CENTRAL BANK OF THE BAHAMAS
1974-2024

2024
Annual Report & Statement of Accounts
ENDED DECEMBER 31, 2024

CELEBRATING 50 YEARS

MISSION To foster an environment of monetary stability conducive to economic development, and to ensure a stable and sound financial system through the highest standards of integrity and leadership. **VALUES** Our commitment to fulfilling our Mission is embodied in our Core Values of• Objectivity • Confidentiality • Integrity • Excellence • Teamwork • Empowerment • Initiative **VISION** To promote a leading financial services industry within the framework of dynamic monetary policy developments, modernized payment systems, sound management strategies and capacity building.

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- Objectivity
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- Empowerment
- Initiative

VISION

To promote a leading financial services industry within the framework of dynamic monetary policy developments, modernized payment systems, sound management strategies and capacity building.

May 14, 2025

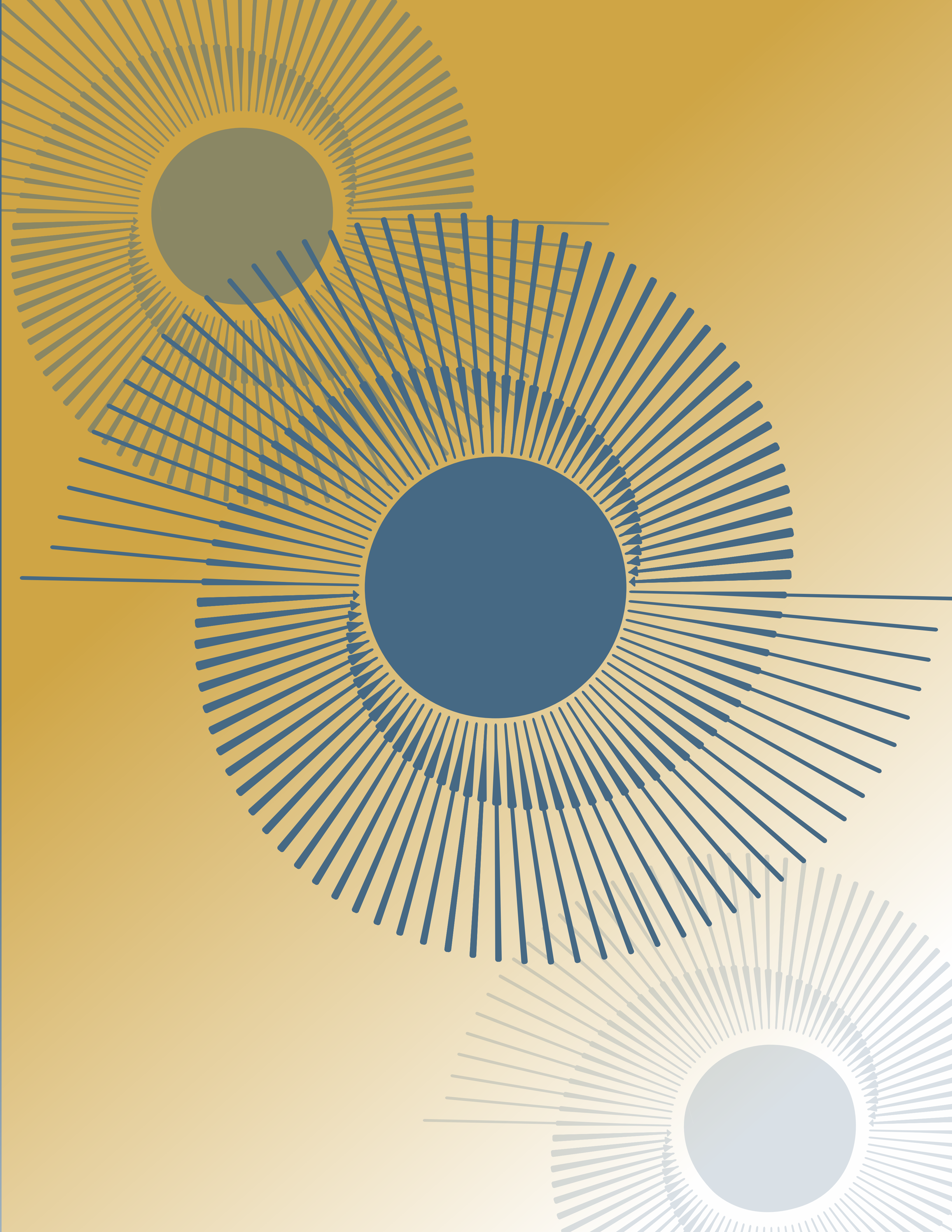
Dear Prime Minister:

In accordance with Section 35(1) of the Central Bank of The Bahamas Act, 2020, I have the honour of forwarding to you, on behalf of the Board of Directors, the Annual Report of the Bank for the year 2024. Included with this Report is the Annual Statement of Accounts of the Bank for the year.

Respectfully yours,

John A. Rolle
Governor

The Hon. Philip E. Davis
Prime Minister & Minister of Finance
Ministry of Finance
Cecil Wallace-Whitfield Centre
West Bay Street
Nassau, N.P., Bahamas



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CENTRAL BANK OF THE BAHAMAS
1974-2024

The Central Bank of The Bahamas reached its 50th Anniversary milestone in June of 2024, with a year-long celebration, that was reflective and filled with educational events. Through these events, the Central Bank showcased its commitment to, and appreciation for, current and former Governors and staff, the members of the Central Bank Board, industry stakeholders and the general public. The Central Bank also renewed its commitment to public education and engagement. This was headlined by the production of a video documentary "Central Bank of the Bahamas Turns 50"; and launch of the Bank's Education Series, comprising of video podcast Harbourside Chats with the Governor, the 50th Anniversary Learning Series and the 50th Anniversary Memorial Lecture.

The video documentary highlighted the Central Bank's rich history in economic policy, promoting financial sector resilience, and support for the arts and culture. The production explored the evolution of the Central Bank, as told fondly by past and current Governors, senior government officials, management and staff. It also chronicled key moments in the institution's history, during periods of crisis, uncertainty, shifts in the global financial sector policies, and the challenges policy makers faced in navigating these shocks. It also reflected on the operational evolution of the institution from a manual and largely paper-based past, to its current, almost exclusively digital state. The documentary was premièred at the Island House Cinema on 18th November 2024, with subsequent showings at Fusion Superplex and two local channels in February, 2025.

The Education Series, through a combination of in-person, virtual and pre-recorded sessions, provided opportunities for the Bank to educate and engage with the public and stakeholders. These were aimed at increasing public knowledge and understanding of the role and functions of the Central Bank, the Bahamian financial sector and the economy. The Bank hosted six learning series events, covering topics such as the evolution of exchange control policies and procedures, government savings and investment instruments, economic growth and development, financial inclusion and the deposit insurance safety net system. Two of the seminars were presented as webinars. The series were facilitated by Central Bank staff and external panellists and presenters, including experts from the Inter-American Development Bank, the University of The Bahamas, the Central Bank's financial inclusion consultant and contributors to the Bahamas' National Development Plan. The Learning Series recordings were published to the Central Bank's YouTube channel.

On 12th June, the Central Bank hosted a Memorial Lecture in honour of past Governors, T.B. Donaldson and Sir William Allen, under the theme "Inclusive and Resilient Growth". The lecture was given by Dr. Tanya McCartney, Assistant Professor in the School of Business, at the University of The Bahamas, followed by a panel discussion with key industry stakeholders representing the government, academia and tourism.

Public education and stakeholder engagement was further strengthened through the launch of the "Harbourside Chats with the Governor", a video podcast series, each aired by the Broadcasting Corporation of The Bahamas (ZNS Television) and on Guardian

Radio station. Harbourside guests comprised international, regional and local stakeholders. The first episode featured the former Governors of the Central Bank, James Smith, Julian Francis and Wendy Craigg, who shared on their respective experiences as Governors. Regional central bank guests featured the trio of Governors, Dr. Kevin Greenridge (Central Bank of Barbados), Dr. Gobind Ganga (Bank of Guyana) and Mr. Kareem Michael (Central Bank of Belize), who candidly discussed the challenges facing Caribbean central banks, opportunities for shaping a resilient future and the accomplishments of their respective institutions. Domestic guests on the podcast included the collective appearance of the heads of the Insurance, Securities and Compliance Commissions, who discussed the regulatory landscape of The Bahamas financial sector, as well as emerging challenges to the sector. Another panel convened representatives of civil society and Chambers of Commerce, who discussed the business and investment environment, the ease of doing business and banking issues, related to the domestic economy's growth and resilience.

In addition to the various campaigns to honour the significance of the Anniversary while, bolstering public education and engagement, the Anniversary celebrations also included various social, community and teamwork building events and activities. Some of these initiatives are outlined in the table below.

EVENT	DESCRIPTION	DATE
THE BIG PIC	In celebration of the 50th anniversary, 50 employees were chosen across the bank to create a visual representation of the Bank over the past 50 years. Guided by the BIG PIC Limited, the design, known only to the event organizers, produced a masterpiece reflecting the evolution of the country's currency, the Bank's importance to The Bahamas and the progression of leadership since 1974.	May 31 (reveal)
ANNIVERSARY CHURCH SERVICE	The Bank's growth and sustainability was the focus of a sermon given by the Very Reverend Harry Bain, Dean of Nassau & Rector of our neighboring church – Christ Church Cathedral. The charge for continued stewardship left management, staff and stakeholders invigorated for the task ahead.	July 17
STAFF APPRECIATION EVENT	The Bank's most valuable assets are its people (both current and former staff). They were feted at an outdoor reception in the gardens of the Bahamas Mortgage Corporation.	May 31 (happy hour) July 12 (party)
HOLIDAY TREE LIGHTING	The students of Eva Hilton and the majestic sound of Junkanoo ushered in the Christmas season. Staff lit the Christmas tree on the front lawn, Frederick Street, in the repurposed sculpture garden.	December 3
SOCIAL RESPONSIBILITY	Social responsibility is also a key tenet of the Central Bank. During the course of the year, management and staff were generous in their time and recourses, contributing to several initiatives to meet the needs of the less fortunate in our community. Donations were made to the social outreach program at Christ Church Cathedral, the host of the anniversary church service; and The Bahamas feeding network (BFN). Employees also volunteered their time, assisting the BFN with food distribution during the month of July, 2024.	


COMMONWEALTH OF THE BAHAMAS
FORWARD, UPWARD, ONWARD TOGETHER
2024
THE CENTRAL BANK OF THE BAHAMAS
50TH ANNIVERSARY 1974-2024
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CENTS

ABOUT THE BANK

Under the Central Bank of The Bahamas Act, 2020 (the Act), the Bank is mandated to promote stable monetary, credit and balance of payment conditions which protect the exchange rate regime and facilitate orderly and balanced economic growth; contribute to the stability of the financial system, through collaboration with other domestic and foreign regulatory authorities; and support the general economic policy of the Government through sound economic, financial and monetary advice.

MONETARY POLICY

In its monetary role, a primary objective of the Bank is to ensure adequate support for the fixed parity of the Bahamian dollar against the United States' currency. To attain this objective, the Bank has to maintain adequate foreign reserves against the stock of its demand liabilities, and ensure that the demand for foreign exchange, stimulated principally by domestic credit expansion, does not exceed the pace at which the economy earns foreign exchange from real sector activities. In alignment with this goal, the Bank has statutory responsibility for the prudent management of the country's foreign currency reserves. The stability of the exchange rate regime allows The Bahamas to enjoy comparatively low average inflation and price stability, in line with its major trading partner, the United States.

The Bank's administration of exchange controls is also closely linked to the fixed exchange rate policy objective. Capital controls, which have undergone gradual relaxation in recent years, restrain the movement of capital by residents. However, there are no restrictions on current payments.

PUBLIC DEBT & SINKING FUND MANAGEMENT

The Bank provides front, middle and back-office services to the Government and its agencies, in activities involving debt issuance and administration, and the management of several sinking fund arrangements.

PAYMENTS

The Bank's involvement in the payments system is also integral to its overall mandate to promote the stability of, and confidence in the financial system. The Bank seeks to ensure, *inter alia*, that the payments infrastructure functions smoothly, efficiently and fairly in the interest of all participants and users; that it minimizes and controls risks; and that the level of product innovation and development is adequate for the needs of the economy.

CURRENCY

The Bank meets the currency needs of the public by arranging for the procurement, storage and issuance of Bahamian banknotes and coins, as well as maintaining the quality of currency in circulation. Banknotes deemed unfit are withdrawn from circulation and replaced.

FINANCIAL STABILITY

Prudential oversight of regulated entities is critical to maintaining high standards of service, conduct and management in the banking sector. A combination of off-site examinations, on-site inspections and market intelligence, informs the risk-based assessments that are used to monitor the soundness of supervised financial institutions. Stress testing is undertaken to gauge resilience to key economic and financial shocks.

CONTENTS

FOREWORD

During 2024, the Bahamian economy's expansion moderated further, in comparison to 2023, as the pace of growth continued to converge to its expected medium-term potential. Notably, in the aftermath of the recovery from the COVID-19 pandemic, tourism's performance was slowed by constrained stopover capacity, despite robust cruise sector gains. However, foreign direct investments steadied, stimulating construction output, and alongside tourism, under-girded further improvements in the labour market. Meanwhile, inflationary pressures subsided, owing mostly to the pass-through effects of lower international oil prices.

In terms of fiscal developments, the overall deficit reduced significantly in FY2023/24, reflecting a VAT-led increase in revenue receipts, and a decline in aggregate expenditure. However, preliminary estimates for the first half of FY2024/25 revealed a widening in the fiscal deficit, as the expansion in total expenditure outpaced the gain in total revenue, and implementation of some revenue measures were delayed.

Against the backdrop of improved private sector lending, monetary developments featured a decline in banking sector liquidity, as the rise in domestic credit outweighed the buildup in the deposit base. However, the financial system's net foreign assets rose, as the reduction in commercial banks' net foreign asset, was outpaced by gains in the Central Bank's external reserves. Banks' credit quality indicators further improved, evidenced by a decrease in the average loan delinquency rate; and profitability measures strengthened, under-girded by improved economic activity and reduced bad debt expenses. Given favourable balance sheet conditions and a healthy, sustainable outlook for the foreign exchange markets, the Central Bank maintained its accommodative monetary policy stance, to encourage further uptick in domestic credit, and aggregate demand.

On the financial sector supervision front, the Bank maintained its risk-based approach to the monitoring and supervision of supervised financial institutions (SFIs). Continuing to target increased banking and payments sector efficiency, in 2024, the Bank released its draft Regulatory Sandbox Guidelines for public consultation, which foreshadowed support for financial technology innovation. Also, efforts intensified to develop agency banking regulations, and to scope reforms to ensure universal access to basic banking and payments services. As the Central Bank moved closer to formalizing a climate-related financial risk framework, it issued a Climate Resilience Survey to determine SFIs' current climate risk exposure. The Bank also continued to strengthen its anti-money laundering, countering the financing of terrorism and proliferation financing frameworks.

The Bank maintained efforts to promote digital currency adoption. With the May 2024 roll out of SandDollar Wallet 2.0, the platform enables self-activation of new wallets, better Know-Your-Customer (KYC) management mechanisms, richer data collection and improved workflows to support further integration with authorised financial institutions (AFIs). Public education activities sustained significant emphasis on the Family Islands. In addition, the Bank remained vigilant to the cyber security resilience of the digital wallet ecosystem across all of the AFIs.

2024 marked the 50th Anniversary of the Central Bank, placing the spotlight on the monetary policy achievement of The Bahamas, which predated the establishment of the Bank by several years. Observances included a public exhibition on Bahamian banknotes and coins, as well as significant public education activities focusing on the functions and operations of the Bank. Production of a documentary covering the Bank's 50-year evolution was also a noteworthy public education effort. Another milestone was the commemorative 25-cent circulation coin, a two-sided, full colour version of the coin already in use.

The Bank's most valuable assets continue to be its staff. It is as a result of their diligence and tireless efforts that we were able to achieve steady progress on our strategic goals in 2024. I thank them for this service. As well, I thank the Board of Directors, and board committees for their continued support and oversight of our efforts. Together, we look forward to continuing with the Bank's mission.

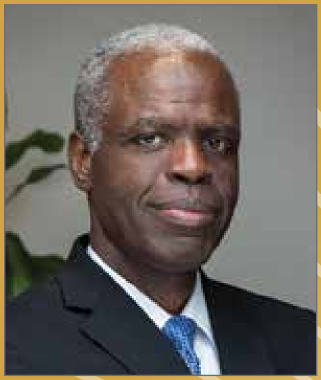
Governor

CENTRAL BANK OF THE BAHAMAS

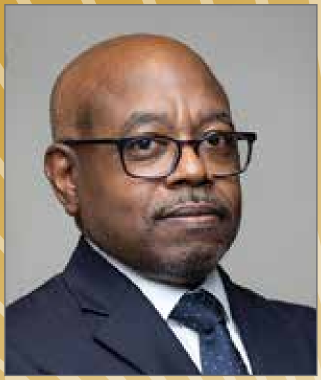
DIRECTORS AND SENIOR OFFICIALS

AT DECEMBER 31, 2024

DIRECTORS



MR. JOHN ROLLE
Chairman

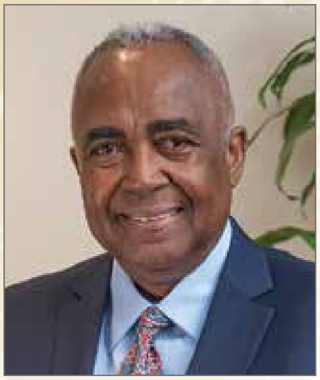


MR. DEREK ROLLE
Deputy Governor

MR. ROBERT ADAMS, K.C.
Board Member

MR. THOMAS DEAN
Board Member

MR. JOHN SWAIN
Board Member



MR. BRYAN KNOWLES
Board Member

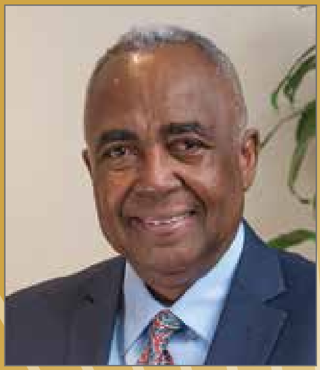
MR. KENDAL KELLY NOTTAGE
Board Member

DR. OLIVIA SAUNDERS
Board Member

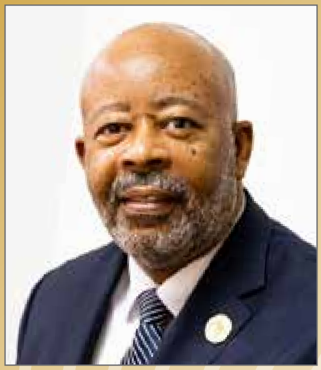
BOARD COMMITTEES

AUDIT COMMITTEE

MR. JOHN SWAIN



MR. BRYAN KNOWLES



MR. KIRVY FERGUSON

ENTERPRISE RISK MANAGEMENT COMMITTEE

DR. OLIVIA SAUNDERS

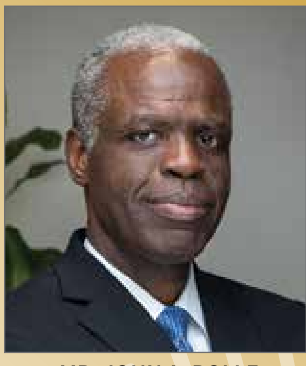
MR. KENDAL KELLY NOTTAGE

MS. JUNE COLLIE

MRS. TARA COOPER BURNSIDE, K.C.

MR. ROBERT ADAMS, K.C.

SENIOR OFFICIALS



MR. JOHN A. ROLLE
Governor

MR. DEREK S. ROLLE
Deputy Governor

MS. KAREN V. ROLLE
Inspector, Bank Supervision

MRS. SHERRECE L. SAUNDERS
Deputy Inspector, Bank Supervision

MRS. ANDREA A. ADDERLEY-MCQUAY
Board Secretary & Mgr, Corporate Strategy, Risk & Governance

MRS. CLEOPATRA B. DAVIS
Manager, Banking

MR. JERMAINE H. CAMPBELL
Manager, Currency

MR. ALLAN S. WRIGHT
Manager, Research

MS. STACEY M. BENJAMIN
Legal Counsel

MS. TIFFANY M. CARTER
Manager, Exchange Control

MR. DERRICK M. BURROWS
Manager, Finance

MR. ERROL L. BODIE
Manager, Information Technology

MR. GEVON R. MOSS
Manager, Human Resources

MRS. NAKEISHA S. BURROWS
Manager, Internal Audit

MR. RICARDO H. BARRY
Manager, Facilities Services

MR. LUTHER C. SMITH
Manager, Information Security

2024 AT A GLANCE

- The domestic economy grew at a slower projected pace in 2024, compared to 2023. Growth converged closer to its expected medium-term potential, with tourism gains further eased, given constrained stopover capacity, and set against continued healthy expansion in the cruise sector. Further, foreign investments, which were largely in tourism projects, provided steadied impetus to construction.
- Average consumer price inflation moderated, owing to reduced price pressures for imported fuel and other goods and services, relative to 2023.
- Employment conditions continued to improve, benefitting from the ongoing strengthening in the economy.
- The fiscal deficit to GDP ratio declined to an estimated 1.3% in FY2023/24 from 3.8% in FY2022/23, attributed to a VAT-led growth in total receipts, combined with a reduction in aggregate expenditure.
- At end-December, the Government's Direct Charge to GDP ratio decreased to an estimated 79.2% from 79.7% in 2023. The National Debt to GDP ratio fell to 81.5% in 2024, from 82.1% in the previous year.
- Domestic credit expansion accelerated to 5.2% in 2024 from 4.2% in 2023; led by a broad-base pickup in lending to the private sector. Meanwhile, the credit delinquency rate abated further, below 6.0%, and banks noted additional improvement in profitability.
- External reserves increased by $115.5 million (4.6%) in 2024, a reversal from a $93.6 million (3.6%) reduction in 2023, supported by net foreign currency inflows from real sector activities, and the receipt of proceeds from Government's external borrowings. The import cover ratio stood at 27.3 weeks of the current year's total merchandise imports, from 29.9 weeks in 2023, still well exceeding the 12.0 weeks international benchmark.
- In 2024, the Central Bank continued with initiatives to advance payments system development, promote financial inclusion and address the ease of access to banking. Regulatory Sandbox Guidelines were issued for public consultation, intended to provide a supportive framework for financial technology innovations; while work to develop an agency banking framework gained traction. In addition, the Bank started to explore reforms to provide for universal access to basic banking and payments services.
- Sustained financial literacy efforts included increased emphasis on promoting domestic adoption of digital payment services. For the SandDollar, the Central Bank increased outreach activities in the Family Islands and remained vigilant to the cybersecurity resilience of the interoperable digital wallet ecosystem. The release of SandDollar Wallet 2.0 further increased the ease of self-enrollment for digital payment services.
- The Central Bank continued with its gradual liberalisation of exchange control administration, increasing the delegated authority for commercial banks, to approve up to $100,000 annually in investment currency market purchases (ICM) for individuals. Also, temporary residents were given expanded access to Bahamian dollar mortgages.
- The Central Bank celebrated its 50^{th} Anniversary of existence, spanning 1974-2024. Observances included a series of public education events, a special documentary on the Bank and a public exhibition spotlighting the history of Bahamian dollar bank notes and coins. The Bank released a commemorative 25-cent circulation coin, a two-sided full colour rendition of the coin already in use.

BOX 1:

STRATEGIC FOCUS FOR 2024-2025

Progress continued on the Bank's Strategic Plan for 2021-2025. The Strategic Plan consists of six main pillars, targeted at improving the effectiveness and transparency of the Bank's statutorily mandated activities, increasing its operational efficiency and risk management systems, and strengthening the external relations framework.

Over the period of 2024-2025, work prioritised for completion under each pillar include:

Pillar 1: Monetary Policy, Financial Stability, and Exchange Control Frameworks

- Strengthen economic forecasting capacity, including the incorporation of a climate change impact analysis.
- Support further development of the credit bureau, extending compliance to non-bank credit information providers and sustain the public education process.
- Continue to pursue prudent, gradual liberalisation of exchange control administration, including through sustainable access to outward portfolio investments.
- Sustain financial inclusion efforts, to improve country-wide access to financial services by promoting digital currency adoption, wider use of digital channels for financial services, and advancing agency banking frameworks.

Pillar 2: Financial Sector Supervisory and Regulatory Framework

- Continue to implement the Basel III risk-based supervisory framework.
- Continue to strengthen the AML/CFT regime, and compliance with international tax cooperation obligations.
- Improve financial resilience mechanisms around crisis management, and advance legislative proposals to enhance the process.
- Strengthen domestic interagency cooperation in supervisory matters.

Pillar 3: Policy Advice

- Enhance the framework for fiscal policy advice to the Government, including the transparency of domestic investor market relationships.
- Develop domestic policy proposals to strengthen consumer financial protection.

Pillar 4: Payments System Development and Public Debt Management

- Promote further adoption of the SandDollar in New Providence and the Family Islands.
- Continue to strengthen the domestic financial markets infrastructure, in line with best international practices, for digital and instant payments and for capital markets operations.
- Continue to modernise frameworks in support of the public sector's debt issuance and debt management processes.
- Encourage increased non-bank participation in public debt issuances.

Pillar 5: Operational Efficiency and Risk Management

- Strengthen the Central Bank's recruitment, staff training, and compensation systems.
- Complete the construction of the Cash and Data Centre.
- Conclude the modernisation and upgrade of core IT systems.
- Further strengthen the internal audit and corporate governance functions.
- Strengthen enterprise risk management processes, inclusive of business continuity and information governance frameworks.
- Complete the implementation of streamlined external facing portals for delivery of services to external clients.

Pillar 6: External Relations and Communication

- Increase the public profile of the policy and technical work streams of the Bank.
- Strengthen the effectiveness and consistency of public engagement via social media.

Our OPERATIONS

GOVERNANCE & ACCOUNTABILITY

The Bank's corporate governance framework, as outlined in the Central Bank of The Bahamas Act, 2020 prescribes, inter alia, the roles and responsibilities of the Board of Directors, the Governor and the Deputy Governors. In alignment with its statutory functions outlined in the Act, the Bank continued efforts to enhance its governance, accountability and risk management practices.

BOARD OF DIRECTORS

The Board of Directors has overall responsibility for the oversight of the Bank's management and operations. As part of its oversight responsibilities, the Board approves the Bank's strategic plans and the policy frameworks governing financial and accounting practices, procurement activities, human resource matters, enterprise risk management and internal control processes.

