

BANK OF MONTSERRAT LIMITED

Financial Statements

For the Year Ended September 30, 2025

(Expressed in Eastern Caribbean Dollars)

BANK OF MONTSERRAT LIMITED
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For the Year Ended September 30, 2025
(Expressed in Eastern Caribbean Dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Bank of Montserrat Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Bank of Montserrat Limited (the "Bank"), which comprise:

- the statement of financial position as at September 30, 2025;
- the statement of income;
- the statement of comprehensive income;
- the statement of changes in shareholders' equity;
- the 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, 2025, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) 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' *International 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

To the Board of Directors of Bank of Montserrat Limited

Key Audit Matters

Key Audit Matters	How our audit addressed the Key Audit Matters
<p><i>IFRS 9 Expected Credit Losses (“ECL”)</i></p> <p>Refer to Notes 2 d(ii), 8, 9 and 23 to the financial statements</p> <p>The Bank recognizes Expected Credit Losses (“ECL”) on financial assets, a process that is inherently subjective and requires significant management judgment and estimation.</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 have 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 several key assumptions including probability of default, loss given default and valuation of recoveries. Management also applies overlays where they believe the model calculated assumptions and allowances require refinement due to historical trends or due to the model limitations.</p>	<p><i>General</i></p> <p>We evaluated management’s process for determining the ECL allowance, including the appropriateness of the modeling methodology, model approval, identification of credit impairment events, and the review and approval of the allowance. Our work also covered assessment of impairment model outputs, key management judgments and overlays applied.</p> <p><i>Stage 1 and Stage 2 loans and advances to customers</i></p> <p>We obtained an understanding of the impairment model used by management in calculating the ECL allowance. Our procedures included testing the completeness and accuracy of key data inputs against underlying accounting records, and evaluating the reasonableness of the Bank’s ECL estimates.</p> <p>In doing so, we reviewed the methodologies and assumptions applied, including those relating to probability of default, loss given default, and exposure of default.</p> <p>We also assessed the appropriateness of management’s use of overlays in pace of regression models, considering the statistical credibility results provided.</p> <p><i>Stage 3 loans and advances to customers</i></p> <p>We critically assessed the criteria applied in determining credit impairment events, including a review of loan facilities in Stages 1 and 2 for relevant risk indicators.</p> <p>We tested the adequacy of the impairment allowance by examining key assumptions in the Bank’s ECL calculations, such as forecasts of future cash flows and their timing.</p>

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Bank of Montserrat Limited

Key Audit Matters

Key Audit Matters	How our audit addressed the Key Audit Matters
<p><i>IFRS 9 Expected Credit Losses (“ECL”) (cont’d)</i></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>Our work also included reviewing third-party valuations of collateral supporting selected loans, considering current market conditions against the Bank’s historical experience of recoveries, and re-performing management’s allowance calculation.</p> <p><i>Financial statement disclosures</i></p> <p>We assessed the adequacy of disclosures relating to key assumptions and judgments to ensure compliance with the applicable accounting standards.</p>
<p><i>Fair value of investment securities</i></p> <p>Refer to Notes 4(b), 5 and 7 to the financial statements</p> <p>The Bank holds investment securities without quoted prices in active markets classified as Level 2 within the IFRS fair value hierarchy.</p> <p>Valuation of these instruments involves subjective techniques and assumptions, making the related risk disclosures complex and highly dependent on reliable data.</p> <p>Our audit focus included the valuation of Level 2 assets, which is based on methods such as recent arm’s length transactions, comparison with substantially similar instruments, and discounted cash flow analyses using observable market inputs, including the risk-free yield curve.</p>	<p>We have reviewed the methods and assumptions used in determining the fair value of investment securities for reasonableness and considered whether the methodology remains appropriate given the current market conditions.</p> <p>Independent valuations were carried out on the investment portfolio, alongside recalculations of unrealized gains and losses, to validate fair value assessment.</p> <p>We assessed the adequacy of the financial statement disclosures, including sensitivity analyses and the IFRS fair value hierarchy, in capturing the Bank’s valuation risk exposure.</p> <p>We also considered management’s evaluation of impairment indicators, with particular focus on securities not actively traded.</p>

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Bank of Montserrat Limited

Key Audit Matters

Key Audit Matters	How our audit addressed the Key Audit Matters
<p><i>RBC Intangible Assets impairment assessment</i></p> <p>Refer to Note 14 to the financial statements</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 have reviewed the key assumptions, cashflows and discount rate used to ensure reasonableness.</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>



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Bank of Montserrat Limited

Other Information

Other information consists of the information included in the Bank's 2025 Annual Report, other than the financial statements and our auditor's report thereon, management is responsible for the other information. The Bank's 2025 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.

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 2025 Annual Report, if we conclude that it contains a material misstatement, we are required to communicate the matter to those charged with governance.

Other Matter

The financial statements of the Bank for the year ended September 30, 2024 were audited by another auditor who expressed an unmodified opinion on those statements on February 19, 2025.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

Those charged with governance are 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.



INDEPENDENT AUDITOR'S REPORT *(continued)*

To the Board of Directors of Bank of Montserrat Limited

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

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.
- 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 those charged with governance 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.

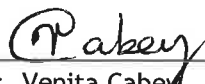
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

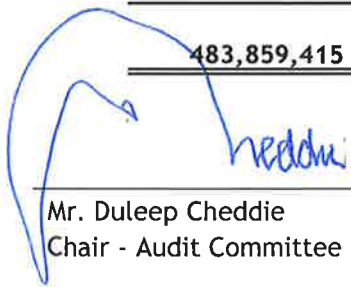
Chartered Accountants
The Valley, Anguilla
27 March 2026

BANK OF MONTSERRAT LIMITED
Statement of Financial Position
As at September 30, 2025

(Expressed in Eastern Caribbean Dollars)

	Notes	2025 \$	2024 (Restated) \$
Assets			
Cash and balances with Central Bank	6	105,731,959	90,476,063
Investment securities	7	255,188,737	235,417,864
Loans and advances to customers	8	107,508,840	108,180,800
Accrued interest receivable	9	2,966,716	1,964,913
Deferred tax asset	10	833,393	1,655,051
Property and equipment	12	6,039,815	6,239,695
Intangible assets	13	155,829	187,066
RBC intangible assets	14	3,592,890	4,106,160
Other assets	15	1,841,236	28,917,317
Total assets		483,859,415	477,144,929
Liabilities and equity			
Liabilities			
Deposit liabilities	17	412,275,145	386,031,823
Pension plan liabilities	11	1,054,884	1,054,412
Dividends payable	18	3,276,000	3,159,581
Interest payable		120,057	118,975
Other liabilities	20	7,612,444	37,344,544
Withholding taxes payable		171,755	105,518
Income tax payable	10	1,051,742	667,087
Total liabilities		425,562,027	428,481,940
Equity			
Share capital	21	20,241,525	20,206,770
Statutory reserve	22	18,583,498	16,310,761
Fair value reserve		(2,120,330)	(5,287,309)
Appropriated retained earnings - loan loss reserve	23	3,578,602	3,353,514
Appropriated retained earnings - pension reserve	11	(1,054,884)	(1,054,412)
Un-appropriated retained earnings		19,068,977	15,133,665
Total equity		58,297,388	48,662,989
Total liabilities and equity		483,859,415	477,144,929


Mrs. Venita Cabey
Chair - Board of Directors


Mr. Duleep Cheddie
Chair - Audit Committee

BANK OF MONTSERRAT LIMITED
Statement of Income
For the Year Ended September 30, 2025

(Expressed in Eastern Caribbean Dollars)

