

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

For the financial year ended SEPTEMBER 2020

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	5,951,462


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



SIGNED AND CERTIFIED

March 22 2021

Date

Name of Director:

MR DALTON LEE


SIGNED AND CERTIFIED

March 22, 2021

Date

Name of Chief Financial Officer:

MS. DESLYNE PLATO


SIGNED AND CERTIFIED

Signature

March 22, 2021

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 Eastern Caribbean Central Bank (ECCB). The Bank's main lines of business include:

Deposit and loan products to individuals and corporate customers; other banking services such as Telegraphic Transfers, bank drafts, safety deposit and night deposit facilities. The bank continues to promote its Wealth Management and Merchant Point of Sale Products. The Wealth Management products are geared toward assisting clients in building wealth in the short to medium and long terms. These products are (1) Individual Retirement Account (IRA), (2) Education Savings Investment Plan (eSIP) and (3) Wealth Builder (WeB). The Merchant Point of Sale (POS) service allows users to make payments with their BML local ATM cards, international Visa or Master cards.

The bank's Mobile App is currently in the final testing phase with launch expected in the first quarter of 2021. BML has also partnered with all local utility service providers to facilitate online utility payments for clients. This along with the POS service and the Mobile App were developed to provide clients with alternative automated channels for their transactions.

Work continues on the implementation of the ECACH's Electronic Funds Transfer(EFT). This is expected to reduce the cheque/draft circulation throughout the region and to provide a quick automated means of funds transfer locally and throughout the ECCU region. The full launch of the EFT service is expected in the first quarter of 2021.

The bank continues to display its commitment to the redevelopment of Montserrat through mortgage financing to locals and Montserratians in the Diaspora. To this end, despite reductions due to payoffs and regular pay-downs, the residential mortgage portfolio grew by approximately \$853K and represents approximately 73% of the bank's credit portfolio.

The bank's cash and deposit liabilities declined by 27% and 12% respectively due to the timing of the receipt of certain deposits.

The future plans for the Bank are as follows:

a) In light of the increasing pressure on the margins and the need to improve and increase our technology platforms, the bank has been forced to focus to the non interest income streams to fund its continuing operations. As such the bank will reluctantly revise its rates and charges in February 2021.

b) In light of the global downward pressure on interest rates on fixed income instruments the bank continues to evaluate 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

c) With the local lending market saturated BML has embarked on a strategy of exploring lending markets outside of Montserrat. With an estimated forty thousand (40,000) Montserratians in the diaspora, both in the region and internationally ,we see this market as prime for exploiting. Our strategic plan set a target of 40% of total loans by value as coming from lending in the diaspora.

d) BML will also continue to explore loan syndication opportunities outside of Montserrat with other indigenous banks. BML will continue exploring viable project financing options and for investment within the ECCU with our sister 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 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.

There were two (2) legal proceedings over the period under review regarding loan matters. The matters commenced on 18th November 2019 and 8th September 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.

August 5, 2020 - 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) Jonathan Johannes 3) Fitzroy Buffonge

Continuing Directors:

1) Dalton Lee	4) Bruce Farara	7) Duleep Cheddie
2) Venita Cabey	5) John Ryan	8) Ivan Browne
3) Beverley Mendes	6) John P Osborne	

(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 2019 - All in Favour

2) Declaration of Dividends - All in favour

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

4) Directors for Office

Fitzroy Buffonge - Total shareholding votes: 3,485,072

Philip Chambers - Total shareholding votes: 728,253

(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

The Bank's exposure to currency risk is 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 the its inception in 1981.

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

There has been no significant movement in interest rates over the twelve months. Interest rates on new loans and advances as well as Deposit Liabilities remained unchanged during the past year.

Liquidity Risk

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.

The bank's overall liquidity position is good, with a liquidity gap of \$46M at the end of September 2020. Although the net liquidity gap for assets and liabilities up to one year is negative \$88M, the bank maintains sufficient assets within the over one (1) year bucket to fund the shortfall. Additionally, deposit liabilities held within the one year bucket are diversified and widely distributed between a large client base which will reduce the likely impact on the portfolio.

As a mitigation tool the bank maintains a US\$20 million line of credit with a large US brokerage house that can be utilized if we encounter a liquidity crunch.

