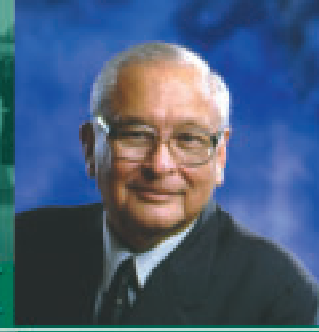

BANK OF GUAM

30 Years of Service

BANK OF GUAM 1972 2002

2002 annual report

Corporate Information...

Annual Meeting

The 2003 annual meeting of shareholders will be held at 7:00PM on Thursday, May 1, 2003, in the Bank's Headquarters Building in the Hagåtña Branch lobby.

Independent Accountants

PricewaterhouseCoopers LLP
333 Market Street • San Francisco, CA 94105

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 of 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
PriceSmart in Barrigada Heights

Other Financial Services

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

Insurance Services

BankGuam Insurance Underwriters, Ltd. • 1st Floor, Headquarters Building
111 Chalan Santo Papa • Hagåtña, Guam 96910
Tel: (671) 479-2265 • Fax: (671) 479-2266

Member

Federal Deposit Insurance Corporation • American Bankers Association • Independent Bankers Association
Bank Marketing Association • Guam Bankers Association • California Bankers Association • Western States Bankers Association • Territorial Bankers 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

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Financial Highlights

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

At December 31st	2002	2001	Change in Amount	Change in %	2000
Total Assets	$ 696,277	$ 668,565	$ 27,712	4.1%	$ 695,259
Total Deposits	$ 585,049	$ 561,210	$ 23,839	4.2%	$ 566,721
Net Loans	$ 366,718	$ 396,403	$ (29,685)	-7.5%	$ 435,606
Reserve for Loan Losses	$ 7,508	$ 10,176	$ (2,668)	-26.2%	$ 9,640
Investment Securities	$ 161,342	$ 169,250	$ (7,908)	-4.7%	$ 153,554
Common Shareholders' Equity	$ 88,182	$ 87,197	$ 985	1.1%	$ 99,958
Net Income	$ 4,920	$ 7,141	$ (2,221)	-31.1%	$ 9,171
Cash Dividends Declared					
Common Stock	$ 4,267	$ 4,781	$ (514)	-10.8%	$ 4,455
PER SHARE					
Net Income per Common Share (Basic)	$ 0.58	$ 0.74	$ (0.16)	-21.6%	$ .93
Net Income per Common Share (Diluted)	$ 0.55	$ 0.72	$ (0.17)	-23.6%	$ .90
Cash Dividends Declared:					
Common Stock	$ 0.50	$ 0.50	$ -	0.0%	$ 0.45
Book Value per Common Share (9,933,333 shares issued 8,539,572 shares outstanding)	$ 10.33	$ 10.23	$ 0.10	1.0%	$ 10.09

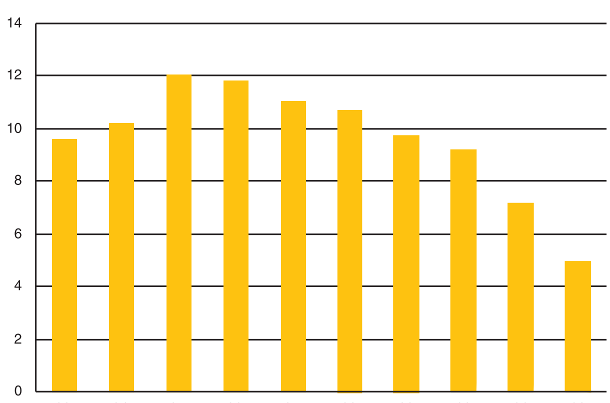
CASH DIVIDENDS DECLARED PER QUARTER

Year	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Total per Year
2002 Common Stock	$ 0.125	$ 0.125	$ 0.125	$ 0.125	$ 0.50
2001 Common Stock	$ 0.125	$ 0.125	$ 0.125	$ 0.125	$ 0.50

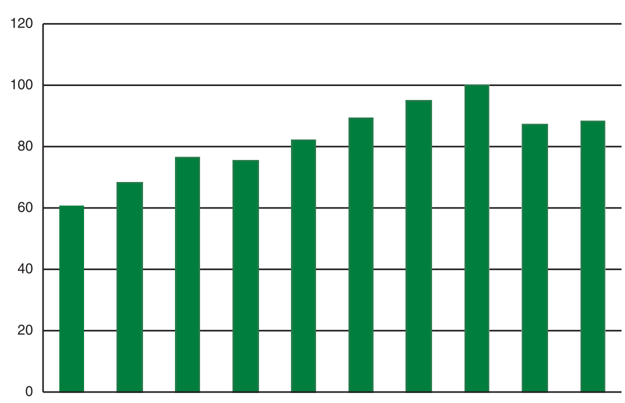
STOCK MARKET INFORMATION

Bank of Guam's common stock trades under the symbol "BKG." Stocks were trading at Pacific Exchange until March 20, 2002. After March 20, 2002, Bank of Guam stocks were trading at Archipelago Exchange. Quarterly dividends for 2002 and 2001 were $0.125 per share. The price range of the common stock, as reported on the Pacific Exchange and Archipelago Exchange, was as follows:

	Fiscal Year 2002 High	Fiscal Year 2002 Low	Fiscal Year 2001 High	Fiscal Year 2001 Low
First Quarter	$ 7.00	$ 6.02	$ 7.00	$ 6.00
Second Quarter	$ 7.10	$ 6.26	$ 7.00	$ 6.00
Third Quarter	$ 8.00	$ 4.00	$ 6.50	$ 5.50
Fourth Quarter	$ 6.00	$ 5.00	$ 6.20	$ 5.50

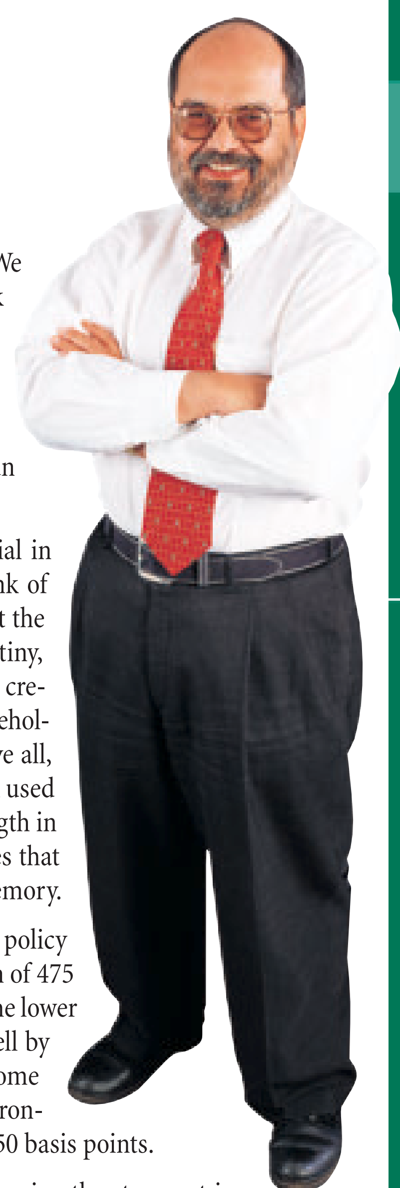


Profit Trends
(in millions)



Common Shareholder Equity Trends
(in million)

Message to Shareholders



My Fellow Shareholders:

Last year marked the thirtieth anniversary of Bank of Guam but ended with mixed results. We faced a long series of difficult challenges during the year, and the performance of the Bank reflects the consequences of an unfavorable interest rate environment and a persistent economic recession, compounded by catastrophic natural disasters. Through the diligent efforts of our Board of Directors, the Bank's management team and our staff, we posted a profit of $4.9 million, continued to pay dividends every quarter and increased our retained earnings. We achieved this through a $1.1 million decrease in non-interest expenses combined with an increase of $1.7 million in other operating income.

The Bank and the entire region suffered a major loss in 2002, although it was not financial in nature. On August 27th, our Founder, Jesus S. Leon Guerrero, passed away. In forming Bank of Guam in 1972, he started a legacy that will continue well beyond his lifetime. He proved that the people of Guam and others in this region are capable of controlling our own economic destiny, and that we can compete effectively among the most advanced organizations in the world. He created jobs and opportunities for hundreds of people, generated wealth for thousands of shareholders and personally trained many of the business leaders in the western Pacific today. Above all, though, he inspired confidence among thousands of islanders that they, too, can succeed, then used the resources of the Bank to help many of them realize their own dreams. He taught us strength in our convictions, the virtues of an honest and ethical life, and instilled in us a sense of values that will serve us well for generations to come. We humbly dedicate this Annual Report in his memory.

The beginning of 2002 followed a period during which the most severe change in monetary policy occurred in the U.S.: interest rates were cut a total of eleven times for a cumulative reduction of 475 basis points. The Bank's interest margins were seriously squeezed as our assets re-priced to the lower rate level, outpacing our already low priced liabilities. As a result, our net interest income fell by $3.2 million (9.9%) to $29.4 million because of a $12.4 million (25.7%) drop in interest income tempered by a $9.2 million (58.6%) cut in interest expense. As weak as the interest rate environment was, the Federal Reserve cut rates one more time in November 2002, by an additional 50 basis points.

Most of the Bank's activities are far more closely tied to the Asian economies, with Japan having the strongest influence on the Bank's primary market in Guam through both tourism and investment. The effects of the poorly-performing Japanese economy over the last decade have left the region in an economic recession for the last several years. When U.S. monetary policy was changed, the chilling effect of the terrorist attacks in September 2001 on tourism merely ignited another round of contraction in the economy that lasted through 2002. Falling visitor arrivals led to widespread layoffs and other cost-cutting measures, real estate valuations continued to fall, and loan delinquencies and defaults escalated. Asset quality throughout the community declined, and the Bank ultimately had a net charge off of $7.1 million in bad loans, significantly higher than 2001. The conservative management of our loan loss reserve provided ample coverage, even for the losses suffered during the year.

In early July 2002, torrential rains from Tropical Storm Chata'an caused massive landslides and a tragic loss of lives in Chuuk State of the Federated States of Micronesia. The storm built strength as it moved northwest, and was upgraded to a Typhoon by the time it hit Guam on July 5th, causing severe damage, further job losses and additional business closures.

A powerful earthquake followed in Guam in October, then Supertyphoon Pongsona passed directly over the island on December 8th, with sustained winds in excess of 150 mph measured for more than seven continuous hours. Housing and commercial buildings were destroyed, both the airport and the port were closed for several days, and a massive fuel tank fire caused a shortage of gasoline for nearly a week before it was brought under control. It took more than a month to restore water in some places and nearly two months to restore power in others.