		2025	2024
	Notes	\$	(Restated) \$
Interest income			
Investment securities		12,660,980	11,253,264
Loans and advances to customers		6,956,244	6,640,158
Cash and cash equivalents		70,219	102,582
		<u>19,687,443</u>	<u>17,996,004</u>
Interest expense			
Deposit liabilities			
Savings		(4,135,762)	(4,074,235)
Time		(260,182)	(324,916)
		<u>(4,395,944)</u>	<u>(4,399,151)</u>
Net interest income		<u>15,291,499</u>	<u>13,596,853</u>
Other income			
Service fees and commissions		3,312,696	3,284,173
Foreign exchange gains - net		2,633,996	2,711,454
Miscellaneous		918,160	70,940
		<u>6,864,852</u>	<u>6,066,567</u>
Operating income		<u>22,156,351</u>	<u>19,663,420</u>
Operating expenses			
Salaries and other benefits	24	(3,582,636)	(3,461,004)
Other operating expenses	25	(4,163,290)	(3,926,683)
Occupancy and equipment - related expenses	26	(2,698,699)	(2,642,851)
Taxes, licences and professional fees		(1,376,872)	(1,365,671)
		<u>(11,821,497)</u>	<u>(11,396,209)</u>
Net operating income before impairment		<u>10,334,854</u>	<u>8,267,211</u>
Recovery of allowance for impairment losses	23	22,489	2,618,484
Write-off of allowance for impairment losses	23	-	(24,812)
Impairment losses during the year		(111,083)	(970,586)
(Impairment losses)/recovery of allowance on financial assets		<u>(88,594)</u>	<u>1,623,086</u>
Net income before tax		<u>10,246,260</u>	<u>9,890,297</u>
Income and deferred taxation	10	(1,884,650)	(1,898,399)
Net income for the year		<u>8,361,610</u>	<u>7,991,898</u>
Net income attributable to the shareholders		<u>8,361,610</u>	<u>7,991,898</u>

BANK OF MONTSERRAT LIMITED
Statement of Comprehensive Income
For the Year Ended September 30, 2025

(Expressed in Eastern Caribbean Dollars)

	Notes	2025 \$	2024 (Restated) \$
Net income for the year		<u>8,361,610</u>	<u>7,991,898</u>
Other comprehensive income			
Items that will not be classified to profit or loss:			
Re-measurement gains on net defined benefit obligations	11	115,006	77,628
Fair value gains on equity instruments at FVOCI		<u>2,887,067</u>	<u>7,893,483</u>
		<u>3,002,073</u>	<u>7,971,111</u>
Total comprehensive income for the year		<u><u>11,363,683</u></u>	<u><u>15,963,009</u></u>
Book value per share	29	<u>9.73</u>	<u>8.13</u>
Basic and diluted earnings per share	31	<u>1.40</u>	<u>1.34</u>

BANK OF MONTSERRAT LIMITED
Statement of Changes in Shareholders' Equity
For the Year Ended September 30, 2025

(Expressed in Eastern Caribbean Dollars)

		2025	2024 (Restated)
	Notes	\$	\$
Share capital			
Balance - beginning of the year		20,206,770	20,206,517
Issuance of shares:			
Share rights exercised		34,755	253
Balance - end of the year	21	20,241,525	20,206,770
Statutory reserve			
Balance - beginning of the year		16,310,761	13,118,159
Transfer from un-appropriated retained earnings		2,272,737	3,192,602
Balance - end of the year	22	18,583,498	16,310,761
Fair value reserve - FVOCI - Equity investments			
Balance - beginning of the year		(5,287,309)	(13,201,451)
Fair value gains on equity investments at FVOCI		3,166,979	7,914,142
Balance - end of the year		(2,120,330)	(5,287,309)
Appropriated retained earnings - Loan loss reserve			
Balance - beginning of the year		3,353,514	-
Transfer to un-appropriated retained earnings		225,088	3,353,514
Balance - end of the year	23	3,578,602	3,353,514
Appropriated retained earnings - Pension reserve			
Balance - beginning of the year		(1,054,412)	(1,012,516)
Transfer to un-appropriated retained earnings		(472)	(41,896)
Balance - end of the year	11	(1,054,884)	(1,054,412)
Un-appropriated retained earnings			
Balance - beginning of the year		15,133,665	15,923,439
Total comprehensive income for the year		11,363,683	15,963,010
Fair value (gains)/losses on equity investments at FVOCI	7	(3,166,979)	(7,914,142)
Realised gains on disposal of equity investments		450,680	-
Transfer from appropriated retained earnings - pension reserve		472	41,896
Transfer from loan loss reserve	23	(225,088)	(3,353,514)
Dividend declared during the year	18	(2,214,719)	(2,334,421)
Transfer to statutory reserve	21	(2,272,737)	(3,192,602)
Balance - end the year		19,068,977	15,133,665
Total equity		58,297,388	48,662,990

BANK OF MONTSERRAT LIMITED
Statement of Cash Flows
For the Year Ended September 30, 2025

(Expressed in Eastern Caribbean Dollars)

	Notes	2025 \$	2024 (Restated) \$
Cash flows from operating activities			
Net income before tax		10,246,260	9,890,297
Adjustments for:			
Interest income		(19,687,442)	(17,996,005)
Interest expense		4,395,944	4,399,151
Impairment losses	23	774,498	970,586
Depreciation and amortisation	12, 13, 14	956,244	956,370
Write-off of allowance for impairment losses		-	24,812
Recovery of allowance for impairment losses	23	(685,904)	(2,546,469)
Cash flows before changes in operating assets and liabilities		(4,000,400)	(4,301,258)
(Increase)/Decrease in mandatory reserve deposits with Central Bank		(3,256,494)	(1,411,895)
(Increase)/decrease in loans and advances to customers		671,960	(7,784,027)
Increase in pension plan obligations		115,479	41,896
(Increase)/decrease in other assets		27,076,081	(20,919,167)
Increase/(decrease) in deposit liabilities		26,243,322	18,515,835
Increase/(decrease) in other liabilities		(29,732,100)	24,470,525
Increase/(decrease) in withholding taxes payable		66,237	11,401
Cash generated from operations		17,184,085	8,623,310
Interest income received		18,574,018	17,850,505
Interest expenses paid		(4,394,862)	(4,403,174)
Income taxes paid		(678,337)	(902,965)
Net cash generated from operating activities		30,684,904	21,167,676
Cash flows from investing activities			
Acquisition of investment securities, net		(16,410,100)	(42,530,010)
Purchase of property and equipment and intangible assets	12, 13	(211,857)	(382,769)
Net cash used in investing activities		(16,621,957)	(42,912,779)
Cash flows from financing activities			
Proceeds from issuance of shares	21	-	253
Dividends paid	18	(2,063,545)	(25,275)
Net cash used in financing activities		(2,063,545)	(25,022)
Net increase/(decrease) in cash and cash equivalents		11,999,402	(21,770,125)
Cash and cash equivalents - beginning of the year	6	68,036,242	89,806,367
Cash and cash equivalents - end of the year	6	80,035,644	68,036,242

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 20 March 2026.

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.

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.

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

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 2025 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:

Several new standards and amendments to existing standards have been issued by the IASB but are not yet effective for the 2025 financial year. Early adoption is permitted; however, the Bank has not early adopted these standards in preparing these financial statements. The Bank does not expect the adoption of these standards to have a significant impact on its financial statements.

These include the following notable standard:

- IFRS 18 - Presentation and Disclosure in Financial Statements (effective 1 January 2027).
- IFRS 18 replaces the presentation and disclosure sections of IAS 1 and introduces new structured categories for presenting income and expenses. The Bank is assessing the impact of this standard; however, it is not expected to result in a material impact on the Bank's financial position or performance, but it will affect the presentation of the statement of income and related disclosures

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.

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

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

Recognition, initial measurement and derecognition (cont'd)

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.

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.

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*)

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.

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.

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" - Equity) *(cont'd)**

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.

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.

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.

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.

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 *(cont'd)**

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.

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.

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)

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.

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.

