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities.* The changes in SFAS No. 149 improve financial reporting by requiring that contracts with comparable characteristics be accounted for similarly. SFAS No.149 is effective for contracts entered into or modified after September 30, 2003, with certain exceptions, and for hedging relationships designated after September 30, 2003. All provisions of SFAS No. 149 should be applied prospectively. The adoption of SFAS No. 149 did not have a material effect on the Bank's results of operations or financial position.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity,* which is effective May 31, 2003 for all new and modified financial instruments and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. SFAS No. 150 changes the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. SFAS No. 150 requires that those instruments be classified as liabilities (or assets in some circumstances). The adoption of this statement did not have a material effect on the Bank's results of operations, financial position, or cash flows.

Note 3 - Investment Securities

In September 2002, the Bank sold securities originally classified as held-to-maturity. The total amount of securities sold was $16,365 with a gain of $538. According to SFAS No. 115, there are specific guidelines stating when a transfer/sale is allowed from held-to-maturity securities to available-for-sale securities. If a sale or transfer of a security classified as held-to-maturity occurs for a reason other than those specified in paragraphs 8 and 11, the sale or transfer calls into question the Bank's intent to hold securities to maturity. Therefore, the Bank transferred all remaining held-to-maturity securities to available-for-sale. The Bank did not have a held-to-maturity or trading portfolio as of December 31, 2003 and 2002.

The amortized cost and fair value of investment securities available-for-sale, with gross unrealized gains and losses, follows:

	2003			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury obligations	$ 47,685	$ 35	$ 14	$ 47,706
U.S. Government agencies obligations	173,396	363	2,102	171,657
Other securities	28,831	-	453	28,378
	$ 249,912	$ 398	$ 2,569	$ 247,741

[in thousands, except per share data]

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2003, 2002 and 2001

(Note 3: Investment Securities, Continued...)

	2002			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury obligations	$ 72,672	$ 164	$ 3	$ 72,833
U.S. Government agencies obligations	84,916	496	-	85,412
Other securities	3,125	-	28	3,097
	$ 160,713	$ 660	$ 31	$ 161,342

At December 31, 2003 and 2002, investment securities with a carrying value of $98,275 and $103,423, respectively, were pledged to secure various Government deposits and other public requirements.

The amortized cost and fair value of investment securities available-for-sale by contractual maturity at December 31, 2003, follows:

	Amortized Cost	Fair Value
Due within one year	$ 56,789	$ 56,815
Due after one but within five years	91,154	91,024
Due after five but within ten years	39,936	39,425
Due after ten years	62,033	60,477
	$ 249,912	$ 247,741

For the years ended December 31, 2003, 2002 and 2001, maturities and proceeds from sales of available-for-sale investment securities amounted to $353,590, $481,819 and $520,002, respectively. Net realized gains amounted to $128, $538 and $34, respectively.

Note 4 - Loans

A summary of the balances of loans at December 31, 2003 and 2002 follows:

	2003	2002
Commercial	$ 195,890	$ 198,777
Real estate	80,962	85,167
Consumer	76,966	80,079
Government	11,659	10,000
Other	378	203
Gross loans	365,855	374,226
Less: allowance for loan losses	7,807	7,508
Net loans	$ 358,048	$ 366,718

At December 31, 2003 and 2002, loans to directors and executive officers of the Bank amounted to $16,996 and $22,312, respectively. These loans were extended in the normal course of business and at prevailing interest rates.

[in thousands, except per share data]

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2003, 2002 and 2001

(Note 4: Loans, Continued...)

At December 31, 2003, loans outstanding were comprised of 77% variable rate loans and 23% fixed rate loans.

A summary of the changes in the allowance for loan losses for the years ended December 31, 2003, 2002 and 2001, follows:

	2003	2002	2001
Balance at beginning of year	$ 7,508	$ 10,176	$ 9,640
Provision for loan losses	3,150	4,439	3,571
Loans charged-off	(3,718)	(9,307)	(4,055)
Recoveries of loans previously charged-off	867	2,200	1,020
Balance at end of year	$ 7,807	$ 7,508	$ 10,176

The following is a summary of information pertaining to impaired loans:

	2003	2002
Impaired loans without a valuation allowance	$ -	$ 530
Impaired loans with a valuation allowance	9,954	13,960
Total impaired loans	$ 9,954	$ 14,490

	2003	2002	2001
Average investment in impaired loans	$ 16,335	$ 22,716	$ 34,215
Interest income recognized on impaired loans	$ 123	$ 776	$ 1,644
Interest income recognized on a cash basis on impaired loans	$ 123	$ 776	$ 1,644

Note 5 - Premises and Equipment

A summary of premises and equipment at December 31, 2003 and 2002 follows:

	2003	2002
Buildings	$ 27,587	$ 27,943
Furniture and equipment	22,799	22,951
Automobiles and mobile facilities	848	865
Leasehold improvements	3,581	3,686
	54,815	55,445
Less accumulated depreciation	29,737	27,646
	25,078	27,799
Construction-in-progress	1,151	1,112
	$ 26,229	$ 28,911

For the years ended December 31, 2003, 2002 and 2001, depreciation expense amounted to $3,068, $3,067 and $3,196, respectively.

[in thousands, except per share data]

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2003, 2002 and 2001

Note 6 - Other Assets

A summary of other assets at December 31, 2003 and 2002 follows:

	2003	2002
Deferred tax asset	$ 2,137	$ 4,128
Prepaid income tax	13	2,133
Prepaid expenses	4,566	4,194
Foreclosed assets, net	10,204	11,294
Food stamps redeemed	634	1,839
Insurance claims	1,432	-
Other	2,377	2,407
	$ 21,363	$ 25,995

Foreclosed assets are presented net of an allowance for losses. A summary of the changes in foreclosed assets is as follows:

	2003	2002
Balance at beginning of year	$ 11,294	$ 7,612
Additions	1,487	7,699
Sales	(1,590)	(1,417)
	11,191	13,894
Writedowns/loss on sale, net	(842)	(2,600)
Provision for valuation losses	(145)	-
Balance at end of year	$ 10,204	$ 11,294

A summary of foreclosed asset operations, which are included in non-interest expenses, for the years ended December 31, 2003, 2002 and 2001 is as follows:

	2003	2002	2001
Real estate operations, net	$ 477	$ (328)	$ 109
Loss (gain) on the sale of the foreclosed assets	(32)	155	80
Writedowns	842	2,445	272
Provision on valuation losses	145	-	-
Net losses from other real estate operations	$ 1,432	$ 2,272	$ 461

[in thousands, except per share data]

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2003, 2002 and 2001

Note 7 - Deposits

A summary of deposits at December 31, 2003 and 2002 follows:

	2003	2002
Non-interest bearing deposits	$ 166,245	$ 162,301
Interest bearing deposits:		
Demand deposits	63,543	55,731
Regular savings	209,174	194,641
Time deposits:		
$100,000 or more	107,424	91,546
Less than $100,000	21,689	22,178
Other interest-bearing deposits	55,046	58,652
	$ 456,876	$ 422,748
Total	$ 623,121	$ 585,049

At December 31, 2003, the scheduled maturities of time deposits are as follows:

Year ending December 31,	
2004	$ 126,378
2005	1,135
2006	403
2007	271
2008	411
Thereafter	515
	$ 129,113

Note 8 - Borrowings

Federal Home Loan Bank (FHLB) Advances

The Bank has a credit line with FHLB equal to 15% of total assets. At December 31, 2003 and 2002, the Bank had outstanding advances against this credit line under Blanket Agreements for Advances and Security Agreements (the Agreements) of $10,000 and $15,000, respectively. The Agreements enable the Bank to borrow funds from the FHLB to fund mortgage loan programs and to satisfy certain other funding needs. The weighted average rate of interest applicable to the advance was 4.25% and 4.49% at December 31, 2003 and 2002, respectively. The advances outstanding at December 31, 2003 are due to mature by October 2005, with principal repayments scheduled to be $5,000 due in June 2004 and October 2005. The value of the mortgage-backed securities and mortgage loans pledged under the Agreements must be maintained at not less than 115% and 150%, respectively, of the advances outstanding.

