

**BANK OF MONTSERRAT  
LIMITED**

*YOUR BANK  
YOUR FUTURE*



**ANNUAL  
REPORT** | **2023**

*Building for a Better Future*







The theme **“Building for a Better Future”** captures Bank of Montserrat’s dedication to creating a prosperous tomorrow through strength, sustainability, and success.

Throughout 2023, we have fortified our financial foundation, ensuring stability for our clients and community. Our commitment to sustainability drives our innovative practices and responsible investments, supporting the

long-term well-being of Montserrat. By achieving measurable success in these areas, we are not only enhancing customer experiences but also fostering economic growth and social progress.

This theme reflects our unwavering focus on delivering lasting value and paving the way for a brighter, more resilient future for the island and its people.

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## **MISSION STATEMENT**

To provide state of the art diversified and efficient financial services which add value to our stakeholders at home and abroad while contributing to the national development.



## **VISION STATEMENT**

To be a world class provider of financial services.





# CORPORATE INFORMATION

## REGISTERED OFFICE

Bank of Montserrat Limited  
 Brades Main Road, Brades  
 Email: [Manager@bankofmontserrat.ms](mailto:Manager@bankofmontserrat.ms)  
 Tel: 1 (664) 491-3843  
 SWIFT Details: BKMOMSMS

## REGULATORS

Eastern Caribbean Central Bank (ECCB)  
 Financial Services Commission (FSC)  
 Montserrat, West Indies

## EXTERNAL AUDITORS

PKF Professional Services Inc.  
 P.O BOX Choc Meridan Place  
 Choc Estate, Castries  
 St. Lucia

## AFFILIATIONS/MEMBERSHIPS

Caribbean Associations of Banks (CAB)  
 Caribbean Automated Clearing House (ECACH)  
 Antigua Barbuda Montserrat Bankers Association (ABMBA)  
 Eastern Caribbean Currency Union Bankers Association (ECCUBA)

## CORRESPONDENT BANKS

ACB Caribbean	-	Antigua
Republic Bank Barbados Limited	-	Barbados
National Bank of Dominica	-	Dominica
National Commercial Bank of Anguilla	-	Anguilla
St. Kitts Nevis Anguilla National Bank	-	St. Kitts
Bank of Saint Lucia Limited	-	St. Lucia
Crown Agents Bank	-	United Kingdom



# NOTICE OF THIRTIETH ANNUAL GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that the 30th Annual General Meeting of the shareholders of the Bank of Montserrat Limited will be held on Wednesday 14th August 2024 commencing at 5:00 p.m. at the Montserrat Cultural Centre, Little Bay, Montserrat, with shareholders attending in person and or virtually for the following purposes:

## AGENDA

- 1) To confirm the Minutes of the 29th Annual General Meeting of the Shareholders held on 3<sup>rd</sup> May 2023
- 2) Matters arising out of the Minutes
- 3) To receive the Chairman's Report
- 4) To appoint Auditors and authorise the Board of Directors to fix their remuneration.
- 5) To elect five Directors in accordance with Article 62  
The Directors retiring by rotation and who are eligible for re-election are:
  - (i) Agatha Aspin;
  - (ii) Alison Fenton-Willock;
  - (iii) Bruce Farara;
  - (iv) Dalton Lee; and
  - (v) Venita Cabey.

## NOTE

Nominations may be made in writing or on the prescribed form and must reach the Bank's registered office at least three (3) working days before the date of the meeting (Viz by close of business on Friday 9th August 2024.)

- 6) To receive the Auditor's Report and Annual Accounts for the year ended 30th September 2023.
- 7) To sanction a dividend of 0.39c per share to all shareholders on record as at 30th September 2023 as recommended by the Board of Directors.
- 8) Any other business.

## By Order of the Board

A handwritten signature in black ink that reads "Korah Galloway".

Korah Galloway (Ms.)  
Corporate Secretary

## Proxy

A shareholder of the company who is entitled to attend and vote at this meeting may appoint a proxy to vote in his/her place. A proxy need not be a shareholder of the company. The instrument appointing a proxy shall be in writing under the hand of the appointer, or if such appointer is a corporation, either under its common seal or under the hand of an officer or authority so authorized. The proxy form however must be delivered to the bank not less than 48 hours before the meeting (Viz by 5 p.m. on Monday 12th August 2024).



# ARTICLES & GUIDELINES

## Articles Governing Annual General Meetings

39. At any general meeting a resolution put to the vote of the meeting shall be decided on by a show of hands unless a poll is (before or on the declaration of the result of a show of hands) demanded by;
- the chairman or,
  - at least ten members present in person or by proxy unless a poll so demanded a declaration by the chairman that a resolution has a show of hands been carried or carried unanimously or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution. A demand for a poll may be withdrawn.
43. Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands every member present in person shall have one vote, and on a poll every member shall have one vote for each share or which he is the holder.
62. At every general meeting of the Company one-third of all the directors shall retire from office, with the decisions for those retiring to be decided amongst the directors. On the fourth general meeting and thereafter those directors retiring shall be those who have been longest in the office since the last election.

Each director shall be the holder in his own right of at least 200 shares in the capital of the Company, with the exception of those directors who are appointed by the Board on the basis of certain expertise they possess, which expertise could contribute to a better managing of the company. The number of directors so appointed shall not exceed three.

Any retiring director shall be eligible for re-election. The vacant offices shall be filled by the Company in general meeting, and if at such meeting the places of the retiring directors are not filled up the vacating directors or such of them as have not had their places filled up, shall be deemed to have been re-elected unless such meeting or adjourned meeting it is expressly resolved not to fill such vacated office or unless a resolution for re-election of such director shall have been put to the meeting and lost.

63. No person other than a director retiring at the meeting shall, unless recommended by the Board, be eligible for election to the office of director at any general meeting unless not less than three nor more than twenty-one days before the date appointed for the meeting there shall have been left at the office notice in writing signed by a member duly qualified to attend and vote at the meeting for which such notice is given of his intention, to propose such person for election, and also notice in writing signed by that person of his willingness to be elected.

## Guideline Governing the Election of Directors

Section 97 of the Montserrat Banking Act 2015, No. 5 of 2015 (as amended):

Minimum criteria for determining whether a person is fit and proper.

- Every person who is, or is likely to be a director, significant shareholder or officer of a licensed financial institution or licensed financial holding company must be a fit and proper person to hold the particular position which he holds or is likely to hold.



### **Guideline Governing the Election of Directors** *(continued)*

- (2) In determining whether a person is fit and proper person to hold any particular position, regard shall be had to:
- (a) the person's probity, competence and soundness of judgement for fulfilling the responsibilities of that position;
  - (b) the academic or professional qualifications or effective experience in banking, finance, business or administration or any other relevant discipline of the person concerned;
  - (c) the diligence with which the person is fulfilling or likely to fulfill the responsibilities of the position;
  - (d) whether the interest of depositors or potential depositors of the licensed financial institution are, or are likely to be, in any way threatened by the person holding the position;
  - (e) whether the person is a significant shareholder, director or officer or holds any position of authority in any licensed financial institution locally or elsewhere whose licence has been suspended, or revoked otherwise than as a result of an amalgamation or voluntary liquidation or which has been or is being wound up or compulsorily liquidated.;
  - (f) whether the person has failed to satisfy any judgement or order of a court locally or abroad including the repayment of a debt;
  - (g) whether the person is an un-discharged bankrupt or has been declared a bankrupt locally or abroad; and
  - (h) whether the person has been removed or suspended by a regulatory authority from serving as a director or officer in a licensed financial institution or anybody corporate locally or abroad.
  - (i) whether the person is a director or officer of, or directly or indirectly concerned in the management of a corporation locally or abroad, that is compounding with or suspending payments to its creditors.
- (3) Without prejudice to the generality of the foregoing provisions, regard may be had to the previous conduct and activities in business or financial matters or the person in question and, in particular, to any evidence that the person has:
- (a) committed an offence involving fraud or other dishonesty or violence;
  - (b) contravened any provision made by or under an enactment designed for protecting members of the public against financial loss due to dishonesty, incompetence or malpractice by persons concerned in the provision of banking, insurance, investment or other financial services or the management of companies or against financial loss due to the conduct of discharge or undischarged bankrupt;
  - (c) engaged in any business practices appearing to the board to be deceitful or oppressive or otherwise improper (whether unlawful or not) or which otherwise reflect discredit on the person's method of conducting business;
  - (d) an employment record which leads the board to believe that the person carried out an act of impropriety in the handling of his employer's business; or
  - (e) engaged in or been associated with any other business practices or otherwise conducted himself in a manner as to cast doubt on his competence and soundness or judgement.



**STRENGTH** “

*We have fortified our financial foundation to ensure stability and resilience for long-term growth.”*



# Board of Directors



**Dalton A. Lee**  
Chairman



**Agatha Aspin**  
Director



**Venita Cabey**  
Director



**Duleep Cheddie**  
Director



**Bruce Farara**  
Director



**Robert Frederick**  
Director



**Alison Fenton-Willock**  
Director



**Reuben T Meade**  
Director



**John P Osborne**  
Director



**Joseph Irish**  
Director



**Korah Galloway**  
Corporate Secretary



# DIRECTORS PROFILES

## DALTON A. LEE | CHAIRMAN

Mr. Dalton A. Lee is one of the founders of Bank of Montserrat Ltd, and currently serves as Chairman of its Board of Directors. He first joined the Board of Directors in 2015 and in addition to serving as Chairman of the Board, he is the Chairman of the Asset & Liability and Corporate Governance & Financial Oversight Committees. He is also a member of the Human Resource Committee. Mr. Lee is an ACC DIR ACC DIR (Directors Education and Accredited Programme) DEAP.

He is the principal of Veradenis Business Consulting LLC, which provides financial consulting to small and medium-sized companies in the broadcasting, banking, financial services, e-commerce, and entertainment industries. Previously, Mr. Lee was Vice President of Finance/CFO for Meredith Corporation's Local Media Group, where he oversaw all accounting and finance functions, human resources, IT, and strategic planning. He joined Meredith Corporation as Group Controller. Lee spent most of career in media finance management having worked in senior roles at NBC/Universal, FOX and CBS owned and operated station groups. Prior to transitioning to media finance, Lee started his finance career in banking holding positions of increasing responsibility with Bank of New England (now Bank of America). He started his career in banking with Barclays Bank in Montserrat.

Mr. Lee is a magna cum laude graduate of Northeastern University with a BSc in accounting. He also holds a post-graduate certificate in business management from the Cox School of Business Management at Southern Methodist University.

## AGATHA ASPIN

Ms. Agatha Aspin first joined the Board of Directors of Bank of Montserrat Limited in June 2021. She currently serves on the Credit, Risk & Compliance and Audit Committees and is a Chartered Director (C. Dir), Caribbean Governance Training Institute.

Ms. Aspin has a wide range of experiences in areas of business and entrepreneurial development - these include but not limited to business counselling, business education, business start-up, business development and business financing. She has made an indelible imprint as a dedicated public servant having served as a teacher; Assistant Secretary, Financial Services Centre; Business Development Officer, National Development Foundation; Chief Training Officer, Government of Montserrat; Business Development Officer/Business Services Manager, Montserrat Development Corporation (MDC); Business Development Officer/Business Services Manager, Division of Tourism, Office of the Premier; and Enterprise Development Scheme Project Officer, (Consultancy, Ministry of Finance & Economic Management, Government of Montserrat).

She also served as a Business Studies Lecturer - Montserrat Technical College and is currently a Part-time Lecturer, Management of Business, Montserrat Community College (MCC).

Ms. Aspin holds a Bachelor's Degree in Business Education (B. Ed - Secretarial Studies), University of Technology, Jamaica and an MBA (International Business), University of Leeds, UK.

She is a strong social and community engagement advocate and is a Past President of Montserrat Rotary Club. Ms. Aspin is also a Member of the Montserrat National Awards Committee; Chair of the Labour Advisory Board; Immediate Past President, Montserrat Diabetes Association; Treasurer, Montserrat Christian Council; Active member of Roman Catholic Faith Community; and ECCB Financial Literacy Mentorship Programme.



# DIRECTORS PROFILES

## VENITA CABEY

Mrs. Venita Cabey first joined the Bank of Montserrat Limited's Board of Directors in October 2009. She is a past Chairperson of the Board. Currently, she serves as Chairperson of the Audit Committee and is a member of the Corporate Governance & Financial Oversight and Credit Committees. She is an ACC DIR (Directors Education and Accredited Programme) DEAP.

Mrs. Cabey is a trained Business Education Teacher who has made significant contribution to the Education system in Montserrat at the primary, secondary and tertiary levels for a number of years. She served as a Lecturer of Principles of Accounts for the UWI Open Campus and Examiner in Principles of Accounts for the Caribbean Examination Council (CXC) for several years. Her most recent service was with the Montserrat Social Security Fund in the capacity of Deputy Director/Financial Controller.

She is an ordained Minister in the Church of God of Prophecy and also holds the position of Finance Director and Vice Chancellor of The Prophecy School of Biblical Studies.

Mrs. Cabey is a Fellow of the Global Accountancy Body, the Association of Chartered Certified Accountants (ACCA).

## DULEEP CHEDDIE

Mr. Duleep Cheddie first served on the Board of Directors of Bank of Montserrat Limited 2013-2014, and was re-appointed in 2020. He is a member of the Audit, Risk & Compliance and Corporate Governance & Financial Oversight Committees. Mr. Cheddie is an Accredited Director, ACC DIR (Directors Education and Accredited Programme) DEAP.

He is a Member of the Association of Chartered Certified Accountants of the United Kingdom, with the professional designation FCCA. He retired in 2017 at the end of his Contract as Financial Controller with Montserrat Utilities Limited, prior to which he had been engaged as a Financial Adviser to the Ministry of Finance, Government of Montserrat August 2013-September 2015.

Before joining the Government of Montserrat, he held the post of Chief Executive Officer of the St. Kitts-based Eastern Caribbean Home Mortgage Bank, where he served for six years from June 2007 until May 2013. This appointment followed a three and a half years stint as Financial Controller of St. Lucia Electricity Services Limited (LUCELEC) from April 2003.

Prior to joining LUCELEC in 2003, Mr Cheddie spent most of his working life with the London-based CDC Group plc, starting with a subsidiary Guyana Housing & Development Company 1969-1975. In 1976-1978, he served as Financial Controller of Dominica Electricity Services Limited, followed by ten years in CDC's Caribbean Office in St. Lucia. In 1988 he was posted to CDC's London Office, where he covered East Asia & the Pacific Islands, and in 1992 he was transferred to CDC's Indonesia Office. In 1994 he assumed the position of CDC's Regional Manager for the Caribbean, based in Barbados, with responsibility for the English-speaking Caribbean, until 1997 when he returned to London as CDC's Regional Manager for East Asia & the Pacific Islands. In 2000 he returned to the Caribbean as CDC's Regional Manager, based in Trinidad. Following this, he held the post of Finance Director of Montserrat Electricity Services Limited 2001 – 2003.

Mr Cheddie has chaired and served on several boards and committees, both regionally and in South East Asia & the Pacific Islands. He is currently Chairman of the Montserrat Meals on Wheels Foundation.



# DIRECTORS PROFILES

## BRUCE FARARA

Mr. Bruce Farara first joined the Board of Directors of Bank of Montserrat Limited in 2012. Following a five-year break, he was re-elected in 2021. He currently chairs the Human Resource Committee and is a member of the Corporate Governance & Financial Oversight and Asset & Liability Committees.

He is a businessman, entrepreneur and commercial real estate developer who has been in business for over forty (40) years and owns several companies, including Caribbean Sand & Aggregate Ltd., Equipment & Supplies Ltd., and Sales & Services Ltd.

Mr. Farara was Chairman of the Montserrat Land Development Authority, President of the Montserrat Chamber of Commerce, and director of several government statutory boards. His involvement in numerous voluntary organisations, showcases his leadership and commitment to Montserrat.

## ROBERT FREDERICK

Mr. Robert Frederick first joined the Board of Directors of Bank of Montserrat Limited in August 2020. He currently serves as Chairman of the Credit Committee and is a member of the Human Resource and Corporate Governance & Financial Oversight Committees. Mr. Frederick is a Chartered Director (C.Dir.), GTI Caribbean Governance Training Institute.

He is a highly experienced career banker with extensive background in branch banking having worked with two leading international financial institutions across the Caribbean. He has significant depth and experience in Corporate/Commercial Finance, Personal Banking, Banking Operations and AML/Compliance. Mr. Frederick commenced his banking career with Royal Bank of Canada OECS and held several positions with the institution during 1976 – 1984.

He transitioned to Bank of Nova Scotia and was employed with that entity from 1984 to 2015 when he retired. During his tenure with Bank of Nova Scotia, Mr. Frederick served in several positions including Assistant Manager, Operations in St. Kitts/Nevis and Antigua; Credit Trainee, Antigua; Assistant Manager, Credit and Account Manager, St. Lucia; Senior Manager - Projects, International Banking; Country Manager, Dominica and Grenada; and Commercial Associate, St. Lucia. He currently serves as an Associate Partner with Digital Financial, Toronto, Canada (a boutique consultancy company) and is Co-founder of ACRF Consulting, St. Lucia.

Mr. Frederick holds Certificates in Fundamentals of Corporate/Commercial Credit, Loan Structuring & Pricing, Corporate & Commercial Credit Finance – ICCB Accreditation, Financial Statement Analysis, Retail Banking Fundamentals, Operational Risk Management, AML/Compliance Risk Management, Performance Management, Loan Structuring (Including Public Debt Restructuring in Dominica), Risk Rating Customers and Executive Leadership.

As a passionate social advocate he is a former member of Rotary Clubs of St. Kitts, Antigua, St. Lucia, Dominica and Grenada. Mr. Frederick is Past President and Treasurer of the Rotary Clubs of Dominica and St. Lucia, respectively. He is also a former member of Administration & Finance Committee - Pastoral Centre, St. Lucia.



# DIRECTORS PROFILES

## ALISON FENTON-WILLOCK

Ms. Alison Fenton-Willock first joined the Board of Directors of Bank of Montserrat Limited in June 2021. She currently serves as the Chairperson of the Risk & Compliance Committee and is also a member of the Corporate Governance & Financial Oversight and Human Resource Committees. Ms. Fenton-Willock is a Chartered Director (C.Dir.), GTI Caribbean Governance Training Institute.

Ms. Fenton-Willock, who was born and raised in Montserrat, is currently Director-Sustainable Investing at KKR, a leading global investment firm. Previously, she was Global Head of ESG at Blackstone where she led that firm's overall approach to Environmental, Social and Governance ("ESG") issues that impact its investing activities. She has a rounded background in financial services having spent her entire career in the industry at Barclays, PricewaterhouseCoopers and other firms in audit, legal and compliance roles. She received a Juris Doctor from NYU School of Law where she was a Staff Editor of the NYU Journal of Law and Business, and is a magna cum laude graduate of Baruch College where she earned her Bachelor's degree in Accountancy.

## REUBEN T MEADE

Mr. Reuben T Meade first joined the Board of Directors of Bank of Montserrat Limited in 2022. He currently serves on the Audit; Asset & Liability and Risk & Compliance Committees and is a Chartered Director (C.Dir.), GTI Caribbean Governance Training Institute.

Mr. Meade has a rich legacy of public service having served as a teacher in Montserrat and Jamaica. Additionally, he served as Administrative Cadet and Director of Projects in the Government of Montserrat. He also served as Project Analyst at the Caribbean Development Bank (CDB) for six years.

He demonstrated exceptional vision and leadership as Chief Minister and Minister of Finance of Montserrat (1991 - 1996) particularly following the eruption of the Soufriere Hills volcano in 1995 when more than half of the island was rendered uninhabitable including the capital, Plymouth. As a leader, Mr. Meade champions the cause of Montserratians. He again served as Premier and Minister of Finance from 2009 to 2014. He served continuously as a legislator from 1991 to his retirement from active politics in 2016.

Mr. Meade holds a Bachelor of Science Degree in Economic and Management Studies from the University of the West Indies; post graduate studies in Agricultural Economics and Marketing Management at McGill University, Canada; Banking and Finance at Bradford University, UK (1981), Rural Credit Management at Mananga School of Business in Swaziland (1986) and Project Management at CDB's Project Administration Training Unit (PATU) (1983).

He is a devoted son of Montserrat who served as President of the Montserrat Cricket Association, Executive member of the Leeward Islands Cricket Association; Salem Community Group and Advisor Salem Community Development Group.



# DIRECTORS PROFILES

## JOHN P OSBORNE

Mr. John P Osborne first joined the Board of Directors of Bank of Montserrat Limited in 2015. He currently serves as a member of the Audit, Credit and Risk & Compliance Committees. Mr. Osborne is an ACC DIR (Directors Education and Accredited Programme) DEAP.

He is a charismatic and self-motivated entrepreneur, with a background in the Sciences and a keen interest in financial markets and investment. Mr. Osborne is owner and manager of Osborne Service Centre, Managing Director of Osborne Investments LLC and Owner and Manager of Osborne Farms. Mr. Osborne holds a Bachelor's of Science Degree in Biology from the University of Kentucky, Dental Assistant Certificate, Smile Career Academy, Miami and Certificate EFI Programmer, EFI University. He is an avid supporter of youth development and community & stakeholder engagement. Consistent with his unwavering support for youth development he founded the Montserrat Youth Sports Enterprise and Learning Fund and currently serves as its President. Mr. Osborne also served as President of the Montserrat Motorsports (2014 – 2016).

## JOSEPH IRISH

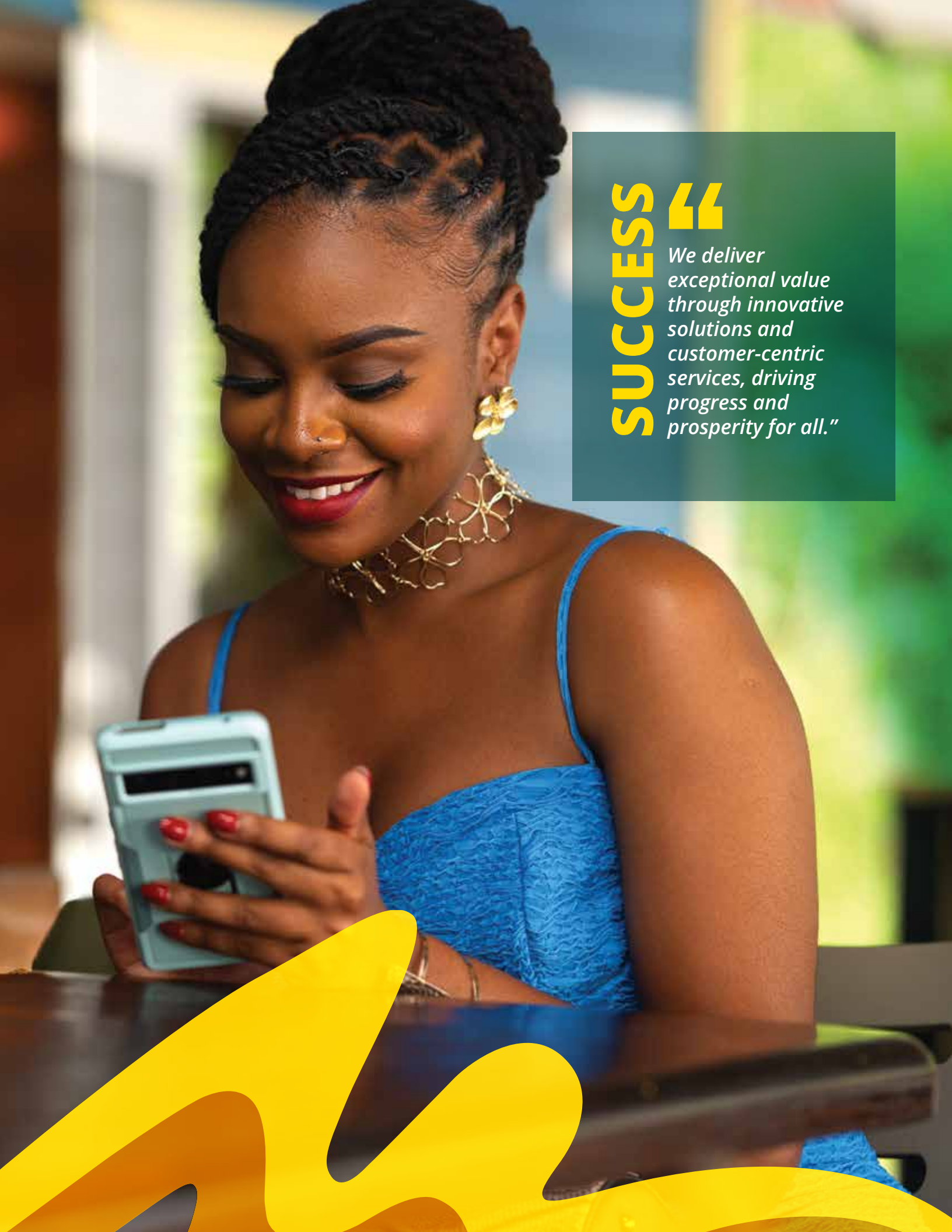
Mr. Joseph Irish first joined the Board of Directors of Bank of Montserrat Limited in 2022. He currently serves on the Risk & Compliance, Credit and Asset & Liability Committees. He served as Financial Secretary (Ag)/Deputy Financial Secretary (Ag) with the Ministry of Finance & Economic Development; Director, Economic Management/Director of Montserrat; and Project Officer/Senior Economist (Ag), Government of Montserrat. In 2018, he transitioned to self-employment status when he established his own business, CGI Car Rental and Sales.