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 51 restructured loans and advances to customers as at September 30, 2025 (2024 - 75). 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.

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.

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

f) Property and equipment *(cont'd)*

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.

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
RBC Intangible assets	10 years

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.

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.

l) 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.

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

l) Employee benefits *(cont'd)*

Defined benefit plan (cont'd)

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.

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.

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

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.

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.

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

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.

s) Withholding tax

In accordance with the Income and Corporation Tax Act, Chapter 17.01 of Montserrat, the Bank may be required to account for withholding tax on certain payments made to non-resident persons or entities.

The Bank's policy is to bear the cost of withholding tax on such payments. Accordingly, payments to non-resident counterparties are made on a gross basis, and the related withholding tax is absorbed by the Bank and recognised as an expense in the period in which the underlying obligation arises. Amounts payable to the tax authorities are remitted in accordance with statutory requirements.

Withholding taxes borne by the Bank are treated as current period expenses.

t) 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).

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

t) Related party

- b. An entity is related to the Bank if any of the following conditions applies:
 - 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.

u) 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.

v) 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.

w) 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.

x) Comparatives

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

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).

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

a) Measurement of the Expected Credit Loss allowance ("ECL") *(cont')*

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.

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.

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

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.

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.

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.

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:

	Investment securities at amortised cost 2025 \$	Investment securities at amortised cost 2024 \$
Impaired securities		
Unrated	19,193,476	17,054,613
Less: allowance for impairment	<u>(19,193,476)</u>	<u>(17,054,613)</u>
Carrying amount	-	-
Unimpaired securities		
A+ to AA+	79,748,997	57,255,785
AAA	23,731,634	12,357,846
B- to B+	5,029,847	11,942,574
BBB- to BBB+	54,750,177	62,089,529
CariBBB	-	2,000,000
Unrated	-	-
Gross amount	<u>163,260,655</u>	<u>145,645,734</u>
Less: allowance for impairment	<u>(2,248,967)</u>	<u>(4,504,831)</u>
Carrying amount	<u>161,011,688</u>	<u>141,140,903</u>
Total carrying amount	<u>161,011,688</u>	<u>141,140,903</u>

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:

	2025	2024
Note	\$	\$
Loans and advances to customers		
Neither past due nor impaired	99,755,636	93,541,737
Past due but not impaired	650,290	11,734,799
Impaired	10,382,919	6,073,186
	<hr/>	<hr/>
Gross amount	110,788,845	111,349,722
Less: allowance for impairment	23 (3,280,005)	(3,168,922)
	<hr/>	<hr/>
Carrying amount	<u>107,508,840</u>	<u>108,180,800</u>

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, 2025 (2024 - 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:

- 91% (2024 - 95%) of the loans and advances portfolio is categorised in the top two grades of the internal rating system;
- 99% (2024 - 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
- 89% (2024 - 90%) 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 MONTSERRAT LIMITEDNotes to the Financial Statements *(continued)*

For the Year Ended September 30, 2025

(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 2025 \$	Investment securities 2024 \$	Loans and advances to customers 2025 \$	Loans and advances to customers 2024 \$
Gross amount	182,454	162,700	-	111,350
Concentration by sector				
Financial services	81,771	77,409	4,307	4,380
Manufacturing	36,116	41,204	17	12
Public administration	18,445	28,429	-	-
Utilities	16,259	10,637	-	-
Professional services	11,518	-	513	309
Distributive trade	5,414	2,308	1,076	1,161
Mining and quarrying	4,687	-	486	652
Transportation and storage	2,835	-	111	184
Home construction and renovation	2,700	-	47,645	48,736
Entertainment and catering	1,360	2,713	313	333
Residential mortgages	1,349	-	22,969	22,187
Tourism	-	-	17,186	18,382
Personal consumer loan	-	-	12,596	11,190
Construction and land development	-	-	3,570	3,824
	182,454	162,700	110,789	111,350

BANK OF MONTSERRAT LIMITEDNotes to the Financial Statements *(continued)*

For the Year Ended September 30, 2025

(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.

	Investment securities 2025 \$	Investment securities 2024 \$	Loans and advances to customers 2025 \$	Loans and advances to customers 2024 \$
(In thousand EC Dollars)				
Gross amount	182,454	162,700	110,789	111,350
Geographic concentration				
Caribbean region	36,552	41,594	110,789	111,350
Other	145,902	121,106	-	-
	182,454	162,700	110,789	111,350

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 LIMITEDNotes to the Financial Statements *(continued)*

For the Year Ended September 30, 2025

(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:

(In thousands of EC Dollars)	Notes	Carrying amount \$	Gross normal inflows/ (outflows) \$	Up to 1 year \$	1-5 years \$
September 30, 2025					
Deposit liabilities	17	412,275	(412,275)	411,862	413
Interest payable		120	(120)	120	-
Dividends payable	18	3,276	(3,276)	3,276	-
Other liabilities	20	7,592	(7,592)	7,592	-
		423,263	(423,263)	422,850	413
September 30, 2024					
Deposit liabilities	17	386,032	(386,032)	385,741	291
Interest payable		119	(119)	119	-
Dividends payable	18	3,160	(3,160)	3,160	-
Other liabilities	20	37,270	(37,270)	37,270	-
		426,581	(426,581)	426,290	291

BANK OF MONTSERRAT LIMITEDNotes to the Financial Statements (*continued*)

For the Year Ended September 30, 2025

(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:

(In thousands of EC Dollars)	Average Effective Interest Rate %	2025			
		Total \$	Up to 1 year \$	1-5 years \$	More than 5 years \$
Cash and cash equivalents	2.00%	105,732	105,732	-	-
Investment securities	4.58%	182,454	44,471	46,527	91,456
Loans and advances to customers	6.27%	110,789	7,355	11,466	91,968
Accrued interest receivable		3,099	3,099	-	-
		402,074	160,657	57,993	183,424
Deposit liabilities	1.13%	412,275	411,862	413	-
Interest payable		120	120	-	-
		412,395	411,982	413	-
Interest rate gap		(10,321)	(251,325)	57,580	183,424

BANK OF MONTSERRAT LIMITEDNotes to the Financial Statements *(continued)*

For the Year Ended September 30, 2025

(Expressed in Eastern Caribbean Dollars)

4. Financial risk management *(cont'd)***d. Market risk *(cont'd)****i) Interest rate risk (cont'd)*

(In thousands of EC Dollars)	Average Effective Interest Rate %	2024			
		Total \$	Up to 1 year \$	1-5 years \$	More than 5 years \$
Cash and cash equivalents	1.00%	90,476	90,476	-	-
Investment securities	4.41%	162,700	40,422	59,226	63,052
Loans and advances to customers	6.27%	111,350	10,504	10,708	90,138
Accrued interest receivable		2,004	2,004	-	-
		<u>366,530</u>	<u>143,406</u>	<u>69,934</u>	<u>153,190</u>
Deposit liabilities	1.17%	386,032	385,741	291	-
Interest payable		119	119	-	-
		<u>386,151</u>	<u>385,860</u>	<u>291</u>	<u>-</u>
Interest rate gap		<u>(19,621)</u>	<u>(242,454)</u>	<u>69,643</u>	<u>153,190</u>

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 LIMITEDNotes to the Financial Statements (*continued*)

For the Year Ended September 30, 2025

(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, 2025, and 2024:

(In thousands of EC Dollars)	2025 Total	2025 US\$	2025 EC\$	2025 Other	2024 Total	2024 US\$	2024 EC\$	2024 Other
Assets								
Cash and balances with Central Bank	105,732	62,369	39,111	4,252	90,476	51,876	34,808	3,792
Investment securities	276,631	246,191	25,025	5,415	256,977	227,080	25,334	4,563
Loans and advances to customers	110,789	110,259	530	-	111,350	439	110,911	-
Accrued interest receivable	3,099	-	3,099	-	2,004	-	2,004	-
Other assets	1,841	-	1,841	-	28,917	-	28,917	-
Total assets	498,092	418,819	69,606	9,667	489,724	279,395	201,974	8,355
Liabilities								
Deposit liabilities	412,275	22,205	390,070	-	386,032	18,271	367,761	-
Pension plan liabilities	1,055	-	1,055	-	1,054	-	1,054	-
Dividends payable	3,276	-	3,276	-	3,160	-	3,160	-
Interest payable	120	-	120	-	119	-	119	-
Other liabilities	7,592	-	7,592	-	37,270	-	37,270	-
Total liabilities	424,318	22,205	402,113	-	427,635	18,271	409,364	-

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.