Long-Term Debt

During 1996, the Bank exchanged all outstanding shares of its 11% Cumulative Perpetual Preferred Stock, Series A, and its 9.8% Cumulative Perpetual Preferred Stock, Series B, for $10,000 of subordinated debt. The indenture provides for the payment of interest each quarter beginning March 31, 1996, at a rate of 8.625% per annum through December 31, 2000, thereafter interest accrues at the rate of LIBOR plus. 0.375%. Principal repayments scheduled in quarterly installments of $500 commenced on March 31, 2001. At December 31, 2003 and 2002, the outstanding balance of the subordinate debt amounted to $4,000 and $6,000, respectively.

Line of Credit

The Bank has a $5,000 line of credit agreement with Bank of the West. Extensions of credit are limited to the following types of credit facilities: commercial letters of credit, standby letters of credit, and back-up line for federal funds borrowed.

[in thousands, except per share data]

(Note 8: Borrowings, Continued...)

...Line of Credit, Continued

None of the sublimits for the above facilities can exceed the $5,000 total principal limit. There were no lines outstanding at December 31, 2003 and 2002.

In addition, at December 31, 2003 and 2002, the Bank had $65,000 in federal funds lines of credit available with its correspondent banks, respectively. At December 31, 2003 and 2002, there were no outstanding borrowings against any of these lines.

Note 9 - Income Taxes

The income tax provision (benefit) includes the following components:

	2003	2002	2001
Government of Guam income taxes:			
Current	$ 19,901	$ -	$ -
Deferred	1,991	281	(628)
Foreign income taxes (including U.S. income taxes)	269	304	364
Total income tax expense (benefit)	$ 22,161	$ 585	$ (264)

The components of deferred income taxes are as follows:

	2003	2002	2001
Loan loss provision	$ (102)	$ 907	$ (182)
Foreign tax credit carry-forward	1,115	(303)	(364)
NOL carry-forward	1,264	(441)	(205)
Depreciation, accelerated for tax purposes	98	98	98
Deferred loan origination fees	19	18	28
Foreclosed assets valuation	344	-	-
Net unrealized loss on securities available-for-sale	(738)	-	-
Other, net	(9)	2	(3)
Deferred tax provision (benefit)	$ 1,991	$ 281	$ (628)

The components of the net deferred tax asset are as follows:

	2003	2002	2001
Deferred tax assets:			
Allowance for loan losses	$ 2,655	$ 2,553	$ 3,460
Foreign tax credit carry-forward	-	1,115	811
NOL carry-forward	-	1,264	823
Foreclosed assets	(297)	47	47
Net unrealized loss on securities available-for-sale	738	-	-
Loan origination fees	378	397	415
Total deferred tax asset	3,474	5,376	5,556

[in thousands, except per share data]

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2003, 2002 and 2001

(Note 9: Income Taxes, Continued...)

	2003	2002	2001
Deferred tax liability:			
Depreciation	(1,337)	(1,239)	(1,140)
Other	-	(9)	(7)
Total deferred tax liability	(1,337)	(1,248)	(1,147)
Net deferred tax asset	$ 2,137	$ 4,128	$ 4,409

No valuation allowance has been provided to reduce the deferred tax asset because, in management's opinion, it is more likely than not that the entire amount will be realized.

Reconciliation between income tax expense computed at the Guam statutory rate and the effective income tax rates is summarized as follows:

	2003	2002	2001
Statutory Guam income tax rate	34%	34%	34%
Tax settlement agreement	428	-	-
Nontaxable interest income	(8)	(23)	(38)
Effective tax rate	454%	11%	(4)%

Nontaxable interest income in 2002 and 2001 is related to net interest income earned on U.S. Treasury, other U.S. Government Obligations and a loan to the Government of Guam. The Bank had received a Final Notice of Deficiency ("90 Day Letter") for tax years 1992 through 1994 from the Guam Department of Revenue and Taxation (the Department) asserting that interest income earned on U.S. Treasury and other U.S. Government Obligations is subject to tax. In September 2003, the Bank and the Department entered into a settlement agreement under which the Bank paid $15,000 and agreed to forego certain recorded deferred tax assets and prepaid income taxes. The settlement resulted in an income tax provision of $19,471 recorded in September and October 2003. The settlement agreement has effectively closed all tax years through 2001. Legal fees relating to this tax settlement that were incurred by the Bank during the year ended December 31, 2003 amounted to $2,268 and are recorded within general, administrative and other expenses. The Bank included interest income earned on U.S. Treasury and other U.S. Government Obligations for 2002 in its tax return, filed in September 2003. Nontaxable interest income in 2003 is related to interest income earned on loans to the Government of Guam.

Note 10 - Employee Benefit Plans

Stock Purchase Plan

The Bank's stock purchase plan adopted in 1991 expired on April 30, 2001. On May 1, 2001, the Bank adopted a new stock purchase plan that covers substantially all employees meeting the minimum service requirements. Under the plan, qualified employees are allowed to participate in the purchase of designated shares of the Bank's common stock at 85% of fair market value at date of exercise. A maximum of 1,946,608 shares are authorized for issuance. As of December 31, 2003, 1,650,000 right to purchase shares have been granted to employees. Right to purchase shares are exercisable for ten-year period from the date of grant. For the years ended December 31, 2003, 2002 and 2001, shares totaling 13,782, 13,396 and 15,068, respectively, were issued under the plan at average prices per share of $5.24, $5.26 and $5.74, respectively.

Executive Employment Agreements

The President and Executive Vice President are employed under agreements terminating on December 31, 2006 and May 31, 2003, respectively. Under the agreements, each receives a specified base salary, which is adjusted annually for changes in the Guam Consumer Price Index plus an incentive bonus. The President's and the Executive Vice President's bonuses are based on profitability, also within the defined limit, subject to adjustments based on the Bank meeting certain performance criteria.

The employment agreements between the Bank and the President and the Executive Vice President provide, in the event of their death during the term of their respective employment contracts, for the continuation of the payment of certain compensation amounts to designated

[in thousands, except per share data]

(Note 10: Employee Benefit Plans, Continued...)
...Executive Employment Agreements, Continued

survivors for a period of five years.