Credit Risk

The Bank's credit policy is designed to ensure that proper and thorough underwriting guidelines are followed. This includes an approval matrix with various levels of authority up to and including the board approval. Currently the bank maintains a credit portfolio valued at approximately EC\$95 (Net) or 40% of total assets (\$239M) as at September 2020. The NPL portfolio was reduced from \$6.7M to \$5.5M and represents 5.6% of the bank's total credit portfolio. During the last 12 months the bank offered a moratorium to its credits customers allowing them to defer payments of interest and or principal for up to 90 days and even with the implementation of this program the bank was able to reduce amount and percentage of it's Non Performing Loans (NPLs)

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 continues to decline, moving from 4.4M in 2018 to 3.78M in 2020. Net profit over the past financial year shrunk by 13.5% - from \$4.26M to \$3.68M. This was due mainly to an increase in operating expenses of approximately \$908K brought about by a number of initiatives that were undertaken by the bank for compliance with regulatory requirements as well as the RBC acquisition project. Operating income also declined by approximately \$750K. Net Operating Income (NOI) declined by 41%.

Interest income and interest expense remained stable over the past two years with Net Interest Income (NII) decreasing by 4%. Interest income to loans and advances remained stable at 6.1% while Interest Income to Investment securities increased from 3.6% to 3.7% in 2020.

- Gross Loans and Advances remained stable at \$95M.
- The bank's residential mortgage portfolio stood at \$71M or 74% of the total credit portfolio. 95% of the loans and advances portfolio is categorized in the top two grades of the internal rating system.
- 98% of the credit portfolio is backed by collateral in the form of mortgage debenture, legal mortgages, bills of sale, cash and supported guarantees;
- Total Assets declined from \$261M to \$239M.
- The bank's deposit liabilities also declined - from \$220M to \$192M.
- There was a further increase in the capital base from \$38M to \$43M, a 13.5% increase
- The Book value of the shares continues to increase and currently stands at \$7.25; increased from \$6.66 prior financial year.

- Our Capital Adequacy Ratio continues to improve and remains strong at 36.8%. An improvement from 35.6% for the previous financial year ended September 2019. This is well above the regulatory requirement of 8%. Our internal target is to always keep this ratio at a minimum of 15%.
- Customer due diligence continues to be priority for the bank and in this regard we continue to use the Yellow Hammer and Alchemy platforms.

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 36.8%.

BML monitors closely its capital adequacy ratio (CAR) and develops systems to ensure that the ratio is maintained. As at September 30, 2020 BML's CAR ratio increased slightly to 36.8%; a 1.2% increase over the restated 35.6% for 2019. This is significantly above the ECCB's statutory minimum 8% and 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 lost its correspondent banking relationship with Bank of America for US, GBP and CAD currencies in 2017 and we still continue to struggle with the negative spill offs as a result - mainly our ability to negotiate International Drafts and related Telegraphic Transfer services to Canada. Attempts over the past year to acquire US presence were unsuccessful, however we are still continuing our efforts since this will significantly improve our customer service offering.

The bank continues to be negatively impacted by the Covid 19 pandemic, which resulted in our complete closure and reduced operating hours during the period March 2020 to April 2020. A thrust to providing /improving digital and automated alternative channels has come with significant IT development and implementation costs.

Interest on the bank's investments plummeted as a result of the global pandemic. The bank granted loan Moratoriums to assist clients who were financially impacted by the Covid 19 pandemic. Both resulted in a significant decline in the bank's main interest income sources, however the bank was able to generate a profit at the end of its financial year 2020.

The future plans for the Bank, are as follows:

a) Explore other fee income opportunities, in light of the vast reduction in income from the core business of loans and investments. Main opportunities include the offering of Credit and Debit Card Services

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) Continue to 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) Continue to expand our loan portfolio base within Montserrat with our Come Home loan bundled product which provides attractive benefits.

g) Expand our products and services to include debit and credit cards. BML expects to generate fee income from service and transaction fees. The cost to develop this service is quite prohibitive however we continue to explore more cost effective options.

h) Continue to expand our diaspora customer base – targeting Montserratians living in Antigua and the wider diaspora communities (UK, Canada, US). BML will continue to work jointly with the GOM to achieve this mandate. This process has been hampered as a result of the current global Covid 19 pandemic.

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.

None

14. List of Exhibits

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

1) Bank of Montserrat Limited 2020 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.

APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: _____ Position:_____

Mailing Address: _____

manager@bankofmontserrat.ms

Telephone No.: _____

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

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

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.