

Schedule 1

FORM ECSRC - K (2017)

ANNUAL REPORT PURSUANT TO SECTION 98 OF THE SECURITIES ACT OF 2001

For the financial year ended **December 31, 2017**

Issuer Registration number **SLCB31121937SL**

1st National Bank St. Lucia Limited
(Exact name of reporting issuer as specified in its charter)

St. Lucia
(Territory of incorporation)

#21 Bridge Street, P.O. Box 168, Castries, St. Lucia
(Address of principal office)

Reporting issuer's:

Telephone number (including area code): 1 758 455 7000

Fax number: 1 758 453 1630

Email address: **manager@1stnationalbankslu.com**

(Provide information stipulated in paragraphs 1 to 14 hereunder)

Indicate whether the reporting issuer has filed all reports required to be filed by Sections 98 of the Securities Act of 2001 during the preceding 12 months.

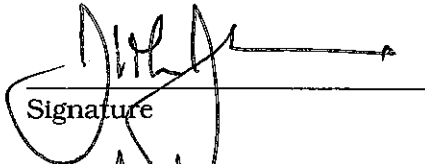
Yes No

Indicate the number of outstanding shares of each of the reporting issuer's classes of common stock, as of the date of completion of this report.

CLASS	NUMBER
Ordinary	6,372,452

SIGNATURES

Chief Executive Officer:
Johnathan J. Johannes

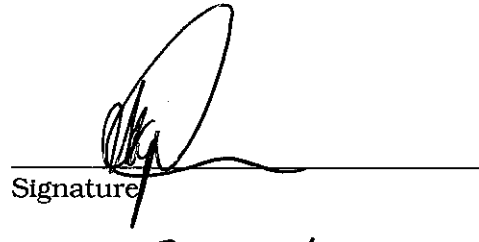


Signature

30 April 2018

Date

Director:
Richard Monplaisir



Signature

30 April, 2018

Date

INFORMATION TO BE INCLUDED IN THE REPORT

1. Business.

Provide a description of the developments in the main line of business including accomplishments and future plans. The discussion of the development of the reporting issuer's business need only include developments since the beginning of the financial year for which this report is filed.

The Bank made good progress during the year, evidenced in a 7% growth of its total assets to \$672 million at December 31, 2017 over the last audited position at December 31, 2016.

Some of the developments for the Bank include the following:

i. Improving financial performance by developing and implementing growth strategies. Pursuant to the functional co-operation agreement with Grenada Co-operative Bank, the Bank proceeded to implement the following initiatives:

- **Improvements to our Branch Business Model to increase revenues and reduce costs. The Bank changed the look and feel of the branches somewhat to enhance customer service delivery. A new Customer Insight Unit was established to understand our customer needs to be able to design appropriate products to meet these needs.**
- **The design and implementation of a new Credit Operating Model to improve lending capabilities. This initiative was not completed at year end but is expected to resume and bring to conclusion in the short to medium term.**
- **The promotion of IT capabilities to enable continuous improvement processes and technologies. An enhanced help desk was implemented during the period, to increase operational efficiency.**

ii. Strengthening our risk and control frameworks. We focused on work to implement an enterprise wide risk management framework to help mitigate operational, liquidity, interest rate, foreign exchange and credit risk amongst other risks. For credit risk, the revised NPL strategy and Credit Risk Policy enable the reduction in the NPL ratio from 15.6% last year to 12.6%.

iii. Building capability by continuously investing in our people and infrastructure.

Value creation for stakeholders is a priority for the Bank and one critical means of achieving this is by using appropriate technology to enhance service delivery. Our main software system and its cheque payments system have the latest upgrade. A redundancy site has been established at the Choc Bay sub Branch and is near completion.

Smart banking products (mobile, internet, debit and credit cards) and services, inclusive of Saturday banking increased our brand awareness during the year. The Bank introduced a new application called buddy pay to its mobile banking suite and has made further investments to improve its Mobanking product for its customers. Our credit cards are now EMV compliant and this feature enhances security of the card.

