



PROSPECTUS

BANK OF MONTSERRAT LIMITED

Share Offer totaling XCD \$3,000,000

Rights Issue and Additional Public Offering
2 April 2018



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Disclaimer

This prospectus (the “Prospectus”) has been prepared solely for information purposes from information supplied by the Bank of Montserrat Limited (BML) and is being furnished by Allen, Thomas and Associates, solely for the use by prospective investors in considering their participation in the Bank of Montserrat Limited Rights Issue and Additional Public Offering.

This Prospectus for the subscription for a Rights Issue and an Additional Public Offer (APO) of ordinary shares in Bank of Montserrat Limited has been prepared and filed with the Eastern Caribbean Securities Regulatory Commission (ECSRC), Basseterre, St. Kitts in accordance with the Securities Act Chap 11.01 of the revised Laws of Montserrat, and the Securities (Prospectus) Regulations No. 22 of 2002.

The Bank of Montserrat Limited accepts full responsibility for the accuracy of the information given and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief, there are no other acts, the omission of which would make any statement in the Prospectus misleading.

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 the 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 Board of Directors.

The 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 of regulatory or legal

Disclaimer

requirement. It is the responsibility of any qualifying person in any overseas territory who wishes to make an application to satisfy him or herself 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.

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.

Act or Acts: The relevant “Acts” referred to throughout this Prospectus refer to the Acts of Montserrat

APO: Additional Public Offer

Rights Issue: A Rights Issue is a dividend of subscription rights to buy additional securities in a company made to the company's existing security holders.

BML: Bank of Montserrat Limited

Currency “Dollars” or “EC\$” throughout this Prospectus refer to
Equivalent: Eastern Caribbean Dollars unless otherwise stated with exchange rate of 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

IMF: International Monetary Fund

CAACM: Caribbean Association of Audit Committee Members

CLICO: Colonial Life Insurance Company Ltd.

BAICO: British American Insurance Company Ltd.

CALMS: Caribbean Asset and Liabilities Management Services Limited, a subsidiary of ECCB, established in 1993 to acquire \$14.7m in non-performing loans from BML.

Definitions & Abbreviations

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.
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:	The percentage derived when the numerator is total expenses and the denominator is total income
Securities Act:	Securities Act, Chap 11.01 of the revised Laws of Montserrat
FATF:	The Financial Action Task Force (FATF) is an inter-governmental body representing most major financial centres of the world. The objectives of the FATF are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.
Net Liquid Assets Ratio:	The ratio of cash plus short-term assets minus short-term liabilities divided by total deposit liabilities.
NPL Ratio:	Non-performing Loan Ratio - the ratio of delinquent loans for which payment has been suspended for 90 days or more divided by the total value of the loan portfolio, expressed as a percentage.

Corporate
Information

Corporate Address

Bank of Montserrat Limited
Brades Main Road, Brades
Montserrat, West Indies
www.bankofmontserrat.ms

Corporate Secretary

Ms. Chivone Gerald

Telephone

1-664-491-3843

Fax: 1-664-491-3163

Correspondence Email

info@bankofmontserrat.ms

SWIFT Details

BKMOMSMS

Correspondent Banks

Bank of St. Lucia – St. Lucia
Antigua Commercial Bank – Antigua
National Commercial Bank of Anguilla – Anguilla
National Bank of Dominica – Dominica
Republic Bank of Barbados Limited - Barbados
St. Kitts Nevis Anguilla National Bank – St. Kitts
Crown Agents – UK

Opening Hours

Mon – Thurs

↪ 8:00am – 2 pm

Fridays

↪ 8:00 am – 3 pm

Affiliations/Membership

Caribbean Association of Banks (CAB)
Eastern Caribbean Institute of Banking (ECIB)
Caribbean Bankers User Group (CBUG)
Caribbean Association of Audit Committee
Members (CAACM)

External Auditors

PKF Professional
Services
P.O. Box Choc 8245
Meridian Place
Choc Estate
Castries, St. Lucia

Regulators

Eastern Caribbean Central Bank (ECCB)
Financial Services Commission – Montserrat (FSC)

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

Management of Bank of Montserrat Limited

Management Staff:

Michael Joseph – General Manager
Sharmaine Francois – Assistant General Manager
Kathyan Fenton – Operations Manager
Clifford Lyght – Internal Auditor
Carla Lee – Accountant

Senior Supervisory Staff:

Valerie Daly – Senior Supervisor Central Processing
Deslyne Plato – Senior Supervisor Loans and Advances
Walter Blake – Technology Support Officer
Delcina Cabey – Supervisor Customer Service & Sales
Brenda Buffonge – AML/Compliance Officer

Regulator of the Eastern Caribbean Securities Market:

Eastern Caribbean Securities Regulatory Commission (ECSRC)
ECCB Financial Complex
P.O. Box 1855; Basseterre, St. Kitts
Telephone: 869-465-2537 Ext. 3279; Fax: 869-465-7512
E-mail: info@ecsrc.com; Website: www.ecsrc.com

Other Service Providers

Eastern Caribbean Securities Exchange (ECSE)
P.O. Box 94, Bird Rock
Basseterre, St. Kitts
Telephone: 869-466-7192; Fax: 869-465-3798
E-mail: info@ecseonline.com; Website: www.ecseonline.com

Other Service Providers Cont'd:

Registrar

Bank of Montserrat Limited

Transfer and Paying Agent

Bank of Montserrat Limited

Licensed Broker/Dealers on the ECSE

Bank of Nevis

Bank of St. Lucia

First Citizens Investment Services Limited

Bank of St. Vincent and the Grenadines Limited

St. Kitts-Nevis-Anguilla National Bank

Grenada Cooperative Bank Limited

Letter from
the Chairman

2 April 2018

Dear Investors,

It gives me great pleasure to announce the launch of yet another Rights Issue and APO to both our existing and potentially new shareholders. As you are aware our last Rights Issue and APO was held just over four years ago in 2013, for the dual purpose of augmenting the Bank's capital and diversifying the ownership of the Bank.

Since then in March 2015, the new Banking Act, No. 15 of 2015 came into effect in Montserrat. The Act stipulated that the minimum Paid-up Capital of commercial banks be increased from \$5M to \$20M; with a 450-day window for full compliance. Thus, the Bank devised a three-pronged strategy to become compliant. The first component involves the transfer of \$4.6m of un-appropriated retained earnings to paid-up capital and the issue of bonus shares to existing shareholders. This initiative was approved by Shareholders at a Special Meeting on October 18, 2017. The second component is the Rights Issue and APO of common shares as detailed in this Prospectus. The final component would involve the private placement of shares with a group of institutional investors throughout the region. Currently BML's Paid-up Capital is just over \$8.8M.

Section 44 of the Banking Act notes that "any licensed financial institution which fails to maintain the minimum capital, within the stipulated deadline will be liable to a penalty of \$1,000,000 and to a further penalty of \$100,000 for each day of default." The Bank of Montserrat Ltd held discussions with the Government of Montserrat regarding extending this period to allow the bank more time to raise the required capital to become compliant. Section 193 of the Banking Act makes provisions for the Governor to extend the period.

For existing shareholders, you will observe from the financial analysis in the Prospectus that your investment since 2013 has yielded positive returns with an average return on equity of 7.60%, an average earnings per share of \$0.59 and an increase in book value per share of 19.21% to where it now stands at \$6.82. For those shareholders who purchased shares at \$5.00, \$6.00 and \$7.50 during the Rights Issue and APO in 2013, you would

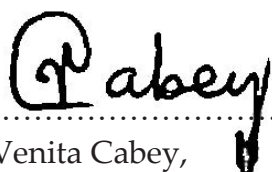
Letter from
the Chairman

have realized an average return on your investment in terms of dividend yield of 3.75, 3.12 and 2.50 percent respectively. This represents a higher rate of return from 2015 onwards than if you had simply placed your money on a savings account at the Bank given the reduction in minimum savings rate to 2.00 percent in 2015. This suggests that for both shareholders and depositors, there is the potential to enhance your return on investment and your interest as a stakeholder by participating in this share offer in that it affords you a stake in the bank's profits and as part owner - a voice in the manner in which the bank is managed.

For potential investors, we encourage you to come on board and purchase shares in this national institution that is playing such a pivotal role in the economic development of our beloved island. Moreover, I reiterate, purchase shares for yourselves and family in the "Go to Bank", the Bank of Montserrat, to secure your financial future and the fulfilment of your dreams and aspirations as Montserratians.

Therefore, in accordance with the provisions of the Securities Act, the Banking Act and the Companies Act, we hereby invite our existing shareholders to exercise your pre-emptive rights and for new shareholders to take advantage of this offer to purchase BML shares made available in the APO. The Board and Management of BML are confident that this will be one of the most prudent investment decisions, you will ever make. In light of this, we encourage you to read the Prospectus in its entirety; and consider your own financial status and risk appetite in making your decision. If in doubt, you should seek professional advice to assist in your investment decision-making process.

Yours sincerely,



.....

Venita Cabey,
Chairman

Executive Summary

THE OFFER

This Prospectus contains information about the Additional Public Offer (APO) by Bank of Montserrat Limited. This Prospectus is prepared in a manner consistent with the constitution and by-laws of the Bank of Montserrat Limited. The terms of the share offer are outlined below:

Table 1: Summary of the Offer

Offer Statistics	
Aggregate Offer Value (Rights Issue & APO Combined)	\$3,000,000
<u>Rights Issue</u>	
Number of Ordinary Shares offered via Rights Issue	666,667
Price per Ordinary Share (Rights Issue)	\$4.50
Maximum amount to be raised via the Rights Issue	\$3,000,000
Minimum Investment	Not Applicable
Offer Open Date for Rights Issue (Existing Shareholders)	2-April-18
Offer Close Date for Rights Issue (Existing Shareholders)	30-April-18
<u>Additional Public Offer (APO)*</u>	
Maximum Aggregate Offer value	\$3,000,000
Number of Ordinary Shares offered via APO	To be determined
Price per Ordinary Share	\$6.50
Minimum Investment	\$650.00 or 100 shares
Maximum amount to be raised via this APO	Contingent upon the extent of subscription to Rights Issue
Offer Open Date for APO	1-May-18
Offer Close Date for APO	31-May-18
Allotment of Pre-emptive Rights	4-June-18
Allotment to General Public	5-June-18

**Note that the amount of shares that will be on offer in the APO will depend on the amount that is taken up in the preceding Rights Issue. Therefore if 666,667 shares are purchased under the Rights Issue, then the bank would have met its target of raising \$3,000,000, thereby obviating the need for any additional offering of shares under the APO.*

The aggregate offer value of EC\$3m is not underwritten by any party.

No limit was imposed on the duration within which BML is authorized to issue the share capital envisaged under the terms of the Rights Issue and APO to which this Prospectus relates.

Executive Summary

BACKGROUND OF BANK OF MONTERRAT LIMITED

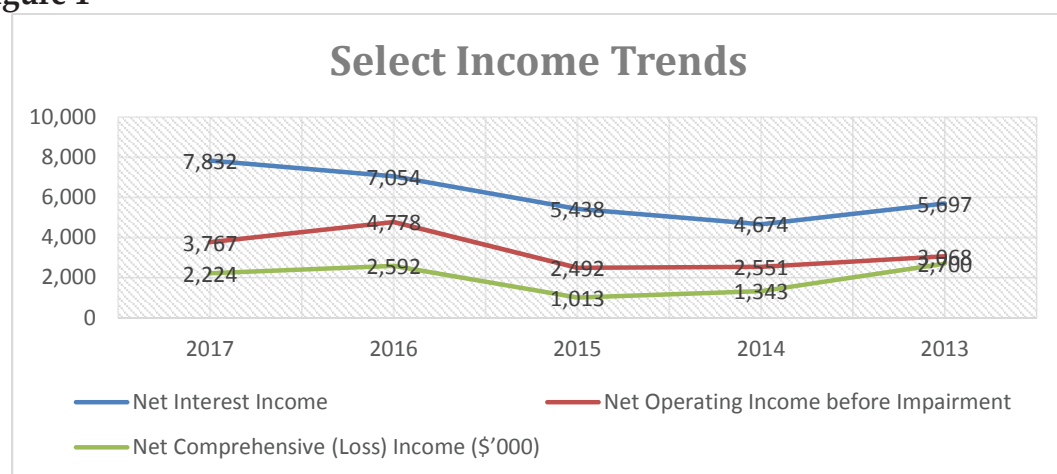
The fulfillment of a dream of a group of Montserratians to establish an indigenous bank came to fruition when Bank of Montserrat Limited was established on 3 May 1988.