By the end of 2002, despite this environment, the Bank remained reasonably profitable. Our assets had grown by $27.7 million (4.1%) to $696.3 million, fueled by deposit growth. The Bank's deposits increased by $23.8 million (4.2%) to $585.0 million, much of this attributable to growth in market share in Micronesia and disaster relief and insurance payments. Net loans decreased by $29.7 million (7.5%) during the year to $366.7 million, reflecting the Bank's conservative credit underwriting policies and current adverse economic conditions. After paying $4.3 million in dividends to our shareholders, we were still able to increase the net equity in the Bank by $1.0 million (1.1%) to $88.2 million. We made provisions for loan losses of $4.4 million during the year, leaving the Bank with loan loss reserves of $7.5 million and a strong loan loss reserve ratio of 2.0%, nearly one and a half times the average level of other U.S. banks of a similar size. Because of the decline in net profits for the year, the Bank's return on average assets was held to 0.7%, while our return on average equity was 5.5%.

During 2002, we weathered a series of natural disasters and overcame extreme economic circumstances. In the face of these challenges, we were able to draw upon the inherent strengths of Bank of Guam, and had the enormous advantage of our solid capital base to support our actions. Our high loan loss reserve ratio allowed us to bear the brunt of significant credit losses without adversely affecting shareholder equity, and the unified efforts of the Board, management and staff allowed us to reduce operational costs by extracting greater efficiencies from our resources. Most importantly, we accomplished all of this without sacrificing even the slightest measure of quality in the services we provide to our customers.

Challenges will continue in 2003, with the government of Guam and regional governments in the midst of budgetary problems. International uncertainty will remain, and economic performance around the globe will be unstable. Financial markets and the economic health of the U.S. are expected to remain fragile. Taken together, these factors are not encouraging for the economies of the islands in Bank of Guam's markets, and we are expecting a continuation of the problems we encountered last year. However, much has been learned over these years of recession which will allow us to prevail over these and other challenges.

There are favorable aspects of current conditions that should not be ignored. One that affects Guam directly is that international tensions have resulted in an increase in the military presence on the island, generating additional federal government expenditures and employment, and buttressing the tax revenues of the local government. Although it is by no means certain that this new force level will be permanent, it serves as an indication that the Pentagon's view of Guam has changed recently and that the island is once again recognized as an important asset from a strategic perspective.

There are also favorable aspects to the recession throughout the region. Many of the most marginal business operations have been closed, while others have cut costs and improved their internal efficiency. Governments are reducing staffing levels, cutting non-essential programs and privatizing as many services as is practicable. These actions show the beneficial side of recessions in capitalistic economies, freeing resources in preparation for the next round of economic expansion.

In terms of Bank of Guam's financial performance, 2003 offers opportunities for improvement over 2002. While our interest earnings may be squeezed slightly less than last year, reductions in operational costs and increases in non-interest income should more than compensate. More importantly, the level of risk in the Bank's loan portfolio was substantially reduced last year, partially by our unusually high level of charge-offs and partially because of the decrease in the size of the overall volume of loans outstanding. During the current economic situation, our credit underwriting criteria will remain very rigorous and our recovery efforts will remain strong, but we will continue to maintain a high loan loss reserve ratio to mitigate whatever impacts may develop from unknown future events.

The financial services industry is becoming increasingly dynamic, both because of changes in the law and because of changes in the ways in which our services are packaged and delivered. Banks are now allowed to become involved in other types of financial services, and we are exploring various ways in which we can diversify our activities in order to capture a larger share of the overall market. We are also preparing to expand our product offerings in our core business of banking, including ways to make financial transactions even more convenient for our customers. As these initiatives progress, we will continue to apply new methods of reducing costs and eliminating inefficiencies, just as we constantly reassess our procedures and practices throughout the Bank's network. Above all, we will remain extremely competitive and retain our leadership role among depository institutions operating in our region.

It is with deep gratitude that I acknowledge the work and sacrifice of all Bank of Guam employees. Their dedication to their work and their loyalty to our institution were made unmistakably clear amidst the devastation that was heaped on our island by the two storms which passed within six months of each other. Each of our staff worked tirelessly to help our Bank and our customers through recovery and restoration, even at the sacrifice of recovery at their homes and providing comfort for their families.

We begin the coming year invigorated by the vision and goals held by our founder, confident of our preparedness for a more vibrant economy. We begin the year with the continuing mission of a locally-organized bank, mindful of the unique needs of our community, delivering unequalled service and empowered to participate in the opportunities to come.

Thank you for your continuing confidence and support. Si Yu'us Ma'ase!

Anthony A. Leon Guerrero
President and Chairman of the Board

In Memoriam...

Homeland pride. Values. Tradition. Family.

When Jesus Leon Guerrero set out to create Bank of Guam, these were the principles that guided him. His hard work, determination, values and ideals epitomized Guam's spirit and helped him found a bank that has served the banking needs of our local families since 1972.

Jesus S. Leon Guerrero
Founder, Bank of Guam
December 31, 1927 to August 27, 2002

Our Year in Review

Economy

While there have been many better years for the economies of Guam and most of the other islands in the region over the past 30 years, it is difficult to recall any that have been worse. The islands' economies have generally continued their downward slide, albeit at a slower pace than in previous years. In Guam, by far the largest market for the Bank, payroll employment dropped by another 0.7% in December from its already depressed level a year earlier, even though it was padded by 1,050 temporary jobs resulting from Typhoon Chata'an in July. Worse, this figure does not account for most of the jobs lost as a result of Supertyphoon Pongsona in December. A decline in the unemployment rate during the year was a result of many unemployed people leaving the island, rather than more people finding jobs.

Incomes and business revenues have experienced a similar decline, as have government revenues (outside of the Federated States of Micronesia and the Marshall Islands, due to a temporary adjustment in Compact funding). The exodus of families from Guam has had an adverse effect on the real estate market, and the imminent demise of the garment industry in the Northern Marianas has had a chilling effect on consumer and business confidence there.

The primary cause of the ongoing recession has been weakness in Japan's economy and the impact it has had on tourism and overseas investment. However, the effects of heightened concerns about terrorism have taken their toll as well, and international tensions in the region and around the globe have diverted important resources that might otherwise benefit the islands. Overall, there is widespread uncertainty about the near-term future, and that has made economic progress difficult.

While the region is heavily dependent on the Asian economies for investment and other expenditures, it is affected by U.S. interest rates and exchange rates because of the islands' reliance on the Dollar. Three years ago, relatively high Dollar interest rates were inhibiting economic recovery in the Bank's market, but exchange rates were favorable for both tourism and purchasing imported goods from Asia. While the rapid reduction in interest rates in 2001 and 2002 has helped to stabilize the island economies, and real estate prices in particular, it has squeezed the Bank's interest rate margins substantially. The slow decline in the value of the Dollar should have had a favorable effect on tourism, were it not for natural disasters, but it has also increased the cost of imported items with a corresponding effect on real disposable income and standards of living. As the global economy recovers from the shocks to financial markets since 2001, both interest rates and foreign exchange rates should improve the economies in the region and the position of the Bank.

As with many other things, the recession in the Western Pacific will have some positive results. As incomes have fallen and unemployment has increased, the private sector has exhibited the classic characteristics of capitalistic economies: firms that were marginally profitable have either reorganized or gone out of business; cost structures in the remaining firms have been realigned so that operational efficiency is greatly improved. Governments in the region are experiencing similar pressures due to reduced tax revenues, and some have begun their own regimen of reorganization. As the economies of the region begin to recover, these more efficient businesses and governments will be in a position to take the greatest advantage of rising sales and revenues, and excess resources will be available to meet the growing needs of the system. Thus, the long-term impacts of the reactions to current economic difficulties will ultimately be very beneficial for the entire region.

To assert that a recovery will occur, though, provides no indication of when that recovery will commence. At present there is so much instability in the world, both politically and economically, that a climate of general uncertainty prevails. Until greater stability is achieved, the myriad of risks effectively preclude a return of confidence among consumers or businesses, so spending will likely be stagnant and investment remain only modest worldwide. Because the economies in Bank of Guam's market are so greatly affected by exogenous factors, a recovery in the region will, by extension, follow the path of the global recovery. By all indications, the world's economies are not yet primed for renewed expansion, so a resumption of growth in the islands should not be expected until sometime after the end of 2003.

In the face of adversity, Bank of Guam has met the challenges of a shrinking economy and has become far more efficient than it was in the past. When economic recovery does begin, we will be fully prepared to assist our customers in the process and generate new levels of profitability for our shareholders.

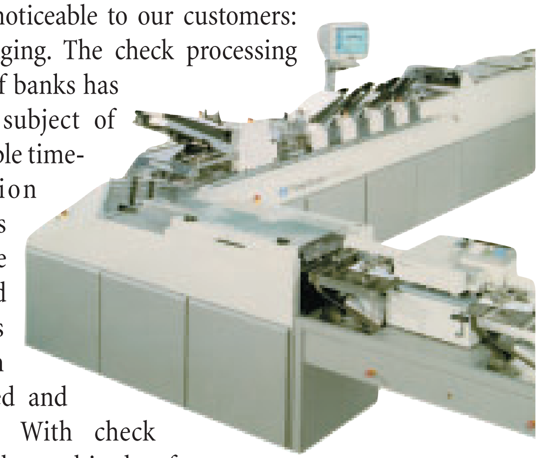
Technology

For the past 30 years, Bank of Guam has been a leader in technology in the region, and has set the standard of service for the entire market. Last year was no different, as the Bank implemented several new technology initiatives to keep firmly on the path of progress in the financial services industry. We have proven time and time again that the adoption of appropriate technologies helps us to improve our service to our customers, expands our market presence, reduces our operating costs and increases our efficiency. Taken together, these mean that technology enhances the profitability of the Bank while allowing us to compete against much larger banks in the region.

While many of the advances in technology over time have become routine, these improvements add up to continual progress in delivering the best of service and superior product features to our customers. In 2002, a new, faster computer was installed at each teller station in Guam, giving our front-line staff the ability to provide faster, better service. The software used on the teller line was updated, as well, allowing some services to be performed there that would have required more complicated procedures in the past. Our customers may not have noticed the change directly, but reducing the time spent waiting for an available teller window helps both our customers and our bottom line. A similar story could be told about the four-fold increase in the communication speed of our ATM network. In processing transactions, this is one area where faster is definitely better.

Each year our Bank launches an altogether new system to take advantage of technology, and in 2002 we introduced two. One of these is our *Customer Service and Call Center Solution,* which consolidates information and data to give a more complete picture of customer relationships to our front line personnel. When a customer calls the Bank with a problem or a request for assistance, our customer service personnel have all the necessary information at hand to respond instantly. The delays of being passed from one department to another in trying to resolve an issue are rapidly becoming ancient history. So far, this system is being used to handle incoming calls, but we anticipate initiating an outbound calling program in the near future.

The second system that Bank of Guam implemented in 2002 is far more noticeable to our customers: check imaging. The check processing function of banks has been the subject of innumerable time-and-motion studies over the years, and has always been both complicated and expensive. With check imaging, the multitude of steps involved and the number of times each item is physically handled have been cut in half. Once a check is encoded in our check processing department, a digital image is made and the individual item is rarely handled again. Sorting is simplified and item storage is much easier; rather than placing the physical item in with the customer's statement each month, the image is printed along with the statement and automatically inserted in an envelope and mailed. Personnel expenses, storage space and postal costs are saved, and the customer receives a simpler, cleaner and more easily archived account record. As an added benefit, the process of "research," finding a copy of an item that the customer may have lost, destroyed or misplaced, now takes a matter of moments rather than days or weeks. The Bank saves resources and the customer saves the research fees. Everyone benefits.