Mr. Irish holds a BSc. with Honours in economics and finance from the University of Hertfordshire, UK; MSc Project Planning & Management, University Bradford, UK; and a Certificate in Higher Education in Business and Law, Enfield College, UK. Currently, Mr. Irish serves as Chairman of the Social Security Board providing technical advice on the Investment and Management Committees.

## KORAH GALLOWAY | CORPORATE SECRETARY

Ms. Korah Galloway, appointed as Corporate Secretary to the Bank of Montserrat Ltd.'s Board of Directors in September 2022, is a Chartered Corporate Secretary certified by the Caribbean Governance Training Institute in St. Lucia. With nearly 20 years of experience, she is a highly accomplished attorney-at-law, Solicitor-Advocate, Corporate Secretary, and Court Connected Mediator. Her extensive legal career includes 18 years of experience, with 11 years of post-qualification experience and four years as a Prosecutor, specializing in Town and Country Planning. Ms. Galloway has practiced law in the UK, Montserrat, and the Bahamas, demonstrating a deep understanding of British and Caribbean jurisprudence through roles such as Crown Counsel and Private Practice Solicitor. She currently works as a Senior Lawyer at Pathfinder Legal Services Ltd. in Huntingdon, Cambridgeshire.

Her educational background includes a Bachelor of Laws (LL.B.) from Aberystwyth University, a Postgraduate Diploma in Legal Practice (L.P.C.) from the College of Law in London, and a Legal Education Certificate (L.E.C.) from Eugene Dupuch Law School. She also holds additional certificates in Professional Skills, Joint Assessors' Training, and Mediation Training. Ms. Galloway is a member of several professional organizations and has served in various community and leadership roles, including as President of the Montserrat Bar Association and Representative for Montserrat on the Commonwealth Lawyers Association Council.



# SUCCESS

*“We deliver exceptional value through innovative solutions and customer-centric services, driving progress and prosperity for all.”*

# Chairman's Report

I am pleased to present the Chairman's Report for Fiscal Year 2023 under the theme **Building for a Better Future**, which represents Bank of Montserrat Limited (the "Bank") unwavering commitment to championing sustainable economic growth and social progress for Montserrat. The Bank continues to redouble its efforts to ensure a secure financial foundation. This will foster a stable, resilient and successful institution that will benefit our community.

Since its establishment in 1988, the Bank has been on a journey to build a better Montserrat, empowering and creating value for all. Despite the island being impacted by extreme vulnerabilities over the years, the Bank has remained steadfast in its resolve to elevate all Montserratians. The Bank remains a catalyst for change, thereby ensuring a resilient financial system.

Although we were unable to pay a dividend in the prior two fiscal years, we are pleased to report that in the 2023 financial year, the Bank recorded a profit before tax of \$6.8 million and the Board of Directors has recommended the payment of a dividend of thirty nine cents (0.39) per share to the shareholders.

## ECONOMIC PERFORMANCE

### Global Environment

The global economy slowed during 2023 following robust growth in the immediate post-pandemic period. According to the International Monetary Fund's ("IMF") World Economic Outlook (April 2024), worldwide economic growth was 3.2 percent in 2023 compared to 3.5 percent in 2022. The current forecast is for growth of 3.2 percent in both 2024 and 2025.

The global economy has been severely impacted by supply-chain disruptions in the post-pandemic period. Despite negative forecasts of a recession, the banking system remained relatively stable, and inflation has been declining following hikes in interest rates by central banks. Labour markets have remained strong and the economies of most



*The Bank recorded a profit before tax of \$6.8 million and the Board of Directors has recommended the payment of a dividend of thirty nine cents (0.39) per share to the shareholders."*

**Dalton A. Lee**  
Chairman



advanced countries have been surprisingly resilient with good growth, modest to low unemployment levels and rising disposable incomes. However, risks remain, particularly the potential for increased inflation and slowing economies in some emerging markets.

## Regional Environment

Economic activity in the Caribbean recovered at a gradual pace in 2023, towards pre-pandemic levels. Growth in the region was driven largely by improved performance in the tourism and construction sectors. Stay-over arrivals increased in most countries and cruise tourism recorded robust performance compared to the previous year. The growth in tourism had positive knock-on effects on other sectors.

According to the Eastern Caribbean Central Bank's ("ECCB") Annual Economic and Financial Review (December 2023), economic growth in the Eastern Caribbean Currency Union ("ECCU") increased in 2023 by 4.3 percent compared to the 11.8 percent recorded in 2022. Tourism arrivals were strong but remained below 2019 levels. Meanwhile, inflation slowed following a sharp uptick in the prior year, driven by lower food and energy prices. ECCU member governments' fiscal positions expanded in 2023 as their debt-to-GDP ratio decreased from 78.1 percent as at December 2022 to 74.9 per cent as at December 2023. In the banking sector, private sector credit and deposits grew while the quality of loans and liquidity improved. The ECCB forecasts strong growth prospects for the ECCU for 2024.

## Local Environment

The ECCB also reported that economic activity in Montserrat expanded by 7.3 percent in 2023, which compared favourably to the 2.5 percent in 2022. This growth in economic activity was associated with improvement in the tourism sector which recorded total visitor arrivals of 14,429 passengers, more than doubling the 6,169 visitor arrivals in the prior year. Stayover visitors remained the highest category of arrivals, expanding to 8,344, up from 4,613 in the prior year. Arrivals from all source markets reported increases. Both the Canadian and US markets performed well, compared to pre-pandemic levels. Cruise ship passenger arrivals more than doubled and arrival of yacht passengers

grew more than eight-fold.

The improvement in tourism activity positively impacted the wholesale and retail sectors which expanded by 16.0 percent. The transport, storage and communications sector grew by 13.0 percent. Additionally, the construction sector grew by 20 percent, with new builds expanding by 14.5 percent; and also buttressed by a 49.5 percent increase in public sector spending. Inflationary pressures on the local economy increased modestly with consumer prices up 1.1 percent, erasing the 1.1 percent decline in the prior year.

The Government of Montserrat's fiscal position improved in 2023. This was driven by surpluses in both their primary and overall fiscal accounts inclusive of grants. The improvement in fiscal operations was associated with an 18.4 percent growth in current grants from the United Kingdom's Foreign Commonwealth and Development Office ("FCDO"). Current revenue grew by 10.3 percent compared to growth in current expenditure of 13.4 percent. The expansion in current revenue was primarily associated with tax inflows as tax receipts increased by 11.8 per cent compared to a diminution in non-tax receipts of 0.5 percent for 2023. Public sector debt continued its downward trajectory, decreasing by approximately 11% percent in both 2022 and 2023.

In the banking sector, domestic claims (credit net of government's deposits) grew by 20.7 percent to \$15.4 million, after declining in the prior year to \$12.8 million. The growth in credit was driven by expansion in credit to the private sector by 4.3 percent (\$3.4m), partially reversing the \$9.0m contraction in 2022. Credit to households increased by 4.9 percent, while credit to businesses contracted by 2.1 percent. Deposits in the banking sector expanded with foreign currency deposits increasing by 9.0% and local currency deposits growing modestly at 2.3 percent. This growth was partially offset by a moderate decline in transferable deposits of 3.4 percent. Asset quality deteriorated with the non-performing loans ratio increasing from 4.6 percent in 2022 to 5.6 percent in 2023. However, the overall banking system remained liquid, with the ratio of cash and cash equivalents to short-term liabilities at 88.4 percent, an increase of approximately 2.0 percentage points.

## Outlook

The outlook for Montserrat's economy is positive for 2024 with strong growth driven by activity in the tourism industry as greater arrivals by both sea and air is anticipated (ECCB's Economic and Financial Review as at December 2023). Economic growth will also be buttressed by the Little Bay Port Development project, the new Glendon Hospital and the social housing construction programme. Notwithstanding, risks remain, including freight charges returning to their 2022 levels, higher oil prices, higher food prices and potential hurricanes and other natural disasters.

Within the context of the economic environment, it is critical for us to continue to remain prudent in our management of the Bank's resources to mitigate shocks while taking advantage of opportunities.

## FINANCIAL PERFORMANCE

The Bank delivered strong financial results based on its strategic focus of Reshaping its cultural landscape, Reinventing the Bank's customer experience and Reimagining operations through increased use of technology. For the 2023 financial year, the Bank recorded net income before tax of \$6.8 million compared to a loss of \$1.5 million in the prior year. The growth in earnings was driven primarily by a \$3.4 million or 57.30 percent improvement in the performance of the Bank's investment portfolio. Income from loans and advances grew marginally by \$0.2 million or 3.74 percent due to anemic growth in the loan portfolio as demand for mortgages stagnated. The Bank is considering alternative strategies to grow the loan portfolio and we are confident that the results will improve in 2024.

Non-interest expenses rose marginally as we experienced higher related staff costs attributable to salary increases and a one-time bonus to all employees. This was the first Cost of Living "COLA" increase in over four years. Recovery on bad debts increased during the financial year and impairment losses and write-offs declined. However, reserves for loans and credit cards bad debts grew. The non-performing loans ("NPL") ratio (non-performing loans to gross loans) deteriorated from 4.01 percent in the prior year to 5.48 percent in 2023. This ratio is marginally above the ECCB's benchmark of 5.0 percent but is one of the lower ratios for banks across the ECCU. Notwithstanding, credit quality in the loan portfolio remained strong.

The Bank's Capital Adequacy Ratio ("CAR") improved from the 2022 level of 15.8 percent to 19.9 percent in 2023. This ratio is well above the ECCB's guideline of 8.0 percent and the proposed updated guideline of 10.0 percent under the BASEL II/III standard.

Even though the Bank is one of the smallest banks in the ECCU, we continue to deliver above average results. The Bank is financially stable and profitable with a strong capital base which can withstand most market shocks.

## STRATEGIC INITIATIVES

The Bank of Montserrat's strategic plan 'BoML Beyond' provides a four-year roadmap for the direction of the institution over the period 2021 – 2024. The key principles of this strategy are:

- *Reimagining* - operations through increased use of technology
- *Reinventing* - the BoML customer experience
- *Reshaping* - the people and culture landscape

## Technology & Data

While the implementation of the strategic plan was delayed by COVID-19, it precipitated the expediting of the digital transformation strategy as alternative banking channels were implemented to ensure continued service delivery to our customers. The Bank focused on investing in technology and innovation geared towards the achievement of efficient and convenient banking. First-class online banking and mobile banking applications were introduced which facilitated international transactions, electronic funds transfers ("EFTs"), seamless payroll payments, third party payments, and peer-to-peer transactions. The introduction of these services resulted in the reduction of over-the-counter transactions, greater access to banking services by customers in the diaspora and less time consuming engagement for commercial customers.

With an ever-expanding digital ecosystem, the Bank continued to invest in a more efficient payment system by increasing the number of point-of-sale terminals on the island through partnering with merchants. The expansion in the Bank's point-of-sale service resulted in greater demand for the service and more efficient merchant transactions. Concomitantly, there has been an uptick in the use of the Bank's credit and debit cards as customers

recognize the benefits of a seamless shopping experience and migration to the digital channels.

As the Bank continued to implement its technology and data strategy, a third party was engaged to conduct a technology review to identify gaps and recommend solutions to drive the technological transformation. Additionally, the Bank continued to review its back-end processes to enhance efficiency, conducted employee digital educational sessions, updated customer files as part of its Know Your Customer ("KYC") framework and researched data analytics tools to enhance its decision-making process.

### Customer Experience

The Bank has adopted a customer-centric approach to banking. Customer needs are prioritised to provide personalised and innovative products and services that build loyalty and continued patronage. The Bank is committed to providing quick and responsive service, transparent communication and meaningful engagement. As part of its strategic objectives, the Bank focused on the following to enhance the customer experience:

- Reshape and reinvent the customer experience.
- Institute a business development culture across the bank; and
- Enhance marketing efforts and overall brand awareness.

### People and Culture

As we continue our transformation programme, our employees remain at the core of our endeavours. The Bank continues its efforts to empower its employees to maximize value for our stakeholders. Our people and culture strategy is built on the following:

- Empower a culture of trust, teaming and open communication;
- Encourage a learning and innovative culture; and
- Reshape performance appraisal and rewards/recognition system.

## RISK MANAGEMENT

We continue our commitment to deliver timely, efficient and convenient service while managing risk. The efficiency of our operations remains paramount to ensure reliability and cost effectiveness. The Bank's operations and risk strategy was premised on the following:

- Engage opportunities to improve financial performance;
- Reshape processes for efficiency and better customer experience; and
- Strengthen the risk and compliance culture.



*Since its establishment in 1988, the Bank has been on a journey to build a better Montserrat, empowering and creating value for all."*

Effective risk management is one of the core principles of The Bank. Our philosophy on risk management is guided by sound banking principles and a robust corporate governance structure. Our Enterprise Risk Management ("ERM") framework is critical to the stability and resilience of our operations. The Bank's risk management is modeled on the three lines of defence:

- First Line of Defence: Operational Management – functions that own and manage processes and controls;
- Second Line of Defence: Risk Management/ Compliance – functions that oversee or specialize in compliance or the management of risk; and
- Third Line of Defence: Internal Audit - functions that provide independent assurance.

The Bank's adoption of its ERM framework ensures that all employees are accountable for risks, particularly those that fall within their areas. The Bank manages risk through its operational management, and the managements internal risk committee. The Board of Directors oversees risk through its Risk and Compliance Committee "RCC". Risk is managed within established tolerance limits as outlined in the institution's risk appetite statements which must be clearly articulated. Risk management is based on measurement, monitoring and control policies as well as various procedures and processes. The Bank is currently amending its ERM framework to ensure that critical and emerging risks are being mitigated.

## APPRECIATION

As we continue to emerge from the challenges of the COVID-19 pandemic, we remain dedicated to advancing the institution to ensure that it continues to contribute to the economic and social progress of our beautiful island. The performance of the Bank could not have been achieved without the support of its dedicated, remarkable and invaluable staff. I express my deepest and sincere gratitude to our staff whose unwavering commitment stands as a testament of their dedication to the accomplishment of our vision and strategic goals. Subsequent to the end of the fiscal year, the General Manager, Balwin Taylor, departed the institution and the Assistant General Manager, Chesley Antoine who was elevated to act as General Manager fell ill. Consequently, Mrs. Kathyan Lee-Fenton was appointed to act as General Manager pending the return of Mr. Antoine. We express our appreciation to Mr. Taylor for his dedication, commitment and years of service to the Bank and wish him well in his future endeavours.

I would like to thank my fellow Directors whose unstinting commitment continues to provide guidance to the Bank as we navigate myriad emerging risks and heightened regulatory, and compliance challenges. I appreciate your dedication and support as we chart a pathway towards growth and success.

To our customers, we pledge to continue providing products that meet your evolving banking needs as we redouble our efforts to meet and exceed your customer service expectations. We realise that the past few years have been challenging as we integrated the Royal Bank of Canada's operations into our Bank. I thank you for your patience, loyalty and support.

To our shareholders who have been unwavering in your support of the Bank's endeavours to build a sustainable profitable institution, while also demonstrating our firm commitment to the core principles of corporate social responsibility and good citizenship, I thank you and assure you that your patience and support will not go unrewarded. I thank you for your trust and confidence.

Once again, I express my gratitude to of all our stakeholders for your continued support.



.....  
**Dalton A. Lee**  
Chairman



# Financial Highlights

Bank of Montserrat Limited - 2023 Annual Report

Expressed in Eastern Caribbean Dollars	2023 (000)	2022 (000)	2021 Restated (000)	2020 (000)	2019 Restated (000)
<b>BALANCE SHEET</b>					
Total Assets	418,404	410,078	426,019	239,364	261,140
Total Deposits	367,516	376,547	377,250	191,648	220,155
Investments (Net)	185,910	180,276	153,039	96,338	103,317
Loans & Advances (Net)	97,850	93,021	100,694	95,383	95,646
<b>INCOME STATEMENT</b>					
Interest Income	15,580	11,857	10,121	10,141	10,360
Other Income	5,534	7,268	4,275	2,724	3,155
Total Income	21,114	19,125	14,396	12,865	13,515
Interest Expense	4,247	4,159	3,419	2,504	2,400
Operating Expenses	9,590	9,311	9,330	7,977	7,069
Operating Income	7,277	5,655	1,647	2,385	4,047
Provisions for impairments	(420)	(7,153)	(1,386)	1,442	321
Net Profits Before Tax	6,858	(1,499)	261	3,827	4,368
<b>EQUITY</b>					
Authorized Share Capital	30,000	30,000	30,000	30,000	30,000
Paid-Up Share Capital	20,207	20,064	20,060	20,038	16,131
Shareholders' Equity	35,034	27,775	42,691	43,122	37,992
Retained Earnings	15,923	10,473	8,011	9,046	8,624
<b>RATIOS</b>					
Loans/Deposits Ratio	26.62%	24.70%	26.69%	49.77%	43.44%
# of shares issued	5,985,696	5,955,091	5,954,545	5,951,462	5,328,531
Book value of shares \$	5.85	4.67	7.17	7.25	7.12
Earnings per share ¢	0.97	(0.05)	0.20	0.62	0.80
Return on Assets %	1.64	(0.37)	0.06	1.60	1.67
Return on Equity %	19.57	(5.40)	0.61	8.87	11.50
Efficiency Ratio <sup>1</sup> %	65.53	70.43	88.56	81.47	70.06
Capital Adequacy Ratio %	19.90	15.80	22.50	36.80	35.60
Dividends payout per share ¢	-	-	-	0.25	0.32

<sup>1</sup> Total expenses as a percentage of total income



# Directors' Report



## OVERVIEW

Your Board is pleased to present its Directors' Report for the financial year ended September 30, 2023, highlighting its work throughout the relevant period. This Report demonstrates the Board's continued commitment to comply with applicable legal and regulatory obligations, its Bylaws and other governing documents, its policies and evolving governance best practices.

Directors serve as stewards of the Bank of Montserrat Limited ("BoML", "the Bank") exercising independent judgment in overseeing Management of BoML's business and safeguarding the respective interests of its stakeholders with a view to enhancing long-term value.

An effective Corporate Governance Framework remains key to ensuring an independent Board not only sets BoML's strategic direction, but also oversees the policies and practices that monitor, measure and report on its performance in a transparent manner to secure BoML's interests on a sustainable basis while recognizing the strong public interest in the economic health of BoML .

Guided by BoML's core values Tone from the top, Fiduciary Responsibility, Stewardship, Integrity, Fit and Proper, Independence, Continuous Education and Participate, the Board remains resolute in its position that the right corporate culture must be championed by the right leaders, operating within the right risk appetite and governance framework in the context of changing regulation and emerging best practices which is sustained on a daily basis by open communication, mutual respect and a commitment to fostering employee growth and development.



## THE BOARD'S OBJECTIVES

The primary objective of the Board is to safeguard the BoML's interests on a sustainable basis while recognizing the strong public interest in the economic health of BoML. The Board sets the strategic direction for BoML and provides oversight of BoML's operations to ensure compliance with regulatory guidelines and BoML's approved policies and guidelines. Implementation of the strategy is delegated to Management under the leadership of the General Manager.

Other key functions of the Board include

1. Approving the strategic objectives for BoML.
2. The establishment and approval of policies to guide BoML's operations.
3. Establishment and approval of BoML's overall risk appetite.
4. The approval of annual operating and capital budgets.
5. Hiring, evaluating and terminating of executive management.
6. Approving of all expenditure and lending above the approved limits for the General Manager.

RESPONSIBILITY	ACTIVITIES
<b>Conduct and culture</b>	<ul style="list-style-type: none"> <li>• Promoted standards of desired behaviors that apply to Directors, Managers and all Employees in accordance with the BoML's Directors and Employee Code of Conduct.</li> <li>• Reviewed the Employee Handbook.</li> <li>• Updated the Board of Directors Charter.</li> <li>• Reviewed the Whistleblower Policy to ensure it remains consistent with industry developments.</li> </ul>
<b>Strategic Direction</b>	<ul style="list-style-type: none"> <li>• Oversaw BoML's strategic direction, plans and priorities and ensured that they aligned with BoML's risk appetite with regular reporting by Management.</li> <li>• Assessed the Bank's performance against:               <ul style="list-style-type: none"> <li>* past performance</li> <li>* financial and other objectives established in budget projections</li> <li>* industry peers</li> </ul> </li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>• Monitored best governance practices and developed principles and guidelines.</li> <li>• Independently assessed the performance of the Board and individual Directors based on select parameters, addressing areas identified for improvement.</li> <li>• During the financial year ended September 30, 2023, new policies were approved and existing policies reviewed including:               <ul style="list-style-type: none"> <li>* Board / Management Communication Policy</li> <li>* Whistle Blower Policy</li> <li>* Committee Charters</li> <li>* Corporate Governance Framework</li> </ul> </li> </ul>

RESPONSIBILITY	ACTIVITIES
<b>Risk Oversight</b>	<ul style="list-style-type: none"> <li>Conducted a wholesale review of the Enterprise Risk Management Policy and Framework.</li> <li>Conducted a review of Emerging Risk, Core Banking Risk and, Evaluated the top Five Risk of the BoML.</li> <li>Promoted a strong risk management culture based on a clear understanding of applicable risks, disciplined risk assessment, measurement procedures and continuous monitoring which improved the risk maturity of BoML.</li> </ul>
<b>Technological Enhancement</b>	<ul style="list-style-type: none"> <li>Ensured that IT strategy was aligned with business strategy.</li> <li>Reviewed IT risks and approved continued investment in the upgrade of the Group's Network Infrastructure.</li> </ul>
<b>Financial reporting and internal controls</b>	<ul style="list-style-type: none"> <li>Oversaw compliance with applicable audit, accounting and financial reporting requirements.</li> <li>Monitored Management's implementation and maintenance of effective internal control systems, including management information systems and assessed their adequacy and effectiveness.</li> </ul>
<b>Talent management and succession planning</b>	<ul style="list-style-type: none"> <li>Reviewed strategies and programmes for assessment and development of talent.               <ul style="list-style-type: none"> <li>* Training Plan</li> <li>* Succession Plan</li> </ul> </li> </ul>

## DIRECTOR INDEPENDENCE

The Board comprises Non-Executive Directors who do not participate in the day-to-day administration of BoML, nor engage in any business dealings or other relationships with BoML (other than circumstances permitted by applicable regulations) and the fact that BoML is the only commercial bank on Montserrat. This ensures that Directors remain capable of exercising independent judgment and act in the best interests of BoML.

The criteria for determining whether a Director is independent was reviewed within the context of BoML's Corporate Governance Framework (replaced with the Board of Directors Charter) which manages any direct or indirect relationship that a Director has with BoML that may adversely impact the transparency of the decision making process.

BoML ensures that all Independent Non-Executive Directors continue to satisfy the fit and proper requirements, as provided under the Banking Act 2015, No. 15 of 2015 (as amended).

## BoML's BOARD OF DIRECTORS

Article 56 of BoML's Bylaws provides that there shall not be less than five (5) or no more than twenty one (21) Directors. At present, the Board comprises eleven (11) non-executive Directors in accordance with this Article. The 1<sup>st</sup> National Bank of St. Lucia directorship remains vacant.

BoML's Board of Directors is comprised of dedicated professionals, who demonstrate a balance of skills and expertise that allow for high value contributions to be made at the Board level.

