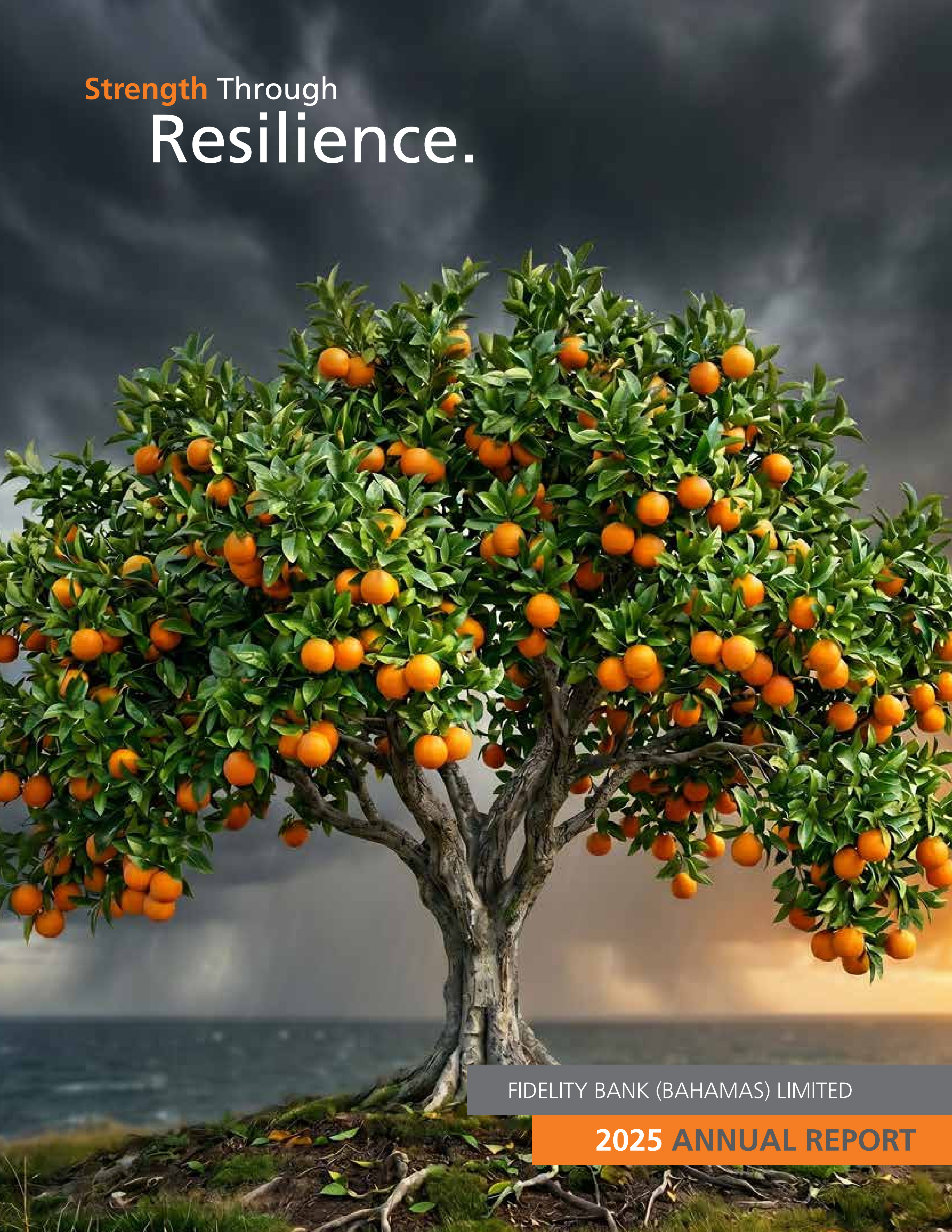
Strength Through Resilience.



FIDELITY BANK (BAHAMAS) LIMITED

2025 ANNUAL REPORT

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Summary Of Results

For the years ended 31 December (B$000)	2025	2024	% Change	2023	2022	2021
Interest Income	**61,280**	**61,923**	**-1.04%**	**60,801**	**63,860**	**65,347**
Interest Expense	**(7,455)**	**(7,943)**	**-6.14%**	**(8,819)**	**(10,919)**	**(12,078)**
Net Interest Income	**53,825**	**53,980**	**-0.29%**	**51,982**	**52,941**	**53,269**
Provision for Loan Losses	**(6,477)**	**(6,536)**	**-0.90%**	**(9,429)**	**(6,182)**	**(6,001)**
Net Interest Income after Expected Credit Losses	**47,348**	**47,443**	**-0.20%**	**42,553**	**46,199**	**46,268**
Non-Interest Income	**12,893**	**10,753**	**19.90%**	**7,444**	**6,328**	**4,069**
Non-Interest Expenses	**(43,744)**	**(40,245)**	**8.69%**	**(36,223)**	**(32,284)**	**(28,174)**
Share of Profits/(Losses) of Joint Ventures	**13**	**19**	**-31.58%**	**6**	**(25)**	**6**
Net Income	**16,509**	**17,971**	**-8.14%**	**13,780**	**20,218**	**22,170**
Total Comprehensive Income	**17,454**	**17,971**	**-2.88%**	**13,780**	**20,903**	**22,170**
Net Income Attributable to Ordinary Shareholders	**15,534**	**16,996**	**-8.60%**	**12,805**	**19,243**	**21,195**
Book Value per Ordinary Share	**$3.37**	**$3.31**	**1.54%**	**$3.24**	**$3.27**	**$3.10**
Dividends per Ordinary Share	**$0.52**	**$0.51**	**1.96%**	**$0.48**	**$0.52**	**$0.51**
Year End Share Price	**$16.24**	**$17.00**	**-4.47%**	**$17.75**	**$18.10**	**$14.91**
Weighted Average Ordinary Shares	**28,830,129**	**28,830,129**	**0.00%**	**28,830,129**	**28,830,129**	**28,822,954**
Investment Securities	**204,674**	**153,441**	**33.39%**	**116,399**	**108,471**	**105,410**
Loans and Advances to Customers	**349,112**	**358,010**	**-2.49%**	**359,244**	**372,696**	**401,585**
Total Assets	**828,938**	**827,624**	**0.16%**	**779,306**	**770,618**	**899,102**
Write-offs of Loans and Advances to Customers	**5,318**	**5,344**	**-0.49%**	**10,174**	**10,151**	**15,230**
Deposits from Customers	**712,134**	**713,354**	**-0.17%**	**667,007**	**656,880**	**769,755**
Total Equity	**112,036**	**110,567**	**1.33%**	**108,293**	**109,345**	**104,427**
Total Equity - Ordinary Shares	**97,036**	**95,567**	**1.54%**	**93,293**	**94,345**	**89,427**
Growth in Loans and Advances to Customers	**-2.49%**	**-0.34%**		**-3.61%**	**-7.19%**	**-4.04%**
Growth in Total Assets	**0.16%**	**6.20%**		**1.13%**	**-14.29%**	**26.55%**
Earnings Per Share	**$0.54**	**$0.59**	**-8.60%**	**$0.45**	**$0.67**	**$0.74**
Price/Earnings	**30.14 x**	**28.84 x**	**4.52%**	**39.96 x**	**27.12 x**	**20.28 x**
Price/Book Value	**4.83 x**	**5.13 x**	**-5.92%**	**5.49 x**	**5.53 x**	**4.81 x**
Dividend Yield	**3.20%**	**3.00%**	**6.73%**	**2.70%**	**2.87%**	**3.42%**
Return on Average Assets	**2.11%**	**2.24%**	**-5.78%**	**1.78%**	**2.50%**	**2.75%**
Return on Average Ordinary Shareholders' Equity	**16.13%**	**18.00%**	**-10.38%**	**13.65%**	**20.94%**	**24.61%**
Ordinary Dividend Payout Ratio	**96.63%**	**86.62%**	**11.55%**	**108.21%**	**78.00%**	**69.46%**
Efficiency Ratio	**65.57%**	**62.17%**	**5.46%**	**60.95%**	**54.47%**	**49.14%**
Net Interest Margin	**6.66%**	**6.85%**	**-2.68%**	**6.83%**	**6.45%**	**6.72%**
Non-Performing Loans to Total Loans	**3.64%**	**3.60%**	**1.18%**	**3.49%**	**3.73%**	**4.51%**
Non-Performing Loans to Total Assets	**1.63%**	**1.65%**	**-1.10%**	**1.70%**	**1.91%**	**2.15%**
Net Write-offs to Average Loans	**1.42%**	**1.41%**	**0.60%**	**2.63%**	**2.47%**	**3.45%**
Provision for Loan Losses to Total Loans, Including Accrued Interest	**4.09%**	**3.70%**	**10.58%**	**3.38%**	**3.45%**	**4.11%**
Provision for Loan Losses to Non-Performing Loans	**112.49%**	**102.93%**	**9.29%**	**96.91%**	**92.45%**	**91.01%**

Board of Directors

Alfred H. Stewart
Chairman

Stuart M. Bowe

Gowon N. G. Bowe
Chief Executive Officer

Aziz Sunderji

Dawn A. Patton

J. Nicholas Freeland
Chairman, Audit & Risk Management Committee

Jennifer P. Dilbert
Chairperson, Compensation Committee

Michael A. Anderson

Chairman's Report

Alfred H. Stewart

The Chairman's Report of the prior year closed with the quote attributed to Lao Tzu "the journey of a thousand miles begins with one step", noting that the first step had been taken, but there were many more to go. In the current year, Fidelity Bank (Bahamas) Limited (the Bank) took several more steps on its journey to long term sustainable financial performance and financial position. The financial performance of the Bank for the year ended 31 December 2025 recognised net income of $16.5 million and total comprehensive income of $17.5 million, representing a return on average ordinary shareholders' equity of 16.13%.

The members of the Executive Committee (ExCom) remained committed to the strategies devised following the intense analyses performed two (2) years ago of: the business models of the Bank, including products and services, information systems, and expectations; and key metrics of the economic and social environments of the Commonwealth of The Bahamas (The Bahamas). These strategies require investments in information systems, personnel, product and service offerings, and communities in which the Bank operates, including the establishment of physical presences in strategic locations. There are many investment horizons adopted by notable successful investors, however the horizon that has led to legendary status being achieved, generally is the long term horizon. The investments of the Bank have the long term horizon, recognising its tenure as a significant contributor to the national development of The Bahamas for almost fifty (50) years and its commitment to continue to be present and a significant contributor for at least another fifty (50) years. Thereby demonstrating strength through resilience.

The optimism regarding the economy of The Bahamas and the fiscal performance of the Government of The Bahamas (the Government) that has been building during and following the rebound from the global pandemic was supported by several key elements in the current year, including: total visitor arrivals for 2025 reportedly exceeding twelve and a half (12.5) million; the highest reported Gross Domestic Product (GDP), including a growth rate exceeding projections from various sources, domestic and international, by 100 basis points (bps); a budgeted fiscal surplus for the fiscal year 2025/2026 of the Government; a decrease in the debt to GDP ratio; and a one (1) notch upgrade in sovereign debt credit ratings issued by certain international credit rating agencies. Additionally, investment projects continued to be announced in the tourism and utilities sectors, among others, and certain previously announced investment projects had observable progress. Many of these positive developments had caveats, and may not materialise fully in the timeframes projected, but the general trajectory is clearly forward and progressive. However, there must be acknowledgement by the Government of the structural challenges that serve as potential barriers to realising the full impact of these positive developments, and proudly the key personnel of the Bank represent not only national voices highlighting these issues but also active participants in initiatives to address them, including most significantly the National Development Plan.

Despite the positive developments noted earlier, the lending environment in The Bahamas will likely remain muted for the short to medium term, due in large part to the negative consequences of the global pandemic such as unemployment and consequential credit defaults. Employment numbers are growing and loans in default are being rehabilitated, but the pace does not provide for a rapid expansion in the lending environment. For financial institutions not wishing to race to the bottom for short term profit, this requires targeting new markets, products and services; the Bank has chosen the latter route favouring long term sustainable financial performance by targeting revenues from non-traditional sources, and profits through recovering funds owed to the Bank. The successes of these strategies peeked through in the financial performance of the current year.

Inflation, trade and military wars, and the risk of recession in major economies have now crossed multiple financial years and are likely to cross a few more, thus creating long term volatility. Investing with a long term horizon positions the Bank to sustain through challenging times and prosper through times of prosperity.

Captaining a team whose bonds continue to strengthen remains rewarding, and the Board of Directors welcomes John F. Moncur, Head of Risk Management to that team. The Board of Directors also expresses appreciation to the customers, employees, communities and shareholders for the confidence placed in the Bank, and the loyalty and support continually exhibited. The year ahead has some seismic shifts slated, but the aforementioned confidence will undoubtedly be proven to be appropriate, as the Bank, led by its steadfast Chief Executive Officer and members of ExCom, navigates this next leg of the journey.

Our Executive Team

Gowon N. G. Bowe
Chief Executive Officer

H. Gregory Bethel
President

Jamal Ijeoma
Chief Financial Officer

Malvern Bain
Vice President, Asset Recovery

Heatherdawn Blake-Brown
Vice President, Cards Services

Crestwell Gardiner
Vice President, Credit & Lending

Janice Rolle
Vice President, Retail Banking

Alan Loane
Chief Information Officer

Spencer Smith
Head of Compliance

John Moncur
Head of Risk Management

Niall Turnquest
Head of Internal Audit

Communication from the CEO

Gowon N. G. Bowe

As the front cover of the 2025 Annual Report depicts, conditions and environments can change and despite the periods of dark clouds there are always the rays of sunshine that will eventually break through. However, it is known that in the absence of deep roots and being appropriately grounded within your surroundings, the rains and roaring waves of storms are capable of sweeping all manner of elements out to sea. Governance and management of commercial banks is aptly described with similar imagery. The environments in which such entities operate are largely representative of the wider jurisdiction(s) in which they operate, and the conditions are largely determined by governments within those jurisdictions. Compounding the complexities of governing and managing commercial banks are the fiduciary responsibilities that are assumed when managing the financial resources of varying stakeholder groups, with each group having different priorities and expectations but nonetheless needing each other in order to be successful.

The rays of sunshine for the Commonwealth of The Bahamas (The Bahamas), particularly for 2025, comprise: record tourist arrivals; record Gross Domestic Product (GDP), along with a reported annual growth rate that was in excess of domestic and international projections and well above the reported annual growth rates since the Great Recession; an improving debt to GDP ratio for the Government of The Bahamas (the Government); an improving employment rate; the commencement of energy reforms; an improving fiscal deficit by the Government; continuing announcements of new foreign direct investments (FDI); and a one (1) notch upgrade in the sovereign debt ratings issued by certain international credit rating agencies.

The dark clouds comprise: stopover visitor arrivals not experiencing growth; GDP levels and growth rates not materialising into higher disposable income for the average citizen or resident; underwhelming projections for GDP growth rates over the medium to long term; the threat of major hurricanes; the number of employed persons not yet recovering to pre-global pandemic levels; uncertainties regarding the exit of strategic partners in the national energy reform efforts; FDI projects that are delayed in coming to fruition; trade and military wars that have interrupted supply chains and resulted in increases in commodity prices; persistent elevated inflation resulting in the high cost of living; the looming threat of recession in the key market from which tourist arrivals originate; and the outlook for sovereign debt ratings being changed to ‘Stable’ by international credit rating agencies indicating that further upgrades are not expected in the short term.

The environmental realities comprise, among others: structural challenges in the lending environment, including a significant inventory of slow-moving distressed properties, high levels of consumer debt of existing borrowers and low levels of financial literacy and savings; deferral of much needed tax reforms despite historical annual levels of revenues of the Government not facilitating a single year of fiscal surplus since The Bahamas gained sovereign independence; high levels of comorbidities among citizens of The Bahamas; the absence of systematic pooling of domestic capital with foreign capital to facilitate greater retention of foreign currency earnings from FDI projects; and the slower than expected progress in advancing digitisation of economic and social activities within The Bahamas. The principal contributing factor preventing the modifications to the environmental realities is the absence of a National Development Plan.

The factors above can be summarised simply as volatility, which is exacerbated for commercial banks by the fiduciary responsibilities for brokering successful outcomes for all key stakeholders, including shareholders, depositors, borrowers, cardholders, merchants, employees, community partners and other stakeholders. Warren Buffett has been credited with saying “look at market fluctuations [that is, volatility] as your friend rather than your enemy; profit from folly rather than participate in it”. Fidelity Bank (Bahamas) Limited (the Bank) has observed the folly of certain commercial banks in response to the impact of the volatility on the lending environment in The Bahamas, and as opposed to participating in the folly the Bank has held to its core principles of quality lending centred on a borrower’s ability to pay and providing financial coaching to improve the lives of its customers, and has devised and implemented strategies for expansion of the business, including investments in technology, personnel, products and services, and communities.

The statistics of the aggregate lending by licensees of the Central Bank of The Bahamas (the Central Bank), as reported by the Central Bank, are as follows:

Loan Type	31.12.25 $ Millions	31.12.19 $ Millions	Change $ Millions	Change %
Consumer	2,207.3	2,214.3	(7.0)	(0.32)
Mortgage	2,552.6	2,629.5	(76.9)	(2.92)

There was growth in the commercial banking sector in consumer loans and mortgage loans during fiscal year 2025, however the statistics above evidence the required extended period to rehabilitate the structural challenges and reverse the accentuated contraction during the global pandemic associated with the deterioration in the quality of borrowers and related borrowing capacity, particularly in the traditional markets of the Bank.

The Bank recognised financial performance for the year ended 31 December 2025 of $16.5 million in net income and $17.5 million in total comprehensive income, marginally below the financial performance of the prior year. This financial performance reflects the potential successes of strategies of the Bank devised in light of the volatile environment in which it operates, and the ability of the Bank to continue its investments in people, products and communities while maintaining a respectable return on average ordinary shareholders' equity, which was 16.13% for the current year.

The strategies previously devised and further executed during the current year, along with the expectations for fiscal year 2026 and beyond, which factor in the economic and fiscal performance of The Bahamas, as projected by the Bank based on the best information currently available, are set out in the Management Discussion & Analysis section. The fervent activities of the election cycle are in high gear, along with the boasts of fiscal successes by the Government and promises of a brighter future by all political parties, creating optimism among many citizens and residents, which ceteris paribus could lead to an improved lending environment. However, enduring from this communication from the prior year are the uncertainties that exist due in large part to factors external to The Bahamas, such as threats of recession in the United States and possibly the rest of the world, wars over commercial activity and sovereignty, and the general persistence of inflation and consequent high interest rates that dampen optimism and confidence.

To contribute to the discussion and actions of national development, even when unpopular, has always been, and will always be an undergirding mission of the Bank, as the success of the Bank is largely contingent on the success of The Bahamas. The Bank and the Government of The Bahamas still have difficult decisions to make, but comprehensive and effective communication facilitates greater acceptance and support among stakeholders. Leveraging structural strengths and taking advantage of opportunities, and addressing structural weakness and mitigating against the effects of threats, can be accomplished with the development and implementation of a National Development Plan that would formulate strategies for The Bahamas. Operating a business in an environment with the clarity of purpose and actions provided by a National Development Plan enables businesses to derisk by aligning themselves with national strategies.

The commitment of the Bank to social responsibilities, and the pride the Bank and its team members take every day in assisting with addressing certain needs is demonstrated in the Our Community Efforts section. While the primary purpose of the Bank is as a commercial enterprise to provide benefits to its direct stakeholders of shareholders, employees and customers, the Bank appreciates that it relies on the communities in which these same stakeholders live and in turn has a responsibility to contribute to the social and development needs of these communities, including but not limited to youth care, sport, education, medical conditions, food insecurity, culture and Family Island development. The Bank supports the establishment of impactful and enduring partnerships rather than cheque presentations, and every day the Bank and its team seek to *Make That Move* to make a difference in the communities across The Bahamas in which the Bank operates. Having persons not necessarily directly connected to the Bank express their pleasure at seeing the Bank participate in what appears to be every major social initiative in the country is rewarding, as it means that the communities see themselves as also having vested interests in the successes of the Bank.

It is with great pleasure that I introduce John F. Moncur to the independent Executive equivalent role of Head of Risk Management, having served in management roles within the public accounting profession and regulatory bodies; the competencies of the Bank and its management immediately benefitted from his experiences and expertise. The Bank also extends well wishes to its family members that opted to turn new chapters in their personal and/or professional lives.

The spirited deliberations of the prior year continued in the current year among members of the Executive team, along with the bonding that ultimately led to unified decisions and effective implementation of agreed strategies that have contributed to the financial performance in the current year; for this I give my great thanks to the Executive team. To the managers that lead the implementation of the strategies of the Bank through their respective teams, the Executive team expresses its great thanks and appreciation. Equal thanks and appreciation are expressed to the backbone of the Bank, its members of staff, who exemplify the mantra *Fidelity, We're Good For You*. Together, we have all demonstrated the strength through resilience of the Bank and that true strength is not born during easy times.

The loyalty, support and confidence of shareholders, depositors, borrowers, cardholders, merchants, community partners and other stakeholders have been invaluable during the current year, and countless prior years. The Bank will continue in its efforts to be deserving of your advocacy, and notwithstanding the uneasiness associated with seismic changes in systems to be introduced in 2026, be assured that financial returns, customer service and community involvement par excellence will remain the undergirding principles.

Message from the President

H. Gregory Bethel

Fidelity Bank (Bahamas) Limited (the Bank) operates in a service-based economy dominated by tourism and foreign direct investment in property or resort development and other areas creating significant employment. The Government of the Commonwealth of The Bahamas is the largest employer. The business development initiatives of the Bank target the employees in both the private and public sectors offering personal and private banking services with in-branch and digital banking services.

Due to a persistent personal financial 'culture' whereby individuals borrow as much as they can as often as they can (or must) with no commitment to savings, the provision of credit products for individuals has been, and will continue to be, the primary product offering of the Bank for the foreseeable future. Nevertheless, the competition in this product segment is intense, impacting the market share of the Bank as other financial institutions take on greater risk, which the Bank is not prepared to take. The Bank will not abandon its responsible lending philosophy and guidelines for short term gain, bragging rights or to maintain market share by lending larger amounts, for longer terms, at lower interest rates leaving customers with lower disposable income to support their families.

Bahamian consumers use their income and funds borrowed primarily to: (i) make purchases online using debit, credit and/or prepaid cards; (ii) make purchases while travelling abroad using debit, credit and/or prepaid cards; and (iii) purchase products and services through local small and medium sized businesses which use electronic payment services and products. These businesses are consumers of electronic payment services, payment products, card settlement services and card products, which are secondary offerings of the Bank with growing importance to its revenue. This was evident during 2025, as seen in fees and commission income. Making commercial loans available to small and medium sized business, which utilise the electronic payment services, is expected to be a significant area of growth for the Bank and is intended to offset the declining personal loan portfolio.

Few consumers have a pattern of saving and investing to fund medium and long term goals, which requires the Bank to offer financial coaching for individuals and financial planning/consulting for business owners, including guidance on: segregating personal and business finances; using financial statements and cash flow analysis; submissions of tax returns; and tax planning.

The specific areas of focus for 2025 – 2027, as per the Strategic Plan and Business Objectives of the Bank, comprise:

1. Grow the primary product offering utilising the *Make That Move* public relations strategy and sales initiatives to incentivise customers to switch financial institutions, complemented with the expansion of business development and physical presences in Exuma and Eleuthera.

2. Attract business, corporate, personal, and private banking customers from the private sector seeking a superior banking relationship with commercially attractive product bundling, which will be effected through upgrading and upskilling personnel, as required, whilst keeping remuneration attractive to retain top performers in sales, business development, and sales support.

3. Retain existing customers with exceptional service and experiences, providing value for fees charged, whilst encouraging customers to utilise more products/services (product bundling) with attentive relationship management and enhanced communication. When appropriate, terms and conditions will be adjusted to attract or retain personal loan customers, except where such customers are 'maxed out', near retirement or challenged with inadequate disposable income to meet family commitments.

4. Implement new online banking and mobile application, along with underlying systems. Additionally, rollout 'smart' automated teller machines (ATMs) and digital account opening processes to facilitate the expansion of payment and credit services to business and corporate customers.

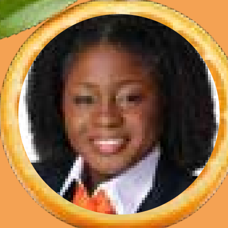
5. Continue to aggressively pursue opportunities for recoveries or restructuring of delinquent credit facilities, giving the underlying customers the opportunity to rehabilitate their credit reports issued by the credit bureau.

6. Continue with the implementation of succession plan at executive and middle management levels, including successor development through upskilling, cross-training, mentorship, and soft skills training.

The support of shareholders and directors who invest or advise (or both) is greatly appreciated. The commitment of managers, supervisors and staff to customer service, sales support and business development is acknowledged and recognised. And the leadership of my Executive colleagues and our fearless commander-in-chief during these times filled with never-relenting challenges and competition is valued and respected.