The Montserrat financial landscape is comprised of two commercial banks, one indigenous and one foreign bank. Other financial intermediaries include a credit union, a building society and two (2) payday loan institutions. BML is the market leader amongst the financial intermediaries in Montserrat in loans, deposits and total assets.

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

Particulars (EC\$)	2017	2016	2015	2014	2013
Net Interest Income	7,832	7,054	5,438	4,674	5,697
Operating Income (\$'000)	10,446	11,078	7,345	6,867	8,148
Operating Expenses (\$'000)	6,679	6,300	4,853	4,316	5,080
Net Operating Income before Impairment	3,767	4,778	2,492	2,551	3,068
Net Comprehensive (Loss) Income (\$'000)	2,224	2,592	1,013	1,343	2,700
Return on Equity (%)	7.79	9.47	4.02	5.45	11.29
Basic EPS	0.53	0.62	0.24	0.32	0.65

Figure 1



Executive Summary

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

Particulars (EC\$)	2017	2016	2015	2014	2013
Customers' Deposits (\$'000)	215,883	224,457	202,125	188,550	187,183
Loans & Advances (Net)	87,087	83,328	67,808	64,011	63,736
Total Assets (\$'000)	246,705	253,810	229,099	216,253	214,694
Total Equity (\$'000)	28,560	27,378	25,203	24,624	23,928
Paid-Up Share Capital (\$'000)	8,889	8,884	8,883	8,857	8,834
Return on Assets (%)	0.90	1.02	0.44	0.62	1.26
Dividend Payout (%)	40	40	45	50	63
Book Value per Common Share (\$)	6.82	6.54	6.02	5.89	5.72

Figure 2

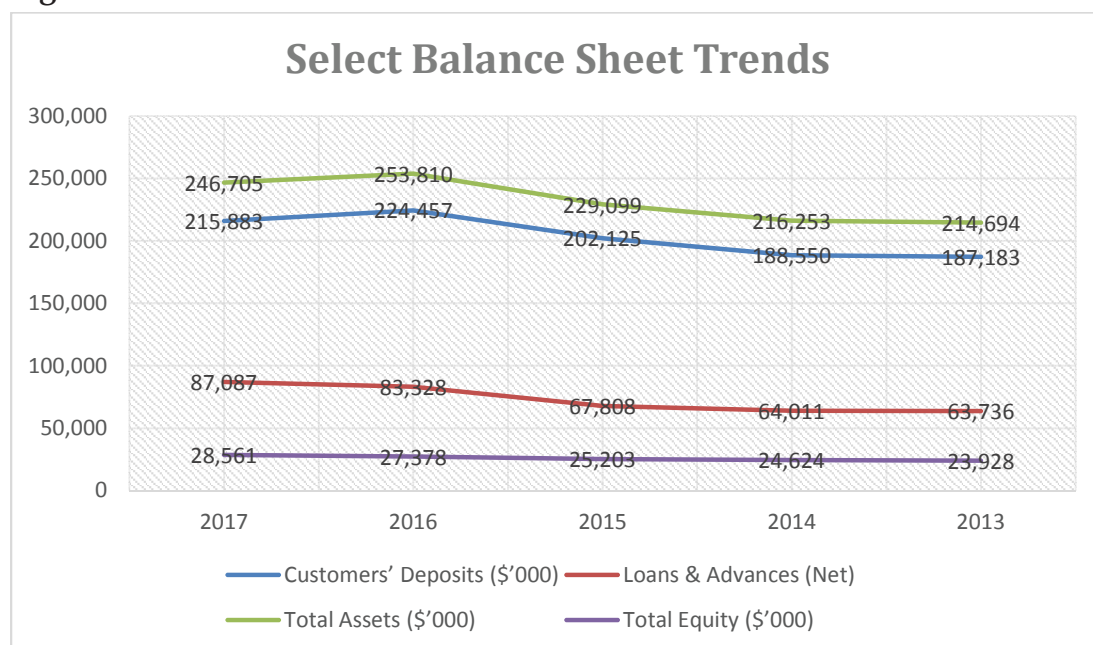


Table 4: Projected Key Performance Indicators (After Share Offering)

Particulars (EC\$)	2018 ^F	2019 ^F	2020 ^F
Profit after Tax ('000)	2,407	3,105	3,779
No. Common Shares Outstanding after Offer ('000)	6,065	6,065	6,065
Basic Earnings per Share (\$)	0.40	0.51	0.62
Dividends Declared ('000) @ 40% of net Income	963	1,242	1,512
Dividends per Share (\$)	0.16	0.20	0.25
Dividend Payout Ratio (%)	40	40	40
Dividend Yield @ \$4.50 per share (%)	3.53	4.55	5.54
Dividend yield @ \$6.50 per share (%)	2.44	3.15	3.83

F: Forecasted

BANK OF MONTSERRAT VISION

To be a world class provider of financial services.

BANK OF MONTSERRAT MISSION

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

BANK OF MONTSERRAT'S OBJECTIVES

The impetus behind this Rights Issue and APO relates primarily to the passage of the new Banking Act No. 15 of 2015 which requires that every licensed bank must maintain a minimum unimpaired, paid-up capital of not less than \$20 Million. Notwithstanding that BML's capital adequacy ratio as at 30-Sep-16 was at 27.8 percent, which is far in excess of ECCB's statutory benchmark of 8 percent, BML's current unimpaired, paid up capital of \$8,884,450 as at 30-Sep-16 is inadequate, based on the new Banking Act.

There are many benign spill-over effects of increasing the bank's paid-up capital which we believe will redound to the benefit of BML and all its stakeholders. Capital provides a cushion against losses and reduces the prospect of bank failure. Increased capital enhances the bank's lending and investing capacity and engenders better risk management at the executive and board levels. This serves as added protection for bank depositors, shareholders and other stakeholders.

1.0 The Offer

1.1 FINANCIAL RESTRUCTURING

- 1.1.1 BML's share capital as at 30-Sep-17 including Issued and Fully Paid and Share Premium amounted to \$8,888,809, resulting in a deficit of \$11,111,191 short of the statutory required minimum of \$20,000,000.
- 1.1.2 Management and the Board agreed on a three-step approach at Board Meeting of 14-Jun-17 to raising the required capital as follows:
1. Bonus Shares issue whereby existing shareholders were given one common share for every six shares owned. This was paid for by a transfer from Retained Earnings to Paid-up capital, of an amount equal to the number of additional shares issued per bonus issue multiplied by the book value of the shares as at 30-Sep-16. The accounting entry to book this transaction was passed on 16-Nov-17.
 2. The Rights Issue first to existing shareholders and any residual via an APO of common shares to both existing shareholders and the wider public for an aggregate amount of \$3,000,000 (combined).
 3. The sale of common shares to regional institutional investors with a total value of \$3,542,867 to make up the difference. Discussions with the relevant authorities are well advanced and indications are that the negotiations will be completed in short order.

1.1.3 Table 5: Financial Restructuring

Item/Activity	
# of shares issued and fully paid as @ 30-Sep-16	4,187,124
# of bonus shares issued to existing shareholders: 1 for every 6 owned (4,187,124/6)	697,854
Value of shares related to bonus shares issue transferred to Paid-up Share Capital from Retained Earnings (# of bonus shares multiplied by book value as @ 30-Sep-16 of \$6.54)	\$ 4,563,965
Plus Paid-up Share Capital as @ 30-Sep-17*	8,888,809
Total Paid-up Share Capital after transfer from Retained Earnings	13,452,774
New Capital to be raised from APO to achieve new Banking Act minimum capital requirement of \$20m	3,000,000
Plus : Private Placement – Regional Institutional Investors	3,542,867
Total Unimpaired Paid-up Capital	\$ 20,000,000

**Paid-up Share Capital at 30-Sep-16 was comprised of 4,187,124 shares valued at \$8,884,450. During the financial year ended 30-Sep-17 an additional 725 shares valued at \$4,359 were issued taking the Paid-up Share Capital to \$8,888,809 and number of shares issued to 4,187,848*

1.0 The Offer

1.2 IMPORTANT OFFER INFORMATION

1.2.1 This share offer is hereby made pursuant to a resolution passed at the Bank of Montserrat Limited Board Meeting of 13-Sep-17 to raise additional capital. The purpose of this share offer is for the Bank to become compliant with the new Banking Act which mandates that all banks within the ECCU must have minimum unimpaired paid-up capital of \$20m.

1.2.2 Table 6: The particulars of the share offering

Particulars of Share Offering	
Number of Ordinary Shares Offered - Rights Issue	666,667
Price per Ordinary Share to Existing Shareholders Exercising their Rights	\$4.50
Minimum Subscription	Not applicable
Number of Ordinary Shares Offered - APO*	To be determined
Price per Ordinary Share to New Shareholders	\$6.50
Minimum Subscription	\$650.00
Aggregate Offer Value of Rights Issue and APO Combined	\$3,000,000
Offer Opens (Rights Issue)	2-Apr-18
Offer Closes (Rights Issue)	30-Apr-18
Offer Opens (APO)	1-May-18
Offer Closes (APO)	31-May-18
Allotment of Pre-emptive Rights	4-Jun-18
Allotment to General Public	5-Jun-18

**The number of shares offered in the APO will be determined after the Rights Issue is closed*

Each ordinary share ranks equally as to capital, dividend and rights 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 Bank.

In accordance with Section 9(1) (a) of the Banking Act of Montserrat, No.15 of 2015, 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.

1.3 SHARE CAPITAL

1.3.1 **AUTHORIZATION:** Bank of Montserrat Limited is authorized to issue an unlimited number of common shares in accordance with section

1.0 The Offer

3 of its Articles of continuance 1997, certified by the Registrar of Companies under section 365 of the Companies Act.

1.3.2 ISSUED AND FULLY PAID: 4,187,848 common shares at 30-Sep-17

1.3.3 **Rights Issue:** A maximum of 666,667 shares; **APO:** The number of shares to be issued dependent upon the Rights issue subscription.

1.3.4 BML currently has no listed and unlisted securities not representing share capital.

1.4 OFFER PRICE DETERMINATION

1.4.1 In determining the offer price of \$6.50 per share various valuation methodologies were used, including the Gordon Constant Growth, Gordon's Zero Growth and the Discounted Cash Flow Models, and the average of the three approaches was taken 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;
- the intrinsic value of BML's shares taking into account the value of its assets; and
- The Bank cannot guarantee investors a share price above the APO price at any time after the date of this Prospectus. Shares may trade above or below the APO price.

1.4.2 The Rights Issue price of \$4.50 represents a discounted price from the APO price as a gesture of appreciation to our existing shareholders for their continued loyalty and support.

1.4.3 Expenses of the Offer

The costs and expenses associated with this offer will be borne by the Issuer. The estimated expenses associated with this prospectus amounts to \$80,000.00 or 2.67 percent of the total offer value. The net proceeds of the offer, after expenses, will be \$2,920,000.