The late Chairman's bonus under an agreement is based on the level of qualified assets or profitability, within a defined limit. The Board of Directors resolved to pay this bonus to the late Chairman's spouse for the remaining term through 2007.

Under a Phantom Stock unit and stock option plan, the President and Executive Vice President may elect to receive up to $100 each in Phantom Stock units in lieu of an equal amount of incentive bonus as computed in their respective employment agreements. These nonvoting Phantom Stock units may be held for receipt of dividends equal to the dividend rate of the Bank's common stock or may be redeemed at a price equal to the market value of the Bank's common stock. In addition, for each Phantom Stock unit received, the executive employee receives options to purchase three shares of the Bank's common stock at a price equal to the market value of the stock at the date the options are granted. The redemption of the Phantom Stock or the exercise of the options will result in the forfeiture by the executive employee of any rights under the other. At December 31, 2003 and 2002, there were no Phantom Stock units outstanding under the plan.

Employee Retirement Savings Plan

The Bank has a 401(k) Plan whereby substantially all employees, with at least one year of continuous service, are eligible to participate in the Plan. The Bank makes matching contributions equal to 50 percent of the first 6 percent of an employee's compensation contributed to the Plan. Matching contributions vest to the employee over a five-year period of service. For the years ended December 31, 2003, 2002 and 2001, expense attributable to the Plan amounted to $159, $170 and $194, respectively.

Note 11 - Lease Commitments

The Bank utilizes facilities, equipment and land under various operating leases with terms ranging from 1 to 99 years. Additionally, the Bank leases office space to third parties, with terms ranging from 3 to 5 years with option periods ranging up to 15 years.

At December 31, 2003, annual lease commitments under the above noncancelable operating leases were as follows:

Year ending December 31,	
2004	$ 1,747
2005	1,338
2006	1,064
2007	579
2008	545
Thereafter	24,546
	$ 29,819

The Bank leases certain facilities from three separate entities in which three of its directors have separate ownership interests. Lease payments made to these entities during the years ended December 31, 2003, 2002 and 2001 were approximately $482, $422 and $283, respectively.

At December 31, 2003, minimum future rents to be received under noncancelable operating sublease agreements were as follows:

Year ending December 31,	
2004	$ 152
2005	35
	$ 187

[in thousands, except per share data]

(Note 11: Lease Commitments, Continued...)

A summary of the rental activities for the years ended December 31, 2003, 2002, and 2001 is as follows:

	2003	2002	2001
Rent expense	$ 2,000	$ 2,052	$ 2,168
Less: sublease rentals	331	354	356
	$ 1,669	1,698	1,812

Note 12 - Fair Value of Financial Instruments

Financial instruments are defined as cash, evidence of an ownership interest in an entity or a contract that both impose contractual obligations and rights to exchange cash and/or other financial instruments on the parties to the transaction. The following methods and assumptions were used by the Bank in estimating the fair value of each class of financial instruments.

Cash and Cash Equivalents

The carrying amounts of cash and short-term instruments approximate fair values.

Investment Securities

Fair values of investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable securities.

Loans

For variable-rate loans that re-price frequently and with no significant change in credit risk, fair values are based on carrying values. Fair values for other loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. The carrying amount of accrued interest approximates its fair value.

Deposits

The fair values disclosed for demand deposits (e.g., interest and non-interest checking, passbook savings and certain types of money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Federal Home Loan Bank Advances

The fair value of these advances approximates their carrying amounts as the rate of interest re-prices according to the FHLB quoted rates of borrowing for advances with similar terms.

Long-Term Borrowings

The fair value of long-term debt was estimated from dealer quotes on debt with similar terms.

Off-Balance Sheet Commitments and Contingent Liabilities

Management does not believe it is practicable to provide an estimate of fair value because of the uncertainty involved in attempting to assess the likelihood and timing of a commitment being drawn upon, coupled with a lack of an established market and the wide diversity of fee structures.

The estimated fair values of the Bank's financial instruments are as follows:

	2003		2002	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:				
Cash and cash equivalents	$ 46,882	$ 46,882	$ 109,326	$ 109,326
Investment securities	$ 247,741	$ 247,741	$ 161,342	$ 161,342
Loans, net of allowance	$ 358,048	$ 360,370	$ 366,718	$ 370,581

[in thousands, except per share data]

(Note 12: Fair Value of Financial Instruments, Continued...)
...Off-Balance Sheet Commitments and Contingent Liabilities, Continued

	2003		2002	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial liabilities:				
Deposits	$ 623,121	$ 623,745	$ 585,049	$ 586,689
Federal Home Loan Bank advances	$ 10,000	$ 10,000	$ 15,000	$ 15,000
Long-term debt	$ 4,000	$ 4,000	$ 6,000	$ 6,000

Note 13 - Minimum Regulatory Capital Requirements

The Bank is subject to various regulatory capital requirements administered by the United States federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the following table) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 2003 and 2002, that the Bank met all capital adequacy requirements to which they are subject.

As of December 31, 2003, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, an institution must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the following tables. There are no conditions or events since the notification that management believes have changed the Bank's category. The Bank's actual capital amounts and ratios as of December 31, 2003 and 2002 are also presented in the table.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2003:						
Total capital						
(to Risk Weighted Assets)	$ 74,681	18.01%	$ 33,179	8.00%	$ 41,474	10.00%
Tier 1 capital						
(to Risk Weighted Assets)	$ 65,496	15.79%	$ 16,590	4.00%	$ 24,884	6.00%
Tier 1 capital						
(to Average Assets)	$ 65,496	9.04%	$ 28,994	4.00%	$ 36,242	5.00%

[in thousands, except per share data]

(Note 13: Minimum Regulatory Capital Requirements, Continued...)

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2002:						
Total capital (to Risk Weighted Assets)	$ 96,649	22.44%	$ 34,461	8.00%	$ 43,076	10.00%
Tier 1 capital (to Risk Weighted Assets)	$ 84,238	19.56%	$ 17,230	4.00%	$ 25,845	6.00%
Tier 1 capital (to Average Assets)	$ 84,238	12.36%	$ 27,268	4.00%	$ 34,084	5.00%

Note 14 - Off-Balance Sheet Activities

The Bank is a party to credit related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit and commercial letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount reflected in the consolidated financial statements.

The Bank's exposure to credit loss, in the event of nonperformance by the other parties to financial instruments for loan commitments and letters of credit, is represented by the contractual amount of these instruments. The Bank follows the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

A summary of financial instruments with off-balance-sheet risk at December 31, 2003 and 2002 is as follows:

	2003	2002
Commitments to extend credit	$ 69,650	$ 54,572
Letters of credit:		
Standby letters of credit	$ 3,863	$ 3,444
Other letters of credit	862	1,294
	$ 4,725	$ 4,738

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for certain lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if it is deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the customer.

Commercial and standby letters-of-credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party or shipment of merchandise from a third party. Those letters-of-credit are primarily issued to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters-of-credit is essentially the same as that involved in extending loan facilities to customers. Management does not anticipate any material losses as a result of these transactions.