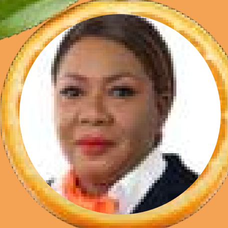
Our Management Team

Orie Allen
Manager, Settlement Cards Services



Cherrilyn Arthur
Manager, Central Services

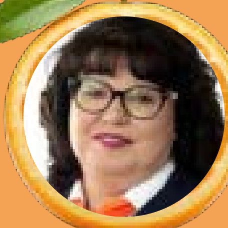
Jamal Baker
Financial Centre Manager



Stacia Bowe
Director, Human Resources

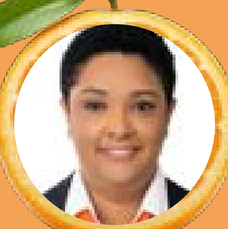
Tennessee Bowe
Financial Centre Manager

Gabrielle Campbell
Deputy Compliance Officer



Mary Lou Capron
Senior Manager, Information Technology Operations

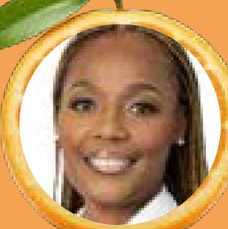
Jessica Curtis
Manager, Cards Customer Support & Distribution



Samantha Davis
Manager, Accounts

Carmel Dean
Senior Financial Centre Manager

Dominic Ferguson
Senior Financial Centre Manager

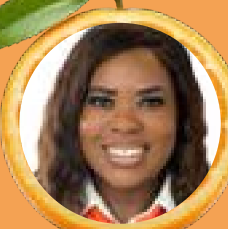


Odia Gaskin
Manager, Loan Administration

Domicia Hepburn
Manager, Asset Recovery

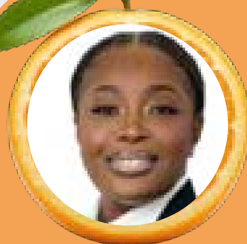
Brandon Hill
Manager, Information Technology Support

Eunice Johnson
Senior Manager, Cards Services



Samantha Knowles
Manager, Client Relations

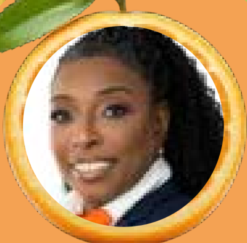
Shervone Knowles
Manager, Client Relations



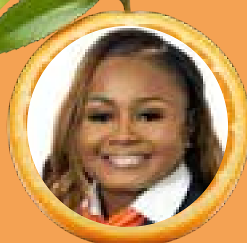
Tineka Mackey
Manager, Branch Operations

Anatole Major
Manager, Human Resources

Thallise Maycock
Manager, Facilities



Rochelle Moss
Manager, Collections



Lakerria Munnings
Manager, Cards Services Operations

Rodger Pinder
Manager, Asset Recovery

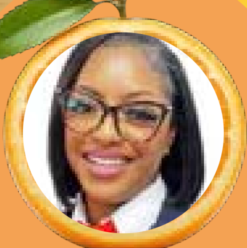
Tameka Pratt
Financial Centre Manager

Demetries Rolle
Senior Manager, Information Technology Infrastructure

Antonio Saunders
Manager, Marketing & Promotions

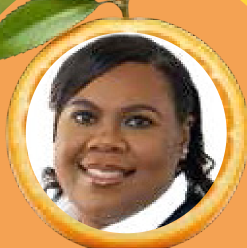
Michelle Sawyer
Manager, Fraud & Risk Cards Services

Javaughn Strachan
Manager, Operations Training



Allistaire Stubbs
Manager, Branch Unit Compliance

Cordero Taylor
Financial Centre Manager



Denay Thompson
Deputy Compliance Officer

> “Brave leaders are never silent about hard things.”
>
> *Brené Brown*

Our Community Efforts

The corporate voice of Fidelity Bank (Bahamas) Limited (the Bank) was not only present during the year ended 31 December 2025, but also extremely audible in its pursuit of overcoming and transforming the difficult and challenging circumstances playing out in the Commonwealth of The Bahamas (The Bahamas) through conscious strategy-making and community engagement. The Bank sought to demonstrate institutional agility, decisiveness, strategic vision and professional expertise in navigating these challenges and the demands of a turbulent year marked by geopolitical matters of: trade wars; increased complexity in regulation and tax environments; supply chain disruptions; and information security threats. While these matters represent global issues, they translate into domestic pressures on disposable income of households and, in turn, availability of support for various civic initiatives.

The executives, managers, customer-facing employees and strategic partners of the Bank were dynamic and adaptive, which facilitated the stability of the customer-centric and friendly services, products and ecosystem of the Bank and led its drive to preserve, protect, and promote stakeholder trust and pursue the mission of the Bank of delivering service excellence.

The words of a famous song by the beloved Bahamian singer Ronnie Butler best describe the approach of the Bank to corporate social responsibility and community involvement, “Once is not enough. Even twice you don’t get all of the stuff”. Specifically, the Bank forges partnerships with its community stakeholders that endure for the long term, as opposed to simply cutting a cheque haphazardly. During the year, the Bank continued its commitment to providing and/or supporting educational opportunities, financial education, cultural development initiatives and philanthropic giving, which complemented the pronounced presence of the Bank in the financial services industry and the wider Bahamian community.

The Bank maintained its transparent and candid communication with internal and external stakeholders; empowered its experienced team members; and actively developed interdependent work and philanthropic environments that proudly represent the ethos of the Bank of continuously engendering “impact with integrity”.

The year commenced with customer engagement and collaboration, as the *Make That Move* public relations strategy was directed to potential and existing customers and promoted the quality of the financial centres, loan officers and customer service representatives who educate, assist, and guide potential and existing customers on making sound financial decisions and reaching their savings, investment, and home-ownership goals, smartly and confidently.

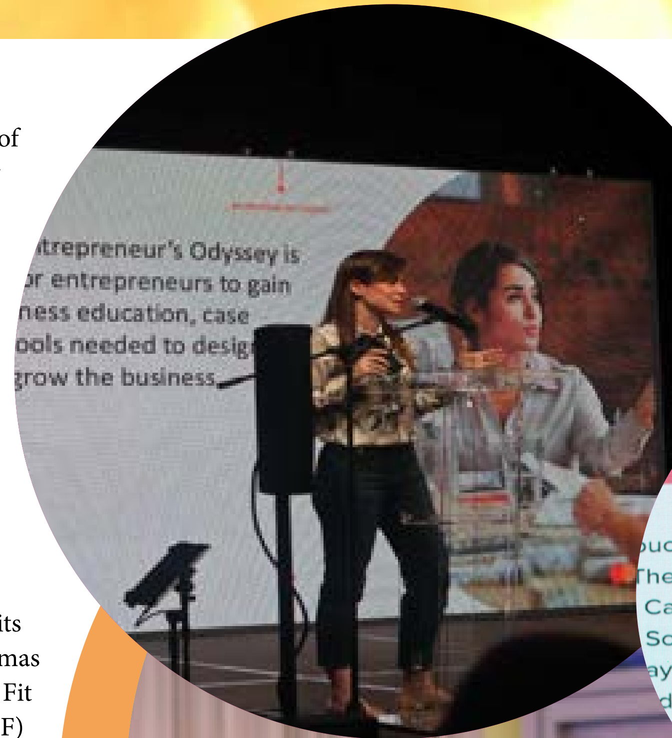
The public relations strategy was advanced through the participation of the Bank in the 2025 Series of the Bahamas Business Outlook in New Providence, Grand Bahama, Abaco, Andros, Eleuthera, and Exuma, where the Bank provided attendees across the archipelago of The Bahamas with first-hand information and experience of its innovative products and services.

Strategic engagement with its team members also led the Bank to introduce a series of creative vignette videos featuring various team members sharing branded messages on social media platforms about the Bank, its mission, ethos, products and services, and community engagement as a recognised and respected financial institution with a passion for being customer-centric.

In fulfilling its commitment to contribute to improved financial literacy within The Bahamas, the Chief Executive Officer (CEO) of the Bank made speaking appearances at various Rotary Clubs throughout New Providence, the RF Economic Outlook 2025, Bahamas@ Sunrise television programme, and a Men's Forum hosted by the Bahamas Union of Teachers, among other engagements. The efforts of the CEO were supplemented by the active participation of the Bank and its representatives at the ALIV Business Cyber Security Summit, RF Economic Outlook 2025, Department of Inland Revenue Financial Symposium, Nassau Conference and the Central Bank of The Bahamas Get Money Smart Financial Literacy Fair highlighting the importance and socioeconomic impact of financial literacy and awareness in cultivating and achieving financial independence and generational wealth creation.

Targeting its national messages of financial independence and wealth creation, and the resulting socioeconomic impact in the Bahamian community, to its potential and existing customers, the Bank launched its Mastercard Business Credit Card products through an opulent customer event that was hosted in New Providence and simulcast to concurrent events in Grand Bahama, Abaco, and Exuma. The customer event served the dual purpose of launching the new Mastercard products and showcasing merchant acquiring products and services of the Bank, which demonstrated the wide-spread commercial presence of the Bank while building market confidence in the adaptability of the Bank to meet the changing demands of a growing commercial consumerism in The Bahamas.

As an active proponent of academic excellence and in recognition and reward of local talent in The Bahamas, the corporate social responsibility and community outreach of the Bank was evident in its continuing financial partnership with the Bahamas Primary School Student of the Year Award Programme, which provides academic scholarships for deserving primary school students. The continuing partnership once again cultivated an awareness and appreciation of youth development, leadership and achievement, nationally. Additional partnerships promoting academic excellence and providing scholarships and rewards for academic achievements included the Royal Bahamas Police Force (RBPF) Shanta Knowles Scholarship Fund, Alpha Phi Alpha Fraternity, Inc. Bahamas Honours Day Convocation, and Fourteen Club Pays for A's, along with various community back-to-school initiatives for children requiring assistance in buying supplies for the school year.



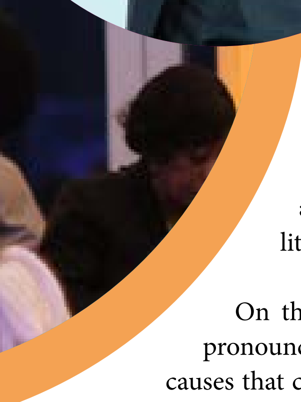
Health, fitness and wellness remain important priorities of the Bank in its philanthropic efforts, with beneficiaries of financial support comprising the Bahamas Lawn Tennis Association Spring Classic, University of The Bahamas (UB) Fit Nassau and UB Fit Grand Bahama, the Royal Bahamas Defence Force (RBDF) Fun Run Walk, RBDF Health Fair and Ride For Hope (Ride For Hope Charity); annual events that promote healthy lifestyles and health education in the Bahamian community, and in certain cases raise funding for medical research and patient care. Additionally, throughout the year the Bank and its employees participated in multiple walkathons, incorporating team competition among the employees of the Bank, and among the Bank and other corporate entities vying for bragging rights for the highest number of registered participants and/or highest placements.

Combining support for health and fitness with support for youth development, the Bank continued its title sponsorships of the Bahamas Association of Independent Secondary Schools (BAISS) Track & Field Meet, Grand Bahama Secondary Schools Athletic Association (GBSSA) Track & Field Meet and Bahamas Optimist Nationals, along with sponsorships of other athletic events hosted by organisations such as the Grand Bahama Primary Schools Athletic Association, Red-Line Athletics Club and Star Trackers Track & Field Club. Team members of the Bank also join sporting events that promote health and fitness, as the Bank and its team members participate in numerous charitable events involving golf and other sporting disciplines, with the teams of the Bank steadily being recognised as perennial occupants of the winner's circle. But more importantly, the participation of the Bank in such charitable events is becoming synonymous with improved fundraising results and greater awareness of the respective causes.

With the turbulent times of 2025, worthy charities were challenged with fundraising in support of their missions, and the continued partnerships with the Bank were welcomed by these entities as the attendance/participation and sponsorship of the Bank positively contributed to their ongoing operations. Charitable initiatives during the year included: Red Cross Ball (Bahamas Red Cross Society); Heart Ball (Sir Victor Sassoon Foundation); Cancer Ball (Cancer Society of The Bahamas); **blue** Autism month (REACH Bahamas); Ranfurly Homes for Children, including its raffle; and Tee Off for Hunger Annual Golf Tournament (Bahamas Feeding Network). Members of staff, as *Movers* and shakers in communities across The Bahamas, actively participate in the community and charitable events supported by the Bank resulting in the Bank clearly distinguishing itself as a financial institution of stability, integrity, financial empowerment and community engagement through these invaluable partnerships between the members of staff and civic organisations. Additionally, such engagement leads to beneficiaries of the philanthropy of the Bank being encouraged to also 'pay it forward' within their communities and on a national level.

The Bank understands the significance of cultural awareness and celebration of the creatives within The Bahamas, and therefore the Bank proudly partnered with the National Family Island Regatta held annually in Exuma and the Best of the Best Regatta held in New Providence. These cultural events preserve traditional Bahamian wooden sloop sailing, which was recently recognised as the national sport of The Bahamas. In addition, the Bank sponsored the Ivory Global Management (IGM) Summer Music Master Class, including sponsoring school age students needing financial assistance to attend the workshop focused on musicianship, performance technology and live show preparation.

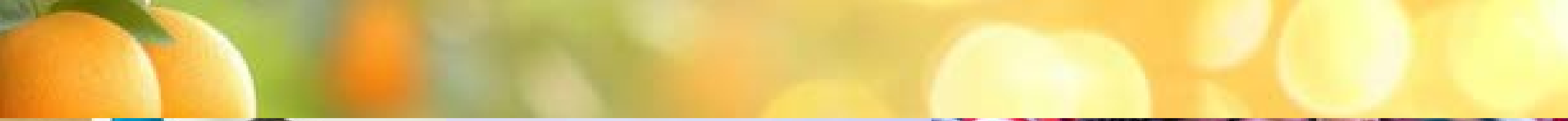
Intentional and purposeful emphasis on the recognition, relatability and reach of its four (4) Cs – customers, colleagues, commitment and community – remained a priority of the Bank through its financial partnerships and support, which demonstrated the diversity, depth and distinction of the community outreach, philanthropy, engagement, and impact of the Bank across a breadth of academic, sporting, economic and social causes and initiatives. Certain of these initiatives require the support of national agencies, such as the RBPF, as these agencies plan and execute various outreach initiatives and community engagement to engender trust and collaboration among constituents in the building of stronger and safer communities, and the Bank is regularly identified as standing side by side with these national agencies.



The commitment to the education, empowerment, and engagement of communities is believed by the Bank to provide the basis for its continued financial success, as indirectly this commitment has meaningful economic impacts on the financial services industry in The Bahamas through its positive outreach to potential and existing customers. To assist in transforming communities and their constituents, the Bank partners with community activities whose drivers are academic excellence, cultural awareness, community building and engagement, financial literacy and overall economic independence, food security, and health and wellness.

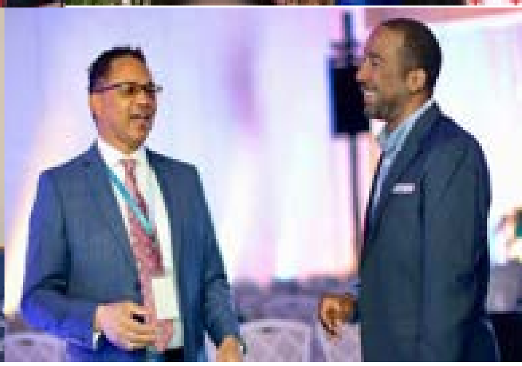
On the social front, the Bank evidences its corporate ethos of balancing profitability with charitable giving through pronounced and visible corporate social responsibility initiatives, represented by participation in important socioeconomic causes that continue to affect customers of the Bank and the communities in which it operates. And on the business front, the corporate growth mindset, innovation, adaptability, and influence in meeting the needs and demands of an increasingly sophisticated and financially aware customer base are demonstrated by the Bank through its financial products and services, and unique willingness to provide financial coaching and guidance to customers even when such financial coaching and guidance may result in less business from the customers at that particular time.

As it moves into the coming financial years, the Bank will continue to prove to key stakeholders that they should *Make That Move* to a financial institution that recognises that the quality of life of stakeholders matters most, as the Bank sustains the important balancing act of commerce and charitable giving. Concurrently, the Bank will stay focused on its mission to strive for increasing service excellence, financial leadership and stewardship, customer engagement, and national philanthropy, engendering and embracing the significance and utility of its slogan *We're Good for You*.

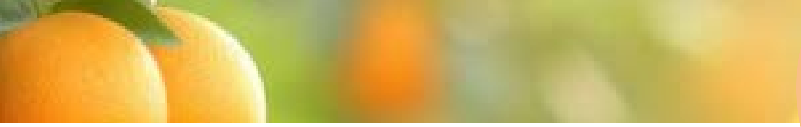



CARING HANDS ACADEMY


ROTARY
CLUB OF




EDINBURGH CUP
THE BAHAMAS MILITARY AND MARITIME ACADEMY
FIDELITY
SUMMER MUSIC MASTER CLASSES
UNIVERSITY OF THE BAHAMAS
inspired/by
x The Current
CONVERSATIONS FOR THE CURIOUS



Management Discussion & Analysis

FINANCIAL POSITION AND FINANCIAL PERFORMANCE

The year ended 31 December 2025 was one of volatility, domestically and globally, due to the impacts of inflation, trade and military wars, and the looming risk of recession in major economies. Notable investors consider volatility as opportunities for success, provided there is appropriate preparation and analyses to increase the likelihood of being on the correct side of the volatility. Accordingly, Fidelity Bank (Bahamas) Limited (the Bank) continued its investments in preparation and analyses during the year to provide the greatest prospects of success during the protracted period of volatility that is expected, demonstrating its strength through resilience.

The financial performance in the prior year was the result of strategies devised following intense analyses that represent the necessary investments in preparing the Bank for the long term future. As with any long term investment strategy, the objective is positive returns on investments over a sustained period, as opposed to decisions aimed at immediate returns on investments at the sacrifice of long term prospects. The Bank has a proud history of being a significant contributor to the national development of the Commonwealth of The Bahamas (The Bahamas) since 1978, nearly half of a century, and fully intends on growing with The Bahamas while contributing to its growth for at least another half of a century; hence, the long term investment strategy.

The financial performance standards set by the Bank are certainly not being lowered, however the measurement against those standards is not limited to the short term but rather an appropriate sustained period. The behaviours, practices, strategies and decisions of the Bank that have been articulated through recent Annual Reports, and which continue to position the Bank to take advantage of opportunities that present themselves in times of economic prosperity, endured during the current year, resulting in respectable financial performance concurrent with continuing investments. Specifically, these investments supported the execution of the following key strategies:

- Targeting and/or developing new markets, including a deeper step into commercial lending and non-traditional mortgage lending, as the quality of new borrowers and the reduced borrowing capacity of existing customers in the traditional markets targeted by the Bank are expected to have limited growth or further contraction. See Note 20 of the consolidated financial statements that discloses movements in consumer, family residential property loans and commercial loans.

- Achieving greater penetration in credit, debit and prepaid cards business, including the issuance of cards and the offering of merchant acquiring services. As discussed later, this line of business requires economies of scale relative to associated costs in order to produce higher profitability, and the achievements of such economies of scale in the prior year carried into the current year and expanded. See the consolidated statement of comprehensive income for growth in fees and commissions.

- Aggressively pursuing merchants onboarded for merchant acquiring services for additional products and services, specifically when cash flows from merchant sales and other evidence of viability are identified during the initial period of the banking relationship.

- Aggressively pursuing loans and advances to customers previously written off, which achieves: immediate recognition of net income for recoveries through settlement; or provides growth in the loan portfolio through restructurings of such loans, with the full profitability being realised over a period of time due to the heightened credit risk and associated expected credit losses. See the consolidated statement of comprehensive income for the expense for provision for loan losses and Notes 6 and 20 of the consolidated financial statements for the stability in the provision for loan losses that are the result of the increased recoveries and restructurings.

- Expanding the Financial Centre network through more of the Family Islands of The Bahamas based on: the populations of those islands; and evidence of the technology and model adopted for the Exuma Financial Centre being fit for purpose. The plans for the opening of the Eleuthera Financial Centre progressed during the year but supply chain challenges delayed the necessary capital works resulting in a delay in the opening to the third quarter of 2026. The Bank utilised temporary office arrangements during 2025, and the excitement for the opening is mounting.

- Deploying excess cash resources into investment securities, while managing liquidity and credit risks through an appropriate investment strategy. See the consolidated statement of comprehensive income for the growth in interest income on investment securities that partially offsets the contraction in interest income on bank deposits and loans and advances.

The replacement, modification and/or retooling of legacy information systems, management systems, business models, processes and modus operandi progressed during the year with the most significant elements being the implementations of a new core banking system, online banking and mobile application that were deferred into the second quarter of 2026. These expenditures, whether through upfront expensing or amortisation over an appropriate period, are impacting the financial performance of the Bank, albeit not yet fully. Notwithstanding the short term depression of financial performance and the challenges associated with any system change, the benefits of these enhanced systems will be felt for the foreseeable future through improved user experience, covering both internal and external users. The rollout of the new intelligent automated teller machines (ATMs) is still planned to immediately follow these aforementioned implementations with first quarter 2027 being the likely timeline for the rollout.

The successful progress in the implementation of the strategies evidences the strength in resilience of the Bank, as it did not waver despite the medium to long term tails.

The macroeconomic performance of The Bahamas was headlined by tourist arrivals, as new records continued to be set with total visitors for 2025 being reported as exceeding twelve and a half (12.50) million. The cruise visitor arrivals led this growth, however while these visitors provide positive contributions to the local economy, they typically spend a fraction of the amount of their stopover visitor counterparts, even on a comparable per day basis, due to only staying for one (1) day and generally having less opportunity to spend. The stopover visitor arrivals remained flat compared with the prior year, and has recorded no discernible growth since returning to levels consistent with pre-global pandemic numbers. Development of private islands across the archipelago of The Bahamas by international cruise lines continued, and their impacts will be positive provided the owners of these private islands are held accountable by the Government of The Bahamas for equitably contributing to the wider Bahamian economy through domestic ownership opportunities, employment, gross domestic product (GDP) of The Bahamas and the Public Treasury.

GDP and employment rates recorded improvements during 2025, well in excess of levels recorded in 2019, the year preceding the global pandemic. While the veracity of the growth rates reported by the Bahamas National Statistics Institute (the BNSI) for both macroeconomic factors continues to be challenged in the absence of confirmation that changes to the methodologies and better access to information were utilised to restate prior years, the actual levels reported for both macroeconomic factors are widely considered reasonable. However, notwithstanding GDP growth rates reported by the BNSI, multilateral and other international agencies, along with the Central Bank of The Bahamas (the Central Bank) and the BNSI, are projecting that the growth trajectories for 2026 and the medium term thereafter will be consistent with the low levels recognised during the period between the Great Recession of 1998 and the global pandemic of 2020. Further, the actual number of persons working, which in 2025 fluctuated between being equal to or less than the number of persons working in 2019, has not received the appropriate attention of the policymakers who prefer focusing on the unemployment rate, a relative benchmark. The labour force requires upskilling, drivers of economic growth need to be identified and cultivated through the collaboration of the private and public sectors, and structural challenges must be consistently tackled on a holistic basis in order for The Bahamas to fully take advantage of opportunities presenting themselves.

A National Development Plan is necessary to: appropriately identify and assess these and other structural challenges; and subsequently document and execute on strategies to address these challenges. Otherwise, the full extent of the negative impacts of the global pandemic on the economy of The Bahamas will continue to be experienced and the permanent shift in mindset necessary to manage households, businesses and the country will not be effected. The deeply rooted presence of the Bank in the Bahamian society at large, from the playground to the classroom to the boardroom, along with its innovative products, exceptional customer relationship management, free financial coaching and laser-focused marketing, not only serve as continuing hallmarks of the proud history of the Bank but are also available to support the aforementioned National Development Plan and shift in mindset. Underpinned by these hallmarks, the public relations strategy of the Bank continued its evolution to encourage borrowers, depositors, shareholders, human resource talent and other key stakeholders to *Make That Move* to *Fidelity*, where *We're Good For You*.

The persistence of the headwinds referenced in prior Annual Reports, including but not limited to, anaemic growth in GDP and employment, continued inflation, the aftereffects of extended periods of inflation and a recession, whether in the United States of America or global, lend support to the appropriateness of the strategies of the Bank to invest in building future resilience against storms, while naturally hoping some of these are averted.

