

BF&M LIFE INSURANCE COMPANY LIMITED
BAHAMAS BRANCH
(Registered in Bahamas)

Financial Statements
31 December 2025

BF&M LIFE INSURANCE COMPANY LIMITED -- BAHAMAS BRANCH

Responsibility for financial reporting

For the year ended 31 December 2025

The management of Allshores Life & Benefits Company (Bermuda) Limited - formerly BF&M Life Insurance Company Limited ("the Company") is responsible for the preparation of the financial statements of BF&M Life Insurance Company Limited – Bahamas Branch ("the Branch") which are contained in this report. These financial statements have been prepared in accordance with IFRS® Accounting Standards'.

Management has established and maintains a system of financial reporting and internal controls to provide reasonable assurance that transactions are properly authorised and recorded. These controls include the careful selection, training, and supervision of qualified employees, the establishment of well-defined responsibilities, and the communication of policies relating to good conduct and business practice. Internal controls are reviewed and evaluated by the Company's internal auditor function.

The shareholder's independent auditors, KPMG have audited the financial statements of the Branch in accordance with International Standards on Auditing and have expressed their opinion in their report to the Company's shareholder. The auditors have unrestricted access to and meet periodically with the Audit, Compliance, and Corporate Risk Management Committee to review its findings regarding internal controls over the financial reporting process, auditing matters and reporting issues.

These financial statements have been authorised for issue on May 29, 2026. The Board of Directors has the power to amend these financial statements after issue, if required.



Abigail Clifford, B.A., M.Sc.

Group President and Group Chief Executive Officer



E. Barclay Simmons

Director



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Independent Auditors' Report to the Board of Directors

Opinion

We have audited the financial statements of The Bahamas Branch (the “Branch”) of BF&M Life Insurance Company Limited (the Company), which comprise the statement of financial position as at December 31, 2025, the statements of income, changes in amounts the head office account and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Branch as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”).

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 Financial Statements*” section of our report. We are independent of the Branch and the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA Code”) together with the ethical requirements that are relevant to our audit of the financial statements in the Bahamas, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Branch for the year ended December 31, 2024, were audited by another auditor who expressed an unmodified opinion on those statements on May 14, 2025.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Branch's and the Company'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 Branch or the Company to cease operations, or has no realistic alternative but to do so.

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



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Branch'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 Branch's or the Company'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 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 Branch or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

KPMG (Bahamas) Ltd.

May 29, 2026

BF&M LIFE INSURANCE COMPANY LIMITED -- BAHAMAS BRANCH**Statement of Financial Position**

As at 31 December 2025

(In thousands of Bahamian dollars)

	Notes	31 December 2025	31 December 2024
		\$	\$
ASSETS			
Cash and cash equivalents	8	1,428	1,558
Regulatory assets	9	5,169	5,008
Other assets	10	18	20
Total assets		<u>6,615</u>	<u>6,586</u>
LIABILITIES			
Other liabilities	14	93	89
Reinsurance contracts held liabilities	15	365	625
Insurance contract liabilities	15	6,568	6,993
Total liabilities		<u>7,026</u>	<u>7,707</u>
EQUITY			
Total Head office Account		<u>(411)</u>	<u>(1,121)</u>
Total liabilities and equity		<u>6,615</u>	<u>6,586</u>

The accompanying notes are an integral part of these financial statements

Approved by the Board of Directors


Abigail Clifford, B.A., M.Sc.
Group President and Group Chief Executive OfficerE. Barclay Simmons
Director

BF&M LIFE INSURANCE COMPANY LIMITED -- BAHAMAS BRANCH**Statement of Income**

For the year ended 31 December 2025

(in thousands of Bahamian dollars)

	Notes	2025	2024
		\$	\$
Insurance revenue	11	985	1,184
Insurance service expenses	15	(663)	(300)
Net expenses from reinsurance contracts held	15	(173)	(161)
Insurance service result		149	723
Investment result	12	194	178
Net investment (loss)		194	178
Net finance income (expenses) from insurance contracts issued	12	115	(202)
Net finance income from reinsurance contracts held	12	(14)	30
Net insurance finance result		101	(172)
Other operating expenses	17	17	(27)
Net income (loss) for the year		427	756

The accompanying notes are an integral part of these financial statements

BF&M LIFE INSURANCE COMPANY LIMITED -- BAHAMAS BRANCH

Statement of Changes in Head Office Account

For the year ended 31 December 2025

(in thousands of Bahamian dollars)

	Notes	2025	2024
		\$	\$
Head Office Account			
Balance - beginning of year		(1,121)	(2,336)
Net income for the year		427	756
Other head office net transactions		283	459
Balance - end of year		<u>(411)</u>	<u>(1,121)</u>

The accompanying notes are an integral part of these financial statements

BF&M LIFE INSURANCE COMPANY LIMITED - BAHAMAS BRANCH**Statement of Cash Flows**

For the year ended 31 December 2025

(In thousands of Bahamian dollars)

	2025	2023
	\$	\$
Cash flows from operating activities	427	756
Profit (Loss) for the year		
Adjustments for:		
OCI movements relating to insurance and reinsurance contracts	328	-
Non-cash movements through Branch Head Office	(45)	-
Changes in assets and liabilities		
Regulatory assets	(161)	(151)
Other assets	2	(14)
Reinsurance contracts held	(260)	128
Insurance contracts issued	(425)	(1,434)
Other liabilities	4	(167)
Net cash generated from operating activities	(130)	(882)
Cash flows from financing activities		
Funding from head office	-	1,150
Net cash used for financing activities	-	1,150
Decrease in cash and cash equivalents	(130)	268
Cash and cash equivalents - beginning of year	1,558	1,290
Cash and cash equivalents - end of year	1,428	1,558

During the year the \$55 (2024: \$691) of transactions incurred by the Branch were financed on the Branch's behalf by the Company.

BF&M LIFE INSURANCE COMPANY LIMITED -- BAHAMAS BRANCH

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BF&M LIFE INSURANCE COMPANY LIMITED -- BAHAMAS BRANCH

Notes to Financial Statements

For the year ended 31 December 2025

(in thousands of Bahamian dollars)

1. NATURE OF THE BRANCH AND ITS BUSINESS

BF&M Life Insurance Company Limited – Bahamas Branch (the “Branch”) is a branch of Allshores Life & Benefits Company (Bermuda) Limited (formerly BF&M Life Insurance Company Limited) (the “Group” or the “Company”) a company incorporated in Bermuda on 13 November 1990 and is a wholly-owned subsidiary of Allshores Limited (formerly BF&M Limited, “the Parent”). The financial statements presented are for the individual Branch which operates in Bahamas. The Company has been authorised to transact life, health and annuity insurance business in the Bahamas from 10 December 2006 through the Branch. The Branch receives full financial support from the Company.

The Company is registered as a Dual – Class D and Class 3B insurer under The Bermuda Insurance Act 1978, amendments thereto and related regulations (“the Act”) and writes group and individual life, accident and health, pension and annuity business. The address of its registered office is 112 Pitts Bay Road, Pembroke, HM08, Bermuda.

The Company’s principal business is insurance. It determines and charges a premium to policyholders which, taken as a pool with all other policyholders, is expected to cover underwriting costs and claims which may take a number of years to settle. The business risks of insurance reside in determining the premium, settlement of claims, and estimation of claim costs and management of investment funds.

BF&M LIFE INSURANCE COMPANY LIMITED -- BAHAMAS BRANCH

Notes to Financial Statements

For the year ended 31 December 2025

(in thousands of Bahamian dollars)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

A. STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with IFRS® Accounting Standards' ("IFRS") as issued and adopted by the International Accounting Standards Board ("IASB").

B. BASIS OF PREPARATION

i) Basis of measurement

The financial statements have been compiled on the going concern basis.

