2024 ANNUAL REPORT

Resilient. Disciplined. Focused.

FIDELITY

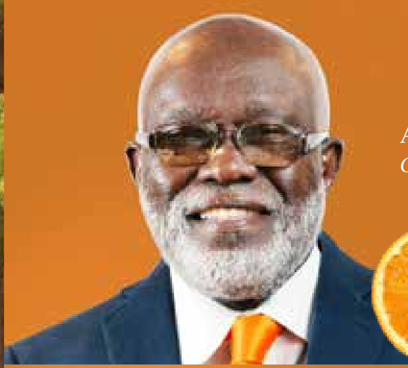
We're good for you!

Table of Contents

Summary Of Results

31 December (B$000)	2024	2023	% Change	2022	2021	2020
Interest Income	61,923	60,801	1.85%	63,860	65,347	67,217
Interest Expense	(7,943)	(8,819)	-9.93%	(10,919)	(12,078)	(11,970)
Net Interest Income	53,980	51,982	3.84%	52,941	53,269	55,247
Provision for Loan Losses	(6,536)	(9,429)	-30.68%	(6,182)	(6,001)	(24,968)
Net Interest Income after Expected Credit Losses	47,443	42,553	11.49%	46,199	46,268	30,280
Non-Interest Income	10,753	7,444	44.45%	6,328	4,069	3,618
Non-Interest Expenses	(40,245)	(36,223)	11.10%	(32,284)	(28,174)	(26,502)
Share of Profits/(Losses) of Joint Ventures	19	6	216.67%	(25)	6	18
Net Income	17,971	13,780	30.41%	20,218	22,170	7,414
Total Comprehensive Income	17,971	13,780	30.41%	20,903	22,170	7,414
Net Income Attributable to Ordinary Shareholders	16,996	12,805	32.73%	19,243	21,195	6,439
Book Value per Ordinary Share	$3.31	$3.24	2.44%	$3.27	$3.10	$2.87
Dividends per Ordinary Share	$0.51	$0.48	6.25%	$0.52	$0.51	$0.22
Year End Share Price	$17.00	$17.75	-4.23%	$18.10	$14.91	$13.75
Weighted Average Ordinary Shares	28,830.129	28,830,129	0.00%	28,830,129	28,822,954	28,815,779
Investment Securities	153,441	116,399	31.82%	108,471	105,410	92,943
Loans and Advances to Customers	358,010	359,244	-0.34%	372,696	401,585	418,491
Total Assets	827,624	779,306	6.20%	770,618	899,102	710,483
Write-offs of Loans and Advances to Customers	5,344	10,174	-47.47%	10,151	15,230	11,577
Deposits from Customers	713,354	667,007	6.95%	656,880	769,755	574,997
Total Equity	110,567	108,293	2.10%	109,345	104,427	97,811
Total Equity - Ordinary Shares	95,567	93,293	2.44%	94,345	89,427	82,811
Growth in Loans and Advances to Customers	-0.34%	-3.61%		-7.19%	-4.04%	-2.92%
Growth in Total Assets	6.20%	1.13%		-14.29%	26.55%	2.54%
Earnings Per Share	$0.59	$0.45	32.46%	$0.67	$0.74	$0.22
Price/Earnings	28.84 x	39.96 x	-27.70%	27.12 x	20.28 x	61.53 x
Price/Book Value	5.13 x	5.49 x	-6.50%	5.53 x	4.81 x	4.78 x
Dividend Yield	3.00%	2.70%	10.94%	2.87%	3.42%	1.60%
Return on Average Assets	2.24%	1.78%	25.79%	2.50%	2.75%	1.06%
Return on Average Ordinary Shareholders' Equity	18.00%	13.65%	31.87%	20.94%	24.61%	7.78%
Ordinary Dividend Payout Ratio	86.62%	108.21%	-19.95%	78.00%	69.46%	98.62%
Efficiency Ratio	62.17%	60.95%	1.99%	54.47%	49.14%	45.02%
Net Interest Margin	6.85%	6.83%	0.26%	6.45%	6.72%	8.01%
Non-Performing Loans to Total Loans	3.60%	3.49%	2.98%	3.73%	4.51%	6.76%
Non-Performing Loans to Total Assets	1.65%	1.70%	-3.11%	1.91%	2.15%	4.32%
Net Write-offs to Average Loans	1.41%	2.63%	-46.45%	2.47%	3.45%	2.55%
Provision for Loan Losses to Total Loans, Including Accrued Interest	3.70%	3.38%	9.37%	3.45%	4.11%	5.90%
Provision for Loan Losses to Non-Performing Loans	102.93%	96.91%	6.20%	92.45%	91.01%	87.21%

Board of Directors



Alfred H. Stewart
Chairman

Stuart M. Bowe

Gowon N. G. Bowe
Chief Executive Officer

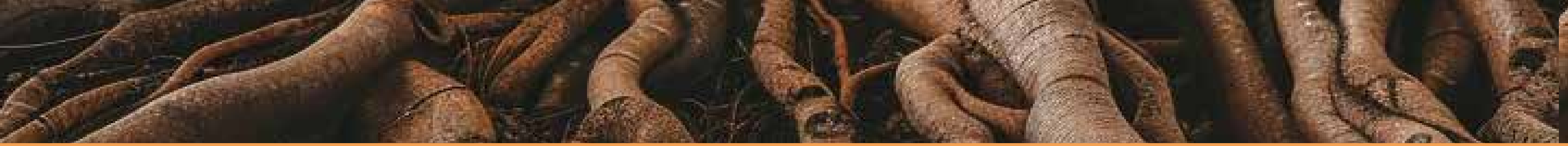
Jennifer P. Dilbert
Chairperson, Compensation Committee

Michael A. Anderson

Aziz Sunderji

J. Nicholas Freeland
Chairman, Audit & Risk Management Committee

Dawn A. Patton



Chairman’s Report

Alfred H. Stewart
Chairman

A rewarding aspect of captaining a team is observing the strengthening of bonds among the members of the team when confronting challenges. The financial performance of Fidelity Bank (Bahamas) Limited (the Bank) for the year ended 31 December 2024 publicly evidenced what was being privately witnessed in meetings among the Board of Directors and members of the Executive Committee (ExCom) throughout the fiscal year – resilience, discipline and focus. The result was net income and total comprehensive income of $18 million, representing a return on average ordinary shareholders’ equity of 18.00%.

As communicated in the prior year, the Bank and the economy in which it operates, the Commonwealth of The Bahamas (The Bahamas), required resets, at least in certain areas. ExCom and key managers performed intense analyses 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 Bahamas. ExCom faced a real “fight-or-flight” response to certain harsh realities that underpinned the underwhelming financial performance for the year ended 31 December 2023. Given that all members of ExCom from the prior year were present and accounted for in the current year, and additional members were added at the end of the current year, the chosen response is apparent.

The findings of the intense analyses were intimidating on their own, but these were compounded by criticisms of the financial performance of the prior year that did not necessarily sufficiently take into consideration the economic environment in which the Bank operated and/or the stable financial performance achieved during the turbulent times that were the peak of the global pandemic, COVID-19, and the immediate post-global pandemic era. Commendably, ExCom and key managers not only devised strategies to return the Bank to target levels of financial performance but steadily and deliberately executed upon those strategies. The natural inclination to overact to negative situations, which often leads to an exacerbation of the situations, was counteracted by discipline and focus.

The economy of The Bahamas and the fiscal performance of the Government have positive elements that provide optimism. Total visitor arrivals for 2024 reportedly exceeded eleven (11) million, and a number of investment projects, particularly in the tourism sector, have been announced covering key islands such as Grand Bahama, Eleuthera, Long Island and Exuma. Energy reforms have led to optimism for stable and affordable energy across the archipelago, and simultaneously created capital markets activity. The Government of The Bahamas has projected the lowest fiscal deficit in nearly two (2) decades for fiscal year 2024/2025, and the highest reported Gross Domestic Product (GDP). Whether the fiscal deficit is met is less relevant than the downward trajectory being recorded and the slowing growth in the national debt.

However, there are storms threatening, such as: high levels of prices following years of elevated inflation; persistent inflation, particularly in the United States of America, the key trading partner of The Bahamas; trade and military wars; and the threat of recessions in the major international economies, including that of the key trading partner. Coupled with the structural challenges that have long existed in The Bahamas, the Bank will continue to face an underwhelming lending environment. Hence the significance of the strategies that target revenues from non-traditional sources, and profits through recovering funds owed to the Bank.

A key component of being resilient in the commercial banking sector is managing talent, particularly at ExCom and its equivalent levels. The Chief Executive Officer (CEO) has formally welcomed young professionals to his team, who in a short period of time have made meaningful contributions to the deliberations of the Board of Directors. On behalf of the Board of Directors, a warm welcome is extended to Jamal O. Ijeoma, Chief Financial Officer and Niall G. Turnquest, Head of Internal Audit.

ExCom, led by the CEO, have initially met the challenge put to them by the Board of Directors in the prior year to reset the business models and modus operandi of the Bank to leverage successes of the past and align with identified requirements for successes in the future. The challenge this current year is simpler in words but more difficult in actioning – prove the Bank to be resilient for the foreseeable future through your continued discipline and focus. The customers, shareholders, employees and communities, which benefit from the successes of the Bank, demand nothing less.

To the customers, employees, communities and shareholders, the Board of Directors expresses its appreciation for your loyalty and support, and the confidence placed in the Bank. As Lao Tzu stated, “the journey of a thousand miles begins with one step”; the first step following certain resets has been taken, but there are many more to go.

Our Executive Team

Gowon N. G. Bowe
Chief Executive Officer

Jamal Ijeoma
Chief Financial Officer

H. Gregory Bethel
President

Malvern Bain
Vice President, Asset Recovery

Crestwell Gardiner
Vice President, Credit & Lending

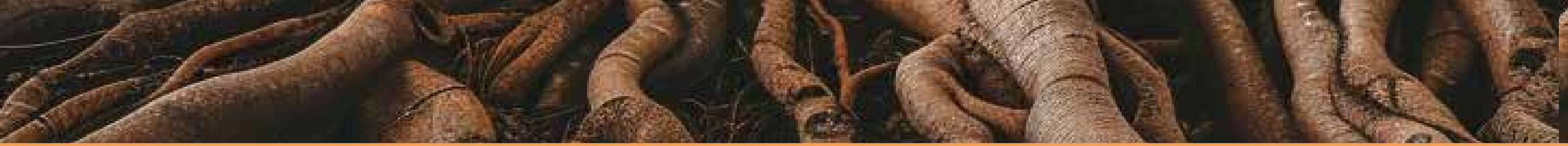
Alan Loane
Chief Information Officer

Janice Rolle
Vice President, Retail Banking

Spencer Smith
Head of Compliance

Heatherdawn Blake-Brown
Vice President, Cards Services

Niall Turnquest
Head of Internal Audit



Communication from the CEO

Gowon N. G. Bowe
Chief Executive Officer

The fiduciary responsibilities of a commercial bank whose ordinary shares are publicly traded, and the attendant wide range of vested stakeholders, often requires those that govern and manage such entities to reflect on the quote often attributed to Alexander Hamilton, "If you don't stand for something, you'll fall for anything". The core banking business of a commercial bank is subject to several factors beyond its control, including but not limited to: economic and fiscal performance of the countries in which a commercial bank operates; interest rates; changes in legislation and regulation; tax systems and rates, and changes thereto; and structural challenges confronting a country. These factors are often impacted by similar factors or events in international jurisdictions.

The fiscal year 2024 required Fidelity Bank (Bahamas) Limited (the Bank), the Board of Directors and the members of the Executive Committee (ExCom) to "stand for something". Fiscal year 2023 brought to light several challenges that were masked previously by successes in other areas. The lending environment of the Commonwealth of The Bahamas (The Bahamas) experienced significant contraction during the peak of the global pandemic, COVID-19, however there were defects in the lending environment that existed prior to this period that simply got exacerbated. The quality of borrowers and related borrowing capacity, particularly in the traditional markets of the Bank, will require an extended period to rehabilitate the structural challenges and reverse the accentuated contraction during the global pandemic. By standing firm, the Bank achieved its budgeted net income and total comprehensive income of $18 million.

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	**31.12.24**	**31.12.19**	**Change**	**Change**
	$ Millions	**$ Millions**	**$ Millions**	**%**
Consumer	2,087.8	2,214.3	(126.5)	(5.71)
Mortgage	2,518.2	2,629.5	(111.3)	(4.23)

There was growth in the commercial banking sector in consumer loans and mortgage loans during fiscal year 2024, however the statistics above evidence the required extended period for rehabilitation and reversal referred to above. The statistics for the Bank are as follows:

Loan Type	31.12.24	31.12.19	Change	Change
	$ Millions	$ Millions	$ Millions	%
Consumer	326.9	391.0	(64.1)	(16.39)
Mortgage	40.9	55.1	(14.2)	(25.77)

The Bank recorded temperate growth during fiscal year 2024 in both consumer loans and mortgage loans, however the Bank has remained disciplined in adhering to its credit risk management policies and procedures that have illuminated the deterioration in the quality of borrowers and borrowing capacity in The Bahamas. The Bank has not been overwhelmed by any panic to arrest contractions through assuming greater risk, particularly in light of emotional pressures associated with criticisms on financial performance in the prior year. It has remained focused on executing its strategies that were devised taking into consideration the traditional lending activity would be subdued for an extended period. In the initial months of fiscal year 2025, certain competitors have taken extraordinary actions to arrest their respective contractions in loan portfolios, and offered new credit facilities with interest rates and tenors that do not match the credit risk of the borrowers. However, these offers appear to have been introductory offers, albeit not transparently described as such, reverting to market interest rates following certain triggers. These actions do require the attention of the Bank, but as mentioned previously, discipline and focus are critical, as opposed to panic.

Lenders that are not regulated by the Central Bank also continued to take credit risks that the Bank is not willing to pursue, as the Bank fully understands its fiduciary responsibilities to depositors and shareholders, and is acutely aware that death by a thousand cuts, that is loan losses, is protracted but still results in demise. These lenders are not subject to the same prudential norms as the Bank, in part, because these lenders do not accept deposits from the general public but are financed strictly by investors. The spotlight on the operations of these lenders in relation to levels of fees and other charges levied, including interest rates, continued to intensify during the current year, and in fiscal year 2025 the Consumer Protection Commission has also taken an interest in the business practices of these lenders.

The Management Discussion & Analysis section sets out the strategies devised and executed during the current year, along with the expectations for fiscal year 2025 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. The Bahamas is entering an election cycle with general elections due by October 2026, and these cycles bring fervent activity by incumbent governments. Investment projects are being frequently announced, and economic and fiscal numbers are projected to be the best recognised in the history of an independent Bahamas. Further, international rating agencies have maintained existing credit ratings in relation to debt securities issued by the Government of The Bahamas, which are currently non-investment grade, but have given indications of improved credit ratings in the near future with one (1) credit rating agency changing is Outlook to Positive.

Whether or not these factors materialise, the optimism being inspired by them bodes well for the confidence of citizens and residents, which ceteris paribus could lead to a more buoyant lending environment. However, 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 serve to dampen optimism and confidence. This is largely because of the continued deferral of the development and implementation of a National Development Plan that would formulate strategies for The Bahamas to execute to: leverage structural strengths and take advantage of opportunities; and address structural weakness and mitigate against the effects of threats. Operating a business in an environment without the clarity of purpose and actions provided by a National Development Plan is becoming increasingly challenging, as businesses seek to align themselves with national strategies given that being misaligned carries a much lower risk of success.