As of 31 December 2025, total assets increased by $1,313,856 (2024: $48,318,012) over the prior year, representing 0.16% (2024: 6.20%), to $828,938,226 (2024: $827,624,370). The increase in total assets principally comprised: a significant increase in investment securities representing deployment of less productive financial assets into income producing financial assets; an increase in other assets, principally representing investments in new technology with the objective of greater efficiency and effectiveness; and an offsetting decrease in loans and advances to customers. Concurrently, total liabilities remained consistent with the prior year.

For the year ended 31 December 2025, net income totalled $16,509,224 (2024: $17,970,946), representing a decrease of 8.13% (2024: increase of 30.42%) over the prior year; total comprehensive income totalled $17,454,301 (2024: $17,970,946), representing a decrease of 2.87% (2024: increase of 30.42%) over the prior year; and earnings per ordinary share for the year then ended totalled $0.54 (2024: $0.59). Net interest income was consistent with the prior year, as interest income decreased notwithstanding the deployment of excess cash resources into investment securities, given these are lower earning financial assets than loans and advances to customers and there was some contraction in loans and advances to customers. However, there was also a decrease in interest expense as a result of the decrease in interest rates on certain deposits from customers that offset the decrease in interest income. The focus on value added service offerings resulted in an increase in fees and commissions. Collectively, the overall total income of the Bank increased by 3.07% (2024: 8.93%) over the prior year. The cost of generating fees and commissions increased because of the growth in fees and commissions, but at a slower rate than the respective revenue growth, and bank and business licence fees increased due to growth in total income. The expense for provision for loan losses was consistent with the prior year, which is the result of a modest increase in recoveries on, and/or restructuring of, loans and advances to customers previously written off coupled with credit loss experience firmly consistent with those of pre-global pandemic fiscal years. These recoveries and/or restructurings are not extraordinary, but rather the result of aggressive pursuit of legacy defaulted loans and advances to, customers previously written off. Salaries and employee benefits increased, as the Bank invested in retaining its talent and recruiting new talent to execute on the strategies set out earlier. Collectively, total expenses increased by 7.35% (2024: 2.47%) over the prior year, with the objective of preparing the Bank to seize on opportunities in the future.

For the current year, the return on average ordinary shareholders' equity totalled 16.13% (2024: 18.00%), which is below the target levels set by the Bank but with the purpose of investing in the foundation to facilitate sustained earnings at target levels in the years ahead. Despite some changes in the business expansion efforts due to geopolitical factors, higher levels of deposits from customers persisted. However, the levels of lower yielding cash on hand and at banks that generally arise from deposits from customers were reduced by deploying an appropriate level of excess cash resources into investment securities. The results of these strategic actions countered, in part, the contraction in higher earning loans and advances to customers, resulting in a return on average assets of 2.11% (2024: 2.24%). The fundamental investments initiated during the prior year in certain aspects of the operations of the Bank to maximise profit opportunities going forward, that continued in the current year, have been managed such that the financial performance in the prior year was largely sustained for the year ended 31 December 2025.

Balancing retaining adequate capital that facilitates capitalising on opportunities for growth with the ability to generate an appropriate return on ordinary shareholders' equity requires active capital management; that is, only when growth opportunities with the desired risk and reward ratio present themselves will capital be required to be retained. Consequently, excess capital will be returned to ordinary shareholders if it is not being deployed into appropriate income generating activities. The Bank declared and paid dividends totalling $15,010,668 (2024: $14,722,002) for the year ended 31 December 2025, representing $0.52 (2024: $0.51) per share and a dividend payout ratio of 96.63% (2024: 86.62%) as a result of this active capital management. The decision regarding the dividend payout ratio was influenced by the underwhelming lending environment that limits the opportunity for exponential growth in the immediate next fiscal year, the lower capital requirements in relation to the financial assets where funds are being deployed and the forecasted capital requirements to facilitate the operations. Consistent with the historical experience of the Bank during trying and testing economic times, total equity is expected to comfortably withstand any future economic shocks.

The consistent level in total assets was principally driven by: an increase in investment securities of $51,233,153 (2024: $37,042,658), representing 33.39% (2024: 31.82%), to $204,674,480 (2024: $153,441,327); an increase in other assets of $7,886,620 (2024: $3,368,889), representing 115.61% (2024: 97.56%), to $14,708,581 (2024: $6,821,961); a decrease in cash on hand and at banks of $49,381,815 (2024: increase of $10,043,075), representing 16.46% (2024: increase of 3.46%), to $250,558,571 (2024: $299,940,386); and a decrease in loans and advances to customers of $8,897,780 (2024: $1,234,390), representing 2.49% (2024: 0.34%), to $349,112,371 (2024: $358,010,151).

The statistics of the Central Bank on consumer loans and mortgage loans outstanding with licensees as of 31 December 2025 compared with 31 December 2019, the period immediately preceding the global pandemic, put into context the long term effects of furloughs and unemployment during the peak of the global pandemic on the finances of many households. Consumer loans and mortgage loans remain less than pre-global pandemic levels by $7,000,000 and $76,900,000, respectively, notwithstanding net increases of $119,500,000 (2024: $122,000,000) and $34,400,000 (2024: $22,400,000), respectively, during 2025. Accordingly, improvement in the lending environment will be subdued for an extended period, as credit levels have yet to return to those recorded pre-global pandemic and, despite the positive economic performance of The Bahamas, the availability of quality new credit is limited. However, more customers with defaulted loans are presenting themselves to the Bank to address the hurdles caused by their defaulted loans resulting in less than favourable credit reports from the credit bureau, which are now being used by all commercial banks. As households seek to restore their finances and creditworthiness, there is an opportunity for continued recoveries of loans and advances to customers previously written off.

Interest income on loans and advances to customers decreased over the prior year as a result of the contraction in the primary interest earning assets of the Bank, loans and advances to customers, notwithstanding growth in certain portfolios such as commercial loans. However, the growth in investment securities based on the strategy to deploy excess cash resources into investment securities partially offset the aformentioned increase. Interest rate adjustments on deposits from customers effected in recent prior years resulted in a decrease in interest expense. Accordingly, net interest income for the current year recorded a modest decrease of $154,627 (2024:

increase of $1,997,510) as a result of the combined impacts of changes in interest income and interest expense, thereby demonstrating that the Bank is maximising the yield from its interest earning assets, despite the ongoing pressures from the depressed lending environment and knock on impact on the primary line of business of the Bank.

The lessons learnt in relation to rehabilitating loans and advances to customers in default during fiscal years 2021 and 2022, following furloughs and unemployment associated with the global pandemic, transferred to a sustained strategy of aggressively pursuing loans and advances to customers previously written off. The execution of this strategy during the prior year experienced the expected challenges associated with any new strategy, but the consistency in executing the strategy in the current year expanded on the successes of the prior year and led to a net decrease in the expense for provision for loan losses of $59,135 (2024: $2,893,366). The expense for provision for loan losses for the active loan portfolio was consistent with that observed in the two (2) years immediately prior to the global pandemic, however recoveries and restructurings of loans and advances to customers written off in prior years, excluding those written off during the peak of the global pandemic and already recovered, led to net decreases in the expense for provision for loan losses in the prior and current year. The Bank benefitted from the discipline of remaining consistent with its underwriting practices in the face of the contraction in the loan portfolio, particularly considering the natural consequent anxiety and emotional inclination to assume greater risk to arrest this contraction, as poor quality credit has been limited and in turn loan loss ratios have been contained.

The efficiency ratio, the key performance metric for operating expenses, which calculates total operating expenses, excluding the expenses for provision for loan losses and allowances for impairment (collectively, expected credit losses), as a percentage of total operating income, continues to be subjected to intense analyses of drivers. Accordingly, the efficiency ratio for the year ended 31 December 2025 of 65.57% (2024: 62.17%), is in excess of the target of the Bank but is generally consistent with the prior year. The expectation of return on investments made in enhancing systems and processes during the recent years requires continued patience and steadfastness and, despite delays in fully achieving the return on such investments, the Bank remains focused on the future benefits to be recognised on such investments. The increase in the efficiency ratio is expected to inure to the benefit of the Bank and pay for the investments in people, products and communities as part of the business expansion efforts employed in the past four (4) years through increased operating income. As the actual level of growth is being measured against the expected level of growth, investments in the form of operating expenses will be adjusted, if necessary; the increase in fees and commissions by $2,213,653 (2024: $3,124,699) over the prior year, representing 21.12% (2024: 42.47%), is consistent with the expected level of growth.

Recent changes in taxes and fees levied on the Bank, and the recurring costs of information security and compliance with mandates of members of the Payment Card Industry (PCI) have resulted in other operating expenses being permanently elevated, but these costs must be absorbed. The management objective of managing these costs, certain of which directly contribute to making the Bank resilient, such that increases are at a clip lower than growth being achieved in operating revenues, is still a work in progress.

CASH ON HAND AND AT BANKS

The objectives of the Bank in treasury management are to comfortably meet liquidity requirements set internally and by the Central Bank and simultaneously maximise net interest income. These objectives require the constant management of the matching of financial assets and financial liabilities, and the agility to rebalance when mismatches exceed targeted levels.

As of 31 December 2025, cash on hand and at banks comprised: deposits placed with the Central Bank, representing circa 65.00% (2024: circa 75.00%); short term interest bearing term deposits, representing circa 25.00% (2024: 20.00%); and other cash on hand and current accounts at banks. Certain cash on hand and at banks are directly connected with business expansion efforts that contribute to financial performance through fees and commissions as opposed to net interest income, which is suppressed as a result of over 70.00% (2024: over 75.00%) of cash on hand and at banks being non-interest bearing; hence the strategy of deploying excess cash resources into investment securities. Surplus cash balances placed in non-interest bearing current accounts at banks, including the Central Bank do: provide a competitive advantage by positioning the Bank to take advantage of economic conditions conducive to growth as and when opportunities present themselves; and comfortably finance operations and shareholder distributions, even during challenging operating environments.

Several factors contributed to the net decrease in cash on hand and at banks. Firstly, the Bank increased investments in debt securities issued by the Government of the Commonwealth of The Bahamas, as short term opportunities continue to be sought, albeit judiciously, to deploy the surplus in liquid assets above the regulatory liquidity requirements accumulated in recent years. The Bank restricted its investing activities to debt securities with maturities of one (1) year or less while staggering acquisition dates to have the effect of maturities approximately every six (6) months, which limits the credit exposure of the Bank while deploying excess cash resources and maintaining high liquidity for strategic purposes. Additionally, the Bank invested in debt securities of corporate entities engaged in the energy sectors of The Bahamas, with maturities and interest rates consistent with loans and advances to customers. The investees present credit risk below that associated with the traditional lending activities, as they are critical participants in the infrastructure of The Bahamas, with certain financial support and/or guarantees from the Government of The Bahamas. The result of these investing activities was a significant decrease in cash on hand and at banks.

Secondly, the writing of new credit facilities and/or restructurings of loans and advances to customers previously written off did not match the repayments and recoveries associated with the loan portfolio, resulting in an increase in cash on hand and at banks.

Thirdly, movements in cash on hand and at banks are primarily elucidated by movements in deposits from customers. The consistent growth and strengthening of the Bank and equitable distribution of income earned from activities largely financed by depositors, namely in the form of interest paid on deposits from customers, led to continued confidence being demonstrated by existing and prospective customers of the Bank that manifested in continued growth in deposits from customers from traditional depositors. The customer communications expressing this confidence, which are constantly being received, are most heartening.

Deposits from customers derived from non-traditional depositors, principally regulated financial institutions and capital markets participants, which pertain to certain business expansion efforts result in cash on hand and at banks. The related deposits are utilised by these depositors as part of their normal operating activities and will therefore fluctuate based on the timing of business activities and the financial reporting of the Bank; accordingly, such deposits are considered transitory. Deposits from banks and capital markets participants decreased by $14,350,262 (2024: increased by $20,218,391) and $8,946,290 (2024: increased by $419,521), respectively. These customers contribute to profitability of the Bank through fees and commissions, and the Bank largely maintains cash at banks matching the deposits from customers in relation to regulated financial institutions and capital markets participants as it expects fluctuations in the levels of deposits from these depositors.

Fourthly, cash resources continue to be utilised to settle expenditure in relation to the ongoing implementation of a new core banking system, online banking and mobile application. This contributed to a decrease in cash on hand and at banks, and a matching increase in other assets until these technologies go live at which time these will be capitalised to property, plant and equipment and amortised.

Finally, the financial performance of the Bank during the current year, which in the main was realised in cash balances, modestly exceeded dividends paid to preference shareholders and ordinary shareholders, resulting in a temperate increase in cash on hand and at banks. The ordinary shareholder dividend payout ratio was 96.63% (2024: 86.62%).

INVESTMENT SECURITIES

The net increase in investment securities during the current year was primarily concentrated in debt securities issued by the Government of The Bahamas with short terms to maturity. Given the limited types of securities available in the capital markets of The Bahamas and foreign exchange controls that largely restrict investments by the Bank to Bahamian dollar (B$) securities, such securities best match certain investment objectives of the Bank, which are to maintain high liquidity and deploy excess cash resources. The strategy to deploy excess cash resources into investment securities, subject to related investment strategy, led to net increases in: debt securities issued by the Government of The Bahamas of $41,742,829 (2024: $28,776,181); and debt securities issued by corporate entities engaged in the energy and communication sectors of The Bahamas of $7,500,000 (2024: $7,500,000).

The credit ratings issued by international credit rating agencies for debt securities issued by the Government of The Bahamas are currently non-investment grade, with the initial downgrade to non-investment grade occurring in 2020, followed by subsequent further downgrades through 2022. During the current year, one (1) notch upgrades were issued by certain international credit rating agencies but overall credit ratings remained non-investment grade. Financial reporting standards require an allowance for impairment for financial assets that is determined based on probabilities of default associated with respective credit ratings, as adjusted for forward-looking information that factors in readily available macroeconomic data such as forecasts for movements in GDP, and therefore the credit ratings of debt securities issued by the Government of The Bahamas impact the measurement of these securities. As of 31 December 2025, no change in the allowance for impairment was recognised, notwithstanding the significant increase in investment securities, as the modest improvement in the credit ratings during the current year, coupled with the maturity profile of the portfolio, contributed to decreases in the allowance for impairment on the historical portfolio that offset the necessary allowance for impairment on the portfolio acquired during the year.

Investments in debt securities issued by corporate entities focused on entities that have an integral role in the national development of The Bahamas and the growth of its economy through their involvement in providing critical infrastructure in The Bahamas, namely energy. The corporate entities have no history of defaults and have strategic partners with either domestic or international track records in the provision of the respective utility services. Further, the corporate entities have either direct financial support and/or guarantees from the Government of The Bahamas or monopolies on the provision of the utility services, but the financial forecasts indicate that these are not critical determining factors in their creditworthiness but rather credit enhancers. The maturity profiles are longer tenors of up to twenty (20) years, but with amortising balances. Accordingly, the calculation of the allowance for impairment was not significantly impacted by the acquisition of these investment securities.

The allowance for impairment represents the maximum loss that can reasonably be expected based on factors that impact the ability of issuers of securities to meet obligations as they come due, but does not represent realised losses on investment securities, and can unwind as investment securities mature with full principal being settled.

The Bank considers the credit risk associated with investment securities when making decisions on investment securities to acquire, including the tenor of such securities, as the longer the tenor the greater the probability of default where indicators of possible default exist. The considerations of the macroeconomic factors that impact the creditworthiness of issuers of investment securities resulted in the net increase in investment securities being primarily represented by debt securities with maturities of one (1) year or less. The adjustment by the Bank in the overall maturity profile of investment securities, notwithstanding the acquisition of debt securities issued by corporate entities with longer tenors, is reflected in the undiscounted cash flows to be realised in one (1) year or less, which represent 65.28% (2024: 59.10%) of the total undiscounted cash flows for investment securities.

The credit risk of issuers of investment securities can be more frequently reassessed based on the current maturity profile, and the appropriate actions taken, including reinvesting maturity proceeds in securities with similar credit risk and tenors. The expected stability in the B$ Prime rate, the projected activity in the capital markets of The Bahamas, including activity by the Government of The Bahamas, and the current economic and fiscal environments in The Bahamas result in the greater reinvestment risk associated with the current maturity profile being considered more acceptable by the Bank than the increased credit and liquidity risks associated with an extended maturity profile.

LOANS AND ADVANCES TO CUSTOMERS

The primary focus of the Bank given the extended period of the global pandemic and its consequent impacts on the economy and households of The Bahamas, which has led to continued high volatility in credit risk, remains stabilising the performance of the existing portfolio of loans and advances to customers, including rehabilitation of non-performing credit facilities. The number of new qualified borrowers has been limited by the lower number of persons currently employed compared with the years immediately preceding the onset of the global pandemic, therefore significant growth in loans and advances to customers is not expected in the near term.

It is believed that the tourism sector, which is experiencing record-setting numbers of visitors to the shores of The Bahamas during calendar years 2024 and 2025, employs at least one (1) person in every household. Cruise visitors that yield significantly lower spend per visitor per day than stop over visitors significantly dominate the mix of total visitors. Overall, earnings for many households, particularly those more reliant on the tourism sector that experienced unprecedented levels of furloughs and unemployment, experienced restoration due to the stability in employment levels of the Government of The Bahamas and the buoyancy in tourism. This in turn led to the recommencement of loan payments by delinquent borrowers, albeit at reduced levels initially in some instances, beginning in 2021 and strengthening each year thereafter. More significantly, the foundation for successfully pursuing borrowers with loans in default and previously written off, who are gainfully employed but less forthcoming of this fact with the Bank, has been provided. Following six (6) months of consecutive loans payments, borrowers in default are eligible for restructuring of terms of related loans, which returns the loans to performing status.

As consumer and other loans continue to earn higher interest margins and have relatively lower default rates and loss ratios, the mix of the loan portfolio as of 31 December 2025 appropriately remained consistent with prior years; consumer and other loans represented 88.99% (2024: 89.07%) of total loans, and mortgage loans represented 11.01% (2024: 10.93%).

For the year ended 31 December 2025, consumer and other loans decreased by $7,100,086 (2024: $1,884,932) over the prior year, representing 2.13% (2024: 0.56%), which comprised: a net decrease in regular consumer and other loan types of $4,957,185 (2024: net increase of $257,967); and a net decrease in loans and advances to the Government of The Bahamas of $2,142,901 (2024: $2,142,899) that represent medium term syndicated loans to the Government of The Bahamas to assist with the financing of reconstruction and recovery expenditures associated with hurricanes making landfalls in The Bahamas in 2016 and 2019. The devastation of the finances and borrowing capacity of many households following the economic fallout of the global pandemic, which has resulted in limited availability of quality new credit for the Bank to target, consequently led to normal loan amortisations, early extinguishments and other credit adjustments outpacing the writing of new consumer loans. However, growth in commercial loans, cash secured loans and overdrafts were recognised by the Bank as a result, in large part, of its expansion in business consumers. The extraordinary actions by certain competitors of the Bank in 2024, through interest rates and tenors that do not match with the credit risk associated with the typical unsecured consumer, endured through 2025. These extraordinary actions, which appear not to be an overall market repricing but rather solely a penetration tactic, exacerbated the challenge of contraction in consumer loans. The persistent contraction in consumer loans reported by the commercial banking sector, comparing 31 December 2025 and 31 December 2019, has been previously disclosed, notwithstanding the growth in consumer loans in 2023, 2024 and 2025. The growth however does not distinguish between the recognition of new loans and advances to customers and the recognition of restructured loans and advances to customers previously written off; the experience of the Bank suggests the latter. The Bank has slowed the contraction of consumer loans through growth in other loans, excluding loans and advances to the Government of The Bahamas, but the modest shift to other loans to date will be intensified by the Bank given its forecasted lethargy in the expansion of available consumer loans.

Despite the circumstances and experiences during the recent past years, the core principles of the Bank of quality lending centred on a borrower's ability to pay and providing financial coaching to improve the lives of our customers have served it well. As the tourism sector, the primary economic pillar of The Bahamas, surpassed pre-COVID-19 levels of activity, and furloughs ended and employment increased, a significant number of non-performing loans continue to be restored to performing status. Further, the restructuring efforts associated with recoveries of non-performing loans related to the fallout from the global pandemic has provided the necessary experience for the Bank to more aggressively pursue loans previously written off and this is an unconventional strategy of growing consumer and other loans, particularly given the tens of millions of dollars in value of such loans. Although not growing loans and advances to customers, settlements contribute to profitability in a similar manner and therefore will not be sacrificed by the Bank for recoveries.

The significant inventory of slow-moving distressed properties, and the geographical location of The Bahamas on the hurricane belt and the consequent cost of premiums for insuring properties, held as collateral, for such and similar catastrophes represent certain of the structural challenges confronting mortgage lending in The Bahamas. Additionally, legislation in The Bahamas that was enacted with the honourable intention of protecting homeownership has proven to be rife with practical implementation challenges and the unintended consequences of significantly delaying the normal recovery processes involving sale of collateral under the powers of sale granted in mortgage deeds. These structural and legislative challenges, as exacerbated by the economic malaise caused by the global pandemic, has had the effect of significant contraction in mortgage loans reported by the commercial banking sector since 31 December 2019 and the consequent enhanced caution in underwriting by the commercial banking sector, including the Bank, is not expected to see any reversal of the contraction experienced for the foreseeable future. Appropriate resources will be required to be directed to management of the existing mortgage portfolio, in particular non-performing mortgage loans, including diligently enforcing the credit risk management practices of ensuring that, regardless of the status of the payments by the borrowers, properties pledged to the Bank are appropriately insured.

As in the prior year, the significant activities in the mortgage portfolio during the current year comprised loan amortisations complemented by a number of realisations, through sales pursuant to powers of sale, of properties pledged as collateral, offset by the strategy of taking a deeper step into commercial lending that led to growth in commercial loans. Consequently, mortgage loans decreased by $539,807 (2024: increased by $1,906,568), representing 1.32% (2024: increase of 4.88%). The innovative strategies and media employed in recent years to attract interest for distressed properties has led to greater successes in realising collateral on non-performing mortgages, thereby reducing the number of legacy non-performing mortgage loans. The previously disclosed expectation of greater successes in such realisations over the next few years has been proven in 2025, although the processes for closing all legal and administrative activities continue to experience extended timelines. Given the slow recovery of employment and persisting risks in the general economy due to higher susceptibility to external shocks, the numbers of potential borrowers qualifying for new mortgage loans will continue to be limited and more likely contract and therefore growth in traditional mortgages is not being forecasted by the Bank. However, commercial lending opportunities are presenting themselves as growth emerges in pockets of the economy of The Bahamas.

The performance and fundamentals of the various types of loans are continuously monitored by ExCom and the Board of Directors and strategies for growth and diversification, including the mix of the loan portfolio, are adjusted as necessary. Legislative and other initiatives implemented and/or discussed by domestic policymakers and financial regulators, market conditions, concentration risks and economic indicators are the key factors in the deliberations, and ultimate decisions, on the appropriate mix of the loan portfolio for the Bank. An economic environment that is forever changed from the years immediately prior to the peak of the global pandemic continued to challenge strategising for growth and stability of loans and advances to customers in fiscal year 2025, and this will endure for the next few years. However, observable consistency in macroeconomic performance, default rates and loss ratios will provide greater clarity.

The foreshadowed perennial increase in employment uncertainty and a lending environment in The Bahamas that will likely remain muted for multiple years, largely due to the negative consequences of the global pandemic that extended the timelines for most households to return to full normalcy, if ever, remain relevant. Survival, as opposed to consumption of choice, continues to be the principal need of existing and potential borrowers and, as borne out in the commercial banking sector in 2025, growth in credit will be more gradual with shorter term credit, that is consumer loans, being the first types of loans to experience growth. Efforts and resources continue to be directed to expanding the relationships with existing customers in mutually beneficial ways, as expansion is required versus solely recovery given the circumstances under which the Bank will operate for the foreseeable future. Opportunities for fees and commissions for the Bank as an issuer of cards, and a merchant acquirer, continue to increase as greater digital transacting is encouraged. This primarily refers to increased use of credit, debit and prepaid cards that is without cost to the customer, which represents such mutually beneficial expansion.

Non-performing loans observed decreases during the current year and as of 31 December 2025 totalled $13,504,592 (2024: $13,632,611), representing 3.75% (2024: 3.71%) of total loans and advances to customers, excluding accrued interest. Non-performing mortgage loans totalled $8,808,972 (2024: $9,609,015), representing 65.23% (2024: 70.49%) of total non-performing loans and advances to customers.

As of 31 December 2025, the provision for loan losses totalled $15,190,757 (2024: $14,031,535), which represented 4.22% (2024: 3.82%) of total loans and advances to customers, excluding accrued interest. The persistent economic uncertainty that directly impacts the ability of borrowers to meet loan payment obligations correlates with the increase in provision for loan losses despite the contraction in the performing loans and advances to customers, as the model for calculation for expected credit losses was recalibrated during the year resulting in a provision for loan losses applicable to performing loans and advances to customers of $7,737,557 (2024: $7,217,598). Similarly, non-performing loans and advances to customers remained consistent with the prior year and the provision for loan losses applicable to non-performing loans and advances to customers modestly increased to $7,453,200 (2024: $6,813,937), which represented 55.19% (2024: 49.98%) of total non-performing loans and advances to customers.