The Board is appointed by the Governor General, on the advice of the Minister of Finance. The Act prescribes that the Board consist of the Governor (Chairman), a non-voting Deputy Governor and six independent non-executive directors. Although the Act allows for two non-voting Deputy Governors, currently there is only one appointed. Under the Act, each director is required to maintain information acquired during the exercise of their functions, confidential and must sign a declaration of confidentiality in relation to the affairs of the Bank. Directors are indemnified by the Bank against personal, civil or criminal liability, in respect of their actions done in good faith, while carrying out their statutory duties.

During 2024, the full slate of independent non-executive directors continued to serve their multi-year terms. Namely, directors Robert Adams, Thomas Dean and John Swain were to serve until June 2026; and directors Olivia Saunders, Kendal Kelly Nottage and Bryan Knowles until June 2028.

For Board meetings, four directors form a quorum. The Board meets each month, with Directors maintaining oversight of the Bank's procurement activities, financial condition, lending to the Government, human resource developments, building projects, enterprise risk management and the overall internal control environment. In addition, focus is maintained on the progress of the Bank's strategic plan initiatives.

In keeping with its oversight functions, the Board discussed the impact of international and domestic economic developments on external reserves. Further, the focus on financial sector supervisory activities was maintained, to ensure the financial safety and soundness of supervised financial institutions. Directors continued to monitor currency and payment system developments, with special attention on the progress of the SandDollar Project and the implementation of the ISO20022 payments messaging standard.

AUDIT COMMITTEE

The Board is supported by the Audit Committee in carrying out its oversight functions, particularly with respect to financial matters. The Committee is comprised of director John Swain (Chairman), director Bryan Knowles and external financial expert Mr. Kirvy Ferguson. The Managers of the Finance Department, Internal Audit Unit and Corporate Strategy, Risk and Governance Unit also attend and present information at Committee meetings.

The Audit Committee met monthly to review the financial operations of the Bank, discuss internal audit findings and address risk management concerns and matters impacting the Bank's internal control environment.

SENIOR MANAGEMENT COMMITTEES

The Senior Management Committee is comprised of the Governor, Deputy Governor and heads of units and departments, who collectively manage the daily operations of the Bank. They also collectively maintain the Bank's operating policies and procedures. Through various sub-committees, managers also oversee important activities such the Bank's investment operations, staff recruitment and enterprise risk management. Key unit heads and other technical officers also constitute the Monetary Policy Committee and the internal Policy Advisory Committee on financial sector regulations and supervision. In weekly meetings, senior managers discussed developments in each business unit and developed consensus decisions on matters that had Bank-wide impact.

ACCOUNTABILITY & TRANSPARENCY

The Bank is required by statute and best international practices to maintain transparency and accountability in its operations. In keeping with its statutory obligations, the Bank provided an Annual Report of its activities for 2024 to the Minister of Finance, which was subsequently laid before Parliament. Monthly balance sheet information was also provided to the Minister of Finance and published in the Official Gazette and on the Bank's website.

The Governor met regularly with the Minister of Finance and the Minister of Economic Affairs, to discuss international and domestic developments that could impact the Bahamian economy and Government finances.

Discussions and information exchanged in these meetings were instrumental in facilitating coordination between monetary and fiscal policy actions, while providing the opportunity to inform the Government of the Bank's performance in fulfilling its statutory obligations.

Statistics and information on domestic economic and financial developments were published in the Bank's Monthly Economic and Financial Development (MEFD) reports, Quarterly Economic Reviews (QER) and Quarterly Statistical Digests (QSD). These publications, along with other announcements, notices and press releases, were accessible to the public on the Bank's website.

In external communications activities that support accountability and transparency, the Governor and senior officers of the Bank gave speeches and presentations in public forums, on a variety of topics. These included current domestic economic conditions and forecasts, regulatory and supervisory developments, exchange control policies, and progress on strategic initiatives, such as the payments system modernisation.

CORPORATE STRATEGY, RISK AND GOVERNANCE

The Bank continued to strengthen enterprise risk management frameworks in line with internationally accepted standards, applying sound central banking principles and governance structures. The Corporate Strategy, Risk and Governance (CSRG) Unit shepherds this process, leading the establishment of governance frameworks and coordinating enterprise risk management activities, inclusive of information assets management, business continuity planning and compliance. The Unit represents the "second line of defence" for risk within the enterprise, supporting other departments and units that are identified as the "first lines of defence". The CSRG unit ensures the integrity and consistency of risk and control self-assessments by departments, the formulation of business continuity plans, and institution-level efforts to manage information and data (information assets), in compliance with applicable international standards and domestic legislation.

Enterprise Risk Management (ERM)

In 2024, efforts increased to advance the Bank's enterprise risk management (ERM) programme. Special emphasis was placed on increasing engagement between the Board and management-level risk committees, implementing corrective action plans, risk incident reporting, control testing and developing the Bank's corporate ERM Policy and Procedures. Along with these initiatives, the Bank continued to build the risk management competencies and skillsets of staff through the annual ERM awareness campaign and ongoing training, which encompassed the updating of departments' risk and control self-assessments. Additionally, the Bank began to explore automated tools to monitor key risk management processes.

Synergies were maintained between the board-level Enterprise Risk Committee and the management-led Executive Risk Management Committee, as per their respective charters and terms of reference. Both committees reviewed updates made to the ERM framework and the Bank's Risk Appetite Statement, which were subsequently approved by the Board. The committees held ongoing discussions on risks across the Bank, their trajectory and the risk remediation efforts to mitigate them.

Business Continuity

The Bank further strengthened its business continuity programme, to safeguard the provision of services offered to the financial community. This included an assessment of the disaster recovery site to identify improvements needed to the enterprise recovery strategy. Validation exercises were also performed to test the resiliency of key payment system infrastructures. Internal departments also commenced the review and update of their recovery strategies and continuity plans, keeping those aligned with the Bank's master plan.

Information Assets Management

The Information Assets Management Unit (IAMU) leads the development of the Bank's information governance regime, with progress made in developing policies and procedures supporting these efforts. Overseeing this process, the Information Governance Committee was formally established to further assure that activities were managed in line with regulatory requirements and best practices. Bank-wide training was also provided to foster a culture of information governance. Meanwhile, the digitization of the Bank's historical records neared completion, as efforts continued to improve the operational efficiency of records management.

The IAMU also continued to manage the Bank's website and intranet resources, and commenced preliminary work to upgrade both platforms. The Bank also continued to expand its library of digital information resources including e-journals, periodicals and other digital research aids.

Compliance

The Bank made further progress in strengthening internal systems for anti-money laundering, counter financing of terrorism and, proliferation financing (AML/CFT/CPF). In this regard, the Money Laundering

Reporting and Compliance Officer (MLRCO) continued to monitor enterprise-wide compliance with domestic and international regulatory requirements. In 2024, the Bank established a Compliance Steering Committee, a sub-committee of senior managers, to support and oversee the compliance programme and other associated risk matters. Priorities emphasised, included continued review and streamlining of internal policies and procedures, and completion of the AML risk and control self-assessment. Staff training and awareness also underpinned the compliance programme, reinforcing the roles and responsibilities of key internal stakeholders in the governance process.

Internal Audit

The Internal Audit Unit (IAU) serves as the "third line of defense" in the enterprise risk management framework. The IAU employs a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal controls and governance.

As prescribed by the Institute of Internal Auditors, the operations of IAU are steered by a Board-approved Internal Audit Charter and a risk-driven Annual Audit Plan. The unit successfully executed upon the approved annual audit plan, conducting audits to improve operational processes and advance the Bank's strategic activities. Fifteen audit reports were issued during the year. IAU communicated the results of all assessments, and reported its findings to Executive Management and the Audit Committee. The unit also monitored the departments' progress with implementation of documented action plans to strengthen risk management systems.

Information Security

As cyber-attacks rise globally, incident response readiness, increased monitoring, user awareness training, threat intelligence and information sharing, remain top priorities of the Bank.

Through the Information Security Unit, the Bank's information security programme made further progress in these areas in 2024. The Bank strengthened its cybersecurity risk assessment framework to bolster the incident response programme. Also sustained emphasis remained on improving the maturity of the security posture of digital payments wallet service providers, and the various infrastructure maintained by the Central Bank. Moreover, the Bank increased its investments in threat intelligence around monitoring and assessing third party risks. Contingency arrangements, which support incident response, were further enhanced through, including, simulated "table-top" exercises.

Office of The Financial Services Ombudsman

The Office of the Financial Services Ombudsman (OFSO) continued to explore the development of a more established consumer financial protection framework for The Bahamas, supported by legislation, while strengthening the Bank's public education and engagement on ongoing concerns raised by the public. Staff resourcing for the unit was increased in 2024.

During the year, OFSO liaised directly with financial institutions to help resolve complaints referred to the Central Bank from public. The OFSO handled a total of 107 complaints and inquiries in 2024, with approximately 90% of the cases resolved or closed by year-end. The majority of complaints for the year related to mortgages and collateral document processes, reflecting a key area of concern for consumers. As an extension of this outreach, the OFSO also provided trend analysis and complaint resolution at meetings with industry participants, highlighting opportunities for improvement and increased focus.

Educational outreach varied, inclusive of information featured in the Central Bank's 50th Anniversary Learning Series on Financial Inclusion. The OFSO also participated in outreach alongside the Consumer Protection Commission (CPC), within the Ministry for Economic Affairs, and in forums such as those convened by University of The Bahamas, and the Bahamas Society for Human Resources Management (BSHRM).

As scoping of the legislative framework for consumer financial protection advanced, the OFSO collaborated with and supported strategic partners across the Bank and industry. This work foreshadows frameworks to improve the transparency of fee setting practices among the Central Bank supervised financial institutions, minimum standards of access to transactions accounts for deposits and payment services, and establishing a standard around complaints resolutions systems in SFIs.

CURRENCY OPERATIONS

In 2024, the Bank continued to expand its infrastructure and strengthen its public awareness campaigns surrounding SandDollar, the digital currency, promoting adoptions efforts. The Bank also sustained initiatives to enhance the security features of Bahamian bank notes and to promote increased public education around the integrity of physical currency. Enhancements to the Bank's payment systems infrastructure progressed steadily, including the Bahamas Government Securities Depository, the SWIFT platform and work toward the readiness for the ISO20022 messaging standards.

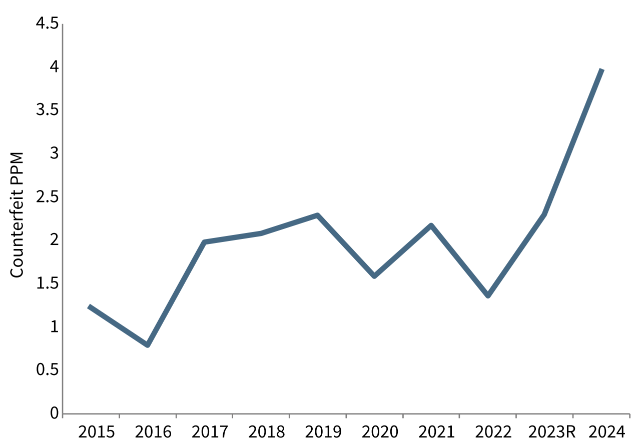
Circulation Notes and Coins

During the year, the Bank completed production of the first "green banknote", printed on Giesecke's and Devrient's Hybrid Addvance® substrate. The Hybrid Green $1 banknote, which resembles the 2017 version, integrates aesthetic improvements around tonality and portrait clarity, with complementary security enhancements, such as a wider and more vibrant security thread. Expected to reduce the Bank's carbon footprint, the banknote, is scheduled for release into circulation during first quarter of 2025.

In June 2024, a commemorative twenty-five cent circulation coin was issued to mark the 50th Anniversary of the Central Bank. Internationally, this was the first circulation coin to be painted on both sides, winning recognition in October 2024, by the International Association of Currency Affairs, as the "Best New Commemorative/Limited Edition Circulation Coin" for the year.

During the year, the Bank conducted regular anti-counterfeit detection workshops to promote public confidence in Bahamian banknotes. The Bank also enhanced tracking of counterfeit banknotes to include those recovered by law enforcement. The expanded data resulted in a marginal increase in counterfeit parts per million (ppm), which historically fluctuated between 1.5 and 2 parts per million. The revised data now provides a more holistic view of counterfeits discovered in The Bahamas, still maintaining comparatively low incidences, based on global standards (See chart).

Counterfeit Parts per Million (PPM)
Notes in Circulation



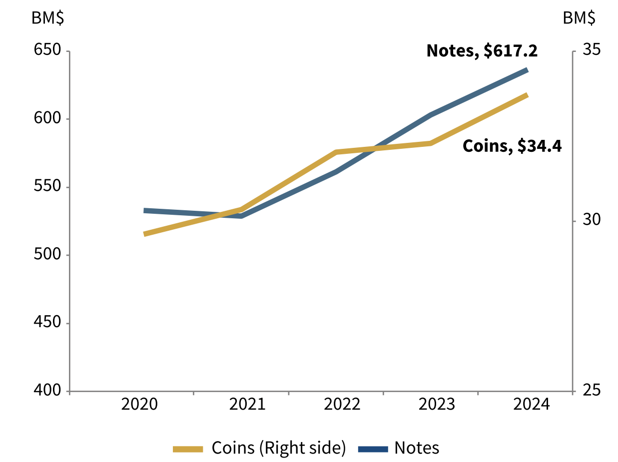
Isolating counterfeits discovered in commercial bank deposits, the $20 banknote represented the largest share discovered in 2024, followed by $100 and $50 banknotes, respectively. However, counterfeits intercepted by law enforcement reflected relatively greater quantities of $100 denominations.

Table 1: Bank Note Security Tiers

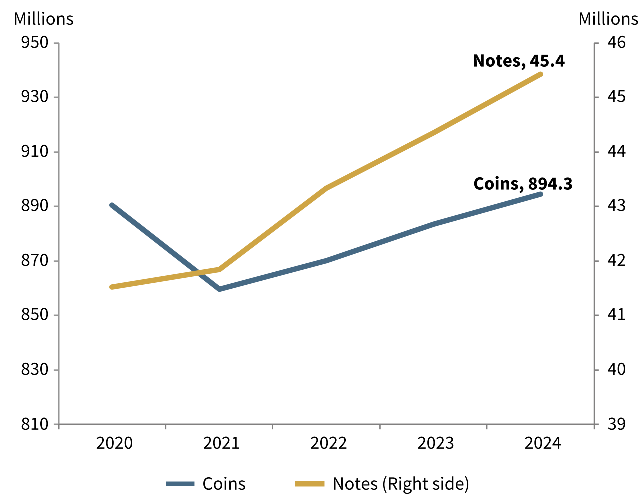
Denomination	Public Consumption
$1/2, $3	Novelty
$1, $5	Low Value
$10, $20	Transactional
$50, $100	Value Storage

Source: Central Bank of The Bahamas

Value of Notes and Coins in Circulation



Quantity of Notes and Coins in Circulation



In 2024, the volume and value of banknotes in circulation increased marginally, by 1.3% and 5.9%, respectively. Similarly, the volume and value of coins in circulation increased by 1.2% and 3.9%, respectively.

Numismatics

The numismatics programme, which satisfies collectors' demand, remained steadfast in 2024. In March, the Bank released the Series 2024 Yellow Elder $10 Silver Proof Coin––a continuation of the 'Flora & Fauna' series. The Bank also released the Series 2024 Flamingo $10 Silver Proof Coin, and concluded the issue of the Islands of The Bahamas Series II, with the $10 Silver Proof Berry and Southern Islands coin. During 2025, the numismatic programme will feature a five-coin set showcasing the compilation of the Islands of The Bahamas Series II coins.

Digital Currency Adoption

The Bank expanded SandDollar awareness and adoption initiatives for unbanked and underbanked communities throughout The Bahamas, underpinned by face-to-face user engagements, targeted promotions, and incentive programmes designed to 'prime the proverbial pump' in New Providence and the Family Islands. This occurred alongside further important upgrades of the digital currency infrastructure.

Digital wallet activation, which supports the ecosystem, increased by 12.2% for consumers during the period, and equated to approximately 133,481 users; while the merchant ecosystem expanded by 3.2% to 2,034.

The rollout of SandDollar Wallet 2.0 and its white-labelled mobile application in May 2024, introduced improvements to the Central Bank's digital currency platform, incorporating enhanced KYC management mechanisms, richer data collection to support better demographic analyses, and enhanced workflows that also support more seamless integration with third-party applications offered by authorised financial institutions (AFIs). Key features of the release included self-activation of new wallets and self-recovery of pre-existing SandDollar wallets, reducing the reliance on third parties.

To increase the momentum on adoptions efforts in 2025, the Bank intends to promote more use cases around mobile wallets access to facilitate electronic payroll processing, particularly in the more cash intensive communities in the Family Islands. This would leverage the seamless two-way integration already achieved between the SandDollar platform and the commercial banks' ACH infrastructure. While the white-labelled wallet applications satisfied this functionality, interoperability still only enables ACH top-up of proprietary wallets in 2024. The Central Bank intends to extend this functionality to redemptions or deposits out of propriety wallets in 2025, which will increase the speed and reduce the cost of such services to users.

Financial Market Infrastructure

In January 2024, the Bank introduced competitive bidding for Bahamas Registered Stocks (BRS) via the Bahamas Government Securities Depository (BGSD) platform. This modernization, while seeking to improve user experience, targets a more bona fide market-driven yield curve for BRS. As part of this programme, a framework to support maintenance, strategic enhancements, and the introduction of an activity-based fee structure was established for the BGSD, with implementation programmed for 2025, aligning it with global standards.

The Bank, in collaboration with the Commonwealth Secretariat and Ministry of Finance, commenced extensive work on policy matters, including the securities buy-back and debt exchange programme, adding versatility to the debt management regime. These efforts are expected to extend through 2025.

During the year, the Bank also commenced its first assessment of the financial market infrastructure, which is expected to conclude in mid-2025. This is being guided by the Principles for Financial Market Infrastructure (PFMI), developed by the global standards-setting body within the Bank for International Settlements, the Committee on Payments and Market Infrastructures. The principles are a critical benchmarking guide for systems, policies, and procedures, which govern the operations of such infrastructure.

ISO20022 Project

The ISO20022 project is designed to align the financial sector's compliance with the new, data rich financial messaging standard for payments by November 2025. The project covers both domestic and cross-border transactions, impacting necessary infrastructure upgrades to systems within the Central Bank, clearing banks, and other payment services providers. When launched the ISO20022-compliant Real Time Gross Settlement (RTGS) system would support both incumbent (MT) and future (MX) financial messaging standards for local transfers. This component was on track for an April 2025 launch. The less intense cross-border phase of the project, benefits from lessons learned in the domestic project––targeting a May 2025 launch.

BANKING OPERATIONS

Public Debt Administration

In its role as registrar and transfer agent, the Bank continued to facilitate issuance of Government domestic debt securities, support investor outreach and aspects of the public corporations' activities. Among Government agencies, year-end securities liabilities for the Bridge Authority decreased by $8.0 million, to $14.0 million; but remained unchanged respectively for the liabilities of the Bahamas Mortgage Corporation ($155.0 million), Clifton Heritage Authority ($24.0 million), Education Loan Authority ($20.0 million) and Bahamas Development Bank ($4.0 million).

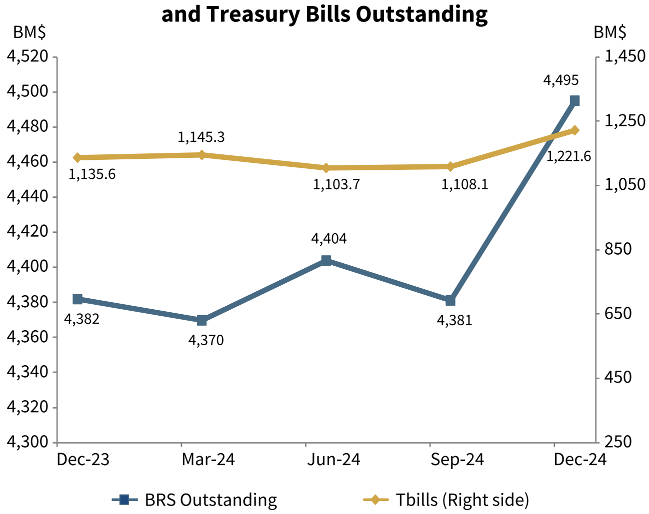
The Bank, on behalf of the Ministry of Finance, facilitated monthly Bahamas Registered Stock (BRS) offers and Treasury Bill (T-bill) tenders, publishing detailed investor materials and reports on the results. This further enhanced transparency around overall market outcomes and provided opportunities to engage potential and existing investors to further progress the development of the primary and secondary markets.

Through the Bahamas Securities Application Portal, retail investors are able to self-onboard and directly participate in securities offerings. The portal processed 467 online applications of the 1,578 total applications, accounting for 29.6% of BRS applications processed from retail investors at the end of 2024, a slight contraction from the 30.0% of applications processed in 2023. However, the total number of online portal applications accelerated by 37.0% in 2024 from 341 applications the previous year.

Bond issuance remained dominated by demand for short-term maturities. In 2024, Bahamas Registered Stock (BRS) benchmark offerings totalled $233.8 million, with an uptake rate of 80.7%, compared to $169.5 million offered in 2023, with an uptake rate of 101.5%. Meanwhile at the short end of the tenor curve, $578.2 million in one-year BRS was offered, with an allotment rate of 125.6%. This contrasted with the outcome in 2023, when BRS offerings totalling $572.9 million yielded an allotment rate of 97.2%.

During the year, Treasury bill issuance reached $3.8 billion, predominantly roll-over amounts, featuring average take up of 106% against the IPOs. In this regard, $3.3 billion was issued for the 91-day tenor and $554.5 million in the 182-day tenor. Meanwhile, the yearly average yield on the 91-day tenor averaged 2.97%

Bahamas Government Registered Stock and Treasury Bills Outstanding



compared to 182-day bills, which averaged 2.94%, noting the consistently restrained bids for the latter.

Central Bank's Exposure to the Government

During 2024, the statutory limit on Central Bank advances to Government remained at $331.4 million. As at end-December 2024, the capacity was exhausted; however, the facility was partially repaid and drawn down at several instances over the course of the year, smoothing out the Government's net cashflow needs.

PAYMENTS & SETTLEMENT SYSTEMS

Oversight

The Bank sustained efforts to strengthen its surveillance of the domestic payments system, while promoting efficiency, reliability and security of the infrastructure. Quarterly meetings were held with the Bahamas Automated Clearing House (BACH), owned and operated by the members of the Clearing Banks Association, which centred on participants collateral to operate and settlement issues of the commercial banks, internal audit, and significant developments that emerged during the year. The Central Bank also monitored progress made by non-bank participants to join the ACH. Engagement continued with these stakeholders around their ongoing participation in the Central Bank owned and operated Real-Time Gross Settlement (RTGS) system and Bahamas Inter-Bank Settlement System (BISS). While the BACH processes small-value transactions, under $150,000, the RTGS clears large value inter-bank payments in excess of $150,000.

The Bank maintained support for initiatives promoting the payments system's role in supporting increased adoption of digital access to financial services. These efforts were significantly overseen through the Bahamas Cheque Reduction Steering Committee. The committee engaged the supervised financial institutions, civil society and key private sector industry stakeholders, benchmarking a proposed strategy for reduced reliance on cash and cheques in The Bahamas. The initiative seeks to proactively address financial inclusion and promote legitimate access to alternatives to cheque and cash for both individuals and businesses, identifying interventions to measurably improve the quality and efficiency of existing delivery of domestic services. The Live Digital campaign, funded jointly by the Central Bank and the commercial banks is an outgrowth of the public education strategy. It featured an initial series of townhall meetings in New Providence and the Family Islands, designed to educate residents about the digital payment options and online banking platforms available through various financial institutions. The campaign also engaged with the public over

BOX 2:

MONETARY POLICY IN 2024

The Central Bank's Monetary Policy Committee (MPC) is chaired by the Governor, and comprised of the Heads of a number of Departments and other technocrats. On a monthly basis, the Committee continued to monitor and analyse domestic and international developments, to advise the Governor on policies that promote monetary and financial stability, and the sustainability of the fixed exchange rate regime. The monthly surveillance analysis of the MPC is summarized in reports, circulated to the public within five days of each meeting.

The Committee's discussions were influenced by several prevailing domestic economic and financial trends, as well as emerging challenges. Specifically:

- **The sustained**, albeit moderated pace of domestic economic growth, given constrained stopover tourism capacity, though cruise sector growth remained robust.
- **High levels of bank liquidity**, albeit in an environment of strengthening domestic credit expansion and improving credit quality.
- **Healthy trends in external reserves**, which included lesser impulse from Government's external borrowings, and steadied foreign currency inflows from real sector activities.
- **Improved credit quality indicators**, underpinned by growth in the domestic economy.

Given robust levels of foreign reserves, and sustained improvement in the economy, the MPC endorsed a continued relaxed posture for bank lending to the private sector.

In measuring the external risks to the domestic economy, the MPC highlighted several important trends. Positively, sustained growth in the United States' economy supported tourism sector gains, as well as steady foreign investment inflows. However, considerable downside risks remained, given ongoing geopolitical tensions from wars in the Middle East and Eastern Europe, with potential for higher global oil prices and supply chain shortages. The MPC also monitored the policy spill-over implications of the US elections, which along with disruptions from hurricanes during the summer months, resulted in some suppressed tourism demand during the second half of the year.

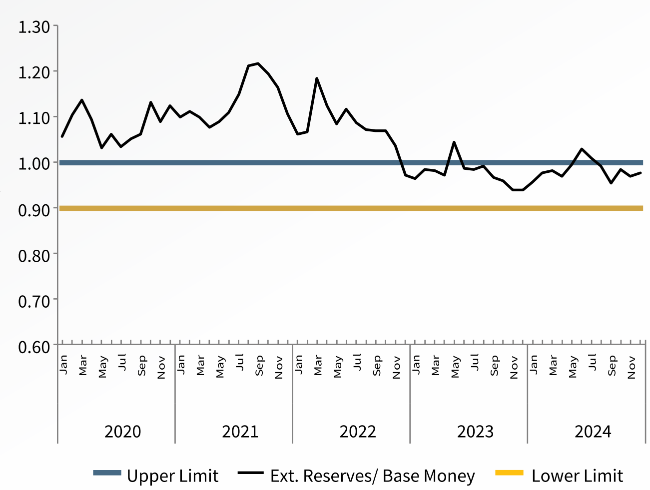
In keeping with the Bank's mission to maintain satisfactory external reserves to sustain the fixed exchange rate, the Committee closely monitored key external reserve adequacy indicators; notably the ratio of external reserves to Central Bank's demand liabilities and the import cover ratio. In the first half of the year, there was accumulation in external balances, in line with seasonality, followed by the traditional decline in the latter half of the year to facilitate elevated import payments. As a result, the ratio of reserves to the Central Bank's demand liabilities remained above 90.0% throughout 2024, even exceeding 100% in some months. In particular, the ratio peaked at 103.0% in June, then moderated to 95.4% in September, before increasing to end the year at 97.7%, in December 2024.

