
BANK OF MONTSERRAT LIMITED

PROSPECTUS

Date: 20 March 2013

- I. SHARE OFFERING OF 4,234,520 ORDINARY SHARES**
 - A. ADDITIONAL PUBLIC OFFERING OF 234,520 ORDINARY SHARES PRICED AT EC\$5 TO EXISTING SHAREHOLDERS**
 - B. RIGHTS OFFERING OF 4,000,000 ORDINARY SHARES PRICED AT EC\$5 TO EXISTING SHAREHOLDERS, EC\$6 TO EXISTING SHAREHOLDERS WHO HAVE NOT EXERCISED THEIR RIGHTS AT \$5, AND EC\$7.50 TO NEW SHAREHOLDERS, PAYABLE IN FULL ON APPLICATION**

The procedure for subscription is set out on Pages 20 & 64
Subscriptions should be received by 2:00pm on 3 May 2013

INTRODUCTION

The Board of Bank of Montserrat Limited has approved the following activities related to this prospectus. Firstly, the Board has passed a resolution sanctioning a stock split of ten (10) new shares for each original share held. This procedure involves the reduction in value of each share from its current par value of EC\$50 to EC\$5. In addition the Board has approved a bonus share issue of two (2) shares to each new share held.

Secondly, the Board has sanctioned the declaration of a rights issue of one share for each new share held to be sold at EC\$5 to existing shareholders, at EC\$6 for those rights not exercised by existing shareholders and taken up by other current shareholders, and at EC\$7.50 to new shareholders.

Thirdly, with respect to Staff and Management, the Board has approved their eligibility to buy shares at six dollars per share from the non-rights issue up to their monthly salary level to a maximum of 4,000 shares. With respect to Directors, the Board has approved each Director's eligibility to purchase up to 4,000 shares from the non-rights issue at six dollars per share.

Fourthly, the Government of Montserrat has agreed in principle to divest itself¹ of a portion of its majority stake of 70.2 percent in Bank of Montserrat Limited so as to achieve its target of retaining only a minority stake of 20 percent. This shall be accomplished via sale of 20 percent of the bank's equity to Montserrat Social Security Fund; 20% of the bank's equity to a strategic partner of Bank of Montserrat Limited – one with whom operational synergies can be leveraged; and 10.2 percent of the bank's equity to new shareholders with preference given to resident Montserratians and those in the diaspora.

Fifthly, an additional public offer of 234,520 ordinary shares to round off the total shareholding to 4,000,000 after the stock split and bonus issue. Then a rights issue of 4,000,000 ordinary shares shall be made to satisfy the demand for a stake in Bank of Montserrat Limited priced at \$EC5.00 and EC\$6.00 per share to existing shareholders exercising their rights, and EC\$7.50 per share to new shareholders payable in full on application.

¹ Potential investors are hereby advised that the Government of Montserrat divestment does not constitute a part of this current offering.

DISCLAIMER

This Prospectus for the subscription for a share offering of ordinary shares in Bank of Montserrat Limited (BML) has been prepared and delivered in accordance with the Securities (Prospectus) Regulations 2001 and has been filed with the Eastern Caribbean Securities Regulatory Commission (ECSRC), Basseterre, St. Kitts pursuant to Part VII, Section 92(3) of the Montserrat Securities Act, No. 4 of 2001, effective 1 January 2002.

The Directors of BML collectively and individually accept full responsibility for the accuracy of the information given and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in the Prospectus misleading.

The Prospectus includes projections, based on assumptions for revenues and other financial information, the outcome of which may or may not be realized. While the Directors and Officers of BML believe that the projections herein are likely to be attained, unforeseen circumstances and/or unknown factors may cause the actual results to vary from such projections. Neither the Bank nor its Directors accept any responsibility in respect of any such unforeseen variations.

The ECSRC accepts no responsibility for the contents of this Prospectus and disclaims any liability whatsoever for any reliance upon the contents of this Prospectus wholly or partly. Prospective investors should not construe the contents of this Prospectus as legal or financial advice. If you are in doubt about the contents of this document you should consult a person licensed under the Securities Act who specializes in advising on the acquisition of shares and other securities.

This Prospectus has also been prepared and delivered to the Registrar of Companies in accordance with the Companies Act 2002, Cap11.12 Sections 311 (1) of Montserrat. The Registrar of Companies of Montserrat accepts no responsibility for the accuracy and veracity of the contents of this Prospectus.

**SHARE
OFFERING**

This is a Prospectus for the subscription for a share offering of common shares in Bank of Montserrat Limited. This offer is part of the Bank's strategic thrust to augment its capital base and to facilitate greater participation of existing shareholders and the Montserratian diaspora to increase or acquire an equity interest in the Bank and to participate in its future growth and development.

This share offering is made upon the terms and conditions contained in the Prospectus, and no person has been authorized to give any information or to make any representation with regard to Bank of Montserrat Limited, other than those contained in this Prospectus, and if given or made, such information or representation must not be relied upon as having been authorized by the Bank or its Directors.

This Prospectus does not constitute and may not be used for the purpose of making an offer or solicitation to anyone in any jurisdiction in which such an invitation, offer or solicitation is not authorized, or to any person or persons to whom it is unlawful to make such invitation, offer or solicitation and is therefore void where prohibited. In addition, no person may use an Application form in an overseas territory unless, in the relevant territory, such an offer or solicitation could lawfully be made to him or her or such form could lawfully be used by him or her without contravention of any registration or other regulatory or legal requirement. It is the responsibility of any qualifying person in any overseas territory who wishes to make an application to satisfy himself as to the full observance of the laws of the relevant territory in connection therewith, including obtaining any Government or other regulatory consents which may be required, or observing other formalities needing to be observed in such territory.

CORPORATE INFORMATION

Corporate Address

Bank of Montserrat
Limited
Brades Main Road
Brades, Montserrat
West Indies
Telephone #s: 664-491-
3162/3188/3843
Facsimile #: 664-491-3163

Corporate Secretary

Mr. John Allen

Auditors

KPMG LLC
Caribbean Commercial Centre
P.O. Box 136
The Valley, Anguilla
British West Indies

Website: www.bankofmontserrat.ms

E-mail: manager@bankofmontserrat.ms

Legal Counsel

Allen Markham & Associates
100 Banks
Montserrat

- ✚ Bank of Montserrat Limited (the Bank) was incorporated on 3 May 1988 and continued under the Companies Act 1992 of Montserrat and is licensed in accordance with Section 3(1) of the Banking Act 2005 (no. 19 of 2005).
- ✚ Bank of Montserrat Limited is an affiliate member bank of the Caribbean Association of Banks (CAB), Eastern Caribbean Institute of Banking (ECIB), Caribbean Association of Audit Committee Members Inc. (CAACM), and the Caribbean Bankers User Group (CBUG).
- ✚ Bank of Montserrat Limited's correspondent banking relations include Antigua Commercial Bank – Antigua, Barbados National Bank – Barbados, National Bank of Anguilla – Anguilla, St Kitts Nevis Anguilla National Bank – St Kitts, Bank of St Lucia – St Lucia, Bank of America – UK, Bank of America – USA and Crown Agents – UK.

**PERSONS ENGAGED
FOR THE
PROSPECTUS**

This prospectus was prepared by:

Allen, Thomas & Associates

Chartered Accountants

P.O. Box 2670

High Street

St. John's, Antigua

Telephone: 268-562-1870

Broker:

First Citizens Investment Services Limited

9 Brazil Street

Castries, St. Lucia

Telephone: 758-450-2662

Fax: 758-451-7984

Website: www.firstcitizensinvestment.com

E-mail: stlucia@firstcitizensslu.com

Other Service Providers:

Eastern Caribbean Securities Exchange Ltd.

P.O. Box 94, Bird Rock

Basseterre, St. Kitts

Telephone: 1-869-466-7192

Fax: 1-869-465-3798

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Act or Acts:	The relevant “Acts” referred to throughout this Prospectus refer to the Acts of the Parliament of Montserrat.
APO:	Additional Public Offer
BML:	Bank of Montserrat Limited
Currency Equivalent:	“Dollars” or “EC\$” throughout this Prospectus refer to Eastern Caribbean Dollars unless otherwise stated. The Exchange rate is as follows: US\$1.00 = EC\$2.70 EC\$1.00 = US\$0.37
“Directors”:	Directors of Bank of Montserrat Limited
“Government”:	The Government of Montserrat
ECCB:	Eastern Caribbean Central Bank
ECCU:	Eastern Caribbean Currency Union
OECS:	Organization of Eastern Caribbean States
ECSRC:	Eastern Caribbean Securities Regulatory Commission
ECSE:	Eastern Caribbean Securities Exchange Limited
ECHMB	Eastern Caribbean Home Mortgage Bank
ECIB	Eastern Caribbean Institute of Banking
CLICO	Colonial Life Insurance Company Ltd.
BAICO	British American Insurance Company Ltd.
Dividend Yield:	The percentage calculated when the numerator is the actual or projected dividends per share in a financial period and the denominator is the offer share price of BML.

DEFINITIONS & ABBREVIATIONS

Dividends per Share:	DPS – The actual or projected dividends divided by the number of shares outstanding.
Earnings per Share:	EPS – The amount calculated when the numerator is net income and the denominator is the number of shares in issue during the relevant financial period.
Return on Assets:	ROA – The percentage calculated when the numerator is net income and the denominator is the total assets during the financial period.
Return on Equity:	ROE – The percentage calculated when the numerator is net income and the denominator is the total shareholders' equity during the relevant financial period.
Efficiency Ratio:	A measure of the bank's overhead as a percentage of its revenue. Derived by overhead divided by adjusted operating income; where overhead = all operating expenses except interest expense and Provisions for Loan Losses; and adjusted operating income = net interest income + non-interest income.
Dividend Payout Ratio	The fraction of net income a company pays to its stockholders in dividends calculated by dividends divided by net income for the same period.
Book Value per Common Share	Total shareholder equity less preferred equity divided by total shares outstanding
GOM:	Government of Montserrat
MSSF:	Montserrat Social Security Fund
Public of Montserrat	Citizens of Montserrat living in Montserrat and abroad

DEFINITIONS & ABBREVIATIONS

**LETTER FROM
THE CHAIRMAN**

20 March 2013

Dear Investors,

It is with a profound sense of pride that we offer you the opportunity to invest in the Bank of Montserrat Limited, or to increase your existing investment. BML is one of two commercial banks operating on Montserrat today but is the only indigenous bank on the island. As such it plays a pivotal role in the socio-economic development of the country and the dreams and aspirations of all Montserratians at home and abroad.

The share offering outlined in this Prospectus seeks to raise a minimum of EC\$20M from Montserratian and other investors. The proceeds of the share issue will serve to augment the Bank's capital base thereby allowing the Bank to offer larger commercial loans without contravening statutory restrictions on large credit exposure and also to mobilize more deposits particularly from the diaspora.

Added impetus for this share offering derives from the Bank's business strategy which is predicated on re-privatization and the establishment of important partnerships with strategic stakeholders. In this vein, the Government of Montserrat has agreed and is committed to divesting² the bulk of its shares such that its equity stake in BML is reduced to no more than 20 percent. Accordingly, The Montserrat Social Security Fund, the largest source and generator of long term savings in Montserrat will be offered 20 percent of the bank's equity from GOM shareholdings.

The Bank's thrust to diversify ownership is also an important aspect of this share offering. Thus, the Bank hopes to entice the approximately 40,000 Montserratians in the diaspora, who have always been desirous of owning shares in BML, to fully participate in this offering and own a part of a uniquely Montserratian financial institution. The Bank also hopes to target these Montserratians by offering on-line banking services, credit and debit cards to facilitate immediate access to their accounts at BML.

² Potential investors are hereby advised that the GOM divestment does not constitute a part of this current offering.

**LETTER FROM
THE CHAIRMAN**

The augmentation of the Bank's capital base shall also serve to leverage its position as it seeks a strategic partner in the form of another indigenous Bank in the region. This strategy is important as the Bank seeks to reduce per unit administrative costs by being able to share information technology, risk management, internal audit, and business continuity with its strategic partner. This will also enable the bank to participate in commercially viable projects throughout the OECS and beyond.

Bank of Montserrat Limited's financial performance from inception has been influenced to a significant extent by factors external to it. Chief among these is the Soufriere Hills Volcano which roared to life in July 1995 rendering two-thirds of the island uninhabitable and causing over 70 percent of the population to migrate. This had a debilitating effect on the Montserratian economy and by extension BML, whereby the quality of the loan portfolio deteriorated as customers though very willing were constrained in their ability to continue servicing their debts and the Bank's ability to recover bad debts was severely compromised.

The attendant decline in bankable projects in Montserrat prompted the Bank to diversify its portfolio into other revenue generating assets which culminated in investments in certificates of deposit with CLICO and BAICO. Like other financial institutions throughout the OECS that invested in these companies, the Bank has had to make provisions for impairment losses on these investments within the last three years. At the end of financial year 2011, these investments were fully provided for. It is also noteworthy, that in the five years prior to making provisions on these investments, from September 2005 to 30 September 2009, the Bank showed a positive trend in net income.