Bank of Guam continually searches for ways to improve our technology and our customer service. We are constantly driven to improve and move forward. We have projects in progress to refine our marketing capabilities, augment our record storage and retrieval procedures, upgrade the reliability of our ATM network and improve our understanding of each individual customer's needs. We are also on the verge of enhancing our Internet banking delivery system to include a way for our customers to pay their bills on-line. As in the past, technology will continue to reduce the Bank's operating costs while simultaneously improving the services that we provide to our customers.

Customer Service

While most firms view quality customer service as a means to an end, Bank of Guam views it as an end in itself. Rather than just giving lip service to the ideal of providing the best products at the best price to our customers in a timely and convenient manner, we make these objectives a reality. Bank of Guam has a full range of financial products, and we make them available through a variety of delivery channels so that our services are where our customers need them, when they need them, no matter where they happen to be in the region or around the world. In addition to depository and loan products, we provide trust, investment and insurance services, as well as card, payroll and specialized merchant services. If our customers have a need for any type of financial service, Bank of Guam is there to fulfill it.

While economic conditions in the region have been particularly challenging, we have always been faced with the dilemma of controlling costs without sacrificing the quality of our services to our customers. The solution has many dimensions, but with proper planning and precise execution, our Management and staff have succeeded in reengineering many of our internal processes so that a higher volume of better services are actually delivered at a lower cost than in the past. Most importantly, the changes that have been made have been virtually transparent to our customers, but have reduced the Bank's personnel costs by nearly 15% over the past five years. Technology has certainly played a part in this, but much of the credit is due to training, detailed analysis and just plain hard work.

In the new millennium, doing more with less has become the mantra of business, and once again Bank of Guam is at the forefront of progress.

Better . . . faster. That is our goal, and we are constantly exploring new ways to deliver on that pledge. From a fledgling ATM network in the 1970s to an extensive regional branch network and credit cards in the 1980s to telephone banking and a myriad of business services in the 1990s to Internet banking, enhanced call center services and digital imaging today, Bank of Guam has been progressive in its delivery channels and aggressive in meeting every customer's needs. Bank business that used to take hours now takes minutes; what used to take minutes is now either instantaneous or altogether automatic. Better . . . faster . . . and *easier*!

This year, the Bank is in the process of updating our strategic plan. What we have achieved so far is ambitious and complex, but it is driven by a common thread, a common theme throughout: *Delivering Exceptional Service & Value.* While there are several aspects of the concept of value in the context of banking, in its essence it is an expression of what we continuously strive to deliver in terms of customer service. Customer service is not just a phrase, it is not just something to do as time permits. It is an attitude, it is a way of life, and it is at the core of the way Bank of Guam does business. This is the way that it has been for the past 30 years, and it will remain this way in the future.

Community Service

Just as Bank of Guam is passionate about serving its customers, we are dedicated to improving the communities where we live and work. Although *corporate responsibility* and *giving back to the community* are recurring themes that have been revived recently, our Bank has never failed to maintain its active role in contributing to improved living conditions in the islands, whether through financial donations or voluntary service. As the economies of the region have experienced difficulties in recent years, the need for the Bank's involvement has increased correspondingly, and we have met the challenge.

In addition to numerous donations to non-profit, civic and community groups, Bank of Guam is a major contributor to the American Red Cross in Guam and in the Northern Marianas. In the aftermath of Typhoon Chata'an in July 2002, the Bank provided thousands of square feet of office space at no cost for the Red Cross' emergency operations. We also provided them with a $30 thousand cash donation in August to assist in the recovery efforts. After Supertyphoon Pongsona in December 2002, we provided the same office space to the Red Cross, and followed with another cash donation early this year. Also after Pongsona, we offered consumer loans at heavily discounted rates to assist our customers and staff in their personal recovery efforts, and allowed others a deferment of payments on their loans so that the process of rebuilding could be accelerated.

The Bank also helps to sponsor the American Cancer Society's annual Relay for Life. This event is used to gather thousands of dollars every year to assist in cancer research and treatment, and each year we field a team of runners who have secured commitments to donate for every mile they run or walk. In 2002, the Bank's team came in second place in terms of overall donations collected, and has a strong ambition to be first in 2003.

Throughout the islands there is a shared attitude that children should be the focus of our efforts, since they hold forth the promise for our future. At Bank of Guam, we have this same attitude, and we act upon it. Each year we provide space and other support for the International Reading Association's fund drives. We also sponsor meetings of a Junior Achievement group and provide guidance and training. This year, we are adding a program that falls very much in line with our primary business: we will be heavily involved in the National Teach Children to Save Day.

In terms of raising the awareness of our communities to financial matters, Bank of Guam also provides an outreach program for adults. Starting in 2002, we have been offering mini-seminars structured under the Federal Deposit Insurance Corporation's *MoneySmart* program. While this program is still in its beginning stages, we have provided a series of training sessions to clients of the District Court of Guam, as well as those served by the Catholic Social Services organization. Steps are also being taken to extend the program to the Superior Court's clients. This training program has proven to be quite successful in the States, and should assist many people in our region to better understand and control their own financial affairs.

Aside from the Bank's direct involvement in community service activities, we encourage each of our employees to donate a portion of their personal time to volunteer projects, too. In response, Bank of Guam staff members give support to a wide variety of civic organizations, contributing to every aspect of community life. While most of these activities are done on an individual basis, the Bank of Guam Employees Association also takes up a cause from time to time, such as organizing a drive for food, clothing and other necessities to help the people of Chuuk State in the Federated States of Micronesia after their natural disaster last year.

With this record of service, we at Bank of Guam feel that we have earned the designation that has been expressed in the Bank's slogan for so many years: we truly are, ***The People's Bank.***

Report of Independent Accountants

PricewaterhouseCoopers

PricewaterhouseCoopers LLP
333 Market Street
San Francisco, CA 94105
Telephone (415) 498 5000
Facsimile (415) 498 7100

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

In our opinion, the accompanying consolidated statements of condition and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows present fairly, in all material respects, the financial position of the Bank of Guam and its subsidiaries at December 31, 2002 and 2001, and the results of operations and their cash flows for each of the three years in the period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America. 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 audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California
February 28, 2003

[$ in thousands]

Consolidated Statements of Condition

	As of December 31, 2002	2001
Assets		
Cash and due from banks	$ 39,207	$ 39,347
Interest-bearing deposits in other banks	33,519	5,151
Federal funds sold	36,600	1,720
Investment securities	161,342	169,250
Loans	374,226	406,579
Less allowance for loan losses	7,508	10,176
Net loans	366,718	396,403
Accrued interest receivable	3,196	2,965
Premises and equipment, net	28,911	31,094
Goodwill	789	789
Other assets	25,995	21,846
Total assets	$ 696,277	$ 668,565
Liabilities and Shareholders' Equity		
Deposits		
Non-interest bearing	$ 162,301	$ 134,480
Interest bearing	422,748	426,730
Total deposits	585,049	561,210
Accrued interest payable	571	1,184
FHLB advance	15,000	10,000
Long-term borrowings	6,000	8,000
Other liabilities	1,475	974
Total liabilities	608,095	581,368
Commitments and contingencies	-	-
Shareholders' equity:		
Capital stock, $0.2083 par value; authorized 48,000,000 shares; issued 9,933,333 shares in 2002, 9,919,087 shares in 2001, respectively	2,070	2,067
Paid-in surplus	13,942	13,867
Treasury Stock (1,393,761 shares)	(15,331)	(15,331)
Accumulated other comprehensive income	415	161
Retained earnings	87,086	86,433
Total shareholders' equity	88,182	87,197
Total liabilities and shareholders' equity	$ 696,277	$ 668,565

The accompanying notes are an integral part of these financial statements.

[$ in thousands, except per share amounts]

Consolidated Statements of Income

	For the Years Ended December 31,		
	2002	2001	2000
Interest income			
Loans receivable	$ 31,257	$ 39,237	$ 47,065
Deposits in other banks	200	241	342
Investment securities			
Taxable	1	19	34
Exempt from income tax	4,045	8,119	9,775
Interest on Federal funds sold	343	651	670
Total interest income	35,846	48,267	57,886
Interest expense			
Time deposits	2,184	7,409	9,712
Savings deposits	3,565	7,113	8,889
Other borrowed funds	743	1,178	1,671
Total interest expense	6,492	15,700	20,272
Net interest income	29,354	32,567	37,614
Provision for loan losses	4,439	3,571	4,387
Net interest income after provision for loan losses	24,915	28,996	33,227
Other operating income			
Service charges and fees	4,582	4,202	3,964
Other income	6,402	5,132	4,426
Total other operating income	10,984	9,334	8,390
Other operating expenses			
Salaries and employee benefits	13,366	14,604	15,466
Occupancy	4,284	4,240	4,249
Furniture and equipment	3,201	3,144	2,974
General, administrative and other	9,543	9,465	10,371
Total other operating expenses	30,394	31,453	33,060
Income before income taxes	5,505	6,877	8,557
Provision (benefit) for income taxes	585	(264)	(614)
Net income	$ 4,920	$ 7,141	$ 9,171
Basic earnings per common share	$ .58	$ .74	$ .93
Diluted earnings per common share	$ .55	$ .72	$ .90

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

[$ in thousands]

Consolidated Statements of Comprehensive Income

	For the Years Ended December 31,		
	2002	2001	2000
Net income	$ 4,920	$ 7,141	$ 9,171
Other comprehensive income, net of tax:			
Unrealized holding gains on marketable securities	254	114	140
Other comprehensive income	254	114	140
Comprehensive income	$ 5,174	$ 7,255	$ 9,311

Consolidated Statements of Changes in Shareholders' Equity

	For the Years Ended December 31,		
	2002	2001	2000
Common stock			
Balance at beginning of year (9,919,087, 9,902,569 and 9,894,226 shares, respectively)	$ 2,067	$ 2,063	$ 2,062
Stock issued to employees (14,246, 16,518, and 7,543, shares issued, respectively)	3	4	1
Balance at end of year (9,933,333, 9,919,087 and 9,902,569 shares, respectively)	2,070	2,067	2,063
Paid-in surplus			
Balance at beginning of year	13,867	13,775	13,714
Stock issued to employees	75	92	61
Balance at end of year	13,942	13,867	13,775
Treasury stock (1,393,761, 1,393,761, and 0 shares, respectively)	(15,331)	(15,331)	-
Accumulated other comprehensive income			
Balance at beginning of year	161	47	(93)
Unrealized gain on securities available for sale net of tax	254	114	140
Balance at end of year	415	161	47
Retained earnings			
Balance at beginning of year	86,433	84,073	79,357
Net income	4,920	7,141	9,171
Cash dividends - Common	(4,267)	(4,781)	(4,455)
Balance at end of year	87,086	86,433	84,073
Total shareholders' equity	$ 88,182	$ 87,197	$ 99,958

[$ in thousands]