The statement of financial position is presented in order of liquidity.

ii) Critical estimates, judgments and assumptions

The preparation of the Branch's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions. It is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumptions made could require a material adjustment to the carrying amount of the asset or liability affected. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

Key sources of estimation uncertainty and areas where significant judgments have been made are listed below and discussed throughout the notes to these financial statements including:

- The actuarial assumptions used in the valuation of life insurance contract liabilities as discussed in Note 2I. Related sensitivities are disclosed in Note 5C.
- In the determination of the fair value of financial instruments, the Branch's management exercises judgment in the determination of fair value inputs, particularly those items categorised within level 3 of the fair value hierarchy.

C. FOREIGN CURRENCY TRANSLATION

i) Functional and presentation currency

Items included in the financial statements of the Branch are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). All amounts in the financial statements are in thousands of Bahamian dollars, which is the Branch's presentation currency.

ii) Transactions and balances

Monetary assets and liabilities, including insurance and reinsurance contracts assets and liabilities, denominated in currencies other than the functional currency of the Branch are translated into the functional currency using the rate of exchange prevailing at the statement of financial position date. Income and expenses are translated at rates of exchange in effect on the transaction dates. Foreign exchange gains and losses if any are expensed on the statement of income.

D. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term highly liquid financial assets with original maturities of three months or less and are readily convertible to known amounts of cash and which are subject to an insignificant change in value, and bank overdrafts.

E. REGULATORY ASSETS

Regulatory deposits are held with the regulator as a legal requirement in order to provide services in Bahamas.

F. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

a) Financial assets and financial liabilities

i) Recognition and initial measurement

Financial instruments are recognised on the trade date, which is the date on which the Branch becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for a financial asset or financial liability not measured at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue.

ii) Classification and subsequent measurement

Classification of financial assets

On initial recognition, financial assets are classified as measured at amortised cost, fair value through profit and loss ("FVTPL"), or fair value through other comprehensive income ("FVOCI"). The classification assigned depends on the contractual cash flow characteristics of the assets, how the assets are managed (i.e., the applicable business model), and whether the Branch has made an election in order to reduce an accounting mismatch which would otherwise arise.

Assets at amortised cost comprise financial assets with contractual terms that give rise solely to interest and principal ("SPPI") cash flows, and which are held in a business model whose objective is to hold the assets to collect their cash flows. They are measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in the statement of income. Any gain or loss on derecognition is also recognised in the statement of income.

Since Regulatory assets are held to fulfil requirements imposed by the regulator, there is moderate turnover in this portfolio, and the performance of the portfolio is evaluated on a total return basis, these assets are classified as at FVTPL.

Classification of financial liabilities

The Branch classifies its financial liabilities within Other liabilities at amortised cost.

Interest on financial instruments

Interest income and expenses are recognised in the statement of income using the effective interest rate method for financial instruments measured at amortised cost. If a financial asset is not credit-impaired, the gross carrying amount is used to calculate interest income. When a financial asset become credit impaired, interest income is calculated on the carrying amount net of the allowance for expected credit losses ("ECL").

If the financial instrument was derecognised before 1 January 2023, interest revenue was calculated using the effective interest method for financial assets measured at amortised cost.

iii) Impairment

The Branch recognises allowances for ECL on financial assets measured at amortised cost and the carrying amount of such assets in the statements of financial position are net of the allowances for ECL.

The Branch measures loss allowances for trade/ contract receivables at an amount equal to the lifetime ECL allowance. For other financial assets held at amortised cost which are determined to have low credit risk at the reporting date or which have not undergone a significant increase in credit risk), loss allowances are based on the 12-month allowance for ECL.

Financial instruments for which the 12-month ECL are recognised are referred to as 'Stage 1 financial instruments'. The 12-month ECL is estimated based on default events on a financial instrument that are possible within the 12 months after the reporting date.

Financial instruments for which lifetime ECL are recognised because of a significant increase in credit risk since initial recognition but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Lifetime ECL are estimated based on all possible default events over the expected life of the financial instrument.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the Branch is exposed to credit risk.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Branch in accordance with the contract and the cash flows that the Branch expects to receive). The Branch's ECL model is detailed in Note 5B.

Credit-impaired financial assets

At each reporting date, the Branch assesses whether financial assets measured at amortised cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or past-due event; or
- the debtor entering bankruptcy or other financial reorganisation becoming probable.

A financial asset that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Write-off

The gross carrying amount of a financial asset, and the related allowance for ECL, is written off when the Branch has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Branch determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

iv) Derecognition

Financial assets

The Branch derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Branch neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount at the date of derecognition and the consideration received (including any new asset obtained less any new liability assumed) is recognised in the statement of income.

Financial liabilities

The Branch generally derecognises a financial liability when its contractual obligations expire or are discharged or cancelled.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the statement of income.

G. PROPERTY AND EQUIPMENT

All assets classified as property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Branch and the cost of the item can be measured reliably. Expenditures relating to ongoing maintenance of property and equipment are expensed as incurred in operating expenses on the statement of income.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives at the following rates:

Furniture and equipment	5 years – 10 years
Computer hardware	3 years – 5 years

The assets' residual values and useful lives and method of depreciation are reviewed at the end of each reporting period and adjusted if appropriate. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is considered impaired and it is written down immediately to its recoverable amount. In the event of improvement in the estimated recoverable amount, the related impairment may be reversed.

H. LEASES

The Branch had a commercial lease that expired in 2023. Since this lease did not substantially transfer all of the risks and rewards of ownership it was considered an operating lease. As such, the payments made under this operating lease are included within operating expenses in the statement of income.

I. INSURANCE AND REINSURANCE CONTRACTS

The Branch issues contracts that transfer insurance risk or both insurance and financial risk.

Insurance contracts issued are those contracts where the Branch (the insurer) has accepted significant insurance risk from another party, the policyholder or ceding company, by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Branch determines whether it has significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur. In addition, the Branch considers the proportion of premiums received to the benefit payable if the insured event did occur. Insurance contracts can also transfer financial risk. Contracts held by the Branch under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts held.

Insurance contracts issued include term, whole life and universal life insurance contracts. Whole life contracts may be participating or non-participating contracts. Life insurance contracts issued that contain participating features do not meet the definition of contracts with direct participation features set out in IFRS 17 Insurance Contracts since a specified pool of underlying assets is not clearly identified.

Long-duration life contracts are measured using the general measurement principles (collectively, the "GMM") of IFRS 17.

i) Aggregation and recognition of insurance and reinsurance contracts

a) Insurance contracts issued

Insurance contracts are aggregated into groups for IFRS 17 measurement purposes. Contracts are first assigned to portfolios by aggregating together those subject to similar risks that are also managed together. Portfolios are then subdivided into annual cohorts (i.e., by year of issue).

The Branch has not identified any contracts that were onerous at initial recognition or at the date of transition to IFRS 17, however there is a risk that some groups of contracts included in a particular cohort may become onerous subsequently due to adverse experience. Hence, all contracts are included in a single "remaining" profitability group and loss component accounting is not currently applicable.

The Branch's single portfolio is Long-duration Individual Life contracts.

Various contracts contain investment components which are non-distinct.

An insurance contract issued by the Branch is recognised from the earliest of:

- the beginning of its coverage period; or
- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder.

b) Reinsurance contracts held

Reinsurance contracts held are allocated into portfolios based on the direct risks covered. Some reinsurance contracts provide cover for underlying contracts that are included in different direct portfolios. These contracts are subdivided based on the underlying direct risks covered and allocated into portfolios on this basis since the covers were combined into one contract merely for administrative convenience. The different covers do not lapse together and can be priced and sold separately in the market.

Groups of reinsurance contracts held are initially recognised on the following date:

- Contracts providing proportionate coverage: The date on which any underlying insurance contract is initially recognised.
- Others: The beginning of the coverage period of the group of reinsurance contracts.

ii) Measurement of contracts under the GMM

a) Insurance contracts - Initial measurement

On initial recognition, the Branch measures a group of insurance contracts issued as the total of (a) the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and (b) the contractual service margin ("CSM").