In keeping with the ECCB's Prudential Guidelines on board composition which requires that banks should "strive to maintain at least a 20% ratio of independent directors to non-independent directors," there are two independent directors in the persons of Agatha Aspin and Robert Frederick. Both Mrs. Aspin and Mr. Frederick meet the ECCB's guidelines for independent directors. With the presence of these two directors, the board is in compliance with the ECCB standard for board composition.



BoML is fortunate to have Directors who continue to bring their respective diverse perspectives to the boardroom, are committed to high standards of corporate governance and performance of their functions on behalf of the shareholders and display a collaborative spirit on BoML's Board.

As at September 30, 2023, Dalton Lee is the appointed Chairman of the Board of Directors and serves with, Agatha Aspin, Venita Cabey, Duleep Cheddie, Bruce Farara, Alison Fenton – Willock, Robert Frederick, Reuben T. Meade, Joseph L. Irish and John P Osborne.

## BoML'S RETIRING DIRECTORS

At this year's Annual General Meeting, the following five (5) Directors will retire upon rotation:

- Agatha Aspin (elected May 2021)
- Alison Fenton-Willock (elected May 2021)
- Bruce Farara (elected May 2021)
- Dalton Lee (elected May 2021)
- Venita Cabey (elected May 2021)

All five (5) Directors remain eligible and offer themselves for re-election.

Accordingly, based on the above, the number of Directors to be elected at this year's Annual General Meeting is five (5).

## BoML BOARD MEETINGS

In fulfillment of the requirements of the Bank's Corporate Governance Guidelines, the Board of Directors is required to meet at least once a month. Meetings are generally held in person and/or virtually using the Bank's secure LifeSize Video Conferencing portal. Although directors are required to attend all meetings, provision is made in the Corporate Governance Guidelines for a minimum attendance of 80% without explanation.

A total of twenty-one (21) meetings were held during the financial year and we are pleased to report that the average attendance rate of all directors during the fiscal year was 91%.

With respect to Director Attendance at Board Meetings, the following information is provided as at September 30, 2023:

Board	Total Number of Monthly Board Meetings hosted	Total Number of Special Board Meetings hosted	Average Percentage Attendance
BoML Board of Directors	21	8	91%

Director	Total Number of Monthly Board Meetings hosted	Total Number of Special Board Meetings hosted	Average Percentage Attendance
Dalton Lee (Chairman)	21	21	100%
Agatha Aspin	20	21	95%
Allison Fenton-Willock	15	21	71%
Bruce Farara	18	21	86%
Duleep Cheddie	18	21	86%
Ivan Browne (Resigned March 2023)	12	12	100%

Director	Total Number of Monthly Board Meetings hosted	Total Number of Special Board Meetings hosted	Average Percentage Attendance
John P. Osborne	17	21	81%
Joseph L. Irish	20	21	95%
Reuben T. Meade	19	21	91%
Robert Frederick	21	21	100%
Venita Cabey	19	21	91%

*Percentages are rounded to the nearest whole number.*

## BoML BOARD SUB-COMMITTEES

There are now six (6) standing Committees of the Board which includes a Risk & Compliance Committee that oversees BoML's operations. The Committees are rotated on an as needed basis but not less than once every three years.

Each Committee of the Board is governed by a Committee Charter which is approved by the Board of Directors. The Committee Charters outline the roles and responsibilities of each Committee, its scope of authority and the frequency of Committee meetings. Each Committee meets at least quarterly, with some meeting much more frequently due to the nature of their oversight responsibilities. The current Board Committee members are as follows:

Name of Board Sub-Committee	Board Sub-Committee Members	Total Number of Special Board Meetings hosted	Average Percentage Attendance
Corporate Governance & Financial Oversight Committee	Dalton Lee (Chairperson); Ivan Browne, Duleep Cheddie, Robert Frederick, Bruce Farara, John P. Osborne and Venita Cabey	4	100%
Audit Committee	Venita Cabey (Chairperson), Ivan Browne, Duleep Cheddie; Alison Fenton-Willock and Reuben T. Meade	13	90%
HR Committee	Bruce Farara (Chairperson), Dalton Lee; Robert Frederick, Duleep Cheddie, Venita Cabey and John P. Osborne	3	100%
Risk and Compliance Committee	Duleep Cheddie (Chairperson), Agatha Aspin, Alison Fenton-Willock, Joseph L. Irish and Venita Cabey	4	88%
Credit Committee	Robert Frederick (Chairperson), Agatha Aspin, Venita Cabey, Joseph L. Irish and John P. Osborne	13	100%
Asset & Liability Committee (ALCO)	Dalton Lee (Chairperson), Bruce Farara; John P. Osborne, Reuben T. Meade and Joseph L. Irish	6	100%

\*resigned from the Board March 2023



## BoML's COMMITMENT TO HELPING OUR DIRECTORS SUCCEED IN THEIR ROLE

BoML recognises its responsibility to continue to source training programmes for Directors that will enhance Directors' knowledge and improve effectiveness. This is in the context of the increasing demands placed on Directors in response to legislative and regulatory requirements and the evolving environment within which BoML operates.

New Directors receive a thorough induction to the role, with the process being guided by BoML's Orientation Programme. Directors also have access to the resources they need to focus on continuous professional development to ensure that each Director is equipped with the right tools to perform their respective duties and responsibilities.

During the last financial year, training Directors participated in included the following professional development activities:

- AML Responsibilities for Managers, CEOs and Directors
- Audit Committee Certification
- Corporate Governance – Aspiring Toward a Culture of Great Governance
- Customer Experience Investing in the Current Environment
- Cybersecurity-the critical questions for boards to ask
- Cyber Security for Business and Risk Management
- Fixed Income Capital Markets
- Risk and Compliance Training
- Risk Committee Certification

## BoML'S APPROACH TO DIRECTORS' REMUNERATION

Experienced, focused and talented Directors are essential to achieving BoML's strategic objectives and providing effective guidance and oversight of Management.

### DIRECTORS' REMUNERATION PER MONTH

GOVERNANCE GROUP	BANK OF MONTSERRAT LIMITED (\$EC)
<b>Board of Directors</b>	
Chairman of the Board	\$3,000
Directors	\$2,000
<b>Committees</b>	
Credit Committee	\$750
All Other	\$500

Directors who are appointed to represent BoML at conferences, seminars or training courses, are reimbursed for their traveling and other expenses, as reasonably incurred, in accordance with Bank of Montserrat Travel and Entertainment Policy for Directors approved in November 2022.

## DIRECTORS' SHAREHOLDINGS

Article 62 of BoML's Bylaws requires each BoML Director to be the holder of at least 200 shares unless they are on the Board by virtue of their expertise, but this is limited to a maximum of three (3) Directors.

As at September 30, 2023, Directors own the following shareholding interests in the Company:

Name	Representing	Term	Number of Shares Held
Dalton Lee	Government of Montserrat	2021– 2024	2,567
Agatha Aspin	Independent Director	2021– 2024	217
Venita Cabey	Government of Montserrat	2021– 2024	6,402
Duleep Cheddie	Government of Montserrat	2022– 2025	2,396
Bruce Farara	Ordinary Shareholders	2021– 2024	212,984
Alison Fenton - Willock	Ordinary Shareholders	2021– 2024	2,139
Robert Frederick	Independent Director	2023 – 2026	Nil
Reuben T. Meade	Government of Montserrat	2023 – 2026	2,139
Joseph L. Irish	Government of Montserrat	2022 – 2025	Nil
John P Osborne	Ordinary Shareholders	2022– 2025	34,688

## BoML'S SHAREHOLDING DISTRIBUTION

The Banking Act 2015, No. 5 of 2015 (as amended) defines a Significant Shareholder or a Significant Security Holder as "a person who either alone or with an affiliate or connected person, is entitled to hold more than ten per cent of the shares of the licensed financial institution or to exercise or control more than ten per cent of the total voting rights at any general meeting of the licensed financial institution or another company of which the licensed financial institution is a subsidiary and the terms "significant", "significant interest" and significant shareholding" shall be construed accordingly." As at September 30, 2023, both the Government of Montserrat, and 1<sup>st</sup> National Bank, St. Lucia satisfies this definition.

BoML's shareholding distribution reflects 5,985,696 ordinary shares. The total number of individual Shareholder Accounts is 2,313 as at September 30, 2023.

## BoML'S SHAREHOLDER ENGAGEMENT PRACTICES

Open Dialogue with Shareholders remains one of BoML's key priorities. The Board encourages Shareholders to provide timely and meaningful feedback and regularly reviews its engagement with Shareholders for alignment with best practices.



## DIVIDEND

In accordance with Article 85 of BoML's Bylaws, the Board has resolved to recommend a dividend payment of \$2,310,487 or 39 cents for each unit share on the existing shareholding distribution for the financial year ended September 30, 2023.

The Board remains guided by the relevant sections of the Companies Act, as amended, the Banking Act, 2015 (as amended) good governance procedures and other guidelines issued from ECCB from time to time.

## EXTERNAL AUDITORS

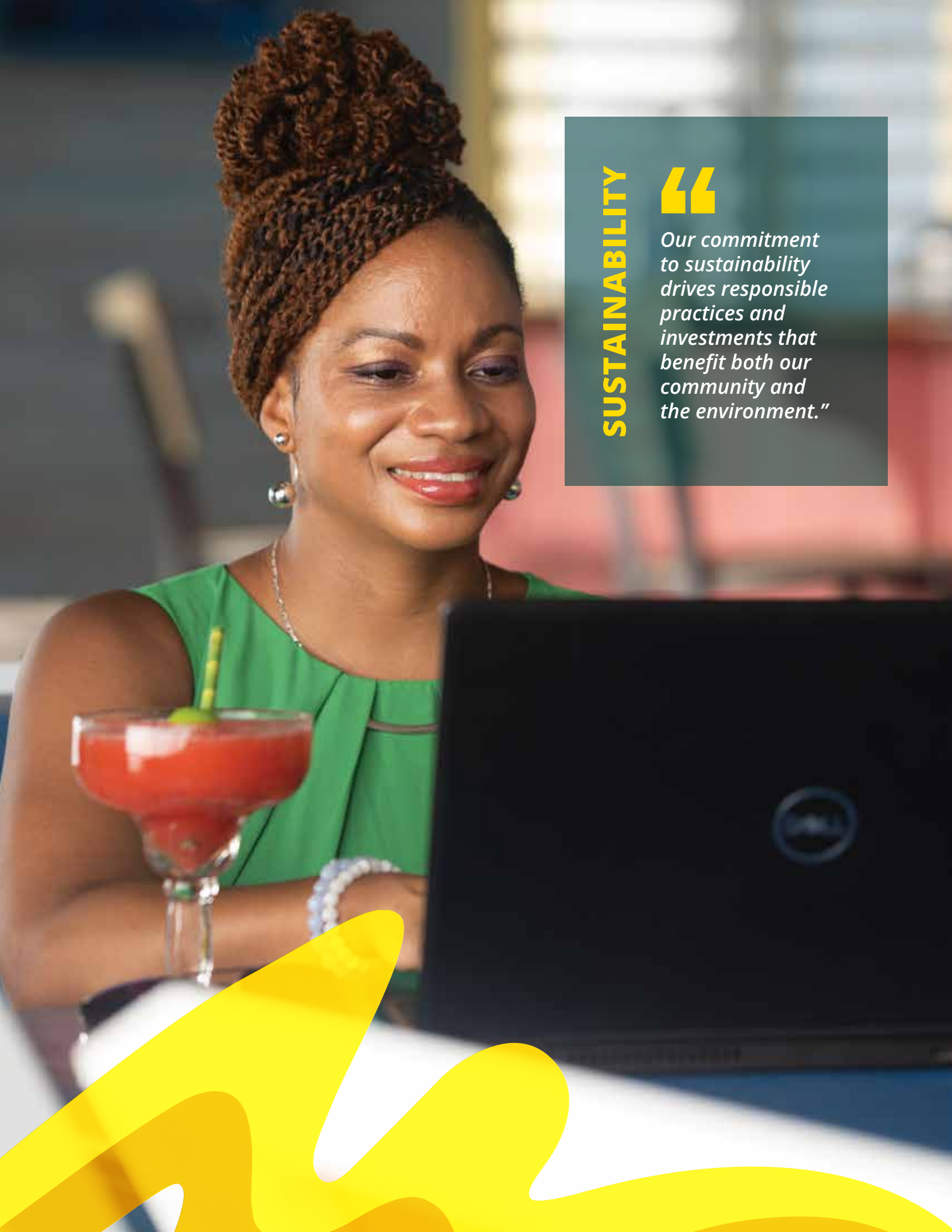
BoML's External Auditors, PKF, will retire at the 30th Annual General Meeting and offer themselves for re-appointment. The Board supports the re-appointment.

## BY ORDER OF THE BOARD OF DIRECTORS

A handwritten signature in black ink, appearing to read 'Korah Galloway'.

Korah Galloway (Ms.)

Corporate Secretary



**SUSTAINABILITY**

“

*Our commitment to sustainability drives responsible practices and investments that benefit both our community and the environment.”*



## Management Team



### LEFT TO RIGHT

**Carla Lee**  
Internal Auditor

**Dyonne Duberry**  
IT Manager

**Kathyan Lee-Fenton**  
General Manager (Ag)

**Keri Matthew**  
Risk and Compliance Manager

**Deslyne Plato**  
Accountant

**Chesley Antoine** - Missing  
Assistant General Manager



# Department Teams



### 1 - Accounting Team

Deslyne Plato (Accountant), Chenea Browne and Lauren Estwick

### 2 - Back Office Operations Team

Left to Right: Marcia Athanaze-Espirit, Alison Richards, Delcina Cabey (Senior Supervisor), James Cabey, Jade Morillo

### 3 - Hygiene Technician

Jean Jno Baptiste-Smith and Sonia Shields

### 4 - Credit Team

Left to Right: Amivi Hall, Amanda Jean-Baptiste (Senior Supervisor), Tashon-Jay Brown



# Department Teams



**1 - Risk and Compliance Team**

Keri Matthew (Risk and Compliance Manager), Brenda Buffonge.

**2 - Front Office Operations Team**

Left to Right: Kendel Jeffers, Alexia Allison, Jezell Jackson, Angela Louis-Charles (Supervisor), Tajera Anderson, Rashawna Cameron, Nvika Kelly, Jodane Hutchins, Achlen Browne, missing - Taeshawn Greenwood

**3 - Security Officers**

Fitzroy Moulon and Eoin McPhoy

**4 - Internal Audit**

Carla Lee (Internal Auditor) and Meliek Richards

**5 - IT Team**

Left to Right: Walter Blake, Dyonne Duberry (IT Manager) and Jamal Joseph

# Management Discussion & Analysis

## OVERVIEW

Fiscal 2023 marked the best financial performance for Bank of Montserrat Limited, (the “Bank”) in over a decade. This demonstrates that the decisions and growth strategies approved by the board and implemented by management have set a strong foundation for long-term growth.

Despite slowing economic activity in the global economy in 2023, following a strong rebound in the post-pandemic period, the local economy recorded robust growth. Notwithstanding the growth in the local economy, the Bank’s performance was primarily driven by the performance of its investment portfolio.



*For the 2023 financial year, Bank of Montserrat Limited delivered its best financial performance in almost fifteen years and has clearly set a strong foundation for continued consistent growth.”*

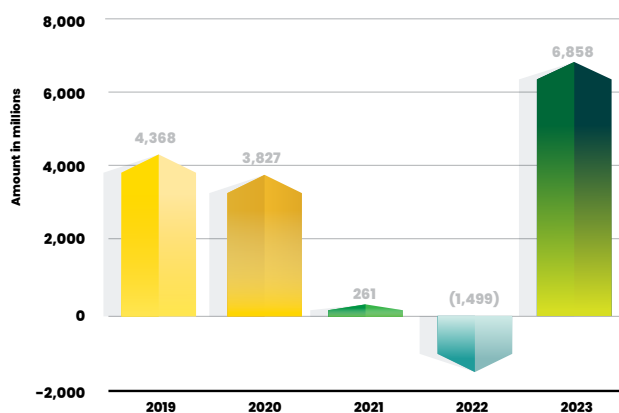




## RESULTS OF OPERATIONS

Bank of Montserrat Limited recorded net profit before tax of \$6.8 million for the 2023 financial year ("FY"). This is the best financial performance in over a decade and compares favourably to a loss of \$1.5 million in the 2022 financial year. The growth in net profit before tax in 2023 was driven mainly by the growth in income from investment securities which expanded by \$3.4 million or 57.30% as the Bank took advantage of the current high interest rate environment for fixed income securities on the international market. The Bank not only maximised its investment interest income but did so while improving the overall quality of the investment portfolio. The Bank continued to experience downward pressures on its interest income from loans and advances driven by slowing demand in the market.

### Net Profits Before Tax: 2019 – 2023



The graph above shows the net profits before tax for the last five years.

### OPERATING INCOME

For the 2023 financial year, Bank of Montserrat Ltd recorded operating income of \$16.9 million representing an increase of \$1.9 million or 12.71% compared to the 2022

financial year. The growth in operating income was primarily associated with the expansion in the income generated from the investment portfolio. Net interest income totaled \$11.3 million, an increase of 47.23% compared to FY 2022 and represented 67.19% of operating income.

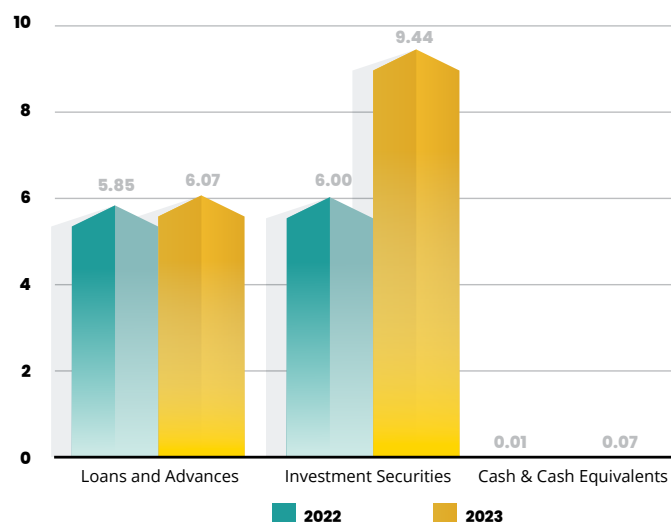
### INTEREST INCOME

Bank of Montserrat Limited's interest income continued its upward trajectory since acquiring the Royal Bank of Canada's "RBC" banking operations, with FY 2023 interest income of \$15.6 million. This represented a growth of \$3.7 million or 31.40% when compared to 2022 and an over 50% increase since the RBC acquisition. The growth in interest income was driven mainly by the increase in income from the investment portfolio, as yields on most sectors of the portfolio performed exceedingly well. Yields on both short-term investments in cash and cash equivalents and equities were the main contributors to the overall portfolio performance. Interest income from the investment portfolio totaled \$9.4 million representing a growth of \$3.4 million or 57.30%.

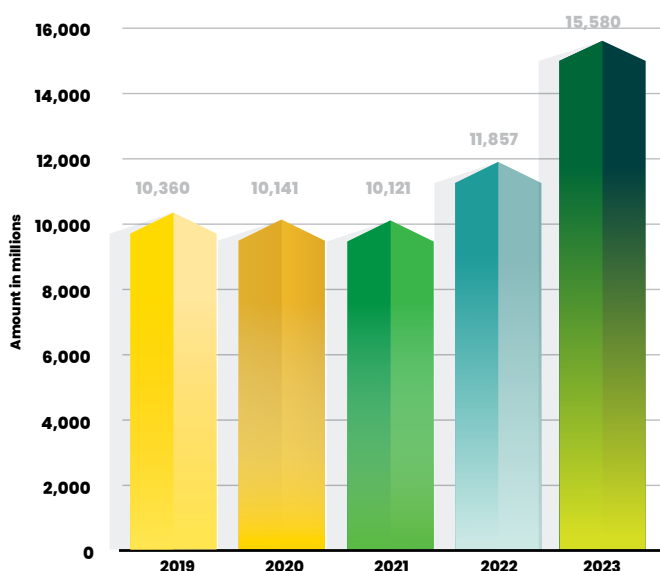
Interest income from loans and advances was \$6.1 million and represented a marginal increase of \$0.2 million or 3.74%, notwithstanding the expansion in the loan portfolio. This minimal growth in interest income from the loan portfolio is the result of the downward pressure being felt throughout the market as demand for loans, especially mortgages, declined.

The graph below reflects the sources of interest income:

#### Sources of Interest Income 2022 vs 2023.



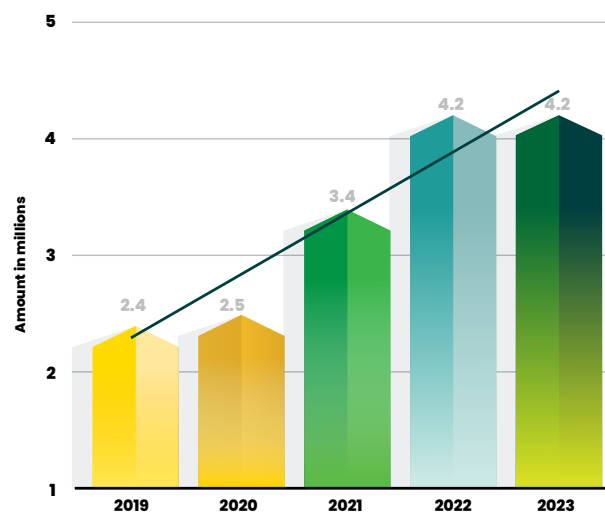
#### Interest Income for 5 Years - 2019 - 2023.



#### INTEREST EXPENSE

Interest expense for the 2023 financial year was \$4.2 million and remained relatively flat despite a reduction in the deposit portfolio of \$9.0 million or 2.40%. Non-interest-bearing deposits declined, and interest-bearing deposits increased. Additionally, the weighted average effective interest rate on deposits increased from 1.15% in 2022 to 1.22% as at September 30, 2023.

#### Interest Expense: 2019 – 2023



The previous graph displays the interest expense for the five-year period 2019 to 2023.

#### NON-INTEREST INCOME

The Bank's non-interest income or other operating income was \$5.5 million, contributing 26.21% of total income and representing 57.71% of operating expenses. This suggests that the Bank did not rely primarily on interest income to cover operating expenses. Non-interest income for the 2023 financial year declined by \$1.7 million or 23.85%. The significant non-interest income in 2022 was associated with a one-time gain of \$2.5 million on the acquisition of the Royal Bank of Canada ("RBC") Montserrat branch.

Importantly, it should be noted that service fees and commission and foreign exchange net gains grew by \$0.3 million or 14.16% and \$0.7 million or 32.37% respectively, as customers continued to utilise the Bank's services.

#### OPERATING EXPENSES

For the 2023 financial year, the Bank recorded operating expenses of \$9.6 million, an uptick of \$0.3 million or 3.00%. This increase was mainly associated with an increase in salaries and benefits of \$0.7 million or 24.75% attributable to salary increases and a one-time bonus to all employees. This was the first Cost of Living "COLA" increase in over four years.



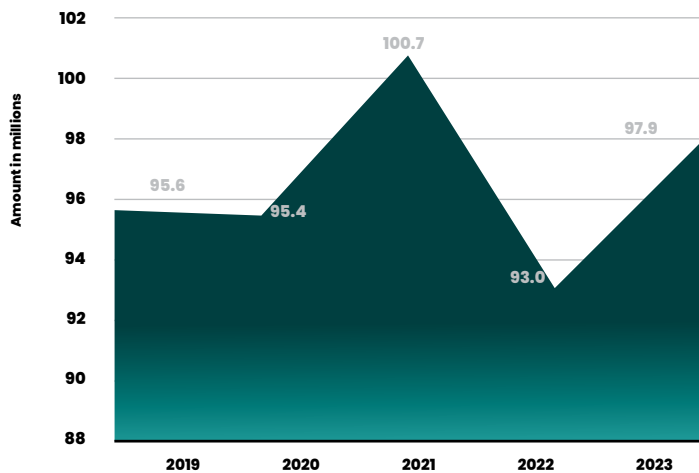
## FINANCIAL POSITION

### TOTAL ASSETS

As at September 30, 2023, total assets were reported at \$418.4 million, reflecting a growth of \$8.3 million or 2.03%. The growth in total assets was mainly associated with increases in the investment and loan portfolios of \$5.6 million or 3.13% and \$4.8 million or 5.19%, respectively; and other assets which grew by \$5.4 million. This significant growth in other assets was a result of the Bank’s acquisition of the credit card portfolio from the Caribbean Credit Card Corporation (“4Cs”) on April 1, 2023. However, the growth in total assets was moderated by a contraction of \$7.0 million or 5.78% in cash and balances at the Central Bank.