1.0 The Offer

- 1.4.4 BML has not entered into any agreement with any person to pay any commission in consideration of his agreeing to subscribe for securities to which the prospectus relates or of his procuring or agreeing to procure subscriptions for the securities.

1.5 AVAILABILITY OF THE OFFER AND SUBSCRIPTION PERIOD

- 1.5.1 The Offer will open on 2 April 2018 at 9:00 a.m. and close at 2:00 p.m. 31 May 2018, unless extended by BML at its discretion, but subject to the approval of the ECSRC and in keeping with the relevant requirements of the Companies Act of Montserrat.
- 1.5.2 The Application Forms shall be available from the date of publication of this prospectus and may be obtained from and submitted to BML and its agents as follows:
- a. BML Headquarters, Brades, Montserrat, West Indies
 - b. Licensed Broker/Dealers on the ECSE (*See list of licensed Broker/Dealers on page 10*)
 - c. Allen, Thomas and Associates – UK. **NOTE: Allen, Thomas & Associates - UK's role is limited only to accepting applications on behalf of BML from clients who reside in the UK.**
 - ▶ Application forms are also available on the Bank's website: www.bankofmontserrat.ms
- 1.5.3 If the closing date of the Offer is extended, such extension shall be announced by press release issued by BML and shall also be immediately announced on its website.

1.6 PRE-EMPTIVE RIGHTS

- 1.6.1 **Rights Issue:** As required by the Companies Act, Revised Edition as at 1 January 2008, Section 34, the first offer of shares in the APO has to be made to existing shareholders to allow them to preserve their proportionate rights in the company, if they so desire. Existing shareholders on record as at 30 September 2017 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

- 1.6.2 **Bonus Shares:** The Board has passed a resolution to implement a bonus share issue of one share for every six owned. Thus each of the newly converted shares will have the right to purchase up to one of the new shares in the rights issue at a share price of \$4.50.

The rights will be made available at \$4.50 per share to existing shareholders from opening date of 2-April-18 for a period of one month, ending 30-April-18.

After the expiration of the rights issue, the APO will be open to existing shareholders and non-shareholders at a price of \$6.50 per new share and this offer will remain open for one month during the period 1-May-18 to 31-May-18. After this the offer will be closed.

1.7 PROCEDURE FOR PURCHASE OF ORDINARY SHARES

- 1.7.1 Investors should complete and submit the subscription form in accordance with guidelines in item 1.5.2, page 20 of the Prospectus by the stipulated deadline.

1.7.2 **Rights Issue:**

Existing shareholders, in order to take up their rights, are required to complete the Application form provided in Appendix I of this prospectus. The completed forms should be delivered in accordance with 1.5.2, page 20 of the Prospectus by the stipulated deadline. The exercising of pre-emptive rights will be on a first come first serve basis.

1.7.3 **APO:**

Following the Rights Issue, the remaining shares may be purchased in the APO by members of the public. Application for the ordinary shares may be made in accordance with 1.5.2, page 20 of the Prospectus by the stipulated deadline. To facilitate participation in the APO, investors would be required to complete an application form as provided in Appendix II to this prospectus. The shares via the APO will be sold on a first come first serve basis.

- 1.7.4 All application forms must include a date of receipt of application.

1.0 The Offer

1.8 SUBSCRIPTION TERMS AND CONDITIONS

- 1.8.1 All subscriptions become irrevocable after submission, and when received by the Bank or its 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

- 1.9.1 Proceeds shall be used to increase the Bank's unimpaired Paid-up Capital to \$20m to become compliant with the requirements of the Banking Act 2015.

1.10 DIVIDEND POLICY

- 1.10.1 Cognizant 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 at a rate of 40% of after-tax net income.

Table 7: Allocation of Profits

Allocation of Profits	
Statutory Reserves	20%
Staff Performance Incentives	3%
Social/Economic/Educational Contributions/Donations	3%
Dividends	40%
Balance to Retained Earnings	34%
TOTAL	100%

- 1.10.2 Once declared, pursuant to terms set out in Section 1.10.3, dividends will be paid to shareholders from net income after taxes, once per year after the end of the financial year.
- 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

1.0 The Offer

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

TABLE 8: DIVIDENDS PAID FOR 6-YEAR PERIOD (2012 – 2017)

Particulars	2012	2013	2014	2015	2016	2017 ^P
Dividends Declared	1,708,271	668,686	460,138	418,670	1,046,781	889,780
Total # of issued & outstanding shares	125,516	4,179,319	4,183,072	4,186,898	4,187,124	4,187,848
Dividend Payout (%)	23	25	34	41	40	40
Dividends per share (\$)	13.61	0.16	0.11	0.10	0.25	0.21

P: Projected

- 1.10.4 A special dividend of \$13.61 was paid in 2012 in recognition and appreciation of shareholders forbearance over the previous 20 years of receiving small or infrequent dividends during the period of CALMS and heavy provisioning on investments in CLICO and BAICO.
- 1.10.5 Since 2012 you will observe from the table above that BML has consistently paid dividends at 23 percent of net income or better, at an average of 30.12 percent.

TABLE 9: PROJECTED DIVIDENDS OVER NEXT 3-YEAR PERIOD AT 40% PAYOUT RATIO

Particulars (EC\$)	2018	2019	2020
Dividends Declared ('000)	963	1,242	1,512
Dividends per Share (\$)	0.16	0.20	0.25
Dividend Yield @ \$4.50 per share (%)	3.53	4.55	5.54
Dividend yield @ \$6.50 per share (%)	2.44	3.15	3.83

- 1.10.6 Whether you are an existing shareholder exercising your preemptive rights and taking advantage of the lower price of \$4.50, or a new shareholder purchasing at \$6.50, your return on investment for being a part owner of BML, is projected to yield attractive rates of return, except in circumstances where the payment of dividends does not materialize due to conditions outlined in Section 1.10.3 above or any other circumstance.

2.0 Risks and
other Key
Investment
Considerations

2.1 MAIN RISKS

2.1.1 The very nature of its activities exposes BML, like all commercial banks, to an assortment of financial risks including credit risk, liquidity risk, market risk, operational risk, and reputational risk. Risk is a fundamental part of retail banking but combined with proper risk management, it can lead to a lucrative risk-return trade-off. BML has implemented a robust risk management framework which involves the measurement, evaluation, monitoring and control of risk through the implementation of effective internal controls which are embedded in its policies and procedures. The effective mitigation of all classes of risk while simultaneously maximizing returns is the guiding mantra of BML's risk management philosophy and approach.

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 Loans and Investment Committees and Senior Management of the Bank whose responsibility it is to:

- ▲ Formulate credit policies in consultation with the Board of Directors including collateral requirements, credit risk assessment, documentary and legal procedures and compliance with regulatory and statutory requirements;
- ▲ Establishing the authorization structure for the approval and renewal of credit facilities;
- ▲ Reviewing and assessing credit risk;
- ▲ Ensuring that prudent concentration limits are adhered to in respect of exposures to counterparties, geographies, industries and currencies, with the latter four having particular relevance to the investment portfolio;
- ▲ Reviewing compliance with agreed exposure limits including those established for certain industries, product types and country risk exposures.

2.0 Risks and other Key Investment Considerations

A reporting framework is in place to ensure that regular reports are prepared and presented to the General Manager, Loans, Investment, and Audit Committees of the Board of Directors on the quality and performance of the loan and investment portfolios.

The Bank's NPL Ratio over the last three years fluctuated at levels just above ECCB's prudential Maximum of 5 percent. At a ratio of 6.07 percent in 2015, the NPL ratio dipped to 5.03 percent in 2016 then increased to 6.36 percent in 2017. The Bank continues to aggressively pursue delinquent customers with the objective of having them regularize the statuses of their loans with the ultimate goal of reducing the NPL ratio to within the 5 percent limit. The Bank continues to make allowances for loan impairment consistent with ECCB's prudential standards and the relevant International Accounting Standards (IAS39) requirement to cushion the effect of losses on the Bank's capital.

B) LIQUIDITY RISK

Liquidity risk is the potential that the Bank will not be able to meet its cash flow needs as they arise, in a cost effective manner. The bank assesses information relating to the liquidity profile of its financial assets and liabilities and details of other projected cash flows arising from forecasted future business. The Bank also maintains a portfolio of short-term liquid assets, comprised primarily of deposits at banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained to meet its obligations. The strength of the Bank's liquidity is embodied in The Bank's Net Liquid Assets Ratio which averaged 73.17 percent over the last three years and stood at 75.9 percent as at 30-Sep-17, a ratio which far exceeded ECCB's Prudential Benchmark of 20 – 25 percent.

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

2.0 Risks and other Key Investment Considerations

parameters, while maximizing the returns. The Bank's exposure to market risk relates to interest rate and foreign exchange risk.

Interest Rate Risk – involves the extent to which the Bank's non-trading portfolios are exposed to the risk of losses resulting from fluctuations in the future cash flows or fair values of financial instruments because of changes in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps.

Foreign Currency Risk – involves the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. 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. However, there is some risk exposure in relation to those currencies whose exchange rate regimes with the EC dollar is floating and therefore fluctuates on a daily basis such as the Great Britain Pound and Canadian dollar. Only the minimum amounts of these currencies which are required to facilitate daily trading are held by the Bank.

D) 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 falls within the ambit of the overall risk management framework which includes:

- The presence of proper internal controls including appropriate segregation of duties, dual custody arrangements;
- Strong internal audit function with direct reporting line to the Audit committee;
- The presence of documented policies and procedures covering all aspects of the bank's operations;
- The presence of an Emergency Preparedness/Disaster Recovery Plan;

In addition to the measures referenced above, emanating from its strategic planning exercise held in January 2017, a number of initiatives were identified to facilitate more effective risk management. These

2.0 Risks and other Key Investment Considerations

initiatives relate to capacity enhancement of its “People” and re-engineering of its “Processes” and include the following:

- The Anti-money Laundering and Compliance Officer Position has been upgraded to a senior position;
- Hiring of a qualified IT Assistant to lend technical support to the IT Officer;
- The implementation of a Central Processing Department to provide a centralized nerve center for all back office activities of the Bank;
- Automation of the Bank’s international wire and drafts system by implementing the Alchemy software program which interfaces directly with the Bank’s core banking software;
- Automation of the Bank’s anti-money laundering customer onboarding and transaction monitoring system by implementation of the Yellow Hammer anti-money laundering software.

2.2 SIGNIFICANT INVESTMENTS

BML’s investments are in local and regional securities including fixed deposits (CDs), corporate bonds, government fixed income instruments (bonds and T-bills), and corporate equity securities. There is a Board approved policy limit of 5 percent on equities. The Bank maintains a highly diversified investment portfolio which is actively managed to mitigate any concentration risk exposure. There are no significant investments in progress as at the date of issue of this prospectus.

2.3 DE-RISKING

- 2.3.1 A major risk facing indigenous banks in the Caribbean is the thrust of major US banks terminating their correspondent banking relationships. The term used to describe this phenomenon is “de-risking”, and it has the potential to harm the indigenous banking sector in the ECCU and impact negatively on the domestic economies which rely heavily on foreign remittances from the USA and England. Also commercial activity in the ECCU depends heavily on foreign currency wires and drafts which cannot be facilitated without a foreign correspondent bank. In January 2017, BML’s relationship with its main correspondent bank,

2.0 Risks and other Key Investment Considerations

Bank of America, was terminated. This has resulted in the Bank having to rely more heavily on its relationship with Crown Agents Bank, but at a higher cost.

2.4 OTHER RISKS

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

2.4.2 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. A Board-approved succession plan is now in place.

2.4.3 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.

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

2.4.5 BML does not have any dependence on patents or other intellectual property rights, licenses or particular contracts, where any of these are of fundamental importance to the Bank's business.