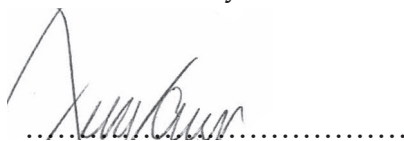
BML has confronted and surmounted the challenges of the past, and we are confident that future challenges will be overcome just as well. BML is well poised to take advantage of the projected growth in the Montserratian economy of 4.22 percent in 2012 as a result of a number of projects including the Road Rehabilitation

**LETTER FROM
THE CHAIRMAN**

Project, continuation of the Private Sector investment in the new Town Centre at Little Bay, the Museum, Government Accommodations, Volcano Interpretation Centre, the Lookout School Expansion Project, the Hospital Redevelopment Project, the Montserrat Utilities Power Generation Plant, as well as initiatives relating to geothermal energy exploration and sand mining. These projects and initiatives will redound to the benefit of Montserrat and BML.

We invite you to consider investing in BML shares. In making this decision, we encourage you to read the prospectus in full, bearing in mind your own personal financial position and risk tolerance.

Yours sincerely



Kenneth Allen QC
CHAIRMAN

THE OFFER

This prospectus contains information about the Additional Public Offer by Bank of Montserrat Limited. The terms of the share offering are outlined in Table 1 below.

Table 1: Summary of the Offer

Offer Statistics	
Additional Public Offer – Ordinary Shares	234,520
Rights Issue - Number of Ordinary Shares Offered	4,000,000
Price per Ordinary Share to existing shareholders	\$5.00, \$6.00
Price per Ordinary Share to staff and directors	\$6.00
Price per Ordinary share to new shareholders	\$7.50
Minimum Investment*	\$750 or 100 shares
Aggregate Offer Value	EC\$22M
Offer Opens:	2-April-13
Offer Closes:	10-May-13
Allotment of Pre-emptive Rights:	17-May-13
Allotment to General Public:	24-May-13
Issue date:	31-May-13

* Minimum investment criteria do not apply to existing shareholders who are exercising their rights at \$5 and \$6. Minimum investment for staff and directors is \$600 or 100 shares

Background of Bank of Montserrat Limited

Bank of Montserrat Limited was established on 3 May 1988 when the dream of a group of Montserratians to open the first indigenous bank in Montserrat became a reality. It is one of two banks currently operating on the island of Montserrat, the other one being a foreign branch bank. BML has 65% of the market share of deposits and 85% of the market share of loans.

EXECUTIVE SUMMARY

Table 2: Five-Year Summary of Income Statement for the year ended 30 September

Particulars (EC\$)	2012	2011	2010	2009	2008
Operating Income (\$'000)	7,470	8,268	7,673	12,595	8,492
Operating Expenses (\$'000)	6,263	5,166	5,406	5,180	5,038
Impairment Losses/(Gains) (\$'000)	(6,106)	13,400	7,340	4,919	369
Net (Loss)/Income (\$'000)	7,312	(10,297) ³	(5,073) ⁴	2,494	3,085
Return on Equity (%)	35.61	(83.20)	(20.70)	8.31	10.99
Basic EPS	58.26	(97.79)	(48.18)	23.74	29.04

Table 3: Five-Year Summary of Balance Sheet as at 30 September

Particulars (EC\$)	2012	2011	2010	2009	2008
Customers' Deposits (\$'000)	174,312	174,220	160,764	136,578	146,812
Total Assets (\$'000)	199,408	192,364	190,144	171,455	182,874
Total Equity (\$'000)	20,535	12,375	24,506	30,007	27,708
Share Capital (\$'000)	6,276	5,276	5,264	5,255	5,241
Return on Assets (%)	3.67	-5.35	-2.67	1.46	1.66
Dividend Payout (%)	-	-	-	8.40	12.03
Book Value per Common Share	163.61	117.54	232.74	285.49	264.32

Key Forecasted Performance Indicators

Table 4: Projected Key performance Indicators (After Share Offering)

Particulars (EC\$)	2013 ^F	2014 ^F	2015 ^F
Profit after Tax (EC\$ '000)	3,041	2,843	3,127
No. Common Shares Outstanding after Offer ('000)	8,000	8,000	8,000
Basic Earnings per Share (\$)	0.38	0.36	0.39
Dividends Declared ('000)	1,708	975	1,073
Dividends per Share (\$)	0.21	0.12	0.13
Dividend Payout Ratio (%)	34.3	34.3	34.3
Dividend Yield @ \$5 per share (%)	4.27	2.44	2.68
Dividend Yield @ \$6 per share (%)	3.56	2.03	2.23
Dividend yield @ \$7.50 per share (%)	2.85	1.63	1.79

F = Forecasted

³ Losses have resulted from provisions for impairment losses associated with CLICO and BAICO amounting to \$13.40m

⁴ Losses have resulted from provisions of EC\$8.34m made for impairment losses associated with investments held with CLICO and British American Insurance Company Ltd (BAICL)

1.0 THE OFFER

BANK OF MONTSERRAT VISION

The Bank's vision is to be the leading commercial bank in Montserrat and a major regional bank in the Eastern Caribbean serving a diverse customer base locally, regionally and internationally, particularly the Montserratian and Caribbean diaspora.

BANK OF MONTSERRAT LIMITED MISSION

The Bank's mission is to deliver efficient and attractive banking services within Montserrat and abroad on a commercially and operationally sustainable basis.

BML'S OBJECTIVES

The major objective of BML is to restore its capital base which has experienced some diminution as a result of losses incurred due to provisions made for impairment losses in the investment portfolio, particularly CLICO and BAICO. Our goal is to augment its capital base to provide a firmer platform for future growth and expansion, and to leverage the Bank's position in attracting new strategic partners.

1.1 IMPORTANT OFFER INFORMATION

- 1.1.1 This share offering is pursuant to a resolution passed at BML Board Meeting of 12 December 2012 to raise additional capital through a share issue and at a Special Meeting of shareholders held on 28 February 2013 to increase the authorized shares from 200,000 to 12,000,000 and to increase the issued from 125,516 to 8,000,000. The rationale for the share offering is to restore and augment the Bank's capital base which has been eroded from impairment losses incurred on investments held with CLICO and BAICO in 2009, 2010 and 2011. Also the bank needs to boost its capital in order to overcome statutory limitations relating to its capacity to grant large commercial loans and to increase its deposit base. In addition, as the Bank seeks to position itself within the new banking paradigm in the OECS that is leaning towards amalgamation, it is imperative that the Bank enhance its financial position to increase its leverage in future negotiations with strategic partners.
- 1.1.2 This share offer is geared towards ensuring that existing shareholders maintain or increase their equity stake in a viable and progressive Montserratian financial institution, but allow for wider ownership by Montserratians abroad and other OECS nationals.

1.0 THE OFFER

The particulars of the Share Offering are outlined in Table 5 below:

Table 5: Particulars of the Share Offering

Number of Ordinary Shares Offered	4,234,520
Price per Ordinary Share to existing shareholders exercising their rights	\$5.00
Minimum Subscription	Not applicable
Price per Ordinary Share to existing shareholders exercising rights which have not been subscribed	\$6.00
Minimum Subscription	Not applicable
Price per Ordinary Share to staff and directors*	\$6.00
Minimum Subscription	\$600 or 100 shares
Price per Ordinary Share to new shareholders	\$7.50
Minimum Subscription	\$750
Aggregate Offer Value	\$22,000,000
Offer Opens:	2-April-13
Offer Closes:	10-May-13
Allotment of Pre-emptive Rights	17-May-13
Allotment to General Public	24-May-13

* *Staff are eligible to purchase shares from the non-rights issue equal to their monthly salary up to a maximum of 4,000 shares at \$6 per share*

* *Directors are eligible to purchase shares from the non-rights issue up to 4,000 shares at \$6 per share*

The shares offered are ordinary shares of \$5 par value. Each ordinary share ranks equally as to capital, dividend and right upon liquidation and carries one vote at all shareholders' meetings.

Shareholders on record immediately following the close of the share offering will be entitled to any dividends declared by the Company.

In accordance with Section 9(1) (a) of the Banking Act of Montserrat, No.34 of 2005, no person shall hold or acquire either directly or indirectly more than 20% of the issued shares of the company except with the approval of the Eastern Caribbean Central bank.

1.0 THE OFFER

1.2 SHARE CAPITAL

1.2.1 **AUTHORIZATION:** Bank of Montserrat Limited is authorized to issue an unlimited number of common shares in accordance with section 3 of its Articles of continuance 1997, certified by the Registrar of Companies under section 365 of the Companies Act.

1.2.2 **ISSUED AND FULLY PAID:** 125,516 common shares

1.2.3 **THIS Share Offering:** 4,234,520 shares

1.3 OFFER PRICE DETERMINATION

1.3.1 In determining the offer price of \$7.50 per share to new shareholders, various valuation methodologies were considered to deduce an indicative share price. This valuation is an estimate of the fair value of the common shares and is based on a specific set of circumstances at a particular point in time. Key factors taken into consideration include but are not limited to:

- ↵ local, regional and international economic and financial market trends;
- ↵ historical and projected financial performance of BML;
- ↵ the perception of existing and prospective investors' expectations; and
- ↵ the intrinsic value of BML's shares on account of the value of its assets.

1.4 AVAILABILITY OF THE OFFER AND SUBSCRIPTION PERIOD

1.4.1 The Offer will open on 2 April 2013 at 9:00 a.m. and close at 2:00 p.m. 10 May 2013, unless extended by BML in its sole discretion.

1.4.2 The Application Forms shall be made available from the date of publication of this prospectus and may be obtained from:

- a. BML Headquarters, Brades, Montserrat, West Indies
- b. The Bank's website: www.bankofmontserrat.ms
- c. First Citizens Investment Services Ltd - Authorized Broker/Agent

1.4.3 If the closing date of the Offer is extended, such extension shall be announced by press release issued by BML or on its behalf by its agents and shall also be immediately announced on its website.

1.5 PRE-EMPTIVE RIGHTS

1.5.1 Existing shareholders on record as at 30 September 2012 shall have the right to maintain their existing percentage ownership and will be given pre-emptive rights to purchase additional shares proportionate to the percentage of issued shares they already hold.

1.0 THE OFFER

1.6 FINANCIAL RESTRUCTURING

- 1.6.1 **Stock Split:** The Board has passed a resolution to implement a stock split of original par value of the shares from \$50.00 to \$5.00.
- 1.6.2 **Bonus Issue:** The Board has passed a resolution for a bonus share issue of two (2) shares to each new share held.
- 1.6.3 **Rights Issue:** As required by law, the first offer of new shares has to be made to existing shareholders to allow them to preserve their proportionate rights in the company, if they so desire.

Therefore the Board has passed a resolution that each of the newly converted shares should have the right to purchase up to one of the new shares in the rights issue at a share price of five dollars.

The rights will be made available at \$5 per share to existing shareholders from offer opening date for a period of two weeks – ending 12 April 2013.

The rights which have not been subscribed will be made available to existing shareholders who have already exercised their rights, but their price will be at \$6 per new share and this offer will remain open for two weeks – ending 26 April 2013. Existing shareholders who wish to exercise these rights at \$6 must make their requests known on the application form and allotments will be determined by the bank. Any remaining rights that have not been taken will be made available to non-shareholders at a price of \$7.50 per share and this offer will remain open for a period of two weeks – ending 10 May 2013. After this the offer will be closed.

If existing shareholders desire to purchase shares in excess of their rights, they will have to subscribe at \$7.50. Any surplus of monies paid for shares which have not been allotted shall be refunded.

1.7 PROCEDURE FOR PURCHASE OF ORDINARY SHARES

- 1.7.1 Investors resident in Montserrat should complete the subscription form and submit applications by stipulated deadline to the Corporate Secretary at BML's Corporate Address on **page 5** of this Prospectus. Investors outside of Montserrat can purchase shares by submitting applications to the authorized broker – First Citizens Investment Services Limited (First Citizens) - see address and contact details on **page 6** of this Prospectus.

1.0 THE OFFER

1.7.2 There are currently no arrangements in place for dealings in the securities on a licensed securities exchange since no application has yet been made by BML for admission to any licensed securities exchange.

1.8 SUBSCRIPTION TERMS AND CONDITIONS

1.8.1 All subscriptions become irrevocable after submission, and when received by any of the authorized agents.

1.8.2 A maximum of three joint applicants is allowed for each subscription, except in the case of existing joint shareholders exercising their pre-emption rights. In such cases a primary shareholder should be identified.

1.9 USE OF PROCEEDS, EXPENSES & COMMISSIONS

1.9.1 Net proceeds are estimated to range from EC\$19,705,000 to EC\$21,705,000. The Bank will receive the full subscription proceeds which shall be used to augment the Bank's capital thereby increasing the capital adequacy ratio to the level it was at prior to the impairment losses being incurred for CLICO and BAICO.

