

Schedule 1

FORM ECSRC – K

ANNUAL REPORT

PURSUANT TO SECTION 98(1) OF THE SECURITIES ACT, 2001

For the financial year ended
SEPTEMBER 2022

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: manager@bankofmontserrat.ms

(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	5,955,090

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:

MR. BALDWIN TAYLOR



Signature

July 20, 2023

Date

Name of Director:

MR DALTON LEE



Signature

July 20, 2023

Date

Name of Chief Financial Officer:

MS. DESLYNE PLATO



Signature

July 20, 2023

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.

There has been no advancement in the bank's efforts to obtain a US correspondence bank.

With the banking environment rapidly changing, the bank embarked on a transformation journey to become a more agile and customer centric institution. This is expected to create the ideal customer experience and maximize operational efficiency and contribute to the institution's continuous growth and development.

The journey toward 'BoML Beyond' focuses on four (4) strategic pillars; Customer, Operation & Risk, Technology & Data and People & Culture. These will be translated through three strategic initiatives namely; (1) Reshaping the people and culture landscape (2) Reinventing the BoML customer experience and (3) Reimagining operations through an increased use of technology.

In light of the global downward pressure on interest rates on fixed income instruments the bank continues to evaluate and strengthen its overall investment strategy to achieve and maintain an average earned interest income sufficient to cover both its obligation to depositors and its operations. This includes increasing our investments in entities outside of the region contingent on prudent risk/return analysis.

With the local lending market saturated BML continues to explore the lending market outside of Montserrat. These include Montserratians and persons of Montserratian descent in the regional and international diaspora and loan syndication opportunities with other regional indigenous banks.

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 5/5 Block 15, Plymouth, Montserrat - 0.1 acres.
- b) Parcel 13/7 Block 150, St. Peters, Montserrat - 0.25 acres.
- c) Parcel 13/7 Block 70, St. Peters, Montserrat - 0.52 acres.
- d) Parcel 13/7 Block 71, St Peters, Montserrat - 0.64 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.

There were three (3) legal proceedings over the period under review regarding loan matters. The matters commenced in 2009, 2019 and 2020 and are still on going.

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.

May 3, 2023 - Annual General Meeting

- (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.

Elected Directors:

1) Robert Frederick 2) Reuben T. Meade

Continuing Directors:

1) Dalton Lee

4) Bruce Farara

7) Duleep Cheddie

2) Venita Cabey

5) Agatha Aspin

3) Joseph L Irish

6) Alison Fenton Willock

- (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.

1) To receive the Auditors report and annual accounts for the year ended 30th September 2022 - All in Favour

2) To appoint auditors and authorize the Board of Directors to fix their Remuneration - All in favour

3) Directors retiring by rotation and eligible for re-election

Robert Frederick - All in favour

Reuben T Meade - All in favour

- (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.

NONE

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

Currency Risk refers to the potential impact of fluctuations in exchange rates on the bank's financial position. The Bank's exposure to currency risk is considered very low as most transactions and its assets and liabilities are denominated in Eastern Caribbean Dollars (ECD) or United States Dollars. The Eastern Caribbean Dollar (ECD) is pegged to the US dollar and has remained at ECD\$2.70 to USD \$1.00 since its inception in 1981.

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

Interest Rate Risk

This is the potential impact of changes in interest rate on the bank's net interest income and economic value in equity. Interest rates on new loans and advances as well as Deposit Liabilities remained unchanged during the past year. The bank closely monitors interest rate fluctuations and employs measures such as portfolio diversification to mitigate such risks.

Liquidity Risk

Liquidity risk is the bank's ability to meet its financial requirements when they become due. The bank uses a range of liability maturities to maintain a balance between flexibility and continuity of funding. Its approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, by always maintaining a diverse portfolio of short term liquid assets. Management assesses information regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business on a regular basis. A portfolio of short term liquid assets with ranging maturities, comprising deposits at other banks and other interbank facilities is held to ensure sufficient liquidity is maintained by the bank.

As a mitigation tool the bank maintains a US\$20 million line of credit with a large US brokerage house that can be utilized during stressed liquidity conditions.

Credit Risk

Credit risk arises from the possibility of borrowers defaulting on their financial obligations to the bank. The Bank's credit policy is designed to ensure that proper and thorough underwriting guidelines are followed. This includes formulated credit policies, internal authorization structure for approval and renewal of credit facilities and continuous review and assessment of credit risk.