The practice of deferring the commencement of litigation, and subsequent write off, of new loans and advances to customers that become non-performing, to enable an extended period for efforts to rehabilitate such loans and advances to customers before incurring the time and expense associated with litigation, complemented the strategy of aggressively pursuing loans and advances to customers previously written off. This complementary approach leads to higher levels of non-performing loans with commensurate provision for loan losses, but does not increase the expense for provision for loan losses. Details of the calculation of the expense for provision for losses during the year are elucidated below.

The continuing threat of a possible recession in the United States of America and the rest of the world, and erratic current global inflation based on ongoing trade and military wars can negatively impact the conditions conducive to the expansion of the lending environment in The Bahamas that are developing with the positive economic activities recorded, albeit with some structural anomalies; therefore caution is required. Net interest income will continue to be the primary revenue source for the Bank but it will be challenged for the foreseeable future given the volatility previously discussed. Therefore, the Bank must remain disciplined in managing the activities generating net interest income and focused on capitalising on opportunities for income from fees and commissions, while offering value added services, which collectively will ensure the Bank is resilient.

DEPOSITS FROM CUSTOMERS

Given the symbiotic benefits produced for the Bank and customers, encouraging longer term deposits through appropriate compensation was an enduring strategy of the Bank. Sustained levels of sufficient deposits from customers enables the Bank to fund investments in assets at a cost significantly lower than: debt securities, known as wholesale funding, based on market interest rates of such securities; and equity securities which demand the higher compensation for the higher risk of immovable capital. Accordingly, recognising that the assets of the Bank are funded in the majority by depositors, the Bank rewards depositors for their commitment and for being key contributors to the success of the Bank by offering them higher interest rates than competitors, specifically on longer term deposits, representing an equitable distribution of earnings from the assets the depositors have funded. This strategy also builds customer loyalty through stronger customer relationships, which is equally as important.

For the year ended 31 December 2025, deposits from customers decreased by $1,219,694 (2024: increased by $46,346,340), representing 0.17% (2024: 6.95%) over the prior year, to $712,134,059 (2024: $713,353,753). Deposits from customers, excluding deposits from regulated financial institutions and capital markets participants, increased during the current and prior years, as the trend from the recent prior years of persons with meaningful wealth concentrating a greater portion of their assets in liquid resources such as savings deposits, concurrent with adjustments in their consumption patterns, endured. The purpose of such a trend is possibly two (2) fold: i) readying estates to take advantage of investment opportunities that could emerge as the economy rebounds; and ii) placing assets in a safe harbour. Conversely, as previously disclosed, deposits from regulated financial institutions and capital markets participants decreased. Deposits from these customers are considered transitory and do not form a part of the funding strategy of the Bank, as the deposits in relation to these customers are expected to fluctuate significantly; these customers generate fees and commissions for the Bank through value added service offerings that are targeted at them.

To offset the lethargic growth in, and performance of, interest earning assets that is projected to continue for the short to medium term, the strategy of the Bank is to increase fees and commissions, principally through expanding its services to non-traditional customers of the Bank, that is corporate customers, including: micro, small and medium sized entities, and even large entities as and when the opportunities exist; and regulated financial institutions and capital markets participants. The deposit taking activity related to such customers is net interest income neutral given the related deposits from customers are typically non-interest bearing; generally, no significant interest income can be earned on the cash at banks correlating with the deposits from customers, and no interest expense is incurred on the deposits. The profitability of such relationships is through value added service offerings that maximise opportunities for fees and commissions. Further, given that the majority of deposits from capital markets participants are denominated in United States dollars (US$) and, following initial cuts early in the year, the US$ Prime rates remained consistent based on actions/inactions of the United States Federal Reserve, cash at banks denominated in US$ and placed in overnight and other very short term deposits continued to earn meaningful interest income for the Bank.

Given the significance of correspondent banking partners to the Bank and its ongoing activities, and to ensure such relationships are uninterrupted, the Bank works closely with these counterparts in accepting new business, and where necessary, certain conditions such as limiting the banking facilities to those elements of the business that the Bank is willing, and equipped, to service, are imposed by the Bank on relevant corporate customers. The Bank only onboards those corporate customers within the parameters of the risk appetite of the Bank and its correspondent banking partners and that can satisfy its due diligence and risk assessment requirements. The risk appetite of the correspondent banking partners in relation to certain capital markets participants decreased towards the end of the year, which will negatively impact the ability of the Bank to offer certain services to these capital markets participants.

Continuous assessment of the appropriate mix of funding stability and cost determines the management of deposits from customers and wholesale funding, including the necessary adjustments to the mix of funding. Currently, the increased sustained level of deposits from customers results in the Bank not requiring wholesale funding, which in turn increases the capacity of the Bank to access such funding in future periods, if necessary.

The principal objective of utilising deposits from customers as the principal source of funding of investments in assets may, prima facie, appear to be contradicted by the change in the mix of deposit types resulting from the strategies of the Bank set out above. However, the deposits from customers being utilised for funding purposes exclude those from banks and capital markets participants. Term deposits represent 51.13% (2024: 53.97%) of total deposits from customers, excluding accrued interest, and if non-interest bearing deposits from regulated financial institutions and capital markets participants that are generally matched by cash at banks are excluded from total deposits from customers, term deposits represent 52.71% (2024: 57.68%) of the total of the remaining deposits from customers. Further, analyses of the undiscounted cash flows of term deposits supports the success of the strategy to encourage longer term deposits, as the percentage of the undiscounted cash flows of terms deposits due in the bucket of one (1) to five (5) years is stable and as of 31 December 2025 represented 27.01% (2024: 30.39%) of total undiscounted cash flows of term deposits. Therefore, the objectives and priorities of the Bank are in fact, complementary.

The building of excess liquidity in the banking system has resulted from constrained lending in The Bahamas, which existed prior to the global pandemic and was further constrained during the global pandemic. The current circumstance is expected to persist for the foreseeable future due to the challenges within the macroeconomic environment of The Bahamas, and the Bank must continue to manage this liquidity in excess of normal levels appropriately, to take advantage of opportunities to grow and/or maximise profitability, and enable agility in responding to unforeseen circumstances.

Excess liquidity is the result of an absence of opportunities to deploy funds in income earning activities of appropriate risk, and the interest rate environment in The Bahamas is unlikely to observe any increases in the foreseeable future. Until opportunities to deploy funds present themselves in greater numbers and consistency, the expectations of customers will need to be managed in order to maintain the flexibility to adjust the mix of funding, as interest rates to be offered to customers will continue to decline. Investing in the strongest possible customer relationships is paramount and will continue through initiatives such as free financial coaching to increase the dialogue with potential customers that are referred from existing customers. A continued increase in the numbers of depositors is expected, as the advantages of banking with *Fidelity* are persistently being circulated by word of mouth.

The Bank will ensure that its interest rates offered are competitive and conducive to the continued stability of funding from the most economical source, as it continues to adhere to its philosophy of equitably distributing the earnings from assets to depositors, shareholders and other stakeholders that fund the investments in assets, naturally based on the level of risk assumed by each stakeholder group. Customers will continue to be educated through financial coaching on the risk/reward analyses necessary to best utilise liquid resources, including deposits placed with the Bank, and guide effective wealth management.

CAPITAL ADEQUACY

For the year ended 31 December 2025, the Bank maintained a ratio of total regulatory capital to risk–weighted assets that met the principles guiding the management of total equity, and in turn regulatory capital including: maintaining a ratio of total regulatory capital to risk–weighted assets at a level that facilitates strategic growth in risk-weighted assets, principally loans and advances to customers; and providing financial capacity sufficient to withstand reasonably possible negative economic events in The Bahamas that could adversely affect risk-weighted assets of the Bank. Said principles are also being met for the year ending 31 December 2026.

As of 31 December 2025, the Bank had total equity of $112,035,858 (2024: $110,567,225), representing an increase of 1.33% (2024: 2.10%) over the prior year, and a ratio of total regulatory capital to risk-weighted assets of 22.00% (2024: 22.40%), which compares well with the ratio of total regulatory capital to risk–weighted assets at or above a minimum of 8.00% required by the Central Bank.

Concurrent with the picture of the future economic environment becoming more certain, will be evolution of the capital management plan of the Bank. Specifically, the equity of ordinary shareholders will only be retained to the extent that the Bank forecasts that it can generate acceptable returns for the shareholders while factoring in the noted principles. The financial performance of the Bank and the historical efficient utilisation of total equity, enabled the Bank to declare and pay ordinary dividends of $15,010,668 (2024: $14,722,002), representing $0.52 (2024: $0.51) per share. Based on the forecasts for limited growth in risk-weighted assets in the medium term, and significant changes in the mix of risk-weighted assets that would increase capital requirements not being expected, the Bank did not require significant retention of net income in the current year and capital was returned to the shareholders to facilitate the most profitable deployment of their financial resources; the resulting dividend payout ratio was 96.63% (2024: 86.62%).

As set out above, the business expansion efforts can possibly lead to fluctuations in cash at banks associated with the deposits from customers, which in turn can possibly result in some moderate fluctuations in total regulatory capital to risk-weighted assets, due to the Bank placing its deposits with financial institutions other than the Central Bank, resulting in higher risk weightings. These possible fluctuations will necessitate the heightening of the roles of treasury management and associated credit risks, and capital management but do not represent any fundamental change in the ratio of total regulatory capital to risk-weighted assets. Further, any consequent fluctuations in capital requirements are considered an acceptable risk and cost of business expansion efforts, as all deposits are placed with banks in good standing with the Central Bank and other regulators in jurisdictions in which deposits are placed.

The return on average ordinary shareholders' equity, albeit moderately below the prior year, demonstrates the strength through resilience of the Bank as it continues with the execution of strategies devised to improve the financial performance and return on average ordinary shareholders' equity to target levels. Additionally, the Bank continues to appropriately deploy its equity in assets and activities that provide returns with acceptable risk, and comfortably maintains the targeted level of regulatory capital.

OPERATING REVENUES

Net Interest Income

For the year ended 31 December 2025, net interest income decreased by 0.29% (2024: increased by 3.84%) over the prior year to $53,825,109 (2024: $53,979,736), with net interest margin on financial assets standing at 6.66% (2024: 6.85%).

The following initiatives are elements of the business strategy of the Bank to buttress interest income, the primary source of revenue for the Bank, even during these times of economic volatility: focusing efforts on restoring growth in the higher yielding consumer loans; rehabilitating non-performing loans and advances to customers, thereby restoring earnings on such loans and advances to customers; recovering loans and advances to customers previously written off, including restructuring certain of such loans thereby providing future earnings; lending to micro, small and medium sized entities, for which the Bank has improved its understanding of cash flows through other business expansion efforts involving these entities; deploying excess cash resources in investment securities, with tenors that minimise credit and liquidity risks; maximising the placement of cash resources on interest bearing deposits, including term deposits; offering customers competitive interest rates on savings deposit accounts, with emphasis on rewarding longer term commitments; and maximising cost efficiencies in the mix of funding, with the focus on achieving stable deposits from customers that can mitigate the need for wholesale funding that requires comparably higher interest rates.

During the current year, the writing of new loans and advances to customers was outpaced by normal loan amortisations, early extinguishments and other credit adjustments, resulting in decreases in loans and advances to customers, principally in the portfolio of the higher yielding consumer loans. Notwithstanding positive trends in the economy of The Bahamas, the growth in GDP and employment during the current year is not forecast to continue in the medium term but rather revert to the low levels recognised during the period between the Great Recession of 1998 and the global pandemic of 2020; and total persons employed has not yet consistently returned to levels immediately prior to the global pandemic. Therefore, limited new quality credit was available, or will be available in the near term.

Interest income earned on loans and advances to customers decreased during the current year commensurate with decreases in those balances, with the strategy of aggressively seeking to rehabilitate delinquent loans and those previously written off providing some offset; interest income recognition recommences on the rehabilitated loans and advances to customers and previously suspended interest income, the collection of which was uncertain at best, is also recognised.

As disclosed earlier, the Bank continued with the opportunity to place funds associated with deposits from capital markets participants in overnight and other very short-term deposits, as the majority of these deposits were denominated in US$. Following initial cuts early in the year, the US$ Prime rates remained consistent based on actions/inactions of the United States Federal Reserve as the United States Federal Reserve continues to battle inflation in the United States of America, and the Bank benefitted from meaningful interest income on the US$ cash at banks, albeit lower than the prior year. Cash at banks placed in B$ term deposits continued to rollover and therefore increased, with interest rates observed on those term deposits holding materially constant during the current year. Collectively, interest income on deposits with banks decreased by 28.14% (2024: increased by 1.98%) over the prior year to $1,114,683 (2024: $1,551,241). This level of income will be largely contingent on: US$ Prime rates in future years, which are uncertain based on forecasts of inflation and recessions, and other less objective political and geopolitical factors; and deposits from customers denominated in US$, which can fluctuate significantly.

Interest income on investment securities during the current year increased by $1,543,372 (2024: $1,016,914) over the prior year, representing 30.54% (2024: 25.20%), as the deployment of excess cash resources into investment securities amplified in stages in the prior year and continued in the current year, and market interest rates slightly increased on reinvestment of maturing short term debt securities.

Overall, interest expense decreased in the current year. However, the Bank deliberately held interest rates on deposits from customers placed on terms of greater than one (1) year at premium levels to reward depositors for their commitment as key contributors to the success of the Bank, notwithstanding the sustained periods of excess liquidity in the banking system in The Bahamas has put pressure on interest rates offered to customers. Notwithstanding the phenomena of inflation, global and domestic, trade wars, and projected recessions deferring the germination of certain seeds, the quality seeds historically sown by the Bank, particularly during the fiscal years of the global pandemic and immediately thereafter, in the form of supporting existing loan customers in navigating through the financial difficulties and exceptional customer relationship management, including financial coaching, complemented by the new quality seeds sown in the recent prior and current years in the form of new lending markets, such as micro, small and medium sized entities and investment properties in the Family Islands, are bearing fruit.

Non-Interest Income

For the year ended 31 December 2025, fees and commissions increased by 21.12% (2024: 42.47%) over the prior year to $12,696,551 (2024: $10,482,898), with non-interest income now representing 19.34% (2024: 16.64%) of total income. Notwithstanding net interest income will remain the overwhelming major contributor to total income, the Bank has set a minimum target of 20.00% for the ratio of non-interest income to total income, which is considered achievable through focusing on value added service offerings.

The Bank earns fees and commissions on various banking services, certain of which are recurring fees for account maintenance and account servicing, and others are based on transactions executed for and on behalf of customers. The Bank continues to aggressively pursue penetration in credit, debit and prepaid cards business, including the issuance of cards and the offering of merchant acquiring services; that is, enabling merchants to accept cards as payment for goods and services. As the Bank increases its market share in this business, as defined by usage levels, namely the volume and quantum of transactions involving cards as opposed to the number of cards or merchants, the Bank expects to exponentially grow the fees and commissions earned, with a correlation in growth in profitability given significant elements of the required infrastructure and resources are already deployed and only the incremental costs associated with increases in fees and commission will be incurred.

Additionally, the Bank has opportunities to earn fees targeted at meeting the needs of the non-traditional customers being onboarded, as discussed earlier. Through offering new or expanded services that add value to customers, or extending the demographic of customers pursued by the Bank, particularly in light of the continued threats to interest income, the Bank is seeking to broaden its access to the wallets of its customers. The perception of customers and other stakeholders of traditional banking fees that are continually negatively criticised is that increases in banking fees are utilised as a means of replacing lost interest income. The Bank distinguishes itself from other financial institutions by charging traditional banking fees that solely represent recovery of the costs of providing the services, and while increases in these fees are periodically necessary to eliminate the historical subsidising of costs to provide such services, the Bank is making every effort to provide alternatives that minimise the "administrative" costs of banking for its customers, and will clearly and transparently discuss the bases for any increases in traditional banking fees. The opinion of the Bank is that fees charged should add value to the customer, and not solely be a sunk cost.

OPERATING EXPENSES

Expenditure is strategically managed, deliberately taking into consideration the modernisation and advancement of the Bank, to ensure the following priorities are achieved: progressing business expansion efforts; enhancing digitisation and automation, along with the strengthening of information and cyber security to appropriately protect the expanded use of digital outlets; providing stability for team members through job security and appropriately rewarding them for performance; and prioritising expenditure based on cost:benefit analyses and the needs of customers, and the primary services required.

For the year ended 31 December 2025, expenses, excluding the expense for provision for loan losses and allowances for impairment, totalled $43,744,019 (2024: $40,244,651), representing an increase of 8.70% (2024: 11.10%) over the prior year.

Salaries and employee benefits increased by $2,248,929 (2024: $937,850) over the prior year, representing 15.29% (2024: 6.81%), as the Bank continued its steady and cautious expansion of its most valuable resource, human resources, including recent additions to the Executive Team. To encourage greater focus on the profitability of the Bank, the concept of collective responsibility and collective reward is embedded in the incentive compensation scheme for employees, which provides all employees a participation in the profitability of the Bank, and in turn demonstrates to employees that the success of the Bank is in each and every one of their best interests.

As a direct result of: expanded merchant services and use of cards, and associated costs, including the costs of the loyalty programme and the transaction costs charged by members of the PCI Security Standards Council; implementation costs of new information technology and mandates necessary to remain in front of service offerings given its relevance to business expansion efforts; and incremental costs associated with the Bank bringing in-house most of the servicing of merchant services customers to better manage the quality of service to merchants, the most significant increase in operating expenses is attributable to cards services costs, including loyalty programme, which increased by $1,572,898 (2024: $1,436,628) over the prior year.

Changes in legislation that introduced a business licence fee at 2.25% of total income on top of the existing bank and business licence fees, that were harmonised in prior years to consolidate fees paid by commercial banks, led to a permanent increased tax expense, and during the year bank and business licence fees increased by $300,885 (2024: decrease of $139,532). Notwithstanding communications and meetings with policymakers regarding the effective double counting of tax bases in the absence of modifications to the harmonised fees of recent years, the legislation remains unchanged. The Government of The Bahamas has communicated plans to transition to corporate income tax, which the Bank welcomes, as given that business licence fees are based on gross income as opposed to net income, the current legislation and system of taxation in relation to business licence fees could very possibly tax an entity into a net loss position. The continued enhancement of the information technology infrastructure and related information and cyber security of the Bank resulted in equipment maintenance and supplies remaining elevated, consistent with the prior year. However, legal and professional fees decreased by $965,618 (2024: increased by $398,524) over the prior year, based principally on the additional professional services required for various financial modelling, independent attestations and other periodic quality assurance engagements, and legal costs for matters in the ordinary course of business, including employee related matters, incurred in the prior year not recurring at similar levels.

EXPECTED CREDIT LOSSES

Provision for Loan Losses

Expected credit losses are determined based on the expectation of the portion of financial assets at amortised cost that will experience challenges in collection. For loans and advances to customers, these expected credit losses are referred to as provision for loan losses, which reduces the value of loans and advances to customers by the expected credit loss experience, regardless of whether or not the loans and advances to customers are being serviced according to their terms and conditions. The bifurcation of these financial assets based on terms to maturity and applicable interest rates, which are based on the determined risk of challenges with collection (that is, the higher the risk, the higher the interest rate and vice versa) is an integral process for the determination of the expected credit losses in relation to loans and advances to customers.

Note 18 of the consolidated financial statements describes the expected credit loss model, which involves significant estimates, assumptions and judgments. Except when there are material changes in macroeconomic factors, or entity specific portfolio characteristics, that lead to significant changes in loss experiences, the expected credit loss model results in a consistent expense for provision for loan losses, subject to no significant growth or contraction in the respective loan portfolio.

Recognising credit losses concurrent with writing and administering of loans and advances to customers is the primary objective of the expected credit loss model, as opposed to deferring such recognition until actual losses are incurred. The volatility in the expense for provision for loan losses is determined by the quality and veracity of models used; that is, in the absence of unforeseen changes in macroeconomic factors or entity specific portfolio characteristics, appropriate models should not result in significant recognition of provision for loan losses and subsequent reversals of provision for loan losses.

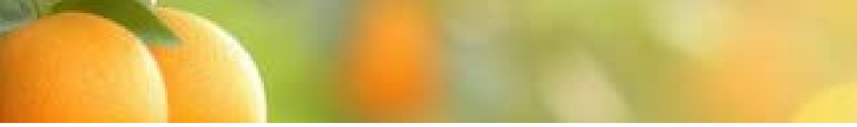
All reasonable expectations of possible credit losses are addressed in the provision for loan losses. There were some modifications to the expected credit loss model utilised in the current year compared with the prior year, principally to recalibrate the model with forward-looking information using additional macroeconomic factors. However, there were no significant changes in macroeconomic factors during the current year. Therefore, there was a reasonable expectation that the expense for provision for loan losses in the current year would be consistent with the prior year. This was largely the case in relation to the expense for provision for loan losses regarding new and existing loans and advances to customers. However, reductions in existing provision for loan losses for non-performing loans as a result of recoveries and/or restructurings, and recoveries and/or restructurings of loans and advances to customers previously written off, are also recognised in the expense for provision for loan losses. As previously discussed, the deferring of the commencement of litigation, and subsequent write off, of new loans and advances to customers that become non-performing commenced in prior years and facilitates extended periods for efforts to rehabilitate such loans and advances to customers. Additionally, the Bank benefitted from recoveries and restructurings of loans and advances to customers previously written off as a part of its key strategy to aggressively pursue such loans. Accordingly, reductions in existing provision for loan losses for non-performing loans as a result of recoveries and/or restructurings associated with rehabilitation successes were recognised in the expense for provision for loan losses.

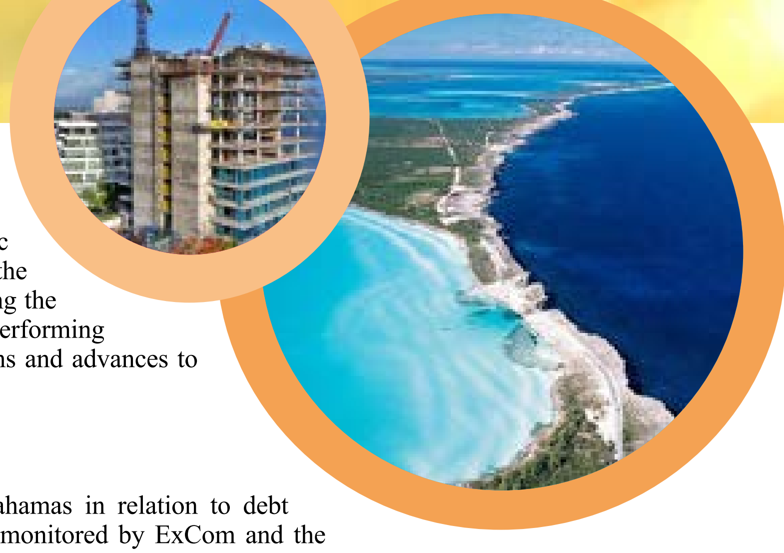
Overall, for the year ended 31 December 2025 the expense for provision for loan losses decreased by $59,135 (2024: $2,893,366) over the prior year, representing 0.90% (2024: 30.68%), and totalled $6,477,115 (2024: $6,536,250). Further, recoveries of loans and advances to customers previously written off totalled $1,366,820 (2024: $2,138,390) because of the successes of strategies for collections, recoveries and restructurings.

The Bank continuously benchmarks its loss experiences against industry and competitor statistics, and in the current and prior years its loan portfolios have exhibited superior performance, which validates the effectiveness of the lending policies and credit management. Further, the recognition of the expense for provision for loan losses, as benchmarked against industry and competitor information, exhibited the strength of the management decisions and strategies in the current and prior years and the superior quality and veracity of the expected credit loss model.

Embedding the credit bureau in The Bahamas aids recovery and restructuring efforts, as delinquent borrowers are seeking to cure past transgressions being disclosed in credit reports utilised by financial institutions when approached by such persons. Greater attention has been given to aggressively pursuing loans and advances to customers previously written off as a result of the tremendous insight gained by the Bank into an additional source of income and profitability during its significant efforts and successes in rehabilitating non-performing loans and advances to customers during the period of rebound from the economic fallout of the global pandemic.

Recoveries in mortgage loans will be more challenging than recoveries in consumer and other loans as a result of structural challenges that exist in The Bahamas, including: the long periods to realise collateral supporting the mortgage loans; the recent enforcement of legislation that imposes certain obligations and limitations on financial institutions; and ultimately, the limited sales of properties due to market conditions in The Bahamas. Notwithstanding the structural challenges, the recent successes experienced have inspired sales and recovery efforts during the current year, which continue in 2026 with similar successes.