An undergirding mission of the Bank has always been, and will always be, to contribute to the discussion and actions of national development, even when unpopular. At times the decisions of the Government of The Bahamas require challenge, but nevertheless partnering with the Government of The Bahamas is also required in all instances; in large part, so goes The Bahamas, so goes the Bank. Difficult decisions are still to be made, both by the Bank and by the Government of The Bahamas, but greater acceptance and support among stakeholders is facilitated through comprehensive and effective communication.

Through its discipline in standing by the credit risk management policies and practices, and incorporating the new strategies devised, the Bank demonstrated it is resilient. More importantly, it did not fall for the temptation to take erratic steps, but rather focused on execution of strategies notwithstanding the more gradual process, as this approach is more likely to be sustained. The liquidity and capital adequacy ratios of the Bank remain strong, supported in part by the positive financial performance of fiscal year 2024.

The economic fallout of the global pandemic has had a profound, yet often unmeasured, impact on many of the social elements of The Bahamas. These cover many non-profit and civil society organisations that run the spectrum of youth care, sport, education, medical conditions, food insecurity, culture, Family Island development and community development, among many others. The primary purpose of the Bank is as a commercial enterprise to provide benefits to its direct stakeholders of shareholders, employees and customers. However, these same stakeholders live in the communities with these great social needs, thereby meaning the Bank relies on these communities and has a responsibility to contribute to their development. The Community Activities section showcases the commitment of the Bank to these social responsibilities, and the pride the Bank and its team members take every day in assisting with addressing certain of the needs. The leaders of the Bank *Make That Move* everyday to make a difference in the communities in which the Bank operates spanning the entire archipelago, that is The Bahamas. It is rewarding to have a stakeholder with a direct vested interest in the Bank compliment its products, services, customer services or financial returns. However, it is even more rewarding to have persons not 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, as it means that the communities also see themselves as having vested interests in the successes of the Bank. As discussed in the Community Activities section, the Bank does not support cheque presentations but rather the establishment of impactful partnerships, which the Bank nurtures to ensure they endure.

It with great pleasure that I introduce two (2) young professionals to ExCom and equivalent independent roles. Jamal O. Ijeoma joins the Bank as its Chief Financial Officer, having served in management and partner roles within the public accounting profession; and Niall G. Turnquest joins the Bank as the Head of Internal Audit, having served in management roles within the public accounting profession. Both individuals bring their youth and energy, along with their experiences and expertise, to bolster the competencies of the Bank and its management. Their contributions have been immediately felt by ExCom and the Board of Directors, with both bodies having high expectations of them in 2025 and for many years to come. The manager level saw some of the family of the Bank spread their wings in new directions, and well wishes are extended to them.

To the great team that is ExCom, I give many thanks for the spirited deliberations in the past year that ultimately led to unified decisions and strategies that set the Bank on its path of resets that have borne out positive financial results in the current year, and are expected to bear out even more in the future. As a true family, the team bonded together to take on the challenges of dispelling criticisms from shareholders, some closer to home than others and so more daunting, of the financial performance of the prior year and executing on the strategies that would contribute to better financial performance. On behalf of ExCom, sincere appreciation is expressed to the managers that undoubtedly felt the stresses of the resets that commenced during the current year and are continuing, and unflinchingly supported the efforts by leading their respective teams. Sincere appreciation is equally expressed to the members of staff of the Bank, the backbone of the organisation, as the stresses were likely compounded as they trickled down; your showing up and showing out clearly indicate that the Bank is Resilient…Disciplined…Focused.

To shareholders, depositors, borrowers, cardholders, merchants, community partners and other stakeholders, the Bank recognises that achieving your confidence requires consistency in performance. Your loyalty and support during the current year, and countless years prior, are invaluable and to ensure their continuation the Bank commits to rewarding them through financial returns, customer service and community involvement par excellence.

Message from the President

H. Gregory Bethel
President

Following a strategic planning session subsequent to the fiscal year ended 31 December 2023, the Executive Committee (ExCom) of Fidelity Bank (Bahamas) Limited (the Bank) reviewed the cumulative post-pandemic financial results of the Bank, the economic outlook for the Commonwealth of The Bahamas (The Bahamas), and changes in the workforce in The Bahamas and agreed on ten (10) strategies to improve net income, targeting $18 million for the fiscal year ending 31 December 2024. These strategies were reflected in the Budget and Business Objectives for 2024, which comprised the Business Plan for 2024. Thanks to the efforts of ExCom, the management team and staff, the Bank executed the strategic plan and achieved the fiscal results targeted.

The post-pandemic economic recovery in the credit environment of New Providence is largely complete, so the personal loan book in relation to that island has stabilised. Unfortunately, in the Northern Bahamas the post-hurricane/post-pandemic economic recovery is still in progress and while there are positive signs Abaco and Grand Bahama, personal loan disbursements in those islands have not yet returned to pre-hurricane/pre-pandemic levels.

Specific areas of focus in 2024 included:

1. The review and adjustment of fees and commissions to cover increasing operating costs, new investments in technology (core banking system, online banking, electronic document storage and card/merchant services) and increased taxes while ensuring value added services to customers of the Bank.

2. The expansion of credit business to the private sector (personal and business lending) utilising credit reports from the Credit Bureau.

3. The expansion of electronic payment services (credit cards, debit cards, prepaid cards and merchant services) for individuals and businesses.

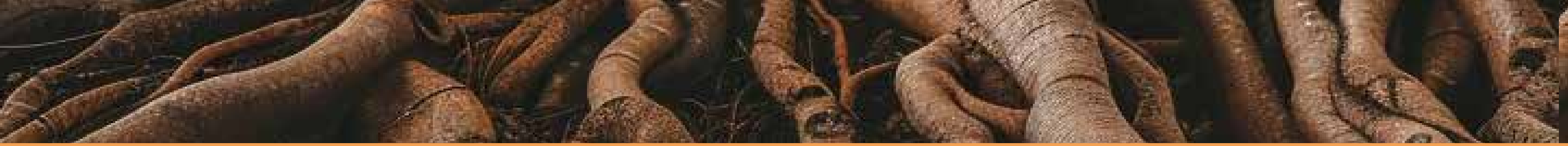
4. The aggressive pursuit of opportunities for restructuring the credit facilities of customers with past due, delinquent or charged-off statuses, or the recovery of principal and interest owed, seeking to reduce non-performing and charge-off loan balances.

5. The creation and improvement of experiences that meet or exceed customer expectations for customer service (when they call, e-mail, visit, open an account, apply for a loan, conduct a transaction or make a complaint).

These initiatives will continue in addition to successor development (covering specialist, supervisory, managerial and executive positions) and Family Island expansion with an expanded physical presence in Exuma and a new physical presence in Eleuthera.

Collectively, these areas of focus and other initiatives will impact each of the stakeholders of the Bank: Shareholders, Colleagues (Managers and Staff), Customers (Depositors, Borrowers and Cardholders), and Communities (where the aforementioned live).

Looking ahead to 2025, the geopolitical challenges of military and trade scrimmages will no doubt cast a shadow over the economy of The Bahamas in terms of energy prices, stopover visitors, foreign direct investment, employment levels, affordable housing and the cost of living. Hence the financial results of the Bank and the achievement of the Business Objectives for 2025 will be impacted by the aforementioned. Nevertheless, ExCom and management are committed to supporting colleagues and customers of the Bank along with other persons in the communities where they work, worship, recreate and live.



Our Management Team

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, Operations Training

Shervone Knowles
Manager, Client Relations

Tawana Laing-Davis
Manager, Client Relations

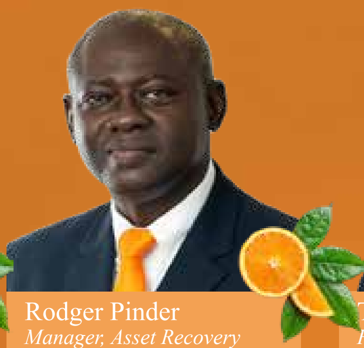
Tineka Mackey
Manager, Branch Operations

Anatole Major
Manager, Human Resources

Thallise Maycock
Manager, Facilities

Rochelle Moss
Manager, Collections

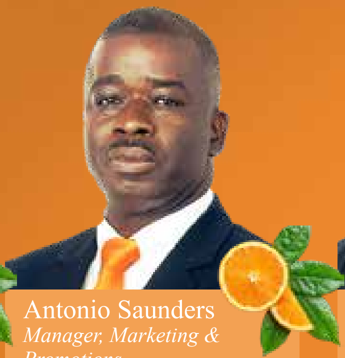
Lakerria Munnings
Manager, Cards Services Operations



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, Cards Fraud & Risk

Javaughn Strachan
Manager, Operations Training

Allistaire Stubbs
Manager, Branch Unit Compliance

Cordero Taylor
Manager, Client Credit

Denay Thompson
Deputy Compliance Officer

ROOTED *in the* COMMUNITY

Reimagining and retooling its brand recognition, community banking behaviours, customer relationship building and philanthropic efforts within the communities of the Commonwealth of The Bahamas (The Bahamas), Fidelity Bank (Bahamas) Limited reinvigorated its commitment to educational opportunities, cultural awareness, financial literacy, and social development during 2024.

The community outreach initiatives of the Bank during the current year were strategic, engaging, empowering, and innovative not only in their creative and nuanced customer focus but also in their overall impact and influence in garnering the support and recognition from its stakeholders of the continuing devotion of the Bank to the universal goals of financial independence, home ownership, and wealth creation.

Fidelity's marketing and philanthropic efforts were conscientiously driven and specifically defined by its *Make That Move* strategy – one that was interdependently woven within the overall corporate mantra of the Bank, *We're Good for You*.

Q1 2024

Make That Move were words put into actual moves in relation to education, athletics, technological progress, cultural appreciation and social development through the sponsorships by the Bank of such events as the Bahamas Association of Independent Secondary Schools (BAISS) Track & Field Meet, Grand Bahama Secondary Schools Athletic Association Track & Field Meet, Grand Bahama Primary Schools Athletic Association Track & Field Meet, Red-Line Athletics Sonja Knowles Track Classic, Star Trackers Track & Field Club Meet, Bahamas Lawn Tennis Association Spring Classic, Ignite Band Christmas Concert and the Get Fit Fitness Camp hosted by Bahamian Olympic Gold Medalist Demetrius Pinder.

The Bank also participated in the RF Bahamas Economic Outlook, the Jump Start Symposium of the Office of the Attorney General, Bahamas Business Outlook and the Abaco Chamber of Commerce Housing Expo, which were invaluable business and commercial forums for dialogue, professional networking, and consumer education and exchange.

The social outreach and educational support also incorporated the Family Islands and a key social partner, as the Bank sponsored and participated in the Exuma Mix & Mingle, Bimini Homecoming, Grand Bahama Rotary Club Ball, and the Royal Bahamas Police Force Technology Expo. The financial support for worthy charities continued with the annual attendance/participation, and sponsorship of the: Red Cross Ball (Bahamas Red Cross Society); Heart Ball (Sir Victor Sassoon Foundation); and Ride For Hope (Ride For Hope Charity).

To better enable its customers to *Make That Move*, the Bank introduced the online loan application, which proved effective in helping customers to streamline and improve the loan application process. This initiative was not only a customer service and business development tool, but an affirmation of the commitment of the Bank to the delivery of products and services that reflect its innovation and forward-thinking ethos in providing service excellence to its diverse customer base.

Q2 2024

The growing corporate social responsibility and community, cultural, and educational outreach were embodied in sponsorships of: the University of The Bahamas (UB) Fit Nassau and UB Fit Grand Bahama, supporting health and wellness; the National Regatta held annually in Exuma, supporting cultural awareness and celebration; and the Bahamas Primary School Student of the Year Annual Awards, supporting opportunities in education being provided to the best and brightest of the youth of The Bahamas.

The Cancer Ball (Cancer Society of The Bahamas) and Gala Ball for Parkinson's Disease (Kingdor Parkinson's Foundation) provided opportunities for charitable contributions through sponsorship while giving personnel of the Bank the opportunity to be put on their fancy attire and show support for impactful causes. The Bank also went **blue** for Autism month, as the entire team at the Bank supported REACH Bahamas with its sales of paraphernalia, which the team of the Bank proudly adorned every Friday that month.



The Bank does not support cheque presentations but rather the establishment of impactful partnerships. This is executed through the members of staff being *Movers* and shakers by actively participating in the community and charitable events supported by the Bank. This facilitates engaging with, and encouraging, the beneficiaries of the philanthropy of the Bank to also 'pay it forward' within their communities and on a national level. These invaluable partnerships between the members of staff and civic organisations significantly distinguish the Bank as a financial institution of stability, integrity, financial empowerment and community engagement.

Q3 2024

Significant effort was focused on a unique intersection of customer recruitment, service excellence, and product placement by the continued implementation of the *Make That Move* strategy, encouraging potential customers to *Make That Move* from their existing financial institutions to the Bank and experience the mantra *We're Good For You* firsthand by becoming first-time customers of a Bahamian-owned financial institution with over forty-five (45) years of experience, expertise, and financial empowerment of its customers and shareholders.

The members of staff were influential and impactful in promoting the ethos of the Bank, not only through an ongoing recognition of, and homage to, its four (4) Cs – customers, colleagues, commitment and community – but also through deep connections and commitment to customers throughout the year.

The Bank was an active participant in the Live Digital Week Campaign, a collaboration among the Central Bank of The Bahamas, members of the Clearing Banks Association and other parties making up the payments ecosystem in The Bahamas, with the Bank: being featured in radio appearances and social media posts; facilitating in-branch displays; and participating in the culminating event, Live Digital Tech Expo. Additionally, the StoneOak Bahamas Homeowners Expo, which sought to strategically provide opportunities for the growth and development of the local mortgage market, and home ownership and financial goals of many Bahamian individuals and families, had full representation from the Bank.

Recognising the significance of promoting food security in The Bahamas, the Bank continued its title sponsorship of the Bahamas Feeding Network's Annual Golf Fundraiser, which provided a unique opportunity to underscore corporate social responsibility and create more awareness of the ongoing plight of many Bahamians who experience food security challenges.

The Poop Deck Golf Tournament and the Fourteen Club Pays for A's Golf Event invigorated the Bank in its charitable giving and strategic partnerships with commercial businesses and non-profit organisations to provide: funding to worthy causes; professional camaraderie and networking; and physical activities to patrons and event participants.

Academic achievement, youth engagement and development, and career planning were pivotal drivers in the Bank supporting UB's Careers Fair and the Legacy Life Lessons College and Career Expo. Efforts were also expended to extend the energy of the strategic branding, business development, and unique product offerings of the Bank to the Family Islands by showcasing merchant services offerings at the Eleuthera Digital Currency Expo.

Q4 2024

In the spirit of giving that characterises the holiday seasons to end each calendar year, the Bank supported the promotion of health education, physical fitness, and charitable giving in the Bahamian community through its participation in the Atlantis Health Fair and UB Fit Event.

The social partnership with the Royal Bahamas Police Force was further strengthened, as the Bank sponsored and participated in the Coffee Month activities of the Central Police Station, with members of staff standing side by side with Police Officers to give back to the surrounding community through the outreach initiatives and community engagement that formed part of the activities.






The Bahamas Hotel and Out Island Tourism Promotion Board's Golf Tournament and Best of the Best Regatta were sporting events where the Bank put on full display its merchant services as part of its in-kind support for the events, while supporting athletic development, social networking and promotion of the national sport in the case of the latter event. And complementing these events was the continued title sponsorship of the Bahamas Optimist Nationals, with the best and most talented young skippers of sailing sloops showcasing their talents; and possibly a sign of the future, many of the young sailors in the Bahamas Optimist Nationals were successful participants in the Best of the Best Regatta.