2.5 OTHER KEY INVESTMENT CONSIDERATIONS

2.5.1 There are no restrictions on the transferability of the shares of the BML being offered.

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

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

3.0 Bank of Montserrat Limited

- 2.5.4 The Soufriere Hills volcano which erupted in 1995, is currently experiencing an extended period of low activity and the scientists at the Montserrat Volcano Observatory predict that this lull should continue into the foreseeable future. The most recent report ranked the Hazard Level as 1 on its rating scale of 0 – 5. Notwithstanding, these natural phenomena are unpredictable at times and any other major eruption may dampen prospects for the Montserrat and BML by extension.
- 2.5.5 Montserrat's geographic location, like other islands in the Caribbean, is in an area which is prone to hurricanes, some of which can bring winds in excess of 150 miles per hour, with devastating impact on life, property, infrastructure and the economy.

3.0 DIRECTORS AND SENIOR MANAGEMENT

3.1.1 Board of Directors¹

Venita Cabey

Profession: Dep. Director/Financial Controller, Montserrat Social Security

Position: Chairman

Qualifications: Dip. Ed (Hons), B. Ed (Hons), B.Sc Theology, Cert Public Administration, ACC DIR

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 served as part time Lecturer for the University of the West Indies Open Campus 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.

Philip Chambers

Profession: Permanent Secretary, Government of Montserrat

Position: Director

Qualifications: MSc, BSc Economics and Management (Hons); Executive Diploma in Public Sector Management; Masters' Degree in Macroeconomic Policy and Planning

Mr. Philip Chambers served as Permanent Secretary in the Ministry of Communications Works & Labor, Government of Montserrat for five years ending in 2013. He then served until January 2017 as Permanent Secretary in the Ministry of Education, Youth Affairs & Sports.

He is currently appointed as the Chief Human Resources Officer within the Human Resources Management Unit. He has previously served as Chairman of the Montserrat Utilities and Montserrat Port Authority Board of Directors and the Chairman of the Montserrat Community College Board of Governors.

¹ Unless indicated in their profiles, the other directors do not currently hold any other directorships

Fitzroy Buffonge

Profession: Barrister at Law

Position: Director

Qualifications: LLB (Hons); Post Graduate Diploma in Bar Vocational Studies (U.K); Member of the English Bar

Mr. Fitzroy Buffonge previously served as Senior Crown Counsel in the Chambers of the Honourable Attorney General. He presently operates the Law Firm Buffonge & Associates in Montserrat and is a Door Tenant at Holborn Chambers, Holborn, London.

Bruce Farara

Profession: Business Executive/Entrepreneur

Position: Director

Qualifications/Experience: Dip Industrial Management, 49 years in Business

Mr. Bruce Farara, who is an independent director on the board of BML, is the current Managing Director of both Equipment & Supplies Limited and Sales & Services Limited. He also served over 20 years as Managing Director of Masonry Products Ltd./Caribbean Sand & Aggregate Ltd. until the Soufriere Hill Volcano destroyed that business. Since then he has ventured into a variety of new businesses including commercial property development and rentals.

Mr. Farara is a past president of the Montserrat Chamber of Commerce and Industry. He has served on numerous Government boards over the years including Montserrat Port Authority, Land Development Authority, Social Welfare Board, Montserrat Rice Mills, amongst others.

Florence Griffith Joseph

Profession: Business Executive

Position: Director

Qualifications: BA History and Sociology

Mrs. Florence Griffith Joseph is currently the Manager of Marse Bob Shop in Brades, which was named after her father, The Most Excellent Robert William Griffith, one of three national heroes of Montserrat. After leaving secondary school, Mrs. Griffith worked for a period with the Chase Manhattan Bank in Plymouth, Montserrat before going on to pursue studies at University of the West Indies (UWI), Cave Hill.

Mrs. Griffith Joseph is the founding member of the Montserrat Calabash Festival - an important annual cultural/culinary event in Montserrat which began in 2006. She is also the current president of the Montserrat Chamber of Commerce.

Dalton A. Lee

Profession: Business Consultant

Position: Director

Qualifications: BSc, Accounting, ACC DIR

Mr. Dalton Lee is a Partner in Veradenis Consulting, a full service consulting company that provides accounting, financial and strategic advice and service to small and medium sized companies in the United States and the Caribbean.

Prior to joining Veradenis, Lee held a number of senior financial positions including Vice President of Finance for the Local Media Group of Meredith Corporation, Director of Finance at USA Broadcasting (now NBC/Comcast) flagship station (WAMI-TV) in Miami, Florida and Vice President of Finance at NW Communications of Texas, a wholly owned subsidiary of Twentieth Century Fox. He is currently a member of the Board of the CAACM.

Mr. Lee is the current Chairman of BML's Audit and Compliance Committee and a member of its Investment Committee.

Beverley Mendes:

Profession: Permanent Secretary, Government of Montserrat

Position: Director

Qualifications: MBA Finance, ACC DIR

Mrs. Beverley Mendes is an accomplished business executive and financial expert who has over 24 years of experience functioning in various high-level capacities including Senior Auditor, Chief Accountant, Hospital Manager and Permanent Secretary within the Montserrat Government service. She currently serves as the Chairman of the Montserrat Utilities limited and the Montserrat Port Authority.

She is a community oriented individual as evidenced by her involvement at the executive level with several PTAs and other organizations, and is constantly at the forefront of fund raising activities for various causes in Montserrat. She is

3.0 Bank of Montserrat Limited

currently the Vice president of the St. Augustine School Board and is also a member of her church board. Mrs. Mendes is currently the Chair of BML's Loans Committee and a member of the Audit Committee.

John P. Osborne

Profession: Business Executive

Position: Director

Qualifications: B.Sc. Biology, ACC DIR

Mr. John Osborne is a young entrepreneur involved in several fields of business. He is the owner of a petrol station on island, involved in car and real estate property rental, and is also a certified automotive electronic fuel injection programmer. He has been a Director of the Bank since 2015.

John E. Ryan, OBE

Profession: Retired Civil Servant/Entrepreneur

Position: Director

Qualifications: Over 50 years experience - Building Contractor, Business Executive

Mr. John Ryan served in the Montserrat Civil Service for over twenty years and held several positions including Director of Radio Montserrat, Permanent Secretary in three (3) Ministries and Financial Secretary. He served as Chairman on numerous Boards during his career to include the Montserrat Electricity Services Ltd., National Provident Fund, Montserrat Philatelic Bureau, Montserrat Water Authority and Leeward Islands Air Transport (LIAT). In recent times, he served as the Executive Chairman of the Montserrat Development Corporation.

Over the years, he has had a heavy involvement in community life serving a variety of sporting associations, as a Jaycee member, and a key player in establishing the Northern Sports and Cultural Association (NOSCA) which primarily served to develop community activities. He continues in the rebuilding of Montserrat as an Entrepreneur, serving as Managing Director of Ryan Investments Ltd. – General Contractors and Real Estate Developers, and Emerald Brokerage Caribbean Ltd —Insurance Brokers.

Mr. Ryan is currently the Chair of BML's Investment Committee and a member of the Management Committee.

John E Wyke, MBE

Profession: Business Executive/Entrepreneur

Position: Director

Qualifications: Over 40 years as Business Executive, Proprietor

Before becoming a community leader and entrepreneur, Mr. John E Wyke worked for several local companies, including LIAT as a Ticketing Agent and Traffic Manager. This career afforded him the opportunity not only to develop his business skills, but also the opportunity to assist his people by becoming heavily involved in meaningful community endeavours.

In the late 1970's, Mr. Wyke joined the Montserrat Festival Committee, a voluntary organization, as the Road Jam chairperson, followed by Chairman, Festival Committee, and was pivotal to the success of many festivals on the island. He has served on several Boards including the Public Service Commission and the Montserrat Chamber of Commerce.

Among the various accolades Mr. Wyke has received, note-worthy is the MBE he received in 2007 by Her Majesty Queen Elizabeth II.

3.1.2 Corporate Secretary

Ms. Chivone Gerald

Profession: Barrister-at-Law

Position: Corporate Secretary

Qualifications: LLB (Hons), Notary Public, Professionally Accredited Corporate Secretary

Ms. Chivone Gerald is a Barrister-at-Law and Notary Public. She was appointed the Corporate Secretary for the Bank of Montserrat Limited in November 2014. She is a Professionally Accredited Corporate Secretary (PACS) having received her accreditation in November 2015 from GovStrat Limited in Collaboration with the Law College of the Americas and Brown Governance Inc (Canada).

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. In addition, he possesses the Certified Anti-money Specialist certification (CAMS) from the Association of Certified Anti-money laundering Specialist (ACAMS). Mr. Joseph is also an accredited director (ACC DIR)

Ms. Sharmaine Francois - Assistant General Manager

Ms. Sharmaine Francois has over fifteen years executive experience in banking and finance. She began her career at Bank of Saint Lucia, where she worked in a number of areas including, corporate, retail and investment banking. Ms. Francois was instrumental in establishing the Investment/Wealth Management Unit at BOSL and had responsibility for strategic business development in the areas of pension fund management, portfolio management and equity capital funding. She also held the position of Business Development Manager for the OECS at First Citizens Investment Services Ltd (formerly CMMB) where she also functioned as the Registered Principal for the brokerage operations.

Sharmaine holds B.Sc. in Accounting and Statistics from UWI and a Post Graduate Certificate in Business Administration from Manchester Business School, UK. She is an Accredited Director, having completed the directors' programme with ICSA Chartered Secretaries Canada. Her career successes

include the structuring and arranging of over one billion in corporate and government bond issues on the Regional Government Securities Market and the recipient of the 2012 Corporate Leadership Award from the St. Lucia Chamber of Commerce.

Kathyan Fenton – Operations Manager

Mrs. Kathyan Fenton holds a B.Sc 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, Teller Supervisor and Snr. Supervisor – Customer Service.

Clifford Lyght – Internal Auditor

Mr Clifford Lyght has a B.Sc 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 B.Sc Degree in Accounting from UWI. She is also a Fellow 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 UWI 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 - Central Processing

Ms. Valerie Daly started to work in the banking industry from 1988 at the East Caribbean International Bank and joined the BML in 1990. She held various positions at the Bank and is now performing the duties of Senior Supervisor – Central Processing. She has attended several workshops on various banking

topics including Operations Management, Anti-Money Laundering, HR, Pension Management Compliance and Customer Service.

Brenda Lee-Buffonge – AML Reporting/Compliance Officer

Mrs. Brenda Lee-Buffonge holds an Associates of Science Degree in Business Management from the University of the West Indies, a Higher National Certificate and Diploma (HNC/HND) in Business Management from the University of Sunderland/RDI in the UK and a Bachelor of Arts (Honors) in Business (Marketing) from the Anglia Ruskin University (ARU) in the UK. She is now pursuing an MBA - Project Management also from ARU.

Mrs. Lee-Buffonge joined BML in 1998 and has held several positions at the Bank. She was appointed the Anti-Money Laundering (AML) Reporting/ Compliance Officer on March 1, 2014. She has attended several Workshops and Seminars including Anti-Money Laundering and Counter Terrorism Financing and Correspondent Banking AML Certificate, amongst others.

Walter Blake – Technology Support Officer

Mr W Blake is a career banker with over 25 years in banking. Mr. Blake worked first at the First American Bank before joining the BML in 1990. Since then Mr. Blake has amassed a wealth of experience having worked in various departments of the Bank. Currently, Mr. Blake is responsible for the management of information technology (IT) within the bank. He has attended several conferences and workshops on topics relating to IT.

Deslyne A. Plato – Senior Supervisor Loans and Advances

Ms. Plato holds a BSc Degree in Accounting (First Class Honours) – UWI. She joined the Bank in the year 2005 as a Teller/Customer Service Representative and has held various positions within the Bank. She is currently pursuing courses to become a Certified Credit Underwriter and holds the position of Senior Supervisor Loans and Advances.