The new Banking Act #3 of 2015 requires the Bank to increase its paid up capital by at least \$12 million. A bonus issue of 1 for 5 was effected and was applicable to shareholders who held shares prior to September 1, 2017. The Bank went to the market to seek fresh capital of \$10 million but was able to sell \$3.7 million during the Additional Public Offering. Subsequent to this, the Bank reviewed its position and determined that dialogue with the ECCB and relevant parties was required to determine a way forward for the

unsubscribed shares, in order that it is able to withstand the impact of any impending changes to the Central Bank's provisioning guidelines.

2. Properties.

Provide a list of properties owned by the reporting entity, detailing the productive capacity and future prospects of the facilities. Identify properties acquired or disposed off since the beginning of the financial year for which this report is filed.

The Bank owns two properties:

- **Land and building at Bridge Street, Castries valued at \$4.9 million. This property currently accommodates approximately eighty staff members. There is little room for expansion and renovation work is ongoing to meet health and safety regulations as well as staff and customer comfort. The plan for the property over the medium to long term is to transform it into a state of the art branch with laudable aesthetics.**
- **Land and building at Commercial Street, Vieux Fort valued at \$2.0 million, houses twelve staff. However, a decision was taken by the Board to relocate the operations of the Vieux Fort business near the main business district along the Vieux Fort Highway. It is expected that business will significantly improve the Branch's non-interest income. The relevant approvals have been received from the Prime Minister and the Central Bank. A decision has not been made on disposal prospects of this property.**

3. Legal Proceedings.

Furnish information on any proceedings that were commenced or were terminated during the current financial year. Information should include date of commencement or termination of proceedings. Also include a description of the disposition thereof with respect to the reporting issuer and its subsidiaries.

There were no material contingent legal liabilities during the reporting period.

4. Submission of Matters to a Vote of Security Holders. N/A

If any matter was submitted during the financial year covered by this report to a vote of security holders, through the solicitation of proxies or otherwise, furnish the following information:

- (a) The date of the meeting and whether it was an annual or special meeting.
The annual meeting was held on May 25th 2017.
The special shareholders meeting was held on October 12th 2017
- (b) If the meeting involved the election of directors, the name of each director elected at the meeting and the name of each other director whose term of office as a director continued after the meeting.

Annual Meeting - Three directors were returned by acclamation as follows:

1. Mr. Richard Monplaisir
2. Mr. Johnson Cenac
3. Mr. Tedburt Theobalds

Continuing Directors were:

1. Mr. Nigel A. Fulgence
2. Mrs. Brenda Floissac-Fleming

3. Mrs. Geraldine Lendor-Gabriel
4. Mr. V. Adrian Augier
5. Mr. Martin Satney
6. Ms. Jennifer Remy

- (c) A brief description of each other matter voted upon at the meeting and state the number of votes cast for or against as well as the number of abstentions as to each such matter, including a separate tabulation with respect to each nominee for office.

At the annual meeting there were no matters voted upon at the meeting other than elections.

At the special shareholders meeting the following resolution was voted on:

BE IT RESOLVED THAT, the sum of EC\$9,028,547, being part of the retained earnings of the 1st National Bank St. Lucia Limited (“the Bank”) be capitalized and transferred to the Bank’s share capital account in order to meet the immediate capital requirements of the Banking Act of St. Lucia #3 of 2015.

BE IT RESOLVED FURTHER THAT the sum of EC\$3,000,000 be transferred out of retained earnings and applied for the allotment of New Ordinary Shares to holders of the existing Ordinary Shares, whose names appear in the Register of Members as at the close of business on Friday 1st September, 2017 (“the Record Date”); such New Ordinary Shares, credited as fully paid-up, be accordingly allotted as bonus shares to such persons respectively as aforesaid, in the proportion of one (1) share for every five (5) existing shares held by them on Record Date and that any fractional New Ordinary Share shall be rounded to the nearest whole number ;

BE IT RESOLVED FURTHER THAT, the sum of EC\$9,028,547 transferred out of retained earnings, to stated capital be reallocated to retained earnings when the Bank’s additional public offering of 1,000,000 shares for a value of EC\$10,000,000 is subscribed.