With reference to the more broadly tracked total external reserve coverage in weeks of annual current year's total merchandise imports indicator, the ratio rose from 29.9 weeks at end-2023, to 34.2 weeks in the first quarter of 2024. Over the remainder of the year, the ratio continued to trend downward, reaching its lowest level of 27.3 weeks at the end-2024, although remaining well above the international benchmark of 12.0 weeks.

The MPC Committee also continued to monitor banking sector soundness and stability indicators. In particular, members deliberated over the persistently high levels of liquidity in the system, still reflecting some conservative lending stance; even as credit expansion strengthened. Meanwhile, credit quality continued to improve, with further reduction in the non-performing loan (NPL) rate during the year. Further, domestic banks' average capital adequacy ratio stood at 34.7% at end-December 2024—well in excess of the minimum regulatory ratio of 17.0%.

Emphasis under exchange control, remained on improving administrative efficiencies, while ensuring that the resulting net impact on foreign currency demand was sustainable. To enhance temporary residents' access to Bahamian dollar mortgages, in June 2024, the Central Bank removed the three-year residency requirement to access these facilities. Also in June, the Bank increased commercial banks' delegated authority to provide Investment Currency Market (ICM) sales of foreign exchange to individuals to $100,000 per investor, per year, for portfolio investments. All institutional transactions still require prior Central Bank approvals.

Ratio of External Reserves to Base Money



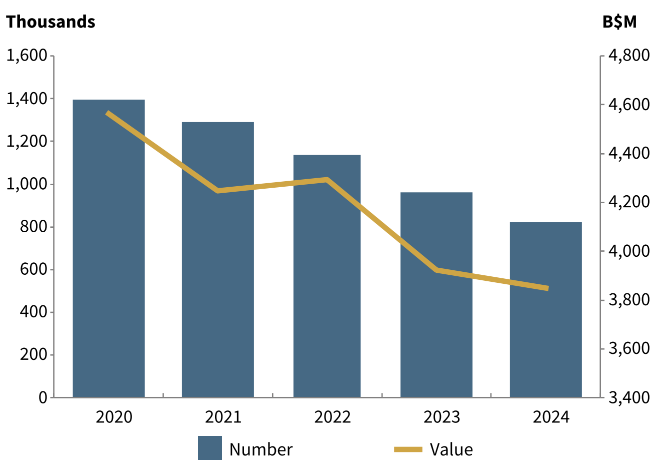
social media, print and broadcast channels and would continue during 2025.

Payments Settlements Trends

At the wholesale level, in 2024 domestic payments settled through the RTGS declined in volume by 2.3% to 273,443 transactions, and in value by 21.8% to $30.9 billion. Participants of the RTGS system comprised the seven clearing banks, which process direct interbank transactions, X9 (cheques), and NACHA (direct credit) payments. On a normal basis, the RTGS operates seven daily settlement windows, beginning at 8:15 a.m. and concluding at 4:45 p.m.

During the review year, BACH, which processes retail payments in compliance with the globally accepted National Automated Clearing House Association (NACHA) format, recorded a 16.0% expansion in the number of transactions to 5.9 million, while the associated value increased by 14.5% to $10.4 billion, although lower than the 22.9% growth recorded in 2023. Nevertheless, as observed in the previous years, cheque usage, except for large-value transactions, remained subdued. Specifically, the number of instruments processed reduced by 14.5% to 823.1 million, with a falloff in the corresponding value, by 1.9% to $3.8 billion.

Cheques Cleared



Retail Payments Services

Growth continued in other digital transactions, highlighted by greater overall use of debit cards, credit cards, and automated banking services.

With regard to card-based payments, the number of debit card transactions rose by 15.9% to 28.7 million, while the value increased by $4.1 billion from $2.7 billion in 2023.

In the meantime, credit card transactions increased by 28.5% to $1.8 billion, with expanded account access and increased credit utilisation. Notably, the number of cards issued or renewed by commercial banks expanded by 7.8% to 110,546, and the associated value of debt owed rose by 7.6% to $254.4 million. Disaggregated by access amount, the number of cards with a credit limit under $5,000 grew by 8.8% to 75,107, albeit the outstanding balances decreased by 8.4% to $81.0 million. Meanwhile, the number of cards issued with a credit limit between $5,000-$10,000 increased by 5.5% to 21,232, and the corresponding credit balances by 5.8%, to $72.7 million. Also, for card limits in excess of $10,000, the number of accounts rose by 6.4% to 14,207, and outstanding credit by 8.4% to $100.7 million.

The ATM network, supporting cash services and decentralised access to other banking services, expanded further by 1.5% to 398 machines in 2024. Meanwhile, the volume of ATM transactions advanced by 6.1% to 10.6 million, and the corresponding value, by 15.2% to $3.1 billion.

Internet Banking

Financial institutions also recorded increased usage of internet banking services during the review year. Internet banking solutions afford customers the ability to, *inter alia*, check their account balances, make transfers between personal and third-party bank accounts, pay utility bills, and purchase foreign currency. The range of internet services varied among financial institutions, and some banks levied fees for the facilities. During 2024, the total number of users, inclusive of residential, business, public sector and other users, expanded by 39.0% to 164,262.

Electronic Money Services

Retail payments activity, facilitated by electronic money service providers (EMSPs), were marginally reduced when compared to 2023, despite increased account usage among individuals and authorised financial institutions (AFIs) more entrenched educational outreach in the Family Islands. While integration of the digital currency platform with the ACH provided for more efficient funds transfers, AFIs have not fully implemented this low-cost functional convenience in their proprietary wallets. Government-to-people (G2P) and business-to-persons (B2P) also remained under-utilized—both of which are expected to receive more sustained emphasis in 2025.

The number of digital wallet service providers held steady at seven (7), although the number of agents decreased by 19.5% to 140. Digital wallet services registered a 78.0% reduction in top-up transactions in 2024, and a corresponding 44.2% decline in top-up values to $10.4 million. Correspondingly, the frequency of withdrawals decreased by 10.6% alongside a 35.0% contraction in the associated value to $16.2 million.

As for payments, the volume of person-to-person (P2P) transactions reduced by 19.9%, with the associated value lower by 14.0% at $4.8 million. Person-to-business (P2B) transactions, also decreased by 4.3% but the attendant value rose by 1.0% to $50.5 million. Concerning business-to-business (B2B) transactions, the number transactions declined to 45 from 188 in 2023, with the corresponding value decreased to less than $0.1 million from $4.8 million in the previous year, when there were heightened SandDollar promotions.

At end-2024, the total number of e-money users increased, with the volume of residential user accounts rising by 17.2% (21,426) to 146,093, while business accounts advanced by 15.3% (283) to 2,131.

FOREIGN RESERVES MANAGEMENT

The Central Bank's reserve management strategy, prioritises the preservation of capital and maintaining adequate liquidity to satisfy the private sector's residual needs for foreign exchange. Within these prudential limits, the Bank seeks to maximise returns on the invested balances.

The external reserves remained at healthy levels during the year, given growth in tourism output, sustained foreign investment inflows and Government's external borrowing activities. Although domestic credit growth strengthened, alongside a more accommodating monetary policy stance, the net impact on foreign currency demand did not surpass the robustness of inflows through the banking sector. Consequently, the external reserves expanded by $115.5 million (4.6%) to $2,633.0 million in 2024, contrasting with the $93.6 million (3.6%) contraction in 2023.

DORMANT ACCOUNT ADMINISTRATION

The Bank administers dormant accounts in accordance with provisions in the Banks and Trust Companies Regulation Act, 2020. Under the regime, the definition of facilities that may be classified as "dormant" include deposits, custody accounts, contents of safety deposit boxes, money orders, credit card balances, credit balances on loans, collateral held on loans, funds paid for shares or other interest in a bank, deposit accounts of precious metals and gemstones and securities. Balances are considered dormant after at least seven years of inactivity. As such, banks are required by law to transfer such amounts to the Central Bank for safekeeping until the account holders claim the funds.

Unclaimed funds are escheated to the Government, immediately upon transfer to the Central Bank if the account balances are $500 or less; and after a further period of 10 years for all other balances.

As at 31st December 2024, the Bank maintained custody of 45,780 dormant accounts, totalling $128.0 million, denominated in five currencies (See Table 2). Balances in United States dollars and Bahamian dollars combined, accounted for 92.9% of the total, while the Canadian dollar, Swiss franc, Euro and British pound accounted for the remaining 7.1%. In accordance with the law, as at 31st December 2024, an estimated $5.8 million in dormant funds was due for escheatment to the Government against the applicable 10-year custodial period expiration.

Table 2: Dormant Account Balances

Currency	Account Balances 2023	Account Balances 2024	No. of Accounts 2024	% of Total Balances 2024
	($'000)			
Bahamian $	46,324.0	45,328.3	39,218	35.4
Canadian $	7,424.2	7,350.3	457	5.7
Swiss Franc	0.0	0.0	0.0	0.0
Euro	1,641.1	586.9	69	0.5
UK (Sterling)	1,098.6	1,095.9	110	0.9
US$	42,641.5	73,605.2	5926	57.5
TOTALS	**99,129.4**	**127,966.7**	**45,780**	**100.0**

Source: Central Bank of The Bahamas

EXCHANGE CONTROL ARRANGEMENTS

During 2024, the Exchange Control Department supported the Central Bank's legislative mandate, to ensure prudent management of the foreign reserves, in order to maintain the fixed parity of the Bahamian dollar to US currency, and by extension, the sustainability of the local foreign exchange markets.

The Bank, as Controller of the Exchange Controls, continued to pursue further gradual, but sustainable liberalisation of exchange control administration. In this context, measures implemented during the year aimed to improve efficiencies for residents, temporary residents (work permit holders) and non-residents. These included, granting authorised dealers and money transmission businesses (MTBs) increased delegated authority to approve current payments and capital account transactions, without prior recourse to the Central Bank––mainly impacting real estate transactions and the Investment Currency Market (ICM), which facilitates access by domestic investors to external

BOX 3:

CHEQUE REDUCTION AND PAYMENTS SYSTEM STRENGTHENING

In December 2021, the Central Bank announced its intent to develop a strategy, alongside commercial banks, to eliminate all use of domestic cheques by the end of 2024. In February 2023, a Steering Committee, comprised of both private and public sector stakeholders, was formed to guide the development of the strategy. Following wide public consultation, the Steering Committee agreed to shift the emphasis away from cheque elimination, to promoting and supporting a reduction in usage; as well as less reliance on cash. This includes important initiatives, including identified legal reforms to improve the state of the domestic payments system, addressing ease and access to digital channels for financial services, and a targeted public education to encourage faster adoption of digital payments.

The Committee's work progressed on a number of fronts. Through its Legal & Regulatory Working Group, an external legal consultant was engaged to identify recommended reforms to achieve a neutrality of payments instruments to domestic laws. That is, identifying instances for amendments to statues which explicitly only refer to cheques as the accepted instrument for payments. Such recommendations would neither eliminate nor abolish cheques. Outside of payments instrument neutrality, the Central Bank also foreshadowed reforms to further regulate financial services related to the residual use of cheques; to improve financial inclusion in access to payments and transactional deposit accounts; and to enhance consumer financial protection standards around payments and deposit instruments. The Central Bank's work to develop a regulated framework for agency banking also accelerated, given heightened attention to the existing gaps in the quality and reach of financial services in the Family Islands.

A Business Matters Working Group also supported the Steering Committee, tasked with identifying existing barriers or gaps related to cheque payments; and identifying, from the private sector's perspective, possible interventions to improve the quality of payments and the ease of domestic banking. As a part of its consultation efforts, the working group, in collaboration with the Bahamas Chamber of Commerce and Employers Confederation, also commissioned business surveys to assess the state of experiences with banking and payments, to help benchmark targets for improvements. Alongside these efforts, the Central Bank launched a semi-annual survey on commercial banks' practices and experiences around the account opening process, to scope operational and regulatory reforms that would improve such processes. The working group also facilitated a workshop in early 2024, to gather feedback from stakeholders on reducing cheque usage in The Bahamas. These included representatives of the cheque printers, the real estate industry, financial institutions and the Government.

Further, the Business Matters Working Group developed key performance indicators (KPIs) to track payments system progress space, which will be monitored by the Steering Committee. KPIs target improvements, among others, to enhance the efficiency of the account opening process; improve baseline access to banking; increase the speed of existing payments settlements; establish clearer domestic standards on dispute resolution mechanisms for fraudulent and erroneous payments; establish benchmarks for increase adoptions of digital payments, and to regulate merchant practices around "convenience fees" and other levies placed on customers for using digital payments. Integrating with public education efforts, the working group also endorsed development of a template to help businesses to undertake comprehensive self-assessments of the relative cost and benefits of accepting digital payments versus cash and cheques.

Alongside the improvements to the experience with existing payments, the Steering Committee has already endorsed efforts by the Central Bank to develop a fast payments system for The Bahamas, for real-time settlement of payments more universally across both deposit accounts and digital wallets. The Central Bank has undertaken to cover the cost of developing the core infrastructure, but participating financial institutions would be responsible for their interoperable, integration to the system. All domestic banks, credit unions and other payment services providers are expected to be direct participants in the fast payments network. This platform will also aid the domestic sector's transition to participate fully in improved cross-border retail payments in line with the G20 countries' roadmap to lower cost and improve speed, transparency and access to international payments by 2027.

Finally, as a part of its ongoing efforts to engage the public, the Steering Committee—through its Public Education Working Group—worked to curate an education campaign that would not only prepare the public for reduced cheque usage, but also help to improve the efficiency of the domestic payments space. To this end, in May 2024, the Central Bank, in collaboration with the Clearing Banks Association, launched the "Live Digital, Pay Digital" public education campaign. The campaign promotes public education on the range of digital instruments that are locally available, and on how to access and use them accordingly. Outreach takes various forms including social media, print and broadcast channels. Town Hall meetings were also employed, interacting with stakeholders in New Providence, Eleuthera, and Andros in 2024. Other Family Island communities will be engaged during 2025.

The Central Bank's financial literacy and financial inclusion initiatives remain closely integrated with the efforts of the Steering Committee. The Bank will also work closely with the Committee on various identified legal and regulatory reforms for banking and payments systems.

portfolio purchases and specified direct investments, at a premium (the offer rate) above the official exchange rate. The ICM's bid and offer rates remained unchanged at 5.0% and 2.5%, respectively.

Foreign currency sales, inclusive of transactions under delegated authority to commercial banks, increased by 3.2% to $9.0 billion in 2024. Sales for current account payments rose by $249.4 million (3.1%) to $8.0 billion, on account of expanded outflows for transportation services (97.5%), travel for medical care (93.1%) and royalties and licence fees (31.1%). Of the total transactions, current account payments approved directly by the Central Bank decreased by 15.7% to $3.0 billion when compared to 2023. Foreign currency sales for capital account items grew by 3.4% to $993.8 million relative to the year prior, explained by a rise in property purchases (46.5%). However, approved capital account payments decreased by 13.3% to $1.3 billion in 2024, mirroring reduced public sector debt servicing activity and contracted private sector portfolio outflows.

The Bahamas Depositary Receipts (BDR) programme continued to facilitate external portfolio investments at the official exchange rate through three active broker-dealers. Foreign currency sales expanded to $9.6 million in 2024 from $1.3 million in 2023, while approvals issued for these transactions amounted to $26.2 million vis-à-vis $19.1 million in the previous year. Similarly, the ICM continued to facilitate other capital investments abroad, through commercial banks, at stable offer and bid rates of 5.0% and 2.5%, respectively. During 2024, foreign currency sales and approvals for the ICM narrowed to $74.5 million and $128.5 million, respectively, from the prior year's $178.6 million and $236.4 million. ICM redemptions also decreased to $1.5 million compared to $3.8 million in 2023.

During the year, the Exchange Control Department continued its outreach with authorised dealers and money transfer businesses, conducting training on the policy framework for personnel responsible for regulatory reporting, compliance and customer-facing transactions. The number of entities providing services to the public were unchanged, comprising 10 authorised agents (resident trust companies), 10 authorised dealers (commercial banks) and five money transmission businesses (MTBs).

ECONOMIC ANALYSIS, STATISTICS AND RESEARCH

Through its regular surveys and publications, the Bank, via the Research Department, fulfilled its mandate to disseminate comprehensive, accurate, and timely information to the public on domestic economic and financial developments. In this context, key publications included the Monthly Economic and Financial Developments report (summarizing the surveillance work of the Monetary Policy Committee), the Quarterly Economic Review, Quarterly Statistical Digest, the Annual Report and the Financial Stability Report. Economic surveys, such as the quarterly Bank Lending Conditions Survey (BLCS), and the Semi-Annual Commercial Bank Fee Survey reports were compiled and published. The March edition of the Economic Review also featured the annual survey on the "Gross Economic Contribution of The Financial Sector to the Economy" for 2023.

During the year, staff undertook several research projects, which focused on a number of important economic themes, such as economic growth, climate change, fast payments and small open economy competitiveness. Papers presented at the Research Department's internal Roundtable and external conferences included "From Headlines to Hard Data: Nowcasting the Bahamian Economy with News Sentiment" and "The Competitiveness of Small Open Economies: An Analysis of the Real Effectiveness Exchange Rate." In addition, staff also presented their research at the 44th Annual Review Seminar and the 55th Regional Annual Monetary Studies Conference, both hosted by the Central Bank of Barbados. At these events, staff from the Department shared papers entitled, "Estimating the Impact of a Climatic Shock on Credit Supply and the Probability of Default in The Bahamas", "Growth at Risk: A Framework for Assessing Economic Vulnerability" and "Cross-Border Payments for The Bahamas: To Interlink Through a Fast Payments System or the Central Bank Digital Currency?". Research was also presented at external conferences hosted by the Bank for International Settlements (BIS), the Center for Latin American Monetary Studies (CEMLA) and the Central Bank of Trinidad and Tobago.

The Bank continued to provide technical training to strengthen research competencies, in collaboration with several international partners, including Columbia and Cornell Universities, and other organizations such as the International Monetary Fund (IMF), Commonwealth Secretariat, the Federal Reserve Bank of New York City, BIS, CEMLA, the Alliance for Financial Inclusion (AFI) and the Caribbean Regional Technical Assistance Centre (CARTAC). In addition, the Bank facilitated a CARTAC Regional Financial Stability Analysis Workshop, to support regional collaboration to strengthen such surveillance activity, as well as Alliance for Financial Inclusion's (AFI) Financial Inclusion for Latin America and the Caribbean (FILAC) Conference, held in Freeport, Grand Bahama. These sessions were intended to, among other things, strengthen capacity in the areas of data analytics, macro-financial policy making, financial sector stability analysis, financial programming & scenario analysis, external debt statistics, financial inclusion and financial education. Training programmes were facilitated both online and in-person.

Aligning with its mandate, the Department maintained the flow of economic and financial statistics on The Bahamas to a number of multilateral organizations, including the IMF, BIS, the Caribbean Economic Research Team (CERT), the Caribbean Development Bank (CDB) and the InterAmerican Development Bank (IDB).

The Department also continued to play an essential role in the Bank's public education outreach, by facilitating presentations to schools from the primary to the tertiary levels, on the role and functions of the Central Bank and its monetary policy instruments. Staff also fielded several requests from members of the public to provide data on various economic topics.

PRUDENTIAL SUPERVISION & REGULATION

Profile of Regulated Activities and Entities

Central Bank's supervisory mandate covers banks and trust companies, cooperative credit unions, payment service providers, registered representatives and their related private trust companies (PTCs) which is governed under the provisions of the Banks and Trust Companies Regulation Act, 2020 ("the BTCRA"), the Bahamas Co-operative Credit Unions Act, 2015 (and Regulations under those Acts), the Payments System Act, 2012 and the Payment Instruments (Oversight) Regulations, 2017.

In 2024, the financial sector, which is predominately comprised of banks and trust companies, continued to experience a decline in new entrants. Global regulatory standards, coupled with other externalities, continued to impact on-balance sheet growth for the sector. To this end, the consolidated on and off-balance sheet assets reduced by $7.2 billion (1.7%) to $416.3 billion for 2024, which was precipitated by a decrease in fiduciary assets by $7.3 billion (2.5%) to $289.3 billion. The number of supervised banks and trust companies decreased to 192 from 197. No new licenses were issued; however, five SFIs ceased operations. Closures included one public bank and trust company, and three restricted operations. There were 19 active public entities, which included authorised dealers and agents, resident for exchange control purposes allowed to transact with both domestic and international clientele.

Among other regulated activities, the number of private trust companies (PTCs) increased by 11 to 180 at end-2024. Further, the number of licensee registered representatives (RRs) for PTCs increased by 1 to 23; however, the number of financial and corporate service providers (non-licensee RRs) remained at 8. Meanwhile, the number of money services firms—comprised of payments services institutions (PSIs) and non-bank money transmission businesses (MTBs—remained at three and five, respectively. In addition, the number of related agents for MTBs stabilised at 19, while PSI agents decreased by three to 49.

The number of credit unions remained at eight, inclusive of the Bahamas Cooperative League Limited, the apex body for the sector. Meanwhile, total assets of the credit unions expanded by 4.6% to $517.8 million in 2024, amid increased lending activities funded by deposits growth.

Over the review period, the Central Bank issued 145 approvals for regulated positions among SFIs including 48 directors, 61 money laundering reporting & executive officers and 36 senior officials/officers.

The noted decrease in the total number of international banks and trust companies licensed to operate

Table 3: Regulated Entities

	2022	2023	2024
Banks and Trusts	202	197	192
Banks & Trusts	46	46	44
Banks	21	20	19
Trusts	135	131	129
Non-Licensee Reg. Representatives	7	8	8
Licensee Registered Representatives	22	22	23
PTC (Registered)	155	169	180
Non-Bank MTB	5	5	5
Non-Bank MTA	18	19	19
MTB Branches*	51	45	35
Cooperative Credit Unions	8	8	8
Payment Services Providers	3	3	3
Payment Services Agents	8	14	14
Memo Items:			
Assets of Domestic Banks (B$Bil)	20.57	19.11	19.13
% change	-1.2%	-7.1%	0.1%
Assets of International Banks (B$Bil)	117.98	107.77	108.00
% change	-8.6%	-8.7%	0.2%

Source: Central Bank of The Bahamas
*Revised for 2022 & 2023.

within The Bahamas was influenced by factors such as mergers and acquisitions and exit from the market or the jurisdiction. Notwithstanding this, total assets reflected a negligible decline of less than 0.01% to $107.8 billion year, while fiduciary assets grew significantly, to $289.3 billion from $144.0 million in 2023. In the domestic sector, total assets of commercial banks and trust companies stood at $12.8 billion, a decline of approximately $0.4 billion (3.0%) vis-à-vis 2023.

Supervisory and Regulatory Developments

The Central Bank executes its supervisory mandate through the Bank Supervision Department, using a risk-based approach to engaging with SFIs, through offsite and onsite examinations. Offsite surveillance included routine financial assessments, in-depth analyses of governance arrangements, and strategic and money laundering/terrorist financing (ML/TF) risk assessments. The Central Bank also engages with management and senior officials via semi-annual prudential meetings, as well as scheduled onsite examinations.

In 2024, the Central Bank progressed several recovery initiatives which aimed at strengthening its resolution approach, in line with recommendations from the International Monetary Fund (IMF). These included the establishment of a dedicated Crises Management and Resolution Unit within the supervisory operations. In addition, the Bank finalized the memorandum of understanding (MoU) to establish the Bahamas Financial Stability Council (BFSC). The BFSC convenes the heads of Central Bank, Ministry of Finance (Financial Secretary), Insurance Commission, Securities Commission, and an independent representative of the Deposit Insurance Corporation (DIC). It is intended to provide a more coordinated, national approach to financial stability oversight and crisis response.

Also noteworthy, there was steady progress on proposed legislative reforms to crisis management, including foreshadowed amendment in 2025 to the suite of legislation impacting the operations of the DIC, credit unions and domestic banks. In the case of deposit insurance, the provisions would clarify backstop funding arrangements that the Government and the Central Bank would provide in the case of a resolution of a DIC member, and further align the liquidation framework for credit unions with that of member banks of the DIC, especially in regard to the preferred creditor status of the corporation.

Supervisory Effectiveness

The Bank's risk-based supervisory framework relies on effective supervisory intervention, alongside continued oversight. Interventions depend on the severity of the risk gaps that need to be addressed, and follows a tiered approach, based on supervisory directives, requirements and expectations. In particular:

- Directives, address the most urgent and serious matters which SFIs are mandated to resolve.
- Requirements, which are less serious or urgent than directives, still identify sufficiently serious matters that the Central Bank is prepared to deploy statutory powers to achieve the required result in the SFIs.
- Expectations, address advisory feedback to SFIs, which would still result in pre-emptive improvements aspects of risk management, before the conditions escalate to greater severity.

The Central Bank monitors supervisory effectiveness by the pace at which SFIs resolve directives and requirements. In broad terms, the remediation of directives and requirements continued to reflect satisfactory outcomes. From September 2023 to September 2024, the total number of directives outstanding across all SFIs increased from five to nine, after four additional directives were issued. In addition, the Bank continued to make steady progress in reducing the number of "stale" directives, with two being remedied before end-December and the remaining three being escalated for enforcement action. Further, the number of requirements due for resolution showed a moderate uptick as at September 2024, owing primarily to new examinations, while 63 of the previous year's requirements were satisfactorily remediated.

The timeliness of SFIs' regulatory reporting improved in 2024, evidenced by an increase in the average on-time rate of compliance to 84.1%, compared with the previous year's 82.2%. This development was led by satisfactory levels of on-time reporting for the majority of domestic banks.

Table 4: Applications for Approved Persons

	2022	2023	2024
Directors	123	62	48
Money Laundering			
Reporting & Executive Officers	157	46	61
Senior Officials	67	63	36
Total	**347**	**171**	**145**

Source: Central Bank of The Bahamas

Financial Crimes Risk and Other Oversight

Over the review period, the Central Bank continued to strengthen its oversight of SFIs' risk management related to countering money laundering (AML), terrorist financing (CTF) and proliferation financing (CPF). In particular, on a risk-basis, supervisory assessments were updated for both domestic and international institutions, as in previous years. The Bank also held periodic meetings with directors, senior officials, money-laundering reporting officers and compliance officers, which reaffirmed the Bank's understanding of the sector and institution-specific risk profiles. This process further informed the effective allocation of supervisory resources.