1.9.2 Expenses associated with the share offering are estimated at EC\$295,000, including the cost of preparation, printing, and marketing of the prospectus as well as brokerage fees. BML and the Government have reached an agreement whereby these costs will be shared in the proportion of 62.5% by BML and the 37.5% by the Government.

1.9.3 Commissions associated with this share offering are those which shall be paid to First Citizens for marketing the shares throughout the OECS and beyond. The cost associated with this activity is estimated at EC\$25,000.00

1.10 DIVIDEND POLICY

1.10.1 Being mindful of the need to incentivize shareholders by providing an attractive return on equity as well as to ensure that adequate funds are retained to fund growth and expansion opportunities, the Board of Bank of Montserrat plans to declare and pay dividends to the holders of ordinary shares each year. The proposed policy shall be predicated on the following:

- ▣ As required by the Banking Act, BML will appropriate at least 20% of its profits to statutory reserves for as long as those reserves are not equal to its paid up capital.
- ▣ After this deduction the Board will appropriate 10% of the net profits after tax to fund:

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- ▶ Bonus incentives for staff to reward exceptional performance
- ▶ Socio-economic causes, in equal partnership with the Government of Montserrat and Montserrat Social Security, for creating youth equity funds for productive enterprises
- ▶ Special assistance for tertiary education to disadvantaged youth.

◆ Seventy percent of the remaining net after tax profits will be allocated to shareholders as follows:

- ▶ 49% as dividends
- ▶ 21% to retained earnings.

ALLOCATION OF PROFITS	
	Percentage
Statutory Reserves	20%
Staff Performance Incentives	4%
Social/Economic/Educational Contributions	6%
Sub-total	30%
Remaining 70% of net after tax profits allocated as follows:	
Dividend Payout (49% of remaining 70%)	34.3%
Retained Earnings (51% of remaining 70%)	35.7%
Sub-total	70.0%
TOTAL	100%

1.10.2 Dividends will be paid to shareholders from net income after taxes. Dividend payments will be made once a year after the financial year. Consideration shall be given to paying an interim dividend to shareholders after the half-year results, and the balance will be paid after the fiscal year-end.

1.10.3 Bank of Montserrat's policy regarding the payment of dividends will conform to the provisions of Companies Act 2002 of Montserrat and subsection 14(1) of the Banking Act. Section 14(1) of the Banking Act states that no dividend shall be declared, credited or paid from profits if such

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declaration, credit or payment would result in an impairment of the capital requirements under the Banking Act of Montserrat.

DIVIDENDS PAID FOR THE 5-YEAR PERIOD (2008 - 2012)

Year	2008	2009	2010	2011	2012
	\$	\$	\$	\$	\$
Dividends Paid	366,324	313,713	0	0	0
Dividends per Share	3.49	2.98	0.00	0.00	0.00

PROJECTED DIVIDENDS OVER NEXT 5-YEAR PERIOD (2013 – 2017)

The Board has sanctioned a special dividend on original shares to be paid to current shareholders in recognition of their forbearance during the last 20 years of receiving small and infrequent dividends during the 20 year CALMS period and the heavy provisioning on investments made in CLICO and BAICO. This Special Dividend of \$0.45 per share shall be paid in financial year 2013 and amounts to a total pay-out of EC\$1,708,273.

The projected dividends based on the policy stated in section 1.10.1 above are shown in the table below:

Year	2013	2014	2015	2016	2017
Projected Dividends (\$'000)	1,708	975	1,073	1,056	1,129
Dividends per Share (\$)	0.21	0.12	0.13	0.13	0.14
Dividend Yield @ \$5 per share (%)	4.27	2.44	2.68	2.64	2.82
Dividend yield @ \$7.50 per share (%)	2.85	1.63	1.79	1.76	1.88

*125,516 x 10 (stock split) = 1,255,160 shares

*1,255,160 shares X 3 (bonus shares 2:1) = 3,765,480 shares

*163.61 (Current book value)/30 = \$5.4537 book value after split & bonus

* Extra \$0.4537 in excess over \$5.00 book value shall be paid in special dividend: \$0.4537 X 3,765,480 = \$1,708,273 dividend payout; or \$13.61 for every 30 shares after stock split and bonus issue

2.0 RISKS AND OTHER KEY INVESTMENT CONSIDERATIONS

2.1 RISKS

2.1.1 BML like all commercial banks faces a variety of risks including credit, liquidity, market, operational and reputational risk. BML has adopted a pro-active approach to risk management which is predicated on the measurement, evaluation, monitoring and control of risk through the implementation of effective internal controls which form part of its policies and procedures. The overall objective of the Bank's risk management framework adopted by the Board of Directors is to effectively mitigate all classes of risk to the bank while simultaneously maximizing the Bank's financial performance and in turn return to investors. As such the Board is of the view that none of the aforementioned risks rank above the other in terms of risk of loss to the investor.

A) CREDIT RISK:

Credit Risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to discharge its contractual obligations and arises principally from the Bank's investment securities and loans and advances to customers. Oversight of credit risk management is delegated to the Credit Committee and the Manager whose responsibility it is to:

- Formulate credit policies in consultation with the Board of Directors;
- Establishing the authorization structure for the approval and renewal of credit facilities;
- Reviewing and assessing credit risk;
- Reviewing compliance with agreed exposure limits.

B) LIQUIDITY RISK

Liquidity risk is the risk that the Bank will encounter difficulties in honouring its obligations when they become due without incurring unacceptable losses or reputational damage. The bank assesses information relating to the liquidity profile of its financial assets and liabilities and details of projected cash flows arising from forecasted business activity. The Bank 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 to meet its obligations.

2.0 RISKS AND OTHER KEY INVESTMENT CONSIDERATIONS

C) MARKET RISK

Market risk relates to the risk that changes in market prices such as interest rate, equity prices and foreign exchange rates may adversely affect the Bank's income or the value of its holdings of financial instruments. The Bank's market risk management's primary objective is to manage and control market risk exposures within acceptable parameters, while maximizing the returns.

The primary sources of market risk are interest rate and foreign exchange risk. Interest rate risk is managed principally through monitoring interest rate gaps. Foreign currency risk in respect of transactions denominated in US dollars and Barbados dollars is effectively mitigated by the fixed exchange rate regime that exists between the EC dollar and these currencies. The small amount of risk exposure in relation to the Great Britain pound and Canadian dollar, whose exchange rate with the EC fluctuates daily, is mitigated by the fact that only minimal amounts of these currencies are held to facilitate daily trading.

D) OPERATIONAL RISK:

Operational risk is the risk of direct or indirect loss arising from all aspects of the Bank's operations due to inadequate processes, personnel, technology and infrastructure. The management of operational risk is predicated on the following:

- Appropriate segregation of duties, authorizations, dual custody arrangements;
- Documentation of internal controls and procedures;
- Requirements for the timely reconciliation of accounts;
- Requirements for the periodic assessment of the adequacy of internal controls and procedures to address identified weaknesses;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards;
- Risk mitigation, including insurance where effective.

2.1.2 Future financial results may differ substantially from historical results presented in the Prospectus. Past performance is no guarantee of future performance.

2.0 RISKS AND OTHER KEY INVESTMENT CONSIDERATIONS

2.1.3 BML recognizes the risk that may occur with key personnel leaving the Bank and has pursued strategic succession planning to mitigate possible associated risks with such eventualities.

2.1.4 BML cannot assure potential investors a share price in excess of the subscription price at any time after the date of this Prospectus. The shares may or may not fetch a price at or above the subscription price in the future.

2.1.5 The operations of BML may also be adversely or positively affected by the performance of the Montserrat economy.

2.1.6 There are no restrictions on the transferability of the shares of the company being offered.

2.2 OTHER KEY INVESTMENT CONSIDERATIONS

2.2.1 BML's financial position remains strong, with increasing prospects for future growth as illustrated in the summarized financial statements in Section 7 below.

2.2.2 BML has strong relationships with regional and international correspondent banks, and other financial services providers.

2.2.3 BML remains focused on technological innovations geared towards improving efficiency, service delivery and financial performance.

2.2.4 Management shares the view of the scientists⁵ at the Montserrat Volcano Observatory that the current lull in activity at the Soufriere Hills volcano, which first erupted in 1995, is likely to continue into the foreseeable future. Management also shares the view expressed by the scientists that even with a violent eruption, the northern side of the island where the population resides and the bank is located, would not be drastically affected save and except for ash clouds. Notwithstanding, these natural phenomena occasionally behave unpredictably and any new major eruption may dampen economic prospects for the country and BML by extension. Nevertheless, the Board and Management share the view that the bank is sufficiently diversified and financially sound to mitigate the risk of loss to the investor resulting from most major and probable adverse events.

⁵ Seventeenth Report of the Scientific Advisory Committee, 19 Nov. '12, Montserrat Volcano Observatory, www.mvo.ms

3.1 DIRECTORS AND SENIOR MANAGEMENT

3.1.1 Board of Directors

Kenneth Allen, QC, OBE

Profession	:	Attorney at Law
Position	:	Chairman
Barrister Call	:	10 January 1959

Mr. Allen was called to the Bar of England and Wales in the Honorable Society of the Middle Temple in January 1959. In July 1993, Mr. Allen was appointed one of Her Majesty's Counsel Learned in the Law, and in June 1997, he was made Ordinary Officer of the Civil Division of the Order of the British Empire by Her Majesty Queen Elizabeth II. He also presided as a judge of the Eastern Caribbean Supreme Court in 1997, 1991 and 2001, and later acted as a Justice of Appeal in 2010. He is a member of the OECS Bar Association and became a member of the International Bar Association in 1993.

Mr. Allen has also chaired many Commissions of Enquiry for the Government of Montserrat and was often appointed as sole Commissioner. He has served for 10 years as a Nominated Member of Montserrat Legislative Counsel, and as Chairman of the Montserrat Public Services Commission for several years.

Marius St. Rose, OBE

Profession	:	Economist
Position	:	Director
Qualification	:	B.Sc. (Econ.) Honours, M.Sc (Econ.), UWI

Mr. Marius St. Rose who was born in Antigua and Barbuda and is also a national of Saint Lucia and Jamaica was awarded an OBE in 1996 for services to the regional financial sector. He has worked in the public, regional and private sectors in Saint Lucia, Jamaica, and at the Caribbean Development Bank (CDB), where from the rank of Economist, he rose to the level of Vice President and Vice President (Operations), a position that he held for over eleven years. In 1999 he was seconded by CDB to help with the corporatization, privatization and streamlining of the then National Commercial Bank (St. Lucia) which was transformed into the East Caribbean Financial Holding Company, which is now, arguably, the largest financial conglomerate in the OECS. Mr. St. Rose retired in 2004.

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During his retirement Mr. St. Rose chaired the St Lucia Electricity Services Ltd, Grenada Agency for Reconstruction and Development following the destruction of that country by Hurricane Ivan, and served on corporate boards and on national and regional commissions. Mr. St. Rose is currently the chair of the ECCU Pension Reform Commission, the ECCU Public Expenditure Review Commission, the ECCU Resolution Trust Corporation, CariCRIS Rating committee, Bank of Saint Lucia International and serves on a number of national and regional corporate boards including Eastern Caribbean Enterprise Fund, EC Global Insurance Company, and Emera Holdings (Barbados) Ltd.

Charles T. John, OBE

Profession : Retired Civil Servant
Position : Director
Qualification : BA, (Hons), MA, Dip Ed., Dip Public Mgmt

Mr. Charles T. John served for seven (7) years as the Resident Representative, Eastern Caribbean Central Bank for Montserrat. Mr. John has served as Financial Secretary of the Government of Montserrat for several years. He previously served in the capacity of Chairman of Central Tenders Board, Montserrat Philatelic Bureau, Montserrat Development Corporation. He formerly served as Director of the following entities: Montserrat Port Authority, Montserrat Electricity Services Ltd., Montserrat Social Security Scheme, and Montserrat Water Authority. He currently serves as a Director on the Financial Services Commission.

S. A. W. Maloney

Profession : Civil Servant - Retired
Position : Director
Experience : 33 years in the Civil Service

Mr. S. A. W Maloney is a career civil servant who has served in various senior positions in the Government service including Permanent Secretary – Ministry of Agriculture, Trade, Lands and the Environment. He now serves as a member of the Labour Tribunal of Montserrat, and the Public Service Commission. He is also the current Chairman of the Parole Board of Montserrat.

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Roselyn Cassell-Sealy

Profession : Consultant – Small Business, Credit Union, Government
Position : Director
Qualifications : Bsc Hons-Economics, MSc Accounting, UWI

Mrs. Roselyn Cassell-Sealy is employed by Delta Petroleum Montserrat Ltd as Island Manager. She has served as Minister of Education, Health and Community Services for two years but her expertise is in auditing, finance and management. She has led the St. Patrick’s Corporation Credit Union Ltd and Small Business Development for some twenty years which resulted in significant growth in co-operatives assets and small businesses. She has been a regional consultant for the co-operative movement focusing on systems analysis, financial analysis and strategic plan development. She spearheaded a project with a regional savings and loans institution to successfully source a US\$10 million loan for mortgage financing.