The principal focus of the Bank will remain the monitoring of early signs of delinquency and quality underwriting, as the challenging economic environment is expected to continue for the foreseeable future, and the new threats of inflation and recession are ever present. Complementing the principal focus will be the continued efforts in rehabilitating non-performing loans and advances to customers, and recovering or restructuring loans and advances to customers previously written off.

Allowances for impairment

As previously discussed, the actions of the Government of The Bahamas in relation to debt management, fiscal responsibility and economic growth are actively monitored by ExCom and the Board of Directors and to manage the credit risk associated with debt securities issued by the Government of The Bahamas, the Bank has adjusted its maturity profile and risk appetite.

The investment securities of the Bank have been classified as at amortised cost given the business model associated with the investment securities being to hold such financial assets for the collection of contractual cash flows that represent solely payments of principal and interest. An allowance for impairment is required to be determined based on the expectation of the portion of investment securities that will experience challenges in collection, referred to as an expected credit loss.

The expected credit loss for investment securities is calculated based on probabilities of default associated with respective credit ratings, as adjusted for forward-looking information. Given the one (1) notch upgrade in credit ratings of debt securities issued by the Government of The Bahamas by international credit rating agencies in the current year, and the debt securities issued by corporate entities having no factors indicating any increase in credit risk since issuance and being supported directly or through guarantees by the Government of The Bahamas, counterbalanced by the significant increase in investment securities, there is no expense for allowance for impairment recognised in relation to investment securities in the current year.

OTHER COMPREHENSIVE INCOME

Land and buildings, which comprise branches and offices for the operations of the Bank, are carried at fair value based on periodic independent appraisals that are commissioned at intervals generally not exceeding three (3) years, less subsequent depreciation for buildings. As of 31 December 2025, independent appraisals concluded on fair values of land and buildings totalling $7,600,000, which resulted in the recognition of a revaluation gain of $945,077 (2024: $Nil) through other comprehensive income. The Bank maintains the building grade of these non-financial assets through ongoing capital improvements, and benefited from current market conditions and factors utilised in determining fair values of such non-financial assets.

IMPACTS OF THE ADOPTION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the year ended 31 December 2025, there were no standards, amendments or interpretations to International Financial Reporting Standards (IFRS) that had a material effect on the accounting policies, and in turn financial position and financial performance, of the Bank.

SUMMARY AND LOOKING FORWARD

The current year was one of persisting with investments and strategies to provide the strongest possible foundation for future sustained successes that can withstand the everchanging economic and social landscapes, both domestic and international. Economies, sectors, industries, businesses and individuals, globally and more specifically in The Bahamas, are not simply reverting to conditions and behaviours of days prior to the global pandemic, resulting in an irreversible revolution in the manner in which persons live and the way commerce is transacted.

The financial performance for the year ended 31 December 2025 provided peeks of the potential fruits that are expected to be borne from the seeds sown in the form of strategies devised in the most recent years and being implemented. This evidences that strategies are like seeds that require watering, soil cultivation and a conducive environment to germinate and strategies should not change simply because their outputs have not materialised in the timeframes originally envisioned, but only when the fundamentals underpinning the strategies have materially changed or are proven to have been misinterpreted. The net income and return on ordinary shareholders' equity represent solid financial performance and the drivers of this financial performance demonstrate that the target levels for these financial benchmarks, albethey at the upper end of industry levels, are within striking distance. Further optimism is rooted in the fact that the Bank has not yet fully implemented all of the strategies set out earlier, but it is producing meaningful fruit simultaneous with the investments being made – strength through resilience.


The year ahead is expected to have significant change. The Bank deferred the implementation of the new core banking system, online banking and mobile application to enable the greatest possible state of readiness for this seismic shift in technologies, which are modern information systems and processes that can be utilised for a generation to come. Following on the heels of this initiative will be the rollout of the new intelligent automated teller machines (ATMs), along with updates to other less critical information systems. Concurrently, the Bank will demonstrate its commitment to physical presence and personal service throughout The Bahamas with the opening of a Financial Centre in Eleuthera and expansion of its Financial Centre in Exuma, which has proven the concept of the model that outsources cash handling and uses technology to connect with those partners. Personnel of the Bank are looking forward to these initiatives, which will enable even more superior customer service experiences.

It is a great honour and responsibility of the Bank to earn the confidences placed in it by depositors, shareholders, employees and other stakeholders. It achieves these confidences through disciplined honouring its fiduciary responsibilities to the aforementioned stakeholders by making decisions that are balanced and take into consideration the social responsibility of the Bank as a key stakeholder in the economy of The Bahamas, notwithstanding the significant pressure on the banking industry domestically and internationally. There remains reason for caution, as The Bahamas inherits global volatility in the form of inflation, trade and military wars, and the risk of recession in major economies. Remediation of the structural challenges facing the economy of The Bahamas, which will ensure success regardless of circumstances, requires collaboration among key stakeholders, including but not limited to the Bank, the Central Bank and other financial services regulators, the Government of The Bahamas, captains of industries and civil society. The Bank has collaborated with these parties since its birth and the commitment to continue doing so is unwavering. The prospects for 2026 and beyond are exciting and full of opportunities for both the Bank and The Bahamas.

It is necessary however to cut through the economics of the Bank, as the soft activities of the Bank best exhibit the character that is the Bank, *Fidelity, We're Good For You*; refer to Our Community Efforts section of the 2025 Annual Report. These activities, and the rewarding economics of the Bank, are embedded in the public relations strategy encouraging key stakeholders to *Make That Move* to *Fidelity*, albeit it as borrowers, depositors, cardholders, merchants, employees, shareholders or social partners. Leading from the front is hard, however there is no better motivation than the positive pressure to live up to this pole position as shareholders, employees and other stakeholders have come to expect it.

Independent auditors' report

To the Shareholders of Fidelity Bank (Bahamas) Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Fidelity Bank (Bahamas) Limited (the Bank) and its subsidiaries (together 'the Group') as of 31 December 2025, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as of 31 December 2025;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report.

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West Bay Street & Blake Road, P.O. Box N-3910,
Nassau, Bahamas
T: + 1 242 302 5300, F: + 1 242 302 5350

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Overview

Overall materiality: $815,000 which represents approximately 5% of net income

- The consolidated group consists of Fidelity Bank (Bahamas) Limited and its wholly owned subsidiaries Pinnacle Cars Limited and West Bay Development Company Limited, all incorporated and registered in The Bahamas. A full scope audit was performed on all entities in the Group.
- Forward-Looking Information used in the calculation of Stage 1 and Stage 2 Expected Credit Losses (ECL) for Loans and Advances to Customers.
- Collateralised Real Estate used in the calculation of ECL of credit impaired (Stage 3) Mortgage Loans.

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall group materiality	$815,000
How we determined it	Approximately 5% of net income
Rationale for the materiality benchmark applied	We chose net income as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is within a range of acceptable benchmark thresholds.

We agreed with Audit & Risk Management Committee that we would report to them misstatements identified during our audit above $40,750, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Forward-Looking Information used in the calculation of Stage 1 and Stage 2 Expected Credit Losses (ECL) for Loans and Advances to Customers.	
Refer to notes 2(f), 6, 18 and 20 to the consolidated financial statements for disclosures of related accounting policies and balances. As of 31 December 2025, gross loans and advances to customers totalled $367.2 million with a $15.2 million ECL provision, of which, $7.7million related to Stages 1 and 2. Management's ECL model includes assumptions that are based on probability-weighted outcomes and consider multiple scenarios using forecasts. The significant assumptions include the determination of economic scenarios which incorporate the use of forward-looking information in the measurement of the ECL. The Group's macroeconomic forecasting model uses three (3) macroeconomic scenarios to calculate an unbiased and probability weighted ECL which incorporate the most likely outcome (Baseline – 50%); and two (2) less likely scenarios being better than Baseline (Upside – 20%) and worse than Baseline (Downside – 30%). The macroeconomic scenarios utilise projected unemployment rate, gross domestic product (GDP) and national deposit levels (three (3) months deposit interest rates and money supply) for the immediate subsequent year, after assessing these against the experienced unemployment rate, GDP growth rate and national deposit levels in historical years.	Our approach to addressing the matter, with the assistance of our internal specialist, included the following procedures amongst others: • Updated our understanding of the ECL model through discussions with management and by evaluating relevant documentation, focusing on changes in methodology, source data, and assumptions. • Evaluated the appropriateness of the Group's ECL model methodology, data integrity and model performance. • Validated the relevance and reliability of key inputs, including loan portfolio data and externally sourced macroeconomic variables such as unemployment rates, GDP growth rates and national deposit levels, including by agreeing them to publicly available benchmarks. • Recalculated, on a sample basis, the mathematical accuracy of management's model and assessed the reasonableness of management's scenario probability weightings (Baseline 50%, Upside 20%, Downside 30%) by benchmarking against industry practices and our knowledge of the portfolio. • Conducted sensitivity analyses by varying these weightings to assess the impact of changes on the overall ECL provision.

Key audit matter	How our audit addressed the key audit matter
This was considered a key audit matter due to the management judgement and significant estimation uncertainty involved in the determination of the significant assumptions.	

Collateralised Real Estate used in the calculation of ECL of credit impaired (Stage 3) Mortgage Loans.

Refer to notes 2(e), 6, 18 and 20 to the consolidated financial statements for disclosures of related accounting policies and balances.

As of 31 December 2025, the lifetime ECL on credit-impaired mortgage loans (MLs) for Stage 3 totalled $2.8 million.

Management's significant assumptions used for estimating the amount of the ECL provisions for credit-impaired MLs included:

- Valuation of real estate property pledged as collateral for MLs. This is the most significant repayment source for impaired mortgages. The collateral value depends on market trends as well as the circumstances of the specific property and involves judgement and specialised skills. Management engaged a number of independent valuation experts to assist in determining the valuation of real estate property pledged as collateral.
- Discounted collateral values, taking into account the estimated costs, forced sale values and time to sell the pledged collateral.

This was considered a key audit matter because management's impairment assessment for MLs in Stage 3 involves significant judgement in arriving at the significant assumptions.

Our approach to addressing the matter, with the assistance of our real estate expert, included the following procedures amongst others:

- Assessed the competence and objectivity of management's appointed real estate appraisers to determine whether they are appropriately qualified and independent of the Group.
- On a sample basis, compared the collateral values recorded by management to the independent valuation appraisal reports.
- For a sample of valuation reports, compared the significant assumptions used by management's real estate appraisers, being recent sales, to external comparable actual sales data and recent sales of collateral by the Group.
- For property sales throughout the period, performed lookback procedures to assess the reliability of management's historical estimation process by assessing the provisions previously established against amounts collected from collateral sold during the year. This also entailed consideration of the forced sale value, real estate agency fees, legal fees and other costs incurred to sell the pledged collateral as well as the average number of months to sell the property.
- Recalculated the Stage 3 ECL provision by applying observed discount rates, as well as costs and time to sell, derived from historical sales data and compared to the results of management.

Key audit matter	How our audit addressed the key audit matter
	• Tested the mathematical accuracy of the ECL provision by recalculating management's model.

Other information

Management is responsible for the other information. The other information comprises the Fidelity Bank (Bahamas) Limited Annual Report for 2025 (but does not include the consolidated financial statements and our auditors' report thereon), which is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Fidelity Bank (Bahamas) Limited Annual Report for 2025, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Prince A. Rahming.

PricewaterhouseCoopers

Chartered Accountants

Nassau, Bahamas

01 June 2026

(Incorporated under the laws of the Commonwealth of The Bahamas)

Consolidated Statement of Financial Position
As of 31 December 2025
(Expressed in Bahamian dollars)

	2025 $	2024 $
ASSETS		
Cash on hand and at banks (Note 4)	250,558,571	299,940,386
Investment securities (Note 5)	204,674,480	153,441,327
Loans and advances to customers (Note 6)	349,112,371	358,010,151
Other assets	14,708,581	6,821,961
Investments in joint ventures (Note 7)	207,883	195,256
Property, plant and equipment (Note 8)	9,676,340	9,215,289
Total assets	**828,938,226**	**827,624,370**
LIABILITIES		
Deposits from customers (Note 9)	712,134,059	713,353,753
Accrued expenses and other liabilities	4,768,309	3,703,392
Total liabilities	**716,902,368**	**717,057,145**
EQUITY		
Capital – ordinary shares (Note 10)	20,449,512	20,449,512
Capital – preference shares (Note 10)	15,000,000	15,000,000
Revaluation reserve	2,607,186	1,710,298
Retained earnings	73,979,160	73,407,415
Total equity	**112,035,858**	**110,567,225**
Total liabilities and equity	**828,938,226**	**827,624,370**

APPROVED BY THE BOARD OF DIRECTORS AND SIGNED ON ITS BEHALF BY:

Director **Director**

30 April 2026
Date

The accompanying notes are an integral part of these consolidated financial statements.

Fidelity Bank (Bahamas) Limited

Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2025
(Expressed in Bahamian dollars)

	2025 $	2024 $
INCOME		
Interest income		
Bank deposits, loans and advances	54,683,913	56,869,910
Investment securities	6,596,318	5,052,946
	61,280,231	61,922,856
Interest expense	(7,455,122)	(7,943,120)
Net interest income	**53,825,109**	**53,979,736**
Fees and commissions	12,696,551	10,482,898
Other income	196,071	270,559
	66,717,731	**64,733,193**
EXPENSES		
General and administrative (Note 12)	25,655,318	24,179,310
Salaries and employee benefits	16,959,151	14,710,222
Provision for loan losses (Note 6)	6,477,115	6,536,250
Allowances for impairment (Note 5)	-	-
Depreciation and amortisation (Note 8)	1,129,550	1,355,119
	50,221,134	**46,780,901**
Operating profit	**16,496,597**	**17,952,292**
Share of profits of joint ventures (Note 7)	12,627	18,654
Net income	**16,509,224**	**17,970,946**
OTHER COMPREHENSIVE INCOME		
Items not reclassified to net income		
Property, plant and equipment revaluation (Note 8)	945,077	-
Total comprehensive income	**17,454,301**	**17,970,946**

The accompanying notes are an integral part of these consolidated financial statements.

Fidelity Bank (Bahamas) Limited

Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2025
(Continued)
(Expressed in Bahamian dollars)

	2025 $	2024 $
Attributable to:		
Ordinary shareholders		
Net income	15,534,224	16,995,946
Other comprehensive income	945,077	-
	16,479,301	16,995,946
Preference shareholders		
Net income	975,000	975,000
Other comprehensive income	-	-
	975,000	975,000
	17,454,301	**17,970,946**
Earnings per share (Note 11)	**0.54**	**0.59**

The accompanying notes are an integral part of these consolidated financial statements.

Fidelity Bank (Bahamas) Limited

Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2025
(Expressed in Bahamian dollars)

	Capital – Ordinary Shares $	Capital – Preference Shares $	Revaluation Reserve $	Retained Earnings $	Total $
As of 1 January 2025	20,449,512	15,000,000	1,710,298	73,407,415	110,567,225
Comprehensive income					
Net income	-	-	-	16,509,224	16,509,224
Other comprehensive income					
Property, plant and equipment revaluation	-	-	945,077	-	945,077
Total comprehensive income	-	-	945,077	16,509,224	17,454,301
Transfers					
Depreciation transfer	-	-	(48,189)	48,189	-
Total transfers	-	-	(48,189)	48,189	-
Transactions with owners					
Dividends – preference shares	-	-	-	(975,000)	(975,000)
Dividends – ordinary shares	-	-	-	(15,010,668)	(15,010,668)
Total transactions with owners	-	-	-	(15,985,668)	(15,985,668)
As of 31 December 2025	**20,449,512**	**15,000,000**	**2,607,186**	**73,979,160**	**112,035,858**
Dividends per share	**0.52**	**0.65**			

The accompanying notes are an integral part of these consolidated financial statements.

Fidelity Bank (Bahamas) Limited

Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2024
(Expressed in Bahamian dollars)

	Capital – Ordinary Shares $	Capital – Preference Shares $	Revaluation Reserve $	Retained Earnings $	Total $
As of 1 January 2024	20,449,512	15,000,000	1,764,091	71,079,678	108,293,281
Comprehensive income					
Net income	-	-	-	17,970,946	17,970,946
Other comprehensive income					
Property, plant and equipment revaluation	-	-	-	-	-
Total comprehensive income	-	-	-	17,970,946	17,970,946
Transfers					
Depreciation transfer	-	-	(53,793)	53,793	-
Total transfers	-	-	(53,793)	53,793	-
Transactions with owners					
Dividends – preference shares	-	-	-	(975,000)	(975,000)
Dividends – ordinary shares	-	-	-	(14,722,002)	(14,722,002)
Total transactions with owners	-	-	-	(15,697,002)	(15,697,002)
As of 31 December 2024	**20,449,512**	**15,000,000**	**1,710,298**	**73,407,415**	**110,567,225**
Dividends per share	**0.51**	**0.65**			

The accompanying notes are an integral part of these consolidated financial statements.

Fidelity Bank (Bahamas) Limited

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2025
(Expressed in Bahamian dollars)

	2025 $	2024 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	16,509,224	17,970,946
Adjustments for:		
Interest income	(61,280,231)	(61,922,856)
Interest expense	7,455,122	7,943,120
Provision for loan losses	6,477,115	6,536,250
Depreciation and amortisation	1,129,550	1,355,119
Share of profits of joint ventures	(12,627)	(18,654)
Interest received	55,054,904	56,960,042
Interest paid	(7,901,318)	(7,696,242)
(Increase)/Decrease in operating assets		
Current accounts at banks – pledged balances	(167,713)	(403,621)
Term deposits – contractual maturities greater than three (3) months	(677,373)	(669,007)
Mandatory reserve deposits	(1,057,159)	(1,069,047)
Loans and advances to customers	6,651,684	(1,111,634)
Other assets	(7,886,620)	(3,368,889)
Increase/(Decrease) in operating liabilities		
Deposits from customers	(773,498)	46,099,462
Accrued expenses and other liabilities	949,446	(553,313)
Net cash from operating activities	**14,470,506**	**60,051,676**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities	(179,969,579)	(145,270,261)
Proceeds from sales/maturities of investment securities	130,726,750	108,994,080
Purchases of property, plant and equipment	(530,053)	(183,204)
Net cash used in investing activities	**(49,772,882)**	**(36,459,385)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid on preference shares	(975,000)	(975,000)
Dividends paid on ordinary shares	(15,010,668)	(14,722,002)
Net cash used in financing activities	**(15,985,668)**	**(15,697,002)**
Net increase/(decrease) in cash and cash equivalents	**(51,288,044)**	**7,895,289**
Cash and cash equivalents as of the beginning of the year	211,812,794	203,917,505
Cash and cash equivalents as of the end of the year (Note 4)	**160,524,750**	**211,812,794**

The accompanying notes are an integral part of these consolidated financial statements.

1. General Information

Fidelity Bank (Bahamas) Limited (the Bank) is incorporated under the Companies Act, 1992 of the Commonwealth of The Bahamas (The Bahamas) and is licensed under the Banks and Trust Companies Regulation Act, 2020 to carry on banking business in The Bahamas. The Bank, and its subsidiaries (Note 3), collectively referred to as the Group, offer a full range of retail banking services, including internet and telephone banking, acceptance of deposits, granting of loans, cards services and the provision of foreign exchange services through each of its five (5) branches in New Providence, and its one (1) branch each in Grand Bahama, Abaco and Exuma.

The ordinary shares of the Bank are listed and traded on The Bahamas International Securities Exchange (BISX). Fidelity Bank & Trust International Limited (the Parent), a company incorporated in The Bahamas, owns 74.54% (2024: 74.54%) of the outstanding ordinary shares of the Bank.

The registered office of the Bank is situated at RF House, East Hill Street, Nassau, Bahamas.

2. Material Accounting Policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements are prepared in accordance with IFRS Accounting Standards (IFRS), and under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Notes 2(d), 2(g), 2(m) and 18.

New standards, amendments and interpretations adopted by the Group

Standards and amendments and interpretations to published standards that became effective for the Group's financial year beginning on 1 January 2025 were either not relevant or not significant to the Group's operations, and accordingly did not have a material impact on the Group's accounting policies or consolidated financial statements.

New standards, amendments and interpretations not yet adopted by the Group

The application of new standards and amendments and interpretations to existing standards that have been published but are not yet effective are not expected to have a material impact on the Group's accounting policies or consolidated financial statements in the financial period of initial application.

2. Material Accounting Policies (Continued)

(b) Principles of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

Joint ventures

Joint ventures are entities over which the Group has joint control, and the operations are generally governed by contractual arrangements. Investments in joint ventures are accounted for using the equity method of accounting and are initially recognised at cost. The Group's share of post-acquisition profits or losses and other comprehensive income or loss is recognised in the consolidated statement of comprehensive income consistent with the recognition by the joint venture, and its share of post-acquisition movements in reserves is recognised directly in reserves, with corresponding adjustments to the carrying amount of the investments in joint ventures. Dividends received from joint ventures are recognised as a reduction in the carrying amount of the investments in joint ventures.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of joint ventures are changed where necessary to ensure consistency with the policies adopted by the Group.

The Group determines at each date of the statement of financial position whether there is any objective evidence that an investment in joint venture is impaired. If this is the case, the Group calculates the amount of the impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount adjacent to 'share of profits or losses of joint ventures' in the consolidated statement of comprehensive income.

(c) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Bahamian dollars (B$), which is the Bank's functional and presentation currency.

2. Material Accounting Policies (Continued)

(c) Foreign currency translation (continued)

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income as a part of net income. Translation differences on financial assets measured at fair value through profit or loss are included as a part of the fair value gains and losses.

(d) Financial assets

Classification and measurement

The Group classifies its financial assets, comprising cash at banks, investment securities, loans and advances to customers and other receivables, as financial assets at amortised cost.

The classification and subsequent measurement of financial assets depend on the Group's business model for managing the financial asset, and the cash flow characteristics of the financial asset.

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at fair value through profit or loss, are measured at amortised cost, adjusted by an allowance for expected credit losses (ECL), which is recognised and measured as disclosed in Note 2(f).

The business model represents the Group's objectives in managing financial assets in order to generate cash flows. That is, whether the objective is solely to collect the contractual cash flows from the financial assets or is to collect both the contractual cash flows and cash flows arising from the sale of financial assets. If neither of these is applicable, for example financial assets held for trading purposes, then the financial assets are classified as part of 'other' business model and measured at fair value through profit or loss. Factors considered by the Group in determining the business model for a group of financial assets include: past experience regarding the manner in which the cash flows for the financial assets were collected; the manner in which the performance of financial assets is evaluated and reported to key management personnel; the approach to assessing and managing risks associated with the financial assets; and where applicable, the compensation structure for personnel involved in the processes surrounding the financial assets. Critical judgments applied by the Group in determining the business models for its financial assets are disclosed in Note 18.

Where the business model is to hold financial assets to collect contractual cash flows or to collect contractual cash flows and cash flows arising from sales, the Group assesses whether the cash flows of the financial asset represent SPPI. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, specifically that interest rate considerations are restricted to the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. The SPPI assessment is performed on initial recognition of a financial asset and is not subsequently reassessed. Critical judgments applied by the Group in assessing the SPPI test are disclosed in Note 18.

2. Material Accounting Policies (Continued)

(d) Financial assets (continued)

Classification and measurement (continued)

Financial assets are reclassified only when the business model for the relevant class of financial assets, as a whole, changes and such reclassification is prospective and is effective from the first financial period subsequent to the change in business model.

Initial recognition and measurement

The Group measures financial assets at their fair value, adjusted for transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset, such as fees and commissions, except financial assets at fair value through profit or loss. Transaction costs of financial assets at fair value through profit or loss are expensed as incurred. Immediately following initial recognition, an allowance for ECL is recognised for financial assets measured at amortised cost, which results in a loss being recognised in net income in the consolidated statement of comprehensive income when a financial asset is newly originated.

All purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to originate, purchase or sell the asset.

Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or when the Group has transferred substantially all risks and rewards of ownership. If the Group has neither transferred nor retained substantially all the risks and rewards of ownership, an assessment is made whether the Group has retained control of the financial assets.

Where the Group has not retained control, financial assets are derecognised and any rights or obligations retained or created as part of the transaction are recognised as separate assets or liabilities. Alternatively, where the Group has retained control, the Group continues to recognise the financial assets to the extent of its continuing involvement in the financial assets.

Gains or losses arising from sales of financial assets are recognised in the consolidated statement of comprehensive income as a part of net income in the financial period in which they arise.

Modifications

The Group may renegotiate or otherwise modify the contractual cash flows of loans and advances to customers, which requires the Group to assess whether or not the new terms are substantially different to the original terms. This is done by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced that substantially affect the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.

2. Material Accounting Policies (Continued)

(d) Financial assets (continued)

Modifications (continued)

- Significant change in the interest rate.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a new financial asset at fair value and recalculates a new effective interest rate for the financial asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether: the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments; and the cash flows of the new financial asset represent SPPI. Differences in the carrying amount are also recognised in net income as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in net income. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

(e) Non-performing financial assets

All loans and advances to customers on which principal or interest payments are overdue in excess of three (3) months are classified by management as non-performing and are considered credit-impaired financial assets for the purposes of assessing ECL.