The risk adjustment for non-financial risk is the compensation required by the Branch for bearing uncertainty that arises from non-financial risk.

The CSM represents the unearned profit that the Branch will recognise as it provides services under those contracts. The CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

b) Insurance contracts - Subsequent measurement

The carrying amount of a group of insurance contracts issued at each reporting date is the sum of the LRC and the liability for incurred claims ("LIC").

After initial recognition, the LRC comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date (see below).

The LIC includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid.

The fulfilment cash flows of groups of insurance contracts issued are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk (Note 15D(i)).

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- interest accreted on the carrying amount of the CSM during the year, measured at the discount rates determined on initial recognition;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition;
- the amount recognised as insurance revenue because of the services provided in the year (see (v)).

c) Reinsurance contracts held

To measure a group of reinsurance contracts held, the Branch applies accounting policies and assumptions that are consistent with those applied to insurance contracts issued.

iii) Contract derecognition

The Branch derecognises a contract when it is extinguished - i.e., when the specified obligations in the contract expire or are discharged or cancelled.

iv) Presentation

Portfolios of insurance contracts issued that are assets and those that are liabilities, and portfolios of reinsurance contracts held that are assets and those that are liabilities, are presented separately in the statement of financial position.

The Branch disaggregates amounts recognised in the statement of income into (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) net insurance finance income or expenses.

Income and expenses from reinsurance contracts held are presented separately from income and expenses from insurance contracts issued, and on a net basis as "net expenses from reinsurance contracts held" in the insurance service result and net reinsurance finance income or expenses in the statement of income.

The Branch disaggregates changes in the risk adjustment for non-financial risk between the insurance service result and net insurance/ reinsurance finance income or expenses by applying a systematic allocation method.

Insurance revenue and insurance service expenses exclude any investment components and are recognised as follows:

a) Insurance revenue

The Branch recognises insurance revenue as it satisfies its performance obligations - i.e., as it provides services. Insurance revenue comprises the following items:

- A release of the CSM, measured based on coverage units provided (see 'Release of the CSM' below).
- A release of the risk adjustment for non-financial risk relating to current services.
- Claims and other insurance service expenses previously reserved for that were released in the year, which are measured at the amounts expected at the beginning of the year.

In addition, the Branch allocates a portion of premiums that relate to recovering insurance acquisition cash flows to each period in a systematic way based on the passage of time. The Branch recognises the allocated amount, adjusted for interest accretion at the discount rates determined on initial recognition of the related group of contracts, as insurance revenue, and an equal amount as insurance service expenses.

Release of the CSM: The amount of the CSM that is recognised as insurance revenue in each year is determined by identifying the coverage units in the group, allocating the CSM equally to each coverage unit provided in the year and expected to be provided in future years, and recognising in insurance revenue the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is determined by considering for each contract the quantity of benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date. Time value of money is not considered for the purposes of the CSM amortization.

Services provided under insurance contracts issued include insurance coverage and, in certain cases, investment services related to non-distinct investment components, both of which are incorporated into the determination of coverage units.

b) Insurance service expenses

Insurance service expenses arising from insurance contracts issued are recognised in the statement of income generally as they are incurred. Insurance service expenses exclude repayments of investment components, and comprise the following items:

- Incurred claims and other costs associated with policy maintenance;
- Insurance acquisition cash flows incurred and amortised ; and
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk, and changes therein.

c) Net income/expenses from reinsurance contracts held

Net income/ expenses from reinsurance contracts held comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers.

The Branch recognises an allocation of reinsurance premiums paid in the statement of income as it receives services under the reinsurance contracts held. The allocation of reinsurance premiums paid relating to services received for each period represents the total of the changes in the asset for remaining coverage that relate to services for which the Branch expects to pay consideration. These services include expected recoveries, a release of the reinsurance risk adjustment, and a release of the reinsurance CSM.

d) Net insurance and reinsurance finance income and expenses

Net insurance and reinsurance finance income and expenses comprises changes in the carrying amounts of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk and changes therein. This primarily

The Branch presents net insurance finance income or expenses and net reinsurance finance income or expenses separately in the statement of income.

BF&M LIFE INSURANCE COMPANY LIMITED -- BAHAMAS BRANCH

Notes to Financial Statements

For the year ended 31 December 2025

(in thousands of Bahamian dollars)

3. HEAD OFFICE ACCOUNT

This account is used by the Branch to account for all transactions with the Company as the head office. It is credited for all expenses paid by the head office on behalf of the Branch. It is debited for all cash collected by the head office on behalf of the Branch. The net amount of these transactions totaled \$283 for the 2025 year (2024: \$691). During the year, the Branch transferred \$nil in cash to the Company (2024: \$1,150).

This account represents the net investment by the head office in the Branch. The Branch has not been allocated any corporate shared cost by the Company.

BF&M LIFE INSURANCE COMPANY LIMITED -- BAHAMAS BRANCH

Notes to Financial Statements

For the year ended 31 December 2025

(in thousands of Bahamian dollars)

4. NEW AND REVISED ACCOUNTING STANDARDS

A. Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures

In May 2024, the IASB issued amendments to the classification and measurement requirements of financial instruments under IFRS 9 Financial Instruments (IFRS 9), and IFRS 7 Financial Instruments: Disclosures (IFRS 7). These amendments clarify the classification of financial assets, including those with environmental, social, and governance (ESG) features, and provide guidance on the derecognition of financial liabilities settled through electronic payment systems. The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted. The Branch is assessing the impact of these amendments.

B. IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued a new standard – IFRS 18 Presentation and Disclosures in Financial Statements (IFRS 18) in response to investors' concerns about the comparability and transparency of entities' performance reporting. The standard replaces IAS 1 Presentation of Financial Statements and introduces new requirements for presentation of financial statements and disclosures within financial statements. The new requirements introduced in IFRS 18 will help to achieve comparability of the financial performance of similar entities, especially related to how 'operating profit or loss' is defined. The new disclosures required for some management-defined performance measures will also enhance transparency. The new standard will be effective for annual reporting periods beginning on or after 1 January 2027 and to be applied retrospectively. The Branch is assessing the impact of this standard.

C. Amendments to IAS 12 "Income Taxes"

Income Taxes related to the OECD's International Pillar Two Tax Reform were issued in May 2023. The OECD aims to establish a global minimum tax ("GMT") for large international companies. In response to the OECD's reforms, in December 2024, a 15 per cent corporate income tax ("CIT") was enacted in Bermuda. The Group is not presently in scope of the requirements since CIT is applicable only to multinational enterprise groups with annual revenues of €750 million or more. As at 31 December 2025, certain other jurisdictions in which the Group operates, including Barbados and Canada, have enacted legislation to adopt GMT. Other jurisdictions in which the Group operates, including the Cayman Islands, have not yet announced or enacted final local rules.

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5. MANAGEMENT OF FINANCIAL AND INSURANCE RISK

A. RISK MANAGEMENT AND OBJECTIVES

Risk is managed at the Company level. The Company's primary objective in undertaking risk management activity is to manage risk exposures in line with risk appetite, minimizing its exposure to unexpected financial loss and limiting the potential for deviation from anticipated outcomes. In this respect, a framework of limits and qualitative statements, aligned with the Branch's risk appetite, is in place for material exposures. Key management recognizes the critical importance of having efficient and effective risk management systems in place.

B. FINANCIAL RISKS

i) Credit risk

Credit risk is the exposure that a counter-party to a financial instrument is unable to meet an obligation, thereby causing a financial loss to the Branch. Financial assets which potentially expose the Branch to credit risk mainly consist of Cash and cash equivalents, Regulatory assets, Reinsurance contracts held assets and trade/contract receivables (included in Other assets).

All cash and cash equivalents are held with one financial institution, which has an A credit rating, in the Bahamas.

Regulatory assets comprise of deposits with an A credit rating held with one financial institution in the Bahamas on behalf of the Bahamian Insurance Regulator.

All reinsurance balances are recoverable from large reputable reinsurers.