The expansion in the Bank’s asset base was a partial reversal in the contraction in total assets of \$15.9 million or 3.74% in 2022 which was primarily driven by a combination of contractions in loans and advances and other assets of \$7.7 million and \$4.1 million, moderated by increases in deferred tax assets and RBC intangible assets of \$1.8 million and \$5.1 million, respectively.

#### Total Assets: 2019 – 2023



The graph above displays the movement in the Bank’s total assets over the last five years.

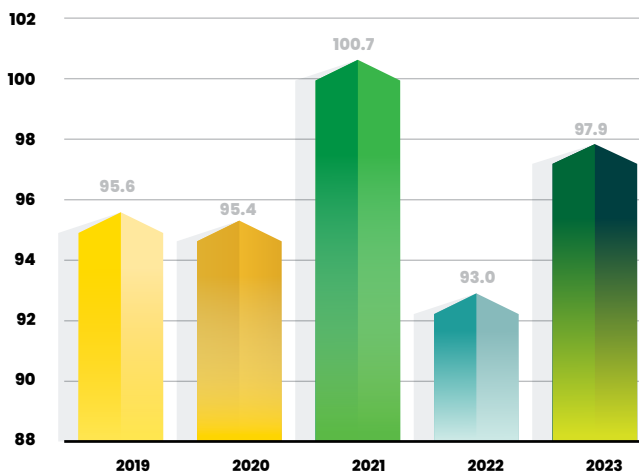
### LOANS AND ADVANCES

Bank of Montserrat Ltd recorded total loans and advances of \$97.9 million as of September 30, 2023, representing an increase of \$4.8 million or 5.19%. The increase in the loan portfolio was primarily

driven by growth in demand loans which expanded by \$7.3 million or 50.65%. The loan and advances portfolio was also impacted by an increase in the credit card portfolio of \$1.3 million which the Bank purchased in April 2023 and staff loans of \$0.2 million or 7.02%. All other categories of loans and advances declined including mortgages which contracted by \$3.7 million or 5.13% as the demand for homes declined. The Bank will continue to implement strategic measures to expand its loans and advances portfolio.

At the end of the 2023 financial year, non-performing loans (“NPL”) amounted to \$5.7 million, an increase of \$1.8 million or 45.80%. This growth in the NPL portfolio was primarily associated with non-performing credit cards which totaled \$1.5 million. NPL Mortgage loans reflected a marginal increase of \$0.2 million or 5.15%. As at September 30, 2023 the NPL ratio (non-performing loans to gross loans) deteriorated from 4.01% in 2022 to 5.48% in 2023. This ratio is marginally above the ECCB’s benchmark of 5.0%, and is one of the lowest of the banks in the ECCU. Nonetheless, credit quality in the loan portfolio remained strong and the Bank will continue to implement strategies to reduce delinquency.

#### Total Loans and Advances: 2019 – 2023



The graph above reflects the Bank’s loans and advances over the last five years.

## INVESTMENT SECURITIES

The investment portfolio continued its upward path with growth of \$5.6 million or 3.13% to \$185.9 million. This follows the \$27.2 million or 17.80% expansion in investment securities in 2022 as the Bank continued its investment strategy of diversifying its revenue sources to strengthen earnings. The investment portfolio comprised debt investments at amortised cost and equity investments, whose market price changes are recorded through Fair Value Other Comprehensive Income (FVOCI). At September 30, 2023 the allowance for impairment losses was \$20.6 million, a decline of \$0.7 million or 3.35%. The weighted average effective interest rate on debt securities increased from 3.24% to 3.66% as at September 30, 2023.

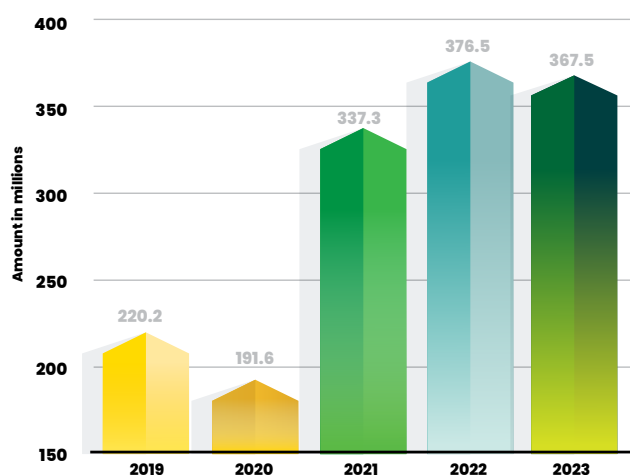
## CUSTOMER DEPOSITS

Customers' deposits decreased by \$9.0 million or 2.40% to \$367.5 million at the end of the 2023 financial year.

The reduction in customers' deposits for the 2023 financial year was influenced by a contraction of \$15.5 million or 10.14% in corporate deposits. The reduction in corporate deposits was mainly driven by a decline of \$9.0 million or 6.78% in demand deposits. Corporate time and savings deposits also decreased by \$4.1 million or 37.79% and \$2.4 million or 25.40%, respectively. This decline in corporate deposits was mostly due to a reduction in customer receipts as the exchange rate of sterling to the Eastern Caribbean dollar dropped in 2023. Meanwhile, retail deposits increased across all categories by \$6.5 million or 2.88%.

The graph below displays customers' deposits over the last five years.

### Customer Deposits: 2019 -2023



## CAPITAL

For the banking sector, capital acts as a buffer against losses and is important to protect institutions from potential risks. Accordingly, banks must ensure that capital is monitored and measured frequently to ensure that it correlates to the risks undertaken by the institution. The Bank remains committed to maintaining adequate capital to guard the financial soundness of the institution which is consistent with its capital strategic focus.

At the end of the 2023 financial year, Bank of Montserrat Ltd was compliant with the ECCB's guideline of 8.0% Capital Adequacy Ratio "CAR" and the proposed updated guideline of 10.0 percent under the BASEL II/III. At September 30, 2023 the CAR was 19.90% and reflected an improvement over the CAR of 15.80% recorded in 2022.

## CONCLUSION

For the 2023 financial year, Bank of Montserrat Limited delivered its best financial performance in almost fifteen years and has clearly set a strong foundation for continued consistent growth. The Bank remains resilient in its resolve to better the future of all of the people of Montserrat, both at home and abroad. With our strong asset base we are prepared to be a catalyst for the economic development of our beloved country.

On behalf of the Board of Directors, Management and Staff, we express our sincere appreciation to our valued customers and stakeholders for their continued loyalty and patronage.

**Kathyan Lee-Fenton**  
General Manager (Ag)



# Social Responsibility & Community Engagement

Bank of Montserrat Limited (the “Bank”) plays a pivotal role in empowering communities and enriching lives through its social programmes. Through these programmes, the Bank endeavours to create impactful change within the communities that it serves. The Bank’s social programmes focus on health and wellness, education, culture, community support & development and sports. During the 2023 financial year, the Bank supported initiatives geared towards fulfilling these causes.

## HEALTH AND WELLNESS

The Bank is aware of the importance of health and wellness to societal well-being. Accordingly, we continue to focus on programmes that engender the overall wellness of Montserratians.

- The Bank contributed to the Helping Hands for Glendon which is a fund established to provide needed resources to the Glendon Hospital.
- Breast cancer remains an area of concern in our communities and Bank of Montserrat continued to collaborate with the Pink Ribbon Charity to assist in providing preventative care.

## EDUCATION

The Bank subscribes to the philosophy that a well educated society is key to the island’s long term development and self sufficiency and can assist persons to rise above their circumstances and achieve success. Therefore, during 2023 the Bank continued to support education initiatives.

- The Bank made contributions to all of the primary schools on island for educational needs, including contributions for the purchase of learning materials. We also provided financial support to the public library. Additionally we continued our commitment to the funding of the DRV (Frank) Edwards Memorial Scholarship, which provides funding for a student to attend the University of the West Indies (UWI) to pursue a field of study in banking or related areas;
- Donations were made to several schools across the island for their annual sports day;
- Several schools received support for their annual graduation ceremonies which recognised the scholastic achievements of their students;
- Funds were provided to schools for support with their nurturing of children as future community leaders;
- The Bank supported the Ministry of Education’s Biennial Grade 2 & 3 Spelling Bee Competition; and
- A contribution was made to support financial literacy through the ECCB’s Financial Information Month activities.



SPORT

COMMUNITY

CULTURE



EDUCATION





## CULTURE

Bank of Montserrat believes culture shapes its communities sense of identity, behavior and loyalties; builds a collective understanding and sensibility of history and values. As a result, the Bank supported the following:

- The Junior Calypso Show Competition;
- Montserrat Arts Council's – Annual Christmas Carnival;
- Matrixx Dance Company Production; and
- Breadfruit and Mango Fest.

## COMMUNITY SUPPORT & DEVELOPMENT

As a good corporate citizen, Bank of Montserrat supports community development to improve the quality of life for its stakeholder communities. To this end the Bank supported several activities aimed at community improvement:

- Food hampers for the elderly;
- Contribution to the Golden Years Home for the elderly;
- Donation to the Rotary Club of Montserrat Santa Around Island;
- Support for the Interact Club of Montserrat;
- Ministry of Health's International Women's Day activities; and
- Platinum sponsor of the Montserrat PRIME Expo which is geared towards the promotion of entrepreneurship and innovation. The funds were used to support the participation of small and medium-sized enterprises (SMEs) in the PRIME Expo.

## SPORTS

Bank of Montserrat is a major sponsor of sports based on the benefits associated with it including improved mental health, community pride, crime reduction and development of strong social bonds. During 2023, the Bank supported the following sports events:

- Sponsorship of the Montserrat Basketball League;
- Montserrat Basketball Association Under 16 Basketball Tournament;
- Montserrat Cricket Team's participation in the Leeward Islands Tournament;
- Track Alliance Invitational Anguilla Meet; and
- VIP Media 6 a Side Football Competition.

## CONCLUSION

In total we contributed in excess of one hundred thousand dollars in support of all of these worthy causes in recognition of our role and responsibility as a strong social and community engagement ambassador. Consistent with the theme "Building for a Better Future," the Bank's contribution to social development will remain a cornerstone of its future endeavours.

BANK OF MONTSERRAT LIMITED

# FINANCIAL STATEMENTS

For the Year Ended September 30, 2023  
(Expressed in Eastern Caribbean Dollars)

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PKF St. Lucia

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Tel. (758) 450 - 7777  
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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of the Bank of Montserrat Limited

Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of the **Bank of Montserrat Limited** (the "Bank"), which comprise the statement of financial position as at September 30, 2023, and the statement of income, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at September 30, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the provisions of the Banking Act of Montserrat No. 15 of 2015 and its Amendments (the "Act").

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Montserrat, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risk of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

## INDEPENDENT AUDITOR'S REPORT (CONT'D)

### To the Shareholders of the Bank of Montserrat Limited

#### Key Audit Matters (cont'd)

Key Audit Matters	How our audit addressed the Key Audit Matters
<p><b>IFRS 9 Expected Credit Losses ("ECL")</b></p>	
<p><b>Refer to Notes 2 d (ii), 8, 9 and 23 to the financial statements</b></p> <p>The Bank recognises Expected Credit Losses ("ECL") on financial assets, the determination of which is highly subjective and requires management to make significant judgement and estimates.</p> <p>The key areas requiring a greater level of judgement by management and therefore increased audit focus include the identification of significant increase in credit risk ("SICR") and the application of forward-looking information.</p> <p>The identification of significant increase in credit risk is a key area of judgement as these criteria determine whether a 12 month or lifetime provision is recorded (i.e. the Stage allocation process).</p> <p>IFRS 9 requires the Bank to measure expected credit losses on a forward-looking basis reflecting a range of future economic conditions. Significant management judgement is used in determining the economic scenarios and management overlay.</p> <p>For the Bank's loans and advances in Stages 1 and 2 (i.e. Stage 1 - loans which had not experienced a significant increase in credit risk since origination and; Stage 2 - those that had experienced such), the allowance is determined on a collective basis with the use of impairment models. These models use a number of key assumptions including probability of default, loss given default and valuation of recoveries.</p> <p>Management also apply overlays where they believe the model calculated assumptions and allowances require refinement due to historical trends or due to the model limitations.</p>	<p><b>General</b></p> <p>We evaluated management's process and reviewed key activities around the determination of ECL allowance including:</p> <ul style="list-style-type: none"> <li>- Appropriateness of modeling methodology;</li> <li>- Model approval;</li> <li>- The identification of credit impairment events; and</li> <li>- The review and approval of the ECL allowance, including the impairment model outputs, key management judgments and overlays applied.</li> </ul> <p><b>Stage 1 and Stage 2 loans and advances to customers</b></p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the impairment model used by management for the calculation of the ECL.</li> <li>• Tested the completeness and accuracy of the key data inputs used in the model to the underlying accounting records.</li> <li>• Evaluated the reasonableness of the Bank's ECL estimates based on the underlying ECL models produced by the Bank. As part of this, we reviewed the methodologies and assumptions employed within the models for reasonableness.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT (CONT'D)

### To the Shareholders of the Bank of Montserrat Limited

#### Key Audit Matters (cont'd)

Key Audit Matters	How our audit addressed the Key Audit Matters
<p><b>IFRS 9 Expected Credit Losses ("ECL") (cont'd)</b></p> <p>For the Bank's loans and advances in Stage 3 (i.e. credit impaired facilities) expected credit losses are estimated on an individual basis. Specific criteria have been developed to identify loans that have become credit impaired. However, judgement is exercised to determine whether any additional loans are exhibiting specific characteristics that would lead to such classification. The Bank then estimates the expected future cash flows related to those loans.</p> <p>We have therefore determined that the impairment of these loans and advances has a high degree of estimation uncertainty.</p>	<p><b>Stage 1 and Stage 2 loans and advances to customers (cont'd)</b></p> <ul style="list-style-type: none"> <li>• We also reviewed the derivation and assumptions selected for probability of default, loss given default and the exposure at default. Additionally, we considered the appropriateness of using a management's overlay approach in lieu of a regression model based on the statistical credibility results provided.</li> </ul> <p><b>Stage 3 loans and advances to customers</b></p> <ul style="list-style-type: none"> <li>• We critically assessed the criteria for determining whether a credit impairment event had occurred. This involved reviewing a sample of loan facilities in Stages 1 and 2 for indicators of a credit impairment event based on determined risk characteristics.</li> <li>• We assessed the adequacy of the impairment allowance for loans and advances by testing the key assumptions used in the Bank's ECL calculations including forecasts of future cash flows and timing of such.</li> <li>• We reviewed third party valuations of the underlying collateral security supporting a sample of loans and advances.</li> <li>• We also considered the current market conditions and compared these against the Bank's historical experience of the realization of security and actual collection of cash flows.</li> <li>• We re-performed management's allowance calculation.</li> </ul> <p><b>Financial statement disclosures</b></p> <ul style="list-style-type: none"> <li>• Assessed the adequacy of the disclosures of the key assumptions and judgements for compliance with the standard.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT (CONT'D)

### To the Shareholders of the Bank of Montserrat Limited

#### Key Audit Matters (cont'd)

Key Audit Matters	How our audit addressed the Key Audit Matters
<p><b>Fair values of investment securities</b></p> <p><b><i>Refer to Notes 4(b), 5 and 7 to the financial statements</i></b></p> <p>The Bank invests in various investment securities for which no published prices in active markets are available and have been classified as Level 2 assets within the IFRS's fair value hierarchy.</p> <p>Valuation techniques for these investments can be subjective in nature and involve various assumptions regarding pricing factors.</p> <p>Associated risk management disclosure is complex and dependent on high quality data. A specific area of audit focus includes the valuation of fair value Level 2 assets.</p> <p>These techniques include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analyses making maximum use of market inputs, such as the market risk free yield curve.</p>	<p>We reviewed the reasonableness of the methods and assumptions used in determining the fair value of investment securities. We considered whether the methodology remains appropriate given current market conditions.</p> <p>We independently assessed the fair values of investments by performing independent valuations on the investment portfolio as well as recalculating the unrealized gain or loss.</p> <p>We assessed whether the financial statements disclosures, including sensitivity to key inputs and the IFRS fair value hierarchy, appropriately reflect the Bank's exposure to financial instruments valuation risk.</p> <p>We also reviewed management's assessments of whether there are any indicators of impairment including those securities that are not actively traded.</p>

## INDEPENDENT AUDITOR'S REPORT (CONT'D)

To the Shareholders of the Bank of Montserrat Limited

### Key Audit Matters (cont'd)

Key Audit Matters	How our audit addressed the Key Audit Matters
<p><b>RBC Intangible Assets impairment assessment</b> <b>Refer to Note 14 to the financial statements</b></p> <p>The Bank has core deposit intangibles (CDI) of \$5.1 million. Impairment assessment of the CDI is very subjective as it requires the use of projected financial information and judgmental assumptions.</p> <p>As required by IAS 36, Impairment of Assets, management performs an annual impairment assessment on the CDI. Management conducted the impairment tests using sensitivity analyses, including a range of growth rates, interest rates, recovery assumptions, macro-economic outlooks and discount rates for each entity in arriving at a probability-weighted expected cash flow projection.</p> <p>The purpose of the impairment review is to ensure that the CDI is not carried at an amount greater than its recoverable amount. The recoverable amount is compared with the carrying value of the asset to determine if the asset is impaired.</p> <p>Recoverable amount is defined as the higher of fair value less costs of disposal and value in use, the underlying concept being that an asset should not be carried at more than the amount it could raise, either from selling it now or from using it.</p>	<p>We evaluated and tested the Bank's process for CDI impairment assessment.</p> <p>We involved our PKF valuation specialists to assist us in the review of the key assumptions, cashflows and discount rate used to ensure that they are reasonable.</p> <p>We also assessed whether appropriate and complete disclosures have been included in the financial statements consistent with the requirements of IAS 36.</p>

### Other information

Other information consists of the information included in the Bank's 2023 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2023 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

## **INDEPENDENT AUDITOR'S REPORT (CONT'D)**

### **To the Shareholders of the Bank of Montserrat Limited**

#### **Other information (cont'd)**

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Bank's 2023 Annual Report, if we conclude that it contains a material misstatement, we are required to communicate the matter to those charged with governance.

#### **Responsibilities of Management and the Audit Committee for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Bank's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

## **INDEPENDENT AUDITOR'S REPORT (CONT'D)**

### **To the Shareholders of the Bank of Montserrat Limited**

#### **Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)**

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Richard Surae.



Chartered Accountants  
Castries, Saint Lucia  
June 19, 2024

## BANK OF MONTSERRAT LIMITED

**Statement of Financial Position**

As at September 30, 2023

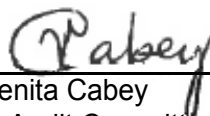
*(Expressed in Eastern Caribbean Dollars)*

	Notes	2023 \$	2022 \$
<b>Assets</b>			
Cash and balances with Central Bank	6	110,834,293	117,633,990
Investment securities	7	185,909,984	180,275,518
Loans and advances to customers	8	97,850,304	93,020,840
Accrued interest receivable	9	1,821,570	1,634,027
Deferred tax asset	10	2,883,272	3,064,857
Property and equipment	12	6,237,233	6,421,171
Intangible assets	13	249,859	269,216
RBC intangible assets	14	4,619,430	5,132,700
Other assets	15	7,998,150	2,625,422
<b>Total assets</b>		<b>418,404,095</b>	<b>410,077,741</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Deposit liabilities	17	367,515,988	376,547,090
Pension plan liabilities	11	1,012,516	732,992
Dividends payable	18	850,435	997,210
Interest payable		122,998	116,860
Other liabilities	20	12,874,018	3,427,716
Withholding taxes payable		94,117	435,938
Income tax payable	10	899,873	45,106
<b>Total liabilities</b>		<b>383,369,945</b>	<b>382,302,912</b>
<b>Equity</b>			
Share capital	21	20,206,517	20,063,898
Statutory reserve	22	13,118,159	11,694,819
Fair value reserve		(13,201,451)	(14,035,631)
Appropriated retained earnings - loan loss reserve	23	-	311,762
Appropriated retained earnings - pension reserve	11	(1,012,516)	(732,992)
Un-appropriated retained earnings		15,923,441	10,472,973
<b>Total equity</b>		<b>35,034,150</b>	<b>27,774,829</b>
<b>Total liabilities and equity</b>		<b>418,404,095</b>	<b>410,077,741</b>




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 Mr. Dalton A. Lee  
Chair - Board of Directors




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 Mrs. Venita Cabey  
Chair - Audit Committee



## BANK OF MONTSERRAT LIMITED

**Statement of Comprehensive Income**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)*

	Notes	2023 \$	2022 \$
<b>Interest income</b>			
Loans and advances to customers		6,068,875	5,850,112
Investment securities		9,440,472	6,001,622
Cash and cash equivalents		70,996	5,041
		<u>15,580,343</u>	<u>11,856,775</u>
<b>Interest expense</b>			
<b>Deposit liabilities</b>			
Savings		(3,972,112)	(3,893,976)
Time		(274,642)	(265,134)
		<u>(4,246,754)</u>	<u>(4,159,110)</u>
<b>Net interest income</b>		<u>11,333,589</u>	<u>7,697,665</u>
<b>Other income</b>			
Service fees and commissions		2,515,344	2,203,380
Foreign exchange gains - net		2,918,482	2,204,803
Miscellaneous		100,671	327,913
Gain on acquisition		-	2,532,098
		<u>5,534,497</u>	<u>7,268,194</u>
<b>Operating income</b>		<u>16,868,086</u>	<u>14,965,859</u>
<b>Operating expenses</b>			
Salaries and other benefits	24	(3,367,044)	(2,699,237)
Other operating expenses	25	(3,174,279)	(2,924,907)
Occupancy and equipment - related expenses	26	(2,294,487)	(2,062,078)
Taxes, licences and professional fees		(754,743)	(1,625,050)
		<u>(9,590,553)</u>	<u>(9,311,272)</u>
<b>Net operating income before impairment</b>		<u>7,277,533</u>	<u>5,654,587</u>
Recovery of allowance for impairment losses	23	1,134,635	267,500
Impairment losses during the year	23	(1,549,038)	(3,861,828)
Write-off of allowance for impairment losses		(5,455)	(3,559,147)
		<u>(419,858)</u>	<u>(7,153,475)</u>
<b>Net income/(loss) before tax</b>		<u>6,857,675</u>	<u>(1,498,888)</u>
<b>Income and deferred taxation</b>	10	<u>(1,081,458)</u>	<u>1,205,701</u>
<b>Net income/(loss) for the year</b>		<u>5,776,217</u>	<u>(293,187)</u>
<b>Net income/(loss) attributable to the shareholders</b>		<u>5,776,217</u>	<u>(293,187)</u>

BANK OF MONTSERRAT LIMITED

**Statement of Comprehensive Income**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)*

	<b>2023</b>	2022
<b>Notes</b>	<b>\$</b>	<b>\$</b>
<b>Net income/(loss) for the year</b>	<b>5,776,217</b>	<b>(293,187)</b>
<b>Other comprehensive income/(losses)</b>		
<b>Items that will not be classified to profit or loss:</b>		
Re-measurement (losses)/gains on net defined benefit obligations	11 (192,932)	8,842
Fair value gains/(losses) on equity instruments at FVOCI	1,533,417	(14,636,234)
	<b>1,340,485</b>	<b>(14,627,392)</b>
<b>Total comprehensive income/(losses) for the year</b>	<b>7,116,702</b>	<b>(14,920,579)</b>
<b>Book value per share</b>	29 <b>5.85</b>	4.66
<b>Basic and diluted earnings per share</b>	30 <b>0.97</b>	(0.05)