[in thousands, except per share data]

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2003, 2002 and 2001

Note 15 - Guarantees

In November 2002, the FASB issued FIN 45. This interpretation of previously existing accounting standards clarifies the obligations under certain guarantee arrangements about which information is to be disclosed and the content of that disclosure. For the purpose of this interpretation a guarantee is a contract in which the guarantor would be required to pay the guaranteed party based on changes in underlying asset, liability, or equity security of the guaranteed party of based on a third party's failure to perform under an obligating guarantee (performance guarantee). The Bank has determined that its standby letters-of-credit and financial guarantees are guarantees within the meaning of FIN 45.

Standby letters-of-credit and financial guarantees are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party in borrowing arrangements.

At December 31, 2003, the maximum undiscounted future payments that the Bank could be required to make was $3,863. All of these arrangements mature within one year. The Bank generally has recourse to recover from the customer any amounts paid under these guarantees. Most of the guarantees are fully collateralized, however, several are unsecured. The Bank had not recorded any liabilities associated with these guarantees at December 31, 2003.

Note 16 - Operating Segments

The Bank has determined that its reportable segments are those that are based on the Bank's method of internal reporting, which disaggregates its business on a geographic basis. As of December 31, 2003, the Bank has two reportable operating segments: Guam and the CNMI branches.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Bank evaluates the performance of its segments and allocates resources to them based on net interest income and net income. There are no material intersegment revenues.

The tables below present information about the Bank's operating segments as of and for the years ended December 31, 2003, 2002 and 2001, respectively.

	Guam	CNMI	Other	Consolidated Total
Year Ended December 31, 2003:				
Net interest income	$ 24,464	$ 4,554	$ 1,147	$ 30,165
Provision for loan losses	$ 1,962	$ 780	$ 408	$ 3,150
Income tax expense	$ 21,893	$ 187	$ 81	$ 22,161
Net (loss) income	$ (19,798)	$ 1,848	$ 670	$ (17,280)
Segment assets	$ 459,386	$ 150,516	$ 94,726	$ 704,628
Year Ended December 31, 2002:				
Net interest income	$ 23,157	$ 4,716	$ 1,481	$ 29,354
Provision for loan losses	$ 3,311	$ 780	$ 348	$ 4,439
Income tax expense	$ 281	$ 214	$ 90	$ 585
Net income	$ 2,536	$ 1,871	$ 513	$ 4,920
Segment assets	$ 451,271	$ 155,991	$ 89,015	$ 696,277

[in thousands, except per share data]

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2003, 2002 and 2001

(Note 16: Operating Segments, Continued...)

	Guam	CNMI	Other	Consolidated Total
Year Ended December 31, 2001				
Net interest income	$ 23,882	$ 6,065	$ 2,620	$ 32,567
Provision for loan losses	$ 2,680	$ 535	$ 356	$ 3,571
Income tax (benefit) expense	$ (598)	$ 230	$ 104	$ (264)
Net income	$ 5,042	$ 1,807	$ 292	$ 7,141
Segment assets	$ 459,693	$ 145,008	$ 63,864	$ 668,565

Note 17 - Contingency

In December 2002, a major typhoon struck Guam causing significant damage to the Bank's premises and equipment. In 2003, the Bank expensed approximately $400 for repairs associated with the typhoon and has accrued approximately $1,500 at December 31, 2003 for disbursements related to items included in the Bank's insurance claim of $13,300 that was filed in February 2004. The Bank has made all essential repairs to continue operations and future repairs will be dependent upon the level of funds realized from the insurance settlement. The Bank does not have complete information at this time to determine the ultimate outcome of this settlement. However, management believes that the ultimate outcome should not have a material adverse affect on the Bank's financial position. Accordingly, no provision for any gain or loss that may result upon the final settlement has been recorded in the accompanying financial statements.

Note 18 - Quarterly Data (Unaudited)

	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Year Ended December 31, 2003:				
Interest income	$ 9,160	$ 8,741	$ 8,608	$ 8,232
Interest expense	(967)	(1,071)	(1,225)	(1,313)
Net interest income	8,193	7,670	7,383	6,919
Provision for loan losses	(750)	(750)	(750)	(900)
Net interest income after provision for loan losses	7,443	6,920	6,633	6,019
Non-interest income (expense), net	(5,349)	(6,746)	(5,149)	(4,890)
Income before income taxes	2,094	174	1,484	1,129
Provision for income taxes	(4,269)	(17,686)	(122)	(84)
Net income (loss)	$ (2,175)	$ (17,512)	$ 1,362	$ 1,045
Earnings (loss) per share:				
Basic	$ (0.25)	$ (2.05)	$ 0.16	$ 0.12
Diluted	$ (0.26)	$ (1.99)	$ 0.16	$ 0.12

[in thousands, except per share data]

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2003, 2002 and 2001

(Note 18: Quarterly Data [Unaudited], Continued...)

	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Year Ended December 31, 2002:				
Interest income	$ 8,939	$ 8,622	$ 8,934	$ 9,351
Interest expense	(1,479)	(1,536)	(1,650)	(1,827)
Net interest income	7,460	7,086	7,284	7,524
Provision for loan losses	(2,189)	(750)	(750)	(750)
Net interest income after provision for loan losses	5,271	6,336	6,534	6,774
Non-interest income (expense), net	(6,721)	(3,999)	(4,131)	(4,559)
Income (loss) before income taxes	(1,450)	2,337	2,403	2,215
Provision for income taxes	818	(486)	(582)	(335)
Net income (loss)	$ (632)	$ 1,851	$ 1,821	$ 1,880
Earnings (loss) per share:				
Basic	$ (0.07)	$ 0.22	$ 0.21	$ 0.22
Diluted	$ (0.07)	$ 0.21	$ 0.20	$ 0.21

The increase in the provision for income taxes recorded in 2003 is the result of a tax settlement entered into by the Bank (see note 9).

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

The past year was filled with challenges for Bank of Guam, beginning with massive efforts in Guam to recover from a devastating typhoon, continuing with the recessionary pressures that have plagued the region for several years and culminating with the settlement of a long-standing tax dispute with the government of Guam that led to the first financial loss for the Bank in its 32 year history. Despite these obstacles, Bank of Guam has maintained its solid footing and a reasonable level of profit performance in its core businesses. The Bank closed 2003 with total resources of $704.6 million, up $8.4 million (1.2%) from $696.3 million at the end of 2002, due to strong growth in our deposits. This increase in total resources was primarily allocated to the $86.4 million increase in investment securities, partially offset by a decrease in federal funds sold of $28.8 million, a decrease in interest bearing deposits with other banks of $27.9 million, a decrease in net loans by $8.7 million, and a decrease in cash and due from banks of $5.7 million.