Consolidated Statements of Cash Flows

	For the Years Ended December 31, 2002	2001	2000
Increase (decrease) in cash and cash equivalents:			
Cash flows from operating activities:			
Net income	$ 4,920	$ 7,141	$ 9,171
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	4,439	3,571	4,387
Depreciation and amortization of bank premises and equipment	3,067	3,196	2,942
Amortization of goodwill	-	43	43
Amortization of fees, discounts and premiums	(895)	(6,480)	(7,546)
(Gain) on sale of securities	(538)	(34)	(1)
Loss on foreign exchange valuation	1	13	9
(Gain) loss on sales of assets	(21)	(13)	(2)
Writedown and loss on sales of OREO	2,600	458	327
(Increase) decrease in accrued interest receivable	(231)	1,287	43
Decrease (increase) in other assets	(292)	(2,203)	(915)
(Decrease) increase in accrued interest payable	(613)	(1,638)	1,214
Increase (decrease) in other liabilities	501	157	(571)
Net cash provided by operating activities	13,822	5,498	9,101
Cash flows from investing activities:			
Purchase of investment securities	(472,314)	(529,225)	(438,750)
Proceeds from sale of investment securities	22,430	29,790	19,396
Maturity of investment securities	459,389	490,212	406,301
Net (increase) decrease in loans	(1,948)	22,198	(2,421)
Proceeds from sales of loans	20,825	8,816	8,563
Purchase of bank premises and equipment	(884)	(1,899)	(1,672)
Proceeds from sale of bank premises and equipment	22	19	2
Net cash provided by (used in) investing activities	26,636	19,911	(8,581)
Cash flows from financing activities:			
Net increase (decrease) in deposits	23,839	(5,510)	(7,023)
Payment of subordinated debt	(2,000)	(2,000)	-
Proceeds from (payment of) FHLB advance	5,000	(5,000)	-
Proceeds from issuance of common stock	78	96	63
Purchase of treasury stock	-	(15,331)	-
Dividends paid	(4,267)	(4,781)	(4,455)
Net cash provided by (used in) financing activities	22,650	(32,526)	(11,415)
Net increase (decrease) in cash and cash equivalents	63,108	(7,117)	(10,895)
Cash and cash equivalents at beginning of year	46,218	53,335	64,230
Cash and cash equivalents at end of year	$ 109,326	$ 46,218	$ 53,335

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2002, 2001 and 2000

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 subsidiaries, BankGuam Properties, Inc. and BankGuam Insurance Underwriters, Ltd. All significant intercompany and interbranch balances and transactions have been eliminated.

The Bank's headquarters is located in Hagåtña, Guam and operates branches located on Guam, the Islands of Micronesia and the Commonwealth of the Northern Mariana Islands. The Bank currently has branches in Guam (13), Saipan (4), Pohnpei, Kwajalein, Chuuk, Majuro, Belau, Rota, Tinian, and in San Francisco.

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.

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 risks: 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 borrowers' 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 accounting and reporting policies and practices of the Bank conform to generally accepted accounting principles and, where applicable, to accounting and reporting guidelines prescribed by banking regulatory authorities. 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 foreclosed real estate and deferred tax assets.

Business

The Bank provides a variety of financial services to individuals and small businesses through its branches in Guam, the Islands of Micronesia and the Commonwealth of the Northern Mariana Islands. Its primary deposit products are savings and term certificate accounts and its primary lending products are consumer and commercial mortgages.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, interest bearing deposits in other banks and Federal Funds sold. Generally, Federal Funds are sold for one-day periods. 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, 2002, the required combined reserves totaled approximately $10,151.

The Bank is required to maintain non-interest bearing compensating balances with Bank of the West (formerly United California Bank) 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 2002 and 2001 was $250.

Investment Securities

The Bank accounts for investment securities based on their classification as Trading, Available-for-Sale (AFS) or Held-to-Maturity (HTM). 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) 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 included in income. Investments in the Available-for-Sale category are carried at

Note 1: Summary of Significant Accounting Policies (continued)

fair value with unrealized gains and losses recorded as a separate component of shareholders' equity. Gains and losses recognized on the sale of investment securities are based upon the adjusted cost and determined using the specific identification method. Investments in the Held-to-Maturity category are carried at amortized cost. For investments classified as Held-to-Maturity, premiums and discounts are initially re-corded 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 are carried at face amount, less payments collected, unamortized deferred fees and unearned discount, if any. Interest income on loans is recognized based on loan principal amounts outstanding. Loan origination fees and loan commitment fees are deferred and accounted for as an adjustment of the yield.

The Bank accounts for impaired loans in accordance with SFAS 114 *Accounting by Creditors for Impairment of a Loan.* SFAS 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.

Loans are placed on a nonaccrual basis when principal or 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 or 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 and charged against current income. Loans are returned to an accrual status when the collectability of both principal and interest on a timely basis is reasonably assured and all delinquent interest and principal is brought current, or the loan becomes sufficiently secured and is in the process of collection.

Allowance for Loan Losses

The allowance for loan losses is maintained at a level considered adequate to provide for losses that can reasonably be anticipated. The allowance for loan losses is increased by provisions charged to expense and decreased by charge-offs, net of recoveries. 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 changes 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.

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.

Other Real Estate Owned

Properties acquired through foreclosure are stated at 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-downs, 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 expense.

Goodwill

Goodwill which is deemed to have indefinite lives will no longer be amortized, but instead will be tested at least annually for impairment in accordance with Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets* (see Note 2). Upon adoption of SFAS No. 142, the Bank did not identify any existing intangible assets to be separated 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 "Treasury Stock" and result in a reduction of shareholders' equity. These shares were recorded under the cost method of accounting for treasury stock. Pursuant to the approval terms of the bank's primary regulator, the shares must be reissued within five years.

[$ in thousands, except per share amounts]

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2002, 2001 and 2000

Note 1: Summary of Significant Accounting Policies (CONTINUED)

Income Taxes

Income taxes represent taxes recognized under laws of the Government of Guam which generally conform to U.S. 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, Chuuk, Majuro, Ebeye, Pohnpei and Belau branches to their respective government jurisdiction. 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 109, *Accounting for Income Taxes.* SFAS 109 is an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Bank's financial statements or tax returns.

Statement of Cash Flows and Supplemental Disclosures

For the purpose of the statement of cash flows, the Bank considers cash and due from banks, interest-bearing deposits in other banks and Federal funds sold to be cash equivalents.

The Bank made no income tax payments during the years ended December 31, 2002, 2001, and 2000. Interest payments of $7,105, $17,338, and $19,058 were made during the years ended December 31, 2002, 2001, and 2000, respectively.

During the years ended December 31, 2002 and 2001, the Bank issued new loans totaling $1,111 and $979 in connection with the sale of other real estate owned. Additionally, during the years ended December 31, 2002 and 2001, the Bank recorded $11,294 and $7,612 of other real estate owned in connection with the acquisition of foreclosed properties.

Comprehensive Income

Accounting principles generally 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 balance sheet, such items, along with net income, are components of comprehensive income.

Reclassifications

Certain reclassifications have been made to conform previously reported data to the current presentation.

Dividends Declared

At its discretion, the Bank declares dividends to its shareholders on record as of the declaration date. The Bank declared and paid dividends of $.1250 per each share of common stock outstanding for each of the quarters in 2002 and 2001.

Per Share Data

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of shares determined for the basic computation plus the number of shares of common stock that would be issued assuming all potential common shares having a dilutive effect on earnings per share were outstanding for the period. Potential common shares that may be issued by the Bank relate solely to the stock purchase plan, and are determined using the treasury stock method.

The weighted average number of common shares outstanding for basic and diluted earnings per share computations are as follows:

	December 31,		
	2002	2001	2000
Numerator:			
Net income	$ 4,920	$ 7,141	$ 9,171
Less: preferred stock dividend	-	-	-
Net income available for common stock (basic)	4,920	7,141	9,171
Effect of dilutive securities	$ -	$ -	$ -
Net income (dilutive)	$ 4,920	$ 7,141	$ 9,171
Denominator:			
Weighted average common stock outstanding (basic)	8,533	9,630	9,898
Dilutive effect of employee stock purchase plan	338	231	244
Weighted average common stock outstanding (dilutive)	8,871	9,861	10,142

[$ in thousands, except per share amounts]

	December 31,		
	2002	2001	2000
EPS:			
Basic	$ .58	$ .74	$ .93
Dilutive	$ .55	$ .72	$ .90

note 2

Recent Accounting Pronouncements

Goodwill and other intangibles

In June 2001, the Financial Accounting Standards Board (FASB or the "Board") issued Statement of Financial Accounting Standards No. 142 (SFAS 142), *Goodwill and Other Intangible Assets.* SFAS 142 supersedes APB 17, Intangible Assets, and is effective for fiscal years beginning after December 15, 2001. SFAS 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their initial recognition. The provisions of SFAS 142 (1) prohibit the amortization of goodwill and indefinite-lived intangible assets, (2) require that goodwill and indefinite-lived intangibles 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 142 is effective for fiscal years beginning after December 15, 2001, and the Bank adopted the provisions of SFAS 142 in its first quarter ended January 1, 2002. The Bank has insignificant balances related to goodwill and/or intangibles assets and the adoption of SFAS 142 did not have a material impact on the results of its operations.

Long-Lived Assets

In August 2001, the FASB issued Statement of Financial Accounting Standards 144 (SFAS 144), *Accounting for the Impairment or Disposal of Long-Lived Assets.* SFAS 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 144 is effective for the Bank's fiscal year beginning on January 1, 2002. The adoption of SFAS 144 did not have a material effect on the results of its operations.

Other Recent Accounting Pronouncements

In April 2002, the FASB issued Statement of Financial Accounting Standards No. 145, *Rescission of FASB Statement No. 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 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 this statement did not have a material effect on the Bank's results of operation or financial position.

In June 2002, the FASB issued Statement of Financial Accounting Standards No. 146, *Accounting for Costs Associated with the Exit or Disposal of Activities.* The Bank will adopt this statement as of January 1, 2003. SFAS 146 requires a liability for a cost associated for an exit or disposal 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 146 requires that the initial measurement of a liability be at fair market value. The Bank has no plans to exit or dispose of any of its segments or lines of business and therefore does not anticipate that the adoption of this statement will have a material effect on the Bank's results of operation, financial position, or cash flows.

In October 2002, the FASB issued Statement of Financial Accounting Standards No. 147, *Acquisitions of Certain Financial Institutions, an amendment of FASB Statements 72 and 144 and FASB Interpretation No. 9* ("SFAS 147). This statement became effective October 1, 2002. The 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 141 and SFAS 142. SFAS 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"). This interpretation clarifies previously issued pronouncements. Additional disclosures regarding certain guarantees is required in this Annual Report and is provided in Note 15 with respect to the guarantees the Bank issues in the course of business with commercial customers with the characteristics included in this interpretation. Implementation

[$ in thousands, except per share amounts]

Note 2: Recent Accounting Pronouncements (continued)

of the accounting guidance of FIN 45 will require the recognition in the first quarter of 2003 or the fair market value of the liability incurred in the issuance of these guarantees. The Bank does not anticipate that the adoption of this statement will have a material effect on the Bank's results of operation, financial position, or cash flows.