As a significant member of the financial services sector of The Bahamas, the Bank found it a natural fit to support and participate in the Bahamas International Securities Exchange (BISX) Invest Fest and Bahamas Association of Compliance Officers Conference, as these provided professional development and training opportunities for employees in the financial services industry, and in the former event, the furthering of financial literacy among the average citizens of The Bahamas.

Not to be overshadowed, the support for worthy charities closed the year with attendance and sponsorship of the Red Ribbon Ball (AIDS Foundation of The Bahamas), recognising that each corporate citizen has a role to play addressing the challenges of the society of The Bahamas. Some of these challenges present themselves in the most vulnerable in the society, the children, and the Bank is very proud to actively support the annual operations of the Ranfurly Homes for Children, albeit through membership of key personnel of the Bank on the governance body, financial support or simply assisting with the Annual Raffle.

ROUNDUP

Community building and engagement, academic excellence, health and wellness, food security, cultural awareness, financial literacy, and overall economic independence continue to be the drivers of the community activities with which the Bank partners to assist in transforming communities and their constituents. The Bank strongly believes that its commitment to the education, empowerment, and engagement of communities has provided the bases for its continued financial success, as indirectly this commitment reaches customers, existing and potential, and has meaningful economic impacts on the financial services industry in The Bahamas.

On the business front, the financial products and services of the Bank demonstrate its corporate growth mindset, innovation, adaptability, and influence in meeting the needs and demands of an increasingly sophisticated and financially aware customer base. And on the social front, the pronounced and visible corporate social responsibility initiatives of the Bank evidence its corporate ethos of balancing profitability with charitable giving and participation in important socio-economic causes that continue to affect its customers and the communities in which it operates.

The important balancing act of commerce and charitable giving will continue to provide the Bank with 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*, while utilising its creative messaging of *Make That Move*, along with putting its words in motion, to prove to key stakeholders that they should make that move to a financial institution that recognises the quality of life of stakeholders matters most.

Management Discussion & Analysis

FINANCIAL POSITION AND FINANCIAL PERFORMANCE

The financial performance for the year ended 31 December 2024 has demonstrated that Fidelity Bank (Bahamas) Limited (the Bank), through the Executive Committee (ExCom). managers and staff, is resilient, disciplined and focused. The line in the National Anthem of the Commonwealth of The Bahamas (The Bahamas), "steady sunward, though the weather hide the wide and treacherous shoal", can be used to aptly describe the experience of the Bank leading into and during the year ended 31 December 2023. The strong rebound in the economy of The Bahamas that led to unusual recoveries of loans and advances written off during the peak of the global pandemic, COVID-19, represented the sunny "weather", and the structural challenges in that same economy that have existed for many years that led to the deterioration in the quality of borrowers and borrowing capacity represented the "wide and treacherous shoal" being hidden. As stated in the 2023 Annual Report, the financial performance for that year was underwhelming with respect to the standards set by the Bank in the recent fiscal years preceding it, and management of certain aspects of the Bank required reset. Intense analyses performed by ExCom and key managers following the pedestrian financial performance concluded that the Bank was well positioned to take advantage of opportunities that present themselves in times of economic prosperity due in large part to the behaviours, practices, strategies and decisions of the Bank that carried it through the peak of the global pandemic.

The strategies devised following the intense analyses and articulated in the prior year were steadily and deliberately executed upon during the current year. Specifically:

- New markets are being targeted and/or developed, including a deeper step into commercial lending and non-traditional mortgage lending. This is to counteract the expected contraction in the loan portfolio of the Bank if solely focusing on traditional markets targeted by the Bank due to the quality of new borrowers and the reduced borrowing capacity of existing customers in those traditional markets. See Note 20 that discloses contractions in consumer and family residential property loans were principally offset by growth in commercial loans.

- Greater penetration is being achieved in credit, debit and prepaid cards business, including the issuance of cards and the offering of merchant acquiring services. See growth in fees and commissions in the consolidated statement of comprehensive income. The economies of scale needed in this line of business relative to associated costs in order to produce higher profitability are beginning to be achieved, as later discussed.

- Merchants onboarded for merchant acquiring services are prospects for additional products and services, and are being aggressively pursued when cash flows from merchant sales and other evidence of viability are obtained through the initial banking relationship.

- Loans and advances to customers previously written off are being aggressively pursued, which addresses two (2) birds with one (1) stone – recoveries through settlement result in immediate recognition of net income; and restructurings of such loans are providing some growth in the loan portfolio, though the credit risk is heightened and the full profitability is only being realised over a period of time. See expense for provision for loan losses in the consolidated statement of comprehensive income and Note 6 for the decrease recognised during the year because of increased recoveries and restructurings.

- With the technology and model adopted for the Exuma Financial Centre together demonstrating they are fit for purpose, opportunities are opening up to expand the Financial Centre network through more of the Family Islands of The Bahamas, based on the populations of those islands. Consequently, there are plans for the opening of the Eleuthera Financial Centre before the end of 2025.

- Excess cash resources are being deployed into investment securities, with an investment strategy that manages liquidity and credit risks. See growth in interest income on investment securities in the consolidated statement of comprehensive income, which directly correlates with growth in net income at almost 1.00:1.00.

Concurrently, legacy information systems, management systems, business models, processes and modus operandi are experiencing resets, albeit replacement, modification and/or retooling. Such resets have not yet fully impacted the financial performance of the Bank, but the net benefits will be felt for the foreseeable future without the need for similar resets on such a scale.

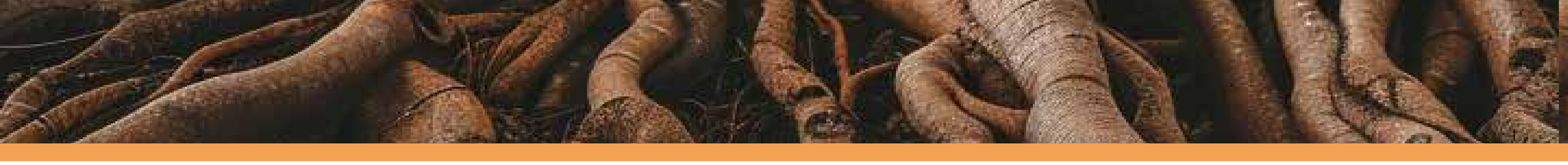
The implementations of a new core banking system, online banking website and mobile application are currently in progress, and despite the challenges associated with any system change, these enhanced systems will improve user experience, covering both internal and external users. Immediately following these implementations, will be the rollout of the new intelligent automated teller machines (ATMs).

The strategies currently being executed have medium to long term tails and require continued discipline and focus.

On a macroeconomic level, tourist arrivals continued to experience record-setting levels with total visitors for 2024 reported as exceeding eleven (11) million. The stopover visitor arrivals were consistent with pre-global pandemic numbers but not recording any discernible growth above those numbers. Conversely, the cruise visitor arrivals recorded continued exponential growth, and albeit these visitors provide positive contributions to the local economy, they typically only stay for one (1) day and spend a fraction of their stopover visitor counterparts, even on a comparable per day basis. The rampant development of private islands across the archipelago of The Bahamas by international cruise lines has sparked public discourse in recent times over whether such business enterprises are equitably contributing to employment, gross domestic product (GDP) of The Bahamas and, more importantly, the Public Treasury. The Government of The Bahamas has categorically stated that the owners of these private islands will be held to account for appropriate levels of contributions to the wider Bahamian economy, which if achieved will be positive.

GDP and employment rate continued positive growth trajectories in 2024, both comfortably exceeding levels recorded in 2019, the year preceding the global pandemic. However, multilateral and other international agencies, along with the Central Bank of The Bahamas (the Central Bank) and the Bahamas National Statistics Institute (the BNSI), are projecting that the growth trajectories for 2025 and the medium term thereafter will be reminiscent of the low levels recognised during the period between the Great Recession of 1998 and the global pandemic of 2020. Revisions to GDP for 2024 have been published by the BNSI, however these were principally due to changes to the methodology for capturing GDP and better access to information for the current year. GDP for prior years have not been restated on a consistent basis, thereby limiting the veracity of GDP growth rates when comparing 2024 with prior years. Further, policymakers have given greater attention to the unemployment rate, a relative benchmark, than the actual number of persons working, which in 2024 is still less than the number of persons working in 2019. To fully take advantage of opportunities presenting themselves to The Bahamas: 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.

Until such time as these actions are embedded in a National Development Plan, the full extent of the negative impacts of the global pandemic on the economy of The Bahamas will continue to be discovered as structural challenges are exposed. A permanent shift in mindset will be necessary to manage households, businesses and the country.



Maintaining the reputation for impactful public relations, there was an evolution in the public relations strategy of the Bank to encourage borrowers, depositors, shareholders, human resource talent and other key stakeholders to *Make That Move* to *Fidelity*, where *We're Good For You*. This evolution was underpinned by the deeply rooted presence of the Bank in the Bahamian society at large, from the playground to the classroom to the boardroom. And the symbolism of strong and deep roots has been ever present, providing confidence that the Bank can and will continue to produce harvests of bounty by successfully weathering the invariable challenges of the seasons of life. Innovative products, exceptional customer relationship management, free financial coaching and laser-focused marketing are, and will continue to be, hallmarks of the proud history of the Bank.

In the face of adverse financial performance in the prior year, and persisting headwinds, resiliency was not simply a cliché for the Bank; it was a charge. Equally it was not solely about recovering quickly from adversity, but also about building future resilience against storms, even though hoping some of these are averted. Such potential storms include, but are not limited to, anaemic growth in GDP and employment, continued inflation, the after effects of extended periods of inflation and a recession, whether in the United States of America or global.

Total assets as of 31 December 2024 increased by $48,318,012 (2023: $8,688,097) over the prior year, representing 6.20% (2023: 1.13%), to $827,624,370 (2023: $779,306,358). 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 cash on hand and at banks, which are less productive financial assets that fluctuate with the related financial liabilities that originate the financial assets; and an increase in other assets, principally representing investments in new technology with the objective of greater efficiency and effectiveness.

Materially consistent with the net increase in total assets, total liabilities increased, almost exclusively comprising an increase in deposits from customers, which represent the financial liabilities related to cash on hand and at banks referred to above.

For the year ended 31 December 2024, the deployment of excess cash resources into investment securities, albeit they are lower earning financial assets than loans and advances to customers, along with the relative stability in higher earning loans and advances to customers, led to an increase in interest income. The decrease in interest rates on certain deposits from customers principally contributed to a decrease in interest expense, and when coupled with the increase in interest income, led to a further increase in net interest income. Fees and commissions recognised a significant increase because of the focus on value added service offerings. Collectively, the overall total income of the Bank increased by 8.93% (2023: 0.26%) over the prior year, representing a reversal of the experience in the prior year. Total expenses increased by 2.47% (2023: 16.98%) over the prior year, a significant decrease in the growth rate of 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 new bank and business licence fees introduced in the prior year remained consistent in the current year. Most notable is the net decrease in the expense for provision for loan losses, which is the result of credit loss experience firmly consistent with those of pre-global pandemic fiscal years, but offset by recoveries on loans and advances to customers previously written off. However, these recoveries are not extraordinary such as those in the fiscal years immediately following the peak year of the global pandemic, but rather the result of aggressive pursuit of legacy defaulted loans and advances to customers previously written off. Net income for the year ended 31 December 2024 totalled $17,970,946 (2023: $13,779,630), representing an increase of 30.42% (2023: decrease of 31.85%) over the prior year, and earnings per ordinary share for the year then ended totalled $0.59 (2023: $0.45).

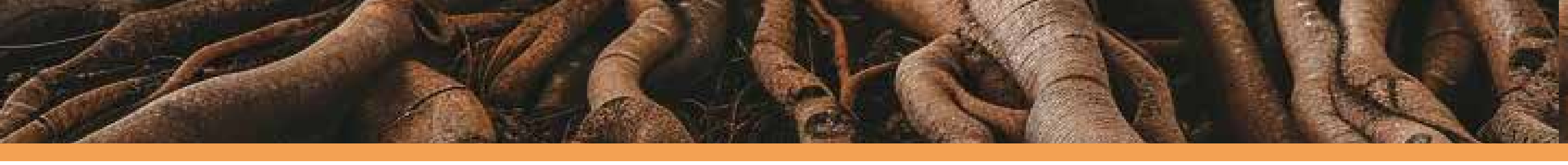
The deliberate change in the financial asset mix associated with the business expansion efforts that contribute to higher levels of lower yielding cash on hand and at banks and mirroring higher levels of deposits from customers, countered by the deployment of an appropriate level of excess cash resources into investment securities and the relative stability in higher earning loans and advances to customers resulted in a return on average assets of 2.24% (2023: 1.78%). For the current year, the return on average ordinary shareholders' equity totalled 18.00% (2023: 13.65%), which is reverting steadily to the target levels set by the Bank. The fundamental resets initiated during the current year in certain aspects of the operations of the Bank to maximise profit opportunities going forward, considering the economic realities being faced, are proving the Bank to be resilient, as evidenced by the financial performance for the year ended 31 December 2024. These resets are also proving ExCom, managers and staff to be disciplined and focused by performing intense analyses of the Bank and the economic environment in which it operates, when necessary, and making intimidating resets. Total equity continues to be wisely managed to facilitate current and future resets, which will ensure that the return to profitability in the current year to target levels is sustained.

The total equity of the Bank continues to be subjected to active capital management to balance the ability to generate an appropriate return on ordinary shareholders' equity with retaining adequate capital that facilitates capitalising on opportunities for growth; that is, capital will be required to be retained only when growth opportunities with the desired risk and reward ratio present themselves. However, excess capital that is not being deployed into appropriate income generating activities will be returned to ordinary shareholders. This resulted in the Bank declaring and paying dividends totalling $14,722,002 (2023: $13,856,002) for the year ended 31 December 2024, representing $0.51 (2023: $0.48) per share and a dividend payout ratio of 86.62% (2023: 108.21%). The forecasted capital requirements to facilitate the resets in the operations, the lower capital requirements in relation to the financial assets where funds are being deployed and the underwhelming lending environment that limits the opportunity for exponential growth in the immediate next two (2) years, influenced the decision regarding the dividend payout ratio. Total equity is expected to comfortably withstand any future economic shocks, consistent with the historical experience of the Bank during trying and testing economic times, particularly recent times.

The principal drivers of growth in total assets are increases in: investment securities of $37,042,658 (2023: $7,927,250), representing 31.82% (2023: 7.31%), to $153,441,327 (2023: $116,398,669); and cash on hand and at banks of $10,043,075 (2023: $14,080,404), representing 3.46% (2023: 5.10%), to $299,940,386 (2023: $289,897,311). A decrease in loans and advances to customers of $1,234,390 (2023: $13,451,391), representing 0.34% (2023: 3.61%), to $358,010,151 (2023: $359,244,541) temperately offset the aforementioned increases.

Defaulted loans on credit reports from the Credit Bureau, now being used by all commercial banks, are resulting in more customers with defaulted loans presenting themselves to the Bank to address the hurdles caused by these less than favourable credit reports. This is an opportunity for continued recoveries of loans and advances to customers previously written off, as households seek to restore their finances and creditworthiness. However, to put into context the longer term effects of furloughs and unemployment during the peak of the global pandemic on the finances of many households, the statistics of the Central Bank of The Bahamas (the Central Bank) on consumer loans and mortgage loans outstanding with licensees as of 31 December 2024 compared with 31 December 2019, the period immediately preceding the global pandemic, demonstrates that such loans remain less than pre-global pandemic levels by $126,500,000 and $111,300,000, respectively, notwithstanding net increases of $122,000,000 (2023: $23,000,000) and $22,400,000 (2023: net decrease of $14,300,000), respectively, during 2024. Accordingly, the availability of quality new credit is limited despite the rebound in the economy of The Bahamas, and 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.