Reinsurance is placed with well-established reinsurance companies with strong credit ratings. All major reinsurers are rated A or better with A.M. Best.

For all financial instruments, the amounts recognized in the statement of financial position are representative of the Branch's

Amounts arising from ECL on financial assets

The ECL allowance model is introduced in Note 2F(iii).

Stage 1 financial assets

Financial assets that have not had a significant increase in credit risk since initial recognition and fixed income securities that have low credit risk (i.e., with an external credit rating agency rating of "BBB" or better) at the reporting date are included in Stage 1.

ECL measurement in Stage 1

The loss allowance for Stage 1 financial assets is equal to the 12-month ECL. 12-month ECLs represent the portion of lifetime ECLs that result from default events possible within 12 months of the reporting date.

Other financial assets in Stage 1 are low credit risk assets which are externally rated and the ECL allowance for these assets is measured using default rates published by a credit rating agency.

Movement from Stage 1 to Stage 2

Financial assets are moved from Stage 1 to Stage 2 when a significant increase in credit risk ("SICR") occurs. Financial assets with low credit risk at the reporting date are assumed to not have undergone a SICR. Additionally, trade/contract receivables follow a simplified model whereby the loss allowance is always based on lifetime ECLs and SICR assessments are not performed.

When determining whether a SICR has occurred, the Branch considers reasonable and supportable qualitative and quantitative information that is relevant and available without undue cost or effort.

Notwithstanding the above, the Branch considers that a SICR occurs when an asset is more than 30 days past due.

ECL measurement for Stage 2 assets and trade/contract receivables

For trade/ contract receivables, the loss allowance is based on lifetime ECLs. For these balances, the group makes use of provision matrices incorporating the ageing of receivables and historical credit loss rates to calculate the ECL allowance on a collective basis.

Movement from Stage 2 to Stage 3

Financial assets are moved to Stage 3 when they become credit impaired or are considered to be in default, which is defined as when it is unlikely that full payment will be received. Factors considered in this determination are set out in Note 2(H)(iii). Additionally, as a backstop, it is presumed that financial assets that are more than 90 days past due are credit impaired.

Additionally, as a backstop, it is presumed that financial assets that are more than 90 days past due are credit impaired.

Notwithstanding the foregoing, it is presumed that financial assets that are more than 90 days past due are credit impaired.

ECL measurement for Stage 3 assets

The loss allowance for Stage 3 financial assets is also based on lifetime ECLs.

No impairment allowances in respect of Cash and cash equivalents or trade/contract receivables (within Other assets) were required at the end of 2025 and 2024.

ii) Liquidity risk

Liquidity risk is the risk that the Branch will encounter difficulty in meeting obligations as they become due. The Company has the following policies and procedures in place to manage this risk within the Branch:

- Management maintains levels of cash and short-term deposits within the Branch, which are sufficient to fulfill the Branch's short-term obligations;
- Short-term cash flow needs are adequately met by operating cash flows;
- In the event of a cash shortfall, funds will be transferred from the Company to the Branch.

The maturity profiles of the Branch's significant insurance and financial liabilities are summarised in the following tables. Maturity profiles for financial liabilities are disclosed according to contractual maturity dates. Maturity profiles for net insurance liabilities are based on expectations.

The maturity profile of financial assets at 31 December 2025 is as follows:

	Within 1 year \$	2 to 3 years \$	4 to 5 years \$	Over 5 years \$	Total \$	Effective interest rate ranges
Regulatory assets	5,169	-	-	-	5,169	
Total	5,169	-	-	-	5,169	

The maturity profile of financial assets at 31 December 2024 was as follows:

	Within 1 year \$	2 to 3 years \$	4 to 5 years \$	Over 5 years \$	Total \$	Effective interest rate ranges
Regulatory assets	5,008	-	-	-	5,008	
Total	5,008	-	-	-	5,008	

The maturity profile of non-insurance liabilities at 31 December 2025 is as follows:

	Within 1 year \$	1-5 years \$	Over 5 years \$	Total \$
Other liabilities	93	-	-	93
Total	93	0	0	93

The maturity profile of non-insurance liabilities at 31 December 2024 was as follows:

	Within 1 year \$	1-5 years \$	Over 5 years \$	Total \$
Other liabilities	89	-	-	89
Total	89	0	0	89

The following table provides a maturity analysis of the Group's insurance and reinsurance contract liabilities, which reflects the dates on which the cash flows are expected to occur.

	Within 1					More than 5	Total
	year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	years	
31 December 2025							
Insurance contract liabilities	164	230	259	275	270	5,370	6,568
Reinsurance contracts held liabilities	(71)	(34)	(11)	(6)	(8)	495	365
Total	93	196	248	269	262	5,865	6,933
31 December 2024							
Insurance contract liabilities	371	339	339	343	344	5,257	6,993
Reinsurance contracts held liabilities	(12)	31	21	18	17	550	625
Total	359	370	360	361	361	5,807	7,618

The expected maturity profile of insurance and reinsurance contract liabilities presented above is significantly affected by the insurance risk assumptions set out in Note 5C.

iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. Market risk comprises three types of risk: foreign exchange rates (currency risk) and market interest rates (interest rate risk).

a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Branch is not significantly exposed to foreign exchange risk because of the following:

- The majority of the Branch's assets, liabilities, and earnings are denominated in Bermuda, Bahamian or United States dollars;
- The Bermuda and Bahamian dollars are pegged to the United States dollar.

b) Interest rate risk

Interest rate risk is price volatility produced by changes in the overall level of interest rates. Interest rate risk is managed at the Company level.

C. INSURANCE RISK

Insurance risk is any risk other than financial risk that is transferred from the holder of the contract to the issuer. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. Insurance risk in the Branch arises through its exposure to mortality and morbidity risks and exposure to worse than anticipated operating experience on factors such as persistency levels and management and administration expenses.

Management of insurance risks

The Branch has developed an insurance risk policy and guidelines on the practical application of this policy. Individual insurance risks are managed at a Company business unit level and are also monitored at the Branch and Company level.

The impact of insurance risk is monitored by the business units as part of the control cycle of business management. Exposure is monitored through the assessment of liabilities and the asset-liability management framework process. At the Company level the overall exposure to insurance risk is measured through management reporting, Dynamic Capital Adequacy Test ("DCAT"), and Bermuda Solvency Capital Requirement ("BSCR") analysis.

The Board of Directors considers the reinsurance coverage across the life businesses. It confirms that guidance and procedures are in place for each of the major components of insurance risk, and that the businesses mitigate against any insurance risk within the parameters for the overall Company risk appetite.

The Board of Directors has also developed guidance for business units on management of a number of areas of insurance risk to ensure best practice is shared throughout the Company and common standards are adopted.

The individual life insurance risks are managed by the Company as follows:

- Mortality risks are mitigated by use of reinsurance. The Company selects reinsurers, from those approved by the Company, based on local factors, but assesses the overall programme to manage Company-wide risk exposures and monitor that the aggregation of risk ceded to individual reinsurers is within the Company's appetite for credit risk.
- Longevity risk: The Company monitors the exposure to this risk and the capital implications to manage the impact on the Company-wide exposure and the capital funding that the Company may require as a consequence.
- Persistency risk: Where possible the financial impact of lapses is reduced through appropriate product design. The Company also implements specific initiatives to improve retention of policies which may otherwise lapse.
- Product design and pricing risk arises from poorly designed or inadequately priced products and can lead to both financial loss for and reputational damage to the Company. Guidelines have been developed to support the Company through the complete cycle of the product development process, financial analysis and pricing.
- Expense risk is primarily managed by the Company through the assessment of profitability and frequent monitoring of expense levels.

Assumptions and methodology

The nature of life insurance business is such that a number of assumptions are made in compiling these financial statements. Assumptions are made about investment returns, mortality rates, lapse rates, morbidity, expenses, and premium payment patterns in connection with the in-force policies for each business unit. Assumptions are best estimates based on historic and expected experience of the business. The estimate of the ultimate liability arising from life insurance contracts is a significant accounting estimate.