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 \$
As at September 30, 2025					
Loan commitments	28	137,669	265,121	1,394,540	1,797,330
Guarantees, acceptances and other financial facilities	28	613,740	-	5,684,411	6,298,151
Total		751,409	265,121	7,078,951	8,095,481
As at September 30, 2024					
Loan commitments	28	235,000	234,382	749,856 	1,219,238
Guarantees, acceptances and other financial facilities	28	660,740	-	5,686,705 	6,347,445
Total		895,740	234,382	6,436,561	7,566,683

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

g. Capital management

Regulatory capital

The Bank's lead regulator, ECCB, sets and monitors capital adequacy requirements for licensed financial institutions operating within the Eastern Caribbean Currency Union. The Bank's objectives when managing capital are to safeguard its ability to continue as a going concern, support the development of its business, maintain investor and depositor confidence, and comply with regulatory capital requirements.

Change in regulatory capital framework

Effective 1 October 2024, the ECCB implemented Prudential Return No. 16 - Capital Adequacy (PR16), which replaced Schedule 11 of Prudential Return No. 6 (PR06). PR16 adopts a Basel II/III-based methodology and introduces revised definitions of regulatory capital, updated regulatory adjustments, and new approaches for calculating credit, operational, and market risk-weighted assets.

In accordance with IAS 1 Presentation of Financial Statements, the comparative information for 2024 has been re-presented to conform with the PR16 framework. The change in methodology does not impact the Bank's equity or net income.

Regulatory capital requirements

The Banking Act 2015 requires licensed institutions to maintain a minimum paid-up capital of EC\$20 million and a minimum capital adequacy ratio of 8%. Under PR16, capital adequacy is measured as the ratio of total qualifying regulatory capital to total risk-weighted assets.

The Bank's regulatory capital position as at September 30, 2025 and 2024 is as follows:

(In thousand EC dollars)	Notes	2025 \$	2024 (re-presented) \$
Regulatory Capital			
Common Equity Tier 1 (CET1) capital		46,138	37,375
Additional Tier 1 capital		-	-
Total Tier 1 capital		<u>46,138</u>	<u>37,375</u>
Tier 2 Capital		<u>10,730</u>	<u>10,234</u>
Total Regulatory Capital		<u><u>56,868</u></u>	<u><u>47,609</u></u>
Risk-weighted assets (RWA)			
Credit risk		198,042	179,232
Operational risk		35,699	31,335
Market risk		<u>235,998</u>	<u>207,308</u>
Total risk-weighted assets		<u><u>469,739</u></u>	<u><u>417,875</u></u>
Capital ratios:			
CET1 capital ratio		9.82%	8.94%
Tier 1 capital ratio		9.82%	8.94%
Tier 2 capital ratio		<u>2.28%</u>	<u>2.45%</u>
Total capital adequacy ratio (CAR)		<u><u>12.11%</u></u>	<u><u>11.39%</u></u>

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.

5. Fair values of financial instrument

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.

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 *(continued)*
For the Year Ended September 30, 2025
(Expressed in Eastern Caribbean Dollars)

5. Fair values of financial instrument *(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 \$
September 30, 2025					
Financial assets					
Cash and balances with Central Bank	105,732	-	-	105,732	105,732
Investment securities	-	182,454	-	182,454	182,454
Loans and advances to customers	-	-	110,789	110,789	110,789
Other assets	-	1,884	-	1,884	1,884
	105,732	184,338	110,789	400,859	400,859
Financial liabilities					
Deposit liabilities	-	412,275	-	412,275	412,275
Other liabilities	-	7,440	-	7,440	7,440
Dividends payable	-	3,280	-	3,280	3,280
	-	422,995	-	422,995	422,995
September 30, 2024					
Financial assets					
Cash and balances with Central Bank	90,476	-	-	90,476	90,476
Investment securities	-	162,700	-	162,700	162,700
Loans and advances to customers	-	-	111,350	111,350	111,350
Other assets	-	28,917	-	28,917	28,917
	90,476	191,617	111,350	393,443	393,443
Financial liabilities					
Deposit liabilities	-	386,032	-	386,032	386,032
Other liabilities	-	37,270	-	37,270	37,270
Dividends payable	-	3,160	-	3,160	3,160
	-	426,462	-	426,462	426,462

BANK OF MONTSERRAT LIMITED
Notes to the Financial Statements *(continued)*
For the Year Ended September 30, 2025
(Expressed in Eastern Caribbean Dollars)

5. Fair values of financial instrument *(cont'd)*

Assets measured at fair value

(In thousand EC dollars)	Note	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
September 30, 2025					
Investment securities					
- Equity instruments at FVOCI	7	93,582,140		1,334,518	94,916,658
Total assets		93,582,140	-	1,334,518	94,916,658
September 30, 2024					
Investment securities					
- Equity instruments at FVOCI	7	93,938,926		1,334,518	95,273,444
Total assets		93,938,926	-	1,334,518	95,273,444

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 *(continued)*
For the Year Ended September 30, 2025
(Expressed in Eastern Caribbean Dollars)

6. Cash and balances with Central Bank

	2025	2024
	\$	\$
Cash on hand	5,684,627	4,639,189
Cash at bank	27,143,977	14,423,982
Short-term fixed deposits with other banks	47,207,040	48,973,071
Cash and cash equivalents	80,035,644	68,036,242
Mandatory reserve deposits with Central Bank	25,696,315	22,439,821
	105,731,959	90,476,063

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 \$2,805,509 (2024 - \$2,772,185) 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, 2025. The balances with the Central Bank are non-interest bearing.

BANK OF MONTSERRAT LIMITED
Notes to the Financial Statements *(continued)*
For the Year Ended September 30, 2025
(Expressed in Eastern Caribbean Dollars)

7. Investment securities

	Note	2025 \$	2024 \$
Investment securities:			
Debt investments at amortised cost		182,454,131	162,700,347
Equity investments at fair value through other comprehensive income ("FVOCI")		94,916,658	95,273,444
		<u>277,370,789</u>	<u>257,973,791</u>
Less: Unearned premium		(739,617)	(996,483)
		<u>276,631,172</u>	<u>256,977,308</u>
Less: Allowance for impairment losses	23	(21,442,435)	(21,559,444)
		<u>255,188,737</u>	<u>235,417,864</u>
Investment securities measured at amortised cost			
Government bonds		9,321,076	24,612,676
Corporate bonds		144,525,341	110,658,058
Fixed deposits		23,045,531	25,429,613
Treasury Bills		5,565,853	2,000,000
		<u>182,457,801</u>	<u>162,700,347</u>
Investment securities measured at FVOCI - Equity			
Listed equity securities		93,582,140	93,938,926
Unlisted equity securities		1,334,518	1,334,518
		<u>94,916,658</u>	<u>95,273,444</u>

Unlisted equity securities totaling \$1,334,518 (2024 - \$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, 2025, was 4.58% (2024 - 4.41%).