The stabilisation in the primary interest earning assets of the Bank, loans and advances to customers, including the growth in the commercial loan portfolio offsetting the contraction in the consumer loan portfolio albeit with moderately lower interest margins, resulted in interest income on loans and advances to customers consistent with the prior year. Total interest income increased because of the growth in investment securities based on the strategy to deploy excess cash resources into investment securities.



A decrease in interest expense is the result of interest rate adjustments on deposits from customers effected during the year. The combined impacts of changes in interest income and interest expense resulted in an increase in net interest income for the current year of $1,997,510 (2023: decrease of $958,345), thereby demonstrating that the Bank, despite the ongoing pressures from the depressed lending environment and knock on impact on its primary line of business, is maximising the yield from its interest earning assets.

The yeoman's effort by the Bank during the fiscal years of 2021 and 2022 led to the rehabilitation of a significant number of loans and advances to customers that fell into delinquency due to furloughs and unemployment, particularly in the tourism sector, during the peak of the global pandemic, which in turn contributed positively to financial performance in those fiscal years. However, the exhausting of recoveries of provision for loan losses held against delinquent loans resulting specifically from the furloughs and unemployment during the peak of the global pandemic led to the expense for provision for loan losses in the prior year reverting fully to levels in the immediate pre-global pandemic years.

Notwithstanding the wind-up of the extraordinary recoveries during 2023, and the consequent increase in the expense for provision for loan losses, the lessons learnt in relation to rehabilitating loans and advances to customers in default during fiscal year 2021 and 2022 were transferrable to a sustained strategy of aggressively pursuing loans and advances to customers previously written off. The execution of this strategy during the year ended 31 December 2024, complete with the expected challenges associated with any new strategy, led to a net decrease in the expense for provision for loan losses of $2,893,366 (2023: increase of $3,247,920). The net decrease comprised: an expense for provision for loan losses for the active loan portfolio that was consistent with that observed in the two (2) years immediately prior to the global pandemic; and 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 during fiscal years 2021 and 2022. The discipline associated with remaining consistent with underwriting practices of the Bank 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, benefitted the Bank through limiting poor quality credit and in turn contained loan loss ratios.

The intense analyses of drivers of 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 continued during the current year. This led to the efficiency ratio for the year ended 31 December 2024 of 62.17% (2023: 60.95%), which is consistent with the prior year but in excess of the target of the Bank. Continued patience and steadfastness are required in relation to the expectation of return on investments made in enhancing systems and processes during the recent years, with the Bank remaining focused on the future benefits to be recognised on such investments despite delays in fully achieving the return on such investments. The increase in the efficiency ratio due to the investments in people, products and communities as part of the business expansion efforts employed in the past three (3) years, is expected to inure to the benefit of the Bank and pay for themselves through increased operating income. Investments in the form of operating expenses will be adjusted, if necessary, as the actual level of growth is being measured against the expected level of growth; the increase in fees and commissions by $3,124,699 (2023: $1,213,221) over the prior year, representing 42.47% (2023: 19.74%), is consistent with the expected level of growth.

Other operating expenses are permanently elevated, and must be absorbed, as a direct result of: 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). While certain of these operating expenses directly contribute to making the Bank resilient, they must be managed such that increases are at a clip lower than growth being achieved in operating revenues; this management objective is still a work in progress.

CASH ON HAND AND AT BANKS

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

As of 31 December 2024, cash on hand and at banks comprised: deposits placed with the Central Bank, representing circa 70.00% (2023: circa 70.00%); short-term interest bearing term deposits, representing circa 23.00% (2023: 23.00%); and other cash on hand and current accounts at banks. Operations and shareholder distributions, even during challenging operating environments, are comfortably financed by surplus cash balances placed in non-interest bearing current accounts at banks, including the Central Bank, which also positions the Bank competitively to take advantage of economic conditions conducive to growth as and when opportunities present themselves. Further, business expansion efforts that contribute to financial performance through fees and commissions, as opposed to net interest income, generate certain levels of cash on hand and at banks. Notwithstanding the advantages of surplus cash balances, such position suppresses net interest income given interest income is not being earned on over 75.00% (2023: over 75.00%) of cash on hand and at banks. Hence the strategy of deploying excess cash resources into investment securities, with an investment strategy that manages liquidity and credit risks.

The net increase in cash on hand and at banks was driven by several factors. Firstly, movements in deposits from customers primarily elucidate movements in cash on hand and at banks. The continued confidence being demonstrated by existing and prospective customers of the Bank, as evidenced by constant customer communications, manifests itself in continued growth in deposits from customers from traditional depositors; this is the result of 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.

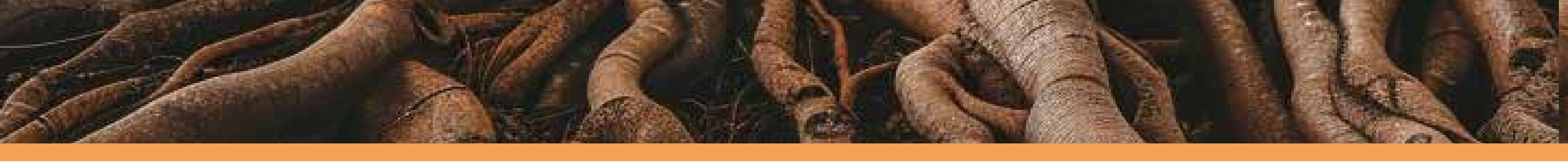
Certain business expansion efforts result in deposits from customers derived from non-traditional depositors, principally regulated financial institutions and capital markets participants, which in turn results in cash on hand and at banks. Such deposits are considered transitory, as the deposits fluctuate based on the timing of business activities and the financial reporting of the Bank, given the deposits are utilised by these depositors as part of their normal operating activities. Deposits from banks and capital markets participants increased by $20,218,391 (2023: decreased by $2,536,427) and decreased by $419,521 (2023: $13,118,776), respectively. 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, and the Bank is compensated for this carrying cost of cash resources through fees and commissions from these entities.

Secondly, the Bank continuously, and judiciously, seeks opportunities to deploy the surplus in liquid assets above the regulatory liquidity requirements. As a result, the Bank increased investments in debt securities issued by the Government of the Commonwealth of The Bahamas, while restricting its investing activities to debt securities with maturities of one (1) year or less with staggered acquisition dates to have the effect of maturities approximately every six (6) months. This maintains high liquidity for strategic purposes and deploys excess cash resources while limiting the credit exposure of the Bank. Additionally, the Bank invested in debt securities of corporate entities engaged in the energy and communication sectors of The Bahamas, with maturities and interest rates consistent with loans and advances to customers. The investees are critical participants in the infrastructure of The Bahamas, with certain financial support and/or guarantees from the Government of The Bahamas, and accordingly present credit risk below that associated with the traditional lending activities. A significant decrease in cash on hand and at banks resulted from these activities.

Thirdly, 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 86.62% (2023: 108.21%).

Fourthly, the repayments and recoveries associated with the loan portfolio were in the main matched by the writing of new credit facilities and/or restructurings of loans and advances to customers previously written off, thereby the net increase in cash on hand and at banks was also temperate.

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



INVESTMENT SECURITIES

The strategy to deploy excess cash resources into investment securities, subject to related investment strategy, as discussed above led to the net increase in investment securities. The 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, limits investment options while meeting the objectives of maintaining high liquidity and deploying excess cash resources. Accordingly, the net increase in investment securities comprised: debt securities issued by the Government of The Bahamas of $28,776,181 (2023: $8,389,540); and debt securities issued by corporate entities engaged in the energy and communication sectors of The Bahamas of $7,500,000 (2023: net decrease of $400,000).

Investments in debt securities issued by the Government of The Bahamas with short terms to maturity represent the best investment options available in the capital markets of The Bahamas, taking into consideration the aforementioned limitations. 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. Therefore, the credit ratings of debt securities issued by the Government of The Bahamas impact the measurement of these securities. The credit ratings issued by international 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 with the latest being in 2022. The allowance for impairment as of 31 December 2024 is consistent with the prior year, as there were no changes to the credit ratings of the Government of The Bahamas during the current year and the maturity profiles of the debt securities issued by the Government of The Bahamas acquired were one (1) year or less.

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

The allowance for impairment does not represent realised losses on investment securities, but rather 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, and as investment securities mature with full principal being settled the allowance for impairment unwinds.

When making decisions on investment securities to acquire, the Bank considers the credit risk associated with investment securities, including the tenor of such securities, as the longer the tenor the greater the probability of default where indicators of possible default exist. The net increase in investment securities being principally represented by debt securities with maturities of one (1) year or less is the result of considerations of the macroeconomic factors that impact the creditworthiness of issuers of investment securities. Notwithstanding the acquisition of debt securities issued by corporate entities with longer tenors, undiscounted cash flows to be realised in one (1) year or less represent 59.10% (2023: 56.00%) of the total undiscounted cash flows for investment securities.

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

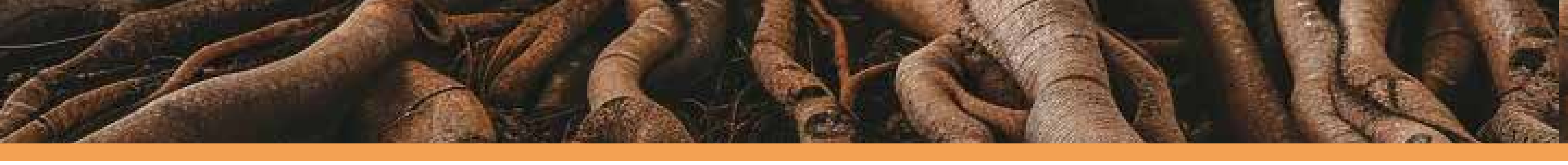
LOANS AND ADVANCES TO CUSTOMERS

Stabilising the performance of the existing portfolio of loans and advances to customers, including rehabilitation of non-performing credit facilities, remains 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. Significant growth in loans and advances to customers is not expected in the near term, as 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.

At least one (1) person in every household is believed to be employed in the tourism sector, which is experiencing record-setting numbers of visitors to the shores of The Bahamas during calendar years 2023 and 2024. The mix of stopover visitors and cruise visitors however has been significantly skewed toward the latter grouping that yields significantly lower spend per visitor per day than the former grouping. Overall, the buoyancy in tourism and stability in employment levels of the Government of The Bahamas has led to the restoration in earnings for many households, particularly those more reliant on the tourism sector that experienced unprecedented levels of furloughs and unemployment. This in turn led to the recommencement of loan payments by delinquent borrowers beginning in 2021 and strengthening each year thereafter, albeit at reduced levels initially in some instances. More significantly, this has also provided the foundation for successfully pursuing borrowers with loans in full default and previously written off, who are gainfully employed but less forthcoming of this fact with the Bank. Borrowers are eligible for restructuring of terms of related loans and return them to performing status following six (6) months of consecutive loan payments.

The mix of the loan portfolio as of 31 December 2024, factoring in that consumer and other loans continue to earn higher interest margins and have relatively lower default rates and loss ratios, appropriately remained consistent with prior years; consumer and other loans represented 89.07% (2023: 89.58%) of total loans, and mortgage loans represented 10.93% (2023: 10.42%).

For the year ended 31 December 2024, consumer and other loans decreased by $1,884,932 (2023: $11,398,888) over the prior year, representing 0.56% (2023: 3.28%), which comprised: a net increase in regular consumer and other loan types of $257,967 (2023: net decrease of $9,255,988); and a net decrease in loans and advances to the Government of The Bahamas of $2,142,899 (2023: $2,142,900) 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 writing of new consumer loans continues to be unable to keep pace with normal loan amortisations, early extinguishments and other credit adjustments, as a consequence of 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. However, the Bank through its expansion in business consumers recognised growth in cash secured loans and overdrafts. Collectively, this led to an increase in consumer and other loan types, excluding loans and advances to the Government of The Bahamas, bearing out the forecast in the 2023 Annual Report that the slowing of the contraction of consumer and other loans of the Bank in that year compared with fiscal year 2022 would be abated in 2024. But contraction in consumer loans specifically, remains a challenge and the extraordinary actions by certain competitors of the Bank in 2025 through interest rates and tenors that do not match with the credit risk associated with the typical unsecured consumer loan exacerbated this challenge; albeit the extraordinary actions appear to be solely a penetration tactic as opposed to an overall market repricing. The significant contraction in consumer loans reported by the commercial banking sector comparing 31 December 2024 and 31 December 2019 has been previously disclosed, acknowledging growth in 2023 and 2024; the growth however does not distinguish between the recognition of restructured loans and advances to customers previously written off by the sector and the recognition of new loans and advances to customers. The experience of the Bank suggests the former.



The core principles of the Bank of quality lending centred on an ability of a borrower to pay and providing financial coaching to improve the lives of its customers have served the Bank well, notwithstanding the circumstances and experiences during the past five (5) years. The restoration of non-performing loans to performing status in relation to the direct economic fallout of the global pandemic, particularly on the tourism sector, can be characterised officially as complete. But the experience provided the Bank from the restructuring efforts associated with recoveries of non-performing loans associated with the economic fallout from the global pandemic facilitated the sustained unconventional strategy of growing consumer and other loans through aggressively pursuing loans previously written off, particularly given the tens of millions of dollars in value of such loans. The Bank will not however sacrifice settlements, which while not growing loans and advances to customers contribute to profitability in a similar manner, for recoveries.

Certain of the structural challenges confronting mortgage lending in The Bahamas are represented by 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 and the significant inventory of slow-moving distressed properties. Practical implementation challenges leading to significant delays in the normal recovery processes involving sale of collateral under the powers of sale granted in mortgage deeds have been unintended consequences of legislation in The Bahamas enacted to protect homeownership, despite the honourable intention. The effect of these structural and legislative challenges, as exacerbated by the economic malaise caused by the global pandemic, has been the significant contraction in mortgage loans reported by the commercial banking sector since 31 December 2019, which is not expected to see any reversal for the foreseeable future due to the enhanced caution in underwriting by the commercial banking sector, including the Bank, as a consequence of these persisting structural and legislative challenges. 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, requires appropriate resources being directed to these activities.

Mortgage loans increased by $1,906,568 (2023: decreased by $2,986,464) over the prior year, representing 4.88% (2023: decrease of 7.10%), as a result of 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 material growth in commercial loans. The number of legacy non-performing mortgage loans continued to reduce due to greater successes in realising collateral on non-performing mortgages driven by innovative strategies and media employed to attract interest for distressed properties deployed in recent years. Despite the closing of all legal and administrative activities continuing to experience extended delays, fiscal year 2025 is proving the validity of the previously communicated expectation of greater successes in such realisations for the foreseeable future. The numbers of potential borrowers qualifying for new mortgage loans will continue to be limited and more likely contract given the slow recovery of employment and persisting risks in the general economy due to higher susceptibility to external shocks. Therefore, growth in traditional mortgages is not being forecasted by the Bank. However, as growth emerges in pockets of the economy of The Bahamas, commercial lending opportunities are presenting themselves.

Strategies for growth and diversification, including the mix of the loan portfolio, are adjusted based on the continuous monitoring and analyses of the performance and fundamentals of the various types of loans by ExCom and the Board of Directors. The key factors in the deliberations, and ultimate decisions, on the appropriate mix of the loan portfolio for the Bank comprise legislative and other initiatives implemented and/or discussed by domestic policymakers and financial regulators, market conditions, concentration risks and economic indicators. Strategising for growth and stability of loans and advances to customers in an economic environment that is forever changed from the years immediately prior to the peak of the global pandemic remained the challenge in fiscal year 2024, and this will endure for the next few years. Greater clarity will emerge over time as consistency in macroeconomic performance, default rates and loss ratios are observed.