She currently sits on the Montserrat National Trust Executive where she serves as Treasurer. She has also served on many civic organizations including the Montserrat Professional Women’s Support Group, Rotary Club – Montserrat, Montserrat National Trust, and Montserrat Hospitality Association.

Cynthia Farrell

Profession : Trade & Investment Officer – Office of the Premier
Position : Director
Qualification : BSc – Accounting, MBA – Banking & Finance;
Accr. Dir.

Ms. Cynthia J Farrell is employed by the Government of Montserrat in the capacity of Trade and Investment Policy Officer in the Office of the Premier. She previously served in the capacity of Assistant Commissioner, Financial Services Commission for a period of seven years. She has been a lecturer for the ECCB Savings and Investment Courses (Montserrat) on the subjects of ‘Financial Markets’ and ‘Trading on the ECSE’. She has chaired the Audit Committee of the Bank and now chairs the Loans’ Committee. She has specific Anti-Money Laundering and Terrorist Financing training from the Office of the Comptroller of the Currency, Washington D.C. Her expertise covers the areas of Development, Trade, Finance, Banking and Insurance.

Theresa Silcott

Profession : Entrepreneur
Position : Director
Qualification : BSc Mgmt – UWI, Certified Management Accountant (CMA)

Mrs Theresa Silcott is a successful entrepreneur and owner and director of several businesses in Montserrat, namely Sunshine Electronics, Golden Enterprises, Silcomm Engineering, Grand View Bed and Breakfast and Family FM Ltd.

Mrs. Silcott also has a background in financial management and accountancy having served for twelve years as Financial Controller, Montserrat Electricity Services. Mrs. Silcott has many years of experience in corporate governance having served in the capacities of Chairman – Montserrat Land Development Authority Board, Director – Montserrat Chamber of Commerce and Industry and currently as Director – Board of Governors Montserrat Community College.

D. R. V. Edwards, OBE

Profession : Land Developer/Real Estate Broker
Position : Director
Experience : Parliamentarian, Deputy Speaker of Legislative Council

Mr. D.R.V Edwards was Chairman, Bank of Montserrat Limited from 1992 – 2010. He served for 28 years as a Nominated Member and Deputy Speaker of the Montserrat Legislative Council during which time he served as Chairman of the Public Accounts Committee for many years.

Mr. Edwards is the Managing Director of the Montserrat Co. Ltd – a land development company and CEO of Montserrat Enterprises Ltd., a licensed real estate agent, villa rentals and property management company. Mr. Edwards is a past President of the Montserrat Chamber of Commerce and Industry, Chairman – Montserrat Social Security, Director – Montserrat Building Society and Montserrat Utilities Limited.

Neville Kirwan

Profession : Plumbing Contractor
Position : Director

Mr. Neville Kirwan is a practicing Plumbing Contractor who has been engaged in the installation of residential and commercial plumbing for several years. He has been a director of the Bank since 1993.

Venita Cabey

Profession : Dep. Director/Financial Controller – Montserrat Social Security
Position : Director
Qualification : Dip.Ed (Hons), B.Ed (Hons), B.Sc Theology, Cert. Public Admin

Mrs. Venita Cabey previously served as a Business Education Teacher with the Government of Montserrat. She is now employed as the Deputy Director/Financial Controller with The Montserrat Social Security. Mrs. Cabey presently serves as part time Lecturer for the University of the West Indies Open Campus in Principles of Accounts and Examiner in Principles of Accounts and Examiner in Principles of Accounts for the Caribbean Examinations Council (CXC).

She also holds the position of Finance Director of the Church of God of Prophecy; and is a member of the Board of Directors of The Prophecy School of Biblical Studies. Mrs. Cabey is currently pursuing studies with the Association of Chartered Certified Accountants.

3.1.2 Corporate Secretary

Mr. John Allen

Mr. John Allen is an Associate of the Chartered Insurance Institute. He has been involved in the insurance industry for several years as an insurance advisor. He has been Corporate Secretary of the Board 1996 to 2006 and 2009 to date.

3.2 MANAGEMENT TEAM

Michael Joseph - General Manager

Mr. Michael Joseph is a career Banker. He started his Banking career in 1977 when he joined the St. Lucia Co-operative Bank Limited. Mr. Joseph worked in every department of the Bank and in 1983 he was appointed Branch Manager of the Bank's only Branch, in the district of Vieux-Fort. In 1990, he was transferred to the main Branch as Assistant Manager - Loans and Advances. In 2002 Mr. Joseph joined the regional Banking Group, RBTT as a Senior Manager in the Lending Division. He joined Bank of Montserrat in April 2009 as General Manager.

Mr. Joseph holds a Professional Banking Diploma from the Graduate School of Banking at Louisiana State University, a Masters of Business Administration Degree from UWI, a Certificate in Insurance Underwriting from the Chartered Institute of Insurance, England. He is also an AML Certified Associate of the Florida International Bankers Association.

Bernadette Matthew – Operations Manager

Ms. Bernadette Matthew is a career Banker and started her banking career in 1973. She worked at the Royal Bank of Canada before joining the Bank of Montserrat. She worked in all the areas of the Bank at the Supervisory level. Ms Matthew has attended seminars and conferences in the area of Customer Service, Risk Management and Loans and Advances. Ms Matthew is the Operations Manager with responsibility for Human Resources.

Clifford Lyght – Internal Auditor

Mr C Lyght has a Bachelor of Social Science Degree in Management from the University of Guyana. He started his career in banking in 1972 at the Guyana National Co-operative Bank in Guyana and held several managerial positions including Manager Audit, Manager-Credit, Management Accountant and Branch Manager. He joined Bank of Montserrat in 2005 and held the position of Operations Manager. Currently he is the Internal Auditor. He has attended several seminars and conferences in the area of Auditing, Risk Management, Credit and Anti-Money Laundering.

Carla Lee – Accountant

Mrs. Carla E. Lee holds a Bachelors of Science Degree in Accounting from the University of the West Indies. She is also a member of the Association of Chartered Certified Accountants and the Institute of Chartered Accountants of the Eastern Caribbean. She is a part-time tutor with the University of the West Indies Open Campus in Financial Accounting, Cost and Management Accounting, and Financial Management. She has also taught modules in the ECCB's Savings & Investment Course. Mrs. Lee has been with the Bank of Montserrat since 2003 and holds the position of Accountant.

Valerie Daly – Senior Supervisor (Operations)

Ms. Valerie Daly started to work in the banking industry from 1988 at the East Caribbean International Bank and joined the Bank of Montserrat in 1990. She held various positions at the Bank of Montserrat and is now performing the duties of Senior Supervisor I - Operations. She attended several workshops and seminars on various banking issues such as Operations Management, Productivity, Anti Money Laundering, Human Resources, Pension Management Compliance and, Customer Service

Kathyan Lee-Fenton – Senior Supervisor I – (Customer Care)

Mrs. Kathyan Lee-Fenton holds a BSc Degree in Management (First Class Honours) - UWI. She attended several training sessions in Customer Service, Supervisory Skills and Anti-Money Laundering. She joined the Bank in 1997 and held several supervisory positions including Loans Supervisor, Systems Officer and Teller Supervisor. Currently she holds the position of Senior Supervisor 1 – Customer Care.

Walter Blake – Technology Support Officer

Mr W Blake worked in several areas of the Bank prior to his appointment as the Technology Support Officer. He has twenty two (22) years in the Banking Sector. Mr Blake has attended several seminars and conference dealing with technology support.

Julia Jno-Baptiste – Supervisor – (Loans & Advances)

Mrs. Julia Jno-Baptiste holds a Bachelors of Science Degree in Management Studies from the University of the West Indies. Mrs. Jno-Baptiste has worked in several areas in the Bank and has attended various seminars and conferences in the areas of Credit. She is currently the Supervisor - Credit.

Delcina Cabey – Supervisor – (Accounting Assistant)

Ms. Cabey joined the Bank of Montserrat Ltd in 1996. She worked in a number of departments and held Supervisory positions including Supervisor tellers and Supervisor Operations. Ms Cabey attended courses in Money Laundering and Customer Care. She is presently pursuing a Degree in Business Management.

Deslyne A. Plato - Compliance/AML Reporting Officer

Ms. Plato holds a BSc Degree in Accounting (First Class Honours) - UWI. She is currently pursuing studies with Association of Chartered Certified Accountants (ACCA). Ms. Plato joined the BML in the year 2005 and has held various positions including Assistant Accounting Officer. Currently Ms Plato is the Compliance/Anti-Money Laundering Reporting Officer.

Brenda A Lee-Buffonge, ASc. Bus.Mgt., HNC/HND Bus Mgt

Mrs. Brenda Lee-Buffonge holds an Associates of Science Degree in Business Management from the University of the West Indies and a Higher National Certificate and Diploma (HNC/HND) from the Resource Development Institute (RDI) in the United Kingdom (UK). She is currently pursuing studies with the University of Wales in the UK to complete her BA (Hons) Business (Marketing).

Mrs. Lee-Buffonge joined the Bank of Montserrat in 1998 and has held several positions within the Bank such as Manager's Secretary, Loans Officer, Night Deposit Officer, Verification Officer and Administrative Officer. Brenda Lee-Buffonge is currently the Supervisor of Tellers and Treasury.

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3.3 HISTORY OF BANK OF MONTSEERRAT LIMITED

- 3.3.1 On the 3rd May 1988, Bank of Montserrat opened its doors following its incorporation as a limited liability company to bring to fruition the dream of a group of local businessmen for the first indigenous commercial bank. During that period, the banking sector was dominated by the three (3) other foreign-branch banks which did not always cater to the banking needs of local Montserratians. As a result, Montserratians responded with pride and enthusiasm to the birth of this local financial institution by depositing their monies at the Bank
- 3.3.2 The Bank has registered impressive rates of growth since then having grown from total assets of \$5.14 million in 1988 to \$190.1 million in 2010. Similarly, gross income from loans and other sources in 1988 which was \$284,000 has risen to \$11.3 million as at September 2010.
- 3.3.3 This growth and survival of the bank over the past twenty-three years has not been without its challenges not the least of which has been the two major natural disasters that devastated the island of Montserrat. Yet the bank is still standing as a beacon of the vision and commitment of its Board and management and loyalty and resilience of the people of Montserrat.
- 3.3.4 The first major natural disaster was Hurricane Hugo which ravaged Montserrat in September of 1989, one year after the bank opened its doors to the public, wreaking havoc on crops, homes and businesses. Most property owners suffered severe financial losses as a result of either a lack of insurance or under-insurance. In the aftermath of Hurricane Hugo, the Bank creditably played its role of financial intermediary by taking in a large proportion of deposits of insurance settlement claims and thereafter providing funding to Montserratians to rebuild their homes.
- 3.3.5 In the wake of the hurricane, the Bank also teamed up with the Government of Montserrat to secure a loan of EC\$2.7 million from the Caribbean Development Bank (CDB) to finance re-development in the business sectors and assist in the construction of private homes.

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- 3.3.6 Two years later, the bank was forced to restructure as a result of certain deficiencies uncovered by the Eastern Caribbean Central Bank (ECCB) during its on-site examination of October 1991. These deficiencies related primarily to weaknesses in credit administration and the level of unsatisfactory assets (loan delinquencies).
- 3.3.7 Reviews conducted by the CDB and the Republic Bank of Trinidad & Tobago in January and December 1992 respectively corroborated ECCB's findings, but by that time the loan portfolio had deteriorated significantly culminating in a non-performing assets ratio in excess of 60%.
- 3.3.8 On 23rd June 1993 the ECCB invoked its' emergency powers and restructured the bank in an effort to protect depositors' funds, ensure the continued viability of the Bank and safeguard against ECCU wide systemic risk.
- 3.3.9 Under this restructuring arrangement, which was fully supported by the Government of Montserrat, The Caribbean Asset and Liabilities Management Services Limited or CALMS Limited, a subsidiary of the ECCB, took over \$14.7 million in non-performing and past-due loans. In exchange, the bank received twenty (20) year promissory notes of the same value, guaranteed by the ECCB and attracting interest of 6.5% per annum. In addition it was agreed that:
- 1) BML would administer this portfolio in an effort to repay the total amount of the notes.
 - 2) The Government of Montserrat converted their loan to shares.
 - 3) Proper management would be put in place at the bank.
- 3.3.10 Per the restructuring arrangement, ECCB agreed to provide income support to the Bank in the amount of EC\$5 million over the five-year period 1993 to 1998. This combined with the \$14.7 million amounted to a total obligation of \$19.7 million.
- 3.3.11 In July 1995, the second major natural disaster threatened to derail the Bank's improving performance after new management had been installed in January 1994, when the Soufriere Hills volcano began its series of eruptions resulting in loss of life, property, livelihood and rendering two-thirds of the island unsafe and

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uninhabitable. The economy suffered severely as over 70% of the population was forced to migrate which constrained their ability to service their loans thereby impacting negatively on the Bank's delinquency. Additionally, the loss of properties in the unsafe zone severely compromised the Bank's ability to recover on the \$14.7 million in promissory notes.