	2003	2002	$ Change	% Change
Assets ($000)				
Cash and Due from Banks	$ 33,465	$ 39,207	$ (5,742)	-14.6%
Federal Funds Sold	7,830	36,600	(28,770)	-78.6%
Interest Bearing Deposits with Banks	5,587	33,519	(27,932)	-83.3%
Total Cash and Cash Equivalents	46,882	109,326	(62,444)	-57.1%
Investment Securities	247,741	161,342	86,399	53.6%
Net Loans	358,048	366,718	(8,670)	-2.4%
Accrued Interest Receivable	3,576	3,196	380	11.9%
Premises and Equipment, net	26,229	28,911	(2,682)	-9.3%
Goodwill	789	789	-	0.0%
Other Assets	21,363	25,995	(4,632)	-17.8%
Total Assets	$ 704,628	$ 696,277	$ 8,351	1.2%

In terms of materiality, the greatest impact on Bank of Guam's profitability last year was related to the settlement of a tax dispute between the Bank and the government of Guam. The settlement, along with related accounting charges but excluding attorneys' fees, resulted in a one-time charge of $19.5 million against income.

During 2003, the interest rate environment continued to put pressure on the Bank's interest margins. At midyear, interest rates dropped an additional 25 basis points, with a target federal funds rate of 1.00%. Despite this, net interest income increased by $0.8 million, to $30.2 million, due to a reduction of $1.9 million (29.5%) in total interest expense, partially offset by a smaller reduction of $1.1 million (3.1%) in total interest income

In terms of profitability, the Bank recorded its first financial loss in its 32 year history, with a net loss after taxes of $17.3 million, resulting from the $19.5 million one-time charge in connection with the settlement of the tax dispute and the write-down of associated tax credits, plus $2.3 million in related legal expenses. As a consequence of this one-time loss, the Bank's shareholders' equity closed the year at $64.9 million, which, after dividends ($4.3 million) and unrealized losses on investment securities ($1.8 million), was down $23.3 million from 2002. However, the Bank continues to maintain a strong capital position vis-à-vis the FDIC's minimum capital adequacy standards and continues to be classified as "well capitalized" for regulatory purposes.

	2003	2002	$ Change	% Change
Total Interest Income	$ 34,741	$ 35,846	$ (1,105)	-3.1%
Total Interest Expense	4,576	6,492	(1,916)	-29.5%
Net Interest Income	30,165	29,354	811	2.8%
Provision for Loan Losses	3,150	4,439	(1,289)	-29.0%
Net Interest Income after Provision	27,015	24,915	2,100	8.4%
Total Non-Interest Income	10,239	10,984	(745)	-6.8%
Total Non-Interest Expense	32,373	30,394	1,979	6.5%
Income Before Income Taxes	4,881	5,505	(624)	-11.3%
Income Tax Expense	22,161	585	21,576	3,688.2%
Net (loss) Income	$ (17,280)	$ 4,920	$ (22,200)	-451.2%

Despite the one-time charge and the continued challenging conditions of the island economies, the Bank's profit performance in its core businesses remains reasonably strong. On a normalized basis, excluding the tax settlement and related legal expenses, the Bank would have recorded a net profit of $5.0 million, or an increase of 20.6% from last year's normalized net profits of $4.1 million.

Loans and Deposits

Due to the prolonged adverse economic conditions in our region, the Bank remained focused on stabilizing its asset quality and continued to implement strict limits on its lending activity during 2003. This stance contributed to the overall decline in the Bank's loan portfolio, which closed the year at $365.9 million, down $8.4 million (2.2%) from $374.2 million last year. Specifically, the Bank's real estate loan portfolio, which registered the largest decline, closed the year at $81.0 million, down $4.2 million (4.9%) from $85.2 million last year, followed by commercial loans at $195.9 million, down $2.9 million (1.5%) from $198.8 million, consumer loans at $67.3 million, down $2.2 million (3.1%) from $69.5 million, and consumer MasterCard® and VISA® at $9.6 million, down $0.9 million (8.7%) from $10.6 million in 2002. Government loans, the only portfolio with a positive variance, closed the year at $11.7 million, up $1.7 million (16.6%) from $10.0 million last year.

	2003	2002	$ Change	% Change
Commercial Loans	$ 195,890	$ 198,777	$ (2,887)	-1.5%
Real Estate Loans	80,962	85,167	(4,205)	-4.9%
Consumer Loans	67,332	69,521	(2,189)	-3.1%
Consumer MasterCard®/VISA®	9,634	10,558	(924)	-8.8%
Government Loans	11,659	10,000	1,659	16.6%
Other Loans	378	203	175	86.2%
Gross Loans	365,855	374,226	(8,371)	-2.2%
Allowance for Loan Losses	7,807	7,508	299	4.0%
Net Loans	$ 358,048	$ 366,718	$ (8,670)	-2.4%

While the overall decline in the Bank's loan portfolio has adversely affected loan interest revenues, the positive effect is that the Bank has successfully stabilized its asset quality, which led directly to the significant reduction of net loan losses during the year. Net loan losses in 2003 dropped 59.9% to $2.9 million (from $7.1 million in 2002). As the regional economy recovers, the Bank plans to expand its loan portfolio while remaining firm in its commitment to the highest level of underwriting standards and practices, supported by an effective collection management process.

	2003	2002	$ Change	% Change
Gross Loan Losses	$ 3,718	$ 9,307	$ (5,589)	-60.1%
Recoveries of Prior Years' Losses	867	2,200	(1,333)	-60.6%
Net Loan Losses	$ 2,851	$ 7,107	$ (4,256)	-59.9%

On the liabilities side, the Bank's deposit base continues its growth momentum, closing the year at $623.1 million, up $38.1 million (6.5%) from $585.0 million in 2002. Savings accounts, the lead product in terms of absolute dollar increase, closed the year at $209.2 million, up $14.5 million (7.5%) from $194.6 million in 2002. Despite the record low levels of interest rates, the Bank's fixed-term time deposit and time deposit open account portfolio registered a 6.8% increase, closing the year at $184.2 million, up from $172.4 million a year earlier. In addition, demand deposits, including both interest bearing and non-interest bearing checking accounts, increased by $11.8 million (5.4%) to $229.8 million from $218.0 million in 2002. These positive growth trends in total deposits are attributable to the growth in our commercial and consumer deposit customer base throughout the region. Overall, the decline in our loan volumes and rise in our deposit volumes reduced our loan-to-deposit ratio to 58.7% in 2003, down from 64.0% in 2002.

	2003	2002	$ Change	% Change
Non-Interest Bearing Deposits	$ 166,245	$ 162,301	$ 3,944	2.4%
Interest Bearing Deposits:				
Demand Deposits	63,543	55,731	7,812	14.0%
Regular Savings	209,174	194,641	14,533	7.5%
Time Deposits:				
$100,000 or more	107,424	91,546	15,878	17.3%
Less than $100,000	21,689	22,178	(489)	-2.2%
Other Interest Bearing Deposits	55,046	58,652	(3,606)	-6.1%
Total Interest Bearing Deposits	456,876	422,748	34,128	8.1%
Total Deposits	$ 623,121	$ 585,049	$ 38,072	6.5%

Liquidity and Investment Portfolio

The Bank's investment portfolio, which is largely comprised of U.S. government agency and treasury securities, federal funds sold and time deposits at other banks, increased by $29.7 million (12.8%) to $261.2 million from $231.5 million in 2002. This increase was primarily attributed to the $86.4 million increase in investments in U.S. government agency securities, which stood at year-end 2003 at $247.7 million, up from $161.3 million last year. Federal funds sold and interest bearing deposits at other banks, on the other hand, dropped by $28.8 million and $27.9 million, respectively, as the Bank shifted a substantial sum of these traditionally low-yielding, short-term investment assets to higher-yield, longer-term investment securities as part of its portfolio restructuring strategy. This resulted in a 19 basis point increase in the average yield of the portfolio, to 2.19% in 2003 from 2.00% in 2002.