The foreshadowing in the 2022 Annual Report and 2023 Annual Report of the lending environment in The Bahamas likely remaining muted for multiple years, largely due to the lengthening period of the negative consequences of the global pandemic that are extending the timelines for most households to return to full normalcy, if ever, and the perennial increase in employment uncertainty, remains relevant. The needs of existing and potential borrowers continue to principally be survival as opposed to consumption of choice, therefore growth in credit will be more gradual, with shorter term credit, that is consumer loans, being the first types of loans to experience growth, which was borne out in the commercial banking sector during 2024. Given the circumstances under which the Bank will operate for the foreseeable future, expansion is required, as opposed to solely recovery. Accordingly, efforts and resources continue to be directed to expanding the relationships with existing customers in mutually beneficial ways. Encouraging increased digital transacting, which for loan customers primarily refers to increased use of credit, debit and prepaid cards that is without cost to the customer represents such expansion, which in turn increases opportunities for fees and commissions for the Bank as an issuer of cards, and a merchant acquirer.

As of 31 December 2024, non-performing loans totalled $13,632,611 (2023: $13,248,334), representing 3.71% (2023: 3.61%) of total loans and advances to customers, excluding accrued interest and an increase of $384,277 (2023: decrease of $1,445,639) over the prior year. Non-performing mortgage loans totalled $9,609,015 (2023: $10,346,393), representing 70.49% (2023: 78.10%) of total non-performing loans and advances to customers.

The provision for loan losses as of 31 December 2024 totalled $14,031,535 (2023: $12,839,341), which represented 3.82% (2023: 3.49%) of total loans and advances to customers, excluding accrued interest. The increase in provision for loan losses is directly correlated with the increase in the non-performing loans, given the persistent economic uncertainty that directly impacts the ability of borrowers to meet loan payment obligations. The provision for loan losses applicable to non-performing loans was $6,813,937 (2023: $5,622,473), which represented 49.98% (2023: 42.44%) of total non-performing loans and advances to customers.

The strategy of aggressively pursuing loans and advances to customers previously written off was complemented by 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. This complementary approach does not increase the expense for provision for loan losses, but it does lead to higher levels of non-performing loans with commensurate provision for loan losses. Details of the calculation of the expense for provision for losses during the year are elucidated below.

Conditions conducive to expansion of the lending environment in The Bahamas are developing with positive economic activities recorded, albeit with some structural anomalies, but the threat of a possible recession in the United States of America and the rest of the world, and erratic current global inflation can severely impact such expansion prospects negatively and therefore caution is required. Net interest income will be challenged for the foreseeable future given the volatility previously discussed, but it will continue to be the primary revenue source for the Bank. 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

Deposits from customers increased by $46,346,340 (2023: $10,127,486) over the prior year, representing 6.95% (2023: 1.54%), to $713,353,753 (2023: $667,007,413). The trend from the prior four (4) 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 and resulted in increases in deposits from customers, excluding deposits from regulated financial institutions and capital markets participants, during the current and prior years.

The purpose of such a trend is possibly twofold: i) readying estates to take advantage of investment opportunities that could emerge as the economy rebounds; and ii) placing assets in a safe harbour. As previously discussed, deposits from regulated financial institutions and capital markets participants, which are considered transitory and do not form a part of the funding strategy of the Bank given the deposits in relation to these customers are expected to fluctuate significantly, decreased. Value added service offerings are targeted at these customers to generate fees and commissions for the Bank.

Encouraging longer term deposits through appropriate compensation was an enduring strategy of the Bank given the symbiotic benefits produced for the Bank and its customers. The Bank is able to fund investments in assets through sustained levels of sufficient deposits from customers 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 even higher compensation for the higher risk of immovable capital. In recognition that depositors fund the majority of the assets of the Bank, the Bank offers them higher interest rates than competitors, specifically on longer term deposits, representing an equitable distribution of earnings from the assets the depositors have funded, and a reward for the commitment of the depositors as key contributors to the success of the Bank. Equally as important, this strategy also builds stronger customer relationships and in turn, customer loyalty.

The strategy of the Bank is to increase fees and commissions to offset the lethargic growth in, and performance of, interest earning assets that is projected to continue for several years, principally through expanding its services to non-traditional customers of the Bank, that is corporate customers, including: regulated financial institutions and capital markets participants; and micro, small and medium sized entities, and even large entities as and when the opportunities exist.

Given the related deposits from customers are typically non-interest bearing, the deposit taking activity related to such customers is net interest income neutral; generally, no interest expense is incurred on the deposits from customers and no significant interest income can be earned on the cash at banks correlating with the deposits from customers. Value added service offerings that maximise opportunities for fees and commissions generate the profitability from such relationships. Further, the majority of deposits from capital markets participants are denominated in United States dollars (US$) and given that the US$ Prime rates remained abnormally elevated based on actions/inactions of the United States Federal Reserve, material interest income was earned on cash at banks denominated in US$ and placed in overnight and other very short-term deposits, consistent with the experience in the recent prior years.

The barrier to national development of necessary banking facilities not being available to new quality investors, albeit domestic or foreign, being attracted in new sectors and industries is also addressed by the particular business strategy of the Bank associated with capital markets participants. However, the Bank will onboard only those corporate customers within the parameters of the risk appetite of the Bank and that can satisfy its due diligence and risk assessment requirements. New participants continue to lament that commerce is being prohibited by the inability to establish domestic banking relationships despite receiving approvals and licences from the relevant government agencies and regulators, which contradicts the promotion of The Bahamas as being open for business.

To ensure relationships with correspondent banking partners, which are significant to the Bank and its ongoing activities, are uninterrupted, the Bank works closely with these counterparts in accepting new business, and where necessary, the Bank imposes certain conditions on relevant corporate customers such as limiting the banking facilities to those elements of the business that the Bank is willing, and equipped, to service.

The management of deposits from customers and wholesale funding, including the necessary adjustments to the mix of funding, is based on the continuous assessment of the appropriate mix of funding stability and cost. Currently, the capacity of the Bank to access wholesale funding in future periods, if necessary, is at its maximum as of result of the Bank not requiring any wholesale funding due to the increased sustained level of deposits from customers.

The strategies of the Bank set out above that have led to the change in the mix of deposit types may appear, prima facie, to contradict the principle objective of utilising deposits from customers as the principal source of funding of investments in assets. However, the deposits from customers being utilised for funding purposes exclude those from banks and capital markets participants. Term deposits represent 53.97% (2023: 61.41%) of total deposits from customers, 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 57.68% (2023: 62.66%) of the total of the remaining deposits from customers. Further, the success

of the strategy to encourage longer term deposits is supported by analyses of the undiscounted cash flows of term deposits, as the percentage of the undiscounted cash flows of term deposits due in the bucket of one (1) to five (5) years is stable and as of 31 December 2024 represented 30.39% (2023: 31.87%) of total undiscounted cash flows of term deposits. Therefore, the objectives and priorities of the Bank are in fact, complementary.

Constrained lending in The Bahamas, which existed prior to the global pandemic and was further constrained during the global pandemic, resulted in the building of excess liquidity in the banking system. The Bank must continue to be disciplined in its management of this liquidity in excess of normal levels to enable agility in responding to unforeseen circumstances and take advantage of opportunities to grow and/or maximise profitability, as the challenges within the macroeconomic environment of The Bahamas are expected to lead to the current circumstance persisting for the foreseeable future.

The interest rate environment in The Bahamas is unlikely to observe any change in the foreseeable future and the absence of sufficient opportunities to deploy funds into income earning activities of appropriate risk will result in sustained periods of excess liquidity. The expectations of customers will continue needing 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 until opportunities to deploy funds present themselves in greater numbers and consistency. Initiatives such as free financial coaching to increase the dialogue with existing customers, and potential customers that are referred from existing customers, will continue given investments in the strongest possible customer relationships are paramount to the success of the Bank. The advantages of banking with Fidelity are persistently being circulated by word of mouth, therefore it is reasonable to expect a continued increase in the numbers of depositors.

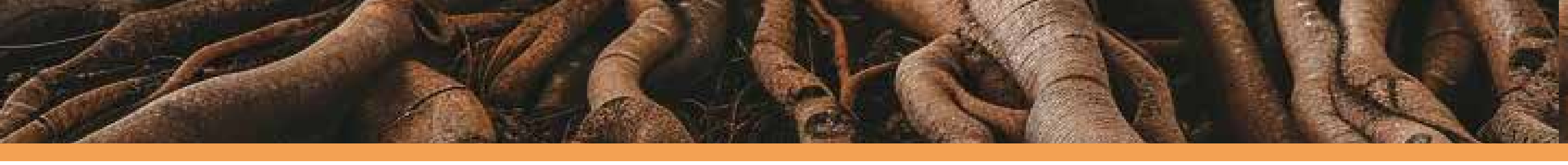
As the Bank continues to adhere to its philosophy of equitably distributing the earnings from assets to depositors, shareholders and other stakeholders that fund the investment in assets, based naturally on the level of risk assumed by each stakeholder group, it will ensure that its interest rates offered are competitive and conducive to the continued stability of funding from the most economical source. Customer education 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 will also continue.

CAPITAL ADEQUACY

As of 31 December 2024, the Bank had a ratio of total regulatory capital to risk-weighted assets of 22.40% (2023: 22.60%), which compares well with the ratio of total regulatory capital to risk–weighted assets at or above a minimum of 14.00% required by the Central Bank, and total equity of $110,567,225 (2023: $108,293,281), representing an increase of 2.10% (2023: decrease of 0.96%) over the prior year.

The principles guiding the management of total equity, and in turn regulatory capital, are to: maintain 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 provide financial capacity sufficient to withstand reasonably possible negative economic events in The Bahamas that could adversely affect risk-weighted assets of the Bank. The principles were met for the year ended 31 December 2024, as the Bank maintained an appropriate ratio of total regulatory capital to risk–weighted assets, which continues for the year ending 31 December 2025.

The capital management plan of the Bank will evolve as greater clarity emerges in relation to the picture of the future economic environment. 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 historical efficient utilisation of total equity and the financial performance of the Bank enabled it to declare and pay ordinary dividends of $14,722,002 (2023: $13,856,002), representing $0.51 (2023: $0.48) per share. Given that significant changes in the mix of risk-weighted assets that would materially increase capital requirements are not expected and limited growth in risk-weighted assets in the medium term is forecasted, the Bank did not require significant retention of net income in the current year; the resulting dividend payout ratio was 86.62% (2023: 108.21%).



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

The Bank comfortably maintains the targeted level of regulatory capital and continues to appropriately deploy its equity into assets and activities that provide returns with acceptable risk. This is evidenced by the return on average ordinary shareholders' equity reverting aggressively towards target levels, demonstrating the resilient nature of the Bank following the intense analyses performed and strategies devised in response to the financial performance and return on average ordinary shareholders' equity in the prior year.

OPERATING REVENUES

Net Interest Income

Net interest income for the year ended 31 December 2024 increased by 3.84% (2023: decreased by 1.81%) over the prior year to $53,979,736 (2023: $51,982,226), with net interest margin on financial assets standing at 6.80% (2023: 6.80%).

During these times of economic volatility, elements of the business strategy of the Bank to buttress interest income, the primary source of revenue for Bank, comprised: deploying excess cash resources into investment securities, with tenors that minimise credit and liquidity risks; maximising the placement of cash resources on interest bearing deposits, including term deposits; 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; 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; focusing efforts on restoring growth in the higher yielding consumer loans; offering customers competitive interest rates on savings deposit accounts, with emphasis on rewarding longer term commitments; and focusing on achieving stable deposits from customers to maximise cost efficiencies in the mix of funding, as wholesale funding that requires comparably higher interest rates will not be needed.

During the current year, gross loans and advances to customers remained consistent with the prior year as a result of the writing of new loans and advances to customers keeping pace with normal loan amortisations, early extinguishments and other credit adjustments. However, the writing, amortisations, extinguishments and credit adjustments were not evenly distributed and led to principal net decreases in the portfolios of the higher yielding consumer loans and loans to the Government of The Bahamas, offset by principal net increases in the portfolios of commercial loans and overdrafts with lower yields. Limited new quality credit was available during the year, and will be available in the near term, as there is very limited actual growth in GDP and employment beyond the rebound to levels immediately prior to the global pandemic, with the number of persons employed still not yet achieving even those levels, notwithstanding positive trends in the economy of The Bahamas.

Interest income earned on loans and advances to customers during the current year was consistent with the prior year, following decreases in each of the prior four (4) years commensurate with decreases in loans and advances to customers over the same period. The stability in loans and advances to customers, supported by the strategy of aggressively seeking to rehabilitate delinquent loans and those previously written off, drove the stability in interest income earned on loans and advances to customers. Rehabilitation of delinquent loans and advances to customers and those previously written off results in the: recognition of interest income previously suspended, as collection was uncertain at best; and recommencement of normal recognition of interest income.

Interest income on deposits with banks increased by 1.98% (2023: 7.22%) over the prior year to $1,551,241 (2023: $1,521,118). The Bank recognised significant interest income on the US$ cash at banks, consistent with the prior year, as it continued to place cash at banks associated with deposits from capital markets participants, the majority of which are denominated in US$, in overnight and other very short-term deposits that earned interest income correlated with the US$ Prime rate, which remained elevated as the United States Federal Reserve continues to battle inflation in the United States of America. Cash at banks placed in B$ term deposits increased as a result of rollovers, with interest rates observed on those term deposits holding materially constant during the current year. The deposits from customers denominated in US$ and the US$ Prime rate in future years will significantly impact the level of interest income on deposits with banks prospectively, with the former subject to significant fluctuations and the latter being uncertain based on forecasts of inflation and recessions, and other less objective political and geopolitical factors.

The deployment of excess cash resources into investment securities, which commenced in stages in the prior year and continued in the current year, led to an increase in interest income on investment securities of $1,016,914 (2023: $70,876) over the prior year, representing 25.20% (2023: 1.79%).

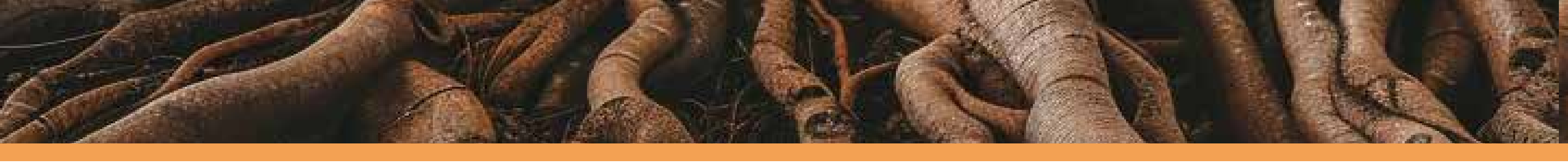
As previously discussed, the sustained periods of excess liquidity in the banking system in The Bahamas has put pressure on interest rates offered to customers, which decreased during the current year. However, the Bank deliberately held interest rates on deposits from customers placed on terms of greater than one (1) year at premium levels to reward depositors for their commitment as key contributors to the success of the Bank. Overall, interest expense decreased in the current year.

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, bolstered by the new seeds sown in the 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, continue to bear fruit. The full harvesting requires continued discipline and focus, as the phenomena of inflation, global and domestic, trade wars, and projected recessions are deferring the germination of certain seeds.