The Bank also commissioned an independent assessment of the effectiveness and efficiency of sanctions screening solutions used by SFIs. This thematic review confirmed that SFIs were, on the whole, effectively identifying designated parties on sanctions lists and taking appropriate action to exclude such entities from access to services. An effectiveness rating of 87.7% was achieved for client screening (against the global benchmark of 96.4%) and 89.9% for transactions screening (versus global benchmark of 96.0%).

In the meantime, the Bank continued to progress its efforts to deploy automated tools to aggregate and analyse SFIs' annual AML data returns—which is key to identifying trends and emerging risks—that will further enhance the view of the financial crimes landscape. Also, tools to analyse international SWIFT payments flows are scheduled for activation in 2025.

Examinations Programme

The onsite examinations programme augments the continuous offsite supervision of regulated entities. In 2024, the Bank conducted 16 examinations, including two in collaboration with the foreign (parent) regulator

Table 5: On-site Examinations Conducted

	2022	2023	2024
Examinations			
Domestic Licensees	1	0	1
Other Licensees			
Follow-up /Special Focus	8	9**	10
Regulator Initiated	3F	1F	2F
Discovery Reviews	2*	0	3*
Financial Credit Unions	2	2	1
Electronic Money Service Providers	0	2	0
Money Transfer Business	0	1	2
Total	**16**	**15**	**19**
Reports			
Finalized Reports	12	14	11
Reports in Progress	0	0	3
Total	**12**	**14**	**14**

Source: Central Bank of The Bahamas
* No report to SFI required.
** Internal report generated for supervisory purposes for one examination.
F Report prepared by home regulator.

to review the AML framework of a local subsidiary (See Table 5). In addition, three discovery review meetings were held with SFIs to enhance the Bank's understanding of their operations. While ML/TF risk were a significant primary focus, other areas examined include corporate governance, credit, and operational risks, including information technology. Further, the Bank finalised and issued 11 Examination Reports, while at end-December 2024, three reports were being finalized for issuance. In instances where support was provided to foreign home regulators, no report was required for the examinations.

Domestic SFIs Risks

Credit Risk Review

The Central Bank monitors credit risk management trends in the domestic banking sector, as an input to capital adequacy assessments as well as to ensure that the lending environment continues to recover in a healthy and sustainable fashion. As a result of these efforts, the sector's credit quality measures improved further, with a decline in the non-performing loan (NPL) rate to 5.5% during 2024 from an estimated 6.6% at end-2023. Alongside abated delinquencies, banks scaled back loan loss provisions—albeit at a lagged pace; hence the ratio of provisioning to NPLs improved to 95.0% from 91.3% in 2023.

Capital Adequacy and Liquidity

Stress testing for credit, liquidity, and interest rate shocks continue to underscore the resiliency of the domestic banking sector. Specifically, the banking sector's capital-to-risk-weighted assets ratio fluctuated between 29.4% and 38.5% and averaged 34.7% at year-end, vis-à-vis the regulatory target ratio of 17.0%.

The credit risk stress test used extreme, but plausible, scenarios to assess whether the domestic systemically important banks (DSIBs) have sufficient capital or total loss-absorbing capacity to withstand various levels of shocks to NPLs, which may be precipitated by an economic or financial crisis. With shocks to NPLs varied at 100%, 150% and 200%, the consolidated results produced simulated declines in banks' capital levels of up to 7.9%; but consistently yielded no capital injection requirement. At all levels of shocks, capital remained well above the established trigger and target ratios of 8.0% and 17.0%, respectively. Similarly, interest rate shocks did not yield any intolerable impact on capital, and simulations indicated that the risk of near-term depletion of liquidity was negligible, given the existing high levels of surplus liquidity across the banking system.

Credit Unions

The supervision of credit unions remained focused on inherent risk areas and practices in the sector, including money laundering and credit risks, as well as corporate governance. Over the review period, the sector's credit quality improved marginally, with the NPL rate declining to an estimated 7.6% at end-2024 from 9.3% at end-2023.

Money Services Businesses

For MTBs and payment services institutions (collectively referred to as payment services providers or PSPs), the Bank's primary focus has been on reputational risks, inclusive of AML/CFT, and operational risk management, ensuring that all key exposures were being effectively identified, measured, mitigated and monitored.

Basel II and III Implementation Programme

Progress continued with the implementation of the Basel II and III prudential standards, with the Dividend Regulations, Liquidity Risk Regulations and Guidelines, and Large Exposure Regulations and Guidelines among key focus areas. A second consultation is planned for 2025 on the Liquidity Risk Framework, to include the new emphasis on the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR). This process will also respond to any feedback received during the first round of consultation. The full implementation date will be determined in 2025. Further, the Large Exposure Framework incorporates Basel III updates and elements from The Bahamas Capital Regulations, 2022. Both consultations are scheduled for the first half of 2025.

Guidance Notes and Policies

In April 2024, following industry consultation, the Central Bank released its revised guidelines for Assessing the Fitness and Propriety for Applicants of Regulated Functions. The revised guidelines, along with the enhancements to the Confidential Statement for Regulated Functions, outline the criteria that the Bank will consider in assessing the applications for individuals seeking to perform regulated functions.

In August 2024, the Central Bank also released draft Regulatory Sandbox Guidelines for a 30-day consultation period, outlining a framework to strengthen the Bank's supervisory capacity and support financial technology innovations. The proposed framework would allow participants to test innovations under regulated oversight, ensuring both consumer protection and financial stability.

In preparation for the Large Exposure and Liquidity Risk Framework 2025 consultation period, accompanying guidance notes were developed to assist with the completion of the reporting forms that will be included during the consultation period.

Meanwhile, a Climate Resilience Survey was undertaken to assess the current status and activities of SFIs, related to climate risk adaptation and resilience. The survey queried SFIs' planning processes, policies, and other related activities, intended to supplement the Central Bank's initiatives to formalize a climate-related financial risk framework.

Administrative Monetary Penalties

Monetary penalties imposed under the existing regulations totalled $71,000 in 2024, compared to $328,000 in 2023. Since 2016, sanctions totalling $2.21 million have been levied, with approximately $2.20 million collected. These cover a range of regulatory breaches, with the most common being late or erroneous filing of statutory reports.

Credit Bureau

The credit bureau initiative continued to advance during 2024, with the credit bureau operator focusing its efforts on onboarding new non-bank participants, providing training to existing participants, and educating the public about the importance and role of the credit bureau. By the end of 2024, there were 15 credit information providers accessing and using credit reports to inform their loan adjudication processes. This included all the domestic banks, and five of the six credit unions. By law, regulated non-bank lenders, insurance companies with credit portfolios and public utilities are all mandated to report data to the bureau.

Table 6: 2024 Requests for Cooperation

Country	**Requests Received From Foreign Regulators**
Barbados	1
Cayman Islands	1
Dubai	1
Hong Kong	1
India	1
Panama	1
Switzerland	4
Turks and Caicos Islands	6
Total Requests	**16**

Source: Central Bank of The Bahamas

Regulatory Cooperation

In 2024, the Bank received 16 information requests from eight foreign supervisory authorities. Of these, all were satisfied during the year.

Membership in International and Regional Bodies
Representatives of the Central Bank continued to participate in national, regional and international regulatory forums and associations. This included The Bahamas' Group of Financial Services Regulators (GFSR) and the Identified Risk Framework Steering Committee (IRFC) for AML/CFT matters headed by the Attorney General's Office. A Senior Bank representative also participated as a Financial Sector expert and assessor in the Caribbean Financial Action Task Force's (CFATF) Mutual Evaluation process. In addition, the Central Bank serves as a member of the Association of Bank Supervision of the Americas (ASBA); as a member of the Group of International Finance Centre Supervisors (GIFCS) and the Caribbean Group of Banking Supervisors (CGBS). In 2024, the Central Bank also became a member of the International Credit Union Regulators Network to increase access to training and capacity development for regulation of the domestic sector. Similarly, corporate membership in the Association of Certified Anti-Money Laundering Specialists (ACAMS), provided access to accredited, relevant staff training.

DEPOSIT INSURANCE CORPORATION

With technical and administrative support provided by the Central Bank, the Deposit Insurance Corporation ("DIC") continued to advance its strategic goals to build operational capacity, enhance public confidence in the financial sector and maintain compliance with international principles for effective deposit insurance schemes.

Under the Protection of Depositors Act (as amended in 2020), the DIC is mandated to provide insurance protection and support for Bahamian dollar depositors of member banks and credit unions, up to a maximum of $50,000 for any single depositor. At end-2024, the DIC had 18 member institutions.

At end-December 2024, member institution insurable deposits rose by 3.8% to $9.2 billion, while insured deposits grew, by 5.0% to $2.8 billion. Deposits are predominantly from member banks, with $8.8 billion (95.3%) insurable and $2.5 billion (87.5%) of insured deposits. Meanwhile, member credit unions' insurable deposits were $436.2 million and insured deposits amounted to $351.7 million. As such, the coverage ratio, or share of insured deposits to insurable deposits, stood at 28.0% for banks and 80.6% for credit unions. Banks' other insurable liabilities totalled $62.5 million, consisting of $57.7 million in accrued interest and $4.8 million in stored value cards. For credit unions, accrued interest totalled $1.2 million.

With regard to funding, premiums continued to be assessed at the rate of one twentieth of one per cent (0.05%) of deposits, averaged over liabilities as at 31st March and 30th September of the previous year. The DIC premiums collections increased by 109.3% to $9.3 million; of which, approximately $8.9 million was attributed to banks and $0.4 million to credit unions.

In 2024, total assets of the DIC increased by approximately 15.0% ($13.2 million) to $101.5 million, representing both premium and net investment income inflows.

INFORMATION TECHNOLOGY

During the year, the Bank continued to advance strategic Information Technology (IT) initiatives aimed at enhancing operational efficiency, data management, and system resilience. Significant progress was made in virtualization enhancements, including the implementation of virtual applications to streamline maintenance processes and improve portability for remote work. In addition, the Bank continued to execute multi-year strategic initiatives, notably strengthening data management capabilities through the upgrade of its document capture and imaging solution throughout the institution. The Bank's IT Department also provided critical support to project teams working on the implementation of ISO20022, ensuring alignment with international payment messaging standards. Further, the launch of an IT operations management solution introduced a single IT assets management platform and addressed gaps in application dependency mapping for critical systems, thereby enhancing the Bank's IT infrastructure resilience and operational oversight. These initiatives reflect the Bank's ongoing commitment to leveraging technology to drive efficiency, security, and innovation in support of its strategic objectives.

In 2024, the Bank completed several critical projects to improve infrastructure resilience and functionality. These initiatives aimed to enhance data recovery, streamline application management processes, and protect against data loss. The Bank identified the need for artificial intelligence (AI) adoption and as a result, completed an initial assessment preparing for pilot projects in 2025. The Bank also made significant progress with its modernization project, including supporting the human resource module currently in production and executing user acceptance testing of the finance management module for production launch in 2025. By modernizing its infrastructure, the Bank aims to enhance operational efficiency, reduce system downtime, and improve overall user experience for both employees and customers.

FACILITIES MANAGEMENT AND WORKPLACE HEALTH & SAFETY

During the year, the Bank continued to effectively manage occupied facilities and enhance workplace safety. The Bank conducts its business from its main building, situated between Market Street on the west and Frederick Street on the east, and leased space in the Bahamas Financial Services Centre. In addition, the Bank also owns three protected historical buildings, namely: the Great House, which serves as the staff cafeteria; Balcony House, a two-storied period building managed by the Antiquities, Monuments and Museums Corporation as a museum; and Verandah House, used as a gym for employees.

The major construction project for the Bank is the new Cash and Data Centre, being developed on Frank Watson Highway in Western New Providence. This will house secure, modern cash handling operations, as well as secondary data processing and business continuity facilities. The project advanced through the initial construction phase in 2024.

In 2024, the Bank also completed the transfer of ownership of the property located at Royal Victoria Gardens back to the Government, a final termination of the new headquarters project at that location. Nevertheless, the Bank commissioned a site feasibility study, to ascertain the viability of further developing the Frederick & Market Streets property to accommodate additional parking and office space.

The Bank continued to monitor its energy consumption, as total utility costs including water & sewerage, electricity, cable and telecommunications decreased by 6.0% in 2024, compared to the preceding year. Further, cable costs declined by approximately 18.0%. In addition, there was a 10.0% reduction in electricity use in 2024, reflective of lower fuel surcharges. However, water & sewerage costs across the Bank's properties grew by 35.0%. A major contributor to the marked increase in consumption at the Bank is its aging mechanical HVAC systems, specifically the chilled water system.

To further improve and enhance the security operations throughout the Bank, the Security Unit worked closely with the Royal Bahamas Police Force to train personnel on important security systems upgrades. An important fraction of the security personnel has now attained the qualification of reserve police officers.

HUMAN RESOURCES

During 2024, the Bank remained active in employee engagement, inclusive of recruitment, compensation and benefits, and training and development. The Human Resources (HR) Department supported efforts to fill vacancies across the Bank, renewed the group health insurance coverage, and sustained wellness programmes to promote employees' well-being. Employee development and training priorities, included increased investment in training.

Compared to year-end 2023, the staff complement increased by 18 to 290. It comprised 194 non-management, 80 middle management, and 16 executive management employees. The female-to-male ratio remained relatively stable at 1.5:1.

In 2024, there were 19 employee separations—nine resignations, two terminations, one early retirement, five normal retirements, and two end-of-contracts, resulting in a decline in the turnover rate to 6.6% from 12.8% in 2023. In addition to 39 new hires, there were 68 positions filled through internal staff movements. This included 42 promotions, 18 transfers, five appointments, two secondments and one contract renewal. At year-end 2024, a total of 41 job vacancies existed in the Bank, 12 fewer than in 2023.

During the annual Employee Recognition and Awards Ceremony, held in January 2025, the Bank recognised 54 long serving employees who attained five, 10, 15, 20, 25, 30, and 35 years of continuous service during 2024. Exceptional contribution to the strategic goals of the Bank was recognised, through the Governor's Award Programme. Nominations through peers were open to all employees with a Blue Ribbon Committee, narrowing the field to four finalists and one Governor's Award winner (selected by the Governor). The winner was credited with assisting with contributions to the drafting of the National Financial Inclusion Strategy (NFIS), supporting a range of payments system reform initiatives, and public education activities, particularly related to the observance of the Central Bank's 50th Anniversary.

Employee Relations

During the year, the Central Bank held monthly Open Management Meetings in-person, with weekly senior management meetings held both in-person and virtual formats. In December 2024, the HR Department organized the Governor's General Staff Meeting, which provided a status update on the Bank's strategic plan and responded to questions and concerns submitted by staff.

The Bank maintained an open dialogue with both bargaining units. The industrial agreements expired at the end of 2024 for both the Bahamas Communications and Public Managers Union (BCPMU) and the Union of Central Bankers (UCB). As such, negotiations began in

Table 7: Workforce Metrics

	2022	2023	2024
Staff Complement	265	272	290
Gender Distribution (%)			
Male	38.9	38.6	41.0
Female	61.1	61.4	59.0
Turnover Rate (%)*	12.1	12.9	6.6

Source: Central Bank of The Bahamas
* Includes staff who retired during the period.

December with both unions, are expected to conclude in early 2025.

Following an update to the Employee Handbook to reflect recent revisions to various policies, the Bank undertook for all staff members to review and attest to the revised handbook. The Bank also adopted a new Remote Work Policy in May 2024, drawing on the normalisation of the return to office experience since the COVID19 pandemic. The policy provides a nominal allocation of discretionary work from home days annually, some collective remote work periods on a department level during each year, and anticipates business continuity contingencies that could precipitate remote work.

The Bank continued to maintain relationships with staff retirees, by processing health and national insurance matters and providing support during periods of illness and bereavement. The annual Retirees' Thanksgiving Luncheon was held on 21st November 2024, and continued to reunite a large complement of staff retirees. Moreover, receptions were hosted for two of the six employees that retired in 2024.

Employee Benefits

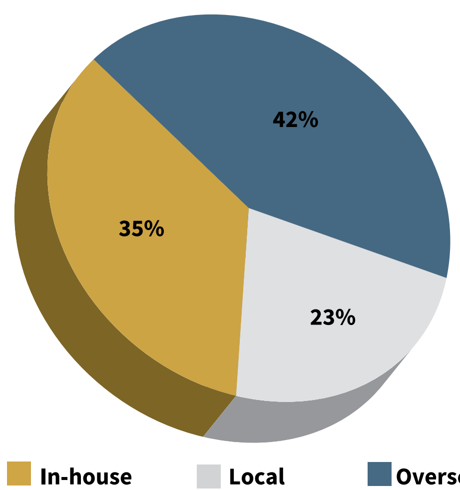
In accordance with the Policies and Procedures for the Administration of the Bank's Group Insurance Plan, the Bank initiated a market review for the Group Health Insurance provider in 2024. Following a comprehensive tender process, the Bank renewed its agreement with CG Atlantic Insurance. Given the claims experience, the renewal attracted a premium rate increase for all participants.

To mitigate long-term medical benefits costs, the Central Bank continued to prioritise employee health through its wellness initiatives. The Bank maintained its partnership with the CG Zest Wellness Programme and facilitated a two-day biometric health screening for all staff. Employees' awareness efforts also covered non-communicable diseases (NCDs), and lifestyle behaviours that could manage such risks. Employee engagement on the Zest Wellness platform increased to 81.0%, reflecting growing participation in the programme. The Bank maintained access to counselling services through the Employee Assistance Programme; and sustained its emphasis on healthy eating by serving nutritious meals at the Great House Cafeteria.

In its ongoing commitment to fostering employee engagement, the Bank sponsored several events throughout the year, including a Sunset Harbour Cruise, the Staff Christmas Party, Children's Christmas Party, and monthly socials. The Bank also maintained the Afterschool Care Programme, offering essential support to employees with young children. To further extend this assistance, the Bank organised Easter, summer and winter care programmes during school closures.

Furthermore, the HR Department spearheaded employee appreciation events in recognition of International Women's Day, International Men's Day, Mother's Day, and Father's Day. During 2024, these activities were coupled with celebratory events in recognition of the Bank's 50th Anniversary.

Employee Training (2024)



Staff Development and Training

During the year, staff capacity development was sustained through in-house, local and overseas training activities. As the volume of training activities increased, greater emphasis was also placed on the return to pre COVID-19 in-person activities.

Some training also intersected with regional and international events that were hosted locally. Of note, the Bank convened the Fifth International Research Conference on Empirical Approaches to Anti-Money Laundering and Financial Crimes, in New Providence (January). In conjunction with the Alliance for Financial Inclusion (AFI), a Regional Training on Monitoring and Evaluation of National Financial Inclusion Strategy was staged in Grand Bahama in April. In September, a regional training in financial stability analysis was hosted in New Providence, facilitated by the IMF's Caribbean Regional Technical Assistance Centre (CARTAC).

In-house training activities during 2024 included a number of risk management training, SWIFT and RTGS user workshops, along with first aid/CPR training courses. Other themes included customer care and time management seminars for engaging with the public; business continuity principles; performance management; and a series of events on workplace safety. With an increase in the number of new hires, Induction Training was provided three times during the year.

The fifth management workshop retreat for the Bank's executive team was convened during the third quarter of 2024 in South Andros. In addition to focus on the strategic plan's progress, the event continued to foster team building and leadership development. The Bank also uses these retreats to maintain heightened exposure to, and awareness of, the financial development challenges of the Family Islands.

Bank employees attended a number of training events hosted by local and international organisations. Training events focused on themes such as banking supervision, fraud and risk management, anti-money laundering and financial crimes, monetary policy, financial stability analysis, finance, central bank digital currency, financial education, artificial intelligence and automation, public finance, statistics, leadership skills and human resource management. International exposures included the IMF, the IMF's CARTAC, the World Bank, various US Federal Reserve banks, the Inter-American Development Bank (IADB), the Bank for International Settlements (BIS), the AFI, Caribbean Financial Action Task Force (CFATF), the Caribbean Group of Banking Supervisors (CGBS), the Centre for Latin American Monetary Studies (CEMLA), the Commonwealth Secretariat, the Association of Supervisors of Banks of the America (ASBA), the Institute of Internal Auditors, International Association of Deposit Insurers (IADI), and the Association of Certified Anti-Money Laundering Specialists (ACAMS). Local training was administered, among others by, the Bahamas Institute of Chartered Accountants, the Bahamas Financial Services Board (BFSB), Bahamas Association of Administrative Professionals, and the Bahamas Association of Compliance Officers (BACO). Staff also received technical training from the providers of certain suppliers of significant outsourced services, on investment management and currency operations; and the Bank maintained arrangements for middle and senior management courses through Cornell University.

Table 8: Summary of Training Developments

	In-House	Local	Overseas	Total 2024
First Quarter	94	51	24	169
Second Quarter	26	12	126	164
Third Quarter	9	29	82	120
Fourth Quarter	142	90	99	331
TOTAL PARTICIPANTS	**271**	**182**	**331**	**784**

Source: Central Bank of The Bahamas

The Bank continued to provide financial assistance and incentive awards to employees pursuing or completing various certification, diploma and degree programmes. One person completed a programme at the associate's degree level, three at the bachelor's degree level, and eight at the master's degree level. Two employees were afforded international internship opportunities, including secondments to the Central Bank of Chile, in Santiago, Chile and the Bank for International Settlements' Representative Office for the Americas in Mexico, for respective periods of two months and two years. During 2024, one employee was awarded an In-Service Award to attend the University of The Bahamas.

Compensation Review

In 2021, Korn Ferry conducted the latest study for the Bank. The study, augmented by data obtained through other compensation studies in which the Bank regularly reports, was the basis for proposed adjustments to the upper and lower bands of the salary scales for 2025. These changes considered the inflationary trends between 2017 and 2024. In anticipation of this, the Bank has consistently indexed the starting salary for new hires, to stay ahead of any direct adjustment that scale changes might trigger. The Bank has also conceded salary adjustments through the industrial agreements without restriction for employees at the maximum of their salary scales, to anticipate the eventual increase in the ceilings.

Executive Professionals and Apprentice Programmes

The Bank uses the Executive Professionals and Apprentice Intern programmes to recruit qualified entry-level staff with graduate and undergraduate level college completion, to help close vacancy gaps. These persons rotate through Bank-wide exposures for a minimum of 18 months, before applying for existing vacancies on a competitive basis, wherever such posts arise in the organisation. During 2024, one Executive Professional and five Apprentice Interns continued their rotation in various departments. An additional

Executive Professional and two Apprentices joined the Bank in September 2024 and commenced their rotations. To support the development of these persons, the Bank also maintains a mentorship programme to guide recruits through their rotations.

Summer Internship Programme

The 2024 Summer Internship programme continued in an in-person format in June 2024. The eight-week engagement accepted 16 interns who were placed in various Departments, namely Information Technology, Governor's Office, Banking, Bank Supervision, Research, Finance and Human Resources, to gain exposure to Central Banking operations. In addition, five students who were enrolled in the research seminar programme, completed research projects and presented their findings at a round table session at the end of the summer.

COMMUNITY INVOLVEMENT AND OUTREACH

Outreach to local schools continued through face-to-face presentations on Money and the Role and Functions of the Central Bank, to students of public and private schools, as well as the Bahamas Institute of Financial Services (BIFS) G12 Programme. The Bank also participated in the University of The Bahamas and the Department of Labour Job Fair.

In 2024, the Bank's promotion and support for Bahamian art and culture continued to expand. The Bank's curatorial team hosted four exhibitions, officially inaugurated the William C. Allen Gallery, launched the Sculpture Garden, made significant additions to its art collection and represented the Bank's cultural programme at the Annual Conference of the Caribbean Museums in Panama City, Panama.

The year began with the continuation of the ASMAC (After School Music & Art Classes) exhibition, "If You Make A Mistake, Make It A Part Of Your Design", marking 30 years of showcasing student artwork, which was founded by artist and educator Sue Bennett-Williams. This was followed by an exhibition of the Junkanoo Group Colours by photographer Douglas Barkey, capturing the stimulating preparations of Junkanoo groups for the Boxing Day and New Year's Day parades.

A series of commemorative events marked the Bank's milestone 50th Anniversary. The Art Gallery unveiled Pride & Evolution: 50 Years of the Central Bank, an exhibition showcasing the Bank's history through archival letters, photographs, currency, and the SandDollar. As part of its educational outreach, the Bank sponsored transportation and hosted over 500 students, providing them with an opportunity to explore its rich legacy.

Bahamian master artist Tyrone Ferguson was also commissioned to create a sculpture inspired by the Bank's 50th-Anniversary logo. Standing 16 feet tall, the metal sculpture was unveiled, alongside a performance by the Bank's 50 Voices Choir, gracing the newly established Frederick Street Sculpture Garden. It is accompanied by a bronze sculpture from Antonius Roberts' renowned Sacred Spaces series.

Moreover, the Bank's art collection expanded with the addition of exquisite, large-scale works by internationally acclaimed Bahamian artists, such as Lavar Munroe, April Bey, and Matthew Rahming, among others.

By participating in the FUZE Caribbean Art Fair at the Baha Mar Resort, the Bank engaged with the broader art community and the public, featuring a solo presentation of works by the late John Beadle from the Bank's collection. Further, the Bank sponsored the annual Transforming Spaces event, demonstrating its commitment to being a supportive and active part of the Bahamian cultural landscape.

Continuing its 40-year tradition, the Bank successfully held its annual High School and Open Call Art Competitions, receiving hundreds of submissions nationwide. To conclude the year, the William C. Allen Gallery presented "In Search of Lost Time", an exhibition featuring the winning entries from the 2021–2023 competitions.

The publication "The Bank - The Culture - The Collection", a comprehensive 300-page survey of the Central Bank's art programme, was compiled over the course of the year and is set for release in May 2025.

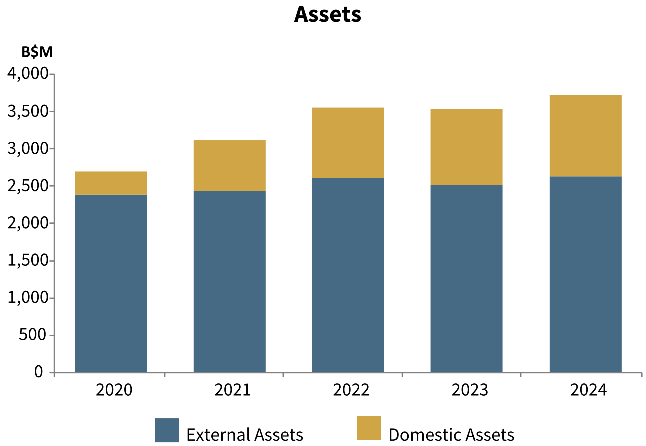
2024 FINANCIAL HIGHLIGHTS

The Bank's financial statements for the year ended 31st December 2024, along with comparable figures for 2023, are presented on pages 54 to 138 of this report.