BE IT RESOLVED FURTHER THAT, for the purpose of giving effect to this resolution, the Board of Directors, performs all acts and deeds and things, execute documents and make all filings as may be necessary to give effect to the above resolution and to settle any questions or difficulties whatsoever that may arise in regards to the issue and distribution of the New Common Shares

- (d) A description of the terms of any settlement between the registrant and any other participant.

N/A

- (e) Relevant details of any matter where a decision was taken otherwise than at a meeting of such security holders. **N/A**

5. Market for Reporting issuer's Common Equity and Related Stockholder Matters.

Furnish information regarding all equity securities of the reporting issuer sold by the reporting issuer during the period covered by the report. (N/A)

Month	Amount	Number of persons	Relationship	Price
September	98,416	178	none	\$10.00
October	144,245	185	none	\$10.00
November	129,231	101	none	\$10.00
	371,892	464		\$3,718,920

6. Financial Statements and Selected Financial Data.

Provide audited Financial Statements, Statement of Revenue Reserves, and Changes in Financial Position for the year ended. The relevant financial data items to be used in constructing the financial statements are provided in Parts A-D.

Include the following documents with the financial statement:

- (i) Auditor's report;
- (ii) A balance sheet as of the end of each of the two most recent financial years.
- (iii) Consolidated statements of income, statements of cash flows, and statements of other stockholders' equity for each of the two financial years preceding the date of the most recent audited balance sheet being filed.
- (iv) Financial statements for the most recent financial year.
- (v) Notes to Financial Statements

Data relevant to point 6 above is enclosed.

7. Disclosure about Risk Factors.

Provide a discussion of the risk factors that may have an impact on the results from operations or on the financial conditions. Avoid generalised statements and only include factors that are unique to the company. Typical risk factors include untested products, cash flow and liquidity problems, dependence on a key supplier or customer, management inexperience, nature of business, absence of a trading market (specific to the securities of the reporting issuer), etc. Indicate if any risk factors have increased or decreased in the time interval between the previous and current filing.

- i. Liquidity risk was low due to the fact that the Bank had excess funds held at ECCB and at its correspondent Bank accounts. The lack of a developed market to utilize**

excess liquidity did not help, in addition to the fact the Bank was highly exposed to countries of the ECCU in terms of investment instruments.

- ii. **Credit risk - The Bank's credit risk remains high but continues on its downward trajectory, falling from 15.6% at December 31, 2016 to 12.6% his year. We executed our tactical strategy to improve the quality of the loans portfolio resulting in a growth in the portfolio of 6%. We believe that demand for credit has increased somewhat and we are actively seeking and implementing opportunities available.**

The Credit Risk Policy for retail and business credit have been reviewed and credit operations are executed in line with these policies to improve credit quality. We continue to push for a revision to the current legal framework to support our ability to lend to ensure business continuity and development of the country. The Bank is making strides to eradicate toxic assets from its books and in 2017 we begun discussions with Ascendancy to achieve this purpose.

- iii. **We considered that interest rate risk was higher this reporting period as banks actively competed for available credit, bringing interest rates to its lowest in the market. This contributed to a reduction in the weighted average effective interest rate from 8.36% to 7.68% at December 31, 2016 and 2017 respectively. If the interest rate on productive loans were to fall by one hundred basis points, this will impact interest income negatively by approximately \$2.3 million. To reduce this risk, the Bank managed the cost of funding downward and monitored the interest rate spread with positive results, giving rise to an increase of 17% over the position last year.**
- iv. **Operational risk required review and improvement. We believe this is mainly attributable to the movement of staff and staff constraints. However, the Bank is re-implementing a number of initiatives to ensure this risk is mitigated as it can result in loss of customers, its reputation and sustainability of the institution. Additionally, the Bank has sent out Requests for Proposals to various service providers for the development of an Enterprise Risk Management software.**

8. Changes in Securities and Use of Proceeds.

- (a) Where the rights of the holders of any class of registered securities have been materially modified, give the title of the class of securities involved. State briefly the general effect of such modification upon the rights of holders of such securities.