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148, *Accounting for Stock-Based Compensation-Transition and Disclosure, an amendment of FASB Statement No 123* (SFAS 148). Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation,* permitted two methods of accounting for stock options granted to employees. SFAS 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 will have to use one of the two new transition approaches. The Bank's stock purchase plan does not fall within the guidance of SFAS 123, therefore, the Bank does not anticipate that the adoption of this statement will have a material effect on the results of operation, 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 115, there are specific guidelines stating when a transfer/sale is allowed from HTM to AFS. 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 resulting in $348 of unrealized gain net of tax incorporated in other comprehensive income. The Bank did not have a held-to-maturity or trading portfolio as of December 31, 2002 or 2001.

Available-for-Sale

Amortized cost and estimated fair values of investment securities available-for-sale at December 31, 2002 and 2001 were as follows:

2002	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury	$ 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

2001	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury	$ 105,782	$ 150	$ 5	$ 105,927
U.S. Government Agencies obligations	59,844	140	3	59,981
Other securities	3,379	-	37	3,342
	$ 169,005	$ 290	$ 45	$ 169,250

[$ in thousands, except per share amounts]

Note 3: Investment Securities (continued)

The amortized cost and estimated fair values of debt securities at December 31, 2002, by contractual maturity were as follows:

	Amortized Cost	Estimated Fair Value
Due within one year	$ 139,922	$ 140,131
Due after one but within five years	20,588	21,033
Due after five but within ten years	142	130
Due after ten years	61	48
	$ 160,713	$ 161,342

Proceeds from the sales and maturities of investment securities during 2002, 2001, and 2000 were $481,819, $520,002, and $425,697. Net realized gains on sales of investment securities during 2002, 2001, and 2000 totaled $538, $34, and $1.

Investment securities with a carrying value of $103,423 and $87,695 at December 31, 2002 and 2001, respectively, were pledged as collateral to secure various Government deposits and other public requirements.

note 4

Loans

The Bank's loan portfolio included the following:

	December 31, 2002	December 31, 2001
Commercial	$ 198,777	$ 225,598
Consumer	80,079	90,336
Real Estate	85,167	90,532
Government	10,000	-
Other	203	113
Gross Loans	374,226	406,579
Less - Allowance for loan losses	7,508	10,176
Net Loans	$ 366,718	$ 396,403

Loans to directors and executive officers of the Bank at December 31, 2002 and 2001 totaled $22,312 and $21,412, respectively. These loans were extended in the normal course of business and at the prevailing interest rates.

At December 31, 2002, loans outstanding were comprised of 77% variable rate loans and 23% fixed rate loans.

[$ in thousands, except per share amounts]

Note 4: Loans (CONTINUED)

A summary of the changes in the allowance for loan losses follows:

	December 31, 2002	2001	2000
Balance at beginning of year	$ 10,176	$ 9,640	$ 9,272
Provision charged to expenses	4,439	3,571	4,387
	14,615	13,211	13,659
Charge-offs	9,307	4,055	5,076
Less recoveries	2,200	1,020	1,057
Net charge-offs	7,107	3,035	4,019
Balance at end of year	$ 7,508	$ 10,176	$ 9,640

At December 31, 2002 and 2001, the Bank's recorded investment in impaired loans totaled $14,490 and $28,733, respectively. Of the impaired loans, $13,960 and $21,784 had related allowance for loan losses of $3,504 and $5,697, at December 31, 2002 and 2001, respectively. Impaired loans without a related allowance for loans losses are collateralized by assets with fair values in excess of the recorded investment in the loans.

The average recorded investment in impaired loans for 2002, 2001, and 2000 was $22,716, $34,215, and $33,185, respectively, interest income recognized on loans identified as impaired was $776, $1,644, and $2,868, respectively.

note 5
Premises and Equipment

A summary of premises and equipment is as follows:

	December 31, 2002	2001
Buildings	$ 27,943	$ 27,942
Furniture and equipment	22,951	21,893
Automobiles and mobile facilities	865	1,017
Leasehold improvements	3,686	3,695
	55,445	54,547
Less accumulated depreciation	27,646	24,882
	27,799	29,665
Construction-in-progress	1,112	1,429
	$ 28,911	$ 31,094

Depreciation expense for the years ended December 31, 2002, 2001, and 2000 amounted to $3,067, $3,196, and $2,942, respectively.

[$ in thousands, except per share amounts]

note 6

Other Assets

A summary of other assets is as follows:

	December 31, 2002	December 31, 2001
Deferred tax asset, net	$ 4,128	$ 4,409
Prepaid income tax	2,133	2,188
Prepaid expenses	4,194	4,093
Other real estate owned, net	11,294	7,612
Foodstamps redeemed	1,839	378
Other	2,407	3,166
Total	$ 25,995	$ 21,846

Other Real Estate Owned

The changes in OREO are summarized as follows:

	December 31, 2002	December 31, 2001
Balance at beginning of year	$ 7,612	$ 2,779
Additions to OREO	7,699	6,653
Less sales of OREO	1,417	1,468
	13,894	7,964
Writedowns/loss on sale, net	2,600	352
Balance at end of year	11,294	7,612

The following summarizes OREO operations, which are included in operating expenses, for the years ended December 31, 2002, 2001 and 2000.

	December 31, 2002	December 31, 2001	December 31, 2000
Real Estate operations, net	$ (328)	$ 109	$ (125)
Loss (gain) on the sale of OREO	$ 155	$ 80	$ -
Writedowns	$ 2,445	$ 272	$ 327
Net losses (gains) from other real estate operations	$ 2,272	$ 461	$ 202

[$ in thousands, except per share amounts]

note 7
Deposits

A summary of deposits is as follows:

	December 31, 2002	December 31, 2001
Non-interest bearing deposits	$ 162,301	$ 134,480
Interest bearing deposits:		
Demand deposits	55,731	49,676
Regular savings	194,641	170,138
Time deposits:		
$100,000 or more	91,546	100,624
Less than $100,000	22,178	28,474
Other interest-bearing deposits	58,652	77,818
	422,748	426,730
Total	$ 585,049	$ 561,210

At December 31, 2002, aggregate maturities of time deposits were as follows:

Year ending December 31,	
2003	$ 108,811
2004	3,273
2005	664
2006	322
2007	429
Thereafter	225
	$ 113,724

note 8
Borrowings

Federal Home Loan Bank (FHLB) Advances

The Bank had outstanding advances from the FHLB under Blanket Agreements for Advances and Security Agreements (the Agreements) of $15,000 and $10,000 at December 31, 2002 and 2001. 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 4.49% and 5.02% at December 31, 2002 and 2001. The advances outstanding at December 31, 2002 are due to mature between October 2003 and 2005, with principal repayments scheduled to be $5,000 due in October 2003, 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 .375%. Principal repayments scheduled in quarterly installments of $500 commenced on March 31, 2001. The outstanding balance of the subordinate debt was $6,000 and $8,000 at December 31, 2002 and 2001.

Line of Credit

The Bank has a $5,000 line of credit agreement with Bank of the West (formerly United California Bank). Extensions of

[$ in thousands, except per share amounts]

Note 8: Borrowings (continued)

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. None of the sublimits for the above facilities can exceed the $5,000 total principal limit. There were no lines outstanding at December 31, 2002 and 2001.

In addition, at December 31, 2002 and 2001, the Bank had $65,000 in federal funds lines of credit available with its correspondent banks, respectively. At December 31, 2002 and 2001, there were no outstanding borrowings against any of these lines.

note 9

Income Taxes

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

	December 31, 2002	2001	2000
Government of Guam income taxes:			
Current	$ -	$ -	$ -
Deferred	281	(628)	(1,061)
Foreign income taxes (including U.S. income taxes)	304	364	447
Total provision (benefits) for income taxes	$ 585	$ (264)	$ (614)

The components of deferred income taxes are as follows:

	December 31, 2002	2001	2000
Loan loss provision	$ 907	$ (182)	$ (125)
Foreign tax credit carryforward	(303)	(364)	(447)
NOL carryforward	(441)	(205)	(618)
Depreciation, accelerated for tax purposes	98	98	98
Deferred loan origination fees	18	28	10
Other, net	2	(3)	21
Deferred tax provision (benefits)	$ 281	$ (628)	$ (1,061)

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

	December 31, 2002	2001	2000
Deferred tax assets:			
Loan loss reserve	$ 2,553	$ 3,460	$ 3,278
Foreign tax credit carryforward	1,115	811	447
NOL carryforward	1,264	823	618
OREO	47	47	47
Loan origination fees	397	415	443
Total deferred tax asset	5,376	5,556	4,833
Deferred tax liability:			
Depreciation	(1,239)	(1,140)	(1,042)
Other	(9)	(7)	(10)
Total deferred tax liability	(1,248)	(1,147)	(1,052)
Net deferred tax asset	$ 4,128	$ 4,409	$ 3,781

[$ in thousands, except per share amounts]

Note 9: Income Taxes (CONTINUED)

The Bank has also recorded a prepaid income tax asset of $2,133 and $2,188 at December 31, 2002 and 2001, respectively, relating to amounts due from the Government of Guam Department of Revenue and Taxation (see Note 17).

The Bank's foreign tax credit carryforwards of $304, $364, and $447 for the years ending 2002, 2001 and 2000 expire in 2007, 2006 and 2005. The net operating loss carryforwards of $441, $205, and $618 for the years ending 2002, 2001 and 2000 expire in 2023, 2022, and 2021, respectively.

No valuation allowance was 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. The total net deferred tax asset is included in Other Assets in the Consolidated Statements of Condition.

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

	For the Years Ended December 31,		
	2002	2001	2000
Statutory Guam income tax rate	34.00 %	34.00 %	34.00 %
Nontaxable interest income	(23.38)%	(37.83)%	(41.18)%
Effective tax rate	10.62 %	(3.83)%	(7.18)%

Nontaxable interest income is related to net interest income earned on U.S. Treasury and other U.S. Government Obligations. The Bank has received a Final Notice of Deficiency ("90 Day Letter") for tax years 1992 through 1994 from the Guam Department of Revenue and Taxation asserting that this interest is subject to tax (see Note 17).

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, 2001, 1,559,640 right to purchase shares have been granted to employees. Right to purchase shares are exercisable for ten-year period from the date of grant. During 2002, 2001, and 2000 shares totaling 13,396, 15,068, and 7,543, respectively, were issued under the plan at average prices of $5.26, $5.74, and $7.22 per share, 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 late Chairman's bonus under an agreement that is to terminate on December 31, 2004 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 under the agreement. The President's and the Executive Vice President's bonuses are based on profitability, also within a defined limit, subject to adjustments based on the Bank meeting certain performance criteria.

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 common stock of the Bank 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, 2002 and 2001, there were no Phantom Stock units outstanding under the plan.

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 survivors for a period of five years.

[$ in thousands, except per share amounts]

Note 10: Employee Benefit Plans (CONTINUED)

Employee Retirement Savings Plan

The Bank operates an employee savings plan under Section 401(k) of the Internal Revenue Code. All employees with at least one year of continuous service are eligible for the plan. The Bank matches employee contributions of up to 6% of compensation at a rate of 50%. Bank contributions are 100% vested after five years of service. The amount charged against income in 2002, 2001, and 2000 for such contributions was $170, $194, and $220, 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, 2002, annual lease commitments under the above noncancelable operating leases were as follows:

Year Ending December 31,	
2003	$ 1,823
2004	1,690
2005	1,330
2006	1,081
2007	589
Thereafter	21,749
	$ 28,262

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 2002, 2001 and 2000 were approximately $422, $283, and $300, respectively.