Delcina Cabey – Supervisor – Customer Service & Sales

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.

3.0 Bank of Montserrat Limited

3.3 HISTORY OF BANK OF MONTSERRAT LIMITED

3.3.1 On the 3rd May 1988, Bank of Montserrat opened its doors following its incorporation as a limited liability company under the “Companies Act Chapter 308 of Montserrat”, 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 \$5.14M in 1988 to \$246.7M in 2017. Similarly, gross income from loans and other sources in 1988 which was \$284,000 has risen to \$12.8M as at September 2017.

3.3.3 This growth and survival of the Bank over the last twenty-eight years is no small feat given the challenges it has had to overcome 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 light upon the hill and a testament to 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 to its credit 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 partnered with the Government of Montserrat to secure a loan EC\$2.7 million from the

3.0 Bank of Montserrat Limited

Caribbean Development Bank (CDB) to finance re-development in the business sectors and assist in the construction of private homes.

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 (non-performing loans).

3.3.7 Reviews conducted by the CDB and the Republic Bank of Trinidad & Tobago in Jan. and Dec. 1992 respectively corroborated ECCB's findings, but by that time the loan portfolio had deteriorated further 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 liquidity 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

3.0 Bank of Montserrat Limited

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 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 level of delinquent loans at the Bank. 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 dearth of good 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 liquidity 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 was fully liquidated in 2013.

3.3.14 Over the last several years, as the redevelopment of the island has focused on the northern safe zone, BML has played a pivotal role in this process through direct and indirect funding. Direct funding has involved the provision of loan facilities to private individuals for home construction, education, health and consumer durables, whilst indirect funding has involved the offering of Performance Bonds and Advance Payment Guarantees to a number of contractors on major projects including the Lookout Housing Project, the Salem Secondary School renovations, The Special Needs Housing Phases 1 & 2, the Police Station at Brades and the Montserrat Volcano Observatory.

3.0 Bank of
Montserrat
Limited

3.4 BANK OF MONTSERRAT LIMITED CORPORATE GOVERNANCE

- 3.4.1 The Board of BML subscribes to the notion that for corporate governance to be effective, senior management and the board must lead by example - the “tone from the top” is the foundation for proper corporate governance to flourish. In accordance with the Guidelines on Corporate Governance for Commercial Banks issued by the ECCB in May 2006, the bank’s strategy is guided by the following:
- 3.4.2 The establishment of committees of the board (including charters) with clearly defined objectives, authorities, responsibilities and tenure with regular reporting to the full board. These include:
- Loans Committee
 - Audit & Compliance Committee
 - Investment Committee
 - Management Committee
 - Strategic Planning Committee
- 3.4.3 The adoption of the Fit and Proper Guidelines as per Section 97 of the Banking Act 2015 in respect of the minimum criteria for election to the Board of Directors.
- 3.4.4 Board approved Code of Conduct for directors and stakeholders of the institution, setting out the bank’s ethical values and standards. The code of conduct covers topics relating to the use of confidential information, conflicts of interest, protection & use of the bank’s assets, corruption, compliance with laws & regulations, and insider trading.
- 3.4.5 As required by the Banking Act, directors have a duty to disclose any potential conflicts of interest. In order to achieve the highest levels of probity and transparency, directors do not participate in discussions or vote on matters before the Board in which they have any direct or indirect financial or other personal interest.
- 3.4.6 Director training shall be encouraged at a minimum of once per annum and all directors shall be encouraged to complete the Accredited Director Programme within two years of first assuming the directorship.

3.0 Bank of Montserrat Limited

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 which involves the implementation of systems to analyze, measure, report and control all classes of risk.
- 3.5.2 The documentation and implementation of operating procedures and systems of internal controls that are designed to address all classes of risk to which the Bank is exposed form an integral part of risk management. These controls are monitored by the Internal Audit on an on-going basis, and form part of the Annual Work Programme. Deficiencies detected by Internal Audit during the execution of its work programme are reported to the Audit Committee with recommendations for corrective action.
- 3.5.3 The Bank approved the Succession Plan in September 2017 to ensure business continuity.
- 3.5.4 The bank is also seeking to establish a relationship with a strategic partner in the form of another indigenous bank. The goal is to improve operational efficiency by leveraging that affiliation to derive benefits such as:
- Shared costs – software license fees;
 - Correspondent banking access – possibility to share correspondent banking relationship with strategic partner;
 - Liquidity support in the form of a line of credit in the event of a liquidity crisis;
 - Loan portfolio diversification by participating in loan syndications outside of Montserrat.

3.6 BML Anti-money Laundering Policy

- 3.6.1 In order to ensure full compliance with all the provisions under the Money Laundering Prevention Act 2001 and the Anti-Money Laundering regulations issued by the supervisory authority – the Financial Services Commission, BML has adopted a robust anti-money laundering framework which is built on the documentation and implementation of key anti-money laundering policies and procedures

3.0 Bank of Montserrat Limited

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. The Bank has taken more recent steps to bolster its AML system by upgrading the profile and status of the AML Reporting Officer to a senior designation within the corporate structure. Also the bank has acquired an AML software programme, Yellow-Hammer to automate the customer due diligence process and enhance the functionality of the AML-CFT programme.

3.7 Table 10: BML'S PRODUCTS & SERVICES

Products & Services		
Savings Accounts	Utility Bill Payments	
Fixed Deposit Accounts	Money Services/SWIFT	Transfer
Personal Chequing Accounts	Credit Card Facilities	
Senior Citizen Accounts	Vehicle Loans	
Individual Retirement Account (IRA)	Consumer Loans	
ATM Service	Land Loans	
Online Banking Service	House Purchase Loans	
Safe Deposit Boxes	House Construction Loans	
Night Deposit Service	Standing Orders	
Regional Drafts & Manager's Cheques		

4.0 Brief History of Montserrat

- 4.1 Montserrat, covering 39.5 square miles (102 square kilometers), is a British Crown colony located 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 12,000 and was lush, green, mountainous 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 Montserradians migrated to Britain and neighboring islands in search of employment opportunities. Today the population is just about 5,000.
- 4.3 An exclusion zone where entry is restricted covering about two-thirds of the island was imposed because of the size of the existing volcanic dome and the resulting potential for pyroclastic activity.
- 4.4 A new town and port are being developed at Little Bay, which is on the northwest coast of the island.
- 4.5 Montserrat is known as the “Emerald Isle of the Caribbean”, because of its lush, green, tropical landscape and the unique Irish heritage of some of its inhabitants. 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.
- 4.6 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.
- 4.7 Montserrat is the only country in the world outside Ireland where St. Patrick’s Day is a public holiday. It is celebrated on March 17th, but with a Caribbean flavor involving calypso, reggae and iron band music.

5.1 WORLD ECONOMIC PERFORMANCE AND OUTLOOK

- 5.1.1 According to the IMF's January 2018 edition of World Economic Outlook report, global growth was estimated at 3.7 percent in 2017, thereby eclipsing projections. The growth forecasts for 2018 has been revised upward to 3.9 percent, reflecting increased global growth momentum.
- 5.1.2 The cyclical upswing which took root since mid-2016 has continued to strengthen. Some 120 economies, accounting for three quarters of world GDP, have seen a pickup in growth in 2017. Among advanced economies, overall growth in 2017 was higher than projected, notably in Germany, Japan, Korea, and the U.S. Key emerging market and developing economies, including Brazil, China, and South Africa, also posted growth stronger than previous forecasts. All indicators point to a continuation of strong momentum going into 2018 influenced by growth in world trade, a hike in investment, particularly among advanced economies, and increased manufacturing output in Asia.
- 5.1.3 The positive global outlook for 2018 and 2019 results mainly from advanced economies, where growth is now expected to exceed 2 percent in both years. This forecast reflects the expectation that favorable global financial conditions will help maintain the recent acceleration in demand, especially in investment, with a noticeable impact on growth in economies with large exports. In addition, the U.S. tax reform, in particular the reduction in corporate tax rates and the temporary allowance for full expensing of investment, as well as associated fiscal stimulus are expected to raise U.S. growth in the short-term, with favorable demand spillovers for major U.S. trading partners.
- 5.1.4 The economy of the U.K., upon which Montserrat relies heavily for budgetary support was estimated to have expanded by 1.7 percent in 2017 and is projected to grow by 1.5 percent in 2018². Uncertainty related to the state and outcome of Brexit negotiations being the main down-side risk to more robust growth.

² Source: International Monetary Fund – January 2018 World Economic Outlook report

5.2 MACROECONOMIC REVIEW & FORECAST OF MONTERRATIAN ECONOMY³

- 5.2.1 According to ECCB's Annual Economic and Financial Review of September 2017, economic activity in Montserrat is provisionally estimated to have expanded in the first nine months of 2017 relative to that in the corresponding period of 2016.
- 5.2.2 Value added in the tourism industry, captured by the hotels and restaurants sector, rose in the first nine months of 2017 relative to output in the corresponding period of 2016. Total visitor arrivals increased by 10.9 per cent to 13,065, compared with a 33.8 per cent rise in the comparable period of the previous year. This performance was fueled by an increase of 50.1 per cent (1,614) in cruise ship passenger arrivals.
- 5.2.3 In the construction sector value added is provisionally estimated to have declined in the January to September period of 2017. This performance was driven by a fall in commercial and residential construction activity as credit to the sector decreased by 9.9 per cent. In the public sector, there was a reduction in spending in the review period, primarily reflecting a lack of finance for public sector projects.
- 5.2.4 The consumer price index rose by 0.7 per cent, in contrast to a decrease of 0.6 per cent during the first nine months of 2016. The rise in prices reflected higher cost in the sub-indices of housing, water, electricity, gas and other fuels (1.0 per cent) and transport (3.4 per cent).
- 5.2.5 The trade deficit narrowed over the first nine months of the year by 0.4 per cent to \$60.2m. This outturn was mainly captured in an increase in exports of 42.4 per cent to \$12.0m, associated with a more than doubling of re-exports, largely miscellaneous manufactured articles and machinery and transport equipment.
- 5.2.6 The overall fiscal performance of the central government improved in the period under review. The overall surplus (after grants) totalled \$43.2m in contrast to a deficit of \$1.3m in the corresponding period of 2016. This result was driven by increased access to grants after the

³ ECCB, Economic and Financial Review, Vol 38, No 3, September 2017

5.0 Economic & Industry Review

passing of the budget in June 2017. Capital grants totalled \$56.4m for the first nine months of 2017 versus \$13.1m in the corresponding period of 2016.

- 5.2.7 The stock of public sector external debt stood at \$10.6m at the end of September 2017, compared with a balance of \$8.6m at the end of December 2016. The increase in debt is attributable to a Caribbean Development Bank (CDB) loan to allow the authorities to increase power generating capacity to attract light manufacturing firms.
- 5.2.6 The overall growth for the year 2017 has been revised downwards from what was estimated at the beginning of the year given the lackluster performance of the economy in the first nine months of the year. ECCB estimates a growth rate of GDP for 2017 at 1.77 percent compared to actual rate of 1.34 in 2016. The most significant challenge is related to the United Kingdom's Brexit negotiations, which are likely to result in greater uncertainty for Montserrat's economy. Moreover, the depreciation of the Sterling may also have adverse implications for the level of budgetary support received by the government and thus, its fiscal balance.
- 5.2.7 In addition, improvements related to value added in government services and the construction sector may not be realized until the latter part of the year, as it is contingent upon the resumption of a number of public sector infrastructural projects.
- 5.2.8 An enhanced performance is expected in the construction sector, in light of the announcements in the 2017-2018 budget for duty-free concessions on building materials for the construction of selected homes.
- 5.2.9 Given the recent improvement in access to the island, an increase in stay-over visitor arrivals and key auxiliary sectors such as transport, storage and communications and wholesale and retail trade is expected.
- 5.2.10 However, a number of downside risks persist, including adverse weather, disruptions related to access to the island and the slow mobilization of budgetary support.