(f) Impairment of financial assets at amortised cost

The Group assesses, taking into consideration forward-looking factors, the ECL for financial assets at amortised cost and for the exposures arising from loan commitments and financial guarantees. The Group measures ECL and recognises an allowance for ECL at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes; (ii) time value of money; and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Financial assets measured at amortised cost are presented in the consolidated statement of financial position, net of the allowance for ECL, which is also referred to as provision for loan losses in relation to loans and advances to customers. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the consolidated statement of financial position.

Fidelity Bank (Bahamas) Limited

Notes to the Consolidated Financial Statements
31 December 2025
(Continued)
(Expressed in Bahamian dollars)

2. Material Accounting Policies (Continued)

(f) Impairment of financial assets at amortised cost (continued)

The Group applies a three (3) stage model for impairment, based on changes in credit quality since initial recognition. A financial asset that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next twelve (12) months (12-month ECL) or until contractual maturity, if shorter. If the Group identifies a significant increase in credit risk (SICR) since initial recognition, the financial asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis (lifetime ECL), that is, up until contractual maturity but considering expected prepayments. Critical judgments in determining SICR are disclosed in Note 18.

If the Group determines that a financial asset is credit-impaired, the financial asset is transferred to Stage 3 and its ECL is measured as a lifetime ECL. The Group's definition of credit-impaired financial assets and definition of default are disclosed in Note 18. For financial assets that are purchased or originated credit-impaired (POCI Assets), the ECL is always measured as a lifetime ECL.

Information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models is disclosed in Note 18.

As an exception, for certain financial instruments, such as credit cards and overdrafts, that may include both a loan and an undrawn commitment component, the Group measures ECL over the period that the Group is exposed to credit risk based on historical experience, that is, until the ECL would be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. This is because the contractual ability to demand repayment and cancel the undrawn commitment does not limit the exposure to credit losses to such contractual notice period.

The calculation of ECL of a collateralised financial asset reflects the cash flows that may result from foreclosures less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the ECL is recognised in the consolidated statement of comprehensive income as a part of net income. Decreases in previously recognised ECL are recognised against the same financial statement line item. Financial assets are written off, in whole or in part, when the Group has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Recoveries of amounts previously written off are recognised directly in the consolidated statement of comprehensive income as a part of the ECL expense included in net income.

2. Material Accounting Policies (Continued)

(g) Property, plant and equipment

Property, plant and equipment, other than land and buildings, are carried at historical cost less accumulated depreciation and amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of an item. Land and buildings, which comprise branches and offices for the Group's operations, are carried at fair value based upon periodic independent appraisals that are commissioned at intervals generally not exceeding three (3) years, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance are charged to the consolidated statement of comprehensive income as a part of net income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to 'revaluation reserve' in equity. Decreases that offset previous increases of the same asset are charged against revaluation reserve directly in equity; all other decreases are charged to the consolidated statement of comprehensive income as a part of net income. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the consolidated statement of comprehensive income and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings.

Land is not depreciated. Depreciation and amortisation on other assets are calculated using the straight-line method to allocate costs (net of residual values) over estimated useful lives as follows:

	Estimated Useful Life
Buildings	30 – 50 years
Furniture and fixtures	3 – 10 years
Motor vehicles	3 – 5 years
Computer software and office equipment	3 – 10 years
Leasehold assets and improvements	Lesser of lease term and 3 – 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each date of the statement of financial position. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised in the consolidated statement of comprehensive income as a part of net income. When revalued assets are sold, amounts included in revaluation reserve are transferred directly to retained earnings.

2. Material Accounting Policies (Continued)

(h) Deposits from customers

Deposits from customers are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Deposits from customers are derecognised when the financial liability has been extinguished.

(i) Borrowings

Borrowings, which include debt securities, are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently recognised at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest expense in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Preference shares, which are mandatorily redeemable on a specific date, are classified as financial liabilities. The dividends on these preference shares are recognised in the consolidated statement of comprehensive income as interest expense.

(j) Provisions

Provisions for restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

(k) Share capital

Share issue costs

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

Dividends

Dividends on ordinary shares, and preference shares classified as equity, are recognised in equity in the financial period in which they are approved by the Bank's Directors. Dividends declared after the date of the statement of financial position, but before the consolidated financial statements are issued, are dealt with in the subsequent events note.

(l) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

Fidelity Bank (Bahamas) Limited

Notes to the Consolidated Financial Statements
31 December 2025
(Continued)
(Expressed in Bahamian dollars)

2. Material Accounting Policies (Continued)

(m) Income and expense recognition

Interest income and expense are recognised in the consolidated statement of comprehensive income for all financial instruments measured at amortised cost using the effective interest method. Loan origination fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loans and advances to customers.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the: gross carrying amount of the financial asset (that is, its amortised cost before any allowance for ECL), except for financial assets that are credit-impaired, including those purchased or originated credit-impaired, which in such cases use the net carrying amount (that is, amortised cost after allowance for credit losses); or net carrying amount of the financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options). The calculation includes all fees and commissions paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees and commissions for services where the customer simultaneously receives and consumes the benefits provided by the Group are recognised over time on a straight-line basis as the services are rendered. Such fees and commissions comprise recurring fees for account maintenance and account servicing. Other fees and commissions are recognised at a point in time when the Group satisfies its performance obligation, usually upon execution of the underlying transaction, which is generally at the time the customer's account is charged. The amount of fees and commissions received or receivable represents the transaction price for the services identified as distinct performance obligations. Such fees and commissions comprise fees for cash settlements, collections or disbursements, as well as fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party.

Custody service and other similar fees are recognised based on the applicable service contracts, usually rateably over the period in which the service is provided, as the customer simultaneously receives and consumes the benefits provided by the Group. Variable fees, comprising performance linked fees, are recognised only to the extent that the Group determines that it is highly probable that a significant reversal will not occur.

Dividend income is recognised in the consolidated statement of comprehensive income when the Group's right to receive payment has been established, except for dividends received from investments in joint ventures, the accounting policy for which is disclosed in Note 2(b).

The Group operates a loyalty programme in which customers accumulate points, which entitle the customers to goods and services provided by third parties. Revenue from the points is recognised when the points are redeemed. The amount of the revenue is estimated based on the number of points redeemed relative to the total number expected to be redeemed. A contract liability is recognised for the amount of the fair value of points expected to be redeemed until they are actually redeemed or expire.

Other income and expenses are recognised on the accrual basis.

2. Material Accounting Policies (Continued)

(n) Leases

The Group is the lessee

Except for leases with terms of twelve (12) months or less, defined as short term leases, leases result in the recognition of right-of-use assets and lease liabilities. Lease liabilities are measured as the present value of expected lease payments over the terms of the leases using the relevant interest rate, and are subsequently measured at amortised cost using the effective interest method. Right-of-use assets are measured as the related initial lease liability, plus any lease payments (net of lease incentives) paid at or prior to commencement, and direct costs incurred in entering the lease. Right-of-use assets, hereafter referred to as leasehold assets, are subsequently classified and accounted for in accordance with the accounting policies for property, plant and equipment. For short term leases, payments made under these leases are recognised in the consolidated statement of comprehensive income as a part of net income on a straight-line basis over the terms of the leases.

The Group is the lessor

Leases comprise operating leases. Lease income is recognised over the term of the lease on a straight-line basis.

(o) Employee benefits

The Group's employees participate in a defined contribution pension plan of a related party, administered by trustees that include key management personnel of the Group.

A defined contribution pension plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the plan does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group's contributions are recognised as employee benefits expense in the consolidated statement of comprehensive income when they are due. The Group has no further payment obligations once the recognised contributions have been paid.

(p) Taxation

Under the current laws of The Bahamas, the country of domicile of the Bank and its subsidiaries, there are no income, capital gains or other corporate taxes applicable to the Group. The Group's operations do not subject it to taxation in any other jurisdiction.

(q) Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and unrestricted deposits with banks that have original contractual maturities of three (3) months or less.

(r) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, which is the person or group responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee of the Group.

2. Material Accounting Policies (Continued)

(r) Segment reporting (continued)

Income and expenses directly associated with each segment are included in determining operating segment performance. The Group has identified its sole operating and reportable segment as retail banking.

(s) Fiduciary activities

The Group acts as custodian, trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, investment funds and other entities. These assets are excluded from these consolidated financial statements, as they do not belong to the Group.

(t) Corresponding figures

Where necessary, corresponding figures are adjusted to conform with changes in presentation in the current year.

3. Subsidiaries and Joint Ventures

The Group, directly or indirectly, has interests in the following entities:

	Country of Incorporation	% Holding 2025	% Holding 2024
Bahamas Automated Clearing House Limited	Bahamas	14.29%	14.29%
Pinnacle Cars Limited	Bahamas	100.00%	100.00%
West Bay Development Company Limited	Bahamas	100.00%	100.00%

Subsidiaries

The Group's subsidiaries, Pinnacle Cars Limited and West Bay Development Company Limited, are holding companies for vehicles and land and buildings, respectively, owned by the Group.

Joint ventures

Bahamas Automated Clearing House Limited (BACH) is a joint venture among the seven (7) members of the Clearing Banks Association (the CBA) of The Bahamas, which includes the Bank. BACH operates a secure interbank settlement system linking clearing banks in The Bahamas. Each member of the CBA has an equal holding of the outstanding ordinary shares of BACH and equal control over its financial and operating policies.

(Expressed in Bahamian dollars)

4. Cash on Hand and at Banks

	2025 $	2024 $
Cash on hand	5,476,584	4,466,869
Current accounts at banks	145,269,500	198,899,546
Term deposits	68,847,224	66,669,851
Mandatory reserve deposits	30,792,888	29,735,729
	250,386,196	299,771,995
Accrued interest	172,375	168,391
Total	**250,558,571**	**299,940,386**

Included in current accounts are amounts totalling $4,221,334 (2024: $4,053,621), which have been pledged to support guarantees provided by other financial institutions pursuant to agreements with card companies in respect of the issuance of cards by the Group. Mandatory reserve deposits are placed with the Central Bank of The Bahamas (the Central Bank) to meet requirements of the Group's licences and are not available for use in the Group's day to day operations.

Cash on hand, and mandatory reserve deposits and other deposits with the Central Bank are non-interest bearing. Deposits with other banks earn interest at rates ranging from 0.00% to 3.05% (2024: 0.00% to 4.23%) per annum.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise:

	2025 $	2024 $
Cash on hand	5,476,584	4,466,869
Current accounts at banks	145,269,500	198,899,546
Term deposits	68,847,224	66,669,851
Mandatory reserve deposits	30,792,888	29,735,729
	250,386,196	299,771,995
Current accounts at banks – pledged balances	(4,221,334)	(4,053,621)
Term deposits – contractual maturities greater than three (3) months	(54,847,224)	(54,169,851)
Mandatory reserve deposits	(30,792,888)	(29,735,729)
Total	**160,524,750**	**211,812,794**

(Expressed in Bahamian dollars)

5. Investment Securities

	2025 $	2024 $
Amortised cost		
Stage 1 – ECL		
Level 2		
Government debt securities	144,222,403	101,033,275
Level 3		
Corporate debt securities	16,600,000	9,100,000
	160,822,403	110,133,275
Stage 2 – ECL		
Level 2		
Government debt securities	41,259,101	42,705,400
Level 3		
Corporate debt securities	500,000	500,000
	41,759,101	43,205,400
Total – all stages	202,581,504	153,338,675
Accrued interest	3,652,976	1,662,652
Allowance for impairment	(1,560,000)	(1,560,000)
Total	**204,674,480**	**153,441,327**

Government securities principally comprise Bahamas Government Registered Stock and Treasury Notes with maturities ranging from 2026 to 2050 (2024: 2025 to 2050) and with either fixed interest rates ranging from 2.99% to 5.69% (2024: 2.99% to 5.69%) per annum or variable interest rates ranging from 0.04% to 0.63% (2024: 0.04% to 0.63%) above the B$ Prime rate of 4.25% per annum.

The principal corporate debt securities have maturities in 2034, 2044 and 2045 and fixed interest rates of 8.00% per annum.

Movements in allowance for impairment are as follows:

	2025 $	2024 $
Balance as of the beginning of the year	1,560,000	1,560,000
Allowance for impairment	-	-
Write-offs	-	-
Balance as of the end of the year	**1,560,000**	**1,560,000**

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6. Loans and Advances to Customers

	2025 $	2024 $
Mortgages	40,414,759	40,954,566
Consumer and other loans	326,770,366	333,870,452
	367,185,125	374,825,018
Unamortised loan origination fees	(6,877,620)	(7,073,706)
Accrued interest	3,995,623	4,290,374
Provision for loan losses	(15,190,757)	(14,031,535)
Total	**349,112,371**	**358,010,151**

The effective interest rate earned on loans and advances for the year ended 31 December 2025 was 14.72% (2024: 15.05%).

Movements in provision for loan losses are as follows:

	2025			2024		
	Mortgages $	Consumer and Other $	Total $	Mortgages $	Consumer and Other $	Total $
Balance as of the beginning of the year	3,058,522	10,973,013	14,031,535	3,253,104	9,586,237	12,839,341
Provision	240,248	6,236,867	6,477,115	73,208	6,463,042	6,536,250
Write-offs	(64,433)	(5,253,460)	(5,317,893)	(267,790)	(5,076,266)	(5,344,056)
Balance as of the end of the year	**3,234,337**	**11,956,420**	**15,190,757**	**3,058,522**	**10,973,013**	**14,031,535**

Recoveries of amounts previously written off recognised in provision for loan losses in the consolidated statement of comprehensive income totalled $1,366,820 (2024: $2,138,390).

The provision for loan losses represents 4.22% (2024: 3.82%) of the total loan portfolio, excluding accrued interest, and 112.49% (2024: 102.93%) of total non-performing loans. As of 31 December 2025, principal balances of non-performing loans totalled $13,504,592 (2024: $13,632,611), representing 3.75% (2024: 3.71%) of the total loan portfolio, excluding accrued interest.

(Expressed in Bahamian dollars)

7. Investments in Joint Ventures

Movements in the investment in joint venture comprise:

	2025 $	2024 $
Balance as of the beginning of the year	195,256	176,602
Share of profits of joint venture	12,627	18,654
Dividends received	-	-
Balance as of the end of the year	**207,883**	**195,256**

The financial information of the joint venture is as follows:

	2025 $	2024 $
ASSETS		
Cash on hand and at banks	1,211,857	1,123,499
Other assets	203,067	153,960
Property, plant and equipment	145,121	156,689
Total assets	**1,560,045**	**1,434,148**
LIABILITIES		
Accrued expenses and other liabilities	90,273	51,546
Total liabilities	**90,273**	**51,546**
EQUITY		
Share capital	70,000	70,000
Other reserves	200,000	160,000
Retained earnings	1,199,772	1,152,602
Total equity	**1,469,772**	**1,382,602**
Total liabilities and equity	**1,560,045**	**1,434,148**
INCOME		
Fees and commissions	1,301,004	1,194,375
Interest income	3,589	3,575
	1,304,593	**1,197,950**

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7. Investments in Joint Ventures (Continued)

	2025 $	2024 $
EXPENSES		
Salaries and employee benefits	555,715	525,593
Depreciation and amortisation	64,898	56,069
Other	596,810	529,584
	1,217,423	**1,111,246**
Net income and total comprehensive income	**87,170**	**86,704**

8. Property, Plant and Equipment

	Land & Buildings $	Furniture & Fixtures $	Motor Vehicles $	Computer Software & Office Equipment $	Leasehold Assets & Improvements $	Total $
Year ended 31 December 2025						
Opening net book value	6,888,607	774,393	13,299	106,982	1,432,008	9,215,289
Revaluation	945,077	-	-	-	-	945,077
Additions	(16,485)	217,328	28,535	205,645	210,501	645,524
Disposals						
Cost	-	-	-	-	(124,668)	(124,668)
Accumulated depreciation	-	-	-	-	124,668	124,668
Depreciation	(217,199)	(166,509)	(4,448)	(97,760)	(643,634)	(1,129,550)
Closing net book value	**7,600,000**	**825,212**	**37,386**	**214,867**	**998,875**	**9,676,340**
As of 31 December 2025						
Cost or valuation	7,600,000	6,810,538	175,873	12,108,318	11,564,373	38,259,102
Accumulated depreciation	-	(5,985,326)	(138,487)	(11,893,451)	(10,565,498)	(28,582,762)
Net book value	**7,600,000**	**825,212**	**37,386**	**214,867**	**998,875**	**9,676,340**
Year ended 31 December 2024						
Opening net book value	7,076,343	878,682	17,099	123,836	2,040,203	10,136,163
Revaluation	-	-	-	-	-	-
Additions	35,816	55,512	-	91,876	251,041	434,245
Disposals						
Cost	-	-	-	-	(251,132)	(251,132)
Accumulated depreciation	-	-	-	-	251,132	251,132
Depreciation	(223,552)	(159,801)	(3,800)	(108,730)	(859,236)	(1,355,119)
Closing net book value	**6,888,607**	**774,393**	**13,299**	**106,982**	**1,432,008**	**9,215,289**
As of 31 December 2024						
Cost or valuation	7,336,386	6,593,210	147,338	11,902,673	11,478,540	37,458,147
Accumulated depreciation	(447,779)	(5,818,817)	(134,039)	(11,795,691)	(10,046,532)	(28,242,858)
Net book value	**6,888,607**	**774,393**	**13,299**	**106,982**	**1,432,008**	**9,215,289**

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8. Property, Plant and Equipment (Continued)

The fair value hierarchy for non-financial assets is consistent with the hierarchy for financial assets disclosed in Note 22. Land and buildings are classified as Level 3, as inputs such as comparable sales, rental rates, vacancy rates and market discount rates are not readily and regularly available from market sources.

Land and buildings were revalued by independent appraisers as of 31 December 2025.

Fair value is based on valuation methods using discounted cash flow projections, which reflect, among other things, assumptions about rental rates and vacancy rates in light of current market conditions, and market discount rates. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the land and buildings.

The following table illustrates the impact of changes in estimates and assumptions in determination of fair values of land and buildings.

Estimate/Assumption	Change	Impact on fair value
Rental revenue	+5.00%/-5.00%	382,200/(382,200)
Vacancy rates	+2.00%/-2.00%	(160,900)/160,900
Discount rate	+0.50%/-0.50%	(402,300)/449,700

If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2025 $	2024 $
Cost	8,786,448	8,802,933
Accumulated depreciation	(3,793,634)	(3,624,624)
Net book value	**4,992,814**	**5,178,309**

9. Deposits from Customers

	2025 $	2024 $
Term deposits	362,117,486	382,660,433
Savings deposits	234,939,764	205,669,614
Demand deposits	106,751,421	116,036,983
Escrow deposits	4,470,036	4,685,175
	708,278,707	709,052,205
Accrued interest	3,855,352	4,301,548
Total	**712,134,059**	**713,353,753**

(Expressed in Bahamian dollars)

9. Deposits from Customers (Continued)

Included in deposits from customers are deposits from banks totalling $22,854,097 (2024: $37,204,359). Deposits carry fixed interest rates ranging from 0.00% to 5.00% (2024: 0.00% to 5.00%) per annum, but the fixed interest rates are determined based on market rates and can be adjusted at the respective maturities of the deposits based on changes in market rates. The effective interest rate incurred on deposits from customers for the year ended 31 December 2025 was 1.04% (2024: 1.15%).

10. Capital

	2025 $	2024 $
Authorised		
35,000,000 ordinary shares of $0.30 each	**10,500,000**	**10,500,000**
10,000,000 preference shares of $1.00 each	**10,000,000**	**10,000,000**
Issued and Fully Paid		
28,866,670 ordinary shares of $0.30 each	8,660,001	8,660,001
Share premium	11,890,000	11,890,000
	20,550,001	20,550,001
36,541 (2024: 36,541) ordinary shares held in treasury	(100,489)	(100,489)
Total	**20,449,512**	**20,449,512**
1,500,000 preference shares of $1.00 each	1,500,000	1,500,000
Share premium	13,500,000	13,500,000
Total	**15,000,000**	**15,000,000**

Series A variable rate non-cumulative redeemable preference shares are perpetual, but are redeemable at the sole option of the Bank with ninety (90) days written notice to the shareholders at any time after the fifth anniversary of the closing date with the prior approval of the Central Bank. As of 31 December 2025, there are 1,500,000 (2024: 1,500,000) preference shares eligible for redemption by the Bank. Preference shareholders rank in priority to ordinary shareholders.

Dividends are payable on these shares at the B$ Prime rate plus 2.25% per annum, subject to the declaration of the Directors and the prior approval of the Central Bank. Dividends are payable semi-annually on the last business day in June and December each year.

The Bank has an employee share ownership trust, which was established through the issuance of 200,000 ordinary shares at $2.75 per share, representing the fair value of ordinary shares based on BISX prices at the date of establishment. The ordinary shares not yet issued by the trust and therefore remaining in the trust are treated as treasury shares.

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(Continued)
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11. Earnings per Share

	2025 $	2024 $
Net income attributable to ordinary shareholders	15,534,224	16,995,946
Weighted average number of ordinary shares outstanding	28,830,129	28,830,129
Earnings per share	**0.54**	**0.59**

12. General and Administrative Expenses

	2025 $	2024 $
Cards services costs, including loyalty programme	7,848,598	6,275,700
Bank and business licence fees	5,388,614	5,087,729
Equipment maintenance and supplies	3,600,971	3,613,713
Other office expenses	3,372,125	3,234,975
Insurance expenses	1,246,126	1,138,324
Public relations expenses	1,079,552	1,036,626
Value added tax	656,599	670,866
Legal and professional fees	525,518	1,491,136
Premises related costs	350,751	203,606
Audit fees	287,380	349,668
Directors' cost	211,368	215,384
Other	1,087,716	861,583
Total	**25,655,318**	**24,179,310**

13. Employee Benefits

The Group participates in a defined contribution pension plan (the Plan), which covers all employees of the Parent's Bahamas based operations. The Plan is administered by RF Bank & Trust (Bahamas) Limited.

Employees in the Plan contribute a percentage of gross salary, and the Group matches employee contributions. The Group's contributions vest 20.00% upon completion of four (4) years of employment with incremental vesting following each additional year of employment and fully vest upon completion of ten (10) years of employment. Pension expense for the year ended 31 December 2025 totalled $443,587 (2024: $380,260).

14. Segment Analysis

Operating segments are reported in accordance with the internal reporting provided to the Executive Committee (ExCom), which is responsible for allocating resources to the reportable segments and assessing their performance. The Group's sole operating and reportable segment is retail banking, which incorporates mortgage and consumer loans; current accounts, savings and term deposits; credit, debit and prepaid cards; and related services.

The segment operations are all financial with principal revenues derived from interest income and fees and commissions.

Notes to the Consolidated Financial Statements
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(Continued)
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14. Segment Analysis (Continued)

The revenues from external parties reported to ExCom are measured in a manner consistent with that presented in the consolidated statement of comprehensive income.

The information provided about segments is based on the internal reports about the segment income, expenses, other comprehensive income, assets and other information, which are regularly reviewed by ExCom. Segment assets and liabilities comprise operating assets and liabilities, representing the consolidated statement of financial position.

The Group's operations, income and assets are all based in The Bahamas.

There were no aggregated transactions with a single external customer that amounted to 10.00% or more of the Group's total income.

Fees and commissions

The vast majority of fees and commissions are earned at a point in time when the performance obligations have been satisfied, with less than 10.00% earned over time. No variable fees are applicable.

15. Related Party Balances and Transactions

Related parties include: key management personnel (including Directors); entities that have the ability to control or exercise significant influence over the Group in making financial or operational decisions; and entities that are controlled, jointly controlled or significantly influenced by key management personnel and entities noted earlier.

Related party balances and transactions, not disclosed elsewhere in these consolidated financial statements, are as follows:

	2025	**2024**
	$	**$**
ASSETS		
Cash at banks		
Other related parties	545,507	501,110
Loans and advances to customers		
Key management personnel	419,696	608,182
Other related parties	664,109	357,053

Cash at banks earn interest at a rate of 0.00 % (2024: 0.00%) per annum, and mature within one (1) year.

Loans and advances to customers, certain of which are supported by property pledged as collateral, earn interest at fixed rates ranging from 0.00% to 2.25% (2024: 0.00% to 2.25%) per annum, with maturities up to twenty (20) years. There is no provision for loan losses in respect of these balances.

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(Continued)
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15. Related Party Balances and Transactions (Continued)

	2025 $	2024 $
LIABILITIES		
Deposits from customers		
The Parent	416,402	615,232
Key management personnel	9,872,207	8,527,901
Other related parties	29,044,201	39,994,517
Accrued expenses and other liabilities		
The Parent	163,790	432,989

Deposits from customers incur interest at fixed rates ranging from 0.00% to 5.00% (2024: 0.00% to 5.00%) per annum, and mature within one (1) year.