3.3.12 The paucity of lending opportunities resulting from mass migration, led the Bank to explore alternative revenue generating opportunities from investments in capital markets, which over time led to investments surpassing loans and advances as a proportion of total assets and income generation.

3.3.13 From December 1998 due to its improved financial position, the Bank discontinued income support from the ECCB and has been recording profits from 1999 onwards. This trend has facilitated the orderly retirement of the Bank's obligation to the ECCB under the CALMS agreement, which stood at \$3.6 million as at 30 September 2011, and should be completely liquidated by 2013.

3.3.14 Over the past ten years, as the redevelopment of the island has focused on the northern safe zone, the Bank of Montserrat has played an integral part in this process through direct and indirect funding. This has involved the offering of Performance Bonds and Advance Payment Guarantees to a number of contractors on major projects including but not limited to:

- The Lookout Housing Project
- The Salem Secondary School renovations
- The Special Needs Housing Phases 1 & 2
- The Police Station at Brades
- The Montserrat Observatory

3.4 BML Corporate Governance

3.4.1 The Board of Directors of BML is responsible for corporate governance and is committed to the highest standards of corporate governance in all aspects. The Board recognizes that for corporate governance to be effective it must start with the "tone from the top". Therefore the Board takes its duty to discharge its fiduciary responsibility very seriously and has sought to ensure that there are

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adequate policies and procedures in place governing all aspects of the Bank's operations, that there are effective internal controls, and that there are effective management information systems.

3.4.2 BML shall be guided by the following sources for corporate governance:

- ▶ global best practices,
- ▶ ECCB Guidelines for Corporate Governance and Selection and Conduct of Directors;
- ▶ Caribbean Corporate Governance Principles;
- ▶ Companies Acts and BML's Memorandum and Articles of Association.

3.4.3 In particular the following principles/guidelines will be adhered to:

- All Board members must be of impeccable integrity, committed to the vision and goals of the institution and must be prepared to contribute diligently to attain the vision and goals.
- The skill composition of the Board will include expertise in banking, business management, finance, investment, economics, accounting and auditing; marketing; law; engineering and project management; human resource management and psychology.
- BML directors owe their duty of care to BML and must serve the interests of the institution and not that of those who nominated them. They shall not be dismissed by their nominating partners but can be separated from the institution by a two thirds majority of the Board for breaches of conduct that can compromise the reputation of and public confidence in the institution; malfeasance, inefficiency and poor performance that does not add expected value to the institution and poor attendance at Board meetings.
- The Board will annually review its performance and make recommendations for its improvements with the assistance of a professionally independent facilitator.
- Directors must be Accredited Directors or must be willing to undertake the requisite training within two years of first assuming office.
- Recognising the serious shortage of relevant corporate and business management skills in the country and the need to maintain a

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judicious and appropriate balance between wisdom, experience, institutional knowledge and continuity on the one hand; and energy, youthfulness and human resource development on the other hand, BML will endeavour to maintain the average age of the Board at no more than seventy two years.

- ✦ The board shall comprise of ten elected/nominated members and the ex officio CEO who would be designated as Managing Director who could be excluded from participation at meetings when it is in the interest of the meeting to do so.
- ✦ Shareholders shall be required to nominate one director for each 10 percent of BML ordinary shares that they hold but subject to such nominees satisfying the criteria for Board membership.
- ✦ The term for Board members is three years, is renewable, but in aggregate no director must serve for more than five consecutive terms.
- ✦ With the successful conclusion of the CALMS Agreement between ECCB, GOM and BML the ECCB representative will continue to be an observer at the Board until the BML relationship with a strategic partner investor bank has been concluded. In the meantime, and continuing, the ECCB and BML relationship will revert to the normal relationship that exists between a regulator and a normal commercial bank.
- ✦ The Chairman of the Board shall be nominated by the Government shareholder for as long as the public sector has the largest block of shares but such nominee must have the support of at least 80 percent of the remaining Board members.
- ✦ The Chairman's term of office shall be three years, is renewable, but the incumbent must not serve for more than three consecutive terms.
- ✦ All decisions of the Board shall be by simple majority except for the following for which a two thirds majority will be required: election of chairman, appointment of Managing Director, selection of strategic partner; changes to the ownership structure of the institution and fundamental changes to the Memorandum and Articles of Association. The Chairman shall not have a casting vote.

- ▶ External auditors, who would report to shareholders shall be appointed by shareholders for three year terms based on competitive bidding, must be approved annually by shareholders but shall not serve for more than three consecutive terms.

3.5 BML Risk Management Strategy

- 3.5.1 Bank of Montserrat Limited regards risk management as a critical component of its overall business strategy. Effective risk management involves the implementation of systems to analyze, measure, report and control all classes of risk.
- 3.5.2 The implementation of proper internal controls in all areas of the Bank's operations form an integral part of risk management. The bank's internal control system is monitored and managed by the Internal Audit department that reports to the Audit Committee of the Board of Directors. The department's Annual Work Programme focuses on the key operating procedures and systems of financial controls that are designed specifically to address the various risks to which the Bank is exposed. The department conducts systematic reviews of the internal control systems and makes appropriate recommendations for corrective action and/or revision to policies and procedures to the Audit Committee.

3.6 BML Anti-money Laundering and Counter Terrorism Policy

- 3.6.1 Bank of Montserrat, ever mindful of its obligations under the Money Laundering Prevention Act 2001 and the Anti-Money Laundering regulations issued by the Supervisory Authority, has adopted a robust anti-money laundering framework which is predicated on key anti-money laundering policies, procedures and structures necessary for the prevention and detection of money laundering and terrorism financing. This approach forms an integral part of the bank's overall risk management strategy.

3.7 BML Products and Services

PRODUCTS & SERVICES

Savings Accounts	Utility Bill Payments
Fixed Deposit Accounts	Money Transfer Services/SWIFT
Personal Chequeing Accounts	Credit Card Facilities
Senior Citizen Accounts	Vehicle Loans
ATM Service	Consumer Loans
Online Banking Service	Land Loans
Safe Deposit Boxes	House Purchase Loans
Night Deposit Service	House Construction Loans
Standing Orders	Letters of Credit
Local Drafts/Manager's Cheques	Bills for Collection

**3.0 BANK OF
MONTSERRAT
LIMITED**

BML SWOT Analysis

STRENGTHS	WEAKNESSES
Strong Government and ECCB support	Incomplete policies and procedures manuals in some instances
Strong commitment of Board and Management	Weakened capital base due to investment impairment losses
Competent Board Oversight	Office space constraints for expansion of select departments
Qualified and competent management	Absence of branch network
Strong customer and shareholder loyalty	Large non-performing Investment portfolio
Positive Corporate Image - High level of public confidence in Bank - Very favourable Goodwill	Small size constrains opportunities for economies of scale
Modern premises, good location	
Modern State-of-the-art Technology platform	
Dominant market share: 65% Deposits; 85% Loans	
OPPORTUNITIES	THREATS
OECS integration	Small economy - small business sector
Strategic Alliances to take advantage of synergies and economies of scale	Small population base
Montserrat Diaspora	Flight of "A" students - Brain drain - Scarcity of high quality Human Resources
Redevelopment of Montserrat - Little Bay Town Centre	Limited commercial activity
Minimal local competition	Natural Disasters - Hurricane, Volcano
Stable local government	Lack of adequate Airport/ Seaport
"Crime-free" country	Loss on Investments - CLICO/BAICO
Open market - deregulated foreign currency regime	Economic decline and heavy public sector debt in EC territories threaten the Bank's investment portfolio
UK support	Decline in Foreign Aid and Foreign Direct Investment to region
Free movement of labour	Competition - 1 bank, 1 credit union, 1 building society for small market of 5,000 population
Mergers / Acquisition / Joint ventures	New Technologies too costly for Bank's size

3.9 BML Long Term Objectives and Business Strategy

BML's Long term objectives and business strategy are predicated on the following:

- ◆ **Re-privatization** - divestment⁶ of government's holding for wider share ownership.
- ◆ **Maintaining and Establishing Formal Links with Important Stakeholders** - making divested shares available to a strategic partner, preferably an indigenous banking group that can provide additional capital logistical support to BML to help it improve its efficiency and significantly reduce its absolute and per capita administrative costs. This strategic partner must be able to help BML reduce its specialized overhead costs such as information technology, risk management, internal audit, and business continuity; and to also assist with human resource management matters such as training, management support and succession planning. In addition the strategic partner must be in a position to provide liquidity support to BML if called upon.
- ◆ **Broadening and Diversifying Ownership** – in the event that the existing shareholders do not take up their rights fully or partially, the remaining shares will be made available to non-existing shareholder/investors with priority given to Montserratians wherever they may be.
- ◆ **Market Share** – Maintain dominant market share in deposits and loans but refrain from aggressive pursuit of increased market share to facilitate a comparator benchmark for its own performance and service delivery.
- ◆ **Broadening Market Scope** – Given that the size of the domestic market (5,000 residents) is too small to sustain a viable and efficient domestic bank, it is the intention to pursue the Montserratian diaspora as a primary target for the expansion of BML's market. It is estimated that there are about 40,000 Montserratians living abroad, largely in the United Kingdom and these are expected to be the broadened target market. The strategy would be to promote to them on-line banking services and credit and

⁶ Potential investors are hereby advised that the GOM divestment does not constitute a part of this current offering.

3.0 BANK OF MONTSEERRAT LIMITED

debit cards to facilitate their immediate access to their accounts and their deposits. These facilities will also be made available to the rest of the Caribbean diaspora. Products and services offered to this category of customers shall include but not be limited to:

- ▶ Projects outside Montserrat but which are adequately secured by Montserratian assets including BML deposits;
- ▶ Residential mortgage loans to non-resident Montserradians for property acquisition in any territory in which ECHMB buys and sells mortgages;
- ▶ Participation in syndicated loans with other commercial banks for projects that are located in their territories but subject to adequate administrative and security arrangements.

◆ **Increasing Efficiency of Internal Systems and Processes** - The management strategy will be to combine robust business growth with improved operational efficiencies to optimize revenues and/or to minimize costs. More specifically the aim is to significantly improve the Efficiency Ratio by ensuring that:

- a) the organizational structure is optimal and seamless with minimal duplication of effort;
- b) systems are cost-effective, efficient and appropriate for the size and location of the institution;
- c) staff are well trained to be professionally competent, customer friendly, and committed;
- d) performance appraisal, compensation and incentive systems are designed and implemented to compensate fairly for work done; provide incentives for efforts and results that are above expectations.

4.0 BRIEF HISTORY OF MONTSERRAT

- 4.1 Montserrat, covering 39.5 square miles (102 square kilometers), is a British Crown colony between Nevis and Guadeloupe. Christopher Columbus gave this Caribbean island its name on his second voyage, when he noticed that the island bore some resemblance to the land around the Spanish abbey of Santa Maria de Montserrat.
- 4.2 Before the volcano erupted in 1995, the pear-shaped island had a population of about twelve thousand and was lush, green, mountainous, isolated, and unspoiled. After the volcano, which devastated the capital Plymouth and the airport, one-third of the island was deemed unsafe by the authorities and the population dwindled to approximately 1,200 as Montserratians migrated to Britain and other neighboring islands in search of employment opportunities.
- 4.3 Montserrat is known as the “Emerald Isle of the Caribbean”, because of its lush, green, tropical landscape and its unique Irish connections, which date back centuries. Montserrat was originally inhabited by Arawak and Carib Indians. The first European settlers in 1632 were English and Irish Catholics brought over from the Protestant island of St. Kitts by Englishman Thomas Warner. Whilst Catholics were unwelcome in other British colonies, the religion was tolerated on Montserrat and the island became a refuge for persecuted Irish Catholics. By 1678, a census showed that more than half the people on the island were Irish, with the remainder a combination of English, Scots and Africans; thereby contributing to the strong Irish influence on the culture of Montserrat.
- 4.4 Visitors to the island will find evidence of the Irish connection today by observation of the shamrock emblem stamped in their passports and the crest of the famous Irish figure of Erin with a harp standing alongside the Union Jack on the national flag.
- 4.5 Montserrat is the only country in the world outside Ireland where St Patrick’s Day is a public holiday which is celebrated on March 17th, albeit with a unique Caribbean flavor involving calypso, reggae and iron band music. During the week-long celebration, the old custom of wearing green and white is still practiced.

