

Schedule 1

FORM ECSRC - K (2019)

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

For the financial year ended **December 31, 2019**

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	6,549,465

SIGNATURES


Chief Executive Officer:
Johnathan J. Johannes



Signature

29 MAY 2020
Date

Director:
Richard Monplaisir



Signature

29 MAY 2020
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 recorded another strong year of balance sheet growth of 8% over the position at December 31, 2018, driven by the lending portfolio and growth in customer deposits. This growth was driven by the loan and advances portfolio. Total assets stood at \$824 million at December 31, 2019 compared to \$765 million at December 31, 2018. Of particular note was the 17% or \$25 million increase in mortgages over the prior year.

Some of the developments for the Bank include the following:

- 1. Improving financial performance by developing and implementing growth initiatives. The Bank sought to stabilize the Branch Business Model to increase revenues and reduce costs.**
- 2. 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. 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 was established at the Choc Bay sub Branch.**
- 3. Smart banking products (mobile, internet, debit and credit cards) and services were improved in 2019, resulting in fewer complaints from customers. The Bank has made further investments to improve its Mobanking product for its customers. Our credit cards are now EMV compliant and this feature has enhanced security of the card.**
- 4. Strengthening our risk and control frameworks by implementing an enterprise wide risk management system was a main area of focus for the Bank. For credit risk, the revised NPL strategy resulted in a reduced NPL ratio of 6.38% in 2019. The Bank is also pursuing the establishment of a credit BPM to create efficiencies in lending and adjudication.**
- 5. Building capability by continuously investing in our people and infrastructure. Approximately thirty (30) Supervisors were exposed to leadership training. The sales and marketing teams were also exposed to training to engender the right attitude to customer service delivery. It is expected that the desired changes will manifest themselves within the Bank.**
- 6. Strides have been made to launch a human resource information system (HRIS) to eradicate the mundane tasks associated with key HR processes. Bamboo HR was rolled out in 2019 and as a result we are able to manage staff related matters more efficiently.**
- 7. The Bank reviewed its Capital Preservation Plan and a distribution of 117,013 shares were allocated during the reporting period.**

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 of 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 \$4.84 million at December 31, 2018. 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 modern aesthetics.**
- **Land and building at Commercial Street, Vieux Fort valued at \$0.810 million at December 31, 2018. The building is being utilized as the Bank's archives at this time. 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 30th 2019.
- (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.

Three directors were elected by the shareholders at the meeting, namely:

1. Mr. Callistus Vern Gill
2. Mrs. Mauricia Thomas-Francis
3. Ms. Juliana Alfred

Continuing Directors were:

1. Mr. Nigel A. Fulgence
2. Mrs. Geraldine Lendor-Gabriel
3. Mrs. Brenda Floissac-Fleming
4. Mr. Tedburt Theobalds
5. Mr. Richard Monplaisir
6. Ms. Jennifer Remy
7. Mr. Agosta Degazon

- (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.

There were no matters voted upon at the meeting other than elections.

Mauricia Thomas-Francis - 155 votes

Callistus Vern Gill - 148 votes

Juliana Alfred - 111 votes

Robin Schouten - 107 votes

Martin Satney - 69 votes

- (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

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 moderate for most of the year due to the fact that the Bank had excess funds held at ECCB and at its correspondent Bank accounts. There is need to establish an efficient market to assist with liquidity excesses or drains as the case may be.**
- ii. Credit risk - The Bank's credit risk continues on its downward trajectory, falling from 12.6% at December 31, 2016 to 6.38% this year. This is the lowest ratio achieved in more than twenty years. We executed our tactical strategy to improve the quality of the loans portfolio resulting in a growth in the portfolio of 10%. We believe that demand for credit increased somewhat during the period and we are actively seeking and implementing available opportunities.**

To improve credit quality, the Credit Risk Policy for retail and business credit has been reviewed and credit operations are executed in line with these policies. 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 2019 and we continued discussions with several asset companies to achieve this objective.

- iii. Interest rates on facilities continue to be a concern 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 on productive loans from 6.93% at December 31, 2018 to 6.64% at December 31, 2019 respectively. The weighted average effective cost increased to 1.93% from 1.86% at December 31, 2018. This contributed to a 0.2% decline in net interest income over the position last year.**
- iv. Operational risk required review and improvement. We believe this was mainly attributable to the movement of staff and staff constraints. However, the Bank is re-implementing a number of initiatives including an Enterprise Risk Management**

System to ensure this risk is mitigated as it can result in reputational risk and sustainability of the institution.