Non-Interest Income

Various banking services earn the Bank fees and commissions, certain of which are based on transactions executed for and on behalf of customers, and others are recurring fees for account maintenance and account servicing. 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. The Bank expects exponential growth in fees and commissions, as it 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. Given that significant elements of the required infrastructure and resources are already deployed, only the incremental costs associated with increases in fees and commissions will be incurred, and accordingly growth in profitability is expected to correlate with growth in fees and commissions.

Fees and commissions for the year ended 31 December 2024 increased by 42.47% (2023: 19.74%) over the prior year to $10,482,898 (2023: $7,358,199), with non-interest income now representing 16.64% (2023: 12.54%) of total income. The Bank has set a minimum target of 20.00% of non-interest income to total income, which is considered achievable through focusing on value added service offerings, to complement, and when necessary supplement, net interest income that will remain the overwhelming major contributor to total income.



The Bank is seeking to broaden its access to the wallets of its customers, particularly in light of the continued threats to interest income, by new or expanded services being offered that add value to customers and extending the demographic of customers pursued by the Bank for various products and services. Meeting the needs of the non-traditional customers being onboarded, as previously discussed, also provides opportunities to increase fees and commissions. Increases in traditional banking fees are perceived by customers and other stakeholders as a means of replacing lost interest income and continually subject to negative criticism from these parties. By charging traditional banking fees that solely represent recovery of the costs of providing the services, the Bank distinguishes itself from other financial institutions. Notwithstanding fees periodically require increases to eliminate the historical subsidising of costs to provide certain services, the Bank will clearly and transparently discuss the bases for any increases in traditional banking fees and will make every effort to provide alternatives that minimise the "administrative" costs of banking for its customers. The Bank opines that fees charged should not solely be a sunk cost but rather should add value to the customer.

OPERATING EXPENSES

For the year ended 31 December 2024, expenses, excluding the expense for provision for loan losses and allowances for impairment, totalled $40,244,651 (2023: $36,222,898), representing an increase of 11.10% (2023: 12.20%) over the prior year.

The steady and cautious expansion of human resources, the valuable resource of the Bank, continued during the year. The incentive compensation scheme for employees embeds the concept of collective responsibility and collective reward to encourage greater focus on the profitability of the Bank and provide all employees a participation in the profitability of the Bank, which in turn demonstrates to employees that it is in each and every one of their best interests for the Bank to be successful. With the return of net income to target levels, the cost of the incentive compensation scheme increased and when combined with the expansion in headcount, salaries and employee benefits increased by $937,850 (2023: decreased by $36,813) over the prior year, representing 6.81% (2023: decrease of 0.27%).

Cards services costs, including loyalty programme, increased by $1,436,628 (2023: $1,108,457) over the prior year, representing the most significant increase in operating expenses, 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, certain of which were previously outsourced, to better manage the quality of service to merchants. Business expansion efforts and technology enhancement initiatives resulted in the remaining increases in the components of general and administrative expenses. The principal drivers of the increase in equipment maintenance and supplies of $1,050,436 (2023: $518,017) were the continued enhancement of the information technology infrastructure and related information and cyber security of the Bank.

Legal and professional fees increased by $398,524 (2023: $651,167) over the prior year, based principally on additional professional services required for: various financial modelling that underpins capital adequacy assessments; independent attestations required in relation to PCI Data Security Standards and other periodic quality assurance engagements as part of the overall third line of defence in the system of internal controls; and legal costs for matters in the ordinary course of business, including employee related matters. Regulatory related fees and tax related costs, including bank and business licence fees contributed to the following: an increase in insurance expenses of $471,458 (2023: $39,937) in the vast majority due to an increase in premiums charged by the Deposit Insurance Corporation for deposit insurance protection of B$ deposits for certain depositors up to a certain level of deposit; and a decrease in bank and business licence fees of $139,532 (2023: increase of $1,359,981). In 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. The legislation remains unchanged, 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 Bank would welcome the planned transition to corporate income tax, as communicated by the Government of The Bahamas, as the current legislation and system of taxation in relation to business licence fees could very possibly tax an entity into a net loss position given that business licence fees are based on gross income as opposed to net income.

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

EXPECTED CREDIT LOSSES

Provision for Loan Losses

The expectation of the portion of financial assets at amortised cost that will experience challenges in collection is the basis for determining expected credit losses. Expected credit losses in relation to loans and advances to customers 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. These financial assets are bifurcated according to their terms to maturity and applicable interest rates based on the determined risk of challenges with collection (that is, the higher the risk, the higher the interest rate and vice versa), which is an integral process for determining the expected credit losses in relation to loans and advances to customers.

Significant estimates, assumptions and judgments are involved in the expected credit loss model, as described in Note 18 of the consolidated financial statements. 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, except when there are material changes in macroeconomic factors, or entity specific portfolio characteristics, that lead to significant changes in loss experiences.

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

All reasonable expectations of possible credit losses are addressed in the provision for loan losses. There were no modifications to the expected credit loss model utilised in the current year compared with the prior year, and 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 indeed 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 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. Additionally, the deferring of the commencement of litigation, and subsequent write off, of new loans and advances to customers that become non-performing commenced in the prior year and facilitated extended periods for efforts to rehabilitate such loans and advances to customers. Accordingly, the expense for provision for loan losses also recognised reductions in existing provision for loan losses for non-performing loans as a result of recoveries and/or restructurings associated with rehabilitation successes.

Overall, for the year ended 31 December 2024 the expense for provision for loan losses decreased by $2,893,366 (2023: increased by $3,247,920) over the prior year, representing 30.68% (2023: increase of 52.54%), and totalled $6,536,250 (2023: $9,429,616). Further, recoveries of loans and advances to customers previously written off totalled $2,138,390 (2023: $1,623,383) because of the successes of strategies for collections, recoveries and restructurings.

The effectiveness of the lending policies and credit management of the Bank are validated through the continuous benchmarking of loss experiences of the Bank against industry and competitor statistics, which evidenced that the loan portfolios of the Bank exhibited superior performance in the current and prior years. Further, the superior quality and veracity of the expected credit loss model and the strength of the management decisions and strategies in the current and prior years are exhibited by the expense for provision for loan losses recognised when benchmarked against industry and competitor information.

Following the embedding of the Credit Bureau in The Bahamas, delinquent borrowers are discovering that their past transgressions are being publicised when approaching financial institutions, and such persons are subsequently seeking to cure those transgressions, which is aiding efforts of recoveries and restructurings. The 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 provided tremendous insight into an additional source of income and profitability for the Bank, which led to greater attention being given to aggressively pursuing loans and advances to customers previously written off.

As a result of structural challenges that exist in The Bahamas, recoveries in mortgage loans will be more challenging than recoveries in consumer and other loans. Such structural challenges include: certain obligations and limitations imposed on financial institutions by the recent enforcement of legislation; the long periods to realise collateral supporting the mortgage loans; and ultimately, the limited sales of properties due to market conditions in The Bahamas. Notwithstanding the structural challenges, recent successes experienced in sales and recovery efforts inspired the efforts during the current year and continue to inspire the efforts in 2025 with similar successes.

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

Allowances for impairment

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, the Bank classifies investment securities as at amortised cost. Based on the expectation of the portion of investment securities that will experience challenges in collection, the Bank is required to determine an allowance for impairment, 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. The credit ratings of debt securities issued by the Government of The Bahamas have not been changed by international rating agencies in the current year. Further, the debt securities issued by corporate entities were recent issues during the current year, and no factors indicating any increase in credit risk have been identified since issuance. These debt securities also have either direct financial support and/or guarantees from the Government of The Bahamas, which as discussed has had no change in credit ratings. Accordingly, for the year ended 31 December 2024, there was no expense for allowance for impairment recognised in relation to investment securities.

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

IMPACTS OF THE ADOPTION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the year ended 31 December 2024, 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

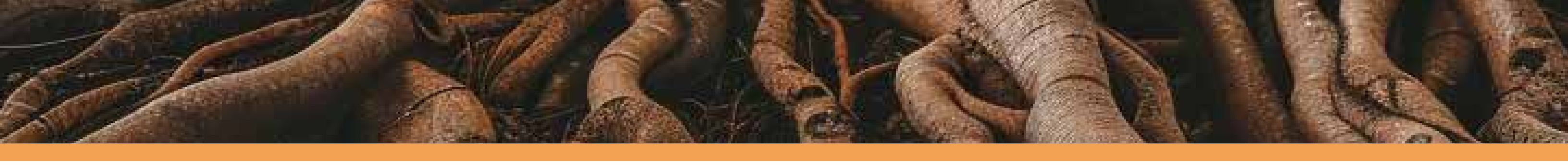
The financial performance for the year ended 31 December 2024 can optimistically lead to the characterisation of the Bank as being resilient. The underwhelming financial performance in the prior year did not deter ExCom and key managers of the Bank, as there was confidence that the Bank was well positioned to take advantage of opportunities that present themselves in times of economic prosperity due in large part to the behaviours, practices, strategies and decisions of the Bank that carried it through the peak of the global pandemic and the immediate years that followed; albeit, requiring a reset in certain areas. Key stakeholders had a right to the negative criticisms levelled by certain of them, and it was for ExCom and key managers to accept these criticisms as a challenge to demonstrate that in time the strategies devised and implemented would materialise into returns on ordinary shareholders' equity consistent with target levels set by the Bank; that is, proudly but respectfully dispel the negative criticisms. However, true resiliency is not marked by recovering from a single negative event or situation, but rather by laying the foundation to appropriately respond as many times as negative events or situations present themselves.

The manner in which persons will live and the way commerce is transacted have been irreversibly revolutionised given that economies, sectors, industries, businesses and individuals, globally and more specifically in The Bahamas, will not simply revert to conditions and behaviours of days prior to the global pandemic. The sustained financial performance of the Bank requires it to expand upon the roots that are its existing business model. For the Bank, the need for intense analyses will continue for the foreseeable future, but this does not mean that strategies change simply because their outputs have not materialised in the timeframes originally envisioned, as seeds require watering, soil cultivation and a conducive environment to germinate and strategies are no different. The Bank must therefore remain disciplined and focused, and trust the strategies, with changes only necessary when the fundamentals underpinning the strategies have materially changed or are proven to have been misinterpreted.

The resets for the Bank have been set out in prior Annual Reports and the Management Discussion and Analysis in this 2024 Annual Report opened with an update on progress in the areas identified as being integral to the success of the Bank. In summary, the strategies are being successfully implemented and the financial performance for the year ended 31 December 2024 bears this out.

The commitment of the Bank to the necessary collaboration of 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 to remediate the structural challenges facing the economy of The Bahamas is unwavering. The reform of taxation in The Bahamas is of particular interest, and appropriate empirical analysis and carefully devised plans of implementation are required to ensure the competitiveness of the jurisdiction, equity among citizens and residents, and facilitation of national development and economic growth.

Inflation, trade and military wars, and the risk of recession in major economies represent global macroeconomic conditions among others, that The Bahamas unfortunately inherits albeit involuntarily, that continue to give reason for caution. These conditions place significant pressure on the banking industry domestically and internationally, but 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, the Bank continues to honour its fiduciary responsibilities to depositors, shareholders, employees and other stakeholders, and therefore earns their confidences. The financial position and management of the Bank remain strong and can facilitate the capitalisation on prospects and opportunities in 2025 and beyond, provided it remains…Resilient…Disciplined…Focused.



The character that is the Bank, *Fidelity, We're Good For You*, is best exhibited in the Community Activities section of the 2024 Annual Report, which sets out the soft activities of the Bank. The public relations strategy continues to evolve, building on the foundation laid in recent years, to send the message that key stakeholders should *Make That Move to Fidelity,* albeit it as borrowers, depositors, cardholders, merchants, employees, shareholders or social partners. Shareholders, employees and other stakeholders now unabashedly expect the Bank to lead from the front, and while not an easy feat, ExCom and staff are constantly motivated by the positive pressure to live up to this expectation.

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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 2024, 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 2024;
- 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.

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). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

PricewaterhouseCoopers, 2 Bayside Executive Park, West Bay Street & Blake Road, P.O. Box N-3910, Nassau, Bahamas T: + 1 242 302 5300, F: + 1 242 302 5350, www.pwc.com/bs

Our audit approach

Overview

- Overall group materiality: $899,000, which represents 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. All audit procedures were performed by PricewaterhouseCoopers Bahamas.

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	$899,000
How we determined it	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 the Audit & Risk Management Committee that we would report to them misstatements identified during our audit above $44,900, 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 judgment, 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, balances, judgments and estimates.* As of 31 December 2024 gross loans and advances to customers totalled $374.8 million with a $14.0 million ECL provision, of which, $7.2 million related to Stages 1 and 2. We focused on this area because within management's ECL model are assumptions that are based on probability-weighted outcomes that consider multiple scenarios using forecasts that involve management judgments, which are subject to significant estimation uncertainty. The key assumptions include economic scenarios. The Group used forward-looking information for the measurement of the ECL.	With the assistance of our internal specialist, we performed the following procedures, amongst others, over the forward-looking information within the ECL model: • Updated our understanding of management's ECL model including any changes to the source data and assumptions. • Evaluated the appropriateness of the Group's ECL model methodology, data integrity and model performance. • Recalculated, on a sample basis, the mathematical accuracy of management's model.

The Group's macroeconomic forecasting model uses three macroeconomic scenarios to calculate an unbiased and probability weighted ECL which incorporate most likely outcome (Baseline); and two 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 80.00% whilst 9.59% and 10.41% weights are applied to the Upside and Downside scenarios, respectively.

The Baseline scenario utilises the projected unemployment rate for the year ending 31 December 2025, after assessing these against the experienced unemployment rate for the past eighteen (18) years.

The Upside and Downside scenarios utilise the best and worst unemployment rate experienced over the same timeframe.

- Agreed unemployment rates used by management in the forward-looking information to externally published data.
- Recalculated the probability weightings used by management and evaluated them against industry practices and our underlying knowledge of the portfolio.
- Sensitised management's probably weightings to evaluate how much the overall model is impacted by small changes in 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, balances, judgments and estimates.

As of 31 December 2024, the lifetime ECL on credit-impaired mortgage loans (MLs) for Stage 3 totaled $2.9 million.

We focused on management's impairment assessment for MLs in Stage 3 because the assumptions used for estimating the amount of the ECL provisions for credit-impaired MLs involve significant judgment by management, including:

- 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 judgment

With the assistance of our real estate expert, we performed 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 key 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.

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.

- 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.
- Realculated the Stage 3 ECL provision by applying independently observed discount rates, as well as costs and time to sell, derived from historical sales data and compared to the results of management.
- Recalculated management's model as it pertains for mathematical accuracy.

Other information

Management is responsible for the other information. The other information comprises Fidelity Bank (Bahamas) Limited Annual Report for 2024 (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 Fidelity Bank (Bahamas) Limited Annual Report for 2024, 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 judgment 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.

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- 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 Myra Lundy-Mortimer.