[$ in thousands]

	2003	2002	$ Change	% Change
Federal Funds Sold	$ 7,830	$ 36,600	$ (28,770)	-78.6%
Deposits with Other Banks	5,587	33,519	(27,932)	-83.3%
Investment Securities	247,741	161,342	86,399	53.6%
Total Investment Portfolio	$ 261,158	$ 231,461	$ 29,697	12.8%

As required by accounting regulations, the Bank accounts for and classifies its investment securities as "Available-for-Sale," "Held-to-Maturity" and "Trading," based on management's intention regarding their retention. Although the Bank's policy and practice has traditionally been to hold its investments to maturity, some of these securities were sold in September 2002, converting the remaining classes of "Held-to-Maturity" to "Available-for-Sale" for a period of two years in compliance with accounting standards. Once this period expires, the Bank intends to reclassify a portion of its portfolio to "Held-to-Maturity" by the end of 2004. The Bank does not engage in the active trading of securities, and therefore does not hold any of its securities in the "Trading" classification.

Net Interest Income

The depressed interest rate environment in early 2003 was further aggravated by an additional 25 basis point drop in short-term interest rates at mid-year that continued to put pressure on the Bank's interest margins. Total interest income for the year dropped to $34.7 million, down by $1.1 million from $35.8 million in 2002, attributable to the combined effect of the decline in interest rates and the overall decline in loan volumes. Total interest and fees on loans closed the year at $28.6 million, down $2.7 million from the $31.3 million recorded last year. However, this was partially offset by the $1.6 million increase in investment income, which totaled $6.2 million, up from $4.6 million. Despite the drop in total interest income, however, net interest income for the year increased by $0.8 million to $30.2 million, up 2.8% from $29.4 million in 2002. This positive growth in net interest income is attributed to the reduction of $1.9 million in total interest expense, which dropped to $4.6 million from $6.5 million last year.

	2003	2002	$ Change	% Change
Interest Income:				
Loans	$ 28,557	$ 31,257	$ (2,700)	-8.6%
Investment Securities	5,800	4,046	1,754	43.4%
Federal Funds Sold	231	343	(112)	-32.7%
Deposits with Other Banks	153	200	(47)	-23.5%
Total Interest Income	34,741	35,846	(1,105)	-3.1%
Total Interest Expense	4,576	6,492	(1,916)	-29.5%
Net Interest Income	$ 30,165	$ 29,354	$ 811	2.8%

Overall, the Bank's net interest margin for 2003 dropped 25 basis points to 4.57%, down from 4.82% in 2002.

Other Operating Income and Expenses

The Bank's other operating income, derived from fees and commissions, service charges and other non-interest income, totaled $10.2 million in 2003, down $0.7 million from $11.0 million recorded in 2002. This decline is largely attributed to the $0.5 million drop in investment securities gains, coupled with the $0.3 million drop in food stamp servicing fee income. On the other side of the equation, total other operating expenses in 2003 increased by $2.0 million to close the year at $32.4 million, up from $30.4 million last year. The increase is primarily due to the $1.8 million increase in legal expenses related to the tax dispute. The Bank also made significant progress in reducing its other real estate owned expenses by $0.8 million and its salaries and benefits expenses by $0.4 million during the year, but these reductions were largely offset by a $0.2 million increase in supplies expenses, a $0.4 million increase in occupancy and contract service expenses for typhoon damage recovery and repairs, plus a $0.3 million increase in gross receipts taxes.

Capital Resources

Under current FDIC regulations, the Bank must maintain a 5.0% tier one capital (to average assets) ratio and tier one capital (to risk weighted assets) ratio of 6.0% in order to be classified as "well capitalized." Additionally, the Bank's total capital (to risk weighted assets) ratio must equal or exceed 10.0% to meet the standard for that classification. At December 31, 2003, the Bank's total capital, which includes subordinated debt of $10.0 million categorized on the balance sheet as a liability, stood at $74.7 million, down $22.0 million from $96.6 million last year, a decrease primarily attributed to the one-time charges related to the tax settlement. However, despite the reduction in total capital, the Bank continues to exceed all of the minimum regulatory capital adequacy requirements, and also continues to be classified as a "well capitalized" bank for regulatory purposes. At December 31, 2003, the Bank's tier one capital (to average assets) ratio was 9.04%, its tier one capital (to risk weighted assets) ratio was 15.79%, and its total capital (to risk weighted assets) ratio was 18.01%.

[$ in thousands]

	2003	2002	$ Change	Adequately Capitalized	Well Capitalized
Total Capital	$ 74,681	$ 96,649	$ (21,968)		
to Risk Weighted Assets	18.01%	22.44%		8.00%	10.00%
Tier 1 Capital	$ 65,496	$ 84,238	$ (18,742)		
to Risk Weighted Assets	15.79%	19.56%		4.00%	6.00%
to Average Assets	9.04%	12.36%		4.00%	5.00%

Off-Balance Sheet Arrangements

In the ordinary course of business, the Bank enters into agreements to extend credit to its customers, comprised of commitments to extend credit (loan commitments) and letters of credit. These arrangements are subject to the same credit criteria as the on-balance sheet loans of the Bank and expose the Bank to a potential risk of credit loss represented by the contractual amounts of the agreements. However, because some of these agreements may expire without being exercised, the Bank's need for cash to fund these may be less than the full amounts arranged. Commitments to extend credit increased by $15.1 million (27.6%) to $69.7 million at the end of 2003 in comparison to $54.6 million at the end of 2002. Although outstanding standby letters of credit increased by $0.4 million during 2003, the value of other letters of credit declined by $0.4 million, leaving total letters of credit outstanding unchanged at $4.7 million. The Bank does not anticipate any material losses associated with these off-balance arrangements.

	2003	2002	$ Change	% Change
Commitments to Extend Credit	$ 69,650	$ 54,572	$ 15,078	27.6%
Letters of Credit:				
Standby Letters of Credit	$ 3,863	$ 3,444	$ 419	12.2%
Other Letters of Credit	862	1,294	(432)	-33.4%
Total Letters of Credit	$ 4,725	$ 4,738	$ (13)	-0.3%

Impact of Inflation and Changing Prices

The Bank's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the measurement of financial position and operating results in terms of historical dollars without consideration of changes in the relative purchasing power of money over time due to inflation. The impact of inflation can be found in the increased cost of the Bank's operations. Nearly all of our assets and liabilities are financial, unlike most industrial companies. As a result, the Bank's performance is directly impacted by changes in interest rates, which are indirectly influenced by inflation and inflationary expectations. Our ability to match the financial assets to the financial liabilities in our asset/liability management tends to minimize the effect of a change of interest rates on our performance.

