

**Schedule 1**  
**FORM ECSRC – K**  
**ANNUAL REPORT**  
**PURSUANT TO SECTION 98(1) OF THE SECURITIES ACT, 2001**

For the financial year ended SEPTEMBER 2016

Issuer Registration number  
BOM22021988MT

BANK OF MONTSERRAT LIMITED

(Exact name of reporting issuer as specified in its charter)

MONTSERRAT

(Territory of incorporation)

BRADES MAIN ROAD, BRADES MSR1310, MONTSERRAT, WEST INDIES

(Address of principal office)

**REPORTING ISSUER'S:**

Telephone number (including area code): 664-491-3843

Fax number: 664-491 3163

Email address: \_\_\_\_\_

(Provide information stipulated in paragraphs 1 to 14 hereunder)

Indicate whether the reporting issuer has filed all reports required to be filed by section 98 of the Securities Act, 2001 during the preceding 12 months

Yes

No

Indicate the number of outstanding shares of each of the reporting issuer's classes of common stock, as of the date of completion of this report.

CLASS	NUMBER
COMMON STOCK	4,187,124

**SIGNATURES**

A Director, the Chief Executive Officer and Chief Financial Officer of the company shall sign this Annual Report on behalf of the company. By so doing each certifies that he has made diligent efforts to verify the material accuracy and completeness of the information herein contained.

The Chief Financial Officer by signing this form is hereby certifying that the financial statements submitted fairly state the company's financial position and results of operations, or receipts and disbursements, as of the dates and period(s) indicated. The Chief Financial Officer further certifies that all financial statements submitted herewith are prepared in accordance with International Accounting Standards consistently applied (except as stated in the notes thereto) and (with respect to year-end figures) including all adjustments necessary for fair presentation under the circumstances.

Name of Chief Executive Officer:

MICHAEL JOSEPH

SIGNED AND CERTIFIED

February 8, 2017

Date

Name of Director:

MRS VENITA CABEY

SIGNED AND CERTIFIED

February 8, 2017

Date

Name of Chief Financial Officer:

Carla Lee

SIGNED AND CERTIFIED

Signature

February 8, 2017

Date

## **INFORMATION TO BE INCLUDED IN FORM ECSRC-K**

### **1. Business.**

**Provide a description of the developments in the main line of business including accomplishments and future plans. The discussion of the development of the reporting issuer's business need only include developments since the beginning of the financial year for which this report is filed.**

Bank of Montserrat is a local bank regulated by the ECCB. The Bank's main lines of business include:

- deposit and loan products to individuals and corporate customers;
- regular banking services such as wires, bank drafts, safety deposit boxes, night deposit services etc.

Accomplishments over the last financial year ending September 30, 2016:

- Total Assets increased from \$229M to \$253.8M. This represents an increase of approximately 10.8%.
- Net Profit after Tax exceeded \$2.7M.
- Gross Loans and Advances increased from \$70M to \$85.5M, approximately 22% increase. The bank continues to demonstrate its strong commitment to housing development on Montserrat represented by \$61.2M of the \$85.5M of its loan portfolio (72%) attributed to residential mortgages.
- An 11% increase in customer deposits from \$202.1M to \$224.5M.
- The capital base increased from \$25.2M to \$27.4M.
- The Book value of our shares has increased from \$6.02 to \$6.54.
- Our Capital Adequacy Ratio remained strong at 27.8% over 26.9% for financial year ended 2015. This is well above the regulatory requirement of 8%. Our internal target is to always keep this ratio at a minimum of 15%.

Due to the unique nature of the island and the ongoing volcanic presence, more than 50% of the original population migrated overseas to the United Kingdom, United States, Canada and neighboring ECCU territories. Additionally, students travel overseas to complete tertiary level education and in most cases do not return to the island. As a result of the above factors, the bank expanded its target market to include the diaspora community, successfully introducing its "Come Home Mortgage Loan Campaign" in 2016.