Amounts included in accrued expenses and other liabilities are unsecured, interest-free and have no set terms of repayment.

EQUITY

As of 31 December 2025, key management personnel and other related parties hold 1,548,371 (2024: 1,545,966) outstanding ordinary shares and 537,719 (2024: 531,581) outstanding preference shares.

	2025 $	2024 $
INCOME		
Interest income		
Key management personnel	13,078	16,382
Other related parties	34,412	12,439
Interest expense		
The Parent	-	424
Key management personnel	105,446	112,329
Other related parties	65,455	61,515
Fees and commissions		
Other related parties	62,625	64,350
EXPENSES		
Salaries and employee benefits		
Key management personnel (non-executive Directors)	211,368	215,384
Key management personnel (executive Directors and other)	2,516,039	2,015,542
Costs allocated from related parties		
The Parent	771,750	771,750

The Group receives certain services from the Parent, with the charges for these services expensed in the expense accounts to which the services relate.

(Expressed in Bahamian dollars)

16. Commitments

Loan commitments

In the normal course of business, the Group enters into various credit-related arrangements to meet the needs of customers and earn income. These financial instruments are subject to the Group's standard credit policies and procedures. As of 31 December 2025, the Group had outstanding loan commitments amounting to $17,293,489 (2024: $17,405,609).

Commitments for property, plant and equipment

The Group has entered into various contractual agreements in relation to the acquisition of computer software and related expenditure, with outstanding commitments for such expenditure totalling $2,700,000 (2024: $2,100,000) as of 31 December 2025.

Lease commitments

The future minimum rental payments required under non-cancellable leases are as follows:

	2025 $	2024 $
2025	-	520,778
2026	656,619	446,203
2027	295,902	110,486
2028 and later	258,447	-
Total	**1,210,968**	**1,077,467**

17. Contingent Liabilities

The Group is involved in various legal proceedings covering a range of matters that arise in the ordinary course of business activities. Management is of the view that no significant losses will arise as a result of these proceedings.

18. Critical Accounting Estimates and Judgments in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Classification of financial assets and financial liabilities

The Group performs detailed analyses of its business models for managing financial assets and financial liabilities, and analyses of the respective cash flow characteristics. Investment securities are classified as financial assets at amortised cost, as the cash flow characteristics meet the requirements for SPPI, and the Group's business model is to hold investment securities without an intention to sell. The Group invests in investment securities principally for the purposes of maintaining appropriate capital based on the requirements of the Central Bank through financial assets that yield investment income, while securing liquidity in the event of significant events requiring cash and cash equivalents. The maturity profile of investment securities is managed to provide cash flows over short, medium and long terms for the purposes of managing liquidity and accordingly, sales are expected to be infrequent.

18. Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

Classification of financial assets and financial liabilities (continued)

The remaining financial assets (cash at banks, loans and advances to customers and receivables included in other assets) are classified as financial assets at amortised cost.

For the years ended 31 December 2025 and 2024, there were no changes in the Group's business model for each of its financial assets and financial liabilities, and accordingly, there were no reclassifications of financial assets and financial liabilities.

Inputs, assumptions and estimation techniques factored into measuring ECL

Measurement of ECL involves a methodology that encompasses models and data inputs. Factors that significantly impact ECL calculations include: definition of default, SICR, Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), as defined below, as well as models of macroeconomic scenarios. The Group reviews its financial assets at amortised cost to assess impairments on a quarterly basis, or more frequently when the need arises, and validates the models and data inputs to reduce differences between ECL estimates and actual credit loss experience.

ECL calculations are measured on 12-month or lifetime bases, depending on whether credit risk has significantly increased subsequent to initial recognition or whether a financial asset is considered to be credit-impaired. ECLs are the discounted product of the PD, EAD, and LGD.

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next twelve (12) months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation. The Group defines a financial asset as in default, which is consistent with the definition of credit-impaired, when one (1) or more of the following criteria are met:

  Quantitative criteria

  - Contractual payments from the borrower are past due in excess of three (3) months.

  Qualitative criteria

  More subjective considerations of default assess whether the borrower is in significant financial difficulty and unlikely to meet contractual payments when due, including the following circumstances:

  - The borrower is subject to special conditions where payments are being deferred and asset recovery procedures have been delayed, where applicable.
  - The borrower is deceased.
  - There is evidence that the borrower is insolvent.
  - There is a commencement of asset recovery procedures, including legal proceedings seeking judgment against the borrower and, where applicable, vacant possession of collateral.
  - Concessions have been made by the Group relating to the borrower's financial difficulty, including modification of terms and conditions that are not standard to normal borrowing relationships.
  - Restructuring proceedings, or indication of intention to commence restructuring proceedings, in relation to debt securities issued (investment securities only).

18. Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

Inputs, assumptions and estimation techniques factored into measuring ECL (continued)

The criteria above are consistent with the definition of default used for internal credit risk management purposes, and have been used to assess all financial assets of the Group. The default definition has been applied consistently to model the PD, EAD and LGD in all expected loss calculations.

A financial asset is no longer assessed as being in default (that is, default has been cured) when it no longer meets any of the default criteria for a consecutive period of six (6) months. This period has been determined based on analyses that assess the likelihood of a financial asset returning to default status after being cured.

- EAD is based on the balance of the financial asset expected to be outstanding at the time of default, over the next twelve (12) months (12-month EAD) or over the remaining lifetime (lifetime EAD). For example, for revolving credit facilities, the Group includes the current drawn balances plus any further amounts that are expected to be drawn up to the current contractual limit by the time of default, should it occur.

- LGD represents the expectation of the extent of loss on an exposure in default. LGD varies based on the nature of the counterparty, the type and seniority of claim, and the availability of collateral or other credit support. LGD is expressed as the percentage loss per unit of exposure at the time of default, and is also calculated on 12-month or lifetime bases.

The ECL is determined by projecting the PD, LGD and EAD for future periods and for each individual exposure or portfolio exposure. These three (3) components are multiplied together and adjusted for the likelihood of survival, which is that the exposure has not prepaid or defaulted in an earlier period. This effectively calculates an ECL for each future period, which is then discounted back to the financial reporting date and summed. The discount rate used in the ECL calculation is the approximation of the original effective interest rate.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

Significant increase in credit risk

Qualitative and quantitative indicators are factored into the determination of SICR, considering all reasonable and supportable information available without undue cost and effort, on past events, current conditions and future behavioural aspects of particular portfolios of financial assets. The Group makes best efforts to identify indicators of SICR of individual financial assets prior to delinquency and accordingly incorporates significant assumptions in its model.

The Group continuously monitors all financial assets subject to ECL, and assesses whether there has been SICR since initial recognition, which is performed on an individual basis and on a portfolio basis. Cash at banks, individually significant loans and advances to customers and investment securities classified as at amortised cost are assessed for SICR on an individual basis by monitoring the triggers stated below. For other loans and advances to customers and other financial assets, SICR is assessed on a portfolio basis unless mechanisms exist for rating credit risk on an individual basis.

18. Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

Significant increase in credit risk (continued)

A financial asset is considered to have experienced SICR when the following criteria have been met:

Investment securities

- Contractual payments from the issuer are past due in excess of thirty (30) days.
- Change from investment grade credit rating to non-investment grade credit rating.
- Two (2) notch downgrade within investment grade credit rating bands.

Loans and advances to customers

- Contractual payments from the borrower are past due in excess of thirty (30) days.

With respect to the cure for SICR, a significant decrease in credit risk is considered to have occurred when the following criteria have been met:

Investment securities

- There are no contractual payments past due.
- Credit rating reverts to level immediately prior to being deemed to have SICR.

Loans and advances to customers

- There are no contractual payments past due, and contractual payments have been received from the borrower for six (6) consecutive months.

If an exposure has been transferred to Stage 2 based on a qualitative indicator, the Group monitors whether that indicator continues to exist or has changed. If there is evidence that the SICR criteria are no longer met, the financial asset is transferred to Stage 1.

The assessment of SICR incorporates forward-looking information, as described below, and is performed on a quarterly basis at a portfolio level for all loans and advances to customers. For investment securities, the assessment is performed on a quarterly basis at a counterparty level. The criteria used to identify SICR are monitored and evaluated periodically for relevance and appropriateness by the relevant sub-committee of ExCom.

Should an additional 10.00% of loans and advances to customers currently in Stage 1, and measured at 12-months ECL, be considered to have experienced SICR and accordingly measured at lifetime ECL, the provision for loan losses as of 31 December 2025 would increase by $1,803,909 (2024: $16,747,649).

The low credit risk exemption has not been used for the years ended 31 December 2025 and 2024.

18. Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

Forward-looking information factored into ECL models

Forward-looking information is factored into both the assessment of SICR and the calculations of ECL. Historical analyses have been performed, which identified the key macroeconomic variables impacting credit risk and ECL for each type of financial asset.

These macroeconomic variables and their associated impact on the PD, EAD and LGD vary by type of financial asset, and require judgment. Forecasts of these macroeconomic variables (the base economic scenario) are determined periodically based on benchmark information available in The Bahamas, which provide the best estimate of the economy over the medium term. To project the macroeconomic variables out for the full remaining lifetime of each type of financial asset, a mean reversion approach has been utilised, which means that macroeconomic variables trend towards either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. gross domestic product) over a period of two (2) to five (5) years. The impact of these macroeconomic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these macroeconomic variables have had historically on default rates.

In addition to the base economic scenario, other possible scenarios along with scenario weightings are determined. The number of other scenarios used is set based on the analyses of each major type of financial asset to ensure non-linear relationships are appropriately factored in. The number of scenarios and their attributes are reassessed at each financial reporting date. As of 31 December 2025, three (3) scenarios were deemed to appropriately capture non-linear relationships. The scenario weightings are determined by a combination of statistical analysis and judgment, taking into account the range of possible outcomes each chosen scenario is representative of.

The Group used supportable forward-looking information for measurement of ECL, primarily an outcome of its own macroeconomic forecasting model with three (3) macroeconomic scenarios to calculate unbiased and probability weighted ECL: most likely outcome (Baseline); and two (2) less likely scenarios being better than Baseline (Upside) and worse than Baseline (Downside). For credit exposure in The Bahamas, the weight for the Baseline is set to 50.00% (2024: 80.00%) and 20.00% and 30.00% (2024: 9.59% and 10.41%) weights are applied to Upside and Downside, respectively, in relation to loans and advances to customers.

The macroeconomic scenarios utilise projected unemployment rate, gross domestic product (GDP) and national deposit levels for the immediate subsequent year, after assessing these against the experienced unemployment rate, GDP growth rate and national deposit levels in historical years. The Baseline utilises the latest supportable available benchmark forecasts from credible sources for these macroeconomic variables, and the Upside and Downside scenarios incorporate the best and worst experience for these macroeconomic variables in historical years. In the prior year, the macroeconomic scenarios utilised the projected unemployment rate and GDP growth rate.

The weights for the Baseline, Upside and Downside scenarios reflects the assessment of the Group of the current macroeconomic environment and the likelihood of each scenario after assessing the latest supportable available forecasts from credible sources, observed default rates on loans and advances to customers and uncertainty in estimates of the economy over the medium term. Accordingly, weights are adjusted as results of assessments change.

For investment securities, the forward-looking information is factored into the calculations of ECL through the PD that uses default rate tables from relevant international credit rating agencies that incorporate forward-looking information. In the prior year, macroeconomic scenarios were utilised and the weight for Baseline, Upside and Downside were set to 80.00%, 0.64% and 19.36%, respectively.

18. Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

Forward-looking information factored into ECL models (continued)

Consistent with other countries, The Bahamas was impacted by the global pandemic, which disrupted the economic performance of The Bahamas, and contributed to moderate uncertainty regarding future economic performance. The strategies deployed by the governments of The Bahamas and other countries, employers and other stakeholders to address health, economic and other issues as a result of the global pandemic led to contractions in GDP and increases in unemployment, two (2) significant assumptions impacting ECL, in The Bahamas. Accordingly, the performance of financial assets of the Group experienced deterioration since the onset of the global pandemic, however GDP and employment have reverted to levels experienced prior to the global pandemic following significant recovery recognised during the immediate four (4) prior years. Scenario weightings have been changed to take into account the experience to date and the range of possible outcomes.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to significant inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. These forecasts represent the best estimate of the possible outcomes and analyses the non-linear relationships and asymmetries within the different types of financial assets to establish that the selected scenarios appropriately represent the range of possible scenarios.

The days past due metric is considered to be the metric with the greatest integrity in assessing credit risk, and maintaining such integrity in turn facilitates the integrity and applicability of the ECL model.

<u>Sensitivity analyses</u>

Except in financial periods with outliers, such as the anomalies in macroeconomic variables experienced during the peak of the global pandemic, the most significant assumptions impacting the:

- allowances for impairment (investment securities and other financial assets, excluding loans and advances to customers) was the independent credit rating, which is an indication of the ability of an issuer of debt securities to meet contractual payments, including principal and interest, based on assessed credit rating, GDP growth and foreign direct investment.

- provision for loan losses were the following macroeconomic variables that impact a borrower's ability to meet his/her contractual payments:

    - the unemployment rate, which impacts the income of borrowers.

    - the GDP growth rate and variation, including lagged effects, which demonstrate the economic performance of The Bahamas and in turn impact employment and income of borrowers.

    - the national deposit level, which influence short term refinancing capacity, and savings behaviours of depositors, including borrowers.

Sensitivity to the significant assumptions above are factored into the calculations of ECL through scenario-weighted outcomes using multiple macroeconomic scenarios, being Baseline, Upside and Downside, with non-linear relationships explicitly reflected through regression-based modelling.

For investment securities and other financial assets, excluding loans and advances to customers, the changes to ECL calculations (allowances for impairment) for reasonable possible changes in the parameters used in the economic variable assumptions were not material.

(Expressed in Bahamian dollars)

18. Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

Forward-looking information factored into ECL models (continued)

Sensitivity analyses (continued)

For loans and advances to customers, a 10.00% increase/decrease in credit loss experience based on the ECL model used for the years ended 31 December 2025 and 2024 would result in an increase/decrease in provision for loan losses of $1,519,076 (2024: $1,403,154) as of 31 December 2025.

Additionally, the following changes in scenario inputs and weightings would result in the respective changes in provision for loan losses as of 31 December 2025:

Scenario Weightings				Increase/(Decrease)
Baseline %	Upside %	Downside %	Main Coefficient	in Provision $
50.00	20.00	30.00	Increase 120 bps	876,122
50.00	25.00	25.00	No change	(522,264)
50.00	30.00	20.00	No change	(1,044,529)

The following changes in scenario inputs and weightings would result in the respective changes in provision for loan losses as of 31 December 2024:

Scenario Weightings			Projected Baseline	Increase/(Decrease)
Baseline %	Upside %	Downside %	Unemployment	in Provision $
80.00	10.00	10.00	Increase 120 bps	1,767,962
80.00	15.00	5.00	No change	(191,949)
80.00	5.00	15.00	No change	212,793

Grouping of financial assets for losses measured on a collective basis

For ECL modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogenous.

In performing this grouping, there must be sufficient information for the group to be statistically credible. For loans and advances to customers, groupings are based on product type, comprising mortgages, consumer loans (government and non-government employees), credit cards and overdrafts. Exposures for investment securities and all Stage 3 loans and advances to customers are assessed individually.

The appropriateness of groupings is monitored and evaluated on a periodic basis by the relevant sub-committee of ExCom.

19. Capital Management

The Group's objectives when managing capital, which comprises total equity on the face of the consolidated statement of financial position, are:

- To comply with the capital requirements set by the Central Bank.
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for its shareholders and benefits for other stakeholders.
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored by the Group's management, employing techniques designed to ensure compliance with guidelines established by the Central Bank, including quantitative and qualitative measures. The required information is filed with the Central Bank on a quarterly basis.

The Central Bank, the Group's principal regulator, requires that the Group maintains a ratio of total regulatory capital to risk-weighted assets at or above a minimum of 8.00%. For the years ended 31 December 2025 and 2024, the Group complied with all of the externally imposed capital requirements to which it is subject.

20. Financial Risk Management

Strategy in using financial instruments

By their nature, the Group's activities are principally related to the use of financial instruments. The Group accepts deposits from customers at both fixed and variable rates, and for varying periods, and seeks to earn above-average interest margins by investing these funds in higher yielding assets – principally loans and advances to customers. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher interest rates, while maintaining sufficient liquidity to meet claims that might fall due.

The principal risks which arise from the Group's core activities that must be effectively managed include credit, interest rate, price, liquidity and currency risks. The Group does not use derivative instruments to manage any of these risks.

Concentration of risks

Concentration of risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location, and arises: when a significant proportion of financial instruments or contracts are entered into with the same counterparty; or where a significant proportion of counterparties are engaged in similar business activities, or activities in the same geographical region, or that have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of liquidity risk arises from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realise liquid assets. Concentration of currency risk arises when the Group has a significant net open position in a single foreign currency, or aggregate net open positions in several currencies that are historically positively correlated.

To mitigate excessive concentration of risk, the Group's policies and procedures include specific guidelines to maintain appropriate diversification.

20. Financial Risk Management (Continued)

Credit risk

Credit risk is the risk of suffering financial losses should any of the Group's customers or other counterparties fail to fulfil their contractual obligations to the Group. Credit risk arises mainly from loans and advances to customers, including loan commitments arising from such lending activities, and cash at banks and investments in debt securities as part of the Group's treasury management activities. The Group seeks to raise its interest margins by obtaining above-average margins, net of provision for loan losses, through lending to commercial and retail borrowers with a range of credit standings. Such exposures comprise loans and advances to customers, as well as off-balance sheet exposures including guarantees and other commitments such as letters of credit, and performance and other bonds.

Credit risk is one of the most significant risks facing the Group and management therefore carefully manages its exposure to credit risk. Impairment provisions are provided for ECL as of the date of the statement of financial position (Notes 5 and 6). Significant changes in the economies or sectors that represent a concentration in the Group's portfolio could result in losses that are different from those provided for as of the date of the statement of financial position.

The Group's Directors and ExCom are responsible for approving and monitoring the Group's credit exposure, which is done through review and approval of the Group's lending policies, and limits on credit exposure to individual borrowers and sectors. Prior to advancing funds, an assessment is made of the credit quality of each borrower. The Group does not use an automated credit scoring system; exposure to credit risk is managed through regular analyses of the ability of borrowers to meet contractual obligations, performed by branch managers, the central credit underwriting department, ExCom and the Directors. It is the Group's policy to lend responsibly and establish loans that are within a customer's ability to repay rather than relying exclusively on security. The experience during the global pandemic has not required any significant change in the Group's credit risk management policies, however monitoring of the effectiveness of such policies is performed more frequently.

Maximum credit exposure at the year end approximates the carrying value of all financial assets. The classes of financial instruments to which the Group is most exposed to credit risk are loans and advances to customers (Note 6), cash at banks (Note 4) and certain investment securities (Note 5).

The Group places its deposits with banks in good standing with the Central Bank and other regulators in jurisdictions in which deposits are placed. Investment securities with credit risk principally comprise debt securities issued by the Government of The Bahamas, which were downgraded to non-investment grade credit ratings during 2020 and further downgraded during the prior years, resulting in all securities acquired prior to the most recent two (2) notch downgrade being classified to Stage 2 for purposes of assessing ECL. The credit ratings of securities issued by the Government of The Bahamas were upgraded by one (1) notch during the current year, but remain at non-investment grade credit ratings.

The Group has assessed ECL for investment securities, and an allowance for impairment losses has been recognised; see Note 5. Further, the Group has assessed ECL for deposits with banks and other financial assets, excluding loans and advances to customers, and such amounts based on the credit quality of the counterparties are not material. Accordingly, no allowance for impairment losses has been recognised.

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20. Financial Risk Management (Continued)

Credit risk (continued)

For loans and advances to customers, the Group employs a range of policies and practices to mitigate credit risk. The most traditional is the taking of security for funds advanced, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or other credit risk mitigation. The principal collateral or other credit risk mitigation for loans and advances to customers include first mortgages on property, chattel mortgages, restricted deposits from customers and salary deductions from employers. Certain loans and advances to customers, including consumer loans, credit card receivables and overdrafts are unsecured.

The table below analyses the composition of the Group's loan portfolio.

	2025		2024	
	$	%	$	%
Consumer	312,255,365	85.04	318,224,947	84.90
Family residential property	23,632,134	6.44	25,479,706	6.80
Commercial	9,389,308	2.56	7,905,491	2.11
Undeveloped land	7,393,317	2.01	7,569,369	2.02
Cash secured	6,006,445	1.64	5,768,092	1.54
Overdrafts	3,687,331	1.00	2,913,287	0.77
Other	4,821,225	1.31	6,964,126	1.86
	367,185,125	**100.00**	**374,825,018**	**100.00**

The average mortgage loan balance is $81,000 (2024: $79,000) and the average consumer loan balance is $37,000 (2024: $38,000) with the largest exposure to a single customer totalling approximately $4,821,225 (2024: $6,964,126). Mortgage loans can extend up to twenty-five (25) years, and consumer loans up to twelve (12) years.

The table below analyses loans and advances to customers by payment status.

	2025		2024	
	$	%	$	%
Not impaired				
– Neither past due nor impaired	347,202,535	94.56	355,852,877	94.94
– Past due but not impaired	8,345,865	2.27	8,401,117	2.24
Impaired				
– Past due up to 3 months	1,669,325	0.45	1,249,480	0.34
– Past due 3 – 6 months	2,254,898	0.61	3,050,608	0.81
– Past due 6 – 12 months	1,905,322	0.52	1,018,064	0.27
– Past due over 12 months	5,807,180	1.59	5,252,872	1.40
	367,185,125	**100.00**	**374,825,018**	**100.00**
Provision for loan losses				
– Individually impaired	7,453,200	49.06	6,813,937	48.56
– Portfolio allowance	7,737,557	50.94	7,217,598	51.44
	15,190,757	**100.00**	**14,031,535**	**100.00**

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20. Financial Risk Management (Continued)

Credit risk (continued)

The days past due metric is used by the Group to classify loans and advances to customers in the Stages for the ECL calculations. Loans and advances not past due, except for those specifically assessed as having other conditions of default, and up to thirty (30) days past due are Stage 1; past due in excess of thirty (30) days but less than three (3) months are Stage 2; and those past due in excess of three (3) months are Stage 3. Further, provision for loan losses on: individually impaired loans represents Stage 3; and portfolio allowance represents Stage 1 and Stage 2.

The table below discloses the loans and advances to customers that are past due but not impaired.

31 December 2025	Mortgages $	Consumer and Other $	Total $
Past due up to 3 months	1,653,193	3,155,480	4,808,673
Past due 3 – 6 months	552,241	258,431	810,672
Past due 6 – 12 months	87,214	219,664	306,878
Past due over 12 months	2,407,457	12,185	2,419,642
Total past due but not impaired	**4,700,105**	**3,645,760**	**8,345,865**
31 December 2024			
Past due up to 3 months	1,713,008	2,377,042	4,090,050
Past due 3 – 6 months	149,218	126,665	275,883
Past due 6 – 12 months	511,353	160,991	672,344
Past due over 12 months	3,356,433	6,407	3,362,840
Total past due but not impaired	**5,730,012**	**2,671,105**	**8,401,117**

The fair value of collateral in the form of property is initially measured consistent with the accounting policy for land and buildings disclosed at Note 2(g), based on valuations performed by independent appraisers who hold recognised and relevant professional qualifications and have recent experience in the category of the properties being valued. Subsequently, the fair value is updated when market conditions indicate a potential change in fair value and/or when the customer initially goes into default.

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20. Financial Risk Management (Continued)

Credit risk (continued)

Individually impaired loans can be analysed as follows:

31 December 2025	Mortgages $	Consumer and Other $	Total $
Carrying amount	5,762,060	5,874,665	11,636,725
Provision for loan losses	2,843,714	4,609,486	7,453,200
31 December 2024			
Carrying amount	5,592,012	4,979,012	10,571,024
Provision for loan losses	2,908,147	3,905,790	6,813,937

The classification of loans as past due but not impaired, and provision for loan losses, are determined by reference to the fair value of collateral pledged in support of the respective loans and advances to customers in respect of such loans. As of 31 December 2025, a decrease of 10.00% in the fair value of collateral would result in a decrease of $209,871 (2024: $520,951) in the carrying value of loans classified as past due but not impaired and an increase in past due and impaired loans by an equal amount, and provision for loan losses would increase by $311,192 (2024: $311,589).