5.1 MACROECONOMIC REVIEW AND FORECAST OF MONTSERRAT ECONOMY

- 5.1.1 Preliminary data collected for Montserrat⁷ indicate an overall increase in the level of economic activity of 4.11% as at the quarter ending 30 September 2011. This was a marked improvement over the negative growth of 8.32% recorded for the same period in the previous year. The five major sectors driving economic activity were (in order of level of contribution) Public Administration, Defence & Compulsory Social Security (33.40%), Real Estate & Housing (13.48%), Financial Intermediation (10.43%), Transport, Storage & Communications (9.83%) and Construction (8.44%). These sectors grew by 1%, 1.76%, 8.21%, 13.27% and 35.15% respectively during the period January to September 2011.
- 5.1.2 Montserrat's real growth prospects seem promising, as a 4.22% expansion in economic activity is projected for 2012. Although this pace of growth is slightly lower than the previous year's growth level, positive growth is expected for all sectors.
- 5.1.3 The continuation of major infrastructural projects such as the AO1 Road Rehabilitation Project and anticipated continuation of the Private Sector investment in the new Town Centre at Little Bay are expected to generate significant value added in the Construction Sector. This sector is also expected to benefit from the continued implementation of the Museum, Government Accommodations, Volcano Interpretation Centre and the Lookout School Expansion projects. The coming on stream of the Hospital Redevelopment Project, and the Montserrat Utilities Power Generation Plant would augur well for the performance of the sector. If maintained as anticipated, the private sector's performance will also promote desirably strong growth in the construction sector.
- 5.1.4 The growth in other sectors such as Wholesale and Retail Trade, Manufacturing, Electricity & Water, Mining & Quarrying, Transport, Real Estate & Housing and Financial Intermediation is expected to benefit from the expanding Construction Sector, given the apparent ripple effect of increased economic activity in construction.

⁷ Government of Montserrat Statistics Department

5.0 ECONOMIC & INDUSTRY REVIEW

5.1.5 Despite the slight 0.57% fall off in the total number of stay-over arrivals, estimated total visitor expenditure for the period January to September 2011 increased by 3.79% to EC\$10,715,493.43 when compared to the same period for 2010.

5.1.6 Comparing the index levels of September 2010 to September 2011, there was acceleration in four of the seven indices. This is expected given Montserrat's position as a price taker, a characteristic which leaves it very vulnerable to all external price shocks. Additionally, increased trans-shipment costs to the suppliers are usually passed on to the small consumer base of 4,882⁸ persons. Corresponding to the oil price increases throughout the world, the level of the indices for Gas, Electricity & Water, Services & Other, Food and Non-Alcoholic Beverages, Household Goods increased by 14.67%, 5.53%, 4.95% and 2.27% respectively.

5.2 REVIEW OF MONTSERRAT FINANCIAL SERVICES SECTOR

5.2.1 Despite the global economic downturn and the challenges posed by the volcanic crisis, the Montserrat banking sector has demonstrated much resilience.

5.2.2 Eastern Caribbean Central Bank published monetary statistics reveal that total assets of Commercial banks registered an 11.71 percent or \$44.5m increase from \$379.9m in September 2010 to \$424.2m in September 2011. Over the same period, Loans and Advances increased by 8.89 percent or \$5.53m from \$62.3m to \$67.8m. The percentage of Loans and Advances relative to Total Assets fell marginally from 16.4 percent to 15.98 per cent. ECCB's statistics also show that Monetary Liabilities or deposits increased by 12.58 percent or \$30.0m from \$238.6m to \$268.6m.

5.2.3 It is anticipated that the increasing trend in deposit growth will continue into 2013 and beyond as Montserratians in the diaspora continue to seek opportunities for investing in Montserrat. It is also anticipated that as the economy continues to grow, increased

⁸ De jure population count as at May 12, 2011

5.0 ECONOMIC & INDUSTRY REVIEW

commercial activity and infrastructural improvements will translate into increased commercial and residential loan activity.

- 5.2.4 The Montserrat financial landscape is comprised of two commercial banks, one indigenous and one foreign branch bank. Bank of Montserrat, the indigenous bank is the market leader in every category. Other financial intermediaries include one credit union and one building society.
- 5.2.5 The Commercial banking sector in the Eastern Caribbean Currency Union of which Montserrat is a part, is regulated by the Eastern Caribbean Central Bank under the provisions of the Banking Act. In addition the Financial Services Commission was established in 2001 as an independent single regulatory body for Montserrat. The Commission carries out its functions under the Financial Services Act 2008 which gives it the authority to consider and determine applications for licences; to advise the Governor and Executive Council on matters relating to financial services business; to monitor financial institutions that are subject to obligations under the Anti-Money Laundering and Financing of Terrorism Regulations 2010 and the Proceeds of Crime Act 2010.
- 5.2.6 Financial sector developments affecting the ECCU banking sector include the intervention of the ECCB into ABI Bank in Antigua and Barbuda on the directives of the Monetary Council as a result severe liquidity challenges being faced by that bank. In the insurance sector CLICO and BAICO insurance companies have been put under judicial management and solutions are being worked out through the continuing efforts of the ECCU member governments and in discussions with the governments of Trinidad and Tobago and Barbados.
- 5.2.7 A recent development in the financial services sector is the agreement in principle by the Monetary Council of the ECCU to the establishment of a deposit insurance scheme. The Board of BML welcomes this initiative and would explore opportunities to source

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additional insurance to provide cover where the deposit insurance scheme falls short.

- 5.2.8 Another recent development is the ECCB led initiative involving the ECCU member governments and the formulation of a comprehensive 8-point plan to address in a coordinated and strategic manner the economic challenges being faced by the member countries as a result of the global financial and economic crisis. Point seven (7) of the plan is centered on the amalgamation of indigenous commercial banks in the region.

6.0 MATERIAL DISCLOSURES

6.1 Material Change Reporting

6.1.1 BML shall issue news releases to its shareholders within seven (7) days following a material change in its business. A “material change” is a matter which is likely to affect a shareholder’s decision to sell or purchase shares or which is likely to affect the share price.

6.2 Material Litigation

6.2.1 There are no material, pending or threatened claims, legal or arbitration proceedings against the Company or any of its directors or properties that may have a significant effect on the Company’s financial position.

6.3 Top 10 Shareholders

Shareholders	# of Shares	Shareholding (%)
Government	88,145	70.23
Neville Kirwan	1,653	1.32
John Osborne	1,540	1.23
Joseph Fergus	1,410	1.12
Joseph Chalmers	1,000	0.80
Bruce Farara	950	0.76
John Ryan	774	0.62
Joseph Daniel	686	0.55
D R V Edwards	667	0.53
Lionel Nanton MBE	640	0.51

6.4 Directors’ Interest

6.4.1 The shareholdings of the Directors are disclosed in the table below.

Director	Beneficial	Non-Beneficial
Neville S Kirwan	1,653	Nil
D R V Edwards	667	Nil
M St Rose	100	Nil
SAW Maloney	40	Nil
Kenneth Allen	Nil	Nil
Cynthia J. Farrell	Nil	Nil
Theresa Silcott	Nil	Nil
Charles T. John	Nil	Nil
Venita Cabey	Nil	Nil
Roselyn Cassell-Sealy	Nil	Nil

6.0 MATERIAL DISCLOSURES

6.4.2 At no time during the past two years has any Director had any material interest in any contract or arrangement in relation to the business of the Company.

6.4.3 There are no existing or proposed service contracts between any Directors and BML.

6.5 Directors' Remuneration

6.5.1 The aggregate remuneration paid to directors for the financial year 2012 was EC\$283,318 which includes:

- ◆ Chairman's remuneration: EC\$1,500 per month
- ◆ Director's remuneration: EC\$1,200 per month
- ◆ Committee members: EC\$500 per month

6.5.2 The aggregate projected remuneration to directors for financial year 2013 is EC\$303,600.

6.6 Material Contracts

6.6.1 BML has not entered into any material contracts with external parties within the two years preceding the issue of the prospectus, other than in the ordinary course of business.

6.7 Documents Available for Inspection

The following documents are available for inspection between 9:00 am and 3:00 pm from 1 March 2013 at the Headquarters of BML, Brades, Montserrat.

- 1) Copies of Articles of Continuance of BML
- 2) By-laws of BML
- 3) BML 2012 Annual Report
- 4) BML's audited financial statements for the years ended 30 September 2009 – 30 September 2012.
- 5) Resolutions of the Board of Directors of 12 December 2012 authorising the share issue
- 6) Resolutions of BML's shareholders on 28 February 2013 to increase the company's authorized share capital.

The above noted documents are also available on BML's website: www.bankofmontserrat.ms

7.0 FINANCIAL PERFORMANCE & FORECAST

7.1 Financial Ratio Analysis

7.1.1 The following financial information in the Table below was extracted from the Bank's Audited Financial Statements for the years ended 30 September 2008 to 2012.

Table 8: Five-Year Summary of Earnings, Assets & Shareholders' Equity

	2008	2009	2010	2011	2012
Earnings (Loss) After tax ('000)	3,044	2,494	(5,073)	(10,296)	7,312
Earnings per Share (\$)	29.04	23.74	(48.18)	(97.79)	58.26
Dividends Declared ('000)	366	209	--	--	--
Accumulated Retained Earnings ('000)	17,088	18,758	13,248	1,106	6,899
Accumulated Statutory Reserves ('000)	5,224	5,723	5,723	5,723	7,186
Shareholders' Equity ('000)	27,824	30,007	24,506	12,375	20,535
Total Assets ('000)	182,874	171,455	190,144	192,363	199,408

Table 7: Key Performance Ratios 2008 – 2012

Ratio	2008	2009	2010	2011	2012
Return on Equity (%)	10.99	8.31	(20.70)	(83.20)	35.61
Return on Assets (%)	1.66	1.46	(2.67)	(5.35)	3.67
Interest Earned to Interest Paid (Times)	2.95	4.02	2.59	2.57	2.43
Efficiency (%)	59.3	41.1	70.5	62.5	83.9
Loans/Deposits (%)	23.80	32.69	32.55	32.88	38.44

Table 9: Key Performance Ratios excluding Extraordinary Provisions and Recoveries 2008 – 2012

Ratio	2008	2009	2010	2011	2012
Net operating Income/Loss (\$'000)	3,454.19	7,414.58	2,266.89	3,103.36	1,206.26
Return on Equity (%)	12.47	24.71	9.25	25.08	5.87
Earnings per share (\$)	32.95	70.54	21.53	29.47	9.61
Return on Assets (%)	1.89	4.32	1.19	1.61	0.60



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INDEPENDENT AUDITORS' CONSENT LETTER

The Shareholders
Bank of Montserrat Limited

We agree to the inclusion of our reports with respect to the financial statements of Bank of Montserrat Limited (the "Bank") as of and for the years ended September 30, 2008, 2009, 2010, 2011 and 2012 in the Bank's Prospectus for an additional public offering of 234,520 ordinary shares priced at ECD\$5.00 to existing shareholders and a rights offering of 4,000,000 ordinary shares priced at ECD\$5.00, ECD\$6.00 and ECD\$ 7.50 per share respectively payable in full on application.

These reports were dated as follows:

Financial year end	Audit report date
September 30, 2012	December 12, 2012
September 30, 2011	December 6, 2011
September 30, 2010	November 17, 2010
September 30, 2009	February 10, 2010
September 30, 2008	May 5, 2009

This letter should not be regarded as in any way updating the aforementioned reports or representing that we performed any procedures subsequent to the dates of such reports.

KPMG LLC
December 12, 2012

The Valley

Anguilla, B.W.I.



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REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

The Shareholders
Bank of Montserrat Limited

The accompanying summary financial statements, which comprise the summary statements of financial position as at and for the years ended September 30, 2008, 2009, 2010, 2011 and 2012, the summary statements of operations, summary statements of changes in shareholders' equity and summary statements of cash flows for the years then ended, and related notes, are derived from the audited financial statements of Bank of Montserrat Limited for the years then ended. We expressed an unqualified audit opinion on those financial statements in our reports dated May 5, 2009, February 10, 2010, November 17, 2010, December 6, 2011 and December 12, 2012, respectively. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the dates of our reports in those financial statements.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards applied in the preparation of the audited financial statements of the Bank of Montserrat Limited. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the Bank of Montserrat Limited.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements in accordance with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements".

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of the Bank of Montserrat Limited for the years ended September 30, 2008, 2009, 2010, 2011 and 2012 are consistent, in all material respects, with those financial statements, in accordance with the International Financial Reporting Standards.