The future plans for the Bank are as follows:

a) Explore particularly fee income opportunities, in light of the vast reduction in income from the core business of loans and investments. Two main opportunities include:

- offering Merchant Point-of-Sales (POS) terminals
- offering broker dealer services on the ECSE

b) Heightened the treasury/liquidity management function to generate a minimum yield of 2% on excess liquidity (tied to 90-day t-bill average rates).

c) Explore loan syndication opportunities outside of Montserrat, with other indigenous banks. BML has commenced discussions and have reviewed projects for possible financing and will continue to seek viable options for investment within the ECCU with our sister banks.

d) Expand our products and services to include debit and credit cards, this new initiative will be launched jointly with the merchant POS venture. BML expects to generate fee income from service and transaction fees.

e) Expand investment appetite outside of the Caribbean region, but ensuring proper assessment of risk, return and exposure to capital limits.

## 2. Properties.

Provide a list of properties owned by the reporting entity, detailing the productive capacity and future prospects of the facilities. Identify properties acquired or disposed of since the beginning of the financial year for which this report is filed.

The following properties are owned by the Bank:

- a) Parcel 13/7 Block 70, St. Peter's, Montserrat - 0.52 acres.
- b) Parcel 13/7 Block 150, St. Peter's, Montserrat - 0.25 acres.
- c) Parcel 5/5 Block 15, St. Peter's, Montserrat - 0.1 acres.

While Parcel (c) above is located in the unsafe zone, the other two Parcels listed in (a) and (b) above, is where the Bank currently operates in Brades, Montserrat.

## 3. Legal Proceedings.

Furnish information on any proceedings that were commenced or were terminated during the current financial year. Information should include date of commencement or termination of proceedings. Also include a description of the disposition thereof with respect to the reporting issuer and its subsidiaries.

Bank of Montserrat Ltd has not experienced any legal proceedings during the current financial year.

**4. Submission of Matters to a Vote of Security Holders.**

If any matter was submitted to a vote of security holders through the solicitation of proxies or otherwise during the financial year covered by this report, furnish the following information:

- (a) The date of the meeting and whether it was an annual or special meeting.

NIL

- (b) If the meeting involved the election of directors, the name of each director elected at the meeting and the name of each other director whose term of office as a director continued after the meeting.

NONE

- (c) A brief description of each other matter voted upon at the meeting and a statement of the number of votes cast for or against as well as the number of abstentions as to each such matter, including a separate tabulation with respect to each nominee for office.

NONE

- (d) A description of the terms of any settlement between the registrant and any other participant.

NONE

- (e) Relevant details of any matter where a decision was taken otherwise than at a meeting of such security holders.

Mr Ivan Browne resigned as a Director (Government appointed) in May 2016.  
Mr Philip Chambers was appointed as a Director representing the interest of the Government of Montserrat on May 25, 2016

**5. Market for Reporting issuer's Common Equity and Related Stockholder Matters.**

Furnish information regarding all equity securities of the reporting issuer sold by the reporting issuer during the period covered by the report.

NONE

**6. Financial Statements and Selected Financial Data.**

Attach Audited Financial Statements, which comprise the following:

**For the most recent financial year**

- (i) Auditor's report; and
- (ii) Statement of Financial Position;

**For the most recent financial year and for each of the two financial years preceding the date of the most recent audited Statement of Financial Position being filed**

- (iii) Statement of Profit or Loss and other Comprehensive Income;
- (iv) Statement of Cash Flows;
- (v) Statement of Changes in Equity; and
- (vi) Notes to the Financial Statements.

## 7. Disclosure about Risk Factors.

Provide a discussion of the risk factors that may have an impact on the results from operations or on the financial conditions. Avoid generalised statements. Typical risk factors include untested products, cash flow and liquidity problems, dependence on a key supplier or customer, management inexperience, nature of business, absence of a trading market (specific to the securities of the reporting issuer), etc. Indicate if any risk factors have increased or decreased in the time interval between the previous and current filing.

### Currency Risk

The Bank's exposure to currency risk is small as most transactions and its assets and liabilities are denominated in Eastern Caribbean Dollars or United States Dollars and both currencies are pegged.

Transactions, assets and liabilities which are subject to fluctuations are denominated in Canadian or Pounds Sterling. The values of these transactions are relatively small and account balances are kept at a minimum and monitored closely.

### Interest Rate Risk

Interest rates on loans and advances continue to decline due to an increasingly competitive and saturated market .

### Liquidity Risk

The net liquidity gap at the end of September 2016 for assets and liabilities up to one year is negative \$64 million. The Bank plans to pursue a formal risk management framework which would strengthen its risk management approach.