BANK OF MONTSERRAT LIMITED
Notes to the Financial Statements *(continued)*
For the Year Ended September 30, 2025
(Expressed in Eastern Caribbean Dollars)

7. Investment securities *(cont'd)*

(In thousand EC dollars)	Note	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
September 30, 2025					
Investment securities					
- Equity instruments at FVOCI	7	93,582,140		1,334,518	94,916,658
Total assets		93,582,140	-	1,334,518	94,916,658
September 30, 2024					
Investment securities					
- Equity instruments at FVOCI	7	93,938,926		1,334,518	95,273,444
Total assets		93,938,926	-	1,334,518	95,273,444

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.

	ECL \$	ECL \$	ECL \$	Total \$
September 30, 2025				
Gross exposure	154,350,335	4,913,064	19,193,476	178,456,875
ECL	(238,084)	(2,010,875)	(19,193,476)	(21,442,435)
Net exposure	154,112,251	2,902,189	-	157,014,440
September 30, 2024				
Gross exposure	133,707,729	11,938,005	17,054,613	162,700,347
ECL	(124,648)	(4,380,183)	(17,054,613)	(21,559,444)
Net exposure	133,583,081	7,557,822	-	141,140,903

Movement in ECL is as follows:

At October 1, 2024	124,648	4,380,183	17,054,613	21,559,444
ECL on new instruments issued during the year	90,795	-	-	90,795
ECL on Disposal Instruments	237,406	-	-	237,406
Transfer to Stage 1	3,040,067	(2,365,067)	(675,000)	-
Transfer to Stage 2	(2,025,000)	2,025,000	-	-
Transfer to Stage 3	-	(987,906)	987,906	-
Year-end exposure reassessment	(1,229,832)	(1,041,335)	1,825,957	(445,210)
At September 30, 2025	238,084	2,010,875	19,193,476	21,442,435

BANK OF MONTSERRAT LIMITED
Notes to the Financial Statements *(continued)*
For the Year Ended September 30, 2025
(Expressed in Eastern Caribbean Dollars)

7. Investment securities *(cont'd)*

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

	2025	2024
	\$	\$
At beginning of the year	162,700,347	110,316,297
Additions	584,353,782	654,256,701
Sale or redemption	(564,599,998)	(601,872,651)
At end of the year	182,454,131	162,700,347

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

	2025	2024
	\$	\$
Cost	97,036,988	100,560,753
Change in fair values		
At beginning of the year	(5,287,309)	(13,201,451)
Movement for the year	3,166,979	7,914,142
At end of the year	(2,120,330)	(5,287,309)
	94,916,658	95,273,444

BANK OF MONTSERRAT LIMITED
Notes to the Financial Statements *(continued)*
For the Year Ended September 30, 2025
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8. Loans and advances to customers

	Notes	2025 \$	2024 \$
Performing loans			
Mortgages		68,947,093	72,685,719
Demand		24,402,735	24,886,202
Overdrafts		2,054,255	2,030,381
Student		1,349,578	1,407,906
Credit Cards	30	1,221,329	1,240,983
Staff		2,430,937	2,400,073
		<u>100,405,927</u>	<u>104,651,264</u>
Non-performing loans			
Mortgages		5,638,503	4,417,835
Credit Cards	30	2,402,256	1,867,369
Demand		2,194,093	273,877
Overdrafts		124,127	139,377
Student		23,939	-
		<u>10,382,918</u>	<u>6,698,458</u>
Total gross loans		<u>110,788,845</u>	<u>111,349,722</u>
Less allowance for impairment losses	10, 23	<u>(3,280,005)</u>	<u>(3,168,922)</u>
Total net loans		<u><u>107,508,840</u></u>	<u><u>108,180,800</u></u>

The weighted average effective interest rate on loan and advances to customers measured at amortised cost at September 30, 2025 was 6.27% (2024 - 6.27%).

9. Accrued interest receivable

	Note	2025 \$	2024 \$
Gross values:			
Investment securities at amortised cost		2,634,772	1,830,558
Loans and advances to customers		465,074	172,965
		<u>3,099,846</u>	<u>2,003,523</u>
Less allowance for impairment losses:			
Investment securities at amortised cost		(133,130)	(38,610)
Loans and advances to customers	23	-	-
		<u>(133,130)</u>	<u>(38,610)</u>
		<u>2,966,716</u>	<u>1,964,913</u>
Net carrying values:			
Investment securities at amortised cost		2,501,642	1,791,948
Loans and advances to customers		465,074	172,965
		<u>2,966,716</u>	<u>1,964,913</u>

BANK OF MONTSERRAT LIMITED
Notes to the Financial Statements *(continued)*
For the Year Ended September 30, 2025
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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:

	2025	2024
	\$	\$
Current		
Tax on prior year profits	-	-
Tax on profits	1,051,742	667,087
	<u>1,051,742</u>	<u>667,087</u>
Deferred		
Recognition of tax consequences on temporary differences	833,393	1,655,051
	<u>1,885,135</u>	<u>2,322,138</u>

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:

	2025	2024
Net income before tax	10,246,260	9,890,297
Non-taxable income as per Section 7.1 of the Income Tax Act	(4,281,115)	(3,889,730)
Non-deductible expenses	317,023	327,429
	<u>6,282,168</u>	<u>6,327,996</u>
Taxable income	6,282,168	6,327,996
Tax calculated at the applicable rate of 30% (2024 - 30%)	1,884,650	1,898,399
Adjustment to tax losses re: IRD Assessment	-	-
	<u>1,884,650</u>	<u>1,898,399</u>

Deferred tax asset

Deferred tax is calculated on temporary difference under the liability method using a tax rate of 30% (2024 - 30%).

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

	2025	2024
	\$	\$
Balance - beginning of the year	1,655,051	2,883,272
Recognition of deferred tax on temporary differences	(821,658)	(1,228,221)
	<u>833,393</u>	<u>1,655,051</u>
Balance - end of the year	<u>833,393</u>	<u>1,655,051</u>

BANK OF MONTSERRAT LIMITED
Notes to the Financial Statements *(continued)*
For the Year Ended September 30, 2025
(Expressed in Eastern Caribbean Dollars)

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

Deferred tax asset *(cont'd)*

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, 2025 have been recognised for the following:

	Notes	Tax base 2025 \$	Deferred tax asset/ (liability) 2025 \$	Tax base 2024 \$	Deferred tax asset/ (liability) 2024 \$
Pension plan - liabilities	11	1,054,884	316,465	1,054,412	316,324
Allowance for impairment losses on:					
Loans and advances to customers	8	3,280,005	984,002	3,168,922	950,677
Accrued interest receivables on loans and advances	9	38,611	11,583	38,611	11,582
Accelerated capital allowances		(1,643,183)	(492,955)	(2,336,072)	(700,822)
Tax losses carried forward		47,659	14,298	3,590,965	1,077,290
		<u>2,777,976</u>	<u>833,393</u>	<u>5,516,838</u>	<u>1,655,051</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.