There has been no change in the class of the securities.

- (b) Where the use of proceeds of a security issue is different from that which is stated in the registration statement, provide the following:
 - Offer opening date (provide explanation if different from date disclosed in the registration statement)
 - Offer closing date (provide explanation if different from date disclosed in the registration statement)
 - Name and address of underwriter(s)
 - Amount of expenses incurred in connection with the offer
 - Net proceeds of the issue and a schedule of its use
 - Payments to associated persons and the purpose for such payments

This is not applicable for the reporting year.

Report any working capital restrictions and other limitations upon the payment of dividends.

The Bank had no working capital constraints and was fairly liquid at the year end. There were no limitations on the payment of a dividend.

9. Defaults upon Senior Securities.

(a) If there has been any material default in the payment of principal, interest, a sinking or purchase fund instalment, or any other material default not satisfied within 30 days, with respect to any indebtedness of the reporting issuer or any of its significant subsidiaries exceeding 5 percent of the total assets of the reporting issuer and its consolidated subsidiaries, identify the indebtedness. Indicate the nature of the default. In the case of default in the payment of principal, interest, or a sinking or purchase fund instalment, state the amount of the default and the total arrears on the date of filing this report.

There was no default greater than 5% of the Bank's assets which occurred during the reporting period.

(b) If any material arrears in the payment of dividends has occurred or if there has been any other material delinquency not satisfied within 30 days, give the title of the class and state the amount and nature of the arrears or delinquency.

There have been no material arrears in the payment of dividends.

10. Management's Discussion and Analysis of Financial Condition and Results of Operation.

Provide a discussion of the results of operation covering aspects such as liquidity, capital resources and results of operations. Discuss reporting issuer's financial condition, changes in financial condition and results of operations during the financial year of the filing. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated.

(i) Liquidity

Identify any known trends, commitments, demands, events that will result in or that are reasonably likely to result in the reporting issuer's liquidity increasing or decreasing in any material way. If a deficiency is identified, indicate the course of action that the reporting issuer has taken or proposes to take to remedy the deficiency.

The liquidity position was satisfactory during the year. A total of \$131 million in assets was available to meet liquidity needs within one month. Historically, the Bank's short term liabilities have been greater than its short term assets but for liquidity purposes, this has not posed a problem.

In addressing its space constraints, the Bank committed \$3 million to capital projects in the short term, of which \$1.2 is allocated for the relocation and retrofitting of the Vieux Fort Branch. Cash and cash equivalents at year end was \$77 million comprising 11% of our deposit base.

There were no single material events that affected the Bank's liquidity position negatively. Should a liquidity crisis arise, the Bank's Liquidity Policy and Capital Preservation Plan outlines a plan to address any liquidity concerns. Additionally, the ECCB Repo market will be used should there be any liquidity concerns.

(ii) Capital Resources

Describe the reporting issuer's material commitments for capital expenditure as of the end of the latest fiscal period, and indicate the general purposes of such commitments

and the anticipated source of Schemes needed to fulfil such commitments. Describe any material trends, favourable or unfavourable in the reporting issuer's capital resources and any expected change in mix. The discussion should consider changes between equity, debt and any off-balance sheet financing arrangements.

Material capital expenditure was allocated to purchase computer hardware and software such as IT upgrades, improvements in the communication system to build capacity, improved security systems and renovation work at the branches. A new branch will be retrofitted for our Vieux Fort Operations costing approximately \$1.2 million. Funding for these projects came from core funds and cash flow from operations.

The Bank has a high NPL ratio with \$51 million loans classified as non-performing. Should the NPL be written off against capital with no recoveries, this will reduce capital to 4%. The Capital Preservation Plan addresses shortfalls and strategies are under review to address these as they occur.

The Bank will seek fresh capital to augment its Tier 1 capital if required, as it has met the Banking Act requirement of \$20 million. We anticipate that the capital mix will not change significantly during short to medium term. The Bank has sufficient resources to meet its off balance sheet commitments as these become realised.

