

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

For the financial year ended SEPTEMBER 2021

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	5,954,545

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

November 3 2022

Date

Name of Director:

MR DALTON LEE

SIGNED AND CERTIFIED

November 3 2022

Date

Name of Chief Financial Officer:

MS. DESLYNE PLATO

SIGNED AND CERTIFIED

Signature

November 3 2022

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, regional 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 and International Visa or Master cards.

BML fully launched its EFT service in January 2021. This service facilitates the quick and direct transfer of XCD between banks within the Eastern Caribbean Currency Union.

The Covid 19 pandemic brought with it extended lock down periods and as such the bank continued to drive to provide customers with alternative banking channels. To this end the bank launched its Mobile App in April 2021 offering a wide range of electronic services to its customers. These include the ability to conduct wire and electronic funds transfers, make requests for drafts, cheque books, Peer to Peer, utility and credit card payments. The Mobile App also facilitates payments to several local merchants and religious organizations.

Notwithstanding the Covid 19 Pandemic and regular loan pay-down, the bank realized a \$5.3M increase in total loans and advances to customers. This growth was mainly attributed to a \$7.8M growth in the Mortgage loan portfolio which represents 76.4% of the bank's credit portfolio.

In light of the increasing pressure on the margins and the need to improve and increase our technology platforms, the bank reluctantly revised its rates and charges in February 2021.

The future plans for the Bank are as follows:

a) 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 continues to explore lending markets outside of Montserrat. With an estimated forty thousand (40,000) Montserratians and persons of Montserratian descent 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 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 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.

April 27, 2022 - 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) Duleep Cheddie 2) John P. Osborne 3) Joseph Irish

Continuing Directors:

1) Dalton Lee	4) Bruce Farara	7) Alison Fenton Willock
2) Venita Cabey	5) Ivan Browne	8) Agatha Aspin
3) Reuben T. Meade	6) Robert Frederick	

(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 2021 - All in Favour

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

3) Directors for Office

Duleep Cheddie - All in favour

John P. Osborne - All in favour

Joseph Irish - Majority votes with 2 abstain and 2 against

(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 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

There has been no significant movement in interest rates over the twelve month review period. 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 2021. 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 any 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\$101 (Net) or 24% of total assets (\$426M) as at September 2021. This represents a 16% decline from 2020 due to excess funds being diverted to the bank's investment portfolio.

The bank continued to display one of the lowest NPL ratio within the ECCU with a continuous downward trend. With the acquisition of the RBC - Montserrat branch and its NPL portfolio, the bank's NPL ratio moved from 5.5% in 2020 to 5.9% in 2021. 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 approximately 63%, moving from \$3.7M in 2020 to \$1.4M in 2021. This decline was due mainly to both increased interest and operating expenses - approximately \$1M each while interest income remained stagnant. Continued lock downs as a result of the Covid 19 pandemic, global interest rate decline, reducing demands for loans and increased acquisition expenses all played a role in the reduced net profit. Interest income represented 70% of the Banks total Income in 2021 with Net Interest Income (NII) decreasing by 2%.
- Interest income represented 70% of the Banks total Income in 2021 with Net Interest Income (NII) decreasing by 12%.
- Gross Loans and Advances increased to \$102M in 2021 due to the acquisition of RBC - Montserrat branch.
- The bank's residential mortgage portfolio stood at \$78M or 76% 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 increased from \$239M to \$426M in 2021. This growth was the direct result of a 307% increase in cash and balances and a 59% increase investment securities.
- The bank's deposit liabilities also increased - from \$192M to \$377M again attributed to the acquisition.
- The capital base remained stable at \$43M between 2020 and 2021
- The Book value of shares continues to increase and currently stands at \$7.28; increased from \$7.25 prior financial year.
- Our Capital Adequacy Ratio remains strong at 22.3%. This is 14% above the regulatory requirement of 8%. Our internal target is to maintain 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, Alchemy platforms. Our on-boarding and continued customer screening process includes World Check and OFAC / FinCEN checks.

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 22.3%.

BML continue to monitor closely its capital adequacy ratio (CAR). While BML's CAR decreased significantly by 14.5%, it remained significantly higher than 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 maintains correspondent banking relationship with Crown Agents Financial, UK and Gibraltar International Bank, Gibraltar which allows it to process international telegraphic transfers. These relationships do not facilitate the processing of international drafts and hence this has significantly negatively impacted the bank's operations. 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 continued to be negatively impacted by the Covid 19 pandemic, which resulted in our complete closure and reduced operating hours during the period January and May 2021. The thrust to provide improved digital and automated alternatives came with significant IT development and implementation costs. Notwithstanding, the bank was able to continue to provide some services during Covid 19 restrictive periods.

Interest income on investments and loans continued to decline as a result of the global pandemic which result in the decline in interest rates. Notwithstanding, the bank was able to maintain the interest income line by increasing the investment and loan opportunities. The bank was therefore able to generate a profit in 2021 - approximately 63% reduced from that of financial year 2020.

The expenses associated with the RBC acquisition and the transition service costs were also significant contributors to the reduction in profit for the 2021 financial year.

The future plans for the Bank, are as follows:

a) Continue to 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 2% 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 2021 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.