### Credit Risk

The major part of the Bank's deposits is in the Regional Capital Markets. The majority of these investments are of a sovereign nature and in established financial institutions.

The Bank continues to make provisions against the investments and the total provisions were adjusted to EC\$22.3M as at September 2016.

The Bank maintains a loans portfolio valued approximately EC\$83.3 million (Net) or 32.8% of total assets as at September 2016. Where credit is provided, stringent credit measures include detailed analysis of ability to service, economic conditions and borrower record. Adequate security and substantiated information are also important.

**8. Changes in Securities and Use of Proceeds.**

- (a) Where the rights of the holders of any class of registered securities have been materially modified, give the title of the class of securities involved. State briefly the general effect of such modification upon the rights of holders of such securities.

NONE
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- (b) Where the use of proceeds of a security issue is different from that which is stated in the registration statement, provide the following:

- Offer opening date (provide explanation if different from date disclosed in the registration statement)

NONE

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- Offer closing date (provide explanation if different from date disclosed in the registration statement)

NONE

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- Name and address of underwriter(s)

N/A

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- Amount of expenses incurred in connection with the offer

N/A

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- Net proceeds of the issue and a schedule of its use

N/A

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- Payments to associated persons and the purpose for such payments

N/A

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- (c) Report any working capital restrictions and other limitations upon the payment of dividends.

NONE

**9. Defaults upon Senior Securities.**

- (a) If there has been any material default in the payment of principal, interest, a sinking or purchase fund instalment, or any other material default not satisfied within 30 days, with respect to any indebtedness of the reporting issuer or any of its significant subsidiaries exceeding 5 per cent of the total assets of the reporting issuer and its consolidated subsidiaries, identify the indebtedness. Indicate the nature of the default. In the case of default in the payment of principal, interest, or a sinking or purchase fund instalment, state the amount of the default and the total arrears on the date of filing this report.

NONE

- (b) If any material arrears in the payment of dividends have occurred or if there has been any other material delinquency not satisfied within 30 days, give the title of the class and state the amount and nature of the arrears or delinquency.

NONE

## 10. Management's Discussion and Analysis of Financial Condition and Results of Operation.

Discuss the reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations during the financial year of the filing. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated.

The Management's Discussion and Analysis should disclose sufficient information to enable investors to judge:

1. The quality of earnings;
2. The likelihood that past performance is indicative of future performance; and
3. The issuer's general financial condition and outlook.

**It should disclose information over and above that which is provided in the management accounts and should not be merely a description of the movements in the financial statements in narrative form or an otherwise uninformative series of technical responses. It should provide management's perspective of the company that enables investors to view the business from the vantage point of management.**

The discussion should focus on aspects such as liquidity; capital resources; changes in financial condition; results of operations; material trends and uncertainties and measures taken or to be taken to address unfavourable trends; key performance indicators; and non-financial indicators.

### *General Discussion and Analysis of Financial Condition*

For the financial year under review the Bank achieved the following results:

- Net Profit after Tax exceeded \$2.7M.
- Total Assets increased from \$229M to \$253.8M. This represents an increase of approximately 10.8%.
- An 11% increase in customer deposits from \$202.1M to \$224.5M.
- Gross Loans and Advances increased from \$70M to \$85.5M, approximately 22% increase. The bank continues to demonstrate its strong commitment to housing development on Montserrat represented by \$61.2M of the \$85.5M of its loan portfolio (72%) attributed to residential mortgages.
- The capital base increased from \$25.2M to \$27.4M.
- The Book value of our shares has increased from \$6.02 to \$6.54.
- Our Capital Adequacy Ratio remains strong at 27.8% over 26.9% for financial year ended 2015. This is well above the regulatory requirement of 8%.

The bank maintained its lead market share amongst its competitors in loans, deposits and assets, (55%, 52% and 49.6% respectively) over the financial review period ending September 30 2016. Both BML and SPCCU experienced increases of 2% and 1% respectively from the 2015 figures.