(iii) Results of Operation.

Describe any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and in each case indicate the extent the income was so affected. Describe any known trends or uncertainties that have had or that the reporting issuer reasonably expects will have a material favourable or unfavourable impact on net sales or revenues or income from continuing operations. If the reporting issuer knows of events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), the changes in relationship should be disclosed.

The Bank is still recovering from the effects of the global crisis, evident in our high non-performing loan ratio. This has impacted the financial results negatively over the last six years and we expect high NPL's will continue to negatively affect the Bank's financial performance over the medium term. Loan loss provisioning comprised 45% of the non-performing loan portfolio, a position we believe is adequate at this time.

Heightened competition during 2017 has impacted our interest income on loans and advances. This was offset by an increase in loan bookings, causing total interest income from loans and advances to increase by 10% over last year.

Interest expenses grew by 4% as we reviewed interest rates downwards in line with the market, ensuring our customers received a reasonable return on their funds. The increase was mainly due to the increase in the 7% increase in the deposit portfolio.

Non-interest expenses increased significantly over the audited position at 2016 by 18%. This was attributable to expenses from our functional co-operation initiatives which we implemented in 2017.

There were no other known factors that would cause a material change in the revenue cost relationship.

- 11. Changes in and Disagreements with Auditors on Accounting and Financial Disclosure.**
Describe any changes in auditors or disagreements with auditors, if any, on financial disclosure.
There were no material disagreements with Auditors on the subject.

12. Directors and Executive Officers of the Reporting Issuer

Name	Position	Age	Education	Experience (last five years)	Tel: contact
Nigel A. Fulgence	President	56	BSC (Hons.) P. Electrical Eng. John Moores University, UK.	Electrical Engineer, St. Lucia Electricity Services Ltd.	457-4400
Geraldine Lendor-Gabriel	1st Vice President	51	MSC Envir. Mgt; BSC Econ & Mgt; CGA	Environmental and Business Consultant	451 7202
Brenda Floissac-Fleming	2nd Vice President	57	B.A. Law	Partner, Floissac Fleming and Associates	452-2887
Johnson Cenac	Director	74	MBA Public Administration, M. Ed. (Testing, Measurement and Evaluation), University of Arizona; B.A. (Hon) Mathematics and Economics, University of the West Indies. Teaching Certificate	Project Manager, Education Administration; Permanent Secretary (Retired) Parliamentary Commissioner, 2010 to date.	452 7255
Tedburt Theobalds	Director	68	BSc., MIS MBS University West Indies	Valuation Surveyor; Agricultural Consultant; Lecturer, SALCC	454 6002
V. Adrian Augier	Director	58	MA- Development Finance & Planning BA- Economics & Political Science	Consultant- Economic Development Chairman, Land mark Group	285 2666

Name	Position	Age	Education	Experience (last five years)	Tel: contact
Richard Monplaisir	Director	51	BA (Hons) Business Administration, Accounting and Computers-Toronto School of Business. BIMAP-Accounting and Computer Tech CGA Level 2	Financial Controller, C.O. Williams Group of Companies, St. Lucia; Director of Administration, CO Williams Group of Companies, St. Lucia.	458 0094
Martin Satney	Director Elected May 14th 2015.	58	MSc., Management and Implementation of Development Projects; MSc, Agricultural Engineering/Mechanization	Project Coordinator of the Black Sigatoka Management Unit in the Ministry of Agriculture; March 2012 to date; Adjunct lecturer, Monroe College-2009 to date.	450 0225
Jennifer Remy	Director	67	B.A. Psychology & Philosophy LAW	Principal Attorney -Jennifer Remy & Associates	456-0535
Johnathan Johannes	Managing Director	40	Bachelor of Arts International Business Admin University of Lincoln, UK; Bachelor of Arts (Hons.), International Business Administration, 1996- 1999	Managing Director, 1st National Bank St. Lucia Limited; June 2017 to present Director of Sales (OECS Region), Unicomer Group - April 2012 to May 2017	455 7201
Aurea Lafeuillee	Executive Manager, Finance	54	FCCA, FCIB	Finance Manager, 1st National Bank St. Lucia Ltd -2004 November 2013; Executive Manager, Finance - 2013 to date.	455-7202