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, 2025 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	2025 \$	2024 \$
Present value of obligations		(3,860,393)	(3,826,597)
Fair value of Plan's assets	6	<u>2,805,509</u>	<u>2,772,185</u>
Net defined benefit liabilities	10	<u>(1,054,884)</u>	<u>(1,054,412)</u>

BANK OF MONTSERRAT LIMITED
Notes to the Financial Statements *(continued)*
For the Year Ended September 30, 2025
(Expressed in Eastern Caribbean Dollars)

11. Pension plan *(cont'd)*

The movement in the defined benefit obligations is as follows:

	2025	2024
	\$	\$
Balance - beginning of the year	3,826,597	3,633,421
Current service cost	145,275	154,534
Interest cost	260,235	250,845
Benefits paid	(221,655)	(101,564)
Share of contribution by the employees	57,315	58,577
Re-measurement gain/(loss)	(207,374)	(169,216)
Balance - end of the year	3,860,393	3,826,597

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

	2025	2024
	\$	\$
Balance - beginning of the year	2,772,185	2,620,905
Interest income	191,779	185,439
Employer contributions	98,253	100,416
Contribution by plan participants	57,315	58,577
Benefits paid	(221,655)	(101,564)
Return on plan assets	(92,368)	(91,588)
Balance - end of the year	2,805,509	2,772,185

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

	Note	2025	2024
		\$	\$
Cash at bank	6	2,805,509	2,772,185
Assets recognised		2,805,509	2,772,185
Actual return on the Plan's assets		99,411	93,851
		2025	2024
	Note	\$	\$
Current service cost		145,275	154,534
Net interest income		68,456	65,406
Component of net pension expenses recorded in statement of income	24	213,731	219,940
Re-measurement losses on the net defined benefit obligations			
Return on Plan's assets		92,368	91,588
Actuarial gain/(loss) arising from the defined benefit obligations		(207,374)	(169,216)
Component of pension expenses recorded in Other Comprehensive Income		(115,006)	(77,628)
Total pension expenses		98,725	142,312

11. Pension plan (cont'd)

The principal actuarial assumptions used were as follows:

	2025	2024
	%	%
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:

	2025	2024
	%	%
Life expectancy at age 60 for current pensioner in years		
Male	22.0	22.0
Female	26.3	26.2
Life expectancy at age 60 for current members age 40 in years		
Male	22.9	22.8
Female	27.2	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, 2025, would have changed as a result of a change in the assumptions used.

	1% p.a. Increase	1% p.a. Decrease
	\$	\$
Discount rate	(494,748)	626,303
Future salary increase	298,545	(256,242)

An increase in one (1) year in the assumed life expectancies shown above would increase the defined benefit obligations as at September 30, 2025 by \$42,040 (2024 - \$40,562).

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

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 \$109,000 to the Plan during the 2025 - 2026 financial year.

BANK OF MONTSERRAT LIMITED

Notes to the Financial Statements *(continued)*

For the Year Ended September 30, 2025

(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 \$
Cost								
September 30, 2023		1,030,617	7,075,962	98,087	4,708,911	287,318	379,060	13,579,955
Acquisition		-	-	-	261,189	99,000	-	360,189
Disposals		-	(212,396)	-	(884,359)	-	(60,730)	(1,157,485)
September 30, 2024		1,030,617	6,863,566	98,087	4,085,741	386,318	318,330	12,782,659
Acquisition		-	-	-	96,258	-	60,681	156,939
Disposals		-	-	-	-	-	-	-
September 30, 2025		1,030,617	6,863,566	98,087	4,181,999	386,318	379,011	12,939,598
Accumulated depreciation								
September 30, 2023		-	2,326,944	19,618	4,454,688	198,968	342,504	7,342,722
Depreciation	26	-	137,270	9,809	171,300	23,550	15,798	357,727
Adjustment		-	-	-	-	-	-	-
Disposals		-	(212,396)	-	(884,359)	-	(60,730)	(1,157,485)
September 30, 2024		-	2,251,818	29,427	3,741,629	222,518	297,572	6,542,964
Depreciation	26	-	137,271	9,809	153,751	38,400	17,588	356,819
Disposals		-	-	-	-	-	-	-
September 30, 2025		-	2,389,089	39,236	3,895,380	260,918	315,160	6,899,783
Carrying amounts								
September 30, 2024		1,030,617	4,611,748	68,660	344,112	163,800	20,758	6,239,695
September 30 2025		1,030,617	4,474,477	58,851	286,619	125,400	63,851	6,039,815

BANK OF MONTSERRAT LIMITED
Notes to the Financial Statements *(continued)*
For the Year Ended September 30, 2025
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13. Intangible assets

	Note	Computer Software \$
As at September 30, 2023		
Cost		1,072,566
Accumulated amortisation		<u>(822,707)</u>
Net book value		<u>249,859</u>
For the year ended September 30, 2024		
Opening net book value		249,859
Additions		22,580
Amortisation charge for the year	26	<u>(85,373)</u>
Net book value		<u>187,066</u>
As at September 30, 2024		
Cost		1,095,146
Accumulated amortisation		<u>(908,080)</u>
Net book value		<u>187,066</u>
For the year ended September 30, 2025		
Opening net book value		187,066
Additions		54,918
Amortisation charge for the year	26	<u>(86,155)</u>
Net book value		<u>155,829</u>
As at September 30, 2025		
Cost		1,150,064
Accumulated amortisation		<u>(994,235)</u>
Net book value		<u>155,829</u>

14. RBC Intangible assets

Acquisition of the Operations of RBC Montserrat

On 1 April 2021, the Bank acquired the operations of RBC Montserrat as part of a regional transaction through which indigenous banks in the Eastern Caribbean purchased the business assets of the Royal Bank of Canada (“RBC”) in their respective jurisdictions. The Bank acquired the assets and liabilities of the Montserrat operations for a purchase consideration of \$2.6 million.

The transaction qualified as a business combination under IFRS 3 *Business Combinations* and has been accounted for using the acquisition method.

14. RBC Intangible assets *(cont'd)*

Purchase Price Allocation

At the acquisition date, the identifiable assets and liabilities of the operation were measured at fair value. As the fair value of tangible assets acquired equalled the liabilities assumed, the entire purchase consideration was allocated to identifiable intangible assets and goodwill components as summarised below:

Purchase price allocation (as at 1 April 2021)
(In Eastern Caribbean dollars)

As at April 1, 2021	Fair Value \$
Purchase Consideration	2,600,602
Identifiable intangible assets:	
Core deposit intangibles - Term Deposits	48,600
Core deposit intangibles - Current	3,453,300
Core deposit intangibles - Savings	1,630,800
Total identifiable intangible assets	5,132,700
Assembled workforce in place	518,400
Residual goodwill	(3,050,498)
Gain on acquisition	(2,532,098)

The gain on bargain purchase arose because the fair value of the identifiable net assets exceeded the purchase consideration. In accordance with IFRS 3, this gain was recognised immediately in profit or loss on the acquisition date.

Core Deposit Intangible

The core deposit intangible asset represents the present value of the economic benefits expected from the acquired deposit relationships. It is amortised on a straight-line basis over an estimated useful life of ten years. Movements in the carrying amount are as follows:

Movement in core deposit intangible

(In Eastern Caribbean dollars)

	Note	2025	2024
Opening net book value		4,106,160	4,619,430
Additions		-	-
Amortisation charge for the year	26	(513,270)	(513,270)
Net book value		3,592,890	4,106,160
Cost		5,132,700	5,132,700
Accumulated amortisation		(1,539,810)	(1,026,540)
Net book value		3,592,890	4,106,160

BANK OF MONTSERRAT LIMITED
Notes to the Financial Statements *(continued)*
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15. Other assets

	Note	2025 \$	2024 \$
Credit cards receivable	30	-	26,238,549
Miscellaneous		661,288	1,973,090
Prepayments and deposits		1,179,948	705,678
		<u>1,841,236</u>	<u>28,917,317</u>

16. Lease liability

On October 1, 2021, the Bank entered into a ten-year 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.

In accordance with IFRS 16, the Bank recognised a right-of-use (“ROU”) asset within property, plant and equipment and a corresponding lease liability within other liabilities.

(a) Right of use asset

	Note	2025	2024
Cost		68,660	78,469
Depreciation charge for the year		(9,809)	(9,809)
Net book value	12	<u>58,851</u>	<u>68,660</u>

(b) Lease liability

	Note	2025 \$	2024 \$
Present value of lease payments		20,830	23,267
Lease payments		(3,600)	(3,600)
Finance charges		1,042	1,163
Lease liability included in the statement of financial position	20	<u>18,272</u>	<u>20,830</u>

(c) Amounts recognised in profit or loss

	2025 \$	2024 \$
Finance charges on lease liability	1,042	1,163
Depreciation on right-of-use asset	9,809	9,809
	<u>10,851</u>	<u>10,972</u>

BANK OF MONTSERRAT LIMITED
Notes to the Financial Statements *(continued)*
For the Year Ended September 30, 2025
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16. Lease liability *(cont'd)*

(d) Amounts recognised in cashflow

	2025	2024
	\$	\$
Total cash outflow for leases	<u>3,600</u>	<u>3,600</u>

(e) The lease includes an option to renew for an additional term, exercisable up to six months before the end of the non-cancellable period. The Bank assesses whether it is reasonably certain to exercise the option when significant events or changes in circumstances occur.