## BANK OF MONTSERRAT LIMITED

**Statement of Changes in Shareholders' Equity**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)*

	Notes	2023 \$	2022 \$
<b>Share capital</b>			
Balance - beginning of the year		20,063,898	20,059,939
Issuance of shares:			
Share rights exercised		142,619	3,959
<b>Balance - end of the year</b>	<b>21</b>	<b>20,206,517</b>	<b>20,063,898</b>
<b>Statutory reserve</b>			
Balance - beginning of the year		11,694,819	11,694,819
Transfer from un-appropriated retained earnings		1,423,340	-
<b>Balance - end of the year</b>	<b>22</b>	<b>13,118,159</b>	<b>11,694,819</b>
<b>Fair value reserve - FVOCI - Equity investments</b>			
Balance - beginning of the year		(14,035,631)	600,603
Fair value gains/(losses) on equity investments at FVOCI		834,180	(14,636,234)
<b>Balance - end of the year</b>		<b>(13,201,451)</b>	<b>(14,035,631)</b>
<b>Appropriated retained earnings - Loan loss reserve</b>			
Balance - beginning of the year		311,762	2,991,725
Transfer to un-appropriated retained earnings		(311,762)	(2,679,963)
<b>Balance - end of the year</b>	<b>23</b>	<b>-</b>	<b>311,762</b>
<b>Appropriated retained earnings - Pension reserve</b>			
Balance - beginning of the year		(732,992)	(666,995)
Transfer to un-appropriated retained earnings		(279,524)	(65,997)
<b>Balance - end of the year</b>	<b>11</b>	<b>(1,012,516)</b>	<b>(732,992)</b>
<b>Un-appropriated retained earnings</b>			
Balance - beginning of the year		10,472,973	8,011,358
Total comprehensive income/(loss) for the year		7,116,702	(14,920,579)
Fair value (gains)/losses on equity investments at FVOCI	7	(834,180)	14,636,234
Transfer from appropriated retained earnings - pension reserve		279,524	65,997
Transfer from loan loss reserve	23	311,762	2,679,963
Transfer to statutory reserve	21	(1,423,340)	-
<b>Balance - end the year</b>		<b>15,923,441</b>	<b>10,472,973</b>
<b>Total equity</b>		<b>35,034,150</b>	<b>27,774,829</b>

## BANK OF MONTSERRAT LIMITED

**Statement of Cash Flows**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)*

Notes	2023 \$	2022 \$
<b>Cash flows from operating activities</b>		
Net income/(loss) before tax	6,857,675	(1,498,888)
<b>Adjustments for:</b>		
Interest income	(15,580,343)	(11,856,775)
Interest expense	4,246,754	4,159,110
Impairment losses	23 1,549,038	3,861,828
Recovery of allowance for impairment losses	23 (741,035)	(267,500)
Depreciation and amortisation	12, 13, 14 990,442	591,781
Write-off of allowance for impairment losses	5,455	3,559,147
Gain on disposal of property and equipment	-	(98,262)
Gain on RBC acquisition	14 -	(2,532,098)
<b>Cash flows before changes in operating assets and liabilities</b>	<b>(2,672,014)</b>	<b>(4,081,657)</b>
Decrease in mandatory reserve deposits with Central Bank	21,065,897	29,785,972
(Increase)/decrease in loans and advances to customers	(4,829,464)	5,386,819
Increase in pension plan obligations	279,524	65,997
(Increase)/decrease in other assets	(5,372,728)	4,137,248
Decrease in deposit liabilities	(9,031,102)	(703,069)
Increase/(decrease) in other liabilities	9,446,302	(13,592)
Decrease in withholding taxes payable	(341,821)	-
<b>Cash generated from operations</b>	<b>8,544,594</b>	<b>34,577,718</b>
Interest income received	15,392,800	11,611,339
Interest expenses paid	(4,240,616)	(4,169,305)
Income taxes paid	(45,106)	(316,469)
<b>Net cash generated from operating activities</b>	<b>19,651,672</b>	<b>41,703,283</b>
<b>Cash flows from investing activities</b>		
Acquisition of investment securities, net	(5,107,439)	(44,207,311)
Purchase of property and equipment and intangible assets	12, 13 (273,877)	(299,913)
RBC intangible assets	-	(5,132,700)
Proceeds from disposal of property and equipment	-	98,262
<b>Net cash used in investing activities</b>	<b>(5,381,316)</b>	<b>(49,541,662)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of shares	21 142,619	3,959
Dividends paid	18 (146,775)	(92,064)
<b>Net cash used in financing activities</b>	<b>(4,156)</b>	<b>(88,105)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>14,266,200</b>	<b>(7,926,484)</b>
<b>Cash and cash equivalents - beginning of the year</b>	<b>6 75,540,167</b>	<b>83,466,651</b>
<b>Cash and cash equivalents - end of the year</b>	<b>6 89,806,367</b>	<b>75,540,167</b>



BANK OF MONTSERRAT LIMITED

## Notes to the Financial Statements

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)*

### 1. Reporting entity

The Bank of Montserrat Limited (the “Bank”) was incorporated on February 22, 1988 under Chapter 308 of the Companies Act as amended by the laws of the British Overseas territory of Montserrat. The Bank was granted a category “A” licence under Section 5 of the Banking Ordinance 1978 No. 14 of 1978 by the Ministry of Finance in the British Overseas territory of Montserrat on February 23, 1988.

The Bank is subject to the provisions of the Banking Act 2015 of Montserrat No. 15 of 2015, which came into effect on March 1, 2016, the Bank Interest Levy Act and its amendments. It is also regulated by the Eastern Caribbean Central Bank (“ECCB”/“Central Bank”).

The Bank commenced operations on May 1, 1988, and provides commercial and retail banking services, including the acceptance of deposits, granting of loans and advances, credit and debit cards, foreign exchange services, online and mobile banking services.

The Bank’s registered office and principal place of business is located at Brades, Montserrat, West Indies.

The financial statements were approved by the Board of Directors and authorised for issue on June 19, 2024.

### 2. Summary of significant accounting policies

#### (a) Overall policy

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

#### Basis of preparation

The financial statements of the **Bank of Montserrat Limited** have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and under the historical cost convention, except for:

- Equity investments which have been designated at fair value through Other Comprehensive Income (“FVOCI”); and
- Pension plan assets which are measured at the fair value of plan assets less the present value of the defined benefit obligation.

#### Foreign currency translation

#### Functional and presentation currency

Items in the financial statements of the Bank are measured using the currency of the primary economic environment in which the entity operates (“functional currency”). These statements are presented in Eastern Caribbean dollars (“EC\$”), which is the Bank’s functional and presentation currency.

BANK OF MONTSERRAT LIMITED

## Notes to the Financial Statements

For the Year Ended September 30, 2023

(Expressed in Eastern Caribbean Dollars)

### 2. Summary of significant accounting policies (cont'd)

#### (a) Overall policy (cont'd)

##### Foreign currency translation (cont'd)

##### Transactions and balances

Foreign currency transactions that require settlement in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in currencies other than EC\$ are translated to EC\$ at rates of exchange prevailing at the reporting date. Non-monetary assets and liabilities denominated in currencies other than EC\$ are translated to EC\$ at rates of exchange prevailing at the date of the transaction.

#### (b) Uses of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively and in any future periods affected.

#### (c) New standards, amendments to standards and interpretations

*New standards, amendments to standards and interpretations effective in the 2023 financial year:*

A number of new standards, amendments to standards and interpretations were effective in the current period, however none of them had an impact on the Bank's financial statements.

*New standards, amendments to standards and interpretations that are issued but not effective and have not been early adopted:*

A number of new standards, amendments to standards and interpretations were issued and early adoption is permitted, however, the Bank has not early adopted these new standards, amendments to standards and interpretations in the preparation of these financial statements. None of these are expected to have a significant impact on the Bank's financial statements.



BANK OF MONTSERRAT LIMITED

**Notes to the Financial Statements**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)***2. Summary of significant accounting policies (cont'd)****(d) Financial assets and liabilities***Recognition, initial measurement and derecognition*

The Bank initially recognises loans and advances to customers, deposit liabilities and investment securities on the date they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue. The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. Any interest in such derecognised financial assets that is created or retained by the Bank is recognised as an asset or liability. Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statement of financial position as “Assets pledged as collateral”, if the transferee has the right to sell or re-pledge them. On derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration received is recognised in the statement of income.

The Bank derecognises a financial liability when its contractual obligations are discharged, or cancelled, or when they expire.

**Financial assets****(i) Classification and subsequent measurement**

In determining the classification and subsequent measurement of financial assets, the Bank assesses the business model in which these assets are held and the contractual cash flows of the assets as outlined below:

*Business model assessment*

The business model reflects how the Bank manages these assets in order to generate cash flows. That is, whether the Bank’s objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of these assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of ‘other’ business model and measured at fair value through profit or loss (“FVPL”).

Factors considered by the Bank in determining the business model within which the assets are held include past experience on how the cash flows for these assets were collected, how the assets’ performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

BANK OF MONTSERRAT LIMITED

## Notes to the Financial Statements

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)*

### 2. Summary of significant accounting policies (cont'd)

#### (d) Financial assets and liabilities (cont'd)

##### Financial assets (cont'd)

##### (i) Classification and subsequent measurement (cont'd)

*Contractual cash flows are solely payment of principal and interest:- SPPI assessment*

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the "SPPI" test). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement.

After performing the above assessments, the Bank then determines if a financial asset is held at amortised cost or FVOCI.

##### *Amortised cost*

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI"), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these financial assets is adjusted by any expected credit loss allowance recognised. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. The calculation does not consider ECL and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

Per assessment, all of the Bank's treasury bonds, government bonds, fixed deposits, corporate bonds and loans and advances to customers have cash flows which represent solely payment of principal and interest, hence are measured at amortised cost.

##### *Fair value through profit or loss ("FVPL")*

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognised in profit or loss. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

The Bank does not have any financial assets that are measured at FVPL.



BANK OF MONTSERRAT LIMITED

**Notes to the Financial Statements**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)***2. Summary of significant accounting policies (cont'd)****(d) Financial assets and liabilities (cont'd)****Financial assets (cont'd)****(i) Classification and subsequent measurement (cont'd)***Fair value through other comprehensive income ("FVOCI")*

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at FVOCI. Movements in the carrying amounts are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When these financial assets are derecognised, the cumulative gains or losses previously recognised in OCI is reclassified from equity and recognised in income. Interest income from these financial assets are included in 'Interest income' using the effective interest rate method.

The Bank does not have any debt instruments measured at FVOCI.

*Fair value through other comprehensive income ("FVOCI" - Equity)*

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include preference and basic ordinary shares.

FVOCI-equity classification involves only investments in equity instruments and is purely an elective classification. IFRS 9 states that an entity may elect to classify a financial asset as fair value through other comprehensive income for equity instruments ("FVOCI – equity") if it is an investment in an equity instrument that is not held for trading. The subsequent measurement of an investment in equity instruments at FVOCI - equity involves measuring the asset at fair value at each subsequent reporting date and recognising the related fair value gains or losses in OCI. Any dividend income that may be earned is recognised in profit and loss. When the equity instrument is eventually sold, the fair value gains or losses previously recognised in other comprehensive income may never be reclassified to income. They can only be reclassified to retained earnings as a movement within equity.

The Bank has a portfolio of equity instruments which are not held for trading. The Bank's management elected to measure all its equity instruments through FVOCI.

BANK OF MONTSERRAT LIMITED

## Notes to the Financial Statements

For the Year Ended September 30, 2023

(Expressed in Eastern Caribbean Dollars)

### 2. Summary of significant accounting policies (cont'd)

#### (d) Financial assets and liabilities (cont'd)

##### Financial assets (cont'd)

##### (ii) Impairment of financial assets

###### *Measurement of expected credit losses ("ECL")*

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- *Financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- *Financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *Undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive.

###### *Credit impaired financial assets*

At each reporting date, the Bank assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a debt instrument by the Bank on terms that the Bank would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- A debt instrument that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.



BANK OF MONTSERRAT LIMITED

**Notes to the Financial Statements**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)***2. Summary of significant accounting policies (cont'd)****(d) Financial assets and liabilities (cont'd)****Financial assets (cont'd)****(ii) Impairment of financial assets (cont'd)***Calculation of ECL*

The Bank uses the probability of default method when calculating expected credit losses. The ECL is based on credit losses that are expected to arise over the life of the asset, referred to as the lifetime ECL, unless there has not been a significant increase in credit risk since origination, in which case a 12-month expected credit loss (12-month ECL) is measured.

The lifetime ECL is the expected credit losses that result from all possible default events over the expected life of a financial instrument. Lifetime expected credit losses are calculated based on a weighted average of the expected losses with the weightings being based on the respective probabilities of default ("PD") and loss given default ("LGD"). PD and LGD are therefore calculated over the life of the instrument.

The 12-month ECL represents a financial assets' expected losses that are expected to arise from default events that are possible within the 12-month period following origination of the instrument or from each reporting date for those assets in stage 1. It is calculated by multiplying the probability of default occurring in the next 12 months by the lifetime ECLs that would result from that default, regardless of when those losses occur.

The ECL is calculated on an individual account basis but for purposes of determining PD and exposure at default ("EAD"), financial assets are grouped according to common characteristics.

Impairment is assessed at each reporting period. IFRS 9 establishes a three-stage impairment model based on whether there has been a significant increase in credit risk of a financial asset since its initial recognition. The three stages then determine the amount of impairment to be recognised as ECL at each reporting date as well as the amount of interest revenue to be recorded.

The Bank makes a determination as to whether there has been a significant increase in credit risk since initial recognition by considering the deterioration in internal ratings and payment delinquencies. For purposes of calculating ECL the Bank classifies its financial assets into stages. The stages for loans and advances per IFRS 9 align with the Bank's internal ratings system. Facilities with an internal rating of "Neither past due or impaired" are aligned to Stage 1. Facilities with an internal rating of "Past due but not impaired" are classified as Stage 2 and facilities with an internal rating of "Impaired" are classified as Stage 3.

BANK OF MONTSERRAT LIMITED

## Notes to the Financial Statements

For the Year Ended September 30, 2023

(Expressed in Eastern Caribbean Dollars)

### 2. Summary of significant accounting policies (cont'd)

#### (d) Financial assets and liabilities (cont'd)

##### Financial assets (cont'd)

#### (ii) Impairment of financial assets (cont'd)

##### *Assessment of significant increase in credit risk and credit - impaired financial assets*

The transition from recognizing 12-month expected credit losses (i.e. Stage 1) to lifetime expected credit losses (i.e. Stage 2) is based on the notion of a significant increase in credit risk over the remaining life of the instrument in comparison with the credit risk on initial recognition. The focus is on the changes in the credit risk and not the changes in the amount of the ECL.

The determination of whether there has been a significant increase in credit risk is therefore critical to the staging process. Factors to consider include:

- Changes in market or general economic conditions;
- Expectation of potential breaches;
- Expected delays in payment;
- Deterioration in credit ratings; or
- Significant changes in operating results or financial position of the borrower.

In making the determination of whether there has been a significant increase in credit risk, the Bank considers deterioration in its internal ratings as well as payment delinquencies. A significant increase in credit risk will exist when repayments are 30 days in arrears and/or when there has been a deterioration in the internal rating assigned.

Credit-impaired financial assets are those for which one or more detrimental effects on the estimated future cash flows have already occurred. This is similar to the point at which an incurred loss would have been recognised under IAS 39.

##### *Definition of default*

The definition of default is integral to the ECL model. The Bank's definition of default is consistent with its internal risk management process and includes a qualitative creditworthiness criterion as well as a quantitative past due criterion. For loans and advances, default occurs when the borrower is more than 90 days past due on any obligation with the Bank and/or if the Bank considers that the borrower is unlikely to make their repayment in full without the Bank foreclosing on the loan facility. The Bank also uses its internal rating system to determine default. All loans and advances with a rating of "Impaired" are considered to be in default. The definition of default is applied consistently from one year to another and to all loans and advances unless it can be demonstrated that circumstances have changed such that a new definition is appropriate.



BANK OF MONTSERRAT LIMITED

**Notes to the Financial Statements**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)***2. Summary of significant accounting policies (cont'd)****(d) Financial assets and liabilities (cont'd)****Financial assets (cont'd)****(ii) Impairment of financial assets (cont'd)***ECL calculation methodology*

The Bank calculates ECL in a manner that reflects an unbiased and probability-weighted amount that is determined by evaluation of a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The Bank applies a discounted probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant time horizon. The cash shortfall is the difference between the cash flows that are due according to the terms of the agreement and the cash flows it expects to collect over the relevant time period.

The Bank calculates the probability-weighted average of ECL over different scenarios. Each scenario specifies forecasts of different economic conditions and these economic conditions are used to adjust default probabilities to incorporate this forward-looking information.

The forward-looking information is incorporated through the use of regression formulae that translate the input economic information and uses this information to forecast default rates.

The macroeconomic factors used by the Bank are:

- Gross Domestic Product (local GDP);
- Inflation; and
- Local employment statistics.

Three (3) variables are integral to the calculation of the ECL - the probability of default ("PD"), the exposure at default ("EAD") and the loss given default ("LGD"). The product of these variables is adjusted for forward-looking information and discounted at the instrument's original interest rate to arrive at the calculation of the ECL.

BANK OF MONTSERRAT LIMITED

## Notes to the Financial Statements

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)*

### 2. Summary of significant accounting policies (cont'd)

#### (d) Financial assets and liabilities (cont'd)

##### Financial assets (cont'd)

#### (ii) Impairment of financial assets (cont'd)

##### *ECL calculation methodology (cont'd)*

*Probability of default* – measures likelihood of default over a given period of time. In arriving at the probability of default the Bank first categorises facilities according to common characteristics and uses migration analysis to measure the percentage of loans as they move across the relevant stages. From this analysis marginal PDs for successive years are generated using a multiplication matrix.

*Loss given default* - this is an estimate of the cash shortfall the Bank expects when a facility defaults at a point in time. For secured facilities the Bank considers the amount that may be realised from the sale of the collateral net of costs to sell. In the case of investment securities, the Bank utilised information from credit loss tables that are generated by reputable external agencies.

*Exposure at default* - this is an estimate of the exposure at a default date that takes place in the future, taking into consideration repayments of principal or interest and interest charged. In arriving at EAD estimates, the Bank employs cash flow analyses.

#### (iii) Loan commitments

Loan commitments arise when an entity enters into a contract to provide a loan facility to another party. For loan commitments, credit loss estimates consider the portion of the commitment that is expected to be drawn over the relevant time period.

At the end of each reporting period, 12-month expected credit losses are initially provided for such commitments. Where there has been a significant increase in credit risk of a default occurring on the loan to which the commitment relates, lifetime expected credit losses are recognised. For loan commitments, ECL is calculated as the difference between:

- The contractual cash flows for amounts that are repayable if the holder of the loan commitment draws on the loan; and
- The cash flows that the Bank expects to receive if the loan is drawn down.

The discount rate used is the effective interest rate for the primary facility. In instances where there have been no drawdowns on the loan facility, the loss allowance is recognised and presented as a provision.



BANK OF MONTSERRAT LIMITED

**Notes to the Financial Statements**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)***2. Summary of significant accounting policies (cont'd)****(d) Financial assets and liabilities (cont'd)****Financial assets (cont'd)****(iv) Modification or restructuring of loans and advances**

The Bank sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review.

There were sixty-nine (69) restructured loans and advances to customers as at September 30, 2023 (2022 - 26). The Bank has never restructured any of its investment securities.

**Financial liabilities****Classification and subsequent measurement**

In both the current and prior periods, financial liabilities are classified and subsequently measured at amortised cost.

**(e) Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand, non-restricted balances with the ECCB and highly liquid financial assets with maturity periods of less than three months from the date of acquisition, which are subject to insignificant risk of changes in their values. Cash is carried at amortised cost in the statement of financial position.

BANK OF MONTSERRAT LIMITED

## Notes to the Financial Statements

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)*

### 2. Summary of significant accounting policies (cont'd)

#### (f) Property and equipment

##### *Recognition and measurement*

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as items (major components) of property and equipment.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net in the statement of income.

##### *Subsequent expenditure*

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be reliably measured. The costs of the day-to-day servicing of property and equipment are recognised in expenses as incurred.

##### *Depreciation*

Depreciation is charged to profit or loss on the straight-line basis over the estimated useful lives of each part of an item of property and equipment. The estimated useful lives for the current and comparative years are as follows:

Building	50 years
Office and computer equipment	3 - 5 years
Motor vehicles	5 years
Furniture and fixtures	5 years

Land and assets under construction are not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.



BANK OF MONTSERRAT LIMITED

**Notes to the Financial Statements**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)***2. Summary of significant accounting policies (cont'd)****(g) Intangible assets***Recognition and measurement*

Intangible assets that are acquired by the Bank and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

*Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

*Amortisation*

Software and website development costs are amortised on the straight-line basis and the amortisation expense is recognised in the statement of profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated useful lives are as follows:

Computer software	3 years
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RBC Intangible assets	10 years
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Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**(h) Other assets**

Other assets, being short-term, are carried at cost, less allowance for impairment losses.

**(i) Other liabilities**

Other liabilities are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received.

BANK OF MONTSERRAT LIMITED

## Notes to the Financial Statements

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)*

### 2. Summary of significant accounting policies (cont'd)

#### (j) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists for any asset, then that asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the "cash-generating unit").

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs to sell. Value-in-use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in the statement of income.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

#### (k) Financial guarantees and letters of credit

Financial guarantees and letters of credit comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most guarantees and letters of credit to be settled simultaneously with the reimbursement from the customers.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with IFRS 15, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in profit or loss within other operating expenses.



BANK OF MONTSERRAT LIMITED

**Notes to the Financial Statements**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)***2. Summary of significant accounting policies (cont'd)****(I) Employee benefits***Defined benefit plan*

On May 1, 1997, the Bank introduced a defined benefit plan for its qualified employees. Each employee in the active permanent employment of the Bank, who on the effective date, was over age 18 shall be eligible to join the Plan. Each member shall contribute to the Plan every month until the member ceases to be a member or has attained age 60, whichever first occurs. The amount payable to the fund by the member shall be 3.50% of their monthly basic salary.

For a defined benefit retirement plan, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Re-measurement comprising of actuarial gains and losses, the effect of asset ceiling (if applicable) and the return on plan assets (excluding interest) are recognised immediately in the statement of financial position with the charge or credit to other comprehensive income in the period in which they occur. Re-measurement recorded in other comprehensive income is not recycled. However, the entity may transfer those amounts recognised in other comprehensive income within equity. Past service cost is recognised in profit or loss in the period of plan amendments. 'Net interest expense or income' is calculated by applying the discount rate at the beginning of the year to the pension fund obligation or asset (net defined benefit liability or asset) as at the beginning of the year. Pension expense (defined benefit cost) is split into three categories:

- Service cost, past service costs, gains and losses on curtailments and settlements;

The Bank presents the first two components of the pension expense (defined benefit cost) in the account 'Pension Expense' included in Salaries and Other Benefits reported under the line item "Operating Expenses" in the statement of income. Curtailment gains and losses are accounted for as past service cost.

Re-imbursements of the net defined obligation are recognised directly within other comprehensive income.

- Actual gains and losses
- Return on Plan's assets (interest exclusive)
- Any asset ceiling effects (interest exclusive)

The pension fund obligation or asset (net defined benefit liability or asset) recognised in the statement of financial position represents the actual deficit or surplus in the Bank's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the Plan.

*Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

BANK OF MONTSERRAT LIMITED

## Notes to the Financial Statements

For the Year Ended September 30, 2023

(Expressed in Eastern Caribbean Dollars)

### 2. Summary of significant accounting policies (cont'd)

#### (m) Share capital and reserves

##### *Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

##### *Statutory reserve*

Section 45 (1) of the Banking Act 2015 of Montserrat No. 15 of 2015, Chapter 11.03 states that every licensed financial institution shall maintain a reserve fund and shall, out of its net income of each year and before any dividend is declared, transfer to "Statutory reserve" a sum equal to not less than twenty percent of such income whenever the amount of the "Statutory reserve" is less than a hundred percent of the paid-up or, as the case maybe, assigned capital of the financial institution.

#### (n) Dividends

Dividends are recognised when they become legally payable. Dividends are recognised upon approval by the shareholders at an annual general meeting or a special meeting.

#### (o) Revenue recognition

Revenue arising from the ordinary operating activities of the Bank is recognised when earned and measured at the fair value of the consideration received as follows:

##### (i) *Interest income*

Interest income is recognised using the effective interest method. The estimated future cash flows used in this calculation include those determined by the contractual term of the asset and all fees that are considered to be integral to the effective interest rate. Fees that are an integral part of the effective interest rate are treated as an adjustment to the effective interest rate.

##### (ii) *Fees and commission income*

Fees and commission are generally recognised on an accrual basis when the services has been provided.