The Bank's financial outturn was primarily explained by external reserve movements, influenced by the economy's performance, the global interest rate environment (mainly the US) and the Government's financing activities.

In 2024, the Bank's total assets grew by $190.8 million (5.4%) to $3,725.2 million. The external assets—which represented 70.7% of the total—were higher by $115.5 million (4.6%) at $2,633.0 million, underpinned by proceeds from Government's foreign currency borrowings and further recovery in net tourism receipts. By the components, the Bank's holdings of marketable securities advanced by $333.8 million (19.4%) to $2,054.0 million. However, foreign currency cash and deposit balances fell by $214.4 million (35.1%) to $395.8 million.

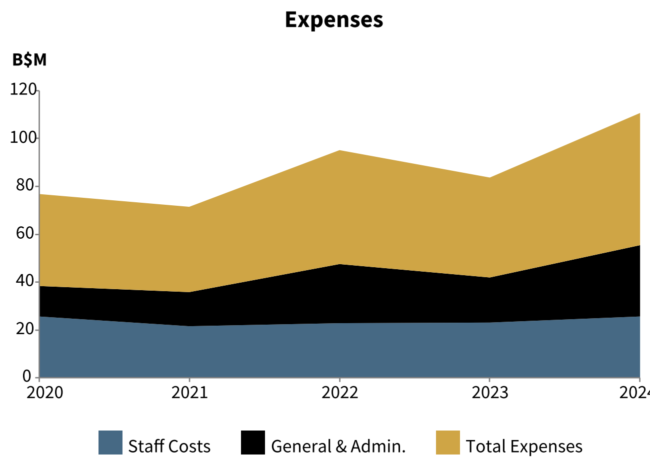
Further, IMF Special Drawing Rights (SDRs) reduced by $3.1 million (1.9%) to $158.0 million and the Reserve Tranche, by $0.7 million (2.8%) to $25.2 million.



Total domestic assets of the Bank increased by $75.2 million (7.4%) to $1,092.2 million in 2024. In particular, advances to the Government expanded notably by $139.3 million (72.0%) to $332.8 million. Likewise, the value of property, plant & equipment rose by $11.4 million (42.6%) to $38.0 million; receivables and other assets, by $5.8 million (60.4%) to $15.4 million; currency inventory, by $0.4 million (3.5%) to $10.5 million; and right of use assets by $0.2 million (7.2%) to $2.8 million. By contrast, the Treasury bill portfolio decreased by $36.3 million (77.2%) to $10.7 million. Similarly, Bahamas Government registered stock holdings declined by $31.9 million (6.7%) to $444.4 million and the SDR equivalent claims on the Government, were revalued lower by $11.3 million (4.7%) at $227.8 million. In addition, intangible assets reduced by $2.1 million (37.2%) to $3.5 million, while the remaining domestic assets fell by a combined $0.6 million (8.2%) to $6.4 million.

The Bank's demand liabilities rose by $121.6 million (4.3%) to $2,950.5 million in the review year. The outturn reflected an increase in Government and related agency deposits to $200.7 million from $84.6 million in 2023. Further, currency in circulation, including SandDollars, rose by $37.0 million (6.0%) to $654.2 million. Actuarial liabilities, represented by health insurance subsidies also increased by $3.0 million (26.9%) to $14.2 million, and the Investment Currency Market liabilities, by $2.8 million (22.3%) to $15.6 million. Conversely, accounts payable reduced to $8.2 million from $30.7 million in 2023, while the unremunerated deposits of commercial banks fell by $17.3 million (0.8%) to $2,051.5 million.

During the year, the Bank's total income increased by $35.9 million (34.2%) to $140.7 million, led by an improvement in net interest income from investment sources by $29.2 million (31.8%) to $121.0 million. In particular, interest on foreign investments grew by $24.7 million (33.5%) to $98.3 million, while earnings from domestic investments rose by $7.4 million (51.4%) to $21.9 million. Providing some offset, interest received on loans declined by $2.8 million (15.0%) to $16.0 million. Meanwhile, "other" miscellaneous transactions recorded earnings of $21.9 million, higher than the prior year's $13.3 million income.



In 2024, the Bank's total expenses expanded by $13.5 million (32.3%) to $55.4 million, mainly owing to a $10.5 million (73.1%) increase in general and administrative costs to $24.9 million. Staff costs also rose by $2.6 million (11.4%) to $25.6 million. Further, depreciation expenses increased by $0.2 million (12.0%) to $2.0 million.

As a result of these developments, the Central Bank recorded a total comprehensive net income of $81.1 million, as compared to $61.9 million in 2023.

Our ENVIRONMENT

DOMESTIC ECONOMIC DEVELOPMENTS

Indications are that the domestic economy continued to expand in 2024, although at a more tempered pace relative to 2023, as indicators converged closer to their expected medium-term potential. Tourism output featured healthy growth in the dominant sea component, however, the high value-added stopover segment remained constrained by accommodation capacity. Nevertheless, various foreign investment projects provided steadied impetus to the construction sector, including inflows to tourism developments. Against this backdrop, indications are that employment conditions improved further during the review year. Domestic inflationary pressures also moderated, reflective of the pass-through effects of lower international oil prices.

In the fiscal outturn for FY2023/24, the overall deficit reduced considerably, owing to a VAT-led growth in total revenue, combined with a decline in aggregate expenditure. In contrast, over the first half of FY2024/25, the overall deficit widened, as the expansion in total expenditure outstripped the rise in aggregate revenue. Financing of the deficit for FY2023/24 and the first half of the new fiscal year was sourced primarily from the domestic market and included a combination of short and long-term debt, along with the rollover of a Special Drawing Rights (SDR) facility.

The Direct Charge on the Government increased by $321.2 million (2.8%), to $11,748.7 million during the calendar year. Nevertheless, the corresponding ratio of the Direct Charge on the Government to GDP decreased by 0.5 percentage points to approximately 79.2%. This compared with a 4.3 percentage point decline to 79.7% in 2023, when the nominal GDP base completed its recovery. Likewise, the National Debt—inclusive of Government guaranteed debt of public enterprises—grew by $304.2 million (2.6%) to $12,082.9 million at end-2024. However, the national debt to GDP ratio declined further by 0.6 percentage points to an estimated 81.5% of GDP in 2024, relative to a 4.8 percentage point reduction to 82.1% in the preceding year.

Monetary sector developments in 2024 culminated in a contraction in bank liquidity, as the expansion in domestic credit outpaced the rise in the deposit base. The financial sector's net foreign assets expanded, as the rise in banks' net liabilities was outweighed by a modest expansion in the Central Bank's external reserves. In this environment, at end-2024, the stock of external reserves was equivalent to an estimated 27.3 weeks of the current year's total merchandise imports, vis-à-vis 29.9 weeks in 2023. This remained well above the international benchmark of 12.0 weeks.

During the review year, banks' credit quality indicators continued to improve, largely supported by the ongoing strengthening in the domestic economy. In addition, owing to an expansion in non-interest income, combined with a decline in provisions for bad debt, banks' net profit grew in 2024. Meanwhile, the weighted average interest rate spread widened, as the average lending rate increased, while the associated deposit rate held steady.

In the external sector, the estimated current account deficit widened in 2024. The rise in the merchandise trade deficit overshadowed the expanded services account surplus from buoyant tourism receipts. The secondary income account surplus also increased, combined with a reduction in the primary income account deficit. Meanwhile, net financial account inflows, excluding reserve assets, increased in 2024. This corresponded to a rise in net inflows over the banking sector's balance, and nearly steadied net inflows on private sector investment activities.

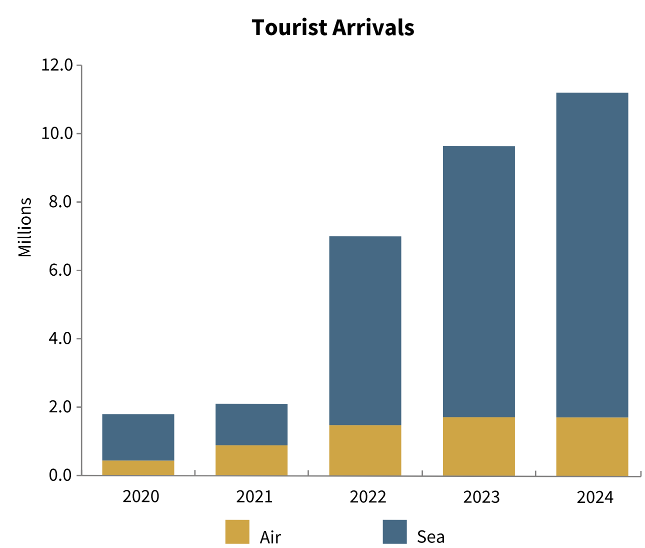
REAL SECTOR

Tourism

Growth in tourism inflows although healthy, was more tempered than in 2023, as the high value-added stopover segment faced constrained capacity. Nevertheless, the industry benefitted from continued robust cruise sector expansion, also attracting sustained foreign investments into onshore cruise attractions.

According to data from the Ministry of Tourism, overall visitor arrivals rose by 16.2% to 11.2 million in 2024. The dominant sea segment expanded by 19.7% to 9.5 million. By contrast, air arrivals, indicative of high-yielding stopover visitors, declined slightly by 0.2% to 1.7 million, following a 17.0% gain in the year prior.

A disaggregation by first port of entry revealed that



total arrivals to New Providence grew by 17.6% to 5.2 million. Sea traffic expanded by 25.3% to 3.9 million, however, air arrivals fell by 0.6% to 1.3 million passengers. Similarly, total visitors to the Family Islands increased by 16.6% to 5.4 million, largely supported by a 17.9% growth in sea visitors to 5.1 million, as air arrivals stabilised at 0.3 million. In Grand Bahama, arrivals firmed by 1.9% to 0.6 million, underpinned by an 8.7% rise in the air component to 0.06 million and a 1.2% uptick in sea visitors to 0.5 million.

Positive trends in the private vacation rental market, helped bolster the overall stopover market, with gains in both sales volumes and average pricing. Data provided by AirDNA revealed that total room nights sold, improved further by 5.9% vis-à-vis 13.9% in 2023. The available inventory of entire place and hotel comparable listings was boosted by 5.1% and 7.7%, tempered from upticks of 12.3% and 17.2%, respectively in the previous year. In line with the outcomes, the average occupancy levels for hotel comparable rentals decreased by 1.8 percentage points to 46.8%, although the average daily rental rate (ADR) appreciated by 0.3% to $182.72. Likewise, average occupancy levels for entire place listings although eased by 5.3 percentage points to 49.2%, attracted a higher ADR of 1.5% to $674.08.

Construction

During the review year, construction sector activity continued to be undergirded by various ongoing foreign investment projects. In addition, bank-financed domestic private sector activity strengthened. Further, near-term forward-looking indicators suggested some continued strengthening in domestic financing of activities.

Indicative of domestic activity, total mortgage disbursements for new construction and repairs—as reported by commercial banks, insurance companies and the Bahamas Mortgage Corporation—increased by $48.0 million (51.8%) to $145.3 million in 2024, extending the growth of $15.3 million (18.6%) in 2023. Residential disbursements—which accounted for 71.6% of the total—grew further by $10.5 million (11.5%) to $104.1 million, compared to a 19.7% expansion a year earlier. Similarly, commercial disbursements expanded by $37.5 million, a switch from a 3.5% reduction in the prior year.

Table 9: Selected Economic Indicators

	2022	2023	2024
		(% Change)	
Real GDP*	10.8	2.6	n.a.
Hotel Occupancy (%)**	57.5	65.3	n.a.
Total Arrivals	233.3	37.9	16.2
Mortgage Disbursements	(12.6)	2.7	23.8
Construction Completions - Value	8.4	n.a.	n.a.
Inflation	5.6	3.08	n.a.
National Debt/GDP Ratio (%)	87.0	82.1	81.5

Source: Central Bank of The Bahamas
** Data from The Ministry of Tourism - Hotel Performance Statistics

An analysis of forward-looking indicators signalled continued improvement in construction financing activities. Total mortgage commitments—for new construction and repairs—increased in number by 139 to 390, while the associated value rose by $39.3 million (41.8%) to $133.2 million. By loan category, residential approvals rose by 133 (55.6%) to 372 transactions, with the corresponding value augmented by $21.6 million (32.4%) to $88.1 million. Further, commercial commitments grew in number by 6 (50.0%) to 18, doubling in value to $45.1 million.

With regard to interest rates, the average costs for residential mortgages decreased by 20 basis points to 6.02%; while the average rate for commercial mortgages increased by 50 basis points to 6.48%.

Employment

Labour market conditions continued to improve in 2024. According to quarterly estimates provided by the Bahamas National Statistical Institute for the second quarter of 2024—the latest available information—the domestic unemployment rate measured at 8.7%, same as the first quarter. However, the number of employed persons declined slightly to 213,210 in the June quarter from 213,585 in the first quarter. In addition, the labour force participation rate, indicative of employment headcount, was estimated at 73.4%, slightly lower than the 73.8% posted in the preceding quarter. Given survey methodology changes, direct comparisons with earlier data were not possible. Nevertheless, an analysis by major markets revealed that the jobless rate in New Providence stood at 8.6%, while Grand Bahama's averaged 9.8% in the June quarter. In addition, the revised methodology enhanced the estimated labour force participation rate for males.

Prices

Consumer price inflation—as measured by changes in the average Retail Price Index for The Bahamas—abated significantly in 2024, benefiting from the pass-through of lower international oil prices and reduced pressures in other import prices. In 2024 average consumer price inflation moderated to 0.4% from 3.1% in 2023. Average prices decreased for clothing & footwear, by 2.7% and for recreation & culture, by 1.1%, following respective gains of 1.9% and 7.8% in the preceding year. In addition, average costs reduction for communication extended to 5.9% from 2.8% in 2023; albeit the reduction pace average eased for transportation to 2.7%, from 3.8% in 2023. Average inflation also moderated for health (3.1%), food & non-alcoholic beverages (3.0%), alcoholic beverages, tobacco & narcotics (1.9%), housing, water, gas, electricity & other fuels (0.9%), restaurant & hotels (0.4%) and furnishing, household equipment & routine household maintenance (0.4%). Conversely, average inflation quickened for education (2.9%) and miscellaneous goods & services (3.1%).

Reflective of lower global oil prices, domestic energy costs reduced in 2024. Reflecting in part the new exemption for less than 200 kilowatt hours (kWh) usage, Bahamas Power and Light's (BPL) fuel surcharge on up to 800 kWh of energy consumption held steady at 17.13¢ per kWh vis-à-vis 2023. However, the average cost for the usage of more than 800 kWh decreased by 18.5% to 19.29¢ per kWh. In addition, over the twelve months to November, the average price of gasoline fell by 3.1% to $5.57 per gallon; and diesel cost contracted by 5.9% to $5.22 per gallon.

FISCAL OPERATIONS

FY2023/24 Performance

The Government's overall fiscal deficit reduced considerably to $193.9 million in FY2023/24 from $534.6 million in FY2022/23 (See Table 10); approximately $62.8 million (47.9%) higher than the budgeted amount. By component, aggregate revenue grew by $213.7 million (7.5%) to $3,069.1 million, led by a notable rise in value added tax (VAT) collections—although an estimated $249.9 million (7.5%) below the projected allocation. In addition, total expenditure decreased by $127.0 million (3.7%) to $3,263.0 million, which was $187.1 million (5.4%) less than the budgeted amount.

REVENUE

Tax revenue—constituting 89.1% of total collections—increased by $262.5 million (10.6%) to $2,736.1 million during the fiscal year, albeit $182.7 million (6.3%) below the budgeted amount. VAT receipts improved by $94.2 million (7.5%) to $1,346.3 million, despite underperforming the budgeted forecast by $245.2 million (15.4%). Further, earnings from stamp taxes on financial and realty transactions rose by $1.8 million (1.7%) to $108.8 million. Taxes on the use or supply of goods and services expanded by $78.0 million (38.3%) to $281.4 million, as revenue from business licenses advanced by $74.9 million (51.7%) to $219.7 million; and proceeds from marine licenses almost doubled to $7.4 million. In addition, levies on international trade & transactions grew by $49.8 million (7.4%) to $725.2 million, on account of increases in departure taxes, by $47.2 million (27.4%) to $219.3 million and customs & other import collections, by $9.6 million (3.8%) to $258.5 million. Also, property taxes rose by $41.7 million (25.8%) to $203.2 million. Conversely, specific taxes—primarily gaming—were reduced by $18.4 million (28.9%) to $45.4 million.

Non-tax revenue narrowed by $47.6 million (12.5%) to $333.0 million vis-à-vis FY2022/23, falling short of the budgeted estimate by $64.5 million (16.2%). Notably, receipts from other "miscellaneous" and unidentified taxes decreased sharply to just $4.4 million from $54.8 million, while income from property fell by $17.4 million (27.0%) to $47.2 million. Meanwhile, reimbursements and repayments declined by $9.1 million (20.7%) to $35.1 million. In a slight offset, increases were posted for collections from the sale of goods & services, by $27.5 million (13.0%), and fines, penalties & forfeitures, by $0.7 million (14.0%).

EXPENDITURE

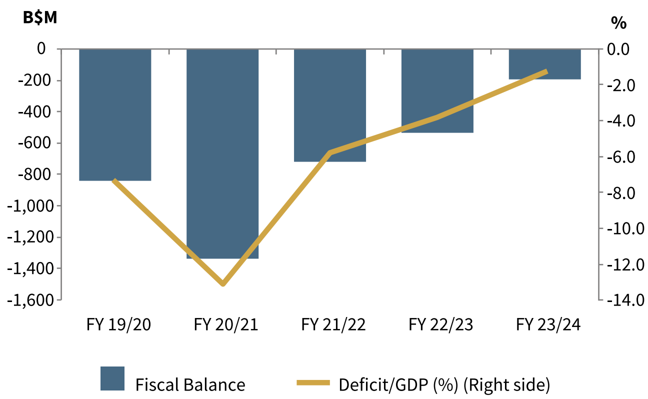
Current expenditure—which comprised 90.8% of total outlays—declined by $101.2 million (3.3%) to $2,961.4 million. These were $124.2 million (4.0%) below the projected allocation.

Table 10: Fiscal Indicators (B$ Millions)

	FY2021/22p Actual	FY2022/23p Actual	FY2023/24p Actual	FY2024/25 Approved Estimates	FY2024/25 Preliminary[1] Estimates
Government Revenue	2,605.7	2,855.5	3,069.1	3,543.3	1,444.3
as % of GDP	21.0	20.4	21.1	23.5	9.6
Government Expenditure	3,327.4	3,390.0	3,263.0	3,613.1	1,839.1
as % of GDP	26.8	24.2	22.4	23.9	12.2
Surplus/(Deficit)	(721.7)	(534.6)	(193.9)	(69.8)	(394.8)
as % of GDP	(5.8)	(3.8)	(1.3)	(0.5)	(2.6)

Source: Ministry of Finance
Compiled according to the IMF's Government Finance Statistics Format. [1] July - December, 2024

Fiscal Indicators



By sub-component, payments for the use of goods and services, reduced by $111.0 million (16.5%) to $561.4 million, as subsidies fell by $52.1 million (11.2%) to $412.6 million. In addition, other "miscellaneous" payments decreased by $34.7 million (11.1%) to $278.0 million, largely attributed to a falloff in current transfers to non-profit institutions, public enterprises and others. In a partial offset, compensation of employees gained $38.1 million (4.7%) to $843.3 million; and interest payments on public debt, by $40.0 million (7.0%) to $613.1 million, owing to an increase in both internal and external debt obligations. Further, disbursements for social benefits rose by $16.5 million (7.2% to $243.8 million; and for grants, by $2.0 million (28.4%) to $9.1 million.

Similarly, capital expenditure contracted by $25.9 million (7.9%) to $301.6 million—approximately $63.0 million (17.3%), lower than the anticipated amount. Contributing to this development, payments for the acquisition of non-financial assets fell by $31.7 million (11.2%) to $250.3 million, due primarily to a falloff in spending on fixed assets, by $23.0 million (8.5%). In an offset, capital transfers grew by $5.8 million (12.8%) to $51.4 million.

First Six Months of 2024/2025

For the first six months of FY2024/25, the Government's overall deficit expanded to $394.8 million from $258.7 million vis-à-vis the same period of FY2023/24, as expenditure rose faster than revenue. In particular, total expenditure grew by $278.3 million (17.8%) to $1,839.1 million, outstripping the $142.2 million (10.9%) increase in total revenue to $1,444.3 million.

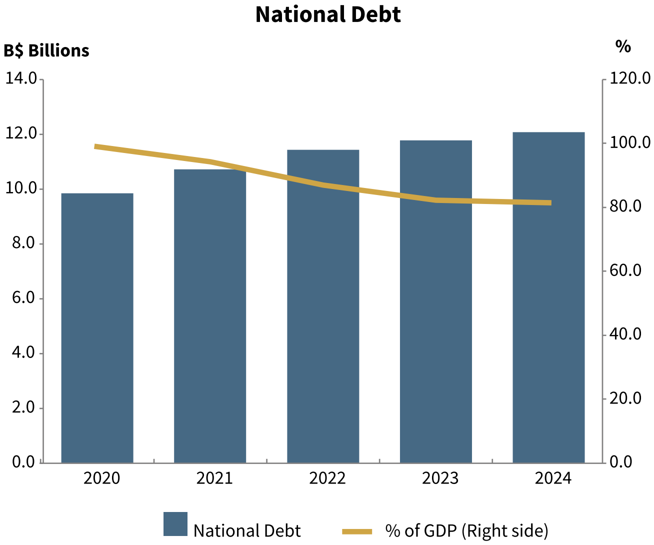
Tax receipts at the half-year mark rose by $126.1 million (10.8%) to $1,295.5 million. Specifically, levies on international trade & transactions expanded by $78.8 million (23.6%) to $412.3 million. In the components, departure taxes doubled to $169.6 million from $84.8 million, reflecting robust gains in the tourism headcount. Further, customs & other import taxes increased by $3.9 million (3.0%) to $130.4 million. Meanwhile, general taxes grew by $28.8 million (4.1%) to $730.2 million, as VAT receipts expanded by $21.0 million (3.3%) to $667.0 million, compared to the prior fiscal period, while revenue from stamp taxes on financial and realty transactions moved higher by $7.7 million (14.0%) to $63.2 million. Property taxes also advanced by $21.4 million (45.2%) to $68.6 million. Likewise, taxes on use or supply of goods broadened by $15.4 million (32.3%) to $63.1 million, explained by a rise in collections from business license fees and company taxes. In a slight offset, declines were registered for specific taxes—mainly gaming—by $4.1 million (18.9%) to $17.7 million and general stamp taxes, by $2.0 million (89.9%) to just $0.2 million. Similarly, non-tax revenue rose by $16.0 million (12.0%) to $148.7 million, largely supported by increases in sales of goods and services and property income.

Expenditure growth was led by a $192.3 million (13.5%) expansion in current outlays to $1,619.0 million during the six-month period. This was underpinned by an increase in allocations for the use of goods and services, interest payments on public debt, other payments—inclusive of current transfers and insurance premiums—compensation for employees and grants. Similarly, capital spending grew by $86.0 million (64.1%) to $220.1 million, reflective of a rise in the acquisition of non-financial assets and capital transfers.

Budgetary financing was obtained largely from domestic sources, amounting to $1,609.1 million. This was inclusive of local currency loans & advances ($752.1 million), the rollover of a SDR facility (US equivalent $228.0 million), long term bonds ($462.4 million) and net Treasury bills/notes ($166.6 million). Meanwhile, external financing totalled $546.1 million. Debt repayments for the period amounted to $1,704.5 million, the majority ($960.2 million) of which repaid Bahamian dollar obligations.

National Debt

In 2024, the Government's Direct Charge increased by $321.2 million (2.8%) to $11,748.7 million, a moderation from last year's $391.5 million (3.5%) growth. With the sustained improvement in the domestic economy, the ratio of the Direct Charge to GDP declined by 0.5 percentage points to approximately 79.2%, compared with a 4.3 percentage decline to 79.7% in 2023 (See Table 11). Bahamian dollar denominated debt—at 54.3% of the total—grew by $288.0 million (4.7%), to $6,376.3 million. Likewise, foreign currency claims rose by $33.3 million (0.6%) to $5,372.4 million. An analysis by holder classification revealed that private (non-financial) and institutional investors held the largest



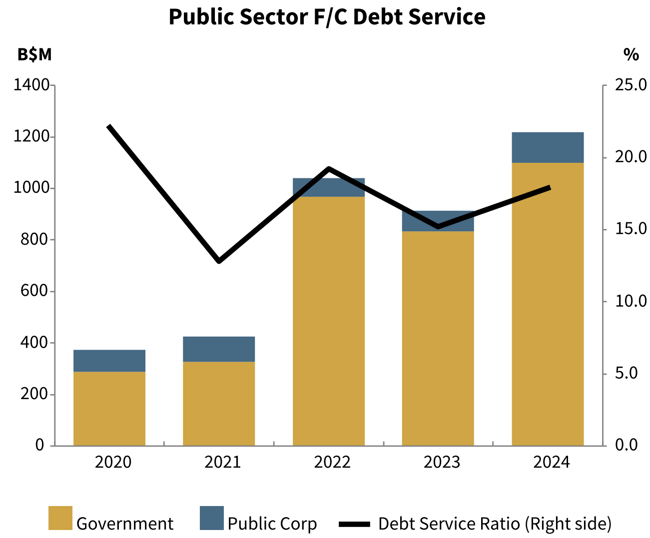


Table 11: Debt Indicators

	2022p	2023p	2024p
A. Total F/C Debt	5,652.5	5,773.1	5,716.7
i) External Debt	5,225.0	5,372.7	5,386.3
ii) Internal F/C Debt	427.5	400.4	330.5
B. National Debt	11,426.1	11,778.7	12,082.9
i) Direct Charge	11,035.9	11,427.5	11,748.7
C. Debt Service Ratio (%)*	19.2	15.2	17.9
		% of GDP	
A. Total F/C Debt	39.8	37.5	36.3
i) External Debt	3.3	2.8	2.2
ii) Internal F/C Debt	43.0	40.3	38.6
B. National Debt	84.0	79.7	79.2
i) Direct Charge	87.0	82.1	81.5

Source: Treasury Accounts and Public Corporations' Quarterly Report

*Net of refinancing activities
2024 GDP estimates derived from the IMF's data

portion of local currency debt at 41.9%, followed by banks (40.1%), the Central Bank (12.2%) and public corporations (5.8%).