17. Deposit liabilities

	2025	2024
	\$	\$
Retail		
Savings deposits	199,204,291	195,856,419
Demand deposits	10,148,653	24,552,173
Time deposits	13,443,197	13,460,333
	<u>222,796,141</u>	<u>233,868,925</u>
Corporate		
Savings deposits	14,350,683	7,878,282
Demand deposits	168,365,392	137,522,308
Time deposits	6,762,929	6,762,308
	<u>189,479,004</u>	<u>152,162,898</u>
	<u>412,275,145</u>	<u>386,031,823</u>

The weighted average effective interest rate of deposit liabilities as at September 30, 2025 was 1.13% (2024 - 1.17%)

18. Dividends payable

		2025	2024
	Note	\$	\$
Balance - beginning of the year		3,159,581	850,435
Dividends declared during the year		2,214,719	2,334,421
Dividends paid		(2,063,545)	(25,022)
Dividend payments converted to shares	21	(34,755)	(253)
Balance - end of the year		<u>3,276,000</u>	<u>3,159,581</u>

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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, 2025 are included in Note 25.

20. Other liabilities

	Notes	2025 \$	2024 \$
Accounts payable		2,635,463	1,805,966
Credit cards payable	31	1,850,058	30,196,194
Miscellaneous		1,775,410	4,015,142
Bank interest levy	19	1,197,144	1,172,142
Manager's cheque		136,097	134,269
Lease liability	16	18,272	20,831
		<u>7,612,444</u>	<u>37,344,544</u>

21. Share capital

	2025 Number of shares	2025 Value \$	2024 Number of shares	2024 Value \$
Authorised				
8,000,000 ordinary shares at a par value of \$3.75 per share				
Issued and fully paid				
Balance - beginning of the year	5,985,727	20,206,770	5,985,696	20,206,517
Dividend payments converted to shares	18	5,879	31	253
Balance - end of the year	<u>5,991,606</u>	<u>20,241,525</u>	<u>5,985,727</u>	<u>20,206,770</u>

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 \$2,272,737 (2024 - \$3,192,602) was transferred to the statutory reserve.

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Notes to the Financial Statements *(continued)*
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22. Statutory reserve *(cont'd)*

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

	2025 \$	2024 \$
Balance - beginning of the year	16,310,761	13,118,159
Transfer from un-appropriated retained earnings	2,272,737	3,192,602
Balance - end of the year	<u>18,583,498</u>	<u>16,310,761</u>

23. Allowance for impairment losses

	Investment securities (Note 7) \$	Loans and advances to customers (Note 8) \$	Accrued interest receivable (Note 9) \$	Totals \$
2025				
Allowance for impairment losses				
Balance - beginning of the year	21,559,444	3,168,922	38,610	24,766,977
Impairment losses during the year		111,083	94,520	205,603
Recovery of allowance for impairment losses	(117,009)	-	-	(117,009)
Balance - end of the year	<u>21,442,435</u>	<u>3,280,005</u>	<u>133,130</u>	<u>24,855,570</u>
2024				
Allowance for impairment losses				
Balance - beginning of the year	20,591,015	5,715,391	36,454	26,342,860
Impairment losses during the year	968,429	(2,546,469)	2,156	(1,575,884)
Balance - end of the year	<u>21,559,444</u>	<u>3,168,922</u>	<u>38,610</u>	<u>24,766,976</u>

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Notes to the Financial Statements *(continued)*
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23. Allowance for impairment losses *(cont'd)*

	Investment securities (Note 7) \$	Loans and advances to customers (Note 8) \$	Accrued interest receivable (Note 9) \$	Total \$
2025				
Gross before impairment	276,631,172	110,788,845	5,366,323	392,786,340
Stage 1: 12 month ECL	(238,083)	(617,912)	(3,526)	(859,521)
Stage 2: Lifetime ECL	(2,010,876)	(105,865)	(19,305)	(2,136,046)
Stage 3: Credit Impaired	(19,193,476)	(2,556,228)	(2,376,776)	(24,126,480)
Financial Assets - Lifetime ECL	<u>255,188,737</u>	<u>107,508,840</u>	<u>2,966,716</u>	<u>365,664,293</u>
2024				
Gross before impairment	256,977,308	111,349,722	6,287,720	374,614,750
Stage 1: 12 month ECL	(124,648)	(489,824)	(1,531)	(616,003)
Stage 2: Lifetime ECL	(4,380,183)	(183,782)	(60,405)	(4,624,370)
Stage 3: Credit Impaired	(17,054,613)	(2,495,316)	(4,260,871)	(23,810,800)
Financial Assets - Lifetime ECL	<u>235,417,864</u>	<u>108,180,800</u>	<u>1,964,913</u>	<u>345,563,577</u>

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:

	2025 \$	2024 \$
Special mention	21,847	2,430
Substandard	65,413	3,458
Doubtful	2,268,866	2,471,045
Loss	<u>2,424,801</u>	<u>1,940,944</u>
Loans with specific provision	4,780,927	4,417,878
General provision	<u>2,077,680</u>	<u>2,104,559</u>
Total regulatory provision	6,858,607	6,522,437
IFRS 9 provision	<u>(3,280,005)</u>	<u>(3,168,922)</u>
Excess of regulatory provision over IFRS 9 provision credited to equity	<u><u>3,578,602</u></u>	<u><u>3,353,514</u></u>

BANK OF MONTSERRAT LIMITED
Notes to the Financial Statements *(continued)*
For the Year Ended September 30, 2025
(Expressed in Eastern Caribbean Dollars)

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

Regulatory loan loss provision *(cont'd)*

The movement in the above provision is as follows:

	2025	2024
	\$	\$
Balance - beginning of the year	3,353,514	-
Recovery for loan loss	225,088	3,353,514
Balance - end of the year	3,578,602	3,353,514

24. Salaries and other benefits

	2025	2024
Note	\$	\$
Salaries, allowance and overtime	2,396,702	2,382,848
Other benefits	336,124	229,764
Social security and medical expenses	230,297	227,850
Net pension expenses	213,731	219,940
Staff performance bonus	247,000	240,000
Gratuity	91,415	88,198
Training and education	67,367	72,405
	3,582,636	3,461,005

25. Other operating expenses

	2025	2024
Note	\$	\$
Bank interest levy	1,070,892	1,024,800
Bank charges	700,093	633,470
Directors fees and expenses	520,567	564,690
Credit card processing expenses	358,794	437,948
Miscellaneous	357,812	178,585
Credit card network fees	325,289	413,868
Printing and stationery	207,411	96,788
Insurance	187,925	191,730
Advertising and promotion	93,975	93,727
Donations	88,880	59,122
Annual general meeting	71,164	57,247
Meetings and workshop	65,511	71,373
Membership and subscriptions	40,827	28,617
Vehicle expenses	34,587	26,033
Other office expenses	19,977	24,606
Landscaping and other related charges	15,000	15,000
Postage	4,218	7,337
Meals and entertainment	368	1,742
	4,163,290	3,926,683

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Notes to the Financial Statements *(continued)*
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26. Occupancy and equipment - related expenses

	Notes	2025 \$	2024 \$
Repairs and maintenance		1,486,650	1,409,088
Depreciation and amortisation	12, 13 & 14	956,244	956,370
Electricity and water		146,686	161,177
Telephone		97,260	105,296
Other		11,859	10,920
		<u>2,698,699</u>	<u>2,642,851</u>