At December 31, 2002, minimum future rents to be received under noncancelable operating leases were as follows:

Year Ending December 31,	
2003	$ 238
2004	137
2005	33
2006	-
2007	-
Thereafter	-
	$ 408

The following schedule show the composition of total rental expense for all operating leases except those with terms of a month or less that were not renewed:

	2002	2001	2000
Rent expense	$ 2,052	$ 2,168	$ 2,113
Less: sublease rentals	354	356	429
	$ 1,698	$ 1,812	$ 1,684

[$ in thousands, except per share amounts]

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2002, 2001 and 2000

note 12

Disclosure About Fair Value of Financial Instruments

Financial instruments are defined as cash, evidence of an ownership interest in an entity or a contract that both imposes 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 due from banks, and federal funds sold

The carrying amounts reported in the consolidated balance sheets 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 reprice frequently and with no significant change in credit risk, fair values are based on carrying values. The fair values of other loans are estimated using discounted cash flow analyses, utilizing 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 of 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 of 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 monthly maturities on time deposits.

Federal Home Loan Bank Advances

The fair value of these advances approximates their carrying amount as the rate of interest reprices 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:

	2002		2001		2000	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets						
Cash and short-term investments	$ 109,326	$ 109,326	$ 46,128	$ 46,128	$ 53,335	$ 53,335
Investment securities	$ 161,342	$ 161,342	$ 169,250	$ 169,250	$ 153,554	$ 153,554
Loans, net of allowance	$ 366,718	$ 370,581	$ 396,403	$ 400,088	$ 435,606	$ 438,160
Financial liabilities						
Deposits	$ 585,049	$ 586,689	$ 561,210	$ 560,213	$ 566,721	$ 567,386
Federal Home Loan Bank advances	$ 15,000	$ 15,000	$ 10,000	$ 10,000	$ 15,000	$ 15,000
Long-term debt	$ 6,000	$ 6,000	$ 8,000	$ 8,000	$ 10,000	$ 10,000

[$ in thousands, except per share amounts]

note 13

Capital Adequacy

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 the Bank's 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 table below) of total and Tier 1 Capital (as defined by regulations) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (as defined). Management believes that, as of December 31, 2002, the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2002, 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, the Bank must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table below. There are no conditions or events since notification that management believes have changed the Bank's categories. The following table presents the Bank's actual capital amounts and ratios along with regulatory required minimums for purposes of determining capital adequacy and to be considered well capitalized under capital adequacy guidelines and prompt corrective action provisions:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2002:						
Total capital (to Risk Weighted Assets)	$ 96,649	22.44%	$ 34,461	8%	$ 43,076	10%
Tier 1 capital (to Risk Weighted Assets)	84,238	19.56%	17,230	4%	25,845	6%
Tier 1 capital (to Average Assets)	84,238	12.36%	27,268	4%	34,084	5%
As of December 31, 2001:						
Total capital (to Risk Weighted Assets)	$ 112,969	24.11%	$ 37,478	8%	$ 46,848	10%
Tier 1 capital (to Risk Weighted Assets)	94,005	20.07%	18,739	4%	28,109	6%
Tier 1 capital (to Average Assets)	94,005	13.06%	28,789	4%	35,986	5%

note 14

Financial Instruments With Off-Balance-Sheet Risk and Commitments

The Bank is a party to 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 and 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 those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

[$ in thousands, except per share amounts]

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2002, 2001 and 2000

Note 14: Financial Instruments With Off-Balance Sheet Risk and Commitments (continued)

A summary of financial instruments with off-balance-sheet risk follows:

	December 31, 2002	December 31, 2001
Commitments to extend credit	$ 54,572	$ 57,870
Letters of credit:		
Standby letters of credit	$ 3,444	$ 2,219
Other letters of credit	1,294	621
	$ 4,738	$ 2,840

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

Letters of credit, standby or other, 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. 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.

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 or 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, 2002, the maximum undiscounted future payments that the Bank could be required to make was $3,444. 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, 2002.

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, 2002, the Bank has two reportable operating segments: Guam and the Commonwealth of the Northern Mariana Island ("CNMI") Branches.

The financial results of the Bank's operating segments are presented on an accrual basis. There are no significant differences among the accounting policies of the segments as compared to the Bank's consolidated financial statements. The Bank evaluates the performance of its segments and allocates resources to them based on net interest income and net income. There are

[$ in thousands, except per share amounts]

Note 16: Operating Segments (CONTINUED)

no material intersegment revenues. The tables below present information about the Bank's operating segments as of and for the years ended December 31, 2002, 2001, and 2000, respectively.

	Guam	CNMI	Other	Consolidated Total
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)
Benefit (provision) for income taxes	(281)	(214)	(90)	(585)
Net income	2,536	1,871	513	4,920
Segment assets	451,271	155,991	89,015	696,277
Year Ended December 31, 2001				
Net interest income	$ 26,783	$ 6,065	$ 2,620	$ 32,567
Provision for loan losses	(2,680)	(535)	(356)	(3,571)
Benefit (provision) for income taxes	598	(230)	(104)	264
Net income	5,042	1,807	292	7,141
Segment assets	459,693	145,008	63,864	668,565
Year Ended December 31, 2000				
Net interest income	$ 26,448	$ 7,753	$ 3,413	$ 37,614
Provision for loan losses	(3,751)	(240)	(396)	(4,387)
Benefit (provision) for income taxes	1,171	(425)	(132)	614
Net income	4,670	3,444	1,057	9,171
Segment assets	449,203	172,876	73,180	695,259

note 17
Contingencies

In July 1998, the Guam Department of Revenue and Taxation (the Department) issued a Preliminary Notice of Deficiency (the Notice) relating to the Bank's tax filings for tax years 1992 through 1994. The tax resulting from this matter could range from zero to a maximum of $6,887, plus interest and penalties. The Bank filed a formal protest to the Notice and submitted to the Department all requested documentation supporting the Bank's position. In January 2001, the Department issued a final Notice of Deficiency ("90 Day Letter") informing the Bank that they had been unable to reach a satisfactory agreement in their case. In response, the Bank filed a Petition for Redetermination in Federal District Court of Guam on April 24, 2001, contesting the allegations. The Department subsequently filed a motion in District Court to dismiss the Bank's claim for relief. On May 14, 2002, the District Court issued its ruling on the Department's motion, dismissing the Bank's defenses that the Department erred in determining that the interest on United States Treasury obligations is taxable under the Guam Territorial Income Tax and denying the Department's motion insofar as it refused to dismiss the Bank's other defenses. Both sides are conducting discovery, with the trial scheduled for November 3, 2003 to be held on Guam.

The Bank and its attorneys continue to believe the Bank's legal arguments in favor of its position have merit, and continue to believe they will ultimately prevail in any final determination of this issue. In addition to tax years 1992 through 1994, which are the subject of the current litigation, tax years 1997 through 2002 are still open to examination under applicable statutes of limitation, and could be subject to similar scrutiny by the Department. If the Bank does not prevail in the current litigation, the Department might also pursue tax years still open. As a result, taxes on interest earned on United States Treasury obligations previously treated as nontaxable for years 1997 through 2002 in the maximum amount of $16,917 could potentially become payable, plus any associated interest and penalties, less credits available to the Bank for net operating losses of $1,264 and foreign tax credits of $1,115.

Management's Analysis of Financial Condition

Results of Operations

The new year ushered in our 30th anniversary, along with natural disasters and the passing of the Bank's founder. The economies of the Pacific Islands region continue to struggle from the prolonged Japanese recession, and conditions were exacerbated in 2002 by the effects of international terrorist threats on tourism, fatal landslides in Chuuk, and an earthquake and two devastating typhoons in Guam. Despite this unfavorable environment, the Bank of Guam has maintained its solid footing and strong level of profit performance in its core businesses. The Bank closed the year 2002 with total resources of $696.3 million, up $27.7 million (or 4.1%) from $668.6 million at the end of 2001. This increase in total resources is primarily attributed to the $28.4 million increase in Interest Bearing Deposits in Other Banks and $34.9 million increase in Federal Funds Sold, offset by a decrease in Net Loans by $29.7 million.

During 2002, the interest rate environment continued to put pressure on the Bank's interest margins. In November, interest rates dropped an additional 50 basis points, with a target Federal Funds rate of 1.25%. Although the low interest rates, coupled with the continued deterioration in the island economies, have negatively affected the Bank's net interest margins during 2002, the Bank's overall profitability remains solid, with net income for the year totaling $4.9 million (lower by $2.2 million from $7.1 million in 2001). The decline in net income is primarily attributed to the $3.2 million drop in net interest income and $0.9 million increase in Provision for Loan Losses (partly due to the 2002 typhoons), which was offset partially by the $1.7 million increase in other operating income and the $1.1 million decrease in other operating expenses.

The Bank's profit performance during the year contributed an additional $0.7 million (net of dividends paid) in the form of retained earnings, and combined with $0.3 million in unrealized gains to increase total shareholder's equity by $1 million. The Bank's sustained profit performance in 2002 has allowed the continuance of its long-standing practice of declaring regular quarterly dividends during the year (in the amount of $0.1250 per share each quarter). For the full year of 2002, the Bank declared and paid a total of $4.3 million in dividends to its common shareholders, down $0.5 million (or 10.8%) from $4.8 million in 2001. The decrease in dividends paid is due to the Bank's repurchase of 1,393,761 shares of its common stock in the 4th quarter of 2001.

Loans and Deposits

In recognition of the increased risk that is associated with the ongoing challenges facing the regional economies, the Bank continued to implement strict limits on its lending activity during 2002. This action explains the substantial reduction in our loan portfolio. At year-end 2002, total loans stood at $374.2 million, down $32.4 million (or 8.0%) from $406.6 million in 2001. This decline is largely concentrated in commercial loans, which declined $26.8 million to $198.8 million, down from $225.6 million the previous year, and consumer loans, which dropped $10.3 million to close the year at $80.1 million, down from $90.3 million in 2001. In addition, total real estate loans of $85.2 million represent a decrease of $5.4 million from $90.5 million last year. Conversely, our government loan portfolio registered an increase of $10.0 million, up from zero in 2001. Although the conditions of the regional economies have adversely affected a large number of our borrowers, the Bank's asset quality remains strong as we continue with our firm commitment to maintain the highest level of underwriting standards and practices, supported with an effective collection management process. In addition, the Bank decreased its loan loss reserves to $7.5 million (2.0% of total loans) from the $10.2 million (2.5% of total loans) in 2001. While this reserve level is exceptionally high when compared to industry standards, it provides the Bank with additional strength to hedge against the adverse conditions in our regional economies.