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 during the year 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 total 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. At this year-end, a total of \$156 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. For liquidity purposes, this has not posed a problem. Cash and cash equivalents at year end was \$60 million comprising 9% 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 Interbank Market though not active, will be used should there be any liquidity concerns. Further, should these fail, asset management policies will be used whereby investments will be liquidated to manage the liquidity position.

(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 improvements in the communication system to build capacity, improved security systems and renovation work at the branches. The Vieux Fort Operations was relocated and the capital expenditure to complete works was approximately \$1.7 million. Funding for these projects came from core funds and cash flow from operations.

The Bank's NPL ratio has reduced significantly from 21% at December 31, 2013 to of 6.38% at December 31, 2019. \$36 million in loans and advances are classified as non-performing. As at December 31, 2019, if the NPL was written off against capital with no recoveries, this will reduce capital to \$65 million and the capital adequacy ratio to 11%. The Capital Preservation Plan addresses these shortfalls and strategies are under review to address these as they occur.

It is anticipated 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 has made great strides in the management of its credit portfolio, evident in the lower non-performing loan ratio. It is expected that we will achieve the regulatory threshold of 5% in the short to medium term. Stage three expected credit losses comprised 31% of the non-performing loan portfolio, a position we believe is adequate at this time.

Continuous competition during 2019 impacted our interest income on loans and advances. Interest income increased by 4% over the actual results for the prior year, compared to an increase of 14% for 2017.

Interest expenses increased by 15% or \$1.7 million over the prior year as our deposit base increased, coupled with the fact that interest rates on fixed deposits increased slightly to maintain our deposit base.

Non-interest expenses increased over the audited position at 2018 by 8% or \$1.8 million. This was attributable to expenses relevant to our business combinations, expenses relevant to managing our people and IT resources as well as our initiatives to enhance our brand and market our new products.

There were no other known factors that would cause a material change in the revenue cost relationship. With the advent of COVID-19, we expect a 9% or \$5 million drop in total revenue

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	58	BSC (Hons.) P. Electrical Eng. John Moores University, UK.	Electrical Engineer, St. Lucia Electricity Services Ltd.	457-4400
Geraldine Lendor-Gabriel	1st Vice President	53	MSC Envir. Mgt; BSC Econ & Mgt; CGA	Environmental and Business Consultant	451 7202

Brenda Floissac-Fleming	2nd Vice President	59	B.A. Law	Partner, Floissac Fleming and Associates	452-2887
Johnson Cenac (Director until 30th May 2019)	Director	76	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 2016.	452 7255
Tedbert Theobalds	Director	71	BSc., MIS MBS University West Indies	Valuation Surveyor; Agricultural Consultant; Lecturer, SALCC	454 6002
Name	Position	Age	Education	Experience (last five years)	Tel: contact
V. Adrian Augier (Director until 30th May 2019)	Director	60	MA- Development Finance & Planning BA- Economics & Political Science	Consultant- Economic Development Chairman, Landmark Group	285 2666

Richard Monplaisir	Director	54	<p>BA (Hons) Business Administration, Accounting and Computers- Toronto School of Business.</p> <p>BIMAP- Accounting and Computer Tech CGA Level 2</p>	<p>Financial Controller, C.O. Williams Group of Companies, St. Lucia;</p> <p>Director of Administration, CO Williams Group of Companies, St. Lucia.</p>	458 0094
Agosta Degazon	Director	54	<p>M.B.A.,- University of the West-Indies, Cave Hill Campus 1998 B.Sc. (Accounting),- University of the West-Indies, Mona Campus 1988 C.Dir. - Caribbean Governance Training Institute Chartered Director Program 2017 Association of Chartered Certified Accountants (ACCA) - Progress: Foundation Stage plus one subject in the Professional Stage</p>	<p>MINISTRY OF HOME AFFAIRS AND NATIONAL SECURITY - 2014 to 2018 Permanent Secretary (March 12, 2014 to May 27, 2018)</p> <p>DEPARTMENT OF HOUSING, URBAN RENEWAL AND TELECOMMUNICATIONS - 2018 to date Permanent Secretary (May 28, 2018 to date)</p>	468-2630
Jennifer Remy	Director	69	B.A. Psychology & Philosophy LAW	Principal Attorney - Jennifer Remy & Associates	456-0535
Callistus Vern Gill	Director	58	B.A.(Hons.) - History & Sociology, LL.B (Hons.), LL.M. - Public International Law	Principal - Vern Gill Chambers	452-2005