#### (p) Expense recognition

Expenses are recognised in profit or loss upon utilisation of the service or as incurred.



BANK OF MONTSERRAT LIMITED

## Notes to the Financial Statements

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)*

### 2. Summary of significant accounting policies (cont'd)

#### (q) Leases

The Bank assesses whether a contract is or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS 16.

##### *Right-of-use Asset*

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

##### *Lease Liability*

The lease liability is initially measured at the present value of the lease payments to be made over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate.

#### (r) Income and deferred taxation

The Bank is subject to income taxes at a rate of 30% per annum pursuant to the Income and Corporation Tax Act, Chapter 17.01 of Montserrat.

##### *Current income tax*

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using the tax rate in effect for the year. Adjustments to tax from prior years are also included in current tax.

##### *Deferred income tax*

The Bank uses the liability method of accounting for deferred income tax. Deferred tax assets and liabilities resulting from temporary differences are computed using the tax rate that have been enacted or substantially enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/ (recovered). Deferred tax assets are only recognised when it is probable that taxable profits will be available against which the asset may be utilised.

BANK OF MONTSERRAT LIMITED

## Notes to the Financial Statements

For the Year Ended September 30, 2023

(Expressed in Eastern Caribbean Dollars)

### 2. Summary of significant accounting policies (cont'd)

#### (s) Related party

- (a) A person or a close member of that person's family is related to the Bank if that person:
- i) Has control or joint control over the Bank;
  - ii) Has significant influence over the Bank; or
  - iii) Is a member of the key management personnel of the Bank or of the parent of the Bank.
- (b) An entity is related to the Bank if any of the following conditions applies:
- i) The entity and the Bank are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - iii) Both entities are joint ventures of the same third party.
  - iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - v) The entity is a post-employment benefit plan for the benefit of employees of either the Bank or an entity related to the Bank.
  - vi) The entity is controlled, or jointly controlled by a person identified in (a).
  - vii) A person identified in (a) (i) has significant influence over the Bank or is a member of the key management personnel of the Bank (or of the parent of the Bank).
  - viii) The entity, or any member of a group of which it is part, provides key management personnel services to the Bank or its parent.

#### (t) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

#### (u) Contingencies

Contingent liabilities represent possible obligations and are disclosed in the financial statements unless the possibility of the outflow of resources embodying the economic benefit is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

#### (v) Subsequent events

Post year-end events that provide additional information about the Bank's position at the reporting date (adjusting events) are reflected in the Bank's financial statements. Material post year-end events which are not adjusting events are disclosed.

#### (w) Comparatives

Where necessary, comparatives have been adjusted to conform with changes in the presentation in the current year.



BANK OF MONTSERRAT LIMITED

## Notes to the Financial Statements

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)*

### 3. Critical accounting estimates and judgments

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below:

#### (a) Measurement of the Expected Credit Loss allowance (“ECL”)

Assets accounted for at amortised cost are evaluated for impairment on the basis described in Note 2 d(ii).

The allowance for impairment losses applies to financial assets which are evaluated individually for impairment and is based upon management’s best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about counterparty’s financial situation and the net realizable value of any underlying collateral. The collateral values are based on the most recent valuation done. Each impaired asset is assessed on its merits and estimate of cash flows considered recoverable are independently assessed by the Manager and the Credit Committee.

The measurement of the ECL on financial assets is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criterias for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groupings of similar financial assets for the purposes of measuring ECL.

BANK OF MONTSERRAT LIMITED

## Notes to the Financial Statements

For the Year Ended September 30, 2023

(Expressed in Eastern Caribbean Dollars)

### 3. Critical accounting estimates and judgments (cont'd)

#### (b) Determination of fair values

The Bank measures fair value using the following fair value hierarchy:

- *Level 1:* Quoted market price (unadjusted) in an active market for an identical instrument.
- *Level 2:* Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices of identical or similar instruments in markets that are considered less than active, or other valuations techniques where all significant inputs are directly or indirectly observable from market data.
- *Level 3:* Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation techniques include inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer prices quotations.

Valuation techniques include net present value and discounted cash flow models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads used in estimating discount rates, bond and equity prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at fair value determination that reflects the price of the financial instrument at the reporting date, which would have been determined by market participants acting at arm's length.

#### (c) Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable asset at each reporting date, based on the expected utility of the assets. The estimated useful life of each asset is updated if expectations differ significantly from previous estimates due to physical wear and tear, or other limits in the use of the asset.



BANK OF MONTSERRAT LIMITED

## Notes to the Financial Statements

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)*

### 4. Financial risk management

#### (a) Introduction and overview

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to retail banking and operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in market, products and emerging best practice.

Risk management is carried out mainly by the Finance Department under policies approved by the Board of Directors. Management identifies and evaluates financial risks in close co-operation with the Bank's operating units. The Board provides oversight for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk. In addition, internal audit is responsible for the independent review of risk management and the control environment.

The most important types of risks are credit risk, liquidity risk, market risk, operational risk and capital management. Market risk includes currency risk, interest rate and other price risk.

#### (b) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Bank's exposure to credit risk arises principally from the Bank's cash equivalents (cash in bank), investment securities and loans and advances to customers.

#### Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to the Credit Committee and the General Manager.

The Credit Committee and the General Manager are responsible for oversight of the Bank's credit risk, including:

- Formulating credit policies in consultation with the Board of Directors and staff, covering collateral requirements, credit assessment, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorization structure for the approval and renewal of credit facilities. Authorisation limits are allocated to the Board of Directors, General Manager, Credit Committee and senior officers with designated approval authorities, as appropriate.

BANK OF MONTSERRAT LIMITED

## Notes to the Financial Statements

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)*

### 4. Financial risk management (cont'd)

#### (b) Credit risk (cont'd)

##### Management of credit risk (cont'd)

- Reviewing and assessing credit risk. The credit department assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances to customers) and issuer, geographies, industries and currency (for investment securities).
- Reviewing compliance with agreed exposure limits, including those for selected industries, country risk and product type. Regular reports are provided to the Credit Committee and the General Manager and the Board of Directors on the credit quality of local portfolios and appropriate corrective action is taken.
- Providing advice, guidance, and specialist skills to departments to promote best practice throughout the Bank in the management of credit risk.
- The credit department is required to implement the Bank's credit policies and procedures, with credit approval authorities delegated from the General Manager and Credit Committee. The credit department is headed by the Bank Manager who reports on all credit related matters to top management and the Board of Directors. The credit department is also responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in the portfolio, including those subject to central approval.



## BANK OF MONTSERRAT LIMITED

**Notes to the Financial Statements**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)***4. Financial risk management (cont'd)****(b) Credit risk (cont'd)****Exposure to credit risk***(i) Investment securities*

The credit quality of the Bank's investment securities based on Caribbean Information and Credit Rating Service Limited ("CariCRIS"), Standard & Poor, and Moody's are presented as follows:

	<b>Investment securities at amortised cost 2023 \$</b>	Investment securities at amortised cost 2022 \$
<b>Impaired securities</b>		
Unrated	<b>16,379,614</b>	16,379,613
Less: allowance for impairment	<b>(16,379,614)</b>	(16,379,613)
Carrying amount	<u>-</u>	<u>-</u>
<b>Unimpaired securities</b>		
A+ to AA+	<b>27,167,832</b>	29,194,969
B- to B+	<b>14,049,286</b>	10,019,018
BBB- to BBB+	<b>49,719,565</b>	14,063,931
CariBBB	<b>3,000,000</b>	13,116,258
Unrated	<u>-</u>	<u>33,927,866</u>
Gross amount	<b>93,936,683</b>	100,322,042
Less: allowance for impairment	<b>(4,211,401)</b>	(4,925,902)
Carrying amount	<u><b>89,725,282</b></u>	<u>95,396,140</u>
<b>Total carrying amount</b>	<u><b>89,725,282</b></u>	<u>95,396,140</u>

BANK OF MONTSERRAT LIMITED

**Notes to the Financial Statements**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)***4. Financial risk management (cont'd)****(b) Credit risk (cont'd)****Exposure to credit risk (cont'd)***(ii) Loans and advances to customers*

Loans and advances are summarized as follows:

	<b>Note</b>	<b>2023</b>	<b>2022</b>
		<b>\$</b>	<b>\$</b>
<b>Loans and advances to customers</b>			
Neither past due nor impaired		<b>84,972,743</b>	88,942,452
Past due but not impaired		<b>13,197,312</b>	4,135,094
Impaired		<b>5,395,640</b>	4,109,647
		<hr/>	<hr/>
Gross amount		<b>103,565,695</b>	97,187,193
Less: allowance for impairment	<b>23</b>	<b>(5,715,391)</b>	(4,166,353)
		<hr/>	<hr/>
<b>Carrying amount</b>		<b>97,850,304</b>	93,020,840
		<hr/>	<hr/>

The Bank holds collateral against loans and advances to customers. Collateral is usually in the form of land and buildings, other real estate properties, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing. Collateral is not usually held against investment securities and no such collateral was held as at September 30, 2023 (2022 - Nil).

Notwithstanding the current dynamics of the economy, management is fairly confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank based on the following:

- 92% (2022 - 96%) of the loans and advances portfolio is categorised in the top two grades of the internal rating system;
- 99% (2022 - 99%) of the portfolio is backed by collateral in the form of mortgage debenture, legal mortgages, life and comprehensive insurance, bills of sale, cash and guarantees;
- The Bank continues to grant loans and advances and purchase investment securities in accordance with its policies and guidelines; and
- 85% (2022 - 51%) of the investment securities are graded "investment grade" (that is grade B and CariBBB and above) by external rating agencies.
- The Bank continues to hold cash and its short-term fixed deposits with reputable financial institutions.



BANK OF MONTERRAT LIMITED  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2023

(Expressed in Eastern Caribbean Dollars)

**4. Financial risk management (cont'd)**

**(b) Credit risk (cont'd)**

**Exposure to credit risk (cont'd)**

The Bank monitors concentrations of credit risk by sector and by geographical location. An analysis of economic sector credit risk concentrations of outstanding investment securities and loans and advances to customers is presented in the table below:

(In thousand EC Dollars)

	Investment securities 2023 \$	Investment securities 2022 \$	Loans and advances to customers 2023 \$	Loans and advances to customers 2022 \$
<b>Gross amount</b>	<b>110,316</b>	<b>116,702</b>	<b>103,566</b>	<b>97,187</b>
<b>Concentration by sector</b>				
Financial services	70,374	84,491	4,150	2,280
Public administration	23,453	30,991	-	-
Transportation and storage	-	-	2	135
Home construction and renovation	-	-	50,983	51,561
Residential mortgages	-	-	21,318	22,765
Personal consumer loan	-	-	11,436	9,414
Tourism	-	-	9,223	4,826
Construction and land development	-	-	3,940	3,886
Distributive trade	1,781	-	1,275	1,320
Manufacturing	5,051	815	20	24
Professional services	-	-	167	411
Utilities	7,973	405	-	-
Mining and quarrying	-	-	684	179
Entertainment and catering	1,684	-	368	385
Fisheries	-	-	-	1
	<b>110,316</b>	<b>116,702</b>	<b>103,566</b>	<b>97,187</b>

BANK OF MONTSERRAT LIMITED  
**Notes to the Financial Statements**  
 For the Year Ended September 30, 2023

(Expressed in Eastern Caribbean Dollars)

**4. Financial risk management (cont'd)**

**(b) Credit risk (cont'd)**

**Exposure to credit risk (cont'd)**

The Bank operates in Montserrat, which is its country of domicile, and exposure to credit risk is concentrated in this location, except for investment securities, which have other exposures primarily in the wider Caribbean region and the United States of America.

(In thousand EC Dollars)

	Investment securities 2023	Investment securities 2022	Loans and advances to customers 2023	Loans and advances to customers 2022
	\$	\$	\$	\$
<b>Gross amount</b>	<b>110,316</b>	<b>116,702</b>	<b>103,566</b>	<b>97,187</b>
<b>Geographic concentration</b>				
Caribbean region	51,782	85,863	103,566	97,187
Other	58,534	30,839	-	-
	<b>110,316</b>	<b>116,702</b>	<b>103,566</b>	<b>97,187</b>



BANK OF MONTSERRAT LIMITED

**Notes to the Financial Statements**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)***4. Financial risk management (cont'd)****(b) Credit risk (cont'd)****Write-off policy**

The Bank writes off a loan balance (and any related allowances for impairment losses) when the Risk Management Department determines that the loan is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security or collateral for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for the loans and advances are:

- Mortgage over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable; and
- Charges over financial instruments such as debt securities and equities.

**Settlement risk**

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a bank to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Bank mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process described earlier. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from the Bank.

**(c) Liquidity risk**

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities.

**Management of liquidity risk**

The Bank's 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, without incurring unacceptable losses or risking damage to the Bank's reputation.

The 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. 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.

BANK OF MONTSERRAT LIMITED  
**Notes to the Financial Statements**  
 For the Year Ended September 30, 2023  
*(Expressed in Eastern Caribbean Dollars)*

**4. Financial risk management (cont'd)**  
**(c) Liquidity risk (cont'd)**  
**Exposure to liquidity risk**

The Bank has access to a diverse funding base. Funds are raised using a broad range of instruments including deposits, other liabilities and share capital. This enhances funding flexibility, limits dependence on any one source of funding and generally lowers the cost of the funds. The Bank strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Bank continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Bank strategy. In addition, the Bank holds a portfolio of liquid assets as part of its liquidity risk management strategy.

Residual contractual maturities of financial liabilities are as follows:

	Notes	Gross normal		
		Carrying amount	inflows/ (outflows)	Up to 1 year 1-5 years
(In thousands of EC Dollars)		\$	\$	\$
<b>September 30, 2023</b>				
Deposit liabilities	17	367,516	(367,516)	367,516
Interest payable	18	123	(123)	123
Dividends payable	20	850	(850)	850
Other liabilities		12,874	(12,874)	12,874
		<b>381,363</b>	<b>(381,363)</b>	<b>381,363</b>
<b>September 30, 2022</b>				
Deposit liabilities	17	376,547	(376,547)	376,547
Interest payable	18	117	(117)	117
Dividends payable	20	997	(997)	997
Other liabilities		3,428	(3,428)	3,428
		<b>381,089</b>	<b>(381,089)</b>	<b>381,089</b>



BANK OF MONTSERRAT LIMITED

## Notes to the Financial Statements

For the Year Ended September 30, 2023

(Expressed in Eastern Caribbean Dollars)

### 4. Financial risk management (cont'd)

#### (d) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market exposure within acceptable parameters, while optimizing the return on risk. The Bank's exposure to market risk relates only to its non-trading portfolios.

#### (i) Interest rate risk

The principal risk to which the Bank's non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the Bank's interest rate gap position is as follows:

	2023				
	Average Effective Interest Rate %	Total \$	Up to 1 year \$	1-5 years \$	More than 5 years \$
<b>(In thousands of EC Dollars)</b>					
Cash and cash equivalents	1%	110,834	110,834	-	-
Investment securities	3.66%	110,316	38,055	44,300	27,961
Loans and advances to customers	5.76%	103,566	2,820	19,031	81,715
Accrued interest receivable		1,858	1,858	-	-
		<b>326,574</b>	<b>153,567</b>	<b>63,331</b>	<b>109,676</b>
Deposit liabilities	1.22%	367,516	367,332	184	-
Interest payable		123	123	-	-
		<b>367,639</b>	<b>367,455</b>	<b>184</b>	<b>-</b>
<b>Interest rate gap</b>		<b>(41,065)</b>	<b>(213,888)</b>	<b>63,147</b>	<b>109,676</b>

BANK OF MONTSERRAT LIMITED  
**Notes to the Financial Statements**  
 For the Year Ended September 30, 2023  
 (Expressed in Eastern Caribbean Dollars)

**4. Financial risk management (cont'd)**

**(d) Market risk (cont'd)**

*(i) Interest rate risk (cont'd)*

	Average Effective Interest Rate %	2022			
		Total \$	Up to 1 year \$	1-5 years \$	More than 5 years \$
<b>(In thousands of EC Dollars)</b>					
Cash and cash equivalents	1%	113,105	113,105	-	-
Investment securities	3.24%	116,702	59,749	41,235	15,718
Loans and advances to customers	5.90%	97,187	8,143	8,083	80,961
Accrued interest receivable		1,697	1,697	-	-
		328,691	182,694	49,318	96,679
Deposit liabilities	1.15%	376,547	376,195	352	-
Interest payable		117	117	-	-
		376,664	376,312	352	-
<b>Interest rate gap</b>		<b>(47,973)</b>	<b>(193,618)</b>	<b>48,966</b>	<b>96,679</b>

*(ii) Foreign currency risk*

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Bank is exposed to foreign currency risk on transactions that are denominated in a currency other than the functional currency, the EC dollars. There is no exposure to foreign currency risk in respect of the United States and Barbados dollars (BDS) because the EC dollar is pegged at EC\$2.70 for US\$1 and EC\$1.35 for BDS\$1. However, there is a small degree of exposure to foreign currency risk in respect of other currencies like the Great Britain Pounds ("GBP") and Canadian ("CAD"), Euro Dollar (EUR), Trinidad Dollar (TTD).



BANK OF MONTSERRAT LIMITED  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2023

(Expressed in Eastern Caribbean Dollars)

**4. Financial risk management (cont'd)**

**(d) Market risk (cont'd)**

*(ii) Foreign currency risk (cont'd)*

The table below illustrates the concentration of gross foreign currency risk as at September 30, 2023 and 2022:

(In thousands of EC Dollars)	2023		2022		2023 Other	2022		2022 Other
	Total	US\$	EC\$	Total		US\$	EC\$	
<b>Assets</b>								
Cash and balances with Central Bank	110,834	73,305	32,895	117,634	4,634	51,264	3,710	3,710
Investment securities	206,501	165,700	35,867	201,581	4,934	45,022	4,236	4,236
Loans and advances to customers	103,566	367	103,199	97,187	-	97,187	-	-
Accrued interest receivable	1,858	-	1,858	4,028	-	4,028	-	-
Other assets	7,998	-	7,998	2,625	-	2,625	-	-
<b>Total assets</b>	<b>430,757</b>	<b>239,372</b>	<b>181,817</b>	<b>423,055</b>	<b>9,568</b>	<b>214,983</b>	<b>200,126</b>	<b>7,946</b>
<b>Liabilities</b>								
Deposit liabilities	367,316	16,293	351,023	376,547	-	360,195	-	-
Pension plan liabilities	1,013	-	1,013	733	-	733	-	-
Dividends payable	850	-	850	997	-	997	-	-
Interest payable	123	-	123	117	-	117	-	-
Other liabilities	12,874	-	12,874	3,428	-	3,428	-	-
<b>Total liabilities</b>	<b>382,176</b>	<b>16,293</b>	<b>365,883</b>	<b>381,822</b>	<b>-</b>	<b>16,352</b>	<b>365,470</b>	<b>-</b>

BANK OF MONTSERRAT LIMITED

## Notes to the Financial Statements

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)*

### 4. Financial risk management (cont'd)

#### (e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Bank's operations and are faced by all business entities.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Board of Directors. This responsibility is supported by the development of overall Bank's standards for management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- Requirements for reconciling and monitoring transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risk faced and the adequacy of controls and procedures to address the risk identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance when this is effective.



BANK OF MONTSERRAT LIMITED

**Notes to the Financial Statements**  
For the Year Ended September 30, 2023

(Expressed in Eastern Caribbean Dollars)

**4. Financial risk management (cont'd)**

**(f) Loan commitments and financial guarantees**

Loan commitments and financial guarantees are included below based on the earliest contractual maturity date.

The dates of the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities are summarised in the table below:

	Notes	1 year \$	1-5 years \$	Over 5 years \$	Total \$
<b>As at September 30, 2023</b>					
Loan commitments	28	1,354,154	434,394	1,636,335	3,424,883
Guarantees, acceptances and other financial facilities	28	531,598	-	5,369,000	5,900,598
<b>Total</b>		<b>1,885,752</b>	<b>434,394</b>	<b>7,005,335</b>	<b>9,325,481</b>
<b>As at September 30, 2022</b>					
Loan commitments	28	3,975,665	482,662	879,584	5,337,911
Guarantees, acceptances and other financial facilities	28	314,598	-	1,703,639	2,018,237
<b>Total</b>		<b>4,290,263</b>	<b>482,662</b>	<b>2,583,223</b>	<b>7,356,148</b>

BANK OF MONTSERRAT LIMITED

**Notes to the Financial Statements**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)***4. Financial risk management (cont'd)****(g) Capital management****Regulatory capital**

The Bank's lead regulator, the ECCB, sets and monitors capital requirements for the Bank as a whole. In implementing current capital requirements, ECCB requires the Bank to maintain a prescribed ratio of total risk weighted assets.

The Bank's regulatory capital is analysed into two tiers:

*Tier 1 capital:* This includes paid up ordinary share capital, statutory reserves, capital reserves (excluding asset revaluations and reserves for losses on assets and retained earnings).

*Tier 2 capital:* This includes fixed assets revaluation reserve, general provision for loan losses, paid up perpetual cumulative preference shares, paid up perpetual cumulative preference shares surplus, bonus shares from capitalisation of unrealised assets revaluation reserves, unaudited undivided profits, mandatory convertible debt instruments, other hybrid capital instruments and subordinated term debt and limited life preference shares, if any.

The Bank's regulatory capital position as at September 30, 2023 and 2022 is as follows:

(In thousand EC dollars)	Notes	2023 \$	2022 \$
<b>Tier 1 capital</b>			
Share capital	21	20,206	20,064
Statutory reserve	22	13,118	11,695
Retained earnings		10,473	8,011
Undivided loss		7,117	(14,921)
		<b>50,914</b>	<b>24,849</b>
<b>Tier II capital</b>			
General provision for loan losses		5,715	4,166
Total regulatory capital		<b>56,629</b>	<b>29,015</b>
Capital adequacy ratio		<b>19.90%</b>	15.80%

The Bank is in compliance with all externally approved capital requirements throughout the period including Section 44(1) of the Banking Act 2015 of Montserrat No. 15 of 2015, which requires the Bank to maintain a minimal required capital not less than \$20,000,000.



BANK OF MONTSERRAT LIMITED

**Notes to the Financial Statements**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)***4. Financial risk management (cont'd)****(g) Capital management (cont'd)****Regulatory capital (cont'd)**

The Act also requires a licensed institution to maintain a minimum capital adequacy ratio between its total regulatory capital and the aggregate of its risk weighted on-balance sheet assets and risk weighted off-balance sheet assets less approved deductions, of not less than eight percent (8%), calculated on a consolidated and sole basis. As at September 30, 2023 and 2022 the Bank is in compliance with the requirement.

The Bank's policy is to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder's return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

**5. Fair values of financial instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk. The following methods and assumptions were used to estimate the fair value of financial instruments.

The fair values of cash resources, other assets, and liabilities and due to other banks are assumed to approximate their carrying values due to their short-term nature.

**(i) Loans and advances to customers**

The estimated fair values of loans and advances represent the discounted amount of estimated future cash flow expected to be received. Expected cash flows are discounted at current market rate to determine fair value.

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models such as discounted cash flow techniques. Input into the valuation techniques includes the expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral-dependent impaired loans, the fair value is measured based on the underlying collateral. Input into the models may include data from third party brokers and information obtained from other market participants, which includes observed primary and secondary transactions. To improve the accuracy of the valuation estimates, loans are grouped into portfolios with similar characteristics such as the quality of collateral, repayment and delinquency rates.

BANK OF MONTSERRAT LIMITED

## Notes to the Financial Statements

For the Year Ended September 30, 2023

(Expressed in Eastern Caribbean Dollars)

### 5. Fair values of financial instruments (cont'd)

#### (ii) *Investment securities*

Investment securities include only interest-bearing debt assets at amortised cost, since equity securities classified at FVOCI are measured at fair value. The fair value of equity securities carried at cost is not disclosed as it cannot be reliably estimated. The fair value for investment securities measured at amortised cost is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit maturity and yield characteristics.

#### (iii) *Due to customers*

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. Deposits payable on a fixed date are at rates which reflect market conditions and are assumed to have fair values which approximate carrying values.