The valuation of liabilities was performed based on requirements in IFRS 17. Note 15D sets out a broad definition of future cash flows, the policy for discounting those cash flows and how those cash flows were adjusted for non-financial risk, however the underlying actuarial assumptions fundamental to the valuation (being mortality, morbidity, investment return, expenses, policyholder behaviour, policyholder dividend levels) are discussed below. In some instances, approximations are used due to the nature of liabilities. The approximations are not expected to change the results materially.

a) Mortality

Mortality refers to the rates at which death is expected to occur for defined classes of insured. Management reviews the Company and Branch mortality experience annually, however, the portfolio of business is too small to form the basis for any internally produced mortality assumption. The Branch's mortality assumption is based on industry experience. The assumed mortality rates for life insurance contracts do not reflect any future improvement. For life products, a higher mortality would be financially adverse to the Branch.

b) Expenses

Actuarial liabilities provide for administrative policy-related expenses. These include the costs of premium collection, claims adjudication and processing, related consulting services, preparation and mailing of policy statements and related indirect expenses and overheads. A unit expense study is performed to determine an appropriate estimate of expenses by liability type. An inflation assumption is incorporated in the estimate of future expenses.

c) Lapse

The best estimate lapse assumption is based on a combination of industry studies, the Branch's lapse experience and pricing assumptions for newer products.

Policyholders may allow their policies to terminate prior to the end of the contractual period by choosing not to continue to pay premiums or by exercising one of the non-forfeiture options contained in the contract. Assumptions for termination experience on life insurance are based on industry studies and the Branch's experience. Termination rates vary by plan, policy duration and method of premium payment. For universal life policies, it is also necessary to set assumptions about premium cessation occurring prior to termination of the policy.

d) Premium payment patterns

Universal life liabilities are sensitive to the amount of discretionary premium received from the policyholders. A premium persistency assumption is made for all universal life products and can vary by plan, age and policy duration.

e) Policyholder dividends

Future policyholder dividends are included in the determination of actuarial liabilities for participating policies, with the assumption that future policyholder dividends will change to reflect the experience of the respective participating accounts consistent with the participating policyholder dividend policies

f) *Sensitivity test analysis*

There is considerable judgment required by management in making assumptions in the measurement of insurance contract liabilities. Application of different assumptions may result in a different measure of the liabilities. Therefore, sensitivity testing is widely used to measure the capital required and volatility in earnings due to exposure to life and health insurance risks. This assessment is taken at both business unit level and at Branch level where the impact of aggregation of similar risks can be measured. This enables the Branch to determine whether action is required to reduce risk,

The Branch uses a number of sensitivity test-based risk management tools to understand the volatility of earnings, the volatility of its capital requirements, and to manage its capital more efficiently. Sensitivities to economic and operating experience are regularly produced on all of the Branch financial performance measurements to inform the Branch's decision making and planning processes, and as part of the framework for identifying and quantifying the risks to which each of its business units, and the Branch, as a whole, are exposed.

The table below analyses how the CSM, net income and head office account would have increased (decreased) if changes in risk variables that were reasonably possible at the reporting date had occurred. This analysis presents the sensitivities both before and after risk mitigation by reinsurance and assumes that all other variables remain constant.

	Change in assumption	Increase in fulfilment cash flows		Effect on CSM		Effect on net income		Effect on equity	
		Gross	Net	Gross	Net	Gross	Net	Gross	Net
31-Dec-25									
Mortality rate - life products	+3%	96	45	(113)	(18)	16	(28)	16	(28)
Expenses	+10%	202	204	(279)	(283)	77	79	77	79
Termination rate	+10%	115	63	33	116	(148)	(179)	(148)	(179)
31-Dec-24									
Mortality rate - life products	+3%	107	54	(131)	(36)	24	(18)	24	(18)
Expenses	+10%	206	207	(286)	(288)	80	81	80	81
Termination rate	+10%	109	125	(185)	(215)	76	90	76	90

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6. CAPITAL MANAGEMENT AND REGULATORY COMPLIANCE

The Company's policy is to maintain a strong capital base. The Company manages its capital to ensure continued ability to provide an adequate return to the shareholder, exceed insurance regulatory capital requirements, provide flexibility to take advantage of growth opportunities, maintain a strong credit rating, and to support the risks associated with the business of the Company. The Company monitors the Branch's capital and in the event of a shortfall will fund the Branch.

The Bermuda Monetary Authority ("BMA") is the regulator of the Company. Under the laws and regulations of Bermuda, the Company must maintain a minimum amount of statutory capital and surplus based on the enhanced capital requirement. As at 31 December 2025 and 31 December 2024, the Company exceeded the minimum requirement.

The Insurance Commission of the Bahamas ("ICB") is the regulator of the Branch. Under the laws and regulations of Bahamas, the Branch must maintain a capital ratio 150%. As of 31 December 2025, the Branch's Capital Ratio was 259% (2024: 267%).

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7. FAIR VALUE MEASUREMENTS

A. FAIR VALUE METHODOLOGIES AND ASSUMPTIONS

Management has assessed that the carrying values of cash and cash equivalents, regulatory assets, financial assets within other assets and financial liabilities within other liabilities approximate their fair values.

B. FAIR VALUE HIERARCHY

The Branch categorises its fair value measurements according to a three-level hierarchy. The hierarchy prioritises the inputs used by the Branch's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

i. Level 1

Fair value is based on quoted market prices for identical assets and liabilities in an active market at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing services, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Branch is the current bid price.

ii. Level 2

Fair value inputs for level 2 are inputs, other than quoted prices included within level 1, that are observable for the asset or liability either directly or indirectly. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. These inputs include the following:

- Quoted prices for similar assets and liabilities in an active market.
- Quoted prices for identical or similar assets in a market that is not active, the prices are not current, or price quotations vary substantially over time or for which little information is released publicly.
- Inputs other than quoted prices that are observable for the asset or liability such as interest rates and yield curves.

iii. Level 3

If one or more of the significant inputs is not based on observable market data, the financial assets are included in level 3. Where estimates are used, these are based on a combination of independent third party evidence and internally developed models using market observable data where possible. A transfer from level 2 to level 3 would occur primarily due to decreased observability of inputs in the valuation methodology. Conversely, transfers out of level 3 would primarily occur due to increased observability of inputs.

C. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

The following table presents the Branch's assets and liabilities measured at fair value in the statement of financial position, categorised by level under the fair value hierarchy:

	31-Dec-25	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets					
Designated at fair value through profit and loss:					
Regulatory assets		5,169	-	-	5,169
Total assets measured at fair value on a recurring basis		5,169	-	-	5,169

	31-Dec-24	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets					
Designated at fair value through profit and loss:					
Regulatory assets		5,008	-	-	5,008
Total assets measured at fair value on a recurring basis		5,008	-	-	5,008

D. ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE

For assets and liabilities not measured at fair value in the statement of financial position, the following table discloses fair value information categorised by level in the preceding hierarchy:

	31-Dec-25	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets					
Financial assets classified as amortised cost:					
Cash and cash equivalents		1,428	-	-	1,428
Total assets not measured at fair value but for which fair value is disclosed		1,428	-	-	1,428

	31-Dec-24	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets					
Financial assets classified as amortised cost:					
Cash and cash equivalents		1,558	-	-	1,558
Total assets not measured at fair value but for which fair value is disclosed		1,558	-	-	1,558

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8. CASH AND CASH EQUIVALENTS

	2025	2024
	\$	\$
Cash at bank and in hand	1,428	1,558
Total	1,428	1,558

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9. REGULATORY ASSETS

	2025	2024
	\$	\$
Total regulatory assets	<u>5,169</u>	<u>5,008</u>

Regulatory assets represent fixed amounts placed on deposit with banks to satisfy licensing criteria of the Insurance Commission of the Bahamas. These deposits cannot be removed nor the amounts reduced without the prior written consent of the relevant regulator.