Mauricia Thomas-Francis	Director	60	EMBA, Acc. Dir. (ICSA)	Business Management Consultant	729-2368
Juliana Alfred	Director	44	B.Sc. – Government/Political Science & History, M.Sc. – Government/Political Science, C.Dir.	Permanent Secretary – Attorney General's Chambers	484-8113
Johnathan Johannes	Managing Director	42	Bachelor of Arts International Business Administration University of Lincoln, UK	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	56	FCCA, FCIB	Finance Manager, 1st National Bank St. Lucia Ltd -2004 November 2013; Executive Manager, Finance – 2013 to date.	455-7202
Valery Marshall-St. Omer	Executive Manager, Human Resources, Organizational Development & Support Services	52	St. Joseph's Convent. MBA Human Resource Management- Anglia Ruskin University 2018	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

<p>Prisca Eristhee-Delice</p>	<p>Executive Manager, Human Resources, Organizational Development & Support Services</p>	<p>49</p>	<p>M.A. Business and Management, University of East London, Duncan House, High Street London, United Kingdom (1996-1997);</p>	<p>HR Generalist Consultant/Frank Covey Trainer - October 2015 - Present</p> <p>Human Resource Manager, Winward & Leeward Brewery Limited (WLBL) St. Lucia, Subsidiary of Heineken International - October 2001- July 2015.</p> <p>Executive Manager, Human Resource & Organisational Behaviour - 1st National Bank St. Lucia Limited - December 2017 - Present</p>	<p>455-7211</p>
<p>Sylvia Alcee</p>	<p>Executive Manager, Client Services</p>	<p>58</p>	<p>Castries Comprehensive School, St. Lucia; GCE "O" Levels;</p> <p>Associate of the Institute of Canadian Bankers</p> <p>MBA- Business Administration</p>	<p>Branch Manager, 1st National Bank St. Lucia Ltd. 1997 to November 2013;</p> <p>Executive Manager, Credit and Client Services; November 2013 to date.</p>	<p>455-7293</p>
<p>Clarette Auguste-Taylor</p>	<p>Executive Manager, Risk, Compliance, Recoveries and Securities</p>	<p>57</p>	<p>St. Joseph's Convent, St. Lucia, GCE "O" Levels;</p> <p>St. Lucia "A" Level College - "A" Levels</p> <p>Associate of the Institute of Canadian Bankers; Executive Diploma in HR Management - 2000</p>	<p>Credit Risk Manager, 1st National Bank St. Lucia Ltd - 2011 to November 2013.</p> <p>Executive Manager, Risk, Compliance and Recoveries - November 2013 to date.</p>	<p>455-7294</p>

Robert Fevrier	Executive Manager, Marketing and Public Relations	55	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 (Until May 2019)	Executive Manager, Internal Audit	53	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
Henri-Jacques Mangal	Corporate Secretary/Legal Officer	31	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
Mozel Isaac	Executive Manager, Information Technology and Premises	40	University of North Carolina at Charlotte, Charlotte, North Carolina, USA Bachelor of Science in Computer Science, December 2001	Unicomer (St. Lucia) Limited, Castries, St. Lucia June 2011 – August 2018 OECS Information Technology Manager,	455-7204

			<p>Microsoft Certified Systems Administrator (MCSA) Windows 2000 Server Certificate of Leadership & Public Speaking, Dale Carnegie, 2012</p> <p>Certified Hospitality Technology Professional (CHTP) Completed June 2007</p> <p>Certificate of Leadership, Jack Welch, Strayer University, 2013</p> <p>Certified Ethical Hacker (CEH) Completed November 2008</p> <p>Management Development Program (Director Training) Commenced May 5th, 2015</p> <p>Certified ITIL version 3 - Foundation Examination Completed March 2010</p>	<p>1st National Bank St. Lucia Limited, Castries, St. Lucia September 2018 - Present</p> <p>Executive Manager, Information Technology</p>	
Teather Thomas	Executive Manager, Internal Audit	37	<p>London School of Business and Finance:</p> <p>Masters Degree, Finance and Investment with specialization in Financial Risk Management (April 2018)</p>	<p>Inland Revenue Department - Saint Lucia (Tax Inspector and Senior Tax Inspector) - June 2012 to September 2018</p> <p>1st National Bank St. Lucia Ltd. Assistant Manager, Internal Audit</p>	455-7221

			ACCA Certification (completed on a full-time basis December 2014) Chartered Accountant (October, 2015)	October 06, 2018 to October 31, 2019 Executive Manager, Internal Audit November 01, 2019 to (present)	
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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 2019**