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, 2025 and 2024 the outstanding balances on the Bank's related party receivables and payables are as follows:

	Interest rate %	2025 \$	Interest rate %	2024 \$
Loans and advances to customers	0.0-12.00	3,637,385	0.0 - 12.00	6,627,400
Deposit liabilities	0.0 - 3.25	16,497,234	0.0 - 3.25	22,984,533

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

	2025 \$	2024 \$
Interest income	172,734	350,736
Interest expense	257,119	281,050

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

	2025 \$	2024 \$
Short-term employee benefits	1,247,813	936,820
Directors fees and other benefits	520,567	564,690
Long-term employee benefits	149,010	126,204
	<u>1,917,390</u>	<u>1,627,714</u>

28. Commitments, guarantees and contingent liabilities

- a) There were no capital commitments as at September 30, 2025 (2024 - Nil).
b) Loan commitments and other off-balance sheet items were as follows:

	2025	2024
	\$	\$
Undrawn commitments	1,797,330	1,219,238
Acceptances guarantees and letters of credit	613,740	660,740
Other obligations	5,684,411	5,686,705

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 advice 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	2025	2024
		\$	\$
Total shareholders' equity		58,297,388	48,662,989
Total number of shares	21	5,991,606	5,985,727
Book value per share		9.73	8.13

30. Acquisition of credit card portfolio

On 4 April 2023, the Bank entered a transaction with Caribbean Credit Card Corporation (“4Cs”) for the acquisition of a credit card portfolio valued at \$2,828,244.

During the 2024 financial year, the Bank and 4Cs completed negotiations on settlement and processing arrangements, and on 20 November 2024, the Bank executed the Master Service Agreement, together with the related card-acquiring and card-issuing service agreements.

Under these agreements, settlement activities between the Bank and 4Cs are conducted on a net basis. As at 30 September 2025, the net amount payable to 4Cs is \$1,850,058, which is presented within Other liabilities (Note 20). (2024: gross receivable of \$26,238,549 and gross payable of \$30,196,194).

31. Basic and diluted earnings per share

	2025	2024
	\$	\$
Basic and diluted EPS		
Net income/(loss) attributable to the shareholders	8,361,610	7,991,898
Weighted average number of shares	5,991,358	5,985,713
	<u>1.40</u>	<u>1.34</u>

Basic earnings per share

Earnings per share of \$1.40 (2024 - \$1.34) for the year ended September 30, 2025, is calculated by dividing the net income attributable to the shareholders of \$8,361,610 (2024 - \$7,991,898) by the weighted average number of ordinary shares in issue for the year of 5,991,358 (2024 - 5,985,713).

32. Prior period error and restatement of comparative information (2024)

During the preparation of the financial statements for the year ended 30 September 2025, management identified a prior period error in the calculation of the expected credit loss (“ECL”) allowance for loans and advances for the year ended 30 September 2024.

The error was identified during the 2025 audit following a review of the IFRS 9 ECL calculations. Management was advised by the specialist supporting the ECL calculations that the issue arose from a bug in the Stage 3 ECL computation. Specifically, when determining exposure at default (“EAD”) for Stage 3 loans, the calculation used gross loan balances without deducting discounted collateral values, which resulted in the ECL allowance being overstated.

As a result, the 2024 IFRS 9 ECL calculations were reperformed. Based on the recalculated figures, management concluded that the impact was material and has therefore restated the comparative information for 2024 presented in these financial statements.

32. Prior period error and restatement of comparative information (2024) (cont'd)

In the previously issued 2024 audited financial statements, the IFRS 9 provision was recorded at \$6,758,867.69. Following reperformance, the corrected IFRS 9 provision was \$3,168,922.23, a difference of \$3,589,945.46 (overstatement of ECL in the prior year). In 2024, the error resulted in an additional provision being recognized, whereas the corrected computation indicates that a recovery of allowance should have been recognized.

The correction of this prior period error affected multiple balances, including:

- loans and advances to customers (through the ECL allowance);
- impairment/recovery of allowance for impairment losses;
- income tax and deferred tax balances;
- staff bonus accrual;
- unappropriated retained earnings;
- Statutory Reserve; and
- appropriated retained earnings - loan loss reserve.

The comparative figures for 2024 and the affected opening balances at 1 October 2024 have been restated accordingly.

(a) Effect on the Statement of Financial Position as at 30 September 2024

Line item	Previously reported	Restatement adjustment	Restated
Loans and advances to customers	104,590,854	3,589,946	108,180,800
Deferred tax asset	2,720,785	(1,065,734)	1,655,051
Other liabilities	37,269,543	75,001	37,344,544
Income tax payable	678,337	(11,250)	667,087
Statutory Reserve	15,818,668	492,093	16,310,761
Appropriated retained earnings - loan loss reserve	-	3,353,514	3,353,514
Unappropriated retained earnings	16,518,811	(1,385,146)	15,133,665
Total equity	46,202,528	2,460,461	48,662,989
Total assets	474,620,717	2,524,212	477,144,929

32. Prior period error and restatement of comparative information (2024) (cont'd)

(b) Effect on the Statement of Comprehensive Income for the year ended 30 September 2024 (selected line items)

Line item	Previously reported	Restatement adjustment	Restated
Salaries and other benefits	(3,386,005)	(74,999)	(3,461,004)
Net operating income before impairment	8,342,210	(74,999)	8,267,211
Recovery of allowance for impairment losses	72,015	2,546,469	2,618,484
Write-off of allowance for impairment losses	(2,014,062)	1,043,476	(970,586)
Impairment losses on financial assets (net)	(1,966,859)	3,589,945	1,623,086
Net income before tax	6,375,351	3,514,946	9,890,297
Income and deferred taxation	(843,916)	(1,054,483)	(1,898,399)
Net income for the year	5,531,435	2,460,463	7,991,898
Total comprehensive income	13,502,546	2,460,463	15,963,009
Basic and diluted earnings per share	0.92	0.42	1.34

(c) Effect on the Statement of Changes in Equity and opening balances at 1 October 2024

Because the error affected 2024 profit and reserve movements, the restatement also affected equity appropriations and the opening balances for 2025. The principal effects include:

- an increase in total comprehensive income for 2024 from \$13,502,546 to \$15,963,009;
- an increase in the transfer to Statutory Reserve from \$2,698,560 to \$3,192,602;
- recognition of appropriated retained earnings - loan loss reserve of \$3,353,514; and
- a decrease in unappropriated retained earnings to \$15,133,665 (from \$16,518,811 previously reported).

32. Prior period error and restatement of comparative information (2024) *(cont'd)*

Tax and deferred tax

The Bank applies a corporate income tax rate of 30%. The IFRS 9 ECL provision is not deductible for tax purposes when recognized and is generally deductible only when a loan is written off in accordance with the applicable tax legislation. Accordingly, the restatement of the ECL balances resulted in corresponding changes to current tax, deferred tax, and related tax expense in the 2024 comparative information.

Comparative balances in Note 10 (Income and deferred taxation), including tax on profits, deferred tax on temporary differences, and the deferred tax asset movement, have been restated accordingly.

Regulatory reserve

In accordance with regulatory requirements, the Bank maintains a loan loss reserve. Where the IFRS 9 ECL allowance is lower than the required regulatory reserve, the shortfall is appropriated from unappropriated retained earnings to appropriated retained earnings - loan loss reserve. The 2024 comparative balances have been restated to reflect the corrected IFRS 9 ECL allowance and the related appropriation.

33. Subsequent events

Soufriere Hills volcano

The Soufrière Hills volcano remains at Hazard Level 1 and poses no material risk to the Bank's operations or the value of its assets, all of which are located within the designated safe zone in the northern part of Montserrat.