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10. OTHER ASSETS *

	As at December 31	
	2025	2024
	\$	\$
Other receivables and prepayments	18	20
Total	18	20

* Financial assets presented within Other assets are classified as and held at amortised cost.

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11. INSURANCE REVENUE

The table below analyses the Group's insurance revenue in the statement of income:

	2025	
	Long-Duration Life and Total	Total
	Annuities under the	\$
	GMM	
	\$	
CSM recognized for services provided	354	354
Change in risk adjustment for non-financial risk for risk expired	106	106
Expected insurance service expenses incurred:	525	525
<i>Claims</i>	311	311
<i>Expenses</i>	214	214
Total revenue from contracts not measured under the PAA	985	985
Total insurance revenue	985	985

	2024	
	Long-Duration Life and Total	Total
	Annuities under the	\$
	GMM	
	\$	
CSM recognized for services provided	457	457
Change in risk adjustment for non-financial risk for risk expired	121	121
Expected insurance service expenses incurred:	606	606
<i>Claims</i>	353	353
<i>Expenses</i>	253	253
Total revenue from contracts not measured under the PAA	1,184	1,184
Total insurance revenue	1,184	1,184

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12. NET INVESTMENT INCOME AND NET INSURANCE FINANCIAL RESULT

2025	Long-Duration Life and Annuities under the GMM \$	Other \$	Total \$
Net investment return			
Interest revenue on financial assets not measured at FVTPL (calculated using the effective interest rate method)	-	33	33
Net gains on FVTPL financial assets	-	161	161
Total net investment return	-	194	194
Net finance expenses from insurance contracts issued			
Interest accreted	80	-	80
Effect of changes in interest rates and other financial assumptions	35	-	35
Total net finance expense from insurance contracts issued	115	-	115
Net finance income from reinsurance contracts held			
Interest accreted	(22)	-	(22)
Effect of changes in interest rates and other financial assumptions	8	-	8
Total net finance expense from reinsurance contracts held	(14)	-	(14)
Movement in investment contract liabilities		-	-
Total net investment income and net insurance financial result	101	-	101
Represented by:			
Amounts recognized in the statement of income:			
- Within net investment income	-	194	194
- Within net insurance finance result	101	-	101
Total net investment income and net insurance financial result	101	194	295

2024	Long-Duration Life and Annuities under the GMM \$	Other \$	Total \$
Net investment return			
Interest revenue on financial assets not measured at FVTPL (calculated using the effective interest rate method)	-	26	26
Net gains on FVTPL financial assets	-	152	152
Total net investment return	-	178	178
Net finance expenses from insurance contracts issued			
Interest accreted on insurance contracts issued	(384)	-	(384)
Effect of changes in interest rates and other financial assumptions on insurance contracts issued	182	-	182
Total net finance expense from insurance contracts issued	(202)	-	(202)
Net finance income from reinsurance contracts held			
Interest accreted on reinsurance contracts held	(32)	-	(32)
Effect of changes in interest rates and other financial assumptions on reinsurance contracts held	62	-	62
Total net finance expense from reinsurance contracts held	30	-	30
Movement in investment contract liabilities			
Total net investment income and net insurance financial result	(172)	-	(172)
Represented by:			
Amounts recognized in the statement of income:			
- Within net investment income	-	178	178
- Within net insurance and reinsurance finance result	(172)	-	(172)
Total net investment income and net insurance financial result	(172)	178	6

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13. PROPERTY AND EQUIPMENT

Property and equipment comprises:

	Furniture, equipment and leasehold improvements	Computer hardware	Total
	\$	\$	\$
At 31 December 2024			
Net book value	-	-	-
At 31 December 2025			
Net book value	-	-	-

B. Leases:

i) Amounts recognised in the statement of income:

	2025	2024
	\$	\$
Expense relating to short-term leases (included in operating expense)	-	11

Total cash outflow for leases in 2025 was \$nil (2024: \$11).

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14. OTHER LIABILITIES *

	As at December 31	
	2025	2024
	\$	\$
Payables and accrued expenses	93	89
Total	93	89

* Financial liabilities included within Other liabilities are classified as and held at amortised cost.

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15. INSURANCE AND REINSURANCE CONTRACTS

The table below analyses the carrying amounts of insurance contracts issued and reinsurance contracts held within the statement of financial position.

	Note	Long-Duration Life and Annuities under the GMM \$	Total \$
31-Dec-25			
Insurance contracts			
Insurance contract liabilities	A	6,568	6,568
		<u>6,568</u>	<u>6,568</u>
Reinsurance contracts held			
Reinsurance contracts held assets	A	-	-
Reinsurance contracts held liabilities	A	365	365
		<u>365</u>	<u>365</u>
31-Dec-24			
Insurance contracts			
Insurance contract liabilities	A	6,993	6,993
		<u>6,993</u>	<u>6,993</u>
Reinsurance contracts held			
Reinsurance contracts held assets	A	-	-
Reinsurance contracts held liabilities	A	625	625
		<u>625</u>	<u>625</u>

A. Movements in insurance and reinsurance contract balances

The disclosures in this note are for the net insurance contract asset or liability and the net reinsurance held contract asset or liability. Included within insurance contract liabilities in the statement of financial position, however excluded from the reconciliations in Note 15 A (i)(a), are amounts in respect of policyholders' surplus which are disclosed in Note 15 A (i)(c).

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i. Long-Duration Life and Annuities under the GMM

a. Insurance contracts

Analysis by remaining coverage and incurred claims

	2025			2024		
	Liabilities for remaining coverage Excluding loss component	Liabilities for incurred claims	Total	Liabilities for remaining coverage Excluding loss component	Liabilities for incurred claims	Total
Opening insurance contract liabilities	6,732	261	6,993	6,808	1,596	8,404
Insurance revenue – fair value approach	(985)	-	(985)	(1,184)	-	(1,184)
CSM recognized for services provided	(354)	-	(354)	(457)	-	(457)
Change in risk adjustment for non-financial risk for risk expired	(106)	-	(106)	(121)	-	(121)
Expected insurance service expenses incurred:	(525)	-	(525)	(606)	-	(606)
<i>Claims</i>	(311)	-	(311)	(353)	-	(353)
<i>Expenses</i>	(214)	-	(214)	(253)	-	(253)
Total insurance revenue – all transition methods	(985)	-	(985)	(1,184)	-	(1,184)
Insurance service expenses						
Incurred insurance service expenses:	-	497	497	-	443	443
<i>Claims</i>	-	285	285	-	186	186
<i>Expenses</i>	-	212	212	-	257	257
Changes that relate to past service (changes in fulfilment cash flows re LIC)	-	166	166	-	(143)	(143)
Total insurance service expenses	-	663	663	-	300	300
Investment components			-	(99)	99	-
Total insurance service result	(985)	663	(322)	(1,283)	399	(884)
Insurance finance income or expense						
The effect of and changes in time of time value of money and financial risk	(115)	-	(115)	201	1	202
Total insurance finance income or expense	(115)	-	(115)	201	1	202
Other Comprehensive Income						
The effect of and changes in the time value of money and financial risk	(56)	-	(56)	-	-	-
Total Other Comprehensive Income	(56)	-	(56)	-	-	-
Total changes in the statement of income	(1,156)	663	(493)	(1,082)	400	(682)
Cash flows (actual cashflows in the period)						
Premiums and premium tax received	894	-	894	1,006	-	1,006
Claims and other insurance service expenses paid, including investment components	-	(826)	(826)	-	(1,735)	(1,735)
Insurance acquisition cash flows	-	-	-	-	-	-
Total cash flows	894	(826)	68	1,006	(1,735)	(729)
Closing insurance contract liabilities	6,470	98	6,568	6,732	261	6,993