Forward-Looking Statements

When used in this filing and in future filings by the Bank with the Federal Deposit Insurance Corporation, in our press releases or other public or shareholder communications, or in oral statements made with the approval of an authorized executive officer, the words or phrases "would be," "will allow," "intends to," "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties, including but not limited to changes in economic conditions in our market area, changes in policies by regulatory agencies, fluctuations in interest rates, demand for loans in our market area and competition, all or some of which could cause actual results to differ materially from historical earnings and from those presently anticipated or projected.

The Bank wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made, and advises readers that various factors, including regional and national economic conditions, substantial changes in market interest rates, credit and other risks of lending and investment activities, competition and regulatory factors, could affect our financial performance and could cause our actual results for future periods to differ materially from those anticipated or projected.

The Bank does not undertake, and specifically disclaims any obligation, to update any forward-looking statements to reflect occurrences or unanticipated events of circumstances after the date of such statements.

[$ in thousands, except per share data, unaudited]

SUMMARY OF OPERATIONS

	Years ended December 31,				
	2003	**2002**	**2001**	**2000**	**1999**
Interest income:					
Interest and fees on loans	$ 28,557	$ 31,257	$ 39,237	$ 47,065	$ 43,407
Interest on deposits in other banks	153	200	241	342	248
Interest on investment securities	5,800	4,046	8,138	9,809	7,752
Interest on federal funds sold	231	343	651	670	546
Total interest income	34,741	35,846	48,267	57,886	51,953
Interest expense:					
Time deposits	1,380	2,184	7,409	9,712	6,215
Savings deposits	2,433	3,565	7,113	8,889	8,962
Other borrowed funds	763	743	1,178	1,671	1,654
Total interest expense	4,576	6,492	15,700	20,272	16,831
Net interest income	30,165	29,354	32,567	37,614	35,122
Provision for loan losses	3,150	4,439	3,571	4,387	3,400
Net interest income after provision for loan losses	27,015	24,915	28,996	33,227	31,722
Other operating income:					
Service charges and fees	4,302	4,582	4,202	3,964	3,729
Investment securities gains, net	33	538	34	1	3
Other income	5,904	5,864	5,098	4,425	5,079
Total other operating income	10,239	10,984	9,334	8,390	8,811
Other operating expenses:					
Salaries and employee benefits	12,997	13,366	14,604	15,466	15,538
Occupancy	4,477	4,284	4,240	4,249	4,198
Furniture and equipment	3,354	3,201	3,144	2,974	2,912
General, administrative and other	11,545	9,543	9,465	10,371	7,614
Total other operating expenses	32,373	30,394	31,453	33,060	30,262
Net before income taxes	4,881	5,505	6,877	8,557	10,271
Provision (benefit) for income taxes	22,161	585	(264)	(614)	590
Net (loss) income	$(17,280)	$ 4,920	$ 7,141	$ 9,171	$ 9,681
Net (loss) income per share					
Basic (loss) earnings per common share	$ (2.02)	$ 0.58	$ 0.74	$ 0.93	$ 0.98
Diluted (loss) earnings per common share	$ (1.97)	$ 0.55	$ 0.72	$ 0.90	$ 0.96

[$ in thousands, unaudited]

SUMMARY OF FINANCIAL CONDITION

	As of December 31,				
	2003	2002	2001	2000	1999
Assets:					
Cash and due from banks	$ 33,465	$ 39,207	$ 39,347	$ 41,836	$ 41,431
Interest-bearing deposits in other banks	5,587	33,519	5,151	5,499	5,499
Federal funds sold	7,830	36,600	1,720	6,000	17,300
Investment securities	247,741	161,342	169,250	153,554	133,139
Loans	365,855	374,226	406,579	445,246	455,134
Less allowance for possible loan losses	7,807	7,508	10,176	9,640	9,272
Net loans	358,048	366,718	396,403	435,606	445,862
Bank premises and equipment	26,229	28,911	31,094	32,398	33,668
Accrued interest receivables and other assets	25,728	29,980	25,600	20,366	19,821
Total assets	$704,628	$696,277	$668,565	$695,259	$696,720
Liabilities and Stockholders' equity:					
Deposits:					
Non-interest bearing	$166,245	$162,301	$134,480	$134,575	$155,710
Interest bearing	456,876	422,748	426,730	432,146	418,033
Total deposits	623,121	585,049	561,210	566,721	573,743
Accrued interest payables and other liabilities	2,656	2,046	2,158	3,580	2,937
Federal Home Loan Bank advances	10,000	15,000	10,000	15,000	15,000
Long-term debt	4,000	6,000	8,000	10,000	10,000
Total liabilities	639,777	608,095	581,368	595,301	601,680
Common stock of $0.2083 par value Authorized 48,000,000 shares at 9,947,115 shares issued/8,553,354 shares outstanding in 2003 and 9,933,333 shares issued/8,539,572 shares outstanding in 2002	2,073	2,070	2,067	2,063	2,062
Capital surplus	14,011	13,942	13,867	13,775	13,714
Treasury stock (1,393,761 shares)	(15,331)	(15,331)	(15,331)	-	-
Retained earnings	65,532	87,086	86,433	84,073	79,357
Accumulated other comprehensive (loss) income	(1,434)	415	161	47	(93)
Total stockholders' equity	64,851	88,182	87,197	99,958	95,040
Commitments and contingencies					
Total liabilities and stockholders' equity	$704,628	$696,277	$668,565	$695,259	$696,720

[$ in thousands, unaudited]

Summary of Average Balances and Interest Rates

	2003		2002	
	Avg. Balance	Avg. Rate	Avg. Balance	Avg. Rate
Earning Assets:				
Due from Banks - Time	$ 14,481	1.06%	$ 19,423	1.86%
Securities:				
U.S. Government Securities	$ 226,657	2.22%	$ 184,962	2.56%
Other Securities	22,270	3.45%	345	7.12%
Total Securities	248,927	2.33%	185,307	2.56%
Federal Funds Sold	18,925	1.22%	24,183	1.62%
Loans:				
Commercial, Industrial & Government	217,264	6.26%	211,454	6.32%
Real Estate	84,491	7.39%	85,753	7.10%
Consumer	76,431	11.39%	82,360	11.49%
Total Loans	378,186	7.55%	379,567	7.61%
Total Earning Assets	660,519	5.26%	608,480	5.66%
Non-Earning Assets:				
Cash and Due from Banks - Demand	28,007		28,873	
Bank Premises and Equipment	28,964		29,676	
Other Real Estate Owned	11,262		12,456	
Other Assets	23,157		19,245	
Allowance for Loan Losses	(8,305)		(8,133)	
Total Assets	$ 743,604		$ 690,597	
Liabilities and Shareholders' Equity:				
Interest Paying Liabilities - Deposits				
Demand and Savings	$ 276,821	0.71%	$ 250,324	1.23%
Time Certificates	187,888	0.98%	167,381	1.50%
Total Time and Savings Deposits	464,709	0.82%	417,705	1.34%
Other Borrowed Funds	14,253	4.72%	15,000	4.67%
Subordinated Debt	5,337	1.68%	6,500	2.30%
Total Interest Paying Liabilities	484,299	0.94%	439,205	1.47%
Non-Interest Paying Liabilities and Equity				
Demand Deposits	171,293		158,832	
Other Liabilities	3,507		3,331	
Shareholders' Equity	84,505		89,229	
Total Liabilities and Shareholders' Equity	$ 743,604		$ 690,597	
Rate Differential		4.31%		4.19%