While total loans dropped substantially during the year, the Bank's deposit base increased, with total deposits higher by $23.8 million (or 4.2%) to close the year at $585.0 million, up from $561.2 million in 2001. Non-interest bearing deposits increased by $27.8 million to $162.3 million, demand and savings deposits increased by $30.6 million to $250.4 million and time deposits decreased by $15.4 million to $113.7 million. Other interest bearing accounts decreased by $19.2 million to $58.7 million. The bulk of the increase in deposits was due to the inflow of disaster recovery funds and our increase in market share in the Federated States of Micronesia and the Marshall Islands. Overall, the decline in our loan volumes and rise in our deposit volumes effectively reduced our loan-to-deposit ratio to 64.0% in 2002, down from 72.4% in 2001.

Liquidity and Investment Portfolio

At year-end 2002, the Bank's investment portfolio, which is comprised of U.S. treasury and U.S. government agency securities, federal funds sold, and time deposits at other banks, increased by $55.3 million (or 31.4%) to $231.5 million, from $176.1 million at year-end 2001. The increase was partially attributed to the $34.9 million increase in federal funds sold, which closed the year at $36.6 million, up from $1.7 million last year. Time deposits at other banks, totaling $33.5 million, increased by $28.4 million from last year's balance of $5.2 million. While the low interest rates during 2002 increased the market value of our securities portfolio, the downside effect resulted in a 251 basis point decline in the average yield of the portfolio, which dropped to 2.00% from 4.51% in 2001.

The Bank is in compliance with all Guam and federal bank regulatory standards regarding the liquidity of its assets and liabilities. The only trends of which the Bank is aware that may materially affect the Bank's liquid resources relate to heightened international tensions and the continuing recession in the region. International conflicts adversely affect tourism, and would thus reduce income levels in the islands. The continuing recession is resulting in downsizing of governments in the region, which could reduce incomes further and lead to emigration from the region. These developments could cause depositors to depend more heavily on their savings to maintain their living standards or support their relocation, reducing liquidity from its current high level.

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, the Bank has deemed it prudent to classify the portfolio as "Available-for-Sale" to provide for unanticipated liquidity needs. The Bank, however, does not engage in the active trading of securities. Therefore, it does not hold any of its securities in the trading classification.

Net Interest Income

The overall effect of depressed short term interest rates during 2002, coupled with the $32.4 million drop in our loan portfolio, is the prime cause of the Bank's net interest income drop of $3.2 million. Net interest income before provision for loan losses totaled $29.4 million during the year, down 9.9% from $32.6 million in 2001. This was largely attributed to the $8.0 million drop in interest income from loans, coupled with the $4.4 million drop in investment portfolio income. From a portfolio yield standpoint, the average yield on our earning assets portfolio dropped 203 basis points to 5.66% in 2002, down from 7.69% in 2001. The single largest drop in portfolio component yield was attributable to Time Deposits in Other Banks, which registered a 247 basis point drop in yields (to 1.86% from 4.33%), followed by 238 basis point drop in investments in U.S. Government Securities yields.

The overall decline in interest income from loans and investments, however, was partially offset by the drop in total interest paid on deposits and other borrowed funds. Total interest expense during 2002 of $6.5 million is $9.2 million (or 58.6%) lower than the $15.7 million in interest expense recorded last year. The decrease is largely attributed to the $5.2 million drop in interest paid on time deposits, which was $2.2 million, down from $7.4 million in 2001. Likewise, interest paid on Demand and Savings deposits dropped by $3.5 million to $3.6 million from $7.1 million the prior year.

Overall, the Bank's net interest margin for 2002 dropped 29 basis points to 4.82%, down from 5.12% in 2001.

Other Operating Income and Expenses

On a more positive note, the Bank's other operating income and expenses registered overall improvements during 2002, partially offsetting the decline in our net interest income. More specifically, total other operating income derived from service charges, fees, and other non-interest revenues totaled $11.0 million for the year, up $1.7 million from the $9.3 million recorded in 2001. This increase is partially attributed to an increase in volume (food stamp processing), an increase in the fees (wire transfers, miscellaneous transaction fees), and decreases in processing costs (MasterCard®). Additionally, the Bank's realized gain on securities was $0.5 million due to a sale of investments, and net sundry recoveries were $0.7 million. On the other side of this equation, our total other operating expenses during 2002 dropped by $1.1 million to $30.4 million from $31.5 million in 2001, largely attributed to the $1.2 million reduction in salaries and benefit expenses. Total salaries and benefit expenses for the year dropped to $13.4 million, down from $14.6 million in 2001 as the Bank successfully achieved its personnel reduction targets through normal attrition.

Capital Resources

Under currently effective capital regulations, the Bank must meet a 5.0% Tier One capital (to average assets) ratio and Tier One capital (to risk weighted assets) ratio of 6.0%. Additionally, the Bank's Total Capital (to risk weighted assets) ratio must equal or exceed 10.0%. At December 31, 2002, the Bank exceeded all of its minimum capital requirements: its Tier One capital (to average assets) ratio was 12.36%; its Tier One capital (to risk weighted assets) ratio was 19.56%; and its Total Capital (to risk weighted assets) ratio was 22.44%.

Impact of Inflation and Changing Prices

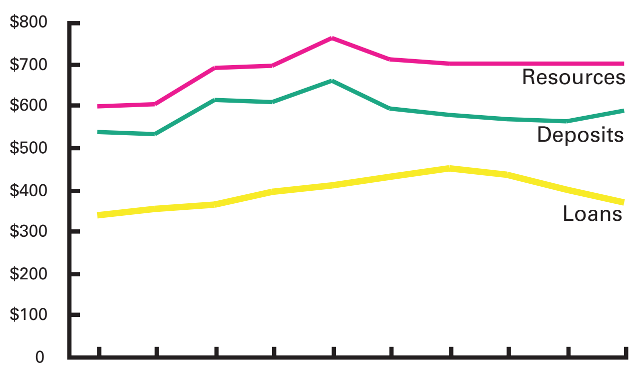
The Bank's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the measurement of financial position and operating results in terms of historical dollars without consideration of changes in the relative purchasing 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 inflationary expectations. Our ability to match the financial assets to the financial liabilities in our asset/liability management will tend to minimize the effect of a change of interest rates on our performance.

Forward-Looking Statements

When used in this Annual Report and in 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 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 the levels of market interest rates, credit and other risks of lending and investment activities, and 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.



Bank of Guam Condition
(in millions)

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

Summary of Operations

	Years ended December 31, 2002	2001	2000	1999	1998
Interest income					
Interest and fees on loans	$ 31,257	$ 39,237	$ 47,065	$ 43,407	$ 43,892
Interest on deposits in other banks	200	241	342	248	260
Interest on investment securities					
Taxable	1	19	34	43	68
Exempt from income tax	4,045	8,119	9,775	7,709	9,915
Interest on federal funds sold and securities purchased under agreement to resell	343	651	670	546	974
Total interest income	35,846	48,267	57,886	51,953	55,109
Interest expense					
Time deposits	2,184	7,409	9,712	6,215	7,906
Savings deposits	3,565	7,113	8,889	8,962	9,419
Other borrowed funds	743	1,178	1,671	1,654	1,564
Total interest expense	6,492	15,700	20,272	16,831	18,889
Net interest income	29,354	32,567	37,614	35,122	36,220
Provision for loan losses	4,439	3,571	4,387	3,400	3,005
Net interest income after provision for loan losses	24,915	28,996	33,227	31,722	33,215
Other operating income					
Service charges and fees	4,582	4,202	3,964	3,729	4,005
Investment securities gains (losses), net	538	34	1	3	(2)
Other income	5,864	5,098	4,425	5,079	4,098
Total other operating income	10,984	9,334	8,390	8,811	8,101
Other operating expenses					
Salaries and employee benefits	13,366	14,604	15,466	15,538	15,699
Net occupancy	4,284	4,240	4,249	4,198	4,132
Furniture and equipment	3,201	3,144	2,974	2,912	2,659
General, administrative and other expenses	9,543	9,465	10,371	7,614	7,519
Total other operating expenses	30,394	31,453	33,060	30,262	30,009
Income before income taxes	5,505	6,877	8,557	10,271	11,307
Provision (benefits) for income taxes	585	(264)	(614)	590	631
Net income	$ 4,920	$ 7,141	$ 9,171	$ 9,681	$ 10,676
Net income per share					
Basic earnings per common share	$ 0.58	$ 0.74	$ 0.93	$ 0.98	$ 1.08
Diluted earnings per common share	$ 0.55	$ 0.72	$ 0.90	$ 0.96	$ 1.05

[$ in thousands, unaudited]

Summary of Financial Condition

	As of December 31,				
	2002	**2001**	**2000**	**1999**	**1998**
Assets					
Cash and due from banks	$ 39,207	$ 39,347	$ 41,836	$ 41,431	$ 41,078
Interest-bearing deposits in other banks	33,519	5,151	5,499	5,499	4,738
Federal funds sold	36,600	1,720	6,000	17,300	18,000
Investment securities	161,342	169,250	153,554	133,139	160,904
Loans	374,226	406,579	445,246	455,134	437,144
Less allowance for possible loan losses	7,508	10,176	9,640	9,272	8,483
Net loans	366,718	396,403	435,606	445,862	428,661
Bank premises and equipment	28,911	31,094	32,398	33,668	34,797
Accrued interest receivables and other assets	29,980	25,600	20,366	19,821	21,046
Total assets	$ 696,277	$ 668,565	$ 695,259	$ 696,720	$ 709,224
Liabilities and Shareholders' equity					
Deposits					
Non-interest bearing	$ 162,301	$ 134,480	$ 134,575	$ 155,710	$ 167,164
Interest bearing	422,748	426,730	432,146	418,033	425,007
Total deposits	585,049	561,210	566,721	573,743	592,171
Accrued interest payables and other liabilities	2,046	2,158	3,580	2,937	2,682
Federal Home Loan Bank advance	15,000	10,000	15,000	15,000	15,000
Long-term debt	6,000	8,000	10,000	10,000	10,000
Total liabilities	608,095	581,368	595,301	601,680	619,853
Shareholders' Equity					
Capital stock of $0.2083 par value Authorized 48,000,000 shares 9,933,333 shares issued / 8,539,572 shares outstanding in 2002 and 9,919,087 shares issued/ 8,525,326 shares outstanding in 2001	2,070	2,067	2,063	2,062	2,060
Capital surplus	13,942	13,867	13,775	13,714	13,652
Treasury stock (1,393,761 shares)	(15,331)	(15,331)	-	-	-
Retained earnings	87,501	86,594	84,120	79,264	73,659
Total shareholders' equity	88,182	87,197	99,958	95,040	89,371
Total liabilities and shareholders' equity	$ 696,277	$ 668,565	$ 695,259	$ 696,720	$ 709,224

[$ in thousands, unaudited]