## **Liquidity and Capital Resources**

Provide a narrative explanation of the following (but not limited to):

- i) The reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations.
- ii) Any known trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the issuer's liquidity increasing or decreasing in any material way. If a deficiency is identified, indicate the course of action that the reporting issuer has taken or proposes to take to remedy the deficiency.
- iii) The issuer's internal and external sources of liquidity and any material unused sources of liquid assets.
- iv) Provisions contained in financial guarantees or commitments, debt or lease agreements or other arrangements that could trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation such as adverse changes in the issuer's financial ratios, earnings, cash flows or stock price or changes in the value of underlying, linked or indexed assets.
- v) Circumstances that could impair the issuer's ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential or that could render that activity commercially impracticable such as the inability to maintain a specified level of earnings, earnings per share, financial ratios or collateral.
- vi) Factors specific to the issuer and its markets that the issuer expects will affect its ability to raise short-term and long-term financing, guarantees of debt or other commitment to third parties, and written options on non-financial assets.
- vii) The relevant maturity grouping of assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date. Commentary should provide information about effective periods and the way the risks associated with different maturity and interest profiles are managed and controlled.
- viii) The issuer's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfil such commitments.
- ix) Any known material trends, favorable or unfavorable, in the issuer's capital resources, including any expected material changes in the mix and relative cost of capital resources, considering changes between debt, equity and any off-balance sheet financing arrangements.

## *Discussion of Liquidity and Capital Resources*

### Liquidity - STRONG

Bank of Montserrat (BML) net liquidity gap at the end of September 2016 for assets and liabilities up to one year is negative \$64 million.

### Capital Adequacy - STRONG

BML Capital Adequacy Ratio is strong at 27.8%, well above the regulatory requirement of 8%.

BML monitors closely its capital adequacy ratio (CAR) and develop systems to ensure that the ratio is maintained above 15%, the bank's internal CAR benchmark. As indicated, BML CAR ratio as at Sept 2016 stood at 27.8%, significantly above the ECCB statutory minimum and the Bank's internal benchmark.

BML does not have a documented Policy as it relates to capital preservation and capital augmentation. BML in its capital planning function ensures that its capital goals are aligned with its risk appetites and risk profiles, as well as expectations of internal and external stakeholders, providing specific goals for the level and composition of capital for both current and under stressed conditions.

BML has established capital targets above that of ECCB's capital goals, to ensure that capital levels will not fall below the goals during periods of stress. The bank's capital targets take into consideration forward-looking elements related to the economic outlook in Montserrat, the bank's financial condition, the potential impact of stress events, and the uncertainty inherent in the capital planning process.

## **Off Balance Sheet Arrangements**

Provide a narrative explanation of the following (but not limited to):

- i) Disclosures concerning transactions, arrangements and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of, or requirements for capital resources.
- ii) The extent of the issuer's reliance on off-balance sheet arrangements should be described fully and clearly where those entities provide financing, liquidity, market or credit risk support, or expose the issuer to liability that is not reflected on the face of the financial statements.
- iii) Off-balance sheet arrangements such as their business purposes and activities, their economic substance, the key terms and conditions of any commitments, the initial on-going relationship with the issuer and its affiliates and the potential risk exposures resulting from its contractual or other commitments involving the off-balance sheet arrangements.
- iv) The effects on the issuer's business and financial condition of the entity's termination if it has a finite life or it is reasonably likely that the issuer's arrangements with the entity may be discontinued in the foreseeable future.

## Results of Operations

In discussing results of operations, issuers should highlight the company's products and services, facilities and future direction. There should be a discussion of operating considerations and unusual events, which have influenced results for the reporting period. Additionally, any trends or uncertainties that might materially affect operating results in the future should be discussed.

Provide a narrative explanation of the following (but not limited to):

- i) Any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and, in each case, the extent to which income was so affected.
- ii) Significant components of revenues or expenses that should, in the company's judgment, be described in order to understand the issuer's results of operations.
- iii) Known trends or uncertainties that have had or that the issuer reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
- iv) Known events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), and changes in relationships should be disclosed.
- v) The extent to which material increases in net sales or revenues are attributable to increases in prices or to increases in the volume or amount of goods or services being sold or to the introduction of new products or services.
- vi) Matters that will have an impact on future operations and have not had an impact in the past.
- vii) Matters that have had an impact on reported operations and are not expected to have an impact upon future operations
- viii) Off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships that have or are reasonably likely to have a current or future effect on the registrant's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.
- ix) Performance goals, systems and, controls,

## *Overview of Results of Operations*

The bank lost its correspondent banking relationship with Bank of America for US, GBP and CAD currencies. This has negatively impacted our ability to negotiate International Drafts and related Telegraphic Transfer services.