Currently the bank maintains a credit portfolio valued at approximately EC\$93M (Net) or 22% of total assets (\$410M) as at September 2022. The bank's credit portfolio is severely concentrated with residential mortgages contributing 78% of the entire portfolio. This is mainly due to the composition and size of the local market. Notwithstanding, the bank relies on mitigating strategies such as stringent underwriting techniques, strong collateral positions and ongoing credit monitoring. 99% of the loans and advances portfolio is backed by collateral in the form of mortgage debentures, legal charges, insurance, Bills of sale, cash and guarantees.

The bank continued to display one of the lowest NPL ratio within the ECCU with a continuous downward trend from 5.9% to 4.27% between September 2021 and September 2022. The bank continues its efforts to further improve this ratio.

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

- (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

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

NONE

- Name and address of underwriter(s)

N/A

- Amount of expenses incurred in connection with the offer

N/A

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

N/A

- Payments to associated persons and the purpose for such payments

N/A

- (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 declined by 1.25%, moving from \$1.2M in 2021 (restated) to a loss of \$293K at the end of 2022. An increase in impairments and write offs in our main earning portfolios (approximately \$5.8M) was the main contributing factor. The impairments and write offs moved from 1.4M in 2021 to 7.2M in 2022; a 416% increase over 2021.
- Interest income remained the largest portion of the earning portfolio at 62% in 2022. This declined slightly from the 70% recorded in 2021. Net Interest Income remained stable between 65% and 66% over the two years.
- For financial year ended September 2022 other income increased significantly by 70%, mainly attributed to the bargain purchase on the acquisition of the Royal Bank of Canada (RBC) Montserrat.
- Operating expenses remained stable at \$9.3M, while impairments and write-offs increased from \$2.5M in 2021 to \$6.9M in 2022 (1.75% increase over the year).
- Gross investment increased by 16% from \$174M in 2021 to \$202M in 2022. This increase was mainly concentrated in equity portfolio of the investments.
- Gross loans declined in 2022; moving from \$102M to \$97M due to non-performing loan write offs and a decline in new business due to a stagnating economy.
- The bank's residential mortgage portfolio stood at \$75M or 78% of the total credit portfolio. Of significant importance is that 96% of the loans and advances portfolio remained within the top two grade categories of the Eastern Caribbean Central Bank's (ECCB) rating system.
- Total Assets decreased from \$426M in 2021 (restated) to \$410M in 2022.
- The bank's deposit liabilities remained stable at \$377M.

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

BML's approach to liquidity management is to ensure that it always has funds available to meet its liabilities when they become due, under both normal and stressed conditions, to avoid incurring unacceptable losses or reputation risk. Management assesses information regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business on a regular basis. It then maintains a portfolio of short-term liquid assets, largely made up of deposits at banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained by the Bank to meet changes in its funding requirements.

Capital Adequacy - STRONG

BML Capital Adequacy Ratio is strong at 15.80%.

BML monitors closely its capital adequacy ratio (CAR) and develops systems to ensure that the ratio is maintained. As at September 30, 2022 BML's CAR ratio declined to 15.8% from 22.3 in 2021. This is above the ECCB's statutory minimum of 8% and at the bank's internal benchmark 15%.

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.

NONE

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 reported a net loss of \$293K at the end of the reporting September 30, 2022, reduced from a profit of \$1.19M in 2021. This loss was primarily attributed to impairment losses on financial assets experience within the review period.

It should be noted however that the bank experienced significant progress in its ability to improve both its Interest income and non-interest income generating positions. Interest income grew by 1.7M over the previous year moving from \$10.1M to \$11.8M. Interest income continued to be the main income generator for the bank with interest income on both loans and advances and investment securities each contributing approximately 50%. Net operating income prior to impairment was \$5.6M vs \$1.6M in the previous reporting period.

Interest expense on deposit liabilities increased by \$740K caused mainly by interest expense on Savings deposits. The bank's ability to control its interest expense resulted in a \$994K increase in net interest income. Other income generated from service fees, commissions, foreign exchange and acquisition gain also grew by 70% from \$4.2M to \$7.3M. This was mainly due to the gain on the acquisition of the Royal Bank of Canada (Montserrat) branch.

Operating expenses remained stable at \$9.3M when compared with September 2021.

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.

None

14. List of Exhibits

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

1) Bank of Montserrat Limited 2022 Financial Statement

2) Directors' Bibliographical Data

3) Executive Officers' Biographical Data

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: _____ Position: _____

Mailing Address: _____

manager@bankofmontserrat.ms

Telephone No.:

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

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

Use additional sheets if necessary.