5.3 REVIEW OF MONTSERRAT FINANCIAL SERVICES SECTOR

- 5.3.1 The Commercial banking sector in the ECCU 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 licenses; 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.
- 5.3.2 The Montserrat financial landscape is comprised of two commercial banks, one indigenous and one foreign bank. Bank of Montserrat, the indigenous bank, is the market leader in every category, with market share of 54.9 per cent of loans, 52.2 percent of deposits and 49.6 per cent of total assets. Other financial intermediaries include a credit union, a building society and two (2) payday loan institutions. With six (6) financial institutions serving a population of 5,000 residents, of which 2/5th are bankable, the financial space is considered overbanked. The market for loans, in particular, is highly competitive, resulting in narrowing spreads.
- 5.3.3⁴ The banking system realized a net credit position of \$5.5m, in contrast to a net deposit position of \$14.6m recorded at the end of December 2016. This outturn was influenced by a 17.7 per cent contraction in the net deposit position of the central government to \$62.9m, associated with a drawdown in deposits to meet current obligations. Credit to the private sector rose by 4.6 per cent to \$84.0m, due to an expansion in household sector credit (5.6 per cent), while the business sector borrowing declined by 2.3 per cent.

⁴ Source for Items 5.33 – 5.36: ECCB, Economic and Financial Review, Vol 38, No 3, September 2017

5.0 Economic & Industry Review

- 5.3.3 An assessment of the sectorial distribution of credit for the period showed a 4.6 per cent increase in personal credit to \$83.6m, which accounted for 86.5 per cent of total credit. The major contributor to this overall outturn was an increase of 2.5 per cent (\$1.6m) in lending for acquisition of property, with further increases in credit for house and land purchase (3.1 per cent) and home construction and renovation (2.2 per cent).
- 5.3.4 The net foreign assets in the banking system declined by 6.4 per cent to \$290.3m at the end of September 2017, in comparison with a 5.5 per cent decrease noted during the comparable period last year. The main contributor to this outturn was a decline of 9.3 per cent to \$120.8m in Montserrat's imputed share of reserves held with the Central Bank. In addition, commercial banks' transactions resulted in a net inflow of \$7.4m; thus reducing their net foreign assets to \$169.5m.
- 5.3.5 The banking system continued to operate in excess liquidity conditions as highlighted by the ratio of liquid assets to total deposits and liquid liabilities of 84.2 per cent. This level of liquidity is consistently in excess of the ECCB's prudential benchmark of 25.0 per cent. Meanwhile, the ratio of loans and advances to total deposits stood at 28.1 per cent, which is substantially below the minimum prudential requirement of 75.0 per cent.
- 5.3.6 The spread between the weighted average interest rate on deposits and loans narrowed by 21 basis points to 5.75 per cent during the review period. The weighted average lending rate fell to 6.90 per cent, 17 basis points from the level recorded at the end of December 2016. However, the weighted average interest rate on deposits rose to 1.14 per cent from 1.10 per cent at the end of December 2016.

5.4 MONTSERRAT'S RATING BY STANDARD & POOR'S

- 5.4.1 In September 2017, Standard & Poor's Global Ratings affirmed its 'BBB' - long-term and 'A-3' short-term sovereign credit ratings on Montserrat. It also indicated that outlook remains stable reflecting its expectation of continued budgetary and institutional support for Montserrat from the U.K. over the next two years, despite the complex political circumstances surrounding Brexit. This support it stated will continue to underpin Montserrat's creditworthiness and help to mitigate the risks posed by its external vulnerabilities, particularly given the continuing low-level activity of the Soufriere Hills Volcano and the island's location in a hurricane belt. On the downside the ratings also took into account Montserrat's limited air and sea access and underdeveloped private-sector economy.
- 5.4.2 The public sector which constitutes approximately 75% of GDP is expected to be the main driving force of the economy going forward. Coupled with modest private-sector investment, slow rebuilding activities in the public sector will hold Montserrat's real GDP per capita stable through to 2018 at approximately \$11,600.
- 5.4.3 The expectations are that the government will continue to run near-balanced budgets with general government debt remaining below 6% of GDP and its general government interest expenditures below 1% during the next two to three years, thanks to strong and steadfast grant support from the U.K. Following Brexit, it is anticipated that the grants will remain in place until 2020.

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 price of the shares.

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 Table 11: TEN LARGEST SHAREHOLDERS

TOP 10 SHAREHOLDERS		
SHAREHOLDER	# OF SHARES*	SHAREHOLDING (%)
Government of Montserrat	2,349,340	48.09
Government Savings Bank	735,735	15.06
Bruce B Farara	151,667	3.10
John Edward Ryan	58,333	1.19
Joseph Fergus	49,350	1.01
Rupert Isles	42,000	0.86
Neville S. Kirwan	40,531	0.83
D R V Edwards	37,129	0.76
Joseph B Chalmers	35,000	0.72
Audison J Q Osborne	29,721	0.61
John P Osborne	29,721	0.61
Tarique J Osborne	29,721	0.61
Tuyen A K Osborne	29,721	0.61

*Represents # of shares held after 1 for 6 Bonus Share issue

6.4 DIRECTORS’ REMUNERATION

- 6.4.1 The aggregate remuneration paid to directors for the financial year 2017 was EC\$279,600 and the projected amount for 2018 is EC\$279,600.
- 6.4.2 At the date of this prospectus, there are no existing or proposed service contracts of a material nature between any of the directors and BML.

6.0 Material Disclosures

6.4.3 At the date of this prospectus, there is no family relationship between any director or any other person who performs an important administrative, management or supervisory function within the Bank

6.5 Table 12: DIRECTORS' INTEREST

Director's Interest		
Director Name	# of Beneficial Shares	# of Non-beneficial Shares
Venita Cabey	5,165	Nil
Philip Chambers	233	Nil
Bruce Farara	151,667	Nil
Beverley Mendes	117	Nil
John P. Osborne	29,721	Nil
John E. Ryan	58,333	Nil
John E. Wyke	18,249	Nil

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 2 April 2018 at the Headquarters of BML, Brades, Montserrat.

1. Copies of Articles of Continuance of BML
2. By-laws of BML
3. BML 2017 Annual Report
4. BML's audited financial statements for the years ended 30 September 2013 – 30 September 2017
5. Resolution of the Board of Directors of 13 September 2017 authorizing the share issue

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

7.1 FINANCIAL RATIO ANALYSIS

7.1.1 The following financial information in the tables below was extracted from the Bank's Audited Financial Statements for the years ended 30 September 2013 to 2017.

Table 13: Five-Year Summary of Earnings, Assets & Shareholders' Equity

	2013	2014	2015	2016	2017
Earnings (Loss) After Tax ('000)	2,700	1,343	1,013	2,592	2,224
Earnings per Share ('000)	0.65	0.32	0.24	0.62	0.53
Dividends Declared ('000)	669	460	419	1,047	890
Accumulated Retained Earnings ('000)	4,774	5,674	5,601	7,013	6,809
Shareholders' Equity ('000)	23,928	24,624	25,203	27,378	28,560
Total Assets ('000)	214,694	216,253	229,099	253,810	246,705

Table 14: Key Performance Ratios 2012 – 2016

Ratio	2013	2014	2015	2016	2017
Return on Equity (%)	11.28	5.45	4.02	9.47	7.79
Return on Assets (%)	1.26	0.62	0.44	1.02	0.90
Interest Earned to Interest paid	2.44	2.26	2.69	4.01	4.31
Efficiency (%)	74.63	75.86	76.41	64.41	70.59
Loans/Deposits (%)	34.05	33.95	33.55	37.12	40.34



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9th of March 2018

INDEPENDENT AUDITORS' CONSENT LETTER

To the Shareholders of
Bank of Montserrat Limited

We agree to the inclusion of our name and auditor's report on summary financial statements in accordance with ISA 810, Revised with respect to the financial statements of the Bank of Montserrat Limited (the "Bank") as of and for the years ended September 30, 2015, September 30, 2014 and September 30 2013 in the Bank's Prospectus for the Rights Issue of ordinary shares to existing shareholders and an Additional Public Offering of ordinary shares to existing and new shareholders respectively payable in full on application.

These reports were dated as follows:

Financial Year End	Audit Report Date
September 30, 2015	December 30, 2015
September 30, 2014	February 11, 2015
September 30, 2013	December 11, 2013

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.

We hereby consent to the inclusion of the summary statements of financial position and statements of income for the aforementioned years in the prospectus and accept responsibility for them up to the date of our auditor's report on the summary financial statements which is also the last date of our auditor's report on the audited financial statements.

Since the date of our last audit report, we have not been engaged by the Bank to perform any audit or review procedures on the Bank's financial information.

Yours sincerely,
For and on behalf of BDO LLC

Claudel V. V. Romney
Senior Member

7.2.2 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, 2016 and 2017 in the Bank's Prospectus for a Rights Issue of ordinary shares to existing shareholders and an Additional Public Offering of ordinary shares to existing and new shareholders respectively payable in full on application.

These reports were dated as follows:

Financial Year End	Audit Report Date
September 30, 2016	December 14, 2016
September 30, 2017	December 13, 2017

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.

We hereby consent to the inclusion of the statements of financial position and statements of income for the aforementioned years in the prospectus and accept responsibility for them, and have not become aware, since the date of any of the reports, of any matter affecting the validity of those reports at those dates.



Chartered Accountants
Castries St. Lucia
March 8, 2018



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REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

To the Shareholders of
Bank of Montserrat Limited

Opinion

The accompanying summary financial statements, which comprise the summary statement of financial position as at September 30, 2015, September 30, 2014 and September 30, 2013 and the summary statement of operations for the years then ended are derived from the audited financial statements 2015, 2014 and 2013 of the Bank of Montserrat Limited. We expressed unqualified audit opinions on those financial statements in our reports dated December 30, 2015, February 11, 2015 and December 11, 2013, respectively.

In our opinion, the accompanying summary financial statements derived from the audited financial statements of Bank of Montserrat Limited for the years ended September 30, 2015, September 30, 2014 and September 30, 2013 are consistent, in all material respects, with the audited financial statements prepared in accordance with International Financial Reporting Standards.

Summary of Financial Statements

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

The Audited Financial Statements and Our Report Thereon

We expressed unqualified audit opinions on the audited financial statements in our report dated December 30, 2015, February 11, 2015 and December 11, 2013.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary of the audited financial statements on the basis on accounting policies applied in the preparation of the audited financial statements in accordance with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

Chartered Accountants
The Valley, Anguilla
30th of December 2015

7.3.2 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, 2016 and 2017, and the summary statements of operations for the years then ended, are derived from the audited financial statements of Bank of Montserrat Limited for the years then ended. We expressed an unqualified audit opinion in our reports dated December 14, 2016 and December 13, 2017 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 of Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements".

Opinion

In our opinion, the summary financial statements derived from the financial statements of the Bank of Montserrat Limited for the years ended September 30, 2016 and 2017, are consistent, in all material respects, with those financial statements, in accordance with the International Financial Reporting Standards.