- \* Significantly higher transfer costs by new correspondent bank
- \* Increased processing time as a result of USD and CAD transfers being routed to the United Kingdom and several intermediary banks
- \* Loss of business to competitor based on the above

Attempts are being made to acquire US presence to mitigate the above.

The future plans for the Bank, as follows:

a) Explore particularly fee income opportunities, in light of the vast reduction in income from the core business of loans and investments. Two main opportunities include:

- offering Merchant Point-of-Sales (POS) terminals
- offering broker dealer services on the ECSE

b) Heightened the treasury/liquidity management function to generate a minimum yield of 1% on excess liquidity (tied to 90-day t-bill average rates).

c) Explore loan syndication opportunities outside of Montserrat, with other indigenous banks. BML has commenced discussions and have reviewed projects for possible financing and will continue to seek viable options for investment within the ECCU with our sister banks.

d) Expand our loan portfolio base within Montserrat with a loan bundled product with attractive benefits. BML intends to effectively market in the new financial year the Come Home Mortgage Bundled Product.

g) Expand our products and services to include debit and credit cards, this new initiative will be launched jointly with the merchant POS venture. BML expects to generate fee income from service and transaction fees.

h) Expand our target market to include the diaspora – initially targeting Montserratians living in Antigua and then expand to the wider diaspora communities (UK, Canada, US). BML will work jointly with the GOM to achieve this mandate.

i) Expand investment appetite outside of the Caribbean region, but ensuring proper assessment of risk, return and exposure to capital limits.

**11. Changes in and Disagreements with Auditors on Accounting and Financial Disclosure.**

Describe any changes in auditors or disagreements with auditors, if any, on financial disclosure.

NONE

**12. Directors and Executive Officers of the Reporting Issuer. (*Complete Biographical Data Form attached in Appendix 1 and Appendix 1(a) for each director and executive officer*)**

Furnish biographical information on directors and executive officers indicating the nature of their expertise.

**13. Other Information.**

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC – MC report provided that the material change occurred within seven days of the due date of the Form ECSRC – K report. If disclosure of such information is made under this item, it need not be repeated in a Form ECSRC – MC report which would otherwise be required to be filed with respect to such information.



## **14. List of Exhibits**

**List all exhibits, financial statements, and all other documents filed with this report.**

- 1) Bank of Montserrat Limited 2016 Financial Statement
- 2) Directors' Bibliographical Data
- 3) Executive Officers' Biographical Data

**APPENDIX 1 – BIOGRAPHICAL DATA FORMS**

**DIRECTORS OF THE COMPANY**

Name: VENITA CABEY Position: CHAIR OF THE BOARD

Mailing Address: Look Out, Montserrat  
Look Out, Montserrat

Telephone No.: 1-664-496-6861 / 491-2567

List jobs held during past five years (include names of employers and dates of employment).  
Give brief description of **current** responsibilities

Deputy Director / Financial Controller of the Montserrat Social Security Fund

Education (degrees or other academic qualifications, schools attended, and dates):

Dip. Education (Hons)  
B.Education (Hons)  
BSc Theology  
Certificate - Public Admin.

*Use additional sheets if necessary.*

**APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS**

**EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY**

Name: Michael Joseph Position: General Manager

Mailing Address: Oveston, Montserrat  
Look Out, Montserrat

Telephone No.: 1-664-491-3843 Email: michael.joseph@bankofi

List jobs held during past five years (including names of employers and dates of employment).  
Give brief description of **current** responsibilities.

Bank of Montserrat Limited - April 2009 to present

**Education (degrees or other academic qualifications, schools attended, and dates):**

Professional Banking Diploma – Graduate School of Banking - Louisiana State University  
Masters in Business Administration – University of the West Indies  
Certificate in Insurance Underwriting – Chartered Institute of Insurance – UK  
AML Certified Associate – Florida International Banker’s Association

Also a Director of the company  Yes  No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

*Use additional sheets if necessary.*