Name	Position	Age	Education	Experience (last five years)	Tel: contact
Valery Marshall-St. Omer	Executive Manager, Human Resources, Organizational Development & Support Services	50	St. Joseph's Convent.	Deputy Operations Manager - 2011 to October 2013; Executive Manager, Human Resource, Organizational Development & Client Support November 2013 to November 2017 Executive Manager, Operations and Support; December 2017	455-7224
Prisca Eristhee-Delice	Executive Manager, Human Resources, Organizational Development & Support Services	47	M.A. Business and Management, University of East London, Duncan House, High Street London, United Kingdom (1996-1997); BSc. Industrial Management, University of the West Indies, St. Augustine Campus, Trinidad & Tobago, (1991-1994)	HR Generalist Consultant/Frank Covey Trainer - October 2015 - Present Human Resource Manager, Winward & Leeward Brewery Limited (WLBL) St. Lucia, Subsidiary of Heineken International - October 2001- July 2015. Executive Manager, Human Resource & Organisational Behaviour -1st National Bank St. Lucia Limited - December 2017 - Present	455-7211
Sylvia Alcee	Executive Manager, Client Services	56	Castries Comprehensive School, St. Lucia; GCE "O" Levels; Associate of the Institute of Canadian Bankers MBA- Business Administration	Branch Manager, 1st National Bank St. Lucia Ltd. 1997 to November 2013; Executive Manager, Credit and Client Services; November 2013 to date.	455-7293

Name	Position	Age	Education	Experience (last five years)	Tel: contact
Clarette Anguste-Taylor	Executive Manager, Risk, Compliance, Recoveries and Securities	55	St. Joseph's Convent, St. Lucia, GCE "O" Levels; St. Lucia "A" Level College - "A" Levels Associate of the Institute of Canadian Bankers; Executive Diploma in HR Management - 2000	Credit Risk Manager, 1st National Bank St. Lucia Ltd - 2011 to November 2013. Executive Manager, Risk, Compliance and Recoveries - November 2013 to date.	455-7294
Robert Fevrier	Executive Manager, Marketing and Public Relations	53	Executive Diploma in Business Management - 2002	Manager, Projects and Services - 1st National Bank St. Lucia Ltd, 2004 to November 2013; Executive Manager, Marketing and Public Relations - 2013 to date.	455 7100
Denise Holden-Pierre	Executive Manager, Internal Audit	51	St. Joseph's Convent, St. Lucia, GCE "O" St. Lucia "A" Level College - "A" Levels Fellow, Chartered Association of Certified Accountants (FCCA)	Manager, Internal Audit, 1st National Bank St. Lucia Ltd - 2007 to November 2013; Executive Manager, Internal Audit, 1st National Bank St. Lucia Ltd - 2013 to date	455-7221

Name	Position	Age	Education	Experience (last five years)	Tel: contact
Henri-Jacques Mangal	Corporate Secretary/Legal Officer	29	St. Mary's College, St. Lucia GCE "O" Levels; Sir Arthur Lewis Community College- Cambridge "A" levels; University of the West-Indies Cave Hill Campus- Bachelor of Laws (LL.B); Hugh Wooding Law School – Legal Education Certificate (L.E.C.)	Associate Attorney-at-Law, Chong & Co. July 2014 – December 2015; Corporate Secretary & Legal Officer, 1st National Bank St. Lucia Limited December 2015 to date	455-7205

13. Other Information.

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC - MC report (related to disclosure of material information), with respect to which information is not otherwise called for by this form. If disclosure of such information is made under this item, it need not be repeated in a Form ECSRC - MC report which would otherwise be required to be filed with respect to such information or in a subsequent Form ECSRC - K report.

There is no significant other data that requires distinct and separate reporting under this section.

14. List of Exhibits

List all exhibits, financial statements, and all other papers and documentation filed with this report.

- **Audited Financial Statements for 2017**