Summary of Average Balances and Interest Rates

	2002			2001		
	Avg. Balance		Avg. Rate	Avg. Balance		Avg. Rate
Earning Assets:						
Due from Banks Time	$	19,423	1.86%	$	5,572	4.33%
Securities						
U.S. Government Securities	$	184,962	2.56%	$	177,643	4.94%
Other Securities		345	7.12%		406	4.68%
Total Securities		185,307	2.56%		178,049	4.94%
Federal Funds Sold		24,183	1.62%		16,573	3.93%
Loans:						
Commercial, Industrial & Government		211,454	6.32%		258,805	8.31%
Real Estate		85,753	7.10%		93,404	8.18%
Consumer		82,360	11.49%		83,915	12.02%
Total Loans		379,567	7.61%		436,124	9.00%
Total Earning Assets		608,480	5.66%		636,318	7.69%
Non-Earning Assets:						
Cash and Due from Banks Demand		28,873			28,527	
Bank Premises and Equipment		29,676			31,843	
Other Real Estate Owned		12,456			6,209	
Other Assets		19,245			24,148	
Reserve for Loan Losses		(8,133)			(9,701)	
Total Assets	$	690,597		$	717,344	
Liabilities and Shareholders' Equity:						
Interest Paying Liabilities - Deposits						
Demand and Savings	$	250,324	1.23%	$	214,893	2.48%
Time Certificates		167,381	1.50%		231,985	3.97%
Total Time and Savings Deposits		417,705	1.34%		446,878	3.25%
Other Borrowed Funds		15,000	4.67%		15,628	4.61%
Subordinated Debt		6,500	2.30%		9,554	3.33%
Total Interest Paying Liabilities		439,205	1.47%		472,060	3.33%
Non-Interest Paying Liabilities and Equity						
Demand Deposits		158,832			132,166	
Other Liabilities		3,331			11,193	
Shareholders' Equity		89,229			101,925	
Total Liabilities and Shareholders' Equity	$	690,597		$	717,344	
Rate Differential			4.19%			4.36%

[$ in thousands, unaudited]

2000		1999		1998	
Avg. Balance	Avg. Rate	Avg. Balance	Avg. Rate	Avg. Balance	Avg. Rate
$ 5,512	5.93%	$ 5,198	5.04%	$ 5,801	4.48%
166,185	6.14%	152,604	5.07%	185,119	5.36%
630	7.05%	852	7.05%	902	7.54%
166,815	6.15%	153,456	5.06%	186,021	5.37%
10,658	6.33%	13,488	4.97%	24,177	4.03%
285,192	10.25%	267,528	9.27%	254,197	10.01%
92,049	7.96%	84,741	7.52%	72,356	8.79%
84,383	11.99%	87,282	12.25%	97,252	12.43%
461,624	10.11%	439,551	10.16%	423,805	10.36%
644,609	8.98%	611,693	8.72%	639,804	8.61%
26,915		32,365		40,889	
32,859		34,009		34,892	
1,628		1,332		1,475	
27,907		25,949		25,836	
(10,137)		(9,020)		(7,727)	
$ 723,781		696,328		735,169	
$ 214,122	2.70%	$ 212,663	2.77%	$ 289,033	2.97%
244,211	5.22%	209,737	4.39%	152,988	4.95%
458,333	4.04%	422,400	3.57%	442,021	4.04%
15,583	5.01%	16,192	5.01%	12,917	5.69%
10,000	8.63%	10,000	8.63%	10,000	8.63%
483,916	4.17%	448,592	3.74%	464,938	4.15%
131,721		146,266		169,291	
8,525		9,164		13,919	
99,619		92,306		87,021	
$ 723,781		$ 696,328		$ 735,169	
	4.82%		4.99%		4.55%

Senior Management & Headquarters Officials

Anthony A. Leon Guerrero
PRESIDENT AND CHAIRMAN OF THE BOARD

William D. Leon Guerrero
EXECUTIVE VICE PRESIDENT AND CHIEF OPERATING OFFICER

Francisco M. Atalig
VICE PRESIDENT/MARKETING AND STRATEGIC PLANNING ADMINISTRATOR

Taling M. Taitano
VICE PRESIDENT/CHIEF FINANCIAL OFFICER

Jocelyn B. Miyashita
VICE PRESIDENT/CREDIT ADMINISTRATOR

Josephine L. Mariano
VICE PRESIDENT/BRANCH AND CENTRAL OPERATIONS ADMINISTRATOR

Danilo M. Rapadas
VICE PRESIDENT/LEGAL COUNSEL AND COMPLIANCE OFFICER

George A. Gogue
VICE PRESIDENT/INFORMATION MANAGEMENT SYSTEM ADMINISTRATOR

Lolita R. San Nicolas
VICE PRESIDENT/SALES AND CUSTOMER SERVICE OFFICER

Joseph P. Bradley
VICE PRESIDENT/ECONOMIC AND MARKET STATISTICS OFFICER

Jacqueline A. Marati
VICE PRESIDENT/SPECIAL ASSISTANT TO THE PRESIDENT

Karri T. Perez
VICE PRESIDENT/HUMAN RESOURCES MANAGER

Josephine L. Blas
VICE PRESIDENT/GENERAL AUDITOR

Craig R. Wade
VICE PRESIDENT/CORPORATE BANKING GROUP MANAGER

Mike W. Naholowaa
VICE PRESIDENT/CREDIT OFFICER

Daniel F. Anderson
VICE PRESIDENT/CREDIT OFFICER (ORE)

Shigeto Kubo
VICE PRESIDENT/INTERNATIONAL DEPARTMENT MANAGER

Luke M. Elliott
VICE PRESIDENT/EDP MANAGER

Joseph R. Soriano
VICE PRESIDENT/BUSINESS SERVICES DIVISION MANAGER

Ann M. Roth
VICE PRESIDENT/FINANCIAL SERVICES OFFICER

Joseph H. Paulino
ASSISTANT VICE PRESIDENT/TRUST OFFICER

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

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

Branch and Facility Managers

Christine D. Benavente
VICE PRESIDENT/HAGÅTÑA BRANCH MANAGER

Renee A. Cahinhinan
ASSISTANT CASHIER/SANTA CRUZ BRANCH MANAGER

Carmen G. Tajalle
ASSISTANT VICE PRESIDENT/TAMUNING BRANCH MANAGER

Richard G. Camacho
ASSISTANT VICE PRESIDENT/UPPER TUMON BRANCH MANAGER

David J. Arriola
ASSISTANT VICE PRESIDENT/TUMON BAY BRANCH MANAGER

Wayne S.N. Santos
ASSISTANT CASHIER/HARMON BRANCH MANAGER

Romeo A. Angel
ASSISTANT VICE PRESIDENT/DEDEDO BRANCH MANAGER

Arlene Z. Cruz
ASSISTANT VICE PRESIDENT/DEDEDO IN-STORE BRANCH MANAGER

Dina San Nicolas
ASSISTANT CASHIER/YIGO BRANCH MANAGER

Cynthia T. Quichocho
ASSISTANT CASHIER/ANDERSEN AFB BRANCH MANAGER

Keven F. Camacho
ASSISTANT CASHIER/MANGILAO BRANCH MANAGER

Helen C. Tedpahogo
ASSISTANT CASHIER/MALESSO BRANCH MANAGER

Julie A. Gogue
ASSISTANT CASHIER/NAVAL STATION BRANCH MANAGER

Merced M. Tomokane
VICE PRESIDENT/SAIPAN BRANCH MANAGER

Daria C. Cing
ASSISTANT CASHIER/TINIAN FACILITY MANAGER

Ina F. Attao
ASSISTANT CASHIER/SAIPAN PRICE-COSTCO IN-STORE FACILITY MANAGER

Jeffrey V. Diaz
ASSISTANT CASHIER/SAN ANTONIO FACILITY MANAGER

Katherine D. Blas-Muna
ASSISTANT VICE PRESIDENT/ROTA BRANCH MANAGER

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

Soledad B. Kisa
ASSISTANT CASHIER/MAJURO BRANCH MANAGER

Antonia S.A. Redy
ASSISTANT CASHIER/KWAJALEIN BRANCH MANAGER

Shirley N. Quitugua
VICE PRESIDENT/SAN FRANCISCO BRANCH MANAGER

Subsidiary

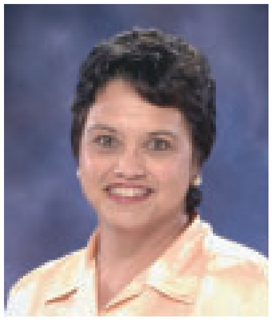
Francis E. Santos
VICE PRESIDENT/GENERAL MANAGER
BANKGUAM INSURANCE UNDERWRITERS, LTD.

Consultant

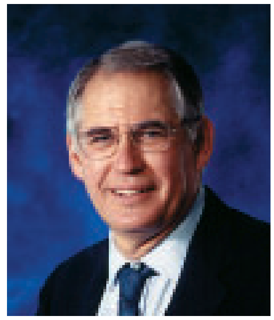
Alexander J. Aflague
BUSINESS DEVELOPMENT OFFICER

Board of Directors

Anthony A. Leon Guerrero
- Bank of Guam President and Chairman of the Board
- Chairman
  Executive Committee
  Loan Committee
- Pacific Islands Development Bank Board of Governors

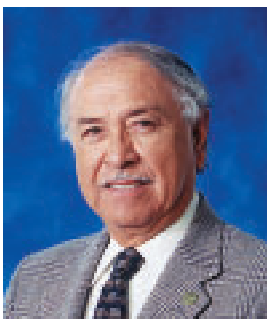


Lourdes A. Leon Guerrero
- Bank of Guam Vice Chairperson of the Board
- Vice Chairperson
  Executive Committee
  Loan Committee
- Senator - 23rd, 24th, 26th and 27th Guam Legislature
- Member, Guam Nurses Assn.
- Board Member, Hope for Recovery
- Board Member, St. John's School



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
- International Health Book Center
  Owner/Manager



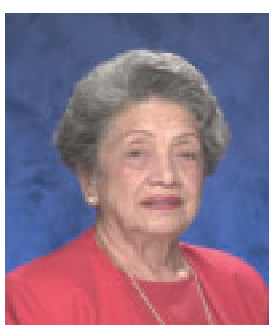
Ralph G. Sablan, M.D.
- Bank of Guam Director
- Chairman Audit Committee
- Private Practice: Dermatology
- U.S. Navy Captain, Retired
- Guam Medical Society
  Former President

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

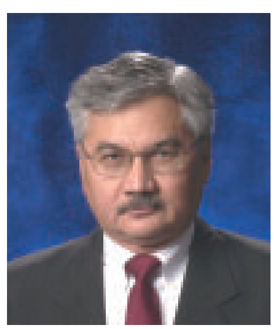
Luis G. Camacho, D.D.S., M.S.
- Bank of Guam Director
- Dr. Luis G. Camacho, Inc.
  President
- Camacho, Inc., President
- Pacific Financial Corporation
  Vice President
- Pacific International Corporation
  Vice Chairman

Martin D. Leon Guerrero
- Bank of Guam Director
- Chairman
  Trust Committee
  Nominating Committee
- The Fifth Wheel Inc., President and Chairman
- Ignacia Corporation, President

Joe T. San Agustin
- Bank of Guam Director
- Speaker 20th- 22nd Guam Legislature
- Senator 14th - 23rd Guam Legislature
- University of Guam
  Administrator/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

30 Years of Service

30 Years of Service

BANK OF GUAM

CHARTERED MARCH 13, 1972

1972 - 2002

BANK OF GUAM

THE PEOPLE'S BANK

Member FDIC

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