Analysis by measurement component - contracts not measured under the PAA

	2025					Total
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM			
			Full retrospective approach	Fair value approach	Post transition	
Opening insurance contract liabilities	2,133	684	-	4,176	-	6,993
Changes that relate to current services	(38)	(96)	-	(354)	-	(488)
CSM recognized for services provided	-	-	-	(354)	-	(354)
Change in risk adjustment for non-financial risk for risk expired	-	(96)	-	-	-	(96)
Experience adjustments not related to future service	(38)	-	-	-	-	(38)
Restatement and other changes	-	-	-	-	-	-
Changes that relate to future services	(525)	228	-	297	-	-
Contracts initially recognised in the year	-	-	-	-	-	-
Changes in estimates that adjust the CSM	(525)	228	-	297	-	-
Changes that relate to past services	176	(10)	-	-	-	166
Changes in estimates in LIC fulfilment cash flows	250	-	-	-	-	250
Experience adjustments in claims and other insurance service expenses in LIC	(74)	(10)	-	-	-	(84)
Total insurance service result	(387)	122	-	(57)	-	(322)
Insurance finance income or expense						
The effect of and changes in time of time value of money and financial risk	75	(10)	-	(180)	-	(115)
Total insurance finance income or expense	75	(10)	-	(180)	-	(115)
Other Comprehensive Income						
The effect of and changes in the time value of money and financial risk	(39)	(17)	-	-	-	(56)
Total Other Comprehensive Income	(39)	(17)	-	-	-	(56)
Total changes in the statement of income	(351)	95	-	(237)	-	(493)
Cash flows (actual cashflows in the period)						
Premiums and premium tax received	894	-	-	-	-	894
Claims and other insurance service expenses paid, including investment components	(826)	-	-	-	-	(826)
Insurance acquisition cash flows	-	-	-	-	-	-
Total cash flows	68	-	-	-	-	68
Closing insurance contract liabilities	1,850	779	-	3,939	-	6,568

	2024					Total
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM			
			Full retrospective approach	Fair value approach	Post transition	
Opening insurance contract liabilities	3,740	810	-	3,854	-	8,404
Changes that relate to current services	(173)	(111)	-	(457)	-	(741)
CSM recognized for services provided	-	-	-	(457)	-	(457)
Change in risk adjustment for non-financial risk for risk expired	-	(111)	-	-	-	(111)
Experience adjustments not related to future service	(173)	-	-	-	-	(173)
Changes that relate to future services	(523)	(31)	-	554	-	-
Contracts initially recognised in the year	-	-	-	-	-	-
Changes in estimates that adjust the CSM	(523)	(31)	-	554	-	-
Changes that relate to past services	(133)	(10)	-	-	-	(143)
Changes in estimates in LIC fulfilment cash flows	(50)	-	-	-	-	(50)
Experience adjustments in claims and other insurance service expenses in LIC	(83)	(10)	-	-	-	(93)
Total insurance service result	(829)	(152)	-	97	-	(884)
Insurance finance income or expense						
The effect of and changes in time of time value of money and financial risk	(49)	26	-	225	-	202
Total insurance finance income or expense	(49)	26	-	225	-	202
Total changes in the statement of income	(878)	(126)	-	322	-	(682)
Cash flows (actual cashflows in the period)						
Premiums and premium tax received	1,006	-	-	-	-	1,006
Claims and other insurance service expenses paid, including investment components	(1,735)	-	-	-	-	(1,735)
Total cash flows	(729)	-	-	-	-	(729)
Closing insurance contract liabilities	2,133	684	-	4,176	-	6,993

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(In thousands of Bahamian dollars)

i. Long-Duration Life and Annuities under the GMM

b. Reinsurance contracts held

Analysis by remaining coverage and incurred claims

	2025			2024		
	Remaining coverage component Excluding loss-recovery component	Incurred claims component	Total	Remaining coverage component Excluding loss-recovery component	Incurred claims component	Total
Opening reinsurance contact assets	-	-	-	(25)	692	667
Opening reinsurance contact liabilities	(693)	68	(625)	(712)	71	(641)
Net opening balance	(693)	68	(625)	(737)	763	26
Allocation of the premiums paid - fair value approach						
CSM recognized for services provided	-	-	-	(6)	-	(6)
Change in risk adjustment for non-financial risk for risk transferred	-	-	-	(18)	-	(18)
Expected recoveries of incurred claims and other insurance service expense	(181)	-	(181)	(130)	-	(130)
Total allocation of premiums paid	(181)	-	(181)	(154)	-	(154)
Amounts recovered from reinsurance						
Recoveries of incurred claims and other insurance service expense	-	42	42	-	32	32
Changes related to past service (changes related to incurred claims component)	-	(33)	(33)	-	(39)	(39)
Total amounts recovered from reinsurance	-	9	9	-	(7)	(7)
Total net expenses from reinsurance	(181)	9	(172)	(154)	(7)	(161)
Reinsurance finance income or expense						
The effect of and changes in time of time value of money and financial risk	(14)	-	(14)	30	-	30
Total reinsurance finance income or expense	(14)	-	(14)	30	-	30
Other Comprehensive Income						
The effect of and changes in the time value of money and financial risk	272	-	272	-	-	-
Total Other Comprehensive Income	272	-	272	-	-	-
Total changes in the statement of income	77	9	86	(124)	(7)	(131)
Cash flows (actual cashflows in the period)						
Premiums and premium tax paid	174	-	174	168	-	168
Amounts recovered	-	-	-	-	(688)	(688)
Total cash flows	174	-	174	168	(688)	(520)
Net closing balance	(442)	77	(365)	(693)	68	(625)
Closing reinsurance contact assets	-	-	-	-	-	-
Closing reinsurance contact liabilities	(442)	77	(365)	(693)	68	(625)
Net closing balance	(442)	77	(365)	(693)	68	(625)

Analysis by measurement component - Contracts not measured under PAA

	2025				2024			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
			Fair value approach				Fair value approach	
Opening reinsurance contact assets	8	-	-	8	630	20	17	667
Opening reinsurance contact liabilities	(822)	136	53	(633)	(803)	138	24	(641)
Net opening balance	(814)	136	53	(625)	(173)	158	41	26
Changes that relate to current services	(75)	(11)	(54)	(140)	(101)	(14)	(6)	(121)
CSM recognised for services received			(54)	(54)	-	-	(6)	(6)
Change in risk adjustment for non-financial risk for risk expired		(11)		(11)	-	(14)	-	(14)
Experience adjustments not related to future service	(75)			(75)	(101)	-	-	(101)
Changes that relate to future services	(877)	267	610	-	-	(16)	16	-
Contracts initially recognised in the year				-	-	-	-	-
Changes in estimates that adjust the CSM	(877)	267	610	-	-	(16)	16	-
Changes that relate to past services	(29)	(4)	-	(33)	(35)	(5)	-	(40)
Changes in fulfilment cash flows re LIC				-	-	-	-	-
Experience adjustments in claims and other insurance service expenses in LIC	(29)	(4)		(33)	(35)	(5)	-	(40)
Total net expenses from reinsurance	(981)	252	556	(173)	(136)	(35)	10	(161)
Reinsurance finance income or expense								
The effect of and changes in time of time value of money and financial risk	(19)	8	(2)	(13)	15	13	2	30
Total reinsurance finance income or expense	(19)	8	(2)	(13)	15	13	2	30
Other Comprehensive Income								
The effect of and changes in the time value of money and financial risk	434	(161)	(2)	271	-	-	-	-
Total Other Comprehensive Income	434	(161)	(2)	271	-	-	-	-
Total changes in the statement of income	(566)	99	552	85	(121)	(22)	12	(131)
Cash flows								
Premiums and premium tax paid	174			174	168	-	-	168
Amounts recovered	-			-	(688)	-	-	(688)
Total cash flows	174	-	-	174	(520)	-	-	(520)
Net closing balance	(1,206)	235	605	(366)	(814)	136	53	(625)
Closing reinsurance contact assets				-	8	-	-	8
Closing reinsurance contact liabilities	(1,206)	235	605	(366)	(822)	136	53	(633)
Net closing balance	(1,206)	235	605	(366)	(814)	136	53	(625)