## BANK OF MONTSERRAT LIMITED

**Notes to the Financial Statements**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)***5. Fair values of financial instruments (cont'd)****Assets not measured at fair value**

The following table sets out the gross amounts and fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

(In thousand EC dollars)	Level 1 \$	Level 2 \$	Level 3 \$	Total fair Value \$	Total carrying amounts \$
<b>September 30, 2023</b>					
<b>Financial assets</b>					
Cash and balances with Central Bank	-	110,834	-	110,834	110,834
Investment securities	-	110,316	-	110,316	110,316
Loans and advances to customers	-	103,566	-	103,566	103,566
Other assets	-	7,998	-	7,998	7,998
	-	332,714	-	332,714	332,714
<b>Financial liabilities</b>					
Deposit liabilities	-	367,516	-	367,516	367,516
Other liabilities	-	12,874	-	12,874	12,874
Dividends payable	-	850	-	850	850
	-	381,240	-	381,240	381,240
<b>September 30, 2022</b>					
<b>Financial assets</b>					
Cash and balances with Central Bank	-	117,634	-	117,634	117,634
Investment securities	-	116,702	-	116,702	116,702
Loans and advances to customers	-	97,187	-	97,187	97,187
Other assets	-	2,625	-	2,625	2,625
	-	334,148	-	334,148	334,148
<b>Financial liabilities</b>					
Deposit liabilities	-	376,547	-	376,547	376,547
Other liabilities	-	3,428	-	3,428	3,428
Dividends payable	-	997	-	997	997
	-	380,972	-	380,972	380,972

BANK OF MONTSERRAT LIMITED

**Notes to the Financial Statements**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)***5. Fair values of financial instruments (cont'd)****Assets measured at fair value**

(In thousand EC dollars)	Note	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>September 30, 2023</b>					
Investment securities					
- Equity instruments at FVOCI	7	95,550,757		1,334,518	96,885,275
Total assets		95,550,757	-	1,334,518	96,885,275
<b>September 30, 2022</b>					
Investment securities					
- Equity instruments at FVOCI	7	84,130,164		1,334,518	85,464,682
Total assets		84,130,164	-	1,334,518	85,464,682

**Fair value hierarchy**

*IFRS 13 - Fair value measurement:* specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions.

These two types of inputs have created the following fair value hierarchy:

- *Level 1* - Inputs that are quoted market prices (unadjusted) in active markets for identical instruments. This level includes listed equity securities and debt instruments on exchanges.
- *Level 2* - Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- *Level 3* - Inputs that are unobservable (not based on observable market data). This category includes all instruments for which the valuation technique includes inputs that are not observable, and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between instruments.



## BANK OF MONTSERRAT LIMITED

**Notes to the Financial Statements**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)***6. Cash and balances with Central Bank**

	2023	2022
	\$	\$
Cash on hand	6,295,301	4,528,932
Cash at bank	15,781,648	12,351,283
Short-term fixed deposits with other banks	67,729,418	58,659,952
<b>Cash and cash equivalents</b>	<b>89,806,367</b>	75,540,167
Mandatory reserve deposits with Central Bank	21,027,926	42,093,823
	<b>110,834,293</b>	117,633,990

Cash at bank represents ordinary cash deposits made with other banks located both in Montserrat and other territories.

Included in cash at bank is an amount of \$2,620,905 (2022 - \$2,519,751) held on behalf of the pension plan (Note 11) and it's therefore, not available for the day-to-day operations of the Bank.

**Mandatory reserve deposits**

Section 57 of the Act and the Eastern Caribbean Central Bank Agreement Act of 1983, prescribes the maintenance of a required reserve which shall be expressed as a percentage of the aggregate demand, savings, and time deposits and other liabilities of the Bank and the percentage shall not be more than forty percent (40%) unless the Central Bank so approves. Such reserves shall be maintained either by way of notes and coins, cash holdings with other financial institutions or by way of deposits with the Central Bank. Such mandatory deposits are not available to finance the Bank's day-to-day operations. By Notice No.7 of February 16, 1994, issued by the Central Bank, approval was granted for the maintenance of the minimum reserve at the level of 6% of the Bank's total deposit liabilities (excluding interbank deposits).

The Bank was in compliance with the mandatory deposit requirements at September 30, 2023. The balances with the Central Bank are non-interest bearing.

BANK OF MONTSERRAT LIMITED

**Notes to the Financial Statements**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)***7. Investment securities**

	<b>Note</b>	<b>2023</b> \$	<b>2022</b> \$
<b>Investment securities:</b>			
Debt investments at amortised cost		<b>110,316,297</b>	116,701,655
Equity investments at fair value through other comprehensive income ("FVOCI")		<b>96,885,275</b>	85,464,682
		<b>207,201,572</b>	202,166,337
Less: Unearned premium		<b>(700,573)</b>	(585,304)
		<b>206,500,999</b>	201,581,033
Less: Allowance for impairment losses	<b>23</b>	<b>(20,591,015)</b>	(21,305,515)
		<b>185,909,984</b>	180,275,518
<b>Investment securities measured at amortised cost</b>			
Government bonds		<b>18,819,804</b>	21,720,225
Corporate bonds		<b>56,716,880</b>	37,108,900
Fixed deposits		<b>31,779,613</b>	48,872,530
Treasury Bills		<b>3,000,000</b>	9,000,000
		<b>110,316,297</b>	116,701,655
<b>Investment securities measured at FVOCI - Equity</b>			
Listed equity securities		<b>95,550,757</b>	84,130,164
Unlisted equity securities		<b>1,334,518</b>	1,334,518
		<b>96,885,275</b>	85,464,682

Unlisted equity securities totaling \$1,334,518 (2022 - \$1,334,518) are being carried at cost. The Bank is unable to reliably measure the fair value of these investments since the shares are not traded in an active market and the future cash flows relating to these investments cannot be reliably estimated.

All debt securities have fixed interest rates. The weighted average effective interest rate on debt securities stated at amortised cost at September 30, 2023, was 3.66% (2022 – 3.24%).



## BANK OF MONTSERRAT LIMITED

**Notes to the Financial Statements**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)***7. Investment securities (cont'd)**

The table below shows the credit quality and the maximum exposure to credit risk on investment securities based on the Bank's credit rating system and the year-end stage classification for investment securities.

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
	<b>12 Month</b>	<b>Lifetime</b>	<b>Lifetime</b>	
	<b>ECL</b>	<b>ECL</b>	<b>ECL</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>September 30, 2023</b>				
Gross exposure	78,887,398	15,049,285	16,379,614	110,316,297
ECL	(137,019)	(4,074,382)	(16,379,614)	(20,591,015)
<b>Net exposure</b>	<b>78,750,379</b>	<b>10,974,903</b>	<b>-</b>	<b>89,725,282</b>
<b>September 30, 2022</b>				
Gross exposure	75,063,041	25,259,000	16,379,614	116,701,655
ECL	(1,313,239)	(3,612,662)	(16,379,614)	(21,305,515)
<b>Net exposure</b>	<b>73,749,802</b>	<b>21,646,338</b>	<b>-</b>	<b>95,396,140</b>
Movement in ECL is as follows:				
<b>At October 1, 2022</b>	1,313,239	3,612,662	16,379,614	21,305,515
ECL on new instruments issued during the year	59,179	198,424	-	257,603
Transfer to Stage 1	803,296	(803,296)	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Year-end exposure reassessment	(2,038,695)	1,066,592	-	(972,103)
<b>At September 30, 2023</b>	<b>137,019</b>	<b>4,074,382</b>	<b>16,379,614</b>	<b>20,591,015</b>

BANK OF MONTSERRAT LIMITED

**Notes to the Financial Statements**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)***7. Investment securities (cont'd)**

Movement in the carrying amount of the debt investments at amortised cost during the year were as follows:

	2023	2022
	\$	\$
<b>At beginning of the year</b>	<b>116,701,655</b>	95,629,908
Additions	<b>246,580,356</b>	111,164,584
Sale or redemption	<b>(252,965,714)</b>	(90,092,837)
<b>At end of the year</b>	<b>110,316,297</b>	116,701,655

Movement in the carrying amount of the investment securities measured at FVOCI – Equity during the year were as follows:

	2023	2022
	\$	\$
<b>Cost</b>	<b>110,086,726</b>	99,500,313
<b>Change in fair values</b>		
At beginning of the year	<b>(14,035,631)</b>	600,603
Movement for the year	<b>834,180</b>	(14,636,234)
<b>At end of the year</b>	<b>(13,201,451)</b>	(14,035,631)
	<b>96,885,275</b>	85,464,682



## BANK OF MONTSERRAT LIMITED

**Notes to the Financial Statements**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)***8. Loans and advances to customers**

	Notes	2023 \$	2022 \$
<b>Performing loans</b>			
Mortgages		68,346,431	72,040,177
Demand		21,588,455	14,330,293
Overdrafts		1,963,698	2,095,054
Student		1,730,880	2,059,506
Credit Cards	31	1,296,677	-
Staff		2,963,494	2,769,056
		<b>97,889,635</b>	<b>93,294,086</b>
<b>Non-performing loans</b>			
Mortgages		3,870,388	3,680,958
Demand		112,961	40,591
Overdrafts		158,058	171,558
Credit Cards	31	1,534,653	-
		<b>5,676,060</b>	<b>3,893,107</b>
<b>Total gross loans</b>		<b>103,565,695</b>	<b>97,187,193</b>
Less allowance for impairment losses	10, 23	<b>(5,715,391)</b>	<b>(4,166,353)</b>
<b>Total net loans</b>		<b>97,850,304</b>	<b>93,020,840</b>

The weighted average effective interest rate on loan and advances to customers measured at amortised cost at September 30, 2023 was 5.76% (2022 – 5.90%).

## BANK OF MONTSERRAT LIMITED

**Notes to the Financial Statements**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)***9. Accrued interest receivable**

	<b>2023</b>	<b>2022</b>
<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Gross values:</b>		
Investment securities at amortised cost	<b>1,484,596</b>	1,208,922
Loans and advances to customers	<b>373,428</b>	488,094
	<b>1,858,024</b>	1,697,016
<b>Less allowance for impairment losses:</b>		
Investment securities at amortised cost	<b>(36,454)</b>	(38,917)
Loans and advances to customers	<b>23</b> -	(24,072)
	<b>(36,454)</b>	(62,989)
	<b>1,821,570</b>	1,634,027
<b>Net carrying values:</b>		
Investment securities at amortised cost	<b>1,448,142</b>	1,170,005
Loans and advances to customers	<b>373,428</b>	464,022
	<b>1,821,570</b>	1,634,027

**10. Income and deferred taxation****Income tax**

Based on the Income and Corporation Tax Act, Chapter 17.01, corporate income tax rate is thirty percent (30%).

Income tax expense consists of:

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Tax on prior year profits	<b>(3,092)</b>	-
Tax on profits	<b>902,965</b>	451,106
	<b>899,873</b>	451,106
<b>Deferred</b>		
Recognition of tax consequences on temporary differences	<b>181,585</b>	(1,250,807)
	<b>1,081,458</b>	(1,250,807)



BANK OF MONTSERRAT LIMITED

## Notes to the Financial Statements

For the Year Ended September 30, 2023

(Expressed in Eastern Caribbean Dollars)

### 10. Income and deferred taxation (cont'd)

The reconciliation of the current income tax expense computed at the statutory income tax rate to income tax expense shown in the statement of income is as follows:

	2023	2022
	\$	\$
<b>Net income/(loss) before tax plus other comprehensive income</b>	<b>8,198,160</b>	<b>(16,126,280)</b>
Tax calculated at the applicable rate of 30% (2022 - 30%)	2,459,448	(4,837,885)
Non-taxable income as per Section 7.1 of the Income Tax Act	(1,484,950)	(1,533,330)
Non-deductible expenses	110,052	125,261
Adjustment to tax losses re: IRD Assessment	(3,092)	5,040,253
	<b>1,081,458</b>	<b>(1,205,701)</b>

### Deferred tax asset

Deferred tax is calculated on temporary difference under the liability method using a tax rate of 30% (2022 - 30%).

The movement on the deferred tax assets account is as follows:

	2023	2022
	\$	\$
<b>Balance - beginning of the year</b>	<b>3,064,857</b>	<b>1,814,050</b>
Recognition of deferred tax on temporary differences	(181,585)	1,250,807
<b>Balance - end of the year</b>	<b>2,883,272</b>	<b>3,064,857</b>

BANK OF MONTSERRAT LIMITED  
**Notes to the Financial Statements**  
 For the Year Ended September 30, 2023

(Expressed in Eastern Caribbean Dollars)

**10. Income and deferred taxation (cont'd)**

**Deferred tax asset**

Deferred tax asset has been recognised in respect of all temporary differences giving rise to deferred tax asset where the Bank believes it is probable that these assets will be recovered in the future.

Deferred tax assets as at September 30, 2023 have been recognised for the following:

	Tax base 2023	Deferred tax asset/ (liability) 2023	Tax base 2022	Deferred tax asset/ (liability) 2022
	\$	\$	\$	\$
Pension plan - liabilities	11	1,012,516	303,755	219,898
Allowance for impairment losses on:				
Loans and advances to customers	8	5,715,391	1,714,617	4,166,353
Accrued interest receivables on loans and advances	9	36,454	10,936	62,989
Accelerated capital allowances		(2,978,349)	(893,505)	(3,580,923)
Tax losses carried forward		5,824,894	1,747,469	8,834,777
		<u>9,610,906</u>	<u>2,883,272</u>	<u>10,216,188</u>
				<u>3,064,857</u>

**11. Pension plan**

The Bank has a defined benefit pension scheme for its employees' requiring contributions on a bipartite basis by the Bank and its employees to be made to the Plan. The benefits are based on the years of service and the employee's average pensionable compensation prior to retirement.



## BANK OF MONTSERRAT LIMITED

**Notes to the Financial Statements**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)***11. Pension plan (cont'd)**

The pension plan is exposed to a number of risks, including:

- (1) Investment risk - movement of discount rate used (high quality corporate bond or regional investments) against the return from plan assets.
- (2) Interest rate risk - decreases/increase in the discount rate used (high quality corporate bond or regional investments) will increase/decrease the defined obligations.
- (3) Longevity risk - changes in the estimation of mortality rates of current and former employees.
- (4) Salary risk - increase in future salaries increases the gross defined benefit obligations.

The most recent actuarial valuations of the Plan's assets and the present value of the defined benefit obligations were carried out as at September 30, 2023 by Bacon Woodrow & de Souza Limited, Actuaries and Consultants out of Trinidad using the Projected Unit Credit Method.

The reconciliation of the assets and liabilities recognised in the statement of financial position is as follows:

	Notes	2023 \$	2022 \$
Present value of obligations		(3,633,421)	(3,252,743)
Fair value of Plan's assets	6	<u>2,620,905</u>	<u>2,519,751</u>
Net defined benefit liabilities	10	<u>(1,012,516)</u>	<u>(732,992)</u>

The movement in the defined benefit obligations is as follows:

	2023 \$	2022 \$
<b>Balance - beginning of the year</b>	<b>3,252,743</b>	3,105,862
Current service cost	225,057	106,056
Interest cost	119,892	216,027
Benefits paid	(76,588)	(40,216)
Share of contribution by the employees	46,806	43,098
Re-measurement gain/(loss)	<u>65,511</u>	<u>(178,084)</u>
<b>Balance - end of the year</b>	<u><b>3,633,421</b></u>	<u>3,252,743</u>

BANK OF MONTSERRAT LIMITED

**Notes to the Financial Statements**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)***11. Pension plan (cont'd)**

The movement in the fair value of the Plan's assets is as follows:

	2023	2022
	\$	\$
<b>Balance - beginning of the year</b>	<b>2,519,751</b>	2,438,867
Interest income	178,118	173,362
Employer contributions	80,239	73,882
Contribution by plan participants	46,806	43,098
Benefits paid	(76,588)	(40,216)
Return on plan assets	(127,421)	(169,242)
<b>Balance - end of the year</b>	<b>2,620,905</b>	2,519,751

The major categories of the Plan's assets at the end of each reporting year are as follows:

	Note	2023	2022
		\$	\$
Cash at bank	6	2,620,905	2,519,751
Assets recognised		2,620,905	2,519,751
Actual return on the Plan's assets		50,697	4,120

	Note	2023	2022
		\$	\$
Current service cost		119,892	106,056
Net interest income		46,939	42,665
Component of net pension expenses recorded in statement of income	24	166,831	148,721
Re-measurement losses on the net defined benefit obligations			
Return on Plan's assets		127,421	169,242
Actuarial gain/(loss) arising from the defined benefit obligations		65,511	(178,084)
Component of pension expenses recorded in Other Comprehensive Income		192,932	(8,842)
<b>Total pension expenses</b>		<b>359,763</b>	139,879



## BANK OF MONTSERRAT LIMITED

**Notes to the Financial Statements**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)***11. Pension plan (cont'd)**

The principal actuarial assumptions used were as follows:

	<b>2023</b>	2022
	%	%
Discount rate	7	7
Expected return on plan assets		
i. Deposit administration contract	n/a	n/a
ii. Annuity policy	n/a	n/a
Pension increase	-	-
Salary increase	5	5

**Mortality experience**

Assumptions regarding future mortality are based on published mortality tables. The life expectancies underlying the value of the defined benefit obligations are as follows:

	<b>2023</b>	2022
	%	%
Life expectancy at age 60 for current pensioner in years		
Male	21.9	21.9
Female	26.1	26.1
Life expectancy at age 60 for current members age 40 in years		
Male	22.8	22.7
Female	27.1	27.1

**Sensitivity analysis**

The calculation of defined benefit obligations are sensitive to the assumptions used. The following table summarizes how the defined benefit obligations as at September 30, 2023, would have changed as a result of a change in the assumptions used.

	<b>1% p.a.</b>	1% p.a.
	Increase	Increase
	%	%
Discount rate	447,148	424,523
Future salary increase	(277,393)	(281,947)

An increase in one (1) year in the assumed life expectancies shown above would increase the defined benefit obligations as at September 30, 2023 by \$36,326 (2022 - \$32,600).

These sensitivities were determined by re-calculating the defined benefit obligations using the revised assumptions.

BANK OF MONTSERRAT LIMITED

## Notes to the Financial Statements

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)*

### 11. Pension plan (cont'd)

#### Funding

The Bank meets the balance of the cost of funding the defined benefit pension plan and must pay contributions at least equal to those paid by members, which are fixed. The funding requirements are based on the regular actuarial valuations of the plan and the assumptions used to determine the funding required may differ from those set out above. The Bank expects to pay around \$86,000 to the Plan during the 2023 - 2024 financial year.



**BANK OF MONTERRAT LIMITED**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2023

(Expressed in Eastern Caribbean Dollars)

**12. Property and equipment**

	Note	Land	Building	ROU Asset (Note 16)	Office and computer equipment	Motor vehicles	Furniture and fixtures	Total
		\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>								
<b>September 30, 2021</b>		1,030,617	7,094,271	-	4,782,261	194,318	352,823	13,454,290
Acquisition		-	28,196	98,087	29,133	-	26,237	181,653
Disposals		-	(46,505)	-	(178,158)	-	-	(224,663)
<b>September 30, 2022</b>		1,030,617	7,075,962	98,087	4,633,236	194,318	379,060	13,411,280
Acquisition		-	-	-	90,346	93,000	-	183,346
Disposals		-	-	-	(14,671)	-	-	(14,671)
<b>September 30, 2023</b>		<b>1,030,617</b>	<b>7,075,962</b>	<b>98,087</b>	<b>4,708,911</b>	<b>287,318</b>	<b>379,060</b>	<b>13,579,955</b>
<b>Accumulated depreciation</b>								
<b>September 30, 2021</b>	26	-	2,089,590	-	4,196,779	187,698	301,761	6,775,828
Depreciation		-	146,589	9,809	228,235	6,620	20,196	411,449
Adjustment		-	-	-	27,495	-	-	27,495
Disposals		-	(46,505)	-	(178,158)	-	-	(224,663)
<b>September 30, 2022</b>	26	-	2,189,674	9,809	4,274,351	194,318	321,957	6,990,109
Depreciation		-	137,270	9,809	195,008	4,650	20,547	367,284
Disposals		-	-	-	(14,671)	-	-	(14,671)
<b>September 30, 2023</b>		<b>-</b>	<b>2,326,944</b>	<b>19,618</b>	<b>4,454,688</b>	<b>198,968</b>	<b>342,504</b>	<b>7,342,722</b>
<b>Carrying amounts</b>								
September 30, 2022		1,030,617	4,886,288	88,278	358,885	-	57,103	6,421,171
<b>September 30 2023</b>		<b>1,030,617</b>	<b>4,749,018</b>	<b>78,469</b>	<b>254,223</b>	<b>88,350</b>	<b>36,556</b>	<b>6,237,233</b>

BANK OF MONTSERRAT LIMITED

**Notes to the Financial Statements**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)***13. Intangible assets**

	<b>Note</b>	<b>Computer Software \$</b>
<b>For the year ended September 30, 2021</b>		
Opening net book value		248,018
Additions		210,951
Amortisation charge for the year		<u>(155,176)</u>
<b>Net book value</b>		<u>303,793</u>
<b>As at September 30, 2021</b>		
Cost		863,775
Accumulated amortisation		<u>(559,982)</u>
<b>Net book value</b>		<u><u>303,793</u></u>
<b>For the year ended September 30, 2022</b>		
Opening net book value		303,793
Additions		118,260
Amortisation charge for the year	26	<u>(152,837)</u>
<b>Net book value</b>		<u>269,216</u>
<b>As at September 30, 2022</b>		
Cost		982,035
Accumulated amortisation		<u>(712,819)</u>
<b>Net book value</b>		<u><u>269,216</u></u>
<b>For the year ended September 30, 2023</b>		
Opening net book value		269,216
Additions		90,531
Amortisation charge for the year	26	<u>(109,888)</u>
<b>Net book value</b>		<u>249,859</u>
<b>As at September 30, 2023</b>		
Cost		1,072,566
Accumulated amortisation		<u>(822,707)</u>
<b>Net book value</b>		<u><u>249,859</u></u>



BANK OF MONTSERRAT LIMITED

## Notes to the Financial Statements

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)*

### 14. RBC intangible assets

#### Purchase price

In December 2019, the Royal Bank of Canada entered into definitive agreements to sell off its banking operations in the Eastern Caribbean to a consortium of indigenous banks in the region, including the Bank of Montserrat Limited. The transaction was structured so that each member of the consortium acquired the RBC branch in its home jurisdiction over two phases. For the Bank of Montserrat, this meant the acquisition of the operations of RBC Montserrat.

Phase 1 consisted of the purchase of the banking assets of RBC Montserrat in accordance with an Asset Purchase Agreement. The consortium collectively entered into a Share Purchase Agreement with RBC Royal Bank Holdings (EC) Limited relating to the purchase of RBTT Bank Caribbean Limited, which carried on banking operations in St. Vincent and the Grenadines and its subsidiaries in Grenada and Nevis.

The second phase of the transaction considered the purchase of the assets in St. Vincent by 1<sup>st</sup> National Bank St. Lucia Limited and the majority shares in RBTT Nevis Limited by The Bank of Nevis Limited respectively. The majority shares in RBTT Grenada were purchased equally by the consortium with each member owing 20% of the majority shares.

On July 27, 2020, the consortium entered an agreement to transfer the shares of RBTT Grenada to the Antigua Commercial Bank effective on the same day that the RBC Share Purchase Agreement closed. Therefore, on close of the Transaction, BOML ceased to have an interest in RBTT Caribbean Limited or its assets in the future. Therefore, no consideration was given to the 20% share of RBTT Grenada in the calculation of goodwill as the effect would be nil.

The Transaction successfully closed on 1 April 2021 at a purchase price of \$91.8M, net of severance costs. The purchase price allocated to RBC Montserrat was \$2.6M.

#### Brief overview of RBC

RBC is a multinational company that had more than 100 years of offering financial services across the Caribbean with a presence in 10 countries across the region, serving nearly one million clients.

#### Brief overview of BOML

BOML's primary business activities include those of commercial and retail banking, offering a wide range of services in Montserrat and the diaspora.

#### Rationale for acquisition

The acquisition of the operations of RBC Montserrat by BOML is a strategic fit given that it supports the business vision to consolidate BOML's banking operations in Montserrat and allows them to more aggressively target the diaspora for mortgage financing. It will further strengthen the Bank's position as a key player in the local financial services sector enabling the Bank to continue to play a meaningful role in the development of Montserrat and by extension the lives of Montserratians. Other opportunities presented by this transaction included a more diversified product and service offering, increased market share as a result of effective cross-selling, offering attractive deposit and loan rates to clients and the widening of the banking channels.