For the year, the Government's contingent liabilities fell by $17.0 million (4.8%), to $334.2 million. Resultantly, the National Debt expanded by $304.2 million (2.6%), to $12,082.9 million at end-December, lower than the $352.6 million (3.1%) growth in 2023. Meanwhile, the National Debt-to-GDP ratio declined by 0.6 percentage points to an estimated 81.5% vis-à-vis a 4.9 percentage point reduction to 82.1% in 2023.

Foreign Currency Debt

During the review year, public sector foreign currency debt contracted by $56.4 million (1.0%) to $5,716.7 million. New drawings rose to $1,328.4 million (inclusive of $527.5 million in refinancing) from $878.2 million in the previous year; while, amortisation payments increased to $1,350.0 million (including $527.5 million in refinancing and $300 million for an external bond) from $776.4 million in the year prior. The Government's outstanding liabilities, which accounted for 94.0% of the total, grew by $33.3 million (0.6%) to $5,372.4 million in the review year. Conversely, the public corporations' debt stock fell by $89.6 million (20.7%) to $344.3 million.

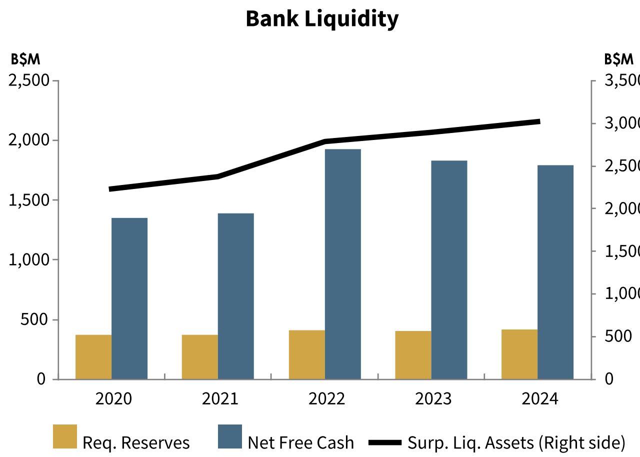
Inclusive of refinancing, foreign currency debt service payments expanded by $597.6 million (52.4%) to $1,745.0 million, from $1,147.4 million in 2023. The Government's debt service share rose by $561.1 million (52.6%) to $1,628.6 million; and the public corporations' portion, by $36.5 million (45.7%) to $116.4 million. Net of refinancing activities, the Government's debt service to total revenue ratio firmed to 34.3% from 28.7% in 2023, while the debt service to exports ratio stood at 17.9%, an increase of 2.8 percentage points from the prior year.

A disaggregation by creditor profile revealed that the majority of foreign currency debt was held by capital market investors (40.9%), followed by financial services firms (31.2%), multilateral institutions (22.5%) and the Central Bank (4.0%). Domestic banks and bilateral financial institutions comprised a smaller share of 0.7% each. A breakdown by currency indicated that the bulk of the debt was denominated in United States dollars (84.7%), followed by the euro (8.7%), IMF SDRs (5.0%), the Swiss Franc (0.9%), and the Chinese yuan (0.7%).

MONEY, CREDIT AND INTEREST RATES

Monetary Sector

Monetary sector developments during 2024 culminated in a reduction in bank liquidity, as the expansion in domestic credit outpaced the growth in the deposit base. However, the net foreign asset improved, given the net accretion to the external reserves, versus decreased net external assets of domestic banks. Further, banks' credit quality indicators improved during the review year, reflective of the sustained improvement in the domestic economy and ongoing loan write-offs. In addition, banks' overall profitability increased, led by a reduction in bad debt expenses. Meanwhile, the weighted average interest rate spread widened, as the average lending rate rose, while the mean deposit rate was relatively unchanged.



Liquidity

Reflecting largely a decline in average balances held with the Central Bank, banking sector liquidity contracted in 2024. In particular, average net free cash reserves—a narrow measure of liquidity—decreased by $41.1 million (2.2%) to $1,791.5 million, although a slowdown from the $95.8 million (5.0%) reduction in 2023. An analysis of the monthly trend showed that balances increased steadily in the first four months of the year, peaking at $2,195.6 million in April. Downward trajectory ensued, to $1,791.5 million in December. Against this backdrop, the ratio of net free cash reserves to Bahamian dollar deposits declined to 21.4% from 22.4% in the previous year.

Domestic banks' excess liquid assets—a broader measure of liquidity, including Government securities—recorded an average monthly surplus of $3,091.3 million per month, approximately 7.5% higher than the mean surplus registered in the preceding year. On a monthly basis, excess reserves peaked at $,3,223.9 million in March. However, underpinned by the seasonal demand, balances moderated to $3,015.2 million at end-December, which resulted in an annual gain of $120.2 million (4.2%). Further, year-end surplus liquid assets exceeded the statutory minimum by 195.2%, vis-à-vis 193.9% in 2023.

Money Supply

The overall money supply (M3) strengthened by $351.6 million (3.9%) in 2024 to $9,485.5 million, an acceleration from the $150.7 million (1.7%) build-up in the previous year. Growth in narrow money (M1) firmed to $307.6 million (7.1%) from $22.0 million (0.5%), with demand deposits gains extended significantly to $271.8 million (7.0%) from $13.9 million (0.4%) in 2023. Similarly, currency in active circulation rose faster by $35.8 million (8.3%), as compared to by $8.1 million (1.9%) in the prior year.

Likewise, broad money (M2) growth, strengthened by $386.0 million (4.5%) from the year-earlier $143.3 million (1.7%). Specifically, accretions to savings deposits extended to $183.1 million (8.1%) from $172.6 million (8.3%) in the prior year, mainly attributed to higher private sector balances. In contrast, the reduction in fixed deposits were approximately doubled to $104.6 million (5.2%); and foreign currency deposits decreased by

Table 12: Flow of Bank Credit (B$ Millions)

	Outstanding as at 2022	Absolute Changes 2023	Absolute Changes 2024	Outstanding as at 2024
Destination				
Government (net)	3,209.6	213.8	65.8	3,489.2
Central Bank	790.6	96.2	8.6	895.4
Domestic Banks	2,419.0	117.6	57.2	2,593.8
Rest of Public Sector	347.3	(21.0)	38.1	364.3
Central Bank	6.9	0.1	(0.0)	7.0
Domestic Banks	340.4	(21.1)	38.1	357.3
Private Sector	5,755.5	103.6	391.5	6,250.6
Domestic Banks	5,755.5	103.6	391.5	6,250.6
Consumer	1,937.4	31.1	118.3	2,086.8
Mortgages	2,681.8	10.6	57.5	2,749.9
Other Loans	1,136.2	62.0	215.7	1,413.9
Financing				
Liabilities (Net of Government)	8,907.2	206.0	297.6	9,410.8
Currency	422.8	8.1	35.8	466.7
Total Deposit liabilities	8,484.4	197.9	261.8	8,944.1
Demand deposits	4,247.2	47.8	183.0	4,477.9
Savings deposits	2,126.2	168.7	184.6	2,479.5
Fixed Deposits	2,111.1	(18.6)	(105.8)	1,986.7
International reserves	2,611.0	(93.6)	115.5	2,633.0
Other net external liabilities	(119.1)	(37.8)	(73.4)	(230.3)
Capital and surplus	2,460.3	22.6	(49.9)	2,433.0
Other (net)	436.9	(63.7)	289.4	663.1

Source: Central Bank of The Bahamas

$34.5 million (6.5%), strongly reversing a $7.4 million (1.4%) increase in the previous year, led predominantly by lower private placements.

As a proportion of the overall money stock (M3), Bahamian dollar demand deposits constituted the largest share at 43.9%, followed by savings deposits (25.8%), and fixed deposits (20.2%). Foreign currency balances and currency in active circulation represented smaller shares, at 5.2% and 4.9%, respectively.

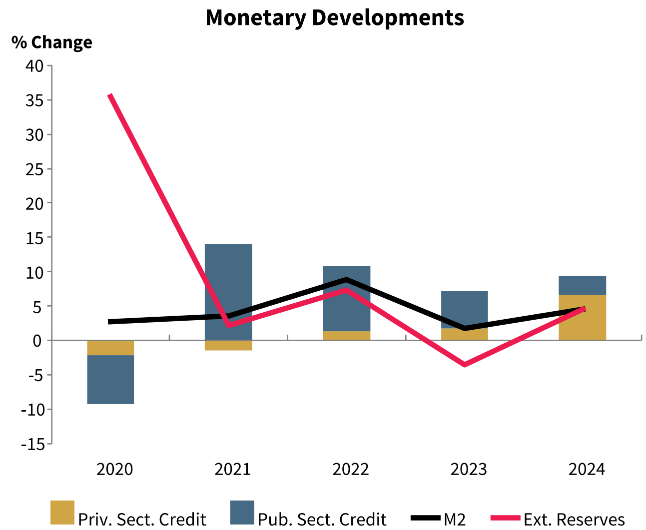
Domestic Credit

Largely attributed to the ongoing strengthening in private sector lending, domestic credit growth quickened to $495.4 million (5.2%) from $296.3 million (3.2%) in 2023, bringing the total stock to $10,104.2 million. The Bahamian dollar component remained dominant at 92.5% of the total. In the underlying developments, the rise in net claims on the Government narrowed significantly to $65.8 million (1.9%) from $213.8 million (6.7%) in the previous year. This overshadowed a rebound in credit to the rest of the public sector, of $38.1 million (11.7%), versus a $21.0 million (6.1%) reduction in the prior year.

However, private sector credit growth almost doubled to $391.5 million (6.7%), from $103.6 million (1.8%) in 2023 (See Table 12). A breakdown by sector revealed that net personal lending—constituting 72.1% of the total—accelerated to $176.5 million (3.7%) from $32.7 million (0.7%) last year. Similarly, outstanding credit increased for transport ($73.4 million), construction ($70.4 million), tourism ($34.5 million), professional & other services ($25.8 million) and entertainment & catering ($13.7 million). Conversely, credit balances reduced for manufacturing ($6.1 million), "miscellaneous" purposes ($5.8 million), and fisheries ($2.4 million), with more muted declines recorded for mining & quarrying and agriculture.

A further disaggregation of personal loans showed that the growth in residential mortgages strengthened to $57.5 million (2.1%) from $10.6 million (0.4%) in 2023 and consumer loans, to $113.0 million (5.7%), from $35.2 million (1.8%) last year. Further, overdrafts rebounded by $8.2 million (23.1%), from a $15.3 million (30.0%) contraction in 2023.

In the Bahamian dollar portion of consumer credit, net lending increased for private cars ($43.9 million), debt consolidation ($38.5 million), other miscellaneous purposes ($22.9 million), credit cards ($18.0 million), land purchases ($5.0 million) and furnishings & domestic appliances ($1.4 million). Conversely, net repayments occurred for travel ($4.7 million), home improvements ($4.0 million) and education ($2.8 million).



Interest Rates

During the year, the weighted average interest rate spread on domestic banks' loans and deposits edged up by 20 basis points to 10.68 percentage points. In particular, the weighted average lending rate moved higher by 20 basis points to 11.23%, while the mean deposit rate held steady at 0.54%.

On the lending side, the average rate on commercial mortgages increased by 50 basis points to 6.88%, while the rate on consumer loans firmed by 19 basis points to 13.09%. The rate on overdrafts rose by 9 basis points to 10.72%, while residential mortgages rates firmed marginally by 2 basis points to 5.20%.

In terms of deposits, the mean rate offered on demand deposits narrowed by 13 basis points to 0.19%, while the average rate paid on savings deposits edged down by 1 basis point to 0.27%. Meanwhile, the rate on fixed balances firmed within a band of 0.26%–1.45%, from 0.26%-1.04% in the previous year.

In other interest rate developments, the average 90-day Treasury bill rate edged up by 1 basis point to 2.92%. Further, the Central Bank's Discount rate and commercial banks' Prime rate remained unchanged at 4.00% and 4.25%, respectively.

Net Foreign Assets

Total net foreign assets of the financial system increased by $42.3 million (1.8%) to $2,402.8 million in 2024. Specifically, the Central Bank's external reserves balance grew by $115.5 million (4.6%), contrasting with the prior year's $93.6 million (3.6%) decline, bolstered by net foreign currency inflows from real sector activities, and the receipt of proceeds from Government's external borrowings. However, domestic banks' net foreign liabilities rose by $73.4 million (46.7%) to $230.3 million, surpassing the $37.8 million (31.8%) falloff in 2023.

An analysis of monthly trends showed that external reserves balances increased steadily through the first four months of 2024. After slight declines in May and June, balances peaked at $3,021.8 million in July. However, in line with the seasonal uptick in the demand for foreign currency in the latter half of the year, estimates trended lower to $2,633.0 million at end-December. In 2024, the average monthly levels stood at $2,838.8 million, a gain of $189.2 million (7.1%), when compared with the previous year.

An analysis of the underlying foreign currency transactions affecting external reserves revealed that the Central Bank recorded a net purchase of $26.3 million in 2024, a reversal from a net sale of $127.2 million in 2023. The Bank's net intake from the Government advanced to $414.3 million from $256.3 million in the prior year. In addition, net outflows to public corporations—primarily for fuel purchases—declined to $511.7 million from $532.7 million in 2023. However, the Bank's net purchases from commercial banks moderated to $123.8 million from $149.2 million a year earlier.

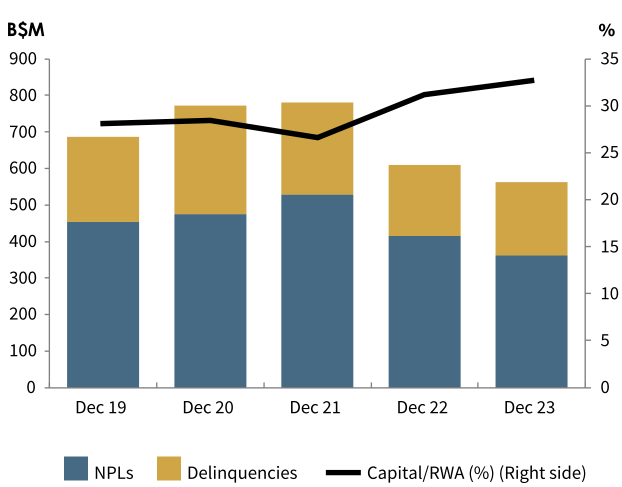
At end-December, the stock of external reserves stood at an estimated 27.3 weeks of the current year's total merchandise imports (including oil purchases), compared to 29.9 weeks in 2023, and above the international benchmark of 12.0 weeks. After adjusting for the statutory requirement to maintain reserves equivalent to 50.0% of the Bank's demand liabilities, usable reserves increased by $47.7 million (4.2%) to $1,184.3 million in 2024.

BANKING SECTOR PERFORMANCE

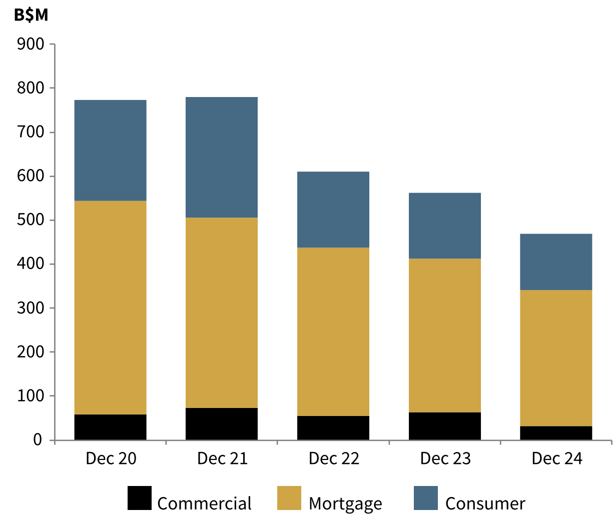
Credit Quality

Domestic banks' credit quality indicators continued to improve during the review year, amid the sustained recovery in the economy. Total private sector loan

Private Sector Loan Arrears



Private Sector Arrears by Loan Category



arrears contracted by $92.2 million (16.4%) to $469.54 million, exceeding the $48.5 million (7.9%) decrease in 2023. As a result, the ratio of arrears to total private sector loans narrowed by 2.2 percentage points to 8.2%, vis-à-vis a 1.0 percentage point falloff a year earlier.

The decline in arrears was led by a $43.8 million (12.2%) reduction in the non-performing loan (NPL) segment to $317.7 million, albeit lower than the $53.5 million (12.9%) decrease in the previous year. Similarly, short term arrears reduced by $48.3 million (24.2%) to $151.9 million, a turnaround from a $5.0 million (2.6%) uptick in the preceding year. Correspondingly, the ratios of NPLs to total private sector loans moved lower by 1.0 percentage point to 5.5%, and short-term arrears, by a 1.0 percentage point, to 2.6%.

By loan type, mortgage delinquencies reduced by $40.9 million (11.7%) to $309.1 million, exceeding the prior year's $31.5 million (8.3%) decrease. The relevant ratio fell by 1.8 percentage points to 12.3%. Similarly, commercial arrears declined by $30.2 million (48.2%) to $32.4 million, in contrast to the $7.5 million (13.5%) rise a year earlier, as the corresponding ratio narrowed by 3.6 percentage points to 2.8%. In addition, consumer delinquencies fell by $21.0 million (14.1%) to $128.0 million, lower than the $24.5 million (14.1%) reduction in the previous year, with the associated ratio softening by 1.5 percentage points to 6.1%. Meanwhile, the NPL rates for commercial credit decreased to 2.4% from 4.7%; consumer loans, to 4.1% relative to 4.9%; and for mortgages, to 8.2% from 8.8% a year earlier.

Capital Adequacy and Provisions

In line with the improvement in credit quality indicators, banks decreased their total provisioning for loan loss, but maintained high capital adequacy ratios

Table 13: Commercial Banks' Financial Soundness Indicators*

	2022	2023	2024
Capital Adequacy			
Regulatory capital/RWAs**	31.2	32.7	34.7
Regulatory Tier 1 capital/RWAs**	32.1	33.8	33.1
Asset Quality			
NPLs/Private Sector Loans	7.7	6.6	5.5
NPLs to Capital	18.7	16.1	14.5
Earnings & Profitability			
Return on assets	3.5	3.4	4.2
Return on equity	17.9	18.0	23.2
Liquidity			
Liquid assets to total domestic assets	37.0	37.4	37.6

Source: Central Bank of The Bahamas
*Year-end data
**Risk Weighted Assets

during 2024. Loan loss provisions declined by $28.2 million (8.6%) to $301.8 million, lower than last year's $41.8 million (11.2%) reduction. Correspondingly, the ratio of total provisions to total private sector loans fell by 67 basis points to 4.8%. However, the ratio of total provisions to total arrears firmed by 5.5 percentage points to 64.3%, and to NPLs, by 3.7 percentage points to 95.0%. In addition, banks wrote-off an estimated $6.1 million in delinquencies and recovered approximately $3.4 million in 2024.

Banks maintained robust capital levels during the review year, although the average ratio of capital to risk weighted assets declined by 0.8 percentage points to 31.9%, compared to 2023. The ratio remained well in excess of the minimum regulatory prescribed target of 17.0% (See Table 13).

Bank Profitability

Domestic banks' profitability improved further in 2024, buoyed by an expansion in non-interest income and a decline in bad debt expenses. Banks' net profits strengthened by $107.5 million (26.7%) to $509.9 million, as compared to $5.4 million (1.4%) in 2023. Specifically, the net interest margin widened by $28.6 million (4.9%) to $610.5 million, as the rise in interest income by $29.0 million (4.7%) to $648.2 million, overshadowed the $0.5 million (1.3%) uptick in interest expenses to $37.6 million. Further, earnings from commission and foreign exchange transactions rose by $23.9 million (28.6%) to $107.4 million, resulting in a $52.5 million (7.9%) growth in the gross earnings margin to $717.9 million.

As it relates to costs, operating expenses grew by $45.3 million (9.6%), but was lower than the year earlier $52.0 million (12.4%) expansion. Notably, non-staff related costs—including professional services, government fees and maintenance—rose by $23.2 million (7.7%), while staff and occupancy costs increased by $21.0 million (13.0%) and $1.1 million (9.7%), respectively. Consequently, the net earnings margin expanded by $7.2 million (3.7%) to $200.1 million. Further, income from other "non-core" activities advanced by $100.3 million (47.9%), exceeding the $8.2 million (3.8%) decline in the preceding year, led by a sizeable reduction in provisioning for bad debt. In addition, the growth in other fee-based income extended to $35.4 million (14.0%) from $30.4 million (13.7%) in the prior year.

Based on these developments, the gross earnings margin ratio relative to the banks' average assets firmed by 30 basis points to 5.96%, as the interest margin rose by 10 basis points to 5.07%, while the commission & foreign exchange fees ratio increased by 20 basis points to 0.89%. Further, the net earnings margin stabilised at 1.66%, despite the 30-basis point rise in the operating costs ratio to 4.30%. After accounting for "non-core" operations, the net income ratio (return on assets) firmed by 80 basis points to 4.23%.

Capital Market Developments

Domestic capital market developments evolved positively during 2024. In particular, the volume of shares

Table 14: Balance of Payments Summary (B$ Millions)

	2022p	2023p	2024p
I. CURRENT ACCOUNT	(1,232.6)	(1,069.1)	(1,088.4)
i) Merchandise Trade (net)	(3,064.8)	(3,212.6)	(3,759.0)
Exports	814.4	862.2	877.6
Imports	3,879.2	4,074.8	4,636.6
of which: Oil	1,139.9	977.5	1,043.6
ii) Services (net)	2,647.6	2,950.4	3,425.4
Travel	4,052.2	4,541.2	5,266.4
Other	(1,404.6)	(1,590.9)	(1,841.1)
iii) Primary Income (net)	(883.2)	(859.2)	(820.2)
iv) Secondary Income (net)	67.8	52.3	65.4
II. CAPITAL AND FINANCIAL ACCOUNT			
i) Capital Account (Transfers)	0.0	0.0	0.0
ii) Financial Account	(1,401.5)	(1,151.9)	(1,155.4)
of which: Direct Investment	(316.4)	(97.1)	(81.1)
III. NET ERRORS AND OMISSIONS	9.4	(176.4)	47.7
IV. CHANGES IN EXTERNAL RESERVES	178.3	(93.6)	115.5

Source: Central Bank of The Bahamas

traded on the Bahamas International Stock Exchange (BISX) expanded to 16.1 million from 4.9 million in the preceding year. Likewise, the value of traded shares rose by 19.8% to $93.3 million. Nevertheless, the appreciation in the BISX All Share Index––a market capitalization weighted index––moderated to 5.5% from 7.8% in the previous year, with the index ending at 3,008.22.

In the Government debt securities market, the Central Bank facilitated offerings––including Treasury bills and Bahamas Registered Stocks (BRS) or bonds––amounted to $4.8 billion in 2024, with an average subscription rate of 108.0%. This surpassed the previous year's offering of $4.1 billion, which attracted an average subscription rate of 112.0%. A disaggregation by instrument showed that there were 16 Treasury bill offerings during the year, with an average absorption rate of 106.6% for the 91-day bills and 104.0% for the 182-day bills, vis-à-vis 117.0% and 97.0%, respectively, in 2023. Meanwhile, there were 15 BRS offerings, which carried an average absorption rate of 105.0%, relative to 119.0% in the previous year.

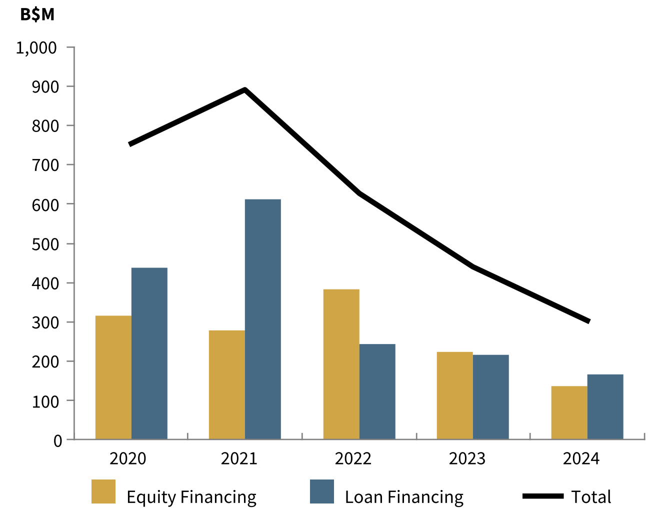
As it relates to market preference, the short-term market continued to be dominated by institutional investors, while individual investors were more prominent in bond offerings.

INTERNATIONAL TRADE AND PAYMENTS

Based on preliminary estimates on the external sector, the estimated current account deficit widened by $19.3 million (1.8%) to $1,088.4 million in 2024 (See Table 14). In particular, the expansion in the merchandise trade deficit, overshadowed the growth in the services account surplus, that was supported by buoyant tourism receipts. It also outweighed, the widening in the secondary income account surplus, combined with a reduction in the primary income account deficit. Meanwhile, net financial account inflows, excluding reserve assets, edged up to $1,155.4 million from $1,151.9 million in the previous year, reflective of net inflows on banks' balance sheet and private sector net debt and equity inflows.

The estimated merchandise trade deficit grew by $546.4 million (17.0%) to $3,759.0 million in 2024. In particular, the $561.8 million (13.8%) rise in imports to $4,636.6 million, outstripped the $15.4 million (1.8%) increase in exports to $877.6 million. A further breakdown of trade flows revealed that payments for fuel imports were higher by $66.1 million (6.8%) at $1,043.6 million. In this regard, the average per barrel cost increased for propane, by 2.2% to $53.4 and for gas oil, by 0.8% to $102.71. Conversely, average per barrel prices fell for aviation gas, by 36.5% to $154.75; for bunker-c, by 20.7% to $74.73; motor gas, by 11.1%,

Foreign Investment Inflows (gross)



to $125.83; and for kerosene jet-fuel, by 4.1% to $142.27.

The services account surplus expanded by $475.0 million (16.1%) to $3,425.4 million in 2024. Specifically, net travel receipts—the largest portion—increased by $725.2 million (16.0%) to $5,266.4 million, supported by sustained gains in tourism output. Further, net payments for construction services fell by $32.3 (31.5%) to $70.4 million. Providing some offset, net outflows for "other" business services rose by $180.5 million (32.8%) to $730.0 million and for Government goods and services, by $47.5 million (28.6%) to $213.5 million. In addition, net transportation services payments advanced by $33.3 million (7.9%) to $452.6 million, as the rise in sea outlays for marine transfers overshadowed the decline in payments for services by air. Meanwhile, net outflows for insurance & pension services grew by $9.0 million (3.3%) to $278.8 million, and for telecommunications, computer & information services by $7.0 million (9.7%) to $78.7 million. Net outward payments for intellectual property also increased by $5.2 million (44.6%) to $16.9 million.