Chartered Accountants
Castries St. Lucia
March 8, 2018

7.4 Summarized Financial Statements

Table 15: Bank of Montserrat Limited

Statement of Financial Position for five (5) years ended 30th September 2013 – 2017

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

	2013	2014	2015	2016	2017
ASSETS					
Cash and Cash Equivalents	53,354	62,285	44,650	48,333	43,387
Investments Security - Net	89,372	80,981	107,672	112,618	106,560
Loans and Advances - Net	63,736	64,011	67,808	83,328	87,087
Accrued Interest Receivable - Net	1,488	905	1,327	1,326	1,335
Deferred Tax Asset	693	414	478	496	727
Pension Plan Assets	-	1,480	1,413	1,284	1,211
Property & Equipment	5,386	5,693	5,440	5,689	5,569
Intangible Assets	-	-	-	-	404
Other Assets	681	483	311	736	425
Total Assets	214,710	216,253	229,099	253,810	246,705
LIABILITIES					
Deposit Liabilities	187,183	188,550	202,125	224,457	215,883
Accrued Interest Payable	615	287	227	148	146
Accrued Tax Payable	26	226	217	-	-
Dividends Payable	1,659	1,804	497	544	880
Accrued Pension Liability	461	-	-	-	-
Accrued Bank Levy	201	-	241	741	712
Other Liabilities	676	762	588	542	523
Total Liabilities	190,821	191,629	203,895	226,432	218,145
Shareholder' Equity					
Share Capital	8,343	8,362	8,381	7,856	8,889
Share Premium	491	495	502	1,029	
Statutory Reserve	7,722	7,990	8,193	8,711	9,156
Appropriated Loan Loss Reserve	1,127	623	1,112	1,623	2,870
Appropriated Pension Reserve	1,471	1,480	1,414	1,284	1,211
Fair Value Reserve	-	-	-	-138	-375
Un- Appropriated Retained Earnings	4,736	5,674	5,602	7,013	6,809
Total Shareholder's Equity	23,890	24,624	25,204	27,379	28,560
Total Liabilities and Shareholder Equity	214,710	216,253	229,099	253,810	246,705

7.0 Financial
Performance
& Forecast

Table 16: Bank of Montserrat Limited
Statement of Operations for five (5) years ended 30th September 2013 – 2017
[Expressed in Eastern Caribbean Dollars (EC\$)]

	2013	2014	2015	2016	2017
INTEREST INCOME					
Cash and Cash Equivalents	31,453	11,910	1,276	5,397	12,674
Investment Securities	4,286,464	3,244,374	3,578,075	4,164,134	4,215,929
Loans and Advances	5,322,959	5,065,869	5,077,802	5,231,231	5,967,236
Total Interest Income	9,640,876	8,322,153	8,657,153	9,400,762	10,195,839
INTEREST EXPENSE					
Savings	2,825,051	2,867,354	2,601,802	1,983,730	2,016,003
Demand	106,549	54,584	31,444	40	0
Time	1,012,472	725,982	585,667	363,196	347,705
	-	-	-	-	-
Total Interest Expense	3,944,072	3,647,920	3,218,913	2,346,966	2,363,708
NET INTEREST INCOME	5,696,804	4,674,233	5,438,240	7,053,797	7,832,131
OTHER INCOME	2,451,121	2,192,763	1,906,927	4,023,940	2,614,035
OPERATING INCOME	8,147,925	6,866,996	7,345,167	11,077,737	10,446,166
OPERATING EXPENSES	5,108,235	4,316,380	4,852,871	6,299,844	6,678,757
NET OPERATING INCOME BEFORE IMPAIRMENT	3,039,690	2,550,616	2,492,296	4,777,893	3,767,409
Add/(Less)					
Recovery of Allowance for Impairment					
Losses/Impairment Losses	-1,027,315	-681,780	-1,316,099	-1,863,866	-1,378,901
NET INCOME BEFORE TAXES	2,012,375	1,868,836	1,176,197	2,914,027	2,388,508
Total Taxes	666,980	-462,669	-152,431	17,007	34,275
NET INCOME FOR THE YEAR	2,679,355	1,406,167	1,023,766	2,931,034	2,422,783

7.5

Summary of Significant Forecast Assumptions (2018 – 2020)

The financial statement projections have been prepared by the management of BML. The projected financial statements were prepared in accordance with international accounting standards. The assumptions are based on management's analysis of the Bank's historical performance, the projected future economic realities of Montserrat and the wider region and the various risk factors facing the Bank and the industry. No guarantee is placed on the assumptions, as actual results may be different from the projected numbers.

The three year financial projections incorporate all the possibilities in terms of income, expenses, balance sheet movement and major capital expenditure items. We provide below the rationale/assumptions for the projected financial statements, as follows:

Key Assumptions

Increase profitability before tax to \$5 Million and an asset base of \$315m by financial year 2020. The following key initiatives are proposed to achieve this target.

7.5.1

Loans Portfolios: Management is projecting increasing the loans portfolio to \$140m by financial year 2020. BML must pursue loan opportunities including loan syndications outside of Montserrat and within the diaspora communities. This should be pursued given the following:

- Sluggish Montserratian economy coupled with the small population, which suggests that the market is saturated and presents limitations on the extent to which significant loan growth can be stimulated from local sources.
- The Diaspora represents a large segment of the Montserratian population with an estimated 40,000 Montserratians living abroad, this represents good investment opportunities in real estate financing.
- There may be loan opportunities in the other ECCU territories, which should be pursued.
- The number of diaspora loans has increased from 5% in 2014 to 14% of the loans portfolio in 2016 through a deliberate strategy to grow

7.0 Financial Performance & Forecast

the customer segment. The targets have been stretched to 30% of loans by 2020. The attainment of this goal requires focused business development and an effective marketing strategy targeted to the customer segment.

- Greater focus on improving the bank's Loans to Deposits (LTD) ratio will increase the bank's interest income. Loans represent the core business of a bank, but given the paucity of bankable projects on the island, the bank has had to deploy 51% of its deposits into investment securities and the smaller proportion, 37%, into loans and advances. Notwithstanding the smaller proportion, loan interest income/total interest income (58%) is greater than the proportion of investment income/total interest income (42%), driven by the higher yield on the loans portfolio. If the bank is to significantly increase its interest income, it must focus on improving its loans-to-deposit ratio. The bank has set a target LTD ratio of 50% by 2020.

7.5.2 **Investments:** Management is projecting annual increases in the investment portfolio. In addition to providing greater focus on growing the yield on investments, great emphasis will be placed on safety of capital. Effective liquidity and risk management and continued focus on optimizing portfolio yields will be the focus over the next three years.

7.5.3 **Non Performing Portfolio:** Managing non-performing loans and investments over the period is critical to achieving the bank's profitability targets. Therefore emphasis must be placed on collection of bad debts. Continued efforts will be pursued to reduce the NPL ratio in line with the ECCB prudential guidelines of 5%.

7.5.4 **Provisions for Loan Losses:** Management will continue to be very prudent in its provisioning policy and will work prudently to maintain and manage NPL provisioning at projected levels. The following strategies to manage NPL's will be enforced:

- Training and development of Loans & Recoveries staff to enhance in-house capabilities – underwriting, administration, securities, valuation and collection
- Preventative strategies for loans under 89 days in arrears, through the effective follow-up on delinquent loans
- Automation of the underwriting processes
- Strong emphasis on collections of delinquent loans

7.0 Financial Performance & Forecast

- 7.5.5 **Other Operating Income:** There is an anticipated increase in other operating income projected based on the proposed introduction of new fees or the increase in existing fees. In addition, the Bank has factored in additional income from card services, merchant point-of-sale and securities brokerage services.
- 7.5.6 **Deposits:** Management projects moderate increases in the deposit base, which will be heavily driven by the Government of Montserrat budgetary aid receipts from the UK. Small increases were projected in fixed deposits and savings accounts.
- 7.5.7 **Interest Expense:** Interest expense is projected to increase moderately over the next three years. The rationale for the increase is that no significant rate reductions were factored for each category of deposit account. The increase will be directly linked to the increase in deposits over the three year period.
- 7.5.8 **Property, plant and equipment:** Based on the projections, management does not envisage significant capital expenditure for the projected period.
- 7.5.9 **Operating expenses:** Management intends to incur moderate increases in operating expenses over the period. Much of the increases will be attributed towards software licensing fees and associated cost increases relating to the introduction of the new service areas – merchant, card and brokerage services over the period.

**7.0 Financial
Performance
& Forecast**

7.6 BML's Financial Forecast for 2018 - 2020

Table 17: Balance Sheet

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

	2018	2019	2020
ASSETS			
Cash and Cash Equivalents	31,575	26,669	28,007
Investments Security - Net	131,618	133,618	135,618
Loans and Advances - Net	113,328	128,328	140,000
Accrued Interest Receivable - Net	1,742	1,829	1,920
Deferred Tax Asset	347	313	281
Pension Plan Assets	1,155	1,090	1,025
Property & Equipment	6,572	6,642	6,692
Other Assets	1,500	1,500	1,500
Total Assets	287,837	299,989	315,043
LIABILITIES			
Deposit Liabilities	241,493	250,993	262,993
Accrued Interest Payable	707	749	795
Accrued Tax Payable	802	1,035	1,260
Dividends Payable	826	1,065	1,296
Other Liabilities	2,000	2,000	2,000
Total Liabilities	245,828	255,842	268,344
Shareholder' Equity			
Share Capital	20,381	20,381	20,381
Share Premium	553	581	610
Statutory Reserve	9,651	10,272	11,028
Appropriated Loan Loss Reserve	1,020	1,155	1,260
Appropriated Pension Loss Reserve	1,155	1,090	1,025
Un- Appropriated Retained Earnings	9,249	10,668	12,395
Total Shareholder Equity	42,009	44,147	46,699
Total Liabilities and Shareholder Equity	287,837	299,989	315,043

7.7 BML's Financial Forecast for 2018 - 2020

Table 18: Income Statement

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

	2018	2019	2020
INTEREST INCOME			
Cash and Cash Equivalents	15,000	15,000	15,000
Investment Securities	4,669,356	4,748,106	4,816,856
Loans and Advances	6,487,481	7,368,731	8,183,483
Total Interest Income	11,171,837	12,131,837	13,015,339
INTEREST EXPENSE	2,826,114	2,969,864	3,159,864
NET INTEREST INCOME	8,345,723	9,161,973	9,855,475
OTHER INCOME	3,699,746	3,984,602	4,278,130
OPERATING INCOME	12,045,469	13,146,575	14,133,605
OPERATING EXPENSES	7,516,425	7,686,703	7,774,511
NET OPERATING INCOME BEFORE IMPAIRMENT	4,529,044	5,459,872	6,359,094
Add/(Less)			
Impairment losses	(1,320,000)	(1,320,000)	(1,320,000)
NET INCOME BEFORE TAXES	3,209,044	4,139,872	5,039,094
Add/(Less)			
Income Taxes	(802,261)	(1,034,968)	(1,259,773)
NET INCOME	2,406,783	3,104,904	3,779,320

8.0 Directors' Consent & 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 13 September 2017.

Venita Cabey - Chairman

Fitzroy Buffonge

Philip Chambers

Bruce Farara

Florence Griffith Joseph

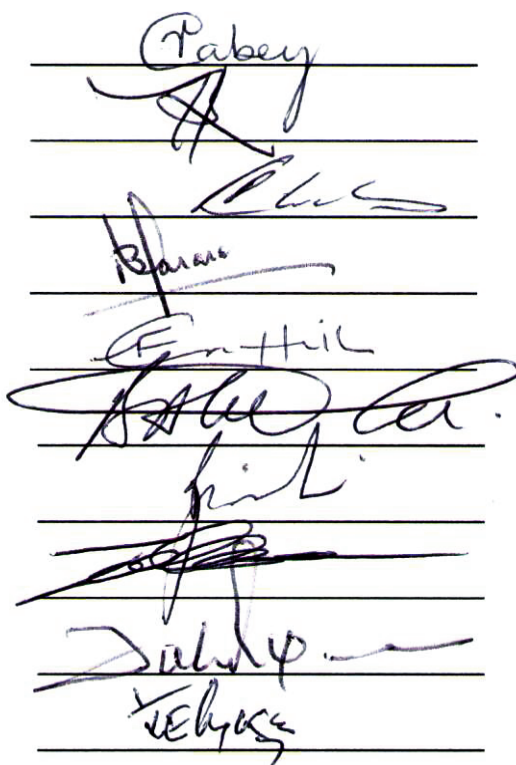
Dalton Lee

Beverley Mendes

John P. Osborne

John E. Ryan

John E. Wyke



Handwritten signatures of the directors: Venita Cabey, Fitzroy Buffonge, Philip Chambers, Bruce Farara, Florence Griffith Joseph, Dalton Lee, Beverley Mendes, John P. Osborne, John E. Ryan, and John E. Wyke.