KPMG LLC

December 12, 2012

The Valley

Anguilla, B.W.I

**7.0 FINANCIAL
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7.4 Summarized Financial Statements

Table 10: Bank of Montserrat Limited

Statement of Financial Position for five (5) years ended 30 September 2008 – 2012
[Expressed in Eastern Caribbean Dollars (EC\$)]

	2008	2009	2010	2011	2012
Assets					
Cash and Cash Equivalent	20,835,408	25,318,792	40,294,048	30,769,073	25,829,580
Investment Securities - Net	109,947,881	87,898,523	82,369,514	89,700,345	96,152,471
Loans and advances to customers - net	34,936,944	44,646,453	52,321,051	57,285,678	67,010,917
Other Long term receivable	7,666,774	3,687,105	3,687,105	3,687,105	2,584,868
Property and equipment - net	6,409,058	6,041,492	5,713,886	5,413,717	5,363,080
Other Assets - net	3,078,467	3,862,705	5,758,592	5,507,613	2,466,665
Total Assets	182,874,532	171,455,070	190,144,196	192,363,531	199,407,581
Liabilities and shareholders' equity					
Liabilities					
Deposit Liabilities	146,812,798	136,578,158	160,764,312	174,220,009	174,312,436
Guarantee Payable		993,274			
Accrued Pension Liabilities		177,331	301,595	381,924	379,374
Provision for CALMS Agreement	4,245,175	1,370,506	2,270,506	3,170,506	2,584,868
Convertible Debenture	905,731	905,731	905,731	905,731	
Other Liabilities	3,086,795	1,422,200	1,395,901	1,309,533	1,595,454
Total Liabilities	155,050,499	141,447,200	165,638,045	179,987,703	178,872,132
Shareholders' equity					
Share Capital	5,241,500	5,255,550	5,264,650	5,275,800	6,275,800
Share Premium	175,280	175,280	175,280	175,280	175,280
Convertible Debenture	94,269	94,269	94,269	94,269	
Statutory Reserve	5,224,343	5,723,330	5,723,330	5,723,330	7,185,733
Retained earnings- appropriated for loan losses		2,256,804	2,029,492	184,595	126,473
Retained earnings - unappropriated	17,088,641	16,502,637	11,219,130	922,554	6,772,163
Total Shareholders' equity	27,824,033	30,007,870	24,506,151	12,375,828	20,535,449
Total Liabilities and Shareholders Equity	182,874,532	171,455,070	190,144,196	192,363,531	199,407,581

**7.0 FINANCIAL
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& FORECAST**

Table 11: Bank of Montserrat Limited

Statement of Operations for five (5) years ended 30 September 2008 – 2012

Expressed in Eastern Caribbean Dollars (EC\$)]

	2008	2009	2010	2011	2012
INTEREST INCOME					
Customer loans and advances	3,283,391	5,630,325	4,354,752	4,510,578	5,140,271
Investments and deposits at other banks	7,188,377	8,594,163	5,147,257	5,851,762	4,420,213
	10,471,768	14,224,488	9,502,009	10,362,340	9,560,484
INTEREST EXPENSE					
	3,547,389	3,534,083	3,672,050	4,034,558	3,936,437
NET INTEREST INCOME					
	6,924,379	10,690,405	5,829,959	6,327,782	5,624,047
Other Income	1,568,116	1,905,118	1,843,238	1,941,162	1,845,574
OPERATING INCOME	8,492,495	12,595,523	7,673,197	8,268,944	7,469,621
EXPENDITURE					
Operating Expense	5,038,307	5,180,941	5,406,308	5,165,589	6,263,359
INCOME BEFORE TAX					
	3,454,188	7,414,582	2,266,889	3,103,355	1,206,262
Loss/(Recovery) on investments	369,096	4,919,646	7,340,174	13,399,931	(6,105,750)
NET INCOME FOR THE YEAR	3,085,092	2,494,936	(5,073,285)	(10,296,576)	7,312,012

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7.5 BML's Financial Forecast for 2013 to 2017

Table 12: Statement of Financial Position
[Expressed in '000 Eastern Caribbean Dollars (EC\$)]

Balance Sheet for five (5) years ended 30th September 2013 - 2017					
	2013	2014	2015	2016	2017
ASSETS					
Cash and Cash Equivalent	22,675	24,501	26,703	28,729	30,693
Investment Securities - Net	128,643	134,846	137,086	144,557	144,598
Loans and Advances to Customers - Net	80,712	86,518	100,260	107,192	122,473
Property and Equipment - Net	5,844	5,585	5,342	5,324	5,206
Other Assets - Net	614	675	2,743	3,017	3,319
TOTAL ASSETS	238,488	252,125	272,134	288,819	306,289
LIABILITIES					
Deposit Liabilities	184,012	198,540	216,372	232,201	247,101
Other Liabilities	11,101	9,002	9,817	9,262	10,353
Total Liabilities	195,113	207,541	226,189	241,463	257,454
Shareholders' Equity					
Share Capital	26,075	26,075	26,180	26,333	26,486
Share Premium	2,175	2,175	2,175	2,175	2,175
Statutory Reserves	7,794	8,363	8,988	9,614	10,230
Retained Earnings	7,193	7,818	8,434	9,050	9,741
Other	139	152	168	184	203
Total Shareholders' Equity	43,375	44,584	45,945	47,356	48,835
Total Liabilities and Shareholders' Equity	238,488	252,125	272,134	288,819	306,289

7.0 FINANCIAL PERFORMANCE & FORECAST

Table 13: Bank of Montserrat Limited

Statement of Operations for five (5) years ended 30 September 2013 – 2017

[Expressed in '000 Eastern Caribbean Dollars (EC\$)]

INCOME STATEMENT					
	2013	2014	2015	2016	2017
INTEREST INCOME					
Customer Loans and Advances	5,170	5,853	6,337	6,845	7,318
Investments and Deposits at Other Banks	5,521	6,419	6,623	6,623	6,646
	10,691	12,272	12,959	13,467	13,964
INTEREST EXPENSE					
	4,475	5,132	5,568	6,011	6,446
NET INTEREST INCOME					
	6,216	7,140	7,391	7,456	7,518
Other Income	2,031	2,234	2,457	2,703	2,973
OPERATING INCOME					
	8,246	9,373	9,848	10,159	10,491
EXPENDITURE					
Operating expenses	3,201	4,076	4,392	4,539	4,702
Provisions	5,045	5,297	5,456	5,620	5,788
	0	917	917	917	829
INCOME BEFORE TAX					
	3,201	3,159	3,475	3,622	3,873
Tax	160	316	347	543	581
INCOME AFTER TAX					
	3,041	2,843	3,127	3,079	3,292

Table 14: Projected Key Performance Ratios 2013 – 2017

Ratio	2013	2014	2015	2016	2017
Return on Equity (%)	7.01	6.38	6.81	6.50	6.74
Earnings per share (\$)	0.38	0.36	0.39	0.38	0.41
Return on Assets (%)	1.28	1.13	1.15	1.07	1.07

7.6 Summary of Significant Forecast Assumptions

The financial forecasts have been prepared by management using assumptions that were in effect at 30 September 2012. These assumptions reflect BML's planned courses of action for the period covered and are based on Management's judgment as to the most probable set of future economic conditions. In view of the uncertainties inherent in predicting future conditions and actions, actual results achieved during the forecast period may vary from the estimates and the variations may be material.

8.0 DIRECTORS'
CONSENT AND
SIGNATURES

We, the undersigned Directors of BML collectively and individually accept full responsibility for the accuracy of the information given and confirm, having made all reasonable inquiries, that to the best of our knowledge and belief that there are no other facts, the omission of which would make any statement in this Prospectus misleading.

We declare that the accounts of the Company have been prepared in accordance with the Montserrat Securities Act, No. 4 of 2001, and we accept responsibility for them.

Consent is given by Board Resolution dated 12 December 2012.


Kenneth Allen - Chairman



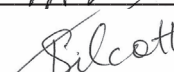
Cynthia J. Farrell



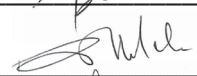
Marius St. Rose



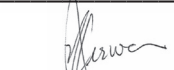
Theresa Silcott



S. A. W. Maloney




Neville Kirwan



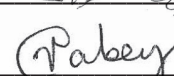
Charles T. John



D. R. V. Edwards



Venita Cabey



Roselyn Cassell Sealy



**9.0 TERMS,
REPRESENTATIONS
& WARRANTIES**

- 9.1** Save and except where the context otherwise requires, terms defined in this Prospectus bear the same meaning when used herein or in the Subscription (Application) Form.
- 9.2** The Subscriber/Subscribers by signing the Subscription Form undertake(s), represent(s), and warrant(s) to the Bank as follows:
- i. The information on the Subscription Form is full, true and complete;
 - ii. I/We have the legal capacity and authority and am/are permitted by applicable law to execute and deliver this Subscription Form;
 - iii. I/We understand that the offer is only being made in the OECS countries: Montserrat, Anguilla, Antigua and Barbuda, British Virgin Islands, Dominica, Grenada, St. Kitts and Nevis, Saint Lucia and St. Vincent and the Grenadines and Non-OECS countries of Trinidad and Tobago, Barbados and Jamaica and bona fide citizens of Montserrat irrespective of their country of domicile and is being considered in compliance with the applicable laws of Montserrat and that I/We represent that the shares are not being purchased directly or indirectly for the account of a resident of any other jurisdiction and I/We submit exclusively to Laws of Montserrat and the jurisdiction of Montserrat including any rights or remedies that may be available therein;
 - iv. I/We understand that the Subscriber's capital contribution cannot be withdrawn from the company;
 - v. I/We have read the Prospectus and understand the terms and conditions expressed therein are incorporated into this Subscription Form;
- 9.3** In accordance with Sections 315 (1) and (2) of the Companies Act (the Act), Cap 11.12., the following shall be observed:
- i. No allotment shall be made of any shares of the Bank in pursuance of the Prospectus, until the beginning of the fifth day after that on which the Prospectus is first issued, or any such later time as is specified in the Prospectus.

**9.0 TERMS,
REPRESENTATIONS
& WARRANTIES**

- ii. An application for shares of the Bank made in pursuance of the Prospectus shall not be revocable until after the expiration of the fifth day from the time of the opening of the subscription lists, or the giving before the expiration of that fifth day, by some person responsible under this Act for the Prospectus, of a public notice having the effect of excluding or limiting the responsibility of the person giving it.
 - iii. Although an allotment made in contravention of this Section is void, it does not affect any allotment of the same shares later made to the same applicant.
 - iv. In reckoning for the purposes of this Section the fifth day from another day, any intervening day that is a public holiday shall be disregarded; and if the fifth day as so reckoned falls on a Saturday, Sunday, or public holiday, the first day thereafter that is not a Saturday, Sunday or public holiday is deemed the fifth day for those purposes.
- 9.4** By completing and delivering an application form, you:
- i. offer to acquire from the Bank the number of common shares specified in your application form (or such smaller number for which the application is accepted) on the terms and conditions set out in this Prospectus and subject also to the Articles and By-Laws of the Bank;
 - ii. agree that you will accept such Shares as may be allocated to you in accordance with the provisions contained in Section 10.1 “Applications and Acceptance” of the Prospectus;
 - iii. authorize the Bank to send a letter of allotment for the number of shares for which your application is accepted and/or cheque for any money returnable by post at your risk to the address of the person (of the first-named person) named in your application form and to procure that your name and the name(s) of any other joint applicant(s) is/are placed on the register of the members of the Bank in respect of such Shares to which you are entitled;

**9.0 TERMS,
REPRESENTATIONS
& WARRANTIES**

- iv. agree that, in consideration of the Bank agreeing that it will not, prior to 14 days after the closing date of the Offer (or such extended date as the Board may determine) as stated in the Prospectus, allot any shares offered by this prospectus to any person other than by means of the procedures and arrangements referred in this Prospectus, your application cannot be revoked until 14 days after the closing date of the Offer or such extended date as provided for in this Prospectus, and that this paragraph shall constitute a collateral contract between you and the Bank which will become binding upon the dispatch to or receipt by the Bank of your application;
- vi. warrant that your payment will be honoured on first presentation within a reasonable time in the normal course afforded by the clearing system of the commercial banks in Montserrat;
- vii. warrant that only one application has been made by you or on your behalf;
- viii. agree that all applications, acceptances of applications and contracts resulting therefrom under the Offer shall be governed by you and construed in accordance with the laws of Montserrat;
- ix. warrant that, if you sign an application on behalf of someone else, you have authority to do so;
- x. agree that any letter of acceptance and any monies returnable may be held pending clearance of your remittance;
- xi. agree that, in respect of Shares for which your application has been received and is not rejected, acceptance of your application shall be constituted by notification of acceptance thereof to the applicant (or if more than one, to the first named applicant) sent by post to the address shown on the application form;
- xii. confirm that, in making your application, you are not a minor, and you are not relying on any information or representation in relation to the Bank other than such as may be contained in the Prospectus document and accordingly agree that neither the Bank, nor any of

**9.0 TERMS,
REPRESENTATIONS
& WARRANTIES**

its Directors, Officers and employees, nor any person responsible for the Prospectus document or any part of it shall have liability for any such other information or representation;

- xiii. warrant save and except you state otherwise on your application form, that you are a member of the “Public of Montserrat” as herein defined or a citizen of the OECS and Non-OECS countries as defined in Section 9.2 (iii) and that you are not making an application on behalf of any person not qualified to make an application for the shares now being offered by the Prospectus; and
 - xiv. warrant that you have read the Prospectus and understood that the terms and conditions expressed herein are incorporated into the Subscription Form.
- 9.5** Any contract made by acceptance (whether in whole or in part) of any application shall constitute a separate contract for the purchase of each of the offered shares, and these terms and conditions shall be construed accordingly.
- 9.6** KPMG has not withdrawn consent to their accounts being included in the Prospectus.

10.0 APPLICATION PROCEDURES

10.1 Applications and Acceptance

10.1.1 The main branch of Bank of Montserrat Limited, Brades, Montserrat, and First Citizens Investment Services Ltd. are authorized to receive applications.