[$ in thousands, unaudited]

2001		2000		1999	
Avg. Balance	**Avg. Rate**	**Avg. Balance**	**Avg. Rate**	**Avg. Balance**	**Avg. Rate**
$ 5,572	4.33%	$ 5,512	5.93%	$ 5,198	5.04%
177,643	4.94%	166,185	6.14%	152,604	5.07%
406	4.68%	630	7.05%	852	7.05%
178,049	4.94%	166,815	6.15%	153,456	5.06%
16,573	3.93%	10,658	6.33%	13,488	4.97%
258,805	8.31%	285,192	10.25%	267,528	9.27%
93,404	8.18%	92,049	7.96%	84,741	7.52%
83,915	12.02%	84,383	11.99%	87,282	12.25%
436,124	9.00%	461,624	10.11%	439,551	10.16%
636,318	7.69%	644,609	8.98%	611,693	8.72%
28,527		26,915		32,365	
31,843		32,859		34,009	
6,209		1,628		1,332	
24,148		27,907		25,949	
(9,701)		(10,137)		(9,020)	
$ 717,344		723,781		696,328	
$ 214,893	2.48%	$ 214,122	2.70%	$ 212,663	2.77%
231,985	3.97%	244,211	5.22%	209,737	4.39%
446,878	3.25%	458,333	4.04%	422,400	3.57%
15,628	4.61%	15,583	5.01%	16,192	5.01%
9,554	3.33%	10,000	8.63%	10,000	8.63%
472,060	3.33%	483,916	4.17%	448,592	3.74%
132,166		131,721		146,266	
11,193		8,525		9,164	
101,925		99,619		92,306	
$ 717,344		$ 723,781		$ 696,328	
	4.36%		4.82%		4.99%

Senior Management and Headquarters Officials

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VICE PRESIDENT/BRANCH AND CENTRAL OPERATIONS ADMINISTRATOR

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VICE PRESIDENT/CREDIT OFFICER (ORE)

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VICE PRESIDENT/BUSINESS SERVICES DIVISION MANAGER

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Tina D. Bernardo
ASSISTANT VICE PRESIDENT/HUMAN RESOURCES STAFF DEVELOPMENT OFFICER

J. John P. Ibanez
ASSISTANT VICE PRESIDENT/LOAN ADJUSTMENT MANAGER

Benjamin C. Pablo
ASSISTANT VICE PRESIDENT/CONSUMER LOAN MANAGER

Amoretta P. Carlson
ASSISTANT VICE PRESIDENT/REAL ESTATE DEPARTMENT MANAGER

Carmelita M. Cruz
ASSISTANT VICE PRESIDENT/LOAN NOTE DEPARTMENT MANAGER

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ASSISTANT CASHIER/SANTA CRUZ BRANCH MANAGER

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ASSISTANT VICE PRESIDENT/TAMUNING BRANCH MANAGER

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Vida B. Ricafrente
ASSISTANT VICE PRESIDENT/POHNPEI BRANCH MANAGER

Larry A. Phillip
ASSISTANT VICE PRESIDENT/CHUUK BRANCH MANAGER

Kathrine C. Lujan
ASSISTANT VICE PRESIDENT/PALAU BRANCH MANAGER

Romeo A. Angel
VICE PRESIDENT/MAJURO BRANCH MANAGER

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ASSISTANT VICE PRESIDENT/KWAJALEIN BRANCH MANAGER

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VICE PRESIDENT/GENERAL MANAGER BANKGUAM INSURANCE UNDERWRITERS, LTD.

Consultant

Alexander J. Aflague
BUSINESS DEVELOPMENT OFFICER

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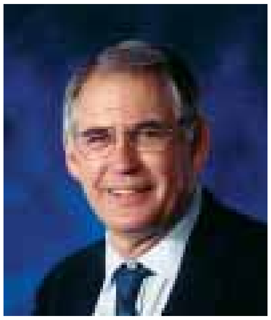
- Chairman
  Executive Committee
  Loan Committee
- Member, Hagåtña Restoration and Redevelopment Authority

Lourdes A. Leon Guerrero

- Bank of Guam Vice Chairperson of the Board
- Vice Chairperson
  Executive Committee
  Loan Committee
- Senator - 23rd, 24th, 26th and 27th Guam Legislature
- Member, Guam Nurses Assn.

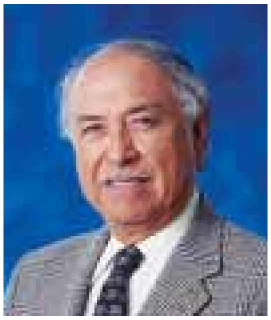


Roger P. Crouthamel

- Bank of Guam Board Secretary
- Chairman
  Stock Option Committee
  Adhoc Committee
- Vice Chairman Trust Committee
- Attorney at Law
- Director, Transpacific Travel dba Travel Pacificana
- Director of Guam Fast Foods dba Kentucky Fried Chicken

Felino B. Amistad

- Bank of Guam Board Treasurer and Assistant Secretary
- Metropolitan Press
  Owner/Manager
- House of Fabrics
  Owner/Manager



Ralph G. Sablan, M.D.

- Bank of Guam Director
- Private Practice: Dermatology
- U.S. Navy Captain, Retired
- Guam Medical Society
  Former President

Pedro P. Ada, Jr.

- Bank of Guam Director
- Ada's Trust and Investment, Inc.
  Chairman
- Nanbo Insurance Ltd.
  Chairman of the Board
- University of Guam Honorary Doctorate of Law
- University of St. Thomas
  Member, President's Council

Luis G. Camacho, D.D.S., M.S.

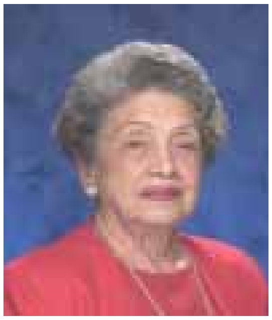
- Bank of Guam Director
- Camacho, Inc., President
- Past President, Guam Dental Society
- Past Member, Guam Board of Dental Examiners
- Orthodontist, Retired

Martin D. Leon Guerrero

- Bank of Guam Director
- Chairman Trust Committee
- Vice Chairman Audit Committee
- The Fifth Wheel Inc., President and Chairman
- Ignacia Corporation, President

Joe T. San Agustin

- Bank of Guam Director
- Chairman
  Audit Committee
  Nominating Committee
- Speaker 20th- 22nd Guam Legislature
- Senator 14th - 23rd Guam Legislature
- University of Guam Instructor



Eugenia A. Leon Guerrero

- Bank of Guam Director

William D. Leon Guerrero

- Bank of Guam Director
- Bank of Guam Executive Vice President and Chief Operating Officer
- Member, Guam Banking Board

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BANK OF GUAM

CHARTERED MARCH 13, 1972

HAGÅTÑA, GUAM

Member FDIC