BANK OF MONTSERRAT LIMITED

**Notes to the Financial Statements**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)***14. RBC intangible assets (cont'd)****Rationale for acquisition (cont'd)**

According to a consultative paper issued by the Eastern Caribbean Central Bank in June 2018, the ECCU is overbanked and banks will need to consolidate in order to enhance financial stability, facilitate growth in the ECCU and provide modern services to customers at competitive prices in a dynamic operating environment.

This transaction is reflective of the fundamental changes in the financial services industry, specifically the retrenchment of the Canadian banks from the region, with a planned shift to focus on larger territories. RBC indicated that it became increasingly difficult to compete with the indigenous banks, whose fees were low in comparison.

**Bargain purchase**

The purchase of the assets and liabilities of RBC Montserrat resulted in a bargain purchase as the total consideration paid is below the net book value of the assets as at April 1, 2021.

A bargain purchase might occur where there is a forced sale, where difficult market conditions exist or because some items in a business combination are not measured at fair value.

The consideration that gave rise to the bargain purchase in this case was primarily attributable to the following:

- RBC Montserrat's financial performance had deteriorated over the last 4 years, with the branch incurring a net loss in each of the last 4 years.
- The Bank has seen an increase in net losses between FY17 and FY19 of 57%, followed by a sharp increase in FY20 to a loss of \$3.24M. This was driven primarily by a 51% increase in the provision for credit losses and a 57% increase in operating expenses. The increase in credit losses was due to the COVID-19 pandemic. The pre-existing IFRS 9 model was updated to account for the incremental expected losses caused by the new external environment.
- The loan balance fell from \$6.48M to \$4.86M from 2017 to 2021. While the bank has historically been loss-making, the deposit base has remained relatively stable ranging between \$127M and \$135M between FY15 and FY20.
- The total purchase price was allocated across the consortium based on a combination of a weighted share of the Target's assets and revenue, each with a 50% weight and the adjustments for property uplifts for those entities acquiring real property.
- The Bank of Montserrat Limited is the only competitor in the commercial banking space on island and having historically dominated the market, it is unlikely that BOML would have paid a premium for this asset.



BANK OF MONTSERRAT LIMITED

**Notes to the Financial Statements**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)***14. RBC intangible assets (cont'd)****Goodwill**

Goodwill is defined as 'the future economic benefits arising from assets that are not individually identified and separately recognised'.

Goodwill accounts for the excess purchase price of another company, after identifying and valuing all tangible and intangible assets. If the net fair value of the identifiable assets, liabilities and provisions for contingent liabilities recognised, exceeds the cost of the business combination then negative goodwill is recognised.

Some reasons goodwill exists include the following:

- Brand name;
- Customer base;
- Customer relations;
- Employee relations; and
- Proprietary technology.

Commonly, the following would not qualify as identifiable intangible assets under IFRS 3:

- a. Market share;
- b. Recruitment and training programs;
- c. Customer service proficiency
- d. Monopoly;
- e. Successful advertising programs;
- f. Exceptional credit ratings and access to capital;
- g. Technical expertise;
- h. Favourable government relationships;
- i. Market potential;
- j. Distribution networks;
- k. Strong labour relations; and
- l. Non-union status.

**Value of goodwill**

Goodwill was determined to be \$3.1M from a purchase consideration of \$2.6M. This indicates that the value of the net assets, including the intangible assets, exceeds the purchase consideration. In this case, net assets exceed the purchase consideration by approximately \$2.5M.

BANK OF MONTSERRAT LIMITED

**Notes to the Financial Statements**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)***14. RBC intangible assets (cont'd)****Purchase price allocation**

As at April 1, 2021	Fair Value \$	Purchase Consideration %
Purchase Price	2,600,602	100
Acquisition costs	-	-
<b>Purchase Consideration</b>	<b>2,600,602</b>	
Less:		
FV of tangible assets		
Total assets	125,000	
Total liabilities	<u>125,000</u>	
Net tangible assets	-	
FV adjustment on PPE	<u>-</u>	
<b>Total net tangible assets</b>	<b>-</b>	
<b>Total intangible assets and goodwill to be allocated</b>	<b><u>2,600,602</u></b>	
FV intangible assets (excluding goodwill)		
Core deposit intangibles - Term Deposits	48,600	1.90
Core deposit intangibles - Current	3,453,300	132.90
Core deposit intangibles - Savings	<u>1,630,800</u>	<u>62.70</u>
<b>Total identifiable intangible assets</b>	<b><u>5,132,700</u></b>	<b>197.50</b>
<b>Goodwill</b>		
Assembled workforce in place	518,400	19.90
Residual goodwill	<u>(3,050,498)</u>	<u>(117.30)</u>
<b>Gain on acquisition</b>	<b><u>(2,532,098)</u></b>	<b><u>(97.40)</u></b>



## BANK OF MONTSERRAT LIMITED

**Notes to the Financial Statements**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)***14. RBC intangible assets (cont'd)**  
**Purchase price allocation (cont'd)**

	Note	Core Deposits Intangible \$
<b>For the year ended September 30, 2022</b>		
Opening net book value		-
Additions		5,132,700
Amortisation charge for the year	26	<u>-</u>
<b>Net book value</b>		<u>5,132,700</u>
<b>As at September 30, 2022</b>		
Cost		5,132,700
Accumulated amortisation		<u>-</u>
<b>Net book value</b>		<u><u>5,132,700</u></u>
<b>For the year ended September 30, 2023</b>		
Opening net book value		<b>5,132,700</b>
Additions		-
Amortisation charge for the year	26	<u>(513,270)</u>
<b>Net book value</b>		<u><b>4,619,430</b></u>
<b>As at September 30, 2023</b>		
Cost		<b>5,132,700</b>
Accumulated amortisation		<u>(513,270)</u>
<b>Net book value</b>		<u><u><b>4,619,430</b></u></u>

**15. Other assets**

	Note	2023 \$	2022 \$
Credit cards receivable	31	<b>6,831,866</b>	-
Prepayments and deposits		<b>875,578</b>	1,873,694
Miscellaneous		<u><b>290,706</b></u>	751,728
		<u><b>7,998,150</b></u>	<u>2,625,422</u>

BANK OF MONTSERRAT LIMITED

## Notes to the Financial Statements

For the Year Ended September 30, 2023

(Expressed in Eastern Caribbean Dollars)

### 16. Lease liability

On October 1, 2021, the Bank entered into a lease agreement with Osborne Service Centre for the construction of a building to house the Automated Teller Machine (“ATM”) at its premises in St. Peters for a period of ten (10 years).

A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’. To apply this definition the Bank assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank.
- the Bank has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract the Bank has the right to direct the use of the identified asset throughout the period of use. The Bank assess whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

#### Measurement and recognition of leases

At the lease commencement date, the Bank recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Bank depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Bank also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Bank’s incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.



## BANK OF MONTSERRAT LIMITED

**Notes to the Financial Statements**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)***16. Lease liability (cont'd)**

In the statement of financial position, the right-of-use asset has been included in property, plant, and equipment and the lease liability has been included in other liabilities.

**(a) Right of use asset**

	<u>Note</u>	<u>\$</u>
<b>As at September 30, 2022</b>		
Cost		98,087
Depreciation charge for the year		<u>(9,809)</u>
<b>Net book value</b>	<b>12</b>	<b><u>88,278</u></b>
<b>As at September 30, 2023</b>		
Cost		<b>88,278</b>
Depreciation charge for the year		<b><u>(9,809)</u></b>
<b>Net book value</b>	<b>12</b>	<b><u>78,469</u></b>

**(b) Lease liability**

	<u>Note</u>	<u>2023</u>	<u>2022</u>
		<u>\$</u>	<u>\$</u>
Present value of lease payments		<b>25,588</b>	27,798
Lease payments		<b>(3,600)</b>	(3,600)
Finance charges		<b>1,279</b>	1,390
<b>Lease liability included in the statement of financial position</b>	<b>20</b>	<b><u>23,267</u></b>	<b><u>25,588</u></b>

**(c) Amounts recognised in profit or loss**

	<u>2023</u>	<u>2022</u>
	<u>\$</u>	<u>\$</u>
Finance charges on lease liability	<b>1,279</b>	1,390
Depreciation on right-of-use asset	<b>9,809</b>	9,809
	<b><u>11,088</u></b>	<b><u>11,199</u></b>

BANK OF MONTSERRAT LIMITED

**Notes to the Financial Statements**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)***16. Lease liability (cont'd)****(d) Amounts recognised in cashflow**

	2023	2022
	\$	\$
	<hr/>	<hr/>
Total cash outflow for leases	<b>3,600</b>	3,600
	<hr/> <hr/>	<hr/> <hr/>

- (e) The lease value determined above includes a lease with the option to renew. This option is exercisable by the Bank up to six (6) months before the end of the non-cancellable contract period. The Bank will reassess whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within their control to exercise the extension option.

**17. Deposit liabilities**

	2023	2022
	\$	\$
	<hr/>	<hr/>
<b>Retail</b>		
Savings deposits	<b>194,273,135</b>	188,067,676
Demand deposits	<b>22,852,300</b>	22,791,793
Time deposits	<b>13,203,668</b>	13,016,439
	<hr/>	<hr/>
	<b>230,329,103</b>	223,875,908
	<hr/> <hr/>	<hr/> <hr/>
<b>Corporate</b>		
Savings deposits	<b>6,975,068</b>	9,349,860
Demand deposits	<b>123,403,063</b>	132,376,756
Time deposits	<b>6,808,754</b>	10,944,566
	<hr/>	<hr/>
	<b>137,186,885</b>	152,671,182
	<hr/> <hr/>	<hr/> <hr/>
	<b>367,515,988</b>	376,547,090

The weighted average effective interest rate of deposit liabilities as at September 30, 2023 was 1.22% (2022 - 1.15%).



## BANK OF MONTSERRAT LIMITED

**Notes to the Financial Statements**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)***18. Dividends payable**

	<b>Note</b>	<b>2023</b> \$	<b>2022</b> \$
<b>Balance - beginning of the year</b>		<b>997,210</b>	1,089,274
Dividends declared during the year		-	-
Dividends paid		<b>(4,156)</b>	(88,105)
Dividend payments converted to shares	<b>21</b>	<b>(142,619)</b>	(3,959)
<b>Balance - end of the year</b>		<b>850,435</b>	<b>997,210</b>

**19. Bank interest levy**

The Bank is subject to the Bank Interest Levy Act Chapter 11.28 of the Laws of Montserrat, and its subsequent amendment of May 26, 2015. This legislation requires the Bank to pay on the first day of July each year a bank interest levy of 0.5% on the average interest-bearing deposit balances (including time and fixed deposits) computed on the average of such deposit balances at the end of each month in the calendar year immediately prior to the year of payment.

The Bank interest levy and accrued bank interest levy at September 30, 2023 are included in Note 25.

**20. Other liabilities**

	<b>Notes</b>	<b>2023</b> \$	<b>2022</b> \$
Credit cards payable	<b>31</b>	<b>9,520,252</b>	-
Accounts payable		<b>1,302,327</b>	1,494,413
Bank interest levy	<b>19</b>	<b>1,176,533</b>	1,169,684
Miscellaneous		<b>688,724</b>	686,504
Manager's cheque		<b>162,915</b>	51,527
Lease liability	<b>16</b>	<b>23,267</b>	25,588
		<b>12,874,018</b>	<b>3,427,716</b>

BANK OF MONTSERRAT LIMITED  
**Notes to the Financial Statements**  
 For the Year Ended September 30, 2023

(Expressed in Eastern Caribbean Dollars)

**21. Share capital**

Note	2023		2022	
	Number of shares	Value \$	Number of shares	Value \$
<b>Authorised</b> 8,000,000 ordinary shares at a par value of \$3.75 per share				
<b>Issued and fully paid</b>				
Balance - beginning of the year	5,955,091	20,063,898	5,954,545	20,059,939
Dividend payments converted to shares	30,605	142,619	546	3,959
<b>Balance - end of the year</b>	<b>5,985,696</b>	<b>20,206,517</b>	<b>5,955,091</b>	<b>20,063,898</b>

**22.**

**Statutory reserve**

Pursuant to Section 45 (1) of the Act, the Bank shall maintain a reserve fund and shall, out of its net profits of each year, transfer to that reserve a sum equal to not less than twenty percent of such profits whenever the amount of the reserve is less than one hundred percent of the paid-up capital of the Bank. During the year \$1,407,319 (2022 - NIL) was transferred to the statutory reserve.

The movement in the statutory reserve account during the year was as follows:

	2023	2022
<b>Balance - beginning of the year</b>	<b>11,694,819</b>	<b>11,694,819</b>
Transfer from un-appropriated retained earnings	<b>1,423,340</b>	-
<b>Balance - end of the year</b>	<b>13,118,159</b>	<b>11,694,819</b>

**Notes to the Financial Statements**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)***23. Allowance for impairment losses****2023****Allowance for impairment losses**

Balance - beginning of the year  
 Impairment losses during the year  
 Recovery of allowance for impairment losses

**Balance - end of the year****2022****Allowance for impairment losses**

Balance - beginning of the year  
 Impairment losses during the year  
 Recovery of allowance for impairment losses

**Balance - end of the year**

	Investment securities (Note 7) \$	Loans and advances to customers (Note 8) \$	Accrued interest receivable (Note 9) \$	Totals \$
	21,305,515	4,166,353	62,989	25,534,857
	-	1,549,038	-	1,549,038
	(714,500)	-	(26,535)	(741,035)
	<u>20,591,015</u>	<u>5,715,391</u>	<u>36,454</u>	<u>26,342,860</u>
	19,989,392	1,879,694	71,443	21,940,529
	1,489,550	2,286,659	85,619	3,861,828
	(173,427)	-	(94,073)	(267,500)
	<u>21,305,515</u>	<u>4,166,353</u>	<u>62,989</u>	<u>25,534,857</u>



BANK OF MONTSERRAT LIMITED  
**Notes to the Financial Statements**  
 For the Year Ended September 30, 2023  
*(Expressed in Eastern Caribbean Dollars)*

**23. Allowance for impairment losses (cont'd)**

	Investment securities (Note 7) \$	Loans and advances to customers (Note 8) \$	Accrued interest receivable (Note 9) \$	Total \$
<b>2023</b>				
Gross before impairment	206,500,999	103,565,695	6,101,555	316,168,249
Stage 1: 12 month ECL	(137,019)	(443,598)	(1,702)	(582,319)
Stage 2: Lifetime ECL	(4,074,382)	(113,025)	(58,078)	(4,245,485)
Stage 3: Credit Impaired	(16,379,614)	(5,158,768)	(4,220,205)	(25,758,587)
<b>Financial Assets - Lifetime ECL</b>	<b>185,909,984</b>	<b>97,850,304</b>	<b>1,821,570</b>	<b>285,581,858</b>
<b>2022</b>				
Gross before impairment	201,581,033	97,187,193	6,123,140	304,891,366
Stage 1: 12 month ECL	(1,313,240)	(512,653)	(33,762)	(1,859,655)
Stage 2: Lifetime ECL	(3,612,662)	(292,238)	(52,552)	(3,957,452)
Stage 3: Credit Impaired	(16,379,613)	(3,361,462)	(4,402,799)	(24,143,874)
<b>Financial Assets - Lifetime ECL</b>	<b>180,275,518</b>	<b>93,020,840</b>	<b>1,634,027</b>	<b>274,930,385</b>



## BANK OF MONTSERRAT LIMITED

**Notes to the Financial Statements**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)***23. Allowance for impairment losses (cont'd)****Regulatory loan loss provision**

The impairment provision for loans and advance to customers based on the Eastern Caribbean Central Bank's Prudential Guidelines is determined as follows:

	2023	2022
	\$	\$
Special mention	29,302	206,755
Substandard	226,000	-
Doubtful	1,742,133	2,362,854
Loss	1,588,085	171,558
	<u>3,585,520</u>	<u>2,741,167</u>
Loans with specific provision	3,585,520	2,741,167
General provision	1,912,407	1,736,948
	<u>5,497,927</u>	<u>4,478,115</u>
Total regulatory provision	5,497,927	4,478,115
IFRS 9 provision	(5,715,391)	(4,166,353)
	<u>(217,464)</u>	<u>311,762</u>
Excess of regulatory provision over IFRS 9 provision credited to equity	<u>(217,464)</u>	<u>311,762</u>

The movement in the above provision is as follows:

	2023	2022
	\$	\$
<b>Balance - beginning of the year</b>	<b>311,762</b>	<b>2,991,725</b>
Recovery for loan loss	(311,762)	(2,679,963)
	<u>-</u>	<u>311,762</u>
<b>Balance - end of the year</b>	<b>-</b>	<b>311,762</b>

**24. Salaries and other benefits**

		2023	2022
	Note	\$	\$
Salaries, allowance and overtime		2,445,213	2,062,600
Other benefits		252,376	205,967
Staff performance bonus		165,000	-
Social security and medical expenses		170,619	134,566
Net pension expenses	11	166,831	148,721
Gratuity		139,038	108,743
Training and education		27,967	38,640
		<u>3,367,044</u>	<u>2,699,237</u>

## BANK OF MONTSERRAT LIMITED

**Notes to the Financial Statements**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)***25. Other operating expenses**

	Note	2023 \$	2022 \$
Bank interest levy	19	1,016,400	1,058,976
Bank charges		653,579	638,083
Directors fees and expenses		556,392	538,005
Miscellaneous		196,416	150,154
Insurance		181,343	135,444
Printing and stationery		163,049	117,782
Advertising and promotion		103,270	104,536
Meetings and workshop		63,996	15,015
Annual general meeting		53,485	46,703
Other office expenses		51,169	24,337
Donations		48,627	31,289
Membership and subscriptions		25,096	19,632
Vehicle expenses		24,415	20,101
Postage		17,798	7,927
Landscaping and other related charges		15,000	15,000
Meals and entertainment		4,244	1,923
		<b>3,174,279</b>	<b>2,924,907</b>

**26. Occupancy and equipment - related expenses**

	Notes	2023 \$	2022 \$
Repairs and maintenance		1,023,220	1,199,103
Depreciation and amortisation	12, 13 & 14	990,442	591,781
Electricity and water		165,055	163,826
Telephone		105,203	95,516
Other		10,567	11,852
		<b>2,294,487</b>	<b>2,062,078</b>



## BANK OF MONTSERRAT LIMITED

**Notes to the Financial Statements**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)***27. Related party balances and transactions**

In the ordinary course of business, the Bank undertakes transactions with its directors, officers, shareholders and related interests. As at September 30, 2023 and 2022 the outstanding balances on the Bank's related party receivables and payables are as follows:

	Interest rate	2023	Interest rate	2022
	%	\$	%	\$
Loans and advances				
to customers	0.0 - 12.00	7,746,596	0.0 - 12.00	8,830,533
Deposit liabilities	0.0 - 3.25	18,563,215	0.0 - 3.25	23,852,208

Interest income and interest expense from related party transactions are as follows:

	2023	2022
	\$	\$
Interest income	302,702	324,009
Interest expense	222,010	217,974

Remuneration of key management personnel and directors of the Bank are as follows:

	2023	2022
	\$	\$
Short-term employee benefits	817,595	686,272
Directors fees and other benefits	556,392	538,005
Long-term employee benefits	114,163	84,013
	<b>1,488,150</b>	<b>1,308,290</b>

**28. Commitments, guarantees and contingent liabilities**

(f) There were no capital commitments as at September 30, 2023 (2022 - Nil).

(g) Loan commitments and other off-balance sheet items were as follows:

	2023	2022
	\$	\$
Undrawn commitments	3,424,883	5,337,911
Acceptances guarantees and letters of credit	531,598	314,598
Other obligations	5,369,000	1,703,639

BANK OF MONTSERRAT LIMITED

## Notes to the Financial Statements

For the Year Ended September 30, 2023

(Expressed in Eastern Caribbean Dollars)

### 28. Commitments, guarantees and contingent liabilities (cont'd)

#### *Guarantees*

A guarantee is a contract that contingently requires the guarantor to make payments to a third party based on another entity's failure to perform related to its indebtedness. Letters of guarantee are issued at the request of a customer in order to secure the customer's payment or performance obligations to a third party. These guarantees represent an irrevocable obligation of the Bank to pay the third-party beneficiary upon presentation of the guarantees and satisfaction of the documentary requirements stipulated therein, without investigation as to the validity of the beneficiary's claim against the customer. The types and amounts of collateral security held by the Bank for these guarantees is generally the same as required for loan facilities.

#### *Legal*

There are some pending claims against the Bank. Based on the advise of the Bank's legal counsel, it is probable that the judgements will be in the Bank's favour. Whilst it is impossible to be certain of the outcome of any particular case or of the amount of any possible adverse verdict, the Bank believes that their defences to all these various claims are meritorious on both the law and the facts. Having regard to the foregoing, the Bank (i) does not consider it appropriate to make any provisions in respect of any pending litigations and (ii) does not believe that the ultimate outcome of these matters will significantly impact the Bank's financial condition. Payments if any, arising from these claims will be recorded in the period that the payments are made.

### 29. Book value per share

The Bank presents book value per share data for its ordinary shares. Book value per share is calculated by dividing the total shareholders' equity by the total number of ordinary shares issued and outstanding during the period.

	Note	2023 \$	2022 \$
Total shareholders' equity		35,034,150	27,774,829
Total number of shares	21	5,985,696	5,955,091
<b>Book value per share</b>		<b>5.85</b>	<b>4.66</b>



## BANK OF MONTSERRAT LIMITED

**Notes to the Financial Statements**

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)***30. Basic and diluted earnings per share**

	<b>2023</b>	2022
	\$	\$
<b>Basic and diluted EPS</b>		
Net income/(loss) attributable to the shareholders	<b>5,776,217</b>	(293,187)
Weighted average number of shares	<b>5,957,654</b>	5,955,006
	<b>0.97</b>	(0.05)

**Basic earnings per share**

Earnings per share of (\$0.97) (2022 - -\$0.05) for the year ended September 30, 2023, is calculated by dividing the net income attributable to the shareholders of \$5,776,217 (2022 - (\$293,187)) by the weighted average number of ordinary shares in issue for the year of 5,957,654 (2022 - 5,955,006).

**31. Acquisition of credit card portfolio**

On April 1, 2023, the Bank entered into a contemplated transaction with Caribbean Credit card Corporation ("4Cs") for the acquisition of a credit card portfolio valued at \$2,828,244. This signifies the first phase of a four stage structured approach aimed at enhancing the Bank's credit card services.

As a result of the foregoing, the Bank has been allowed to settle merchants and receive payments on behalf of 4Cs, giving rise to both a receivable and payable. At the year end, the balances reflected in the financial statements are as follows:

1. Loans and Advances - \$2,831,330 (Note 8).
2. Other Assets - Credit Card Receivable- \$6,831,866 (Note 15)
3. Other Liabilities - Credit Card Payable- \$9,520,252 (Note 20).

The Bank is actively working towards finalizing the formal agreement with 4Cs during the upcoming financial year. This will facilitate the completion of the remaining phases and further solidify our credit card service offerings.

BANK OF MONTSERRAT LIMITED

## Notes to the Financial Statements

For the Year Ended September 30, 2023

*(Expressed in Eastern Caribbean Dollars)*

### 32. Subsequent events

#### Soufriere Hills volcano

Activity at the Soufriere Hills Volcano remains low. The seismic network recorded twelve volcano tectonic earthquakes during the week of May 24 to 31, 2024. Measurements of the SO<sub>2</sub> flux were taken from the helicopter on May 29, 2024. There were 11 traverses with an average flux of 170 tonnes per day.

Due to the large size of the lava dome, pyroclastic flows can occur at any time without warning on any side of the volcano, including Gages from where they can travel rapidly into Plymouth. Tracks across the Belham Valley can be destroyed or heavily modified by flash flooding or lahars, and caution should be exercised crossing the valley during and after rainfall.

The Hazard Level is 1. There is no public access to Zone V, including Plymouth. Maritime Zones E and W are daytime transit only between sunrise and sunset (boats may sail through the zone but must not stop).

The development of Montserrat is now focused on the North side of the island which was determined to be a safe zone by the Montserrat Volcano Observatory. As such, the activity of the volcano is of less risk to the Bank and its customers as they are located in the safe zone. This is proven by the growth and stability of the domestic banking sector over the years. In addition, the banking sector's significant investment in properties and the construction of new homes and businesses



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