During 2024, the primary income account deficit (against wages and investment income) reduced by $39.0 million (4.5%) to $820.2 million. Contributing to the outturn, net investment income outflows narrowed by $49.8 million (6.7%) to $695.6 million, underpinned by a decline in net remittances against portfolio investments, by $58.9 million (18.2%) to $264.2 million. Further, "other" net investment income outflows—inclusive of interest by private companies and banks—reduced by $17.5 million (7.1%) to $229.8 million. In contrast, net profit remittances on direct investments—inclusive of banks' retained earnings—rose by $49.1 million (23.0%) to $262.8 million. In addition, net outflows for employees' compensation moved higher by $10.9 million (9.6%) to $124.7 million.

During the review period, predominantly reflecting net transfers, the secondary income account surplus grew by $13.1 million (25.2%) to $65.4 million, on account of a rise in general Government inflows to $226.9 million from $189.1 million in the year prior. In an offset, various private financial and non-financial corporations' net outflows rose by $11.1 million (9.3%) to $130.3 million, despite a marginal decrease in workers' remittances. Similarly, outflows for "other" net private current transfers increased to $31.2 million from $17.6 million in 2023.

In 2024, similar to the preceding year, there were no estimated transfers for the capital account—which is comprised of financial corporations, non-financial corporations, households and non-financial institutions serving households (NPISHs).

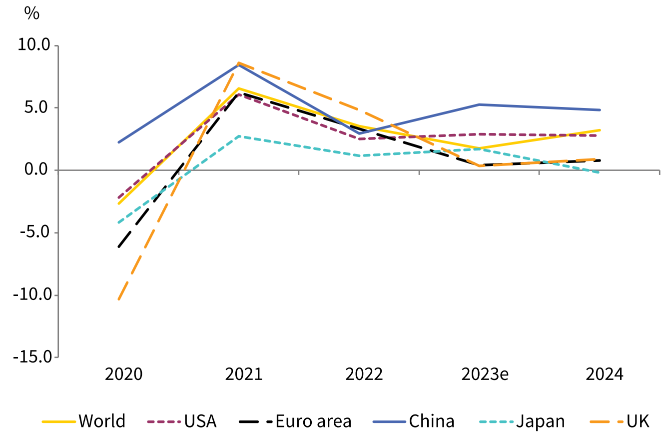
The net financial inflows—denoting investments—increased by $3.5 million (0.3%) to an estimated $1,155.4 million. Meanwhile, non-bank net equity investment inflows reduced by $16.0 million (16.5%) to $81.1 million, as banking sector net portfolio outflows decreased more markedly by $91.6 million (27.7%) to $238.6 million. Moreover, "other" net investment inflows, mainly through the private sector, though significant, narrowed by $72.0 million (5.2%) to $1,312.9 million, albeit with non-financial private sector activities providing moderately boosted net inflows of $1,065.4 million from $1,042.7 million in the year prior. Also noteworthy was the increase in banks' net foreign liabilities across several varying components. Some of these represented expanded reinvested earnings, owing to a larger reduction in net deposit liabilities of $695.4 million vis-à-vis $89.1 million in 2023; a reversal in net loan operations to a net repayment (outflow) of $180.9 million, as compared to a net augmentation (inflows) of $73.4 million in the previous year; and net increased receivables against external parties of $137.8 million, in contrast to a net payable increase of $98.9 million last year. Meanwhile, net loan inflows to the government sector decreased to $41.7 million from $126.2 million, contrasting with expanded net repayment through the non-bank sector of $159.6 million versus $51.1 million last year (most of which included public enterprises).

In line with these developments, and after adjusting for net errors and omissions, reserve assets, which correspond to the change in the Central Bank's external reserves, reversed to a surplus of $115.5 million from a deficit of $93.6 million in 2023.

INTERNATIONAL ECONOMIC DEVELOPMENTS

According to the IMF estimates, the global economy grew by an estimated 3.2% in 2024, from 3.0% in 2023, despite widespread uncertainty, over the protracted geopolitical tensions in Eastern Europe and the Middle East. Further, labour market conditions improved for most major economies, while inflationary pressures eased. Against this backdrop, almost all of the major central banks relaxed their monetary policy stances during the year.

Major Economies' Growth Rate



Real GDP growth in the United States eased slightly to an estimated 2.8% in 2024, from 2.9% in 2023, underpinned by an abated pace of consumer spending, investment, Government spending and exports. Likewise, in Asia, China's real GDP expansion slowed to 4.8% in 2024, from 5.2% in the prior year; while Japan's real output fell marginally by 0.1%, from a 1.5% gain in 2023, on account of moderated private consumption. In contrast, in the United Kingdom, estimated real output growth firmed to 0.9%, from 0.4% in 2023, due to a rise in services output. Further, the euro area's real GDP firmed to 0.8%, from 0.5% in the previous year, still comparatively sluggish given estimated contraction in Germany.

During 2024, labour market conditions improved for most of the major economies. Specifically, the euro area's jobless rate fell by 20 basis points to 6.3% in the review year. Further, China's unemployment rate reduced by 10 basis points to 5.1%; while Japan's jobless rate stabilised at 2.4%. Conversely, in the United States, the unemployment rate rose by 30 basis points to 4.1% in 2024, and the United Kingdom, by 20 basis points to 4.3%.

During the review year, inflationary pressures eased for almost all of the major economies. In particular, in the United States, the annualized inflation rate slowed to 2.9% in 2024, from 3.4% in 2023, supported by a falloff in energy and gasoline costs. Likewise, in the United Kingdom, the inflation rate decreased to 3.5%, from 4.2%, reflective of lower costs for transport and furniture & household goods. In the euro area, the average inflation rate moderated to 2.4%, from 2.9% in the prior year, led by a reduction in the costs for food, alcohol and tobacco. In Asia, China's annual inflation rate declined to 0.1% from 0.3% in 2023. Contrastingly, Japan's consumer price increase accelerated to 3.6%, from 2.6% in the previous year.

During 2024, most major central banks relaxed their monetary policy stance as inflationary pressures subsided, and emphasis placed on securing sustained medium-term growth. In the United States, the Federal Reserve lowered its target range for the Federal funds rate to 4.25%-4.50% from 5.25%-5.50% in 2023. In addition, the Federal Reserve continued to decrease its holding of Treasury securities, agency debt, and mortgage-backed securities. Similarly, the Bank of England reduced its main policy rate to 4.75%, from 5.25% in the previous year. In the euro area, the European Central Bank decreased its key interest rates on the main refinancing operations to 3.15%, from 4.50%; the marginal lending facility to 3.40%, from 4.75%; and the deposit facility to 3.00%, from 4.00%. In addition, the Bank's asset purchase programme (APP) continued to unwind. In Asia, China's central bank decreased its reverse repo rate to 1.5%, from 1.8% in 2023, in an effort to stabilise banking system liquidity levels. However, the Bank of Japan increased its policy rate to 0.25%, from a negative 0.1% in the prior year, as inflation pressures increased.

According to the IMF, the estimated average fiscal deficit to GDP ratio in the advanced economies rose to 5.8% in 2024, from 5.6% in the prior year. In particular, the United States' estimated federal deficit to GDP ratio increased to 7.6%, from 7.1% in the previous year. Similarly, in the Asian economies, China's fiscal deficit to GDP ratio moved higher to 7.4%, from 6.9% in 2023. Further, Japan's deficit to GDP ratio advanced to 6.1%, from 4.2% in the preceding year. In contrast, in the United Kingdom, the fiscal deficit to GDP ratio narrowed to 4.3%, from 6.0%. Meanwhile, the euro area's fiscal deficit to GDP ratio remained unchanged at 3.1% in 2024.

During the review year, the US dollar appreciated across all of the major currencies, buoyed by the ongoing strengthening in the US economy. In particular, the dollar strengthened against the Japanese Yen, by 11.5% to ¥157.20; the Canadian Dollar, by 8.6% to CAD$1.44; and the Swiss Franc, by 7.8% to CHF0.91. Similarly, the dollar rose relative to the euro, by 6.6% to €0.97; the Chinese Renminbi, by 2.8% to CNY7.30; and the British Pound, by 1.7% to £0.80.

In 2024, all of the major equity markets recorded average appreciation. Specifically, in the United States, the S&P 500 and the Dow Jones Industrial Average (DIJA) grew by 23.3% and 12.9%, respectively. Likewise, Japan's Nikkei moved higher by 19.2% and the German DAX, by 18.8%. In addition, China's SE Composite rose by 12.7%, France's CAC 40, by 12.3%, and the United Kingdom's FTSE 100, by 5.7%.

Primary commodity prices revealed mixed movements during 2024, driven by the recovery in economic activity, which increased global demand. In particular, average crude oil prices decreased by 2.7% to $80.51 per barrel in 2024. Further, on a point-on-point basis, average oil costs fell by 5.2% to $74.38 per barrel at the end-December 2024, in comparison to 2023. Conversely, in the precious metals markets, the average price of gold grew by 22.8% to $2,404.27 per troy ounce and silver, by 19.2% to $28.14 per troy ounce.

Developments in the major economies' external balances varied during the year. Specifically, in the United States, the trade deficit expanded by $133.5 billion (17.0%) to $918.4 billion, vis-à-vis the previous year, explained by a 6.6% rise in imports, which overshadowed the 3.9% uptick in exports. However, the euro area trade surplus widened to €176.9 billion, from €57.4 billion in 2023, reflective of a 0.6% gain in exports, along with a 3.7% reduction in imports. Likewise, China's trade surplus expanded by 17.0% to $992.2 billion, supported by a 5.5% increase in exports, which outstripped the 1.1% rise in imports. In addition, the United Kingdom's annual trade deficit moderated to £25.1 billion from £36.7 billion in the previous year, attributed to a 0.7% growth in exports, along with a 0.9% decline in imports. Further, Japan's trade deficit narrowed to ¥5.3 trillion from ¥9.5 trillion in the prior year, as the 6.2% expansion in exports, outpaced the 1.8% increase in imports.

DOMESTIC ECONOMIC OUTLOOK FOR 2025

The Bahamian economy is projected to expand at a more moderated pace in 2025, than in 2024, as the economy trends closer to its medium-term growth potential, underpinned by the performance of the tourism and construction sectors. On the upside, from the cruise segment of the market, tourism receipts are expected to grow at a healthy pace, although constrained stopover capacity, resulting from limited hotel room stock, could dominate overall earnings trends. Moreover, sustained activity in the construction sector is anticipated to benefit from both new and ongoing foreign investment projects both in the capital and the Family Islands. Given this outlook, employment conditions are projected to improve further, with job gains predominantly in the construction and tourism sectors. Meanwhile, any falloff in inflationary pressures hinges on the decline in prices for energy and other imports.

In the fiscal sector, efforts to reduce the deficit and the related debt indicators, will continue to depend heavily on the effectiveness of measures to both strengthen revenue administration and reduce government spending. Further, the estimated budgetary gap will require a prudent balance of domestic and external borrowings, although a larger proportion of total funding is anticipated to be from domestic sources.

On the monetary front, while elevated levels of banking sector liquidity are forecasted to remain, balances are expected to abate in view of a more expansionary trend in commercial bank lending. Additionally, banks are also anticipated to maintain consistent levels of capital and adequate provisions, which would mitigate against risks to financial stability.

Meanwhile, for external reserves, balances are projected to taper, but will remain healthy in 2025, well above international benchmarks and more than adequate to maintain the Bahamian dollar currency peg. In particular, foreign exchange market conditions are expected to be supported by tourism and investment inflows.

Although the overall assessment is mostly positive, downside risks to the outlook remain, including the potential adverse effects on the global economy of the ongoing trade and tariff disputes between the United States and its major trading partners. Such adverse developments could reduce consumers' confidence and slow tourism's growth momentum. Further, potential threats from major hurricanes and geopolitical tensions in Eastern Europe and the Middle East could hamper global supply chains and hinder economic activity. These developments could stall further relief from inflation and moderate the easing in financing conditions that propel foreign investment activities.

FINANCIAL STATEMENTS

For the Year Ended
December 31, 2024

Independent auditors' report

To the Board of Directors of Central Bank of The Bahamas

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Central Bank of The Bahamas (the Bank) as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at December 31, 2024;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity and reserves for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the 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 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 Bank 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.

Other information

Management is responsible for the other information. The other information comprises the 2024 Annual Report (but does not include the financial statements and our auditors' report thereon).

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

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

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Nassau, Bahamas, T: + 1 242 302 5300, F: + 1 242 302 5350, www.pwc.com/bs

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank'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 scepticism 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 Bank'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 Bank'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 Bank 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.

Other matters

The financial statements of the Bank for the year ended December 31, 2023 were audited by another firm of auditors whose report, dated April 29, 2024, expressed an unmodified opinion on those statements.

This report, including the opinion, has been prepared for and only for the Board of Directors in accordance with the terms of our engagement letter and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

Chartered Accountants
Nassau, Bahamas

May 14, 2025

Central Bank of The Bahamas
(Established under the laws of the Commonwealth of The Bahamas)

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

	Notes	2024	2023
		$	$
ASSETS			
EXTERNAL ASSETS	6		
Cash and deposits with banks comprise:			
Cash and cash equivalents	3	349,691,252	548,555,266
Deposits with banks	3	46,075,467	61,634,588
Foreign Government securities	7	1,896,657,228	1,565,810,788
Marketable securities	8	157,319,250	154,332,046
International Monetary Fund:	9		
Bahamas reserve tranche		25,150,601	25,874,473
Special drawing rights (SDR) – holdings		158,049,044	161,190,040
		2,632,942,842	2,517,397,201
DOMESTIC ASSETS			
Cash on hand	3	78,483	98,409
Bahamas Development Bank bonds	10	4,135,144	4,134,135
Advances to Bahamas Government	11	332,810,592	193,489,741
Bahamas Government Registered Stocks	12	444,366,364	476,237,090
Loans to Bahamas Development Bank	13	1,559,948	1,535,126
Bridge Authority bonds	14	80,642	488,270
Clifton Heritage Authority bonds	15	670,250	684,474
Bahamas Government Treasury bills	16	9,986,834	45,843,047
SDR loan to the Government	17	227,812,310	239,156,637
Currency inventory		10,455,149	10,097,628
Retirement benefit asset - employees	34	625,600	844,796
Receivables and other assets	18	15,401,188	9,601,221
Property and equipment	4	38,017,422	26,664,962
Intangible assets	5	3,477,313	5,539,683
Right-of-use assets	26	2,754,109	2,568,450
		1,092,231,348	1,016,983,669
TOTAL ASSETS		**3,725,174,190**	**3,534,380,870**

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

Central Bank of The Bahamas
(Established under the laws of the Commonwealth of The Bahamas)

Statement of Financial Position (Continued)
As at December 31, 2024
(Expressed in Bahamian dollars)

	Notes	2024 $	2023 $
LIABILITIES			
DEMAND LIABILITIES			
Notes in circulation	19	617,155,743	582,429,987
Coins in circulation	19	34,436,991	33,128,999
Sand Dollar in circulation		2,622,538	1,691,858
Deposits by commercial banks	20	2,051,506,541	2,068,810,560
Deposits by Bahamas Government and Bahamas Government agencies		200,703,222	84,580,346
Deposits by international agencies	21	255,150	255,187
Accounts payable and other liabilities	22	8,242,507	30,664,130
Lease liabilities	26	2,804,790	2,593,206
Investment currency market payable		15,559,080	12,722,537
Health insurance subsidy benefit for retirees	35	14,224,170	11,212,085
Retirement Benefit Plan for Governors and Deputy Governors	36	3,031,549	868,771
		2,950,542,281	2,828,957,666
OTHER LIABILITIES			
International Monetary Fund:			
Special drawing rights allocation	9	392,371,388	404,236,087
TOTAL LIABILITIES		**3,342,913,669**	**3,233,193,753**
EQUITY AND RESERVES			
Authorized and fully paid capital	23	3,000,000	3,000,000
Exchange equalization account	23	7,462,291	9,597,139
Contingency reserve		750,000	750,000
Other reserves		10,389,415	10,389,415
Building fund	23	63,680,403	43,680,403
Fair value reserve	23	(1,372,881)	(1,673,197)
General reserve	23	298,351,293	235,443,357
TOTAL EQUITY AND RESERVES		**382,260,521**	**301,187,117**
TOTAL LIABILITIES, EQUITY AND RESERVES		**3,725,174,190**	**3,534,380,870**

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

Director

Director

9 May 2025

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

Central Bank of The Bahamas

Statement of Comprehensive Income
For the Year Ended December 31, 2024
(Expressed in Bahamian dollars)

	Notes	2024 $	2023 $
INCOME			
Interest income:	24		
Foreign investments		98,323,510	73,647,981
Domestic investments		21,894,923	14,462,916
Loans		15,961,686	18,767,993
		136,180,119	106,878,890
Interest expense		(15,227,793)	(15,094,486)
Net interest income		**120,952,326**	**91,784,404**
Net foreign exchange loss		(2,134,848)	(196,969)
Net trading loss on Bahamas Government Registered Stocks		(199,709)	(423,692)
Realized (loss)/gain on marketable securities:			
Externally managed marketable securities	8	(1,377,557)	(7,926,278)
Foreign Government Securities		8,075,182	-
Unrealized (loss)/gain on marketable securities	8	(498,929)	11,023,121
Bank license fees income		10,900,000	4,900,000
Other income		4,980,840	5,685,215
Total income		**140,697,305**	**104,845,801**
EXPENSES			
Staff costs	25	25,552,490	22,946,957
General and administrative	25	24,905,900	14,389,666
Loss on retirement of property and equipment	4	-	243,068
Depreciation	4	2,048,445	1,828,325
Amortization of intangible asset	5	2,062,370	1,726,780
Amortization of right-of-use assets	26	838,318	747,829
Total expenses		**55,407,523**	**41,882,625**
NET INCOME		**85,289,782**	**62,963,176**
OTHER COMPREHENSIVE LOSS			
Items that will or may be reclassified to net income			
Valuation gain on Bahamas Government Registered Stock	12	300,316	543,071
Items that will not be reclassified to net income			
Actuarial loss on defined benefit pension plan for employees	34	(281,548)	(43,460)
Actuarial loss on health insurance subsidy benefit for retirees	35	(2,328,516)	(1,690,719)
Actuarial (loss)/gain on defined pension plan benefit for Governors and Deputy Governors	36	(1,906,630)	103,284
Total other comprehensive loss		**(4,216,378)**	**(1,087,824)**
TOTAL COMPREHENSIVE INCOME		**81,073,404**	**61,875,352**

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

Central Bank of The Bahamas

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

	Authorized & Fully Paid Capital $	Exchange Equalization Account $	Contingency Reserve $	Other Reserves $	Building Fund $	Fair Value Reserve $	General Reserve $	Total $
Balance at January 1, 2023	**3,000,000**	**9,794,108**	**750,000**	**10,389,415**	**43,680,403**	**(2,216,268)**	**173,914,107**	**239,311,765**
Comprehensive income								
Net income	-	-	-	-	-	-	62,963,176	**62,963,176**
Valuation gain on Bahamas Government Registered Stocks	-	-	-	-	-	543,071	-	**543,071**
Other comprehensive loss								
Actuarial loss on defined benefit pension plan for employees (Note 34)	-	-	-	-	-	-	(43,460)	**(43,460)**
Actuarial loss on health insurance subsidy benefit for retirees (Note 35)	-	-	-	-	-	-	(1,690,719)	**(1,690,719)**
Actuarial gain on defined benefit pension plan for Governors and Deputy Governors (Note 36)	-	-	-	-	-	-	103,284	**103,284**
Total comprehensive income	-	-	-	-	-	543,071	61,332,281	**61,875,352**
Appropriation of foreign exchange loss (Note 2 (b) ii)	-	(196,969)	-	-	-	-	196,969	-
Balance at December 31, 2023	**3,000,000**	**9,597,139**	**750,000**	**10,389,415**	**43,680,403**	**(1,673,197)**	**235,443,357**	**301,187,117**

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

Central Bank of The Bahamas

Statement of Changes in Equity and Reserves (Continued)
For the Year Ended December 31, 2024
(Expressed in Bahamian dollars)

	Authorized & Fully Paid Capital $	Exchange Equalization Account $	Contingency Reserve $	Other Reserves $	Building Fund $	Fair Value Reserve $	General Reserve $	Total $
Balance at January 1, 2024	**3,000,000**	**9,597,139**	**750,000**	**10,389,415**	**43,680,403**	**(1,673,197)**	**235,443,357**	**301,187,117**
Comprehensive income								
Net income	-	-	-	-	-	-	85,289,782	**85,289,782**
Valuation gain on Bahamas Government Registered Stocks	-	-	-	-	-	300,316	-	**300,316**
Other comprehensive loss								
Actuarial loss on defined benefit pension plan for employees (Note 34)	-	-	-	-	-	-	(281,548)	**(281,548)**
Actuarial loss on health insurance subsidy benefit for retirees (Note 35)	-	-	-	-	-	-	(2,328,516)	**(2,328,516)**
Actuarial loss on defined benefit pension plan for Governors and Deputy Governors (Note 36)	-	-	-	-	-	-	(1,906,630)	**(1,906,630)**
Total comprehensive income	-	-	-	-	-	300,316	80,773,088	**81,073,404**
Allocation to building fund (Note 23)	-	-	-	-	20,000,000	-	(20,000,000)	-
Appropriation of foreign exchange loss (Note 2 (b) ii)	-	(2,134,848)	-	-	-	-	2,134,848	-
Balance at December 31, 2024	**3,000,000**	**7,462,291**	**750,000**	**10,389,415**	**63,680,403**	**(1,372,881)**	**298,351,293**	**382,260,521**

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

Central Bank of The Bahamas

Statement of Cash Flows
For the Year Ended December 31, 2024
(Expressed in Bahamian dollars)

	Notes	2024 $	2023 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income		85,289,782	62,963,176
Adjustments for non-cash items:			
Discount earned on foreign government securities - net	7	(5,014,031)	(2,536,981)
Depreciation	4	2,048,445	1,828,325
Gain on disposal of property and equipment - net			-
Impairment loss	4	-	243,068
Amortization of intangible asset	5	2,062,370	1,726,780
Amortization of right of use asset	26	838,318	747,829
Interest income		(131,166,088)	(104,341,907)
Loss on sale of marketable securities			
Externally managed marketable securities	8	1,377,557	7,926,278
Unrealized loss/(gain) on marketable securities		498,929	(11,023,121)
Interest on lease liabilities		110,618	112,150
Interest expense		15,227,793	15,094,486
Decrease/(increase) in operating assets			
Currency inventory		(357,521)	2,132,023
International Monetary Fund – net SDRs		14,050,557	13,614,489
Deposits with banks – with original contractual maturities greater than three months		12,697,845	40,000,000
Retirement benefit asset/liability - employees		(62,352)	(68,300)
Receivables and other assets		(5,799,967)	(1,484,283)
Increase/(decrease) in operating liabilities			
Notes in circulation		34,725,756	6,440,460
Coins in circulation		1,307,992	1,676,556
Sand Dollar in circulation		930,680	639,399
Deposits by commercial banks		(17,304,019)	(15,850,741)
Deposits by Bahamas Government and Bahamas Government agencies		116,122,876	(102,554,562)
Deposits by international agencies		(37)	4
Investment currency market payable		2,836,543	4,575,756
Health insurance subsidy benefit for retirees		683,569	484,533
Retirement benefit liability – Governors and Deputy Governors		256,148	242,527
Accounts payable and other liabilities		(22,421,623)	16,550,482
International Monetary Fund		(11,231,790)	3,239,466
Net cash from/(used in) operating activities		**97,708,350**	**(57,622,108)**

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

Central Bank of The Bahamas

Statement of Cash Flows (Continued)
For the Year Ended December 31, 2024
(Expressed in Bahamian dollars)

	Notes	2024 $	2023 $
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of foreign government securities	7	(1,219,108,337)	(463,122,983)
Proceeds from maturities/redemptions of foreign government securities	7	898,069,000	550,129,000
Purchase of marketable securities	8	(79,732,890)	(92,351,453)
Proceeds from sales of marketable securities	8	75,133,275	89,006,082
Purchase of property and equipment	4	(13,400,905)	(4,486,816)
Additions to intangible asset	5	-	(1,677,949)
Purchase of Bridge Authority bonds	14	(1,700)	(15,000)
Proceeds from maturity of Bridge Authority bonds	14	404,800	-
Purchase of Clifton Heritage Authority Bonds	15	-	(4,000)
Purchase of Bahamas Government Registered Stock	12	(288,813,649)	(288,603,576)
Proceeds from sales and maturities of Bahamas Government Registered Stocks	12	321,108,018	116,561,975
SDR loan to the Government	17	8,053,815	(1,491,873)
Repayments of loans by Bahamas Development Bank	13	-	125,000
Purchase of Bahamas Government Treasury bills	16	(64,284,741)	(71,285,726)
Proceeds from the sales/maturities of Bahamas Government Treasury bills	16	99,995,524	37,301,590
Advances to Bahamas Government	11	(1,310,138,300)	(1,296,992,200)
Repayments from Bahamas Government	11	1,171,138,300	1,439,946,100
Interest received		132,263,260	94,858,389
Sale of SDRs	9	-	2,918,208
Purchases of SDRs	9	(10,494,047)	(10,961,214)
Net cash (used in)/from investing activities		**(279,808,577)**	**99,853,554**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of lease liabilities	26	(923,011)	(819,926)
Interest paid		(15,860,702)	(14,208,590)
Net cash used in financing activities		**(16,783,713)**	**(15,028,516)**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(198,883,940)**	**27,202,930**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		548,653,675	521,450,745
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	**349,769,735**	**548,653,675**

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

1. General Information

Central Bank of The Bahamas (the "Bank") is established as a body corporate, under the Central Bank of The Bahamas Act, and was continued under the Central Bank of The Bahamas Act, 2000 and the Central Bank of The Bahamas Act, 2020 (the "Act") which was published on July 27, 2020. The Act was amended April 28, 2023 and is referred to as the Central Bank of The Bahamas (Amendment) Act, 2023. The Act establishes the structure, governance and funding of the Bank. The Bank's principal business is the provision of Central Banking facilities for the Commonwealth of The Bahamas. In accordance with the Act, it is the duty of the Bank to promote and maintain monetary stability and credit and balance of payments conditions conducive to the orderly development of the Bahamian economy; in collaboration with financial institutions, to promote and maintain adequate banking services and high standards of conduct and management therein; and to advise the Minister on any matter of financial or monetary nature referred by him to the Bank for its advice. Its main place of business is located at Frederick Street, Nassau, Bahamas.