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 Form.
- 9.2** The Subscriber/Subscribers by signing the reverse side of 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 open to Montserratians and non-Montserratians irrespective of their country of domicile, except for persons who are citizens of, or reside in countries which are classified as High-Risk and Non-cooperative by the Financial Action Task Force (FATF), 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 the 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** 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;

9.0 Terms, Representations & Warranties

- 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;
- iv. 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;
- v. warrant that only one application has been made by you or on your behalf;
- vi. 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;
- vii. warrant that, if you sign an application on behalf of someone else, you have authority to do so;
- viii. agree that any letter of acceptance and any monies returnable may be held pending clearance of your remittance;
- ix. 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;
- x. 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

9.0 Terms, Representations & Warranties

and accordingly agree that neither the Bank, nor any of 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;

- xi. warrant save and except you state otherwise on your application form, that you are a member of the “Public of Montserrat” as herein defined 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
- xii. warrant that you have read the Prospectus and understood that the terms and conditions expressed herein are incorporated into the Subscription Form.

9.4 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.

9.5 The securities being offered have not been admitted for dealings on any licensed securities exchange and no application for such admission has been made. Any dealings in securities shall be over-the-counter at BML.

10.1 Applications and Acceptance

10. Applications & Acceptance

10.1.1 The main branch of the Bank of Montserrat Limited, Brades, Montserrat, is authorized to receive applications.

10.1.2 Applications can also be done via Licensed Brokers on the ECSE

10.1.3 London (UK) Office – Allen, Thomas & Associates

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. ECSE Licensed Brokers
- d. London (UK) Office – Allen, Thomas & Associates

10.3 Submitting Applications

There is no limit of the number of shares applied for under the Rights Issue except that subscriptions must be equal to the number of shares currently held by existing shareholders. Applications under the APO must be for a minimum of 100 shares, and thereafter, in multiples of 20 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 (*see wire instructions in Appendix I*) and debits of BML accounts for the full amount payable on application to: **"Bank of Montserrat Limited – Shares Offer"**.

11.0 Allocation & Allotment

11.1 Allocation Strategy and Allotment Methodology

- 11.1.1 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 the issue of the prospectus.
- 11.1.2 Allotment to successful applicants will commence on 4 June 2018 and will close 5 June 2018 or on such earlier date that the issue is allotted in full, unless extended by BML at its discretion but subject to approval from ECSRC.
- 11.1.3 If the closing date of the Allotment is extended, such extension shall be announced by press release issued by BML.
- 11.1.4 Allotments to existing shareholders exercising their pre-emptive rights as outlined in section 1.6 will be satisfied first.
- 11.1.5 Upon satisfaction of the pre-emptive rights, any shares remaining shall be allotted to existing shareholders who have already exercised their pre-emptive rights and new shareholders.
- 11.1.6 In addition to priorities established, first-come-first-served criteria shall apply in terms of the allocation of shares. Priority will therefore be given to earlier applicants.

11.2 Over-subscription

- 11.2.1 If the offer is over-subscribed:
 - a) by up to 100% of the minimum issue, the additional shares will be allocated on the basis stipulated in 10.3 and 11.1 above;
 - b) by over 100% of the minimum issue, the monies relating to the excess beyond the over subscription of 100% will be returned via cheque, accompanied by a letter of allotment for the number of shares for which the applicant is accepted.
- 11.2.2 If the offer is over-subscribed by 100% 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.

**11.0 Allocation
& Allotment**

11.3 Renunciation of Application

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.

11.4 Refunds

Refunds of payment in respect of shares applied for but not allotted will be made to all of the applicants concerned within fourteen (14) days of close of the allotment period, without interest by cheque through the post at the risk of the applicant or via credit to customer's account.

11.5 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.

APPENDIX 1

SUBSCRIPTION FORM FOR EXERCISE OF PRE-EMPTIVE RIGHTS

BANK OF MONTSERRAT LIMITED		APPLICATION FOR EXERCISE OF PREEMPTIVE RIGHTS	
<p>To: The Directors Bank of Montserrat Limited I/We wish to exercise my/our Preemptive Rights</p>		<p>These boxes are for Official Use Only <u>DO NOT WRITE</u></p>	
No. of BML Shares currently held:	<div style="display: flex; justify-content: space-between;"> <div style="border: 1px solid black; width: 150px; height: 25px;"></div> <div style="border: 1px solid black; width: 150px; height: 25px;"></div> </div> <div style="display: flex; justify-content: space-between; font-size: small;"> No. of Shares in Words No. of Shares in Figures </div>		DATE RECEIVED
Total No. of BML Shares applied for via Preemptive Rights:	<div style="display: flex; justify-content: space-between;"> <div style="border: 1px solid black; width: 150px; height: 25px;"></div> <div style="border: 1px solid black; width: 150px; height: 25px;"></div> </div> <div style="display: flex; justify-content: space-between; font-size: small;"> No. of Shares in Words No. of Shares in Figures </div>		ACCEPTANCE NO
In Bank of Montserrat Limited at EC \$4.50 per share on the terms and conditions set out in the prospectus dated 2 April 2018, and I/We enclose payment for the amount payable of			SHARES ALLOTTED
			METHOD OF PAYMENT
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 2 April 2018			AMOUNT RECEIVED
			AMOUNT PAYABLE
			AMOUNT RETURNED
<div style="display: flex; justify-content: space-between;"> Date..... Signature/s </div>			CHEQUE NO.
PLEASE USE BLOCK CAPITAL LETTERS			CERTIFICATE NO.
Mr. Mrs. Ms. Miss or title		<p>RECEIVING AGENT'S STAMP</p>	
Given/Forename(s) (in full)			
Surname			
Address in Full			
E-mail:			

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

5

PREFERRED FORM OF DIVIDENT PAYMENT¹

Please indicate how dividends should be paid:

6

Credit My Account²:

Chequing Account #: _____

Savings Account #: _____

At

Name of Bank: _____

Address of Bank: _____

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

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

Mail Dividend cheque to Address at: _____

Fill in this section when there is more than one applicant. The first or sole applicant should complete Box 4 or 4a and sign in Box 3
Insert below only the names and addresses of other joint applicants, each of whose signatures is required in Box 8

PLEASE USE BLOCK CAPITAL LETTERS

7

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)

8

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

APPENDIX 11

SUBSCRIPTION FORM APO

BANK OF MONTSERRAT LIMITED		APPLICATION FORM - APO
<p>To: The Directors Bank of Montserrat Limited I/We hereby apply for</p>	<div style="border: 1px solid black; height: 40px; margin-bottom: 5px;"></div> <p style="text-align: center;">_____ Ordinary Shares</p>	<div style="background-color: #d3d3d3; text-align: center; padding: 5px; font-weight: bold;">1</div> <p style="text-align: center;">These boxes are for Official Use Only <u>DO NOT WRITE</u></p>
<p>In Bank of Montserrat Limited at EC \$6.50 per share on the terms and conditions set out in the prospectus dated 2 April 2018, and I/We enclose payment for the amount payable of</p>	<div style="border: 1px solid black; height: 80px; margin-bottom: 5px;"></div> <p style="text-align: center;">EC\$</p>	<div style="background-color: #d3d3d3; text-align: center; padding: 5px; font-weight: bold;">2</div> <p>DATE RECEIVED</p> <hr/> <p>ACCEPTANCE NO</p> <hr/> <p>SHARES ALLOTTED</p> <hr/> <p>METHOD OF PAYMENT</p> <hr/> <p>AMOUNT RECEIVED</p> <hr/> <p>AMOUNT PAYABLE</p> <hr/> <p>AMOUNT RETURNED</p> <hr/> <p>CHEQUE NO.</p> <hr/> <p>CERTIFICATE NO.</p> <hr/> <p>RECEIVING AGENT'S STAMP</p> <hr/>
<p>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 2 April 2018</p>		
<p>Date.....Signature/s.....</p> <hr/>		<div style="background-color: #d3d3d3; text-align: center; padding: 5px; font-weight: bold;">3</div>
<p>PLEASE USE BLOCK CAPITAL LETTERS</p>		
<p>Mr. Mrs. Ms. Miss or title</p> <hr/> <p>Given/Forename(s) (in full)</p> <hr/> <p>Surname</p> <hr/> <p>Address in Full</p> <hr/> <p>E-mail:</p> <hr/>		<div style="background-color: #d3d3d3; text-align: center; padding: 5px; font-weight: bold;">4a</div>
<p>PLEASE INDICATE</p> <p>Existing Shareholder YES NO</p> <p style="text-align: center;"> <input type="checkbox"/> <input type="checkbox"/> </p> <p>PLEASE CHECK ONE</p> <p>Individual <input type="checkbox"/> Financial Institution <input type="checkbox"/> Other Corporate <input type="checkbox"/></p>		<div style="background-color: #d3d3d3; text-align: center; padding: 5px; font-weight: bold;">4b</div>

APPENDIX III

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	OR	DRIVER'S LICENSE NO. _____		
		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				
<div style="display: flex; justify-content: space-around;"> <div> <input type="checkbox"/> CUSTOMER REFUSAL TO SIGN FORM </div> <div> <input type="checkbox"/> EXPLANATION REFUSED OR UNREASONABLE (EXPLAIN ON REVERSE) </div> <div> <input type="checkbox"/> OTHER (EXPLAIN ON REVERSE) </div> </div>				

APPENDIX IV

DETAILS FOR USD WIRE TRANSFERS – Crown Agents

Crown Agents Wire details to include our IBAN number

Intermediary Bank:

Bank of New York Mellon

SWIFT Code: IRVTUS3N

ABA # 021-000-018

Paying Bank:

Crown Agents Bank

St Nicholas Road, Sutton, Surrey, SM1 1EL United Kingdom

Account # 8900-3190-11

IBAN # GB79CRAS60836833735101

Beneficiary:

Bank of Montserrat Limited

Account # 33735101

Beneficiary:

For further credit to account #..... In the name of

Please note the following:

- 1) The beneficiary **MUST** be Bank of Montserrat Limited A/C #08005002 for the transfer to be processed by Crown Agents Bank.
- 2) Remittance Information **MUST** contain your account number and your name for Bank of Montserrat Limited to process to your account.

DETAILS FOR GBP WIRE TRANSFERS – Crown Agents

Crown Agents **GBP** Wire details to include our IBAN number

Intermediary Bank:

Natwest Bank PLC

SWIFT Code: NWBKGB2L

Sort Code # 60-83-68

Paying Bank:

Crown Agents Bank

St Nicholas Road, Sutton, Surrey, SM1 1EL United Kingdom

Account # 6000-0148-5689-10

IBAN # GB63CRAS60836833735001

Beneficiary:

Bank of Montserrat Limited

Account # 33735001

Beneficiary:

For further credit to account #..... In the name of

Please note the following:

- 1) The beneficiary **MUST** be Bank of Montserrat Limited A/C #08005002 for the transfer to be processed by Crown Agents Bank.
- 2) Remittance Information **MUST** contain your account number and your name for Bank of Montserrat Limited to process to your account.