PricewaterhouseCoopers
Chartered Accountants
Nassau, Bahamas

21 May 2025

Fidelity Bank (Bahamas) Limited
(Incorporated under the laws of the Commonwealth of The Bahamas)

Consolidated Statement of Financial Position
As of 31 December 2024
(Expressed in Bahamian dollars)

	2024 $	2023 $
ASSETS		
Cash on hand and at banks (Note 4)	299,940,386	289,897,311
Investment securities (Note 5)	153,441,327	116,398,669
Loans and advances to customers (Note 6)	358,010,151	359,244,541
Other assets	6,821,961	3,453,072
Investments in joint ventures (Note 7)	195,256	176,602
Property, plant and equipment (Note 8)	9,215,289	10,136,163
Total assets	**827,624,370**	**779,306,358**
LIABILITIES		
Deposits from customers (Note 9)	713,353,753	667,007,413
Accrued expenses and other liabilities	3,703,392	4,005,664
Total liabilities	**717,057,145**	**671,013,077**
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	1,710,298	1,764,091
Retained earnings	73,407,415	71,079,678
Total equity	**110,567,225**	**108,293,281**
Total liabilities and equity	**827,624,370**	**779,306,358**

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

Director **Director**

24 April 2025
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 2024
(Expressed in Bahamian dollars)

	2024 $	2023 $
INCOME		
Interest income		
Bank deposits, loans and advances	56,869,910	56,765,454
Investment securities	5,052,946	4,036,032
	61,922,856	60,801,486
Interest expense	(7,943,120)	(8,819,260)
Net interest income	**53,979,736**	**51,982,226**
Fees and commissions	10,482,898	7,358,199
Other income	270,559	85,867
	64,733,193	**59,426,292**
EXPENSES		
General and administrative (Note 12)	24,179,310	21,012,321
Salaries and employee benefits	14,710,222	13,772,372
Provision for loan losses (Note 6)	6,536,250	9,429,616
Allowances for impairment (Note 5)	-	-
Depreciation and amortisation (Note 8)	1,355,119	1,438,205
	46,780,901	**45,652,514**
Operating profit	**17,952,292**	**13,773,778**
Share of profits of joint ventures (Note 7)	18,654	5,852
Net income and total comprehensive income	**17,970,946**	**13,779,630**

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 2024
(Continued)
(Expressed in Bahamian dollars)

	2024 $	2023 $
Attributable to:		
Ordinary shareholders		
Net income	16,995,946	12,804,630
Other comprehensive income	-	-
	16,995,946	12,804,630
Preference shareholders		
Net income	975,000	975,000
Other comprehensive income	-	-
	975,000	975,000
	17,970,946	**13,779,630**
Earnings per share (Note 11)	**0.59**	**0.45**

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
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 Changes in Equity
For the Year Ended 31 December 2023
(Expressed in Bahamian dollars)

	Capital – Ordinary Shares $	Capital – Preference Shares $	Revaluation Reserve $	Retained Earnings $	Total $
As of 1 January 2023	20,449,512	15,000,000	1,820,116	72,075,025	109,344,653
Comprehensive income					
Net income	-	-	-	13,779,630	13,779,630
Total comprehensive income	-	-	-	13,779,630	13,779,630
Transfers					
Depreciation transfer	-	-	(56,025)	56,025	-
Total transfers	-	-	(56,025)	56,025	-
Transactions with owners					
Dividends – preference shares	-	-	-	(975,000)	(975,000)
Dividends – ordinary shares	-	-	-	(13,856,002)	(13,856,002)
Total transactions with owners	-	-	-	(14,831,002)	(14,831,002)
As of 31 December 2023	**20,449,512**	**15,000,000**	**1,764,091**	**71,079,678**	**108,293,281**
Dividends per share	**0.48**	**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 2024
(Expressed in Bahamian dollars)

	2024 $	2023 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	17,970,946	13,779,630
Adjustments for:		
Interest income	(61,922,856)	(60,801,486)
Interest expense	7,943,120	8,819,260
Other income	-	(2,535)
Provision for loan losses	6,536,250	9,429,616
Allowances for impairment	-	-
Depreciation and amortisation	1,355,119	1,438,205
Share of profits of joint ventures	(18,654)	(5,852)
Interest received	56,960,042	56,456,923
Interest paid	(7,696,242)	(10,403,260)
(Increase)/Decrease in operating assets		
Current accounts at banks – pledged balances	-	(500,000)
Term deposits – contractual maturities greater than three (3) months	(669,007)	(660,744)
Mandatory reserve deposits	(1,069,047)	(1,103,020)
Loans and advances to customers	(1,111,634)	8,425,537
Other assets	(3,368,889)	(1,296,656)
Increase/(Decrease) in operating liabilities		
Deposits from customers	46,099,462	11,711,486
Accrued expenses and other liabilities	(553,313)	(388,017)
Net cash from operating activities	**60,455,297**	**34,899,087**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities	(145,270,261)	(109,408,356)
Proceeds from sales/maturities of investment securities	108,994,080	101,418,816
Purchases of property, plant and equipment	(183,204)	(333,128)
Proceeds from sales/disposals of property, plant and equipment	-	68,132
Net cash used in investing activities	**(36,459,385)**	**(8,254,536)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid on preference shares	(975,000)	(975,000)
Dividends paid on ordinary shares	(14,722,002)	(13,856,002)
Net cash used in financing activities	**(15,697,002)**	**(14,831,002)**
Net increase in cash and cash equivalents	**8,298,910**	**11,813,549**
Cash and cash equivalents as of the beginning of the year	203,917,505	192,103,956
Cash and cash equivalents as of the end of the year (Note 4)	**212,216,415**	**203,917,505**

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, its branch in Grand Bahama, its branch in Abaco and its branch in 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% (2023: 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 2024 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.

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.

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 imposed. 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 2024	% Holding 2023
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

	2024 $	2023 $
Cash on hand	4,466,869	4,199,793
Current accounts at banks	198,899,546	189,867,712
Term deposits	66,669,851	67,000,844
Mandatory reserve deposits	29,735,729	28,666,682
	299,771,995	289,735,031
Accrued interest	168,391	162,280
Total	**299,940,386**	**289,897,311**

Included in current accounts are amounts totalling $3,650,000 (2023: $3,650,000), 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 4.23% (2023: 0.00% to 5.23%) per annum.

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

	2024 $	2023 $
Cash on hand	4,466,869	4,199,793
Current accounts at banks	198,899,546	189,867,712
Term deposits	66,669,851	67,000,844
Mandatory reserve deposits	29,735,729	28,666,682
	299,771,995	289,735,031
Current accounts at banks – pledged balances	(3,650,000)	(3,650,000)
Term deposits – contractual maturities greater than three (3) months	(54,169,851)	(53,500,844)
Mandatory reserve deposits	(29,735,729)	(28,666,682)
Total	**212,216,415**	**203,917,505**

(Expressed in Bahamian dollars)

5. Investment Securities

	2024 **$**	**2023** **$**
Amortised cost		
Stage 1 – ECL		
Level 2		
Government debt securities	101,033,275	68,591,494
Level 3		
Corporate debt securities	9,100,000	-
	110,133,275	68,591,494
Stage 2 – ECL		
Level 2		
Government debt securities	42,705,400	46,371,000
Level 3		
Corporate debt securities	500,000	2,100,000
	43,205,400	48,471,000
Total – all stages	153,338,675	117,062,494
Accrued interest	1,662,652	896,175
Allowance for impairment	(1,560,000)	(1,560,000)
Total	**153,441,327**	**116,398,669**

Government securities principally comprise Bahamas Government Registered Stock and Treasury Notes with maturities ranging from 2025 to 2050 (2023: 2024 to 2050) and with either fixed interest rates ranging from 2.99% to 5.69% (2023: 2.99% to 5.69%) per annum or variable interest rates ranging from 0.04% to 0.63% (2023: 0.03% to 0.63%) above the B$ Prime rate of 4.25% per annum.

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

Movements in allowance for impairment are as follows:

	2024 **$**	**2023** **$**
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**

(Expressed in Bahamian dollars)

6. Loans and Advances to Customers

	2024 $	**2023** $
Mortgages	40,954,566	39,047,998
Consumer and other loans	333,870,452	335,755,384
	374,825,018	374,803,382
Unamortised loan origination fees	(7,073,706)	(7,333,642)
Accrued interest	4,290,374	4,614,142
Provision for loan losses	(14,031,535)	(12,839,341)
Total	**358,010,151**	**359,244,541**

The effective interest rate earned on loans and advances for the year ended 31 December 2024 was 15.05% (2023: 14.75%).

Movements in provision for loan losses are as follows:

	2024			**2023**		
	Mortgages $	**Consumer and Other** $	**Total** $	**Mortgages** $	**Consumer and Other** $	**Total** $
Balance as of the beginning of the year	3,253,104	9,586,237	12,839,341	3,780,858	9,803,219	13,584,077
Provision	73,208	6,463,042	6,536,250	(350,470)	9,780,086	9,429,616
Write-offs	(267,790)	(5,076,266)	(5,344,056)	(177,284)	(9,997,068)	(10,174,352)
Balance as of the end of the year	**3,058,522**	**10,973,013**	**14,031,535**	**3,253,104**	**9,586,237**	**12,839,341**

Recoveries of amounts previously written off recognised in provision for loan losses in the consolidated statement of comprehensive income totalled $2,138,390 (2023: $1,623,383).

The provision for loan losses represents 3.82% (2023: 3.49%) of the total loan portfolio, excluding accrued interest, and 102.93% (2023: 96.91%) of total non-performing loans. As of 31 December 2024, principal balances of non-performing loans totalled $13,632,611 (2023: $13,248,334), representing 3.71% (2023: 3.61%) of the total loan portfolio, excluding accrued interest.

Fidelity Bank (Bahamas) Limited

Notes to the Consolidated Financial Statements
31 December 2024
(Continued)
(Expressed in Bahamian dollars)

7. Investments in Joint Ventures

Movements in the investment in joint venture comprise:

	2024 $	2023 $
Balance as of the beginning of the year	176,602	170,750
Share of profits of joint venture	18,654	5,852
Dividends received	-	-
Balance as of the end of the year	**195,256**	**176,602**

The financial information of the joint venture is as follows:

	2024 $	2023 $
ASSETS		
Cash on hand and at banks	1,122,860	1,040,609
Other assets	175,994	164,953
Property, plant and equipment	157,176	166,728
Total assets	**1,456,030**	**1,372,290**
LIABILITIES		
Accrued expenses and other liabilities	72,350	74,517
Total liabilities	**72,350**	**74,517**
EQUITY		
Share capital	70,000	70,000
Other reserves	160,000	120,000
Retained earnings	1,153,680	1,107,773
Total equity	**1,383,680**	**1,297,773**
Total liabilities and equity	**1,456,030**	**1,372,290**
INCOME		
Fees and commissions	1,217,230	1,156,761
Interest income	3,575	3,622
	1,220,805	**1,160,383**

(Expressed in Bahamian dollars)

7. Investments in Joint Ventures (Continued)

	2024 $	2023 $
EXPENSES		
Salaries and employee benefits	525,593	474,627
Depreciation and amortisation	56,069	46,970
Other	551,361	524,821
	1,133,023	**1,046,418**
Net income and total comprehensive income	**87,782**	**113,965**

8. Property, Plant and Equipment

	Land & Buildings $	Furniture & Fixtures $	Motor Vehicles $	Computer Software & Office Equipment $	Leasehold Assets & Improvements $	Total $
Year ended 31 December 2024						
Opening net book value	7,076,343	878,682	17,099	123,836	2,040,203	10,136,163
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**
Year ended 31 December 2023						
Opening net book value	7,200,000	932,910	1,358	315,217	2,857,352	11,306,837
Additions	100,570	130,857	19,000	64,258	18,443	333,128
Disposals						
Cost	-	-	(7,651)	(170,191)	-	(177,842)
Accumulated depreciation	-	-	7,651	104,594	-	112,245
Depreciation	(224,227)	(185,085)	(3,259)	(190,042)	(835,592)	(1,438,205)
Closing net book value	**7,076,343**	**878,682**	**17,099**	**123,836**	**2,040,203**	**10,136,163**
As of 31 December 2023						
Cost or valuation	7,300,570	6,537,698	147,338	11,810,797	11,478,631	37,275,034
Accumulated depreciation	(224,227)	(5,659,016)	(130,239)	(11,686,961)	(9,438,428)	(27,138,871)
Net book value	**7,076,343**	**878,682**	**17,099**	**123,836**	**2,040,203**	**10,136,163**

(Expressed in Bahamian dollars)

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 2022.

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%	$624,000/($91,000)
Vacancy rates	+2.00%/-2.00%	$116,000/$417,000
Discount rate	+0.50%/-0.50%	($110,000)/$687,000

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

	2024 $	2023 $
Cost	8,802,933	8,767,117
Accumulated depreciation	(3,624,624)	(3,454,865)
Net book value	**5,178,309**	**5,312,252**

9. Deposits from Customers

	2024 $	2023 $
Term deposits	382,660,433	407,146,794
Savings deposits	205,669,614	177,969,534
Demand deposits	116,036,983	73,107,904
Escrow deposits	4,685,175	4,728,511
	709,052,205	662,952,743
Accrued interest	4,301,548	4,054,670
Total	**713,353,753**	**667,007,413**

(Expressed in Bahamian dollars)

9. Deposits from Customers (Continued)

Included in deposits from customers are deposits from banks totalling $37,204,359 (2023: $16,985,968). Deposits carry fixed interest rates ranging from 0.00% to 5.00% (2023: 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 2024 was 1.15% (2023: 1.33%).

10. Capital

	2024 $	2023 $
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 (2023: 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 2024, there are 1,500,000 (2023: 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.

(Expressed in Bahamian dollars)

11. Earnings per Share

	2024 $	2023 $
Net income attributable to ordinary shareholders	16,995,946	12,804,630
Weighted average number of ordinary shares outstanding	28,830,129	28,830,129
Earnings per share	**0.59**	**0.45**

12. General and Administrative Expenses

	2024 $	2023 $
Cards services costs, including loyalty programme	6,275,700	4,839,072
Bank and business licence fees	5,087,729	5,227,261
Equipment maintenance and supplies	3,613,713	2,563,277
Other office expenses	3,234,975	3,321,730
Legal and professional fees	1,491,136	1,092,612
Insurance expenses	1,138,324	666,866
Public relations expenses	1,036,626	1,293,058
Value added tax	670,866	650,218
Audit fees	349,668	379,383
Directors’ cost	215,384	218,840
Premises related costs	203,606	155,746
Other	861,583	604,258
Total	**24,179,310**	**21,012,321**

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 2024 totalled $380,260 (2023: $337,697).

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.

Fidelity Bank (Bahamas) Limited

Notes to the Consolidated Financial Statements
31 December 2024
(Continued)
(Expressed in Bahamian dollars)

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:

	2024	**2023**
	$	**$**
ASSETS		
Cash at banks		
Other related parties	501,110	647,401
Loans and advances to customers		
Key management personnel	608,182	800,896
Other related parties	357,053	532,772
Other assets		
The Parent	-	9,894

Cash at banks earn interest at a rate of 0.00 % (2023: 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% (2023: 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.

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

(Expressed in Bahamian dollars)

15. Related Party Balances and Transactions (Continued)

	2024 $	2023 $
LIABILITIES		
Deposits from customers		
The Parent	615,232	594,947
Key management personnel	8,527,901	8,222,418
Other related parties	39,994,517	12,038,814
Accrued expenses and other liabilities		
The Parent	432,989	-

Deposits from customers incur interest at fixed rates ranging from 0.00% to 5.00% (2023: 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 2024, key management personnel and other related parties hold 1,545,966 (2023: 1,499,825) outstanding ordinary shares and 531,581 (2023: 520,081) outstanding preference shares.

	2024 $	2023 $
INCOME		
Interest income		
Key management personnel	16,382	20,651
Other related parties	12,439	23,813
Interest expense		
The Parent	424	1,075
Key management personnel	112,329	94,223
Other related parties	61,515	49,322
Fees and commissions		
Other related parties	64,350	59,083
EXPENSES		
Salaries and employee benefits		
Key management personnel (non-executive Directors)	215,384	218,840
Key management personnel (executive Directors and other)	2,015,542	1,836,570
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 2024, the Group had outstanding loan commitments amounting to $17,405,609 (2023: $18,608,495).

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 $2,100,000 (2023: $1,553,784) as of 31 December 2024.