The provision for loan losses and allowances for impairment of other financial assets recognised in a financial period are impacted by several factors, including:

- Transfers between Stage 1 and Stages 2 or 3 due to financial assets experiencing significant increases (or decreases) in credit risk or becoming credit-impaired during a financial period, and the consequent change between 12-month ECL and lifetime ECL.
- Increases for provision and/or allowances for new financial assets recognised during a financial period, and decreases for financial assets derecognised in a financial period.
- Impacts on the measurement of ECL due to changes made to model methodologies and assumptions.
- Decreases in provision and/or allowances related to financial assets written off during a financial period.

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20. Financial Risk Management (Continued)

Credit risk (continued)

The tables below disclose movements in provision for loan losses due to the factors set out above for the year ended 31 December 2025.

Mortgages	**Stage 1 12-month ECL $**	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Total $**
Balance as of 1 January 2025	111,524	38,851	2,908,147	3,058,522
Provision for loan losses during the year				
Transfers				
Transfer from Stage 1 to Stage 2	(4,308)	29,295	-	24,987
Transfer from Stage 1 to Stage 3	(2,159)	-	98,395	96,236
Transfer from Stage 2 to Stage 1	2,532	(11,581)	-	(9,049)
Transfer from Stage 2 to Stage 3	-	(15,120)	40,012	24,892
Transfer from Stage 3 to Stage 2	-	8,568	(4,070)	4,498
Loans and advances written	62,649	-	-	62,649
Changes to models and assumptions	164,016	19,851	(134,337)	49,530
Loans and advances derecognised	(4,484)	(9,011)	-	(13,495)
Provision for loan losses	218,246	22,002	-	240,248
Write-offs	-	-	(64,433)	(64,433)
Other movements	-	-	(64,433)	(64,433)
Balance as of 31 December 2025	**329,770**	**60,853**	**2,843,714**	**3,234,337**

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20. Financial Risk Management (Continued)

Credit risk (continued)

Consumer and other loans	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Balance as of 1 January 2025	4,952,670	2,114,553	3,905,790	10,973,013
Provision for loan losses during the year				
Transfers				
Transfer from Stage 1 to Stage 2	(125,310)	273,120	-	147,810
Transfer from Stage 1 to Stage 3	(108,858)	-	3,118,126	3,009,268
Transfer from Stage 2 to Stage 1	23,365	(532,099)	-	(508,734)
Transfer from Stage 2 to Stage 3	-	(154,756)	294,026	139,270
Transfer from Stage 3 to Stage 2	-	9,613	(300,581)	(290,968)
Loans and advances written	3,776,429	-	-	3,776,429
Changes to models and assumptions	282,361	(1,169,135)	3,378,282	2,491,508
Loans and advances derecognised	(1,846,851)	(148,168)	(532,697)	(2,527,716)
Provision for loan losses	2,001,136	(1,721,425)	5,957,156	6,236,867
Write-offs	-	-	(5,253,460)	(5,253,460)
Other movements	-	-	(5,253,460)	(5,253,460)
Balance as of 31 December 2025	**6,953,806**	**393,128**	**4,609,486**	**11,956,420**

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20. Financial Risk Management (Continued)

Credit risk (continued)

Total	**Stage 1 12-month ECL $**	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Total $**
Balance as of 1 January 2025	5,064,194	2,153,404	6,813,937	14,031,535
Provision for loan losses during the year				
Transfers				
Transfer from Stage 1 to Stage 2	(129,618)	302,415	-	172,797
Transfer from Stage 1 to Stage 3	(111,017)	-	3,216,521	3,105,504
Transfer from Stage 2 to Stage 1	25,897	(543,680)	-	(517,783)
Transfer from Stage 2 to Stage 3	-	(169,876)	334,038	164,162
Transfer from Stage 3 to Stage 2	-	18,181	(304,651)	(286,470)
Loans and advances written	3,839,078	-	-	3,839,078
Changes to models and assumptions	446,377	(1,149,284)	3,243,945	2,541,038
Loans and advances derecognised	(1,851,335)	(157,179)	(532,697)	(2,541,211)
Provision for loan losses	2,219,382	(1,699,423)	5,957,156	6,477,115
Write-offs	-	-	(5,317,893)	(5,317,893)
Other movements	-	-	(5,317,893)	(5,317,893)
Balance as of 31 December 2025	**7,283,576**	**453,981**	**7,453,200**	**15,190,757**

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20. Financial Risk Management (Continued)

Credit risk (continued)

The tables below disclose movements in provision for loan losses due to the factors set out above for the year ended 31 December 2024.

Mortgages	**Stage 1 12-month ECL $**	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Total $**
Balance as of 1 January 2024	111,524	38,850	3,102,730	3,253,104
Provision for loan losses during the year				
Transfers				
Transfer from Stage 1 to Stage 2	(3,880)	46,541	-	42,661
Transfer from Stage 1 to Stage 3	(2,010)	-	54,704	52,694
Transfer from Stage 2 to Stage 1	3,833	(30,829)	-	(26,996)
Transfer from Stage 2 to Stage 3	-	(2,176)	3,687	1,511
Transfer from Stage 3 to Stage 2	-	8,234	(34,289)	(26,055)
Loans and advances written	30,702	-	-	30,702
Changes to models and assumptions	(24,921)	(21,769)	49,105	2,415
Loans and advances derecognised	(3,724)	-	-	(3,724)
Provision for loan losses	-	1	73,207	73,208
Write-offs	-	-	(267,790)	(267,790)
Other movements	-	-	(267,790)	(267,790)
Balance as of 31 December 2024	**111,524**	**38,851**	**2,908,147**	**3,058,522**

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20. Financial Risk Management (Continued)

Credit risk (continued)

Consumer and other loans	**Stage 1 12-month ECL $**	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Total $**
Balance as of 1 January 2024	4,951,941	2,114,553	2,519,743	9,586,237
Provision for loan losses during the year				
Transfers				
Transfer from Stage 1 to Stage 2	(73,037)	1,003,060	-	930,023
Transfer from Stage 1 to Stage 3	(153,555)	-	3,080,842	2,927,287
Transfer from Stage 2 to Stage 1	47,717	(194,322)	-	(146,605)
Transfer from Stage 2 to Stage 3	-	(39,036)	94,525	55,489
Transfer from Stage 3 to Stage 2	-	(3,160)	(64,517)	(67,677)
Loans and advances written	3,397,787	-	-	3,397,787
Changes to models and assumptions	(1,605,925)	(581,926)	3,953,647	1,765,796
Loans and advances derecognised	(1,612,258)	(184,616)	(602,184)	(2,399,058)
Provision for loan losses	729	-	6,462,313	6,463,042
Write-offs	-	-	(5,076,266)	(5,076,266)
Other movements	-	-	(5,076,266)	(5,076,266)
Balance as of 31 December 2024	**4,952,670**	**2,114,553**	**3,905,790**	**10,973,013**

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20. Financial Risk Management (Continued)

Credit risk (continued)

Total	**Stage 1 12-month ECL $**	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Total $**
Balance as of 1 January 2024	5,063,465	2,153,403	5,622,473	12,839,341
Provision for loan losses during the year				
Transfers				
Transfer from Stage 1 to Stage 2	(76,917)	1,049,601	-	972,684
Transfer from Stage 1 to Stage 3	(155,565)	-	3,135,546	2,979,981
Transfer from Stage 2 to Stage 1	51,550	(225,151)	-	(173,601)
Transfer from Stage 2 to Stage 3	-	(41,212)	98,212	57,000
Transfer from Stage 3 to Stage 2	-	5,074	(98,806)	(93,732)
Loans and advances written	3,428,489	-	-	3,428,489
Changes to models and assumptions	(1,630,846)	(603,695)	4,002,752	1,768,211
Loans and advances derecognised	(1,615,982)	(184,616)	(602,184)	(2,402,782)
Provision for loan losses	729	1	6,535,520	6,536,250
Write-offs	-	-	(5,344,056)	(5,344,056)
Other movements	-	-	(5,344,056)	(5,344,056)
Balance as of 31 December 2024	**5,064,194**	**2,153,404**	**6,813,937**	**14,031,535**

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20. Financial Risk Management (Continued)

Credit risk (continued)

The tables below disclose movements in gross carrying amounts of loans and advances to customers for the year ended 31 December 2025, which elucidate the significance of such changes to the changes in provision for loan losses.

Mortgages	**Stage 1 12-month ECL $**	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Total $**
Balance as of 1 January 2025	29,534,246	1,743,019	11,188,784	42,466,049
Transfers				
Transfer from Stage 1 to Stage 2	(945,713)	945,713	-	-
Transfer from Stage 1 to Stage 3	(266,428)	-	266,428	-
Transfer from Stage 2 to Stage 1	275,751	(275,751)	-	-
Transfer from Stage 2 to Stage 3	-	(342,786)	342,786	-
Transfer from Stage 3 to Stage 2	-	474,441	(474,441)	-
Loans and advances written	5,139,742	-	-	5,139,742
Changes to exposure other than full derecognition	(3,014,515)	(497,520)	(242,539)	(3,754,574)
Loans and advances derecognised	(1,073,854)	(230,185)	(804,884)	(2,108,923)
Write-offs	-	-	(64,433)	(64,433)
Balance as of 31 December 2025	**29,649,229**	**1,816,931**	**10,211,701**	**41,677,861**

Consumer and other loans	**Stage 1 12-month ECL $**	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Total $**
Balance as of 1 January 2025	313,632,682	10,635,220	5,307,735	329,575,637
Transfers				
Transfer from Stage 1 to Stage 2	(3,740,048)	3,740,048	-	-
Transfer from Stage 1 to Stage 3	(3,083,595)	-	3,083,595	-
Transfer from Stage 2 to Stage 1	1,038,757	(1,038,757)	-	-
Transfer from Stage 2 to Stage 3	-	(298,581)	298,581	-
Transfer from Stage 3 to Stage 2	-	2,254,556	(2,254,556)	-
Loans and advances written	125,901,506	-	-	125,901,506
Changes to exposure other than full derecognition	(22,596,604)	(4,859,373)	8,279,478	(19,176,499)
Loans and advances derecognised	(104,938,831)	(440,145)	(3,042,941)	(108,421,917)
Write-offs	-	-	(5,253,460)	(5,253,460)
Balance as of 31 December 2025	**306,213,867**	**9,992,968**	**6,418,432**	**322,625,267**

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20. Financial Risk Management (Continued)

Credit risk (continued)

Total	**Stage 1 12-month ECL $**	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Total $**
Balance as of 1 January 2025	343,166,928	12,378,239	16,496,519	372,041,686
Transfers				
Transfer from Stage 1 to Stage 2	(4,685,761)	4,685,761	-	-
Transfer from Stage 1 to Stage 3	(3,350,023)	-	3,350,023	-
Transfer from Stage 2 to Stage 1	1,314,508	(1,314,508)	-	-
Transfer from Stage 2 to Stage 3	-	(641,367)	641,367	-
Transfer from Stage 3 to Stage 2	-	2,728,997	(2,728,997)	-
Loans and advances written	131,041,248	-	-	131,041,248
Changes to exposure other than full derecognition	(25,611,119)	(5,356,893)	8,036,939	(22,931,073)
Loans and advances derecognised	(106,012,685)	(670,330)	(3,847,825)	(110,530,840)
Write-offs	-	-	(5,317,893)	(5,317,893)
Balance as of 31 December 2025	**335,863,096**	**11,809,899**	**16,630,133**	**364,303,128**

The tables below disclose movements in gross carrying amounts of loans and advances to customers for the year ended 31 December 2024, which elucidate the significance of such changes to the changes in provision for loan losses.

Mortgages	**Stage 1 12-month ECL $**	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Total $**
Balance as of 1 January 2024	26,997,685	1,502,762	12,107,851	40,608,298
Transfers				
Transfer from Stage 1 to Stage 2	(1,187,005)	1,187,005	-	-
Transfer from Stage 1 to Stage 3	(675,346)	-	675,346	-
Transfer from Stage 2 to Stage 1	906,474	(906,474)	-	-
Transfer from Stage 2 to Stage 3	-	(99,252)	99,252	-
Transfer from Stage 3 to Stage 2	-	749,469	(749,469)	-
Loans and advances written	6,918,041	-	-	6,918,041
Changes to exposure other than full derecognition	(2,115,430)	(690,491)	311,820	(2,494,101)
Loans and advances derecognised	(1,310,173)	-	(988,226)	(2,298,399)
Write-offs	-	-	(267,790)	(267,790)
Balance as of 31 December 2024	**29,534,246**	**1,743,019**	**11,188,784**	**42,466,049**

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20. Financial Risk Management (Continued)

Credit risk (continued)

Consumer and other loans	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Balance as of 1 January 2024	315,104,036	12,345,229	4,026,319	331,475,584
Transfers				
Transfer from Stage 1 to Stage 2	(1,974,577)	1,974,577	-	-
Transfer from Stage 1 to Stage 3	(3,155,282)	-	3,155,282	-
Transfer from Stage 2 to Stage 1	622,159	(622,159)	-	-
Transfer from Stage 2 to Stage 3	-	(202,054)	202,054	-
Transfer from Stage 3 to Stage 2	-	51,979	(51,979)	-
Loans and advances written	115,233,676	-	-	115,233,676
Changes to exposure other than full derecognition	(20,236,114)	(2,426,705)	5,694,114	(16,968,705)
Loans and advances derecognised	(91,961,216)	(485,647)	(2,641,789)	(95,088,652)
Write-offs	-	-	(5,076,266)	(5,076,266)
Balance as of 31 December 2024	**313,632,682**	**10,635,220**	**5,307,735**	**329,575,637**

Total	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Balance as of 1 January 2024	342,101,721	13,847,991	16,134,170	372,083,882
Transfers				
Transfer from Stage 1 to Stage 2	(3,161,582)	3,161,582	-	-
Transfer from Stage 1 to Stage 3	(3,830,628)	-	3,830,628	-
Transfer from Stage 2 to Stage 1	1,528,633	(1,528,633)	-	-
Transfer from Stage 2 to Stage 3	-	(301,306)	301,306	-
Transfer from Stage 3 to Stage 2	-	801,448	(801,448)	-
Loans and advances written	122,151,717	-	-	122,151,717
Changes to exposure other than full derecognition	(22,351,544)	(3,117,196)	6,005,934	(19,462,806)
Loans and advances derecognised	(93,271,389)	(485,647)	(3,630,015)	(97,387,051)
Write-offs	-	-	(5,344,056)	(5,344,056)
Balance as of 31 December 2024	**343,166,928**	**12,378,239**	**16,496,519**	**372,041,686**

Renegotiated loans and advances to customers

Restructuring activities include extended payment arrangements and modification and deferral of payments. Restructuring policies and practices are determined based on indicators or criteria that indicate that payment will most likely continue, and such policies are under constant review. Renegotiated loans and advances that would otherwise be past due or impaired totalled $9,742,258 (2024: $10,545,661) as of 31 December 2025.

20. Financial Risk Management (Continued)

Credit risk (continued)

Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans and advances to customers.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments as most commitments to extend credit are contingent upon customers maintaining specific credit standards. See Note 16 for loan commitments.

The Group monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter term commitments.

Geographical concentrations of financial assets

The Group has a concentration of credit risk in respect of geographical area, as both customers and assets held as collateral are based in The Bahamas.

Interest rate risk

Interest rate risk is the risk that the future cash flows or the fair values of financial instruments will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow interest rate risks. Interest margins may increase as a result of such changes but may reduce gains or create losses in the event that unexpected movements arise.

The Group does not attempt to hedge specifically against the impact of changes in market interest rates on cash flows and interest margins and relies on the fact that the loan portfolio generally is based on variable interest rates linked to the B$ Prime rate that generally reset within three (3) months of any change in these rates and has financial liabilities that finance these loans but at lower interest rates, which too are based on B$ Prime rate and can be reset following the maturity of any deposits. The Group maintains a general policy of fixing the interest rate spread between interest earned on financial assets and interest incurred on financial liabilities.

As of 31 December 2025, the Group is exposed to fair value interest rate risk on $179,022,103 (2024: $128,332,975) of its investments in debt securities, which are at fixed interest rates with maturity dates ranging from 2026 to 2050 (2024: 2025 to 2050). The remainder of debt securities in the Group's investment portfolio are at variable rates linked to the B$ Prime rate.

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20. Financial Risk Management (Continued)

Interest rate risk (continued)

The table below summarises the Group's exposure to interest rate risks, and includes the Group's financial instruments at carrying amounts categorised by the earliest contractual repricing dates.

31 December 2025	Immediate Repricing $	Up to 3 months $	3 to 12 months $	12 months to 5 years $	More than 5 years $	Non-interest bearing $	Total $
ASSETS							
Cash on hand and at banks	4,938,017	47,163,577	21,856,022	-	-	176,600,955	250,558,571
Investment securities	22,323,910	34,250,986	111,975,020	11,286,784	24,837,780	-	204,674,480
Loans and advances to customers	46,673,225	1,130,159	1,764,393	48,204,761	250,826,950	512,883	349,112,371
Other assets	-	-	-	-	-	14,708,581	14,708,581
Total financial assets	**73,935,152**	**82,544,722**	**135,595,435**	**59,491,545**	**275,664,730**	**191,822,419**	**819,054,003**
LIABILITIES							
Deposits from customers	239,417,402	69,582,207	201,884,363	94,498,666	-	106,751,421	712,134,059
Accrued expenses and other liabilities	-	-	254,333	277,042	-	4,236,934	4,768,309
Total financial liabilities	**239,417,402**	**69,582,207**	**202,138,696**	**94,775,708**	**-**	**110,988,355**	**716,902,368**
Interest repricing gap	**(165,482,250)**	**12,962,515**	**(66,543,261)**	**(35,284,163)**	**275,664,730**	**80,834,064**	

31 December 2024	Immediate Repricing $	Up to 3 months $	3 to 12 months $	12 months to 5 years $	More than 5 years $	Non-interest bearing $	Total $
ASSETS							
Cash on hand and at banks	5,375,341	45,252,884	21,585,358	-	-	227,726,803	299,940,386
Investment securities	23,767,553	61,774,828	38,008,807	12,351,750	17,538,389	-	153,441,327
Loans and advances to customers	48,342,560	927,557	1,898,324	47,668,181	258,567,491	606,038	358,010,151
Other assets	-	-	-	-	-	6,821,961	6,821,961
Total financial assets	**77,485,454**	**107,955,269**	**61,492,489**	**60,019,931**	**276,105,880**	**235,154,802**	**818,213,825**
LIABILITIES							
Deposits from customers	210,362,001	86,208,400	189,092,229	111,654,140	-	116,036,983	713,353,753
Accrued expenses and other liabilities	-	12,301	15,589	891,788	-	2,783,714	3,703,392
Total financial liabilities	**210,362,001**	**86,220,701**	**189,107,818**	**112,545,928**	**-**	**118,820,697**	**717,057,145**
Interest repricing gap	**(132,876,547)**	**21,734,568**	**(127,615,329)**	**(52,525,997)**	**276,105,880**	**116,334,105**	

As of 31 December 2025, an increase/decrease in market interest rates by 0.50% (2024: 0.50%), being the assumption of reasonable potential changes in interest rates as of the respective date, with all other variables remaining constant, would increase/decrease net income by $16,000 (2024: $158,000).

Price risk

Price risk is the risk that the fair values and/or amounts realised on sales of financial instruments may fluctuate significantly as a result of changes in market prices. Price risk principally arises from the Group's investment securities, in the event that these are required to be sold to meet liquidity needs. The Group has significant concentration risk because the vast majority of its investment securities are issued by the Government of The Bahamas or its related entities. Trading levels in The Bahamas, whether on BISX or over-the-counter markets, are generally low and therefore, the ability of the Group to liquidate large positions may be difficult and prices received may be severely impacted. The Central Bank has created a secondary market for certain debt securities issued by the Government of The Bahamas, and prices currently being observed in this market and over-the-counter approximate the face values of such securities.

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20. Financial Risk Management (Continued)

Liquidity risk

Liquidity risk is the risk that the Group is not able to meet its financial obligations as they fall due or can do so only at an excessive cost. The Group's liquidity policy is to maintain sufficient liquid resources to cover cash flow imbalances and fluctuations in funding, to retain full public confidence in the solvency of the Group and to enable it to meet all financial obligations. This is achieved by maintaining a prudent level of liquid assets through management control of the rate of growth of the business and maintaining high levels of capital.

The table below analyses financial assets and financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity dates as of the date of statement of financial position and represent undiscounted cash flows.

31 December 2025	**Repayable on demand $**	**Up to 3 months $**	**3 to 12 months $**	**12 months to 5 years $**	**More than 5 years $**	**Total $**
ASSETS						
Cash on hand and at banks	181,538,972	47,219,394	21,969,685	-	-	250,728,051
Investment securities	500,000	36,515,889	117,591,396	34,875,117	47,368,454	236,850,856
Loans and advances to customers	3,687,331	39,588,431	60,562,781	251,811,228	243,798,835	599,448,606
Other assets	-	14,708,581	-	-	-	14,708,581
Total financial assets	**185,726,303**	**138,032,295**	**200,123,862**	**286,686,345**	**291,167,289**	**1,101,736,094**
LIABILITIES						
Deposits from customers	346,168,823	70,256,093	206,482,864	102,432,984	-	725,340,764
Accrued expenses and other liabilities	-	4,420,803	472,750	554,349	-	5,447,902
Total financial liabilities	**346,168,823**	**74,676,896**	**206,955,614**	**102,987,333**	**-**	**730,788,666**
Net liquidity gap	**(160,442,520)**	**63,355,399**	**(6,831,752)**	**183,699,012**	**291,167,289**	
Loan commitments	**17,293,489**					
31 December 2024						
ASSETS						
Cash on hand and at banks	233,102,144	45,309,129	21,698,356	-	-	300,109,629
Investment securities	500,000	62,958,369	41,678,129	32,205,667	40,560,189	177,902,354
Loans and advances to customers	2,913,287	38,139,156	59,182,594	245,975,745	243,078,828	589,289,610
Other assets	-	6,821,961	-	-	-	6,821,961
Total financial assets	**236,515,431**	**153,228,615**	**122,559,079**	**278,181,412**	**283,639,017**	**1,074,123,554**
LIABILITIES						
Deposits from customers	326,398,984	87,245,208	191,723,225	121,782,067	-	727,149,484
Accrued expenses and other liabilities	-	2,911,882	392,610	556,689	-	3,861,181
Total financial liabilities	**326,398,984**	**90,157,090**	**192,115,835**	**122,338,756**	**-**	**731,010,665**
Net liquidity gap	**(89,883,553)**	**63,071,525**	**(69,556,756)**	**155,842,656**	**283,639,017**	
Loan commitments	**17,405,609**					

The relative distribution of financial instruments based on the maturity ranges in the analysis above is representative of the relative distribution of financial instruments that would result on the basis of discounted cash flows. Regulatory authorities set limits for liquidity balances, and the Group was in compliance with these requirements for the years ended 31 December 2025 and 2024.

As of 31 December 2025, principal and interest balances of the deposits of the ten (10) largest customers totalled $136,839,226 (2024: $142,983,424) representing19.22% (2024: 20.04%) of total deposits from customers.

20. Financial Risk Management (Continued)

Currency risk

Currency risk is the risk that the fair values and/or amounts realised on sales of financial instruments or the settlement of financial liabilities may fluctuate due to changes in foreign exchange rates. The Group is not exposed to currency risk, as its financial instruments along with financial activity are predominantly denominated in B$. The remaining financial instruments and financial activity are denominated in the United States dollar (US$), and currency risk is mitigated because the B$:US$ exchange rate is fixed at 1.00:1.00.

21. Fiduciary Risk Management

The Group is susceptible to fiduciary risk, which is the risk that the Group may fail in carrying out certain mandates in accordance with the wishes of its customers. To manage exposure, the Group generally takes a conservative approach in its undertakings.

22. Fair Values of Financial Instruments

Fair value hierarchy

The Group ranks its financial instruments based on the hierarchy of valuation techniques required by IFRS, which is determined based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two (2) types of inputs lead to the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the financial instrument.

The determination of what constitutes 'observable' requires significant judgment by the Group. The Group considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

22. Fair Values of Financial Instruments (Continued)

Fair value hierarchy (continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from the exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include government debt securities and other securities with observable inputs.

Financial instruments classified within Level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments include unlisted securities that have significant unobservable components.

Fair values

Financial instruments utilised by the Group comprise the recorded financial assets and financial liabilities disclosed in the consolidated financial statements. Certain financial instruments are short term in nature or have interest rates that reset to market rates; accordingly, their fair values approximate their carrying values. For the remaining financial instruments with fixed interest rates, despite a change in market rates since the issuance of the financial instruments, there has been no observable change in fair values; accordingly, the carrying values approximate fair values.

Financial instruments are principally Level 2 in the fair value hierarchy. The fair values of the financial assets and financial liabilities disclosed under that category have been determined considering, amongst other factors, discounted cash flows, with the most significant input being the B$ Prime rate. B$ Prime rate was reduced by 0.50% effective January 2017, and prior to this change B$ Prime rate had not experienced any changes since the year ended 31 December 2011.