Central Bank of The Bahamas (Amendment) Act, 2023

On April 27, 2023, the Central Bank of The Bahamas Act, 2020 was amended. The following are the amendments to the Act:

a. Insertion of Section 17A which granted the Government with access, use, and conversion of the SDRs and excluding the proceeds from the conversion in the calculation of the temporary loan limits which had come into force on December 1, 2023.

b. Amendment of Section 21 which reduced the temporary loan limits from 30.00% to 15.50% of the average revenue of the Government or the estimated ordinary revenue of the Government, whichever is the less.

c. Repeal and replacement of Section 22 which prohibits the Bank from purchasing or subscribing from primary markets Treasury Bills and securities issued or guaranteed by the Government or any public corporation.

d. Insertion of Section 22A which allows the Bank, for the purpose of implementing monetary policy, maintaining financial stability or to support the working of the clearing and settlement systems, to purchase from the secondary markets Treasury Bills and securities issued or guaranteed by the Government or a public corporation if the Treasury bills and securities are negotiable.

2. Material Accounting Policies

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

(a) Basis of preparation

i) Compliance with IFRS Accounting Standards

The financial statements are prepared in accordance with IFRS Accounting Standards. IFRS Accounting Standards comprise the following authoritative literature:

- IFRS Accounting Standards,
- IAS Standards, and
- Interpretations developed by the IFRS Interpretations Committee (IFRIC interpretations) or its predecessor body, the Standing Interpretations Committee (SIC Interpretations).

ii) Historical cost convention

The financial statements have been prepared under the historical cost convention except for financial instruments that are measured at fair value, as disclosed in the accounting policies below. Historical cost is generally based on the fair value of consideration given in exchange for assets.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Bank'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 financial statements, are disclosed in Notes 2(c), (d), (m), (n), 5, 26, 33, 34, 35 and 36.

2. Material Accounting Policies (Continued)

(a) Basis of preparation (continued)

iii) New standards, amendments and interpretations adopted by the Bank

New standards and amendments and interpretations to published standards that became effective for the Bank's financial year beginning on January 1, 2024 were not relevant or not significant to the Bank's operations and accordingly did not impact the Bank's accounting policies or financial statements.

iv) New standards, amendments and interpretations not yet adopted by the Bank

There are a number of new accounting standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Bank has decided not to adopt early. The most significant of these are as follows, which are all effective for the period beginning January 1, 2024:

- Amendments to IAS 21 - Lack of Exchangeability (effective for annual periods beginning on or after January 1, 2025)
- Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 (effective for annual periods beginning on or after January 1, 2026)
- IFRS 18 *Presentation and Disclosure in Financial Statements* (effective for annual periods beginning on or after January1, 2027)

(b) Foreign currency translation

i) Functional and presentation currency

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

2. Material Accounting Policies (Continued)

(b) Foreign currency translation (continued)

ii) 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 recognized as a part of net income in the statement of comprehensive income. Translation differences on monetary financial assets and liabilities carried at fair value are part of the fair value gain and losses. The net foreign exchange gain/(loss) in the Bank's assets and liabilities arising from movements in foreign exchange rates is included in the statement of comprehensive income, and is appropriated from the general reserve to an exchange equalization account within equity and reserves in accordance with Section 31 (2) (a & b) of the Act.

(c) Financial assets

Financial assets represent a contractual right to receive cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions favorable to the Bank.

The Bank's classification of its financial assets depends on the Bank's business model for managing the financial assets and the contractual terms of the cash flows.

The Bank classifies its financial assets in the following categories: fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) and financial assets held at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. The Bank reclassifies debt instruments only when its business model for managing those assets changes.

Debt instruments

Subsequent measurement of debt instruments depends on the Bank's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Bank reclassifies its debt instruments.

2. Material Accounting Policies (Continued)

(c) Financial assets (continued)

i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified into the financial assets at fair value through profit or loss category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management. Any financial asset not held under one of the other business models are measured at fair value through profit and loss.

Financial assets designated as at fair value through profit or loss at inception are those that are managed and whose performance is evaluated on a fair value basis, and are intended to be held for an indefinite period of time but may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Information about these financial assets is provided internally on a fair value basis to the Investment Management Committee. Financial assets classified as at fair value through profit or loss consist of Marketable Securities which are managed by a third party and the International Monetary Fund asset balances which have been so designated by management. Fair value is based on quoted prices for securities traded in active markets (e.g. international securities exchange) or valuation techniques, including recent arm's length transactions, discounted cash flow analyses and other valuation techniques commonly used by market participants, for securities not traded in active markets.

ii) Financial assets at fair value through other comprehensive income

Financial assets are classified and measured at fair value through other comprehensive income once held in a business model whose objective is to collect contractual cash flows and sell financial assets. These financial assets are non-derivatives that are either classified in this business model or are not classified as financial assets at amortized cost or financial assets at fair value through profit or loss. Changes in the carrying amount of these monetary financial assets relating to foreign currency rates and interest income calculated using the effective interest method are recognized in the statement of comprehensive income. Other changes in the carrying amount of financial assets at fair value through other comprehensive income are recognized through other comprehensive income.

Bahamas Government Treasury bills and Bahamas Government Registered Stocks are measured at fair value through other comprehensive income.

2. Material Accounting Policies (Continued)

(c) Financial assets (continued)

iii) Financial assets held at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interests.

Gains or losses arising from sales and changes in fair value of financial assets other than those at FVOCI are recognized as a part of net income in the statement of comprehensive income in the financial period in which they arise.

Accounts set out below are classified as financial assets held at amortized cost:

- Cash and cash equivalents
- Deposits with banks
- Cash on hand
- Foreign Government Securities
- Advances to Bahamas Government
- Loans to Bahamas Development Bank
- Bahamas Development Bank bonds
- Bridge Authority bonds
- Clifton Heritage Authority bonds
- Employee loans and other receivables
- SDR loan to the Government

Subsequent to initial recognition these assets are measured at amortized cost using the effective interest rate method, less any impairment. The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

2. Material Accounting Policies (Continued)

(c) Financial assets (continued)

Recognition and derecognition

Regular-way purchases and sales of financial assets are recognized on the trade date – the date on which the Bank commits to originate, purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs, except financial assets carried at fair value through profit or loss where such costs are expensed as incurred. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or when the Bank has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Fair value is based on quoted prices for securities traded in active markets (e.g. international securities exchange) or valuation techniques, including recent arm's length transactions, discounted cash flow analyses and other valuation techniques commonly used by markets participants, for securities not traded in active markets.

(d) Impairment of financial assets

The Bank assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The measurement of the ECL reflect:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcome;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Bank measures loss allowances at an amount equal to lifetime ECL (LTECL), except for the following, for which they are measured as 12-month ECL (12mECL):

- debt securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

2. Material Accounting Policies (Continued)

(d) Impairment of financial assets (continued)

The Bank considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade' and is issued or guaranteed by a Foreign Government or The Bahamas Government. The Bank does not apply the low credit risk exemption to any other financial instruments.

The ECL is the discounted product of the probability of default (PD) exposure at default (EAD) and the loss given default (LGD).

Inputs, assumptions and estimation techniques factored into measuring ECL

PD - The Probability of Default 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 EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months over the remaining lifetime.

LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

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

The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier. The mechanics of the ECL method are summarized below:

2. Material Accounting Policies (Continued)

(d) Impairment of financial assets (continued)

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

- Stage 1: The 12mECL is calculated as the portion of LTECLs that represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original effective interest rate (EIR).

- Stage 2: When an asset has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

- Stage 3: For assets considered credit-impaired, the Bank recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

Definition of default

The Bank considers a financial asset to be in default as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. This includes events that indicate:

- significant financial difficulty of the borrower or issuer;
- default, in the case of debt instruments or 90 days past due delinquency on loans, in contractual, interest or principal payments;
- high probability of the borrower entering a phase of bankruptcy or a financial reorganization;
- measurable decrease in the estimated future cash flows from the loan or the underlying assets that secure the loan;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise

2. Material Accounting Policies (Continued)

(d) Impairment of financial assets (continued)

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

Significant increase in credit risk (SICR)

The Bank considers a financial instrument to have a SICR when one or more of the following have been met:

- The borrower or counterparty is more than 30 days past due on its contractual payments;
- There has been significant adverse changes in business, financial and/or economic conditions which the counterparty operates;
- Actual or expected forbearance or restricting; and
- A two notch down grade in external credit ratings.

The assessment of a SICR incorporates forward looking information and is performed at the borrower level and on a periodic basis. The criteria used to identify a SICR are monitored and reviewed periodically.

Forward looking information

The assessment of a SICR and the calculation of the ECL incorporates forward looking information. The Bank considers GDP growth as its forward looking factor.

All of the Bank's financial assets subject to impairment assessments are Stage 1 and considered to have a low credit risk. There were no transfers of financial instruments between stages during the reporting period. The Bank did not record any ECLs on these financial instruments as at December 31, 2024 ($Nil as at December 31, 2023) because the amount was deemed not to be material. By their nature, the ECL estimates are subject to measurement uncertainty. The Bank will continue to review its judgments and assumptions to assess whether the ECL estimate has changed. There are no significant past due or impaired amounts as at December 31, 2024 ($nil as at December 31, 2023).

(e) Property and equipment

Property and equipment, other than land, are recorded at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

2. Material Accounting Policies (Continued)

(e) Property and equipment (continued)

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

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

	Rate
Buildings and renovations	2% - 20%
Office equipment	20% - 33%
Computer software	20% - 50%
Office furniture and fittings	20%
Other fixed assets	20% - 33%

Included in Other fixed assets are vehicles depreciated at a rate of 20% and Artworks which the Bank does not depreciate.

Cost of property, plant and equipment under construction are accumulated under work in progress and not depreciated. Work in progress is transferred to the respective asset category and depreciated accordingly when the asset is available for use or when it is in the condition necessary for it to be capable of operating in the manner intended by management.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to depreciation 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 of disposal and its value in use.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognized in the statement of comprehensive income as a part of net income.

2. Material Accounting Policies (Continued)

(f) Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment. The cost of Intangible assets are amortized over their respective estimated useful lives on a straight-line basis, from the date they are available for use. The estimated useful life of an identifiable intangible asset is based on a number of factors including the effects of obsolescence, demand, competition and other economic factors (such as the stability of the industry and known technological advances) and the level of maintenance expenditures required to obtain the expected future cash flows from the asset.

The cost of the Bank's Digital Currency (Sand Dollar) is amortized over an estimated useful life of 5 years. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of comprehensive income when the asset is derecognized.

Development costs are capitalized only after technical and commercial feasibility of the asset for sale or use have been established. This means that the entity must intend and be able to complete the intangible asset and either use it or sell it and be able to demonstrate how the asset will generate future economic benefits.

(g) Financial liabilities

Financial liabilities are any liabilities that are contractual obligations to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Bank; or a contract that will or may be settled in the Bank's own equity instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those designated at fair value through profit or loss) and financial liabilities at amortized cost.

2. Material Accounting Policies (Continued)

(g) Financial liabilities (continued)

i) Financial liabilities at fair value through profit or loss

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking or if so designated by management. Financial liabilities designated as at fair value through profit or loss at inception are those that are managed and whose performance is evaluated on a fair value basis, and are intended to be held for an indefinite period of time but may be extinguished in response to needs for liquidity or changes in interest rates or exchange rates. Information about these financial liabilities is provided internally on a fair value basis to the Investment Management Committee. Financial liabilities classified as at fair value through profit or loss consist of the International Monetary Fund liability balance and has been so designated by management.

Financial liabilities at fair value through profit or loss are initially recognized and subsequently measured at fair value with any gains or losses recognized in the statement of comprehensive income. Fair value is computed using quoted market prices.

ii) Other financial liabilities at amortized cost

Other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method, where applicable.

The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or they expire.

(h) Provisions

Provisions are recognized when the Bank 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.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

2. Material Accounting Policies (Continued)

(h) Provisions (continued)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(i) Currency inventories

Bank notes and coins are recorded at cost upon receipt of stock and are placed into inventory. They are subsequently expensed when issued into circulation.

(j) Numismatic coins

Numismatic coins, which are specially minted or packaged as collectors' items and are not issued for monetary purposes, are not included in coins in circulation. Any profit or loss arising from the sale of these coins is included in the statement of comprehensive income.

(k) Investment currency market payable

In 2019, the investment currency market (ICM) processing was transferred to commercial banks/authorized dealers. Under the new process, the authorized dealers charge a 2.5% ICM Premium and a 2.5% ICM Premium Escrow on processing the transaction. The authorized dealer retains 1.5% and remits 1% of the ICM Premium to the Bank which is recognized in 'Other Income' in the statement of comprehensive income.

The 2.5% ICM Premium Escrow is fully remitted to the Bank and recognized as financial liabilities to be paid to the customers when they return the ICM funds to The Bahamas.

(l) Income and expense recognition

The Bank recognizes income when it is probable that future economic benefits will flow to the Bank and the amount of income can be reliably measured. Income is measured at the fair value of the consideration received or receivable.

Interest income and expense

Interest income is accounted for on an accrual basis using the effective interest method.

2. Material Accounting Policies (Continued)

(l) Income and expense recognition (continued)

Interest income and expense (continued)

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial asset or liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition of the financial asset or liability.

Bank license fee income

The Bank receives an allocation of the license fees collected from commercial banks and other regulated financial institutions. The bank license fee income is recognized at an amount that reflects the consideration to which the Bank expects to be entitled.

Other income

Other income and expenses are recognized on the accrual basis. The performance obligation as well the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Bank's revenue contracts do not typically include multiple performance obligations.

(m) Leases

The Bank is the lessee

The Bank assesses whether a contract is or contains a lease, at inception of the contract. The Bank recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones).

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

2. Material Accounting Policies (Continued)

(m) Leases (continued)

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

(n) Employee benefits

The Bank's employees participate in a defined benefit and a defined contribution pension plan.

Defined Benefit Plan

The Bank's retirement plan has a contributory defined benefit plan with participants being permanent employees who have been employed on or before December 31, 2013 and have not attained age 55. The cost of providing such benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each statement of financial position date. The defined benefit obligation is calculated annually by independent actuaries. Remeasurements are recognized in other comprehensive income when they occur. Past service cost is recognized immediately in the period of a plan amendment or curtailment. Contributions were made by employees at 5% of their base salary and by the Bank at 18.8% up to June 2019.

Effective July 2019, the Pension Plan was amended to:

1. Cease pension accruals while retaining all benefit eligibility rules and calculations for active Members.
2. Allow those already eligible to early retire, and those within 5 years of early retirement eligibility, to stay in or opt out of the Plan with all others receiving a cash payout.
3. Cease contributions from active Members.

2. Material Accounting Policies (Continued)

(n) Employee benefits (continued)

Defined Benefit Plan (continued)

There were no additional contributions from July 2019 up to year-end and any future contributions will be based on the recommendation from the actuary.

The asset or liability amount recognized in the statement of financial position represents the present value of the defined benefit obligation and the current service cost at the end of the reporting period less, the fair value of plan assets.

Any asset arising as a result of this calculation is considered a surplus in the defined benefit plan which is fully recoverable by the Bank.

Defined Contribution Plan

Employees who joined the Bank on or after January 1, 2014 participate in the defined contribution plan. The Bank pays fixed contributions, equivalent to 10% of each member employee's salary, into the Plan which is administered by a third party. These contributions are expensed in the period in which the employees rendered the services entitling them to the benefits. In addition, each member also contributes 5% of their salary. The Bank 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 contributions are recognized as employee benefit expense in the statement of comprehensive income in the period when they are due. The Bank has no further payment obligations once the recognized contributions have been paid.

Health insurance subsidy for retirees

The Bank pays a portion of the group life and health insurance (GLHI) premium for retirees who elect to remain covered by the Bank’s GLHI policy after retirement. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for the defined benefit pension plan. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries. The amount recognized in the statement of financial position represents the present value of the retirement benefit obligation.

2. Material Accounting Policies (Continued)

(n) Employee benefits (continued)

Defined Benefit Plan for Governors and Deputy Governors

Governor's and Deputy Governors participate in a non-contributory defined benefit plan which pays a lifetime pension if ten (10) or more years are served in either or both positions. The cost of providing such benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each statement of financial position date. The defined benefit obligation is calculated annually by independent actuaries. Remeasurements are recognized in other comprehensive income when they occur. Past service cost is recognized immediately in the period of a plan amendment or curtailment. The plan is financed on a pay-as-you-go basis.

The liability recognized in the statement of financial position represents the present value of the defined benefit obligation at the end of the reporting period.

(o) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and cash and deposits with banks that have original contractual maturities of three months or less which are subject to an insignificant risk of changes in value.

(p) Taxation

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

On January 1, 2015, The Value Added Tax (VAT) Act became effective in The Bahamas with 3 categories for goods and services: tax at 7.50%, exempt and zero-rated. The VAT rate was increased to 12.00% effective July 1, 2018. As at January 1, 2022, the VAT rate was reduced to 10%.

The Central Bank's operations include services which are subject to VAT and tax exempt. The standard method of apportionment is used to calculate the allowable VAT Input in accordance with the Act and associated regulations. Any unallowable VAT Input is recognized through profit or loss.

(q) Fiduciary items

No account is taken in these financial statements of assets held or liabilities incurred by the Bank in a fiduciary capacity.

2. Material Accounting Policies (Continued)

(r) Corresponding figures

Corresponding figures shown in the statement of cash flow were amended to reclass the purchase and sale of SDRs from financing activities to investing activities to conform with changes in the current year's presentation.

Corresponding figures shown in Note 32 – *Fair value and hierarchy measurements* and Note 33 – *Liquidity risk* were amended to conform with the current year's presentation.

3. Cash and Deposits with Banks

Cash and deposits with bank comprise the following:

	2024 $	2023 $
Cash and cash equivalents	349,691,252	548,555,266
Deposits with banks (with original contractual maturities greater than three months)	46,075,467	61,634,588
	395,766,719	**610,189,854**

Cash and cash equivalents per the statement of cash flows comprise the following:

	2024 $	2023 $
External Assets		
Cash in vault	3,698,133	527,198
Cash and deposit with banks (with original contractual maturities less than three months)	345,993,119	548,028,068
	349,691,252	548,555,266
Domestic Assets		
Cash on hand	78,483	98,409
	349,769,735	**548,653,675**

Central Bank of The Bahamas

Notes to the Financial Statements
December 31, 2024
(Continued)

4. Property and Equipment

	Land $	Buildings & Renovations $	Office Equipment $	Computer Software $	Office Furniture & Fittings $	Other Fixed Assets $	Work In Progress $	Total $
COST								
As at January 1, 2024	4,664,097	21,651,152	10,584,882	13,223,762	1,629,300	708,502	11,001,413	63,463,108
Additions	-	305,351	52,871	-	173,980	228,579	12,640,124	13,400,905
Reclassification	-	-	-	-	-	-	-	-
Disposals/Retirement/Impairment	-	-	-	-	-	-	-	-
As at December 31, 2024	**4,664,097**	**21,956,503**	**10,637,753**	**13,223,762**	**1,803,280**	**937,081**	**23,641,537**	**76,864,013**
ACCUMULATED DEPRECIATION								
As at January 1, 2024	-	13,103,570	9,205,256	12,882,640	1,370,829	235,851	-	36,798,146
Charge for the year	-	915,404	708,702	166,032	163,849	94,458	-	2,048,445
Disposals/Retirement/Impairment	-	-	-	-	-	-	-	-
As at December 31, 2024	**-**	**14,018,974**	**9,913,958**	**13,048,672**	**1,534,678**	**330,309**	**-**	**38,846,591**
NET BOOK VALUE								
As at December 31, 2024	**4,664,097**	**7,937,529**	**723,795**	**175,090**	**268,602**	**606,772**	**23,641,537**	**38,017,422**
COST								
As at January 1, 2023	4,664,097	20,841,430	10,339,612	13,217,012	1,549,484	680,453	8,169,811	59,461,899
Additions	-	964,310	245,270	6,750	79,816	116,000	3,074,670	4,486,816
Reclassification	-	-	-	-	-	-	-	-
Disposals/Retirement/Impairment	-	(154,588)	-	-	-	(87,951)	(243,068)	(485,607)
As at December 31, 2023	**4,664,097**	**21,651,152**	**10,584,882**	**13,223,762**	**1,629,300**	**708,502**	**11,001,413**	**63,463,108**
ACCUMULATED DEPRECIATION								
As at January 1, 2023	-	12,182,080	8,562,028	12,840,025	1,228,847	244,792	-	35,057,772
Charge for the year	-	921,490	643,228	42,615	141,982	79,010	-	1,828,325
Disposals/Retirement/Impairment	-	-	-	-	-	(87,951)	-	(87,951)
As at December 31, 2023	**-**	**13,103,570**	**9,205,256**	**12,882,640**	**1,370,829**	**235,851**	**-**	**36,798,146**
NET BOOK VALUE								
As at December 31, 2023	**4,664,097**	**8,547,582**	**1,379,626**	**341,122**	**258,471**	**472,651**	**11,001,413**	**26,664,962**

4. Property and Equipment (Continued)

Work in Progress

Cash and Data Centre Project

During 2020, the Bank completed the purchase of land for the future location of the Bank's Cash and Data Centre. In 2020, the accumulated costs were transferred to land and work in progress in the amount of $2,211,159 and $268,708, respectively, upon conveyance of the land title. The Bank anticipated that the initial phase of construction would commence near the end of 2021, however this was rescheduled for mid–June 2024. As at December 31, 2024, the Bank has outstanding contractual commitments on the Cash and Data Centre Project in the amount of $64,705,025 (2023: $1,239,349).

The Bank broke ground in 2024 and anticipates completion within 24 months in 2026.

Information Technology (IT) Modernization Project

The Bank continues to progress the IT Modernization Project geared towards achieving corporate goals, reducing overall long-term costs, improving performance and operational efficiencies which includes network upgrades and changing to a new Enterprise Resource Planning system (ERP).

The third-party vendor remains engaged and progresses the implementation of PeopleSoft's Financial Supply Chain Management (FSCM) and Human Capital Management (HCM) solutions software. PeopleSoft will replace the existing JD Edwards platform which is currently utilized by the Bank.

As at December 31, 2024, the Bank has no outstanding contractual commitments to service providers and consultants for the IT Modernization project (2023: $196,798). The Bank established a revised completion time of August 2025 (Phase 1) and continues to assess the completion date for Phase 2.

5. Intangible Assets

	Sand Dollar Project $	Development Costs $	Total $
COST			
As at January 1, 2024	10,311,852	-	10,311,852
Additions	-	-	-
As at December 31, 2024	**10,311,852**	**-**	**10,311,852**
ACCUMULATED AMORTIZATION			
As at January 1, 2024	4,772,169	-	4,772,169
Amortization	2,062,370	-	2,062,370
As at December 31, 2024	**6,834,539**	**-**	**6,834,539**
NET BOOK VALUE			
As at December 31, 2024	**3,477,313**	**-**	**3,477,313**

	Sand Dollar Project $	Development Costs $	Total $
COST			
As at January 1, 2023	7,499,752	1,134,151	8,633,903
Additions	-	1,677,949	1,677,949
As at December 31, 2023	**7,499,752**	**2,812,100**	**10,311,852**
ACCUMULATED AMORTIZATION			
As at January 1, 2023	3,045,389	-	3,045,389
Amortization	1,726,780	-	1,726,780
As at December 31, 2023	**4,772,169**	**-**	**4,772,169**
NET BOOK VALUE			
As at December 31, 2023	**2,727,583**	**2,812,100**	**5,539,683**

5. Intangible Assets (Continued)

Sand Dollar Project

In 2019, the Bank entered into a contract with a 3rd party for the development of a Bahamas Digital Currency known as the Sand Dollar. As at December 31, 2024, the Bank has outstanding contractual commitments with the Sand Dollar developer in the amount of $430,400 (2023: $170,701).

In accordance with Section 12 of the Act, electronic currency (Sand Dollar) issued by the Bank are considered as legal tender in The Bahamas. Section 15 of the Act also provides power to the Bank to make regulations for the purpose of prescribing the framework under which the electronic currency is issued.

6. External Assets

External assets comprise those assets defined by Section 17(3) of the Act. The Act also requires that the value of external assets shall not at any time be less than 50% of the value of the aggregate of the notes and coins in circulation and other demand liabilities of the Bank. At year end, external assets represented 89.24% (2023: 88.99%) of such liabilities.

7. Foreign Government Securities

Foreign Government Securities represent internally managed marketable securities issued or guaranteed by foreign governments. At December 31, 2024, marketable securities held by the Bank, which mature after 5 years, constituted 19.12% (2023:13.52%) of the Bank's external assets. The movement in Foreign Government Securities classified as financial assets held at amortized cost are as follows:

	2024 **$**	**2023** **$**
Beginning balance	1,556,332,126	1,640,801,162
Purchases at nominal value	1,227,988,000	466,313,000
Discount on purchases	(8,879,663)	(3,190,017)
Redemptions/maturities	(898,069,000)	(550,129,000)
Discount earned	6,447,378	3,628,540
Amortized premium	(1,433,347)	(1,091,559)
	1,882,385,494	1,556,332,126
Add: Accrued interest	14,271,734	9,478,662
Ending balance	**1,896,657,228**	**1,565,810,788**

7. Foreign Government Securities (Continued)

These securities bear interest at rates varying between 0.25% and 6.00% (2023: 0.00% and 6.00%).

During the year, the Bank has also purchased callable foreign government securities in order to maximize the interests earned on its available funds. These securities are callable by the issuer prior to maturity and not at the option of the Bank thus continued to be treated as financial assets at amortized cost.

8. Marketable Securities

These represent securities that are externally managed by a third party.

The movement in marketable securities classified as financial assets at fair value through profit or loss are as follows:

	2024 $	2023 $
Beginning balance	153,453,278	147,011,064
Purchases	79,732,890	92,351,453
Sales	(75,133,275)	(89,006,082)
Realized loss	(1,377,557)	(7,926,278)
Unrealized (loss)/gain	(498,929)	11,023,121
	156,176,407	153,453,278
Add: Accrued interest	1,142,843	878,768
Ending balance	**157,319,250**	**154,332,046**

9. International Monetary Fund

Background

The International Monetary Fund (IMF) is an organization of 190 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world. The Bahamas was admitted as a member of the IMF on August 21, 1973.

Quota, Subscriptions and Reserve Tranche

Each IMF member country is assigned a quota, or contribution, that reflects the country's relative size in the global economy. Quotas are denominated in Special Drawing Rights (SDRs), the IMF's unit of account, which is essentially a specified basket of five (5) international currencies (i.e., the U.S. dollar, the Euro, the Chinese renminbi, the Japanese Yen, and the British pound sterling).

9. International Monetary Fund (Continued)

Quota, Subscriptions and Reserve Tranche (