10.2 Application Forms

10.2.1 Copies of the Prospectus and Application forms may be obtained from:

- a. Bank of Montserrat Limited, Brades, Montserrat, West Indies
- b. The Bank's website: www.bankofmontserrat.ms
- c. The Bank's authorized Broker/Agent, First Citizens Investment Services Ltd.

10.3 Submitting Applications

Applications must be for a minimum of 100 shares, and thereafter in multiples of 10 shares.

- a. A separate payment must accompany each application form.
- b. Cheques must be made payable to **"Bank of Montserrat Limited – Shares Offer"**.
- c. All cash payments, telegraphic/wire transfers and debits to BML accounts must be paid into the account in the name of **"Bank of Montserrat Limited – Shares Offer"**.
- d. Applications must be made on official subscription forms in accordance with the terms thereof and sent with a Manager's cheque, bank draft, cash payment, telegraphic/wire transfer and debits of BML accounts for the full payable on application to: **"Bank of Montserrat Limited – Shares Offer"**.

10.4 Allocation Strategy and Allotment Methodology

10.4.1 In accordance with Section 305 of the Companies Act, Cap. 11.12., no shares shall be allotted on the basis of the Prospectus later than three months after the date of issue of the Prospectus.

10.4.2 Allotment to successful applicants will occur during the period 17th – 24th May 2013 or on such earlier date that the issue is allotted in full, unless extended by BML at its sole discretion.

10.0 APPLICATION PROCEDURES

10.4.3 If the closing date of the Allotment is extended, such extension shall be announced by press release issued by BML or on its behalf by its agents.

10.4.5 Allotment to existing shareholders exercising their pre-emption rights is predetermined and will be satisfied first as outlined in section 1.5.

10.4.6 Upon satisfaction of the pre-emptive rights, remaining unsubscribed rights will be allocated to shareholders either in proportion to their holdings or with priority allocations given to the smaller shareholders and in the following order:

1. Individuals who are citizens of Montserrat;
2. Financial institutions wholly owned by the citizens of Montserrat;
3. Other corporate entities wholly owned by citizens of Montserrat;
4. Financial institutions wholly owned by citizens of the Eastern Caribbean Currency Union;
5. Citizens of the countries which comprise the Eastern Caribbean Currency Union.

10.4.5 In addition to priorities established, first-come-first-served basis shall apply in terms of the allocation of shares. Priority will therefore be given to earlier applicants.

10.5 Government of Montserrat's Sale of 10.2% of BML Holdings⁹

10.5.1 Priority allocation will be given in the following order, to:

- ▶ Early over late purchasers
- ▶ Montserratians and OECS nationals over other nationals
- ▶ Small over large investors.

⁹ Potential investors are hereby advised that the GOM divestment does not constitute a part of this current offering.

10.0 APPLICATION PROCEDURES

10.6 Over-subscription

10.6.1 If the offer is over-subscribed:

- a) by up to 25% of the minimum issue, the additional shares will be allocated on the basis stipulated in 10.4.3 and 10.4.4 above;
- b) by over 25% of the minimum issue, the monies relating to the excess beyond the over subscription of 25% will be returned via cheque, accompanied by a letter of allotment for the number of shares for which the applicant is accepted.

10.6.2 If the offer is over-subscribed by 25% or more, only the first out of multiple applications by the same applicant or joint applicants will be considered. The remaining applications by the same applicant(s) will be rejected.

10.7 Renunciation of Application

10.7.1 The Directors of the Bank reserve the full and unconditional right of accepting or declining any application, in particular multiple applications, or of accepting any application in part only, without furnishing any reason therefor.

10.8 Refunds

Refunds of payment in respect of shares applied for but not allotted will be made to all of the applicants concerned within ten (10) days of close of the allotment period, without interest by cheque through the post at the risk of the applicant.

10.9 Share Certificates

Share certificates are expected to be issued within five (5) weeks from the date of the allotment letter or as soon as possible thereafter and will be dispatched through the post at the risk of the applicant.

**11.0 RESTRUCTURING/
RECAPITALIZATION**

11.1. FINANCIAL RESTRUCTURING - SUMMARY

Activity	Explanation	Effect	
		# of Shares	Value \$
Stock Split	Each \$50 original par value share converted to ten \$5 book value shares	10	50
Bonus share issue	Each new \$5 share is given an additional 2 bonus shares	20	100
Total holdings after financial restructuring	Every one original share held now equal to thirty	30	\$150
Special Dividend on original share	To reward existing shareholders for forbearance	30	\$13.61 per block of 30 shares

11.2 RESTRUCTURING/RECAPITALIZATION ACTIVITY TRANSACTIONS BASED ON ONE, FIVE AND ONE HUNDRED ORIGINAL SHARES

	1 share	5 shares	100 shares
Stock Split (# of shares)	10	50	1,000
Additional bonus shares (# of shares)	20	100	2,000
Total # of new shares after restructuring	30	150	3,000
Maximum # new shares from rights issue	30	150	3,000
Cost for exercising maximum rights (EC\$)	150	750	15,000
Total # of new shares after restructuring & rights	60	300	6,000

**12.0 PROJECTED
EVOLUTION OF
OWNERSHIP
STRUCTURE**

12.0 PROJECTED EVOLUTION OF OWNERSHIP STRUCTURE OVER NEXT FIVE YEARS

	2012	2013	2015	2017
	%	%	%	%
GOM	70.2	40.0	20.0	15.0
MSS	0	20.0	20.0	10.0
Private Investors	29.8	40.0	40.0	25.0
Strategic Investor	0	0	20.0	50.0

**13.0 DIVIDEND
REINVESTMENT
PROGRAMME**

13.0 DIVIDEND REINVESTMENT PROGRAMME (DRIP)

In order to encourage and facilitate investors to achieve their savings and investment goals the BML Board intends to introduce a Dividend BML DRIP to facilitate investors reinvesting all or part of their dividends into BML shares which will be available at the latest annually audited book value per share. This arrangement would be particularly useful for investors such as minors and working persons who wish to reinvest their dividend incomes to meet long term goals such as acquisition of housing, pursuit of tertiary education, and adding to their retirement nest eggs.

Subscription Form

BANK OF MONTSERRAT LIMITED	APPLICATION FORM																																	
To: The Directors Bank of Montserrat Limited I/We hereby apply for	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%; height: 20px;"></td> <td style="width: 20%; text-align: center; font-weight: bold;">1</td> </tr> <tr> <td style="text-align: right; padding-right: 5px;">Ordinary Shares</td> <td></td> </tr> </table>		1	Ordinary Shares		These boxes are for Official Use Only <u>DO NOT WRITE</u>																												
	1																																	
Ordinary Shares																																		
in Bank of Montserrat Limited on the terms and conditions set out in the Prospectus dated 18 March 2013, and I/We enclose payment for the for the amount payable of	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%;"></td> <td style="width: 34%; text-align: center; font-weight: bold;">EC\$</td> <td style="width: 33%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: center; font-weight: bold;">2</td> </tr> <tr> <td style="text-align: center;">\$5.00</td> <td style="text-align: center;">\$6.00</td> <td style="text-align: center;">\$7.50</td> <td></td> <td></td> <td></td> </tr> </table>		EC\$				2	\$5.00	\$6.00	\$7.50				<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%; height: 30px;">DATE RECEIVED</td> <td style="width: 20%;"></td> </tr> <tr> <td style="height: 30px;">ACCEPTANCE NO</td> <td></td> </tr> <tr> <td style="height: 30px;">SHARES ALLOTTED</td> <td></td> </tr> <tr> <td style="height: 30px;">METHOD OF PAYMENT</td> <td></td> </tr> <tr> <td style="height: 30px;">AMOUNT RECEIVED</td> <td></td> </tr> <tr> <td style="height: 30px;">AMOUNT PAYABLE</td> <td></td> </tr> <tr> <td style="height: 30px;">AMOUNT RETURNED</td> <td></td> </tr> <tr> <td style="height: 30px;">CHEQUE NO.</td> <td></td> </tr> <tr> <td style="height: 30px;">CERTIFICATE NO.</td> <td></td> </tr> <tr> <td style="height: 30px;">RECEIVING AGENT'S STAMP</td> <td></td> </tr> </table>	DATE RECEIVED		ACCEPTANCE NO		SHARES ALLOTTED		METHOD OF PAYMENT		AMOUNT RECEIVED		AMOUNT PAYABLE		AMOUNT RETURNED		CHEQUE NO.		CERTIFICATE NO.		RECEIVING AGENT'S STAMP	
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Indicate in Box 3 where your equity interest lies as at application date	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%; height: 20px;"></td> <td style="width: 20%; text-align: center; font-weight: bold;">3</td> </tr> </table>		3																															
	3																																	
I/We the applicant(s) declare we have read the Prospectus and I am/ we are qualified to make this application. I/we agree that in submitting this application form I am/we are bound by the terms and conditions of the offer as set out in the Prospectus dated 18 March 2013.																																		
Date	Signature	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%; height: 20px;"></td> <td style="width: 20%; text-align: center; font-weight: bold;">4</td> </tr> </table>		4																														
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PLEASE USE BLOCK CAPITAL LETTERS																																		
Mr. Mrs. Ms. Miss or Title		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%; height: 20px;"></td> <td style="width: 20%; text-align: center; font-weight: bold;">5</td> </tr> </table>		5																														
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Existing Shareholder:	<table style="width: 100%;"> <tr> <td style="width: 50%; text-align: center;">YES</td> <td style="width: 50%; text-align: center;">NO</td> </tr> <tr> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> </table>	YES	NO	<input type="checkbox"/>	<input type="checkbox"/>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%; height: 20px;"></td> <td style="width: 20%; text-align: center; font-weight: bold;">6</td> </tr> </table>		6																										
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PLEASE CHECK ONE																																		
Individual: <input type="checkbox"/> Financial Institution: <input type="checkbox"/> Other Corporate: <input type="checkbox"/>																																		

Pin your cheque/banker's draft here for the amount in Box 2 made payable to "Bank of Montserrat Ltd. - Share Offer

7

PREFERRED FORM OF DIVIDEND PAYMENT¹

Please indicate how dividends should be paid:

8

Mail Dividend cheque to Address: _____

Credit My Account²:

Chequing Account #: _____

Savings Account #: _____

At

Name of Bank: _____

Address of Bank: _____

¹ Payments made to accounts at other Financial Institutions may attract applicable bank charges for such services.

² Please note that all dividends shall be paid in EC\$

Fill in this section only when there is more than one applicant. The first or sole applicant should complete Box 5 and sign in Box 4. Insert below only the names and addresses of other joint applicants, each of whose signatures is required in Box 10.

PLEASE USE BLOCK CAPITAL LETTERS

9

Mr. Mrs. Ms. Or Title

Mr. Mrs. Ms. Or Title

Mr. Mrs. Ms. Or Title

Given name(s) (in full)

Given name(s) (in full)

Given name(s) (in full)

Surname

Surname

Surname

Address (in full

Address (in full

Address (in full

10

Citizenship:

Signature

Signature

Signature

Warning: Failure to complete this application form accurately by you or the person acting on your behalf could result in the application being rejected.

Source of Funds Declaration Form

BANK OF MONTSERRAT LIMITED P O BOX 10 BRADES, MONTSERRAT, WEST INDIES		DECLARATION OF SOURCE OF FUND - LARGE CASH TRANSACTIONS		
		DATE: _____		
		ACCOUNT NO. _____		
NAME OF CUSTOMER/COMPANY	TYPE OF TRANSACTION	CURRENCY	AMOUNT	
	PERSONAL CUSTOMER IDENTIFICATION			
		SOCIAL SECURITY NUMBER:		
		NATIONAL REGISTRATION NUMBER		
ADDRESS		DRIVER'S LICENSE NO.		
	OR	OTHER SOURCE OF ID:		
	RESIDENT STATUS (IF NON-MONTSERRATIAN)	PASSPORT NO. (IF APPLICABLE)	DATE OF BIRTH	
TELEPHONE				
I declare that the source/use of this currency is:				
BANK POLICY REQUIRES THAT WE VERIFY THE SOURCE/USE OF FUNDS BEFORE ACCEPTING DEPOSITS/EFFECTING TRANSFERS. CONSENT IS HEREBY GIVEN TO THE BANK TO DISCLOSE THIS INFORMATION TO LAW ENFORCEMENT AUTHORITIES.				
_____ TRANSACTION TAKEN BY	_____ CUSTOMER SIGNATURE (person making deposit)	_____ HOLDER OF ACCOUNT SIGNATURE	_____ AUTHORIZING OFFICER	
OFFICE USE ONLY: TRANSACTION DECLINED				
<input type="checkbox"/> CUSTOMER REFUSAL TO SIGN FORM				
<input type="checkbox"/> EXPLANATION REFUSED OR UNREASONABLE (EXPLAIN ON REVERSE)				
<input type="checkbox"/> OTHER (EXPLAIN ON REVERSE)				