Lease commitments

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

	2024 $	2023 $
2024	-	626,980
2025	520,778	478,287
2026	446,203	402,650
2027	110,486	106,849
Total	**1,077,467**	**1,614,766**

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 2024 and 2023, 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 2024 would increase by $16,747,649 (2023: $17,724,739).

The low credit risk exemption has not been used for the years ended 31 December 2024 and 2023.

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 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 2024, 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 80.00% (2023: 80.00%) and 9.59% and 10.41% (2023: 10.90% and 9.10%) weights are applied to Upside and Downside, respectively, in relation to loans and advances; and 80.00%, 0.64% and 19.36% (2023: 80.00%, 10.00% and 10.00%), respectively in relation to investment securities. The Baseline scenario utilises the projected unemployment rate or gross domestic product (GDP) growth rate for the year ending 31 December 2025, after assessing these against the experienced unemployment rate and GDP growth rate in the past eighteen (18) years and forty-two (42) years, respectively. The Upside and Downside scenarios utilise the best and worst unemployment rate or GDP growth rate, respectively, experienced over the same timeframe.

The chosen input factors for three (3) macroeconomic scenarios have the impact of eliminating the outlier factors experienced in the year ended 31 December 2020, considered the peak of the global pandemic COVID-19 (commonly referred to as the Coronavirus), in the Baseline scenarios.

For credit exposure internationally, the weight for the Baseline is set to 80% and 10% weights are applied to Upside and Downside, respectively, which remained unchanged from the prior year.

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, the most 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 current and 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 unemployment and GDP 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 was the unemployment rate, given its impact on a borrower’s ability to meet his/her contractual payments.

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 immaterial.

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 2024 and 2023 would result in an increase/decrease in provision for loan losses of $1,403,154 (2023: $1,283,934) as of 31 December 2024.

(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)

Additionally, 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

The following changes in scenario inputs and weightings would result in the respective changes in provision for loan losses as of 31 December 2023:

Scenario Weightings			Projected Baseline	Increase/(Decrease)
Baseline	**Upside**	**Downside**	**Unemployment**	**in Provision**
%	**%**	**%**		**$**
80.00	11.00	9.00	Increase 120 bps	771,543
80.00	15.00	5.00	No change	(437,646)
80.00	5.00	15.00	No change	237,126

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 14.00%. For the years ended 31 December 2024 and 2023, 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 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.

(Expressed in Bahamian dollars)

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.

	2024		2023	
	$	%	$	%
Consumer	317,631,961	84.74	319,631,692	85.28
Family residential property	25,479,706	6.80	26,485,566	7.07
Commercial	7,905,491	2.11	4,794,836	1.28
Undeveloped land	7,569,369	2.02	7,767,596	2.07
Cash secured	5,768,092	1.54	5,118,595	1.36
Overdrafts	3,506,273	0.93	1,898,072	0.51
Other	6,964,126	1.86	9,107,025	2.43
	374,825,018	**100.00**	**374,803,382**	**100.00**

The average mortgage loan balance is $79,000 (2023: $76,000) and the average consumer loan balance is $38,000 (2023: $39,000) with the largest exposure to a single customer totalling approximately $6,964,126 (2023: $9,107,025). 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.

	2024		2023	
	$	%	$	%
Not impaired				
– Neither past due nor impaired	355,852,877	94.94	356,528,430	95.12
– Past due but not impaired	8,401,117	2.24	8,944,649	2.39
Impaired				
– Past due up to 3 months	1,249,480	0.34	1,091,150	0.29
– Past due 3 – 6 months	3,050,608	0.81	2,287,050	0.61
– Past due 6 – 12 months	1,018,064	0.27	208,973	0.06
– Past due over 12 months	5,252,872	1.40	5,743,130	1.53
	374,825,018	**100.00**	**374,803,382**	**100.00**
Provision for loan losses				
– Individually impaired	6,813,937	48.56	5,622,473	43.79
– Portfolio allowance	7,217,598	51.44	7,216,868	56.21
	14,031,535	**100.00**	**12,839,341**	**100.00**

(Expressed in Bahamian dollars)

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 2024	**Mortgages $**	**Consumer and Other $**	**Total $**
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**
31 December 2023			
Past due up to 3 months	1,531,418	2,404,050	3,935,468
Past due 3 – 6 months	325,024	338,635	663,659
Past due 6 – 12 months	240,995	298,822	539,817
Past due over 12 months	3,791,169	14,536	3,805,705
Total past due but not impaired	**5,888,606**	**3,056,043**	**8,944,649**

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.

(Expressed in Bahamian dollars)

20. Financial Risk Management (Continued)

Credit risk (continued)

Individually impaired loans can be analysed as follows:

31 December 2024	Mortgages $	Consumer and Other $	Total $
Carrying amount	5,592,012	4,979,012	10,571,024
Provision for loan losses	2,908,147	3,905,790	6,813,937
31 December 2023			
Carrying amount	5,989,204	3,341,099	9,330,303
Provision for loan losses	3,102,730	2,519,743	5,622,473

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 2024, a decrease of 10.00% in the fair value of collateral would result in a decrease of $520,951 (2023: $866,269) 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 $311,589 (2023: $339,687).

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.

Fidelity Bank (Bahamas) Limited

Notes to the Consolidated Financial Statements
31 December 2024
(Continued)
(Expressed in Bahamian dollars)

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**

Fidelity Bank (Bahamas) Limited

Notes to the Consolidated Financial Statements
31 December 2024
(Continued)
(Expressed in Bahamian dollars)

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**

(Expressed in Bahamian dollars)

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**

(Expressed in Bahamian dollars)

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 2023.

Mortgages	**Stage 1 12-month ECL $**	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Total $**
Balance as of 1 January 2023	111,524	38,851	3,630,483	3,780,858
Provision for loan losses during the year				
Transfers				
Transfer from Stage 1 to Stage 2	(4,940)	34,794	-	29,854
Transfer from Stage 1 to Stage 3	(1,078)	-	33,711	32,633
Transfer from Stage 2 to Stage 1	1,285	(14,580)	-	(13,295)
Transfer from Stage 2 to Stage 3	-	(13,724)	38,644	24,920
Transfer from Stage 3 to Stage 2	-	1,215	(99,302)	(98,087)
Loans and advances written	13,536	-	-	13,536
Changes to models and assumptions	286	(7,706)	(230,462)	(237,882)
Loans and advances derecognised	(9,089)	-	(93,060)	(102,149)
Provision for loan losses	-	(1)	(350,469)	(350,470)
Write-offs	-	-	(177,284)	(177,284)
Other movements	-	-	(177,284)	(177,284)
Balance as of 31 December 2023	**111,524**	**38,850**	**3,102,730**	**3,253,104**

(Expressed in Bahamian dollars)

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 2023	4,951,941	2,114,553	2,736,725	9,803,219
Provision for loan losses during the year				
Transfers				
Transfer from Stage 1 to Stage 2	(71,765)	949,909	-	878,144
Transfer from Stage 1 to Stage 3	(34,732)	-	1,992,464	1,957,732
Transfer from Stage 2 to Stage 1	12,210	(242,198)	-	(229,988)
Transfer from Stage 2 to Stage 3	-	(16,280)	(104,426)	(120,706)
Transfer from Stage 3 to Stage 2	-	95	(102,066)	(101,971)
Loans and advances written	2,373,852	-	-	2,373,852
Changes to models and assumptions	(1,148,118)	(437,059)	8,375,553	6,790,376
Loans and advances derecognised	(1,131,447)	(254,467)	(381,439)	(1,767,353)
Provision for loan losses	-	-	9,780,086	9,780,086
Write-offs	-	-	(9,997,068)	(9,997,068)
Other movements	-	-	(9,997,068)	(9,997,068)
Balance as of 31 December 2023	**4,951,941**	**2,114,553**	**2,519,743**	**9,586,237**

(Expressed in Bahamian dollars)

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 2023	5,063,465	2,153,404	6,367,208	13,584,077
Provision for loan losses during the year				
Transfers				
Transfer from Stage 1 to Stage 2	(76,705)	984,703	-	907,998
Transfer from Stage 1 to Stage 3	(35,810)	-	2,026,175	1,990,365
Transfer from Stage 2 to Stage 1	13,495	(256,778)	-	(243,283)
Transfer from Stage 2 to Stage 3	-	(30,004)	(65,782)	(95,786)
Transfer from Stage 3 to Stage 2	-	1,310	(201,368)	(200,058)
Loans and advances written	2,387,388	-	-	2,387,388
Changes to models and assumptions	(1,147,832)	(444,765)	8,145,091	6,552,494
Loans and advances derecognised	(1,140,536)	(254,467)	(474,499)	(1,869,502)
Provision for loan losses	-	(1)	9,429,617	9,429,616
Write-offs	-	-	(10,174,352)	(10,174,352)
Other movements	-	-	(10,174,352)	(10,174,352)
Balance as of 31 December 2023	**5,063,465**	**2,153,403**	**5,622,473**	**12,839,341**

(Expressed in Bahamian dollars)

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 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**

Consumer and other loans				
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**

(Expressed in Bahamian dollars)

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	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**

The tables below disclose movements in gross carrying amounts of loans and advances to customers for the year ended 31 December 2023, 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 2023	28,443,039	1,344,577	13,924,168	43,711,784
Transfers				
Transfer from Stage 1 to Stage 2	(1,201,639)	1,201,639	-	-
Transfer from Stage 1 to Stage 3	(227,785)	-	227,785	-
Transfer from Stage 2 to Stage 1	451,954	(451,954)	-	-
Transfer from Stage 2 to Stage 3	-	(436,521)	436,521	-
Transfer from Stage 3 to Stage 2	-	327,271	(327,271)	-
Loans and advances written	4,670,231	-	-	4,670,231
Changes to exposure other than full derecognition	(2,771,737)	(482,250)	(1,293,878)	(4,547,865)
Loans and advances derecognised	(2,366,378)	-	(682,190)	(3,048,568)
Write-offs	-	-	(177,284)	(177,284)
Balance as of 31 December 2023	**26,997,685**	**1,502,762**	**12,107,851**	**40,608,298**

(Expressed in Bahamian dollars)

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 2023	324,320,412	14,156,624	4,091,189	342,568,225
Transfers				
Transfer from Stage 1 to Stage 2	(2,144,156)	2,144,156	-	-
Transfer from Stage 1 to Stage 3	(1,996,636)	-	1,996,636	-
Transfer from Stage 2 to Stage 1	520,402	(520,402)	-	-
Transfer from Stage 2 to Stage 3	-	(282,665)	282,665	-
Transfer from Stage 3 to Stage 2	-	86,730	(86,730)	-
Loans and advances written	89,719,831	-	-	89,719,831
Changes to exposure other than full derecognition	(22,233,342)	(2,613,302)	7,739,627	(17,107,017)
Loans and advances derecognised	(73,082,475)	(625,912)	-	(73,708,387)
Write-offs	-	-	(9,997,068)	(9,997,068)
Balance as of 31 December 2023	**315,104,036**	**12,345,229**	**4,026,319**	**331,475,584**

Total				
Balance as of 1 January 2023	352,763,451	15,501,201	18,015,357	386,280,009
Transfers				
Transfer from Stage 1 to Stage 2	(3,345,795)	3,345,795	-	-
Transfer from Stage 1 to Stage 3	(2,224,421)	-	2,224,421	-
Transfer from Stage 2 to Stage 1	972,356	(972,356)	-	-
Transfer from Stage 2 to Stage 3	-	(719,186)	719,186	-
Transfer from Stage 3 to Stage 2	-	414,001	(414,001)	-
Loans and advances written	94,390,062	-	-	94,390,062
Changes to exposure other than full derecognition	(25,005,079)	(3,095,552)	6,445,749	(21,654,882)
Loans and advances derecognised	(75,448,853)	(625,912)	(682,190)	(76,756,955)
Write-offs	-	-	(10,174,352)	(10,174,352)
Balance as of 31 December 2023	**342,101,721**	**13,847,991**	**16,134,170**	**372,083,882**

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 $10,545,661 (2023: $10,206,675) as of 31 December 2024.

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 2024, the Group is exposed to fair value interest rate risk on $128,332,975 (2023: $89,394,194) of its investments in debt securities, which are at fixed interest rates with maturity dates ranging from 2025 to 2050 (2023: 2024 to 2050). The remainder of debt securities in the Group’s investment portfolio are at variable rates linked to the B$ Prime rate.

Fidelity Bank (Bahamas) Limited

Notes to the Consolidated Financial Statements
31 December 2024
(Continued)
(Expressed in Bahamian dollars)

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 assets and financial liabilities at carrying amounts categorised by the earliest contractual repricing dates.

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	48,935,546	334,571	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	**78,078,440**	**107,362,283**	**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	**(132,283,561)**	**21,141,582**	**(127,615,329)**	**(52,525,997)**	**276,105,880**	**116,334,105**	
31 December 2023							
ASSETS							
Cash on hand and at banks	5,077,600	45,845,808	21,317,316	-	-	217,656,587	289,897,311
Investment securities	26,494,819	30,956,875	36,813,912	12,953,350	9,179,713	-	116,398,669
Loans and advances to customers	47,546,220	359,602	1,815,156	45,649,188	263,263,625	610,750	359,244,541
Other assets	-	-	-	-	-	3,453,072	3,453,072
Total financial assets	**79,118,639**	**77,162,285**	**59,946,384**	**58,602,538**	**272,443,338**	**221,720,409**	**768,993,593**
LIABILITIES							
Deposits from customers	182,704,754	106,049,088	181,171,191	123,974,476	-	73,107,904	667,007,413
Accrued expenses and other liabilities	-	3,462	-	1,210,573	-	2,791,629	4,005,664
Total financial liabilities	**182,704,754**	**106,052,550**	**181,171,191**	**125,185,049**	**-**	**75,899,533**	**671,013,077**
Interest repricing gap	**(103,586,115)**	**(28,890,265)**	**(121,224,807)**	**(66,582,511)**	**272,443,338**	**145,820,876**	

As of 31 December 2024, an increase/decrease in market interest rates by 0.50% (2023: 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 $158,000 (2023: $95,000).

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.

(Expressed in Bahamian dollars)

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 2024	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	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	3,506,273	37,546,170	59,182,594	245,975,745	243,078,828	589,289,610
Other assets	-	6,821,961	-	-	-	6,821,961
Total financial assets	**237,108,417**	**152,635,629**	**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	**(89,290,567)**	**62,478,539**	**(69,556,756)**	**155,842,656**	**283,639,017**	
Loan commitments	**17,405,609**					

31 December 2023	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	222,734,187	45,903,931	21,430,378	-	-	290,068,496
Investment securities	500,000	32,562,564	41,622,454	27,167,355	31,512,715	133,365,088
Loans and advances to customers	1,898,072	36,347,896	59,558,218	253,469,205	252,980,671	604,254,062
Other assets	-	3,453,072	-	-	-	3,453,072
Total financial assets	**225,132,259**	**118,267,463**	**122,611,050**	**280,636,560**	**284,493,386**	**1,031,140,718**
LIABILITIES						
Deposits from customers	255,812,658	106,772,569	183,287,140	135,687,560	-	681,559,927
Accrued expenses and other liabilities	-	2,948,970	469,638	987,787	-	4,406,395
Total financial liabilities	**255,812,658**	**109,721,539**	**183,756,778**	**136,675,347**	**-**	**685,966,322**
Net liquidity gap	**(30,680,399)**	**8,545,924**	**(61,145,728)**	**143,961,213**	**284,493,386**	
Loan commitments	**18,608,495**					

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 2024 and 2023.

As of 31 December 2024, principal and interest balances of the deposits of the ten (10) largest customers totalled $142,983,424 (2023: $122,111,514) representing 20.04% (2023: 18.31%) 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.