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B. Contractual service margin

The following table sets out when the Group expects to recognize the remaining CSM in the statement of income after the reporting date for contracts not measured under the PAA:

Long-Duration Life and Annuities under the GMM

Projected recognition of the CSM into net income - as at 31 December 2025								
	All years	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years	More than 10 years
Insurance contracts issued	3,939	321	290	265	243	223	879	1,718
Reinsurance contracts held	(605)	(50)	(45)	(41)	(37)	(34)	(135)	(263)
TOTAL	3,334	271	245	224	206	189	744	1,455
Projected recognition of the CSM into net income - as at 31 December 2024								
	All years	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years	More than 10 years
Insurance contracts issued	4,176	359	320	288	264	243	929	1,773
Reinsurance contracts held	(53)	(6)	(5)	(4)	(3)	(2)	(10)	(23)
TOTAL	4,123	353	315	284	261	241	919	1,750

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C. Significant judgments and estimates for insurance and reinsurance contracts

i. Fulfilment cash flows

Fulfilment cash flows comprise:

- estimates of future cash flows (see a. below);
- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows (see c. below); and
- a risk adjustment for non-financial risk (see d. below).

a. Estimates of future cash flows

In estimating future cash flows, the Branch incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience.

When estimating future cash flows, the Branch considers current expectations of future events that might affect those cash flows, including expected inflation. Estimates of any relevant market variables are consistent with observable market prices when available.

Cash flows include premiums received from policyholders, payments to (or on behalf of) policyholders, insurance acquisition costs, and other directly attributable costs that are incurred in issuing and fulfilling contracts.

Acquisition costs may be internal or external. Internal acquisition costs are derived from cost and time studies. If insurance acquisition cash flows are directly attributable to a group of contracts, then they are allocated to that group. If insurance acquisition cash flows are directly attributable to a portfolio, but not to a group of contracts, then they are allocated to groups in the portfolio using a systematic and rational method.

b. Actuarial assumptions

Actuarial assumptions are discussed in Note 5C.

c. Discount rates

Current rates are used to discount expected cash flows occurring after the reporting date. These discount rates reflect the time value of money and the liquidity characteristics of the future cash flows. A discount curve is established to align the rates to the expected timing of the future cash flows. For insurance business, part of the discount curve is based on available

market information (referred to as the observable period), while the remainder of the curve is determined using

~~extrapolation techniques (the unobservable period)~~

Beginning in 2025, the Group adopted a hybrid approach to determine the discount curves, incorporating elements of both bottom-up and top-down methodologies. Under this approach, the discount rates are determined primarily from observable risk-free yield curves, with adjustments made to reflect the illiquidity characteristics of the underlying insurance contract

liabilities. The illiquidity premium is informed by yields implicit in a notional reference portfolio of assets, adjusted to ~~remove expected and unexpected credit losses~~

The reference portfolio used to inform the illiquidity premium comprises a mix of fixed income instruments, structured securities and mortgages, with a range of maturities and levels of credit risk.

Within the observable period, interpolation is applied to derive rates for non-available term structures that are reflective of current market conditions. Beyond the observable period, linear extrapolation is applied from the last available term structure to grade to the ultimate risk-free rate. Consistent with updated industry guidance, the grading period to the ultimate rate extends to 70 years.

The illiquidity premium applied in the extrapolated portion of the curve is determined in accordance with industry guidance and is limited to the minimum of the observed liquidity premium at year 30 plus 50 basis points and 150 basis points.

This change reflects updated technical guidance issued by the Canadian Institute of Actuaries and evolving industry practice regarding the determination of discount rates for long-duration insurance liabilities. The Group monitored the development and market adoption of the updated guidance during 2023 and 2024 and adopted the revised methodology in 2025 once it had gained broader industry acceptance.

The Group considers the adoption of the hybrid approach to represent a change in estimate reflecting updated technical guidance and evolving industry practice. The impact of the change was not material and resulted in substantially similar discount rates to those determined under the previous methodology.

The following tables provide a summary of the discount curves used to present value cash flows that do not vary based on the returns on underlying items for all major products by business group:

As at 31 December 2025:

	1 year	5 years	10 years	30 years	Ultimate
All products	3.83%	4.23%	4.92%	5.88%	5.63%

As at 31 December 2024:

	1 year	5 years	10 years	30 years	Ultimate
All products	4.70%	4.79%	5.15%	5.84%	4.81%

d. Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation the Branch requires for bearing uncertainties arising from non-financial risks (such as mortality, morbidity, and lapse risk) that affect the amount and timing of cash outflows required to fulfil insurance contracts.

For life insurance, the risk adjustment is determined using a margin approach. This approach utilizes margin percentages to adjust individual best-estimate non-financial assumptions.

In determining the risk adjustment, the Branch considers both favourable and unfavourable outcomes in a way that reflects the Branch's degree of risk aversion.

Diversification benefits at the legal entity level are incorporated into the calculations.

The Branch does not consider the effect of reinsurance in determining the risk adjustment for non-financial risk on underlying insurance contracts - rather the risk adjustment for reinsurance held is included in the measurement of the reinsurance contract asset or liability and represents the risk transferred to the reinsurer.

The risk adjustment for reinsurance held is calculated using the same methodologies as for the underlying contracts.

The risk adjustment for insurance contracts issued and reinsurance contracts held corresponds to a confidence level of approximately 80-85% overall.

ii. Contractual service margin

a. Determination of coverage units

See also Note 21(iv).

The Branch determines the quantity of the benefits provided under each contract as follows.

Contract type	Basis for determining coverage units
Contracts providing periodic benefits	Periodic benefit payout amounts
Contracts providing lump sum benefits	Actual face value of benefit amounts
Contracts providing both periodic and lump sum benefits	Weighted average sum of the expected present value of the periodic benefit payout amounts and actual face value payout amounts

For insurance contracts that provide both insurance coverage and investment services, the assessment of the quantity of benefits entails determining the relative weighting of the benefits provided to the policyholder by these services, determining how the benefits provided by each service change over the coverage period and aggregating those different benefits.

To determine the relative weighting of the benefits provided by insurance coverage and investment services, the Branch generally considers the selling prices for the services had they been offered on a stand-alone basis and adjusts the quantity of benefits for each service in proportion to those stand-alone selling prices. The stand-alone selling price for a service may be evidenced by observable prices when the Branch sells that service separately to policyholders with similar characteristics.

An analysis of the expected timing of the allocation of the CSM to the statement of income is disclosed in Note 15B.

iii. Investment components

The Branch identifies the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios with commercial substance. These include circumstances in which an insured event occurs, or the contract matures or is terminated without an insured event occurring. Investment components are excluded from insurance revenue and insurance service expenses.

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16. GROSS WRITTEN PREMIUMS

	2025	2024
	\$	\$
Gross written premiums	942	1,053
	942	1,053

In accordance with Sections 8(2)(c) and 8(2)(m) of The Insurance Act, Ch. 347 and the related directive issued by the Insurance Commission of The Bahamas, the Company has presented its gross written premiums in these audited financial statements. The disclosure is provided to ensure transparency and compliance with the Commission's reporting requirements.

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17. OPERATING EXPENSES

	2025	2024
	\$	\$
Professional and consulting fees	57	29
Advertising and business development	-	4
Bank charges and foreign currency purchase tax	4	2
Office rent, building and utilities costs	-	11
Compliance, legal and regulatory	195	227
Memberships and subscriptions	1	1
Other	24	13
Total operating expenses	281	287

Represented by:**Insurance service expenses within the statement of income**

Amounts attributed to insurance acquisition cash flows

Other directly attributable insurance service expenses

Other operating expenses within the statement of income**Total operating expenses**

28	32
236	282
17	(27)
281	287

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18. SUBSEQUENT EVENTS

There have been no material subsequent events identified between the reporting date and the date of approval of these financial statements that would require adjustment to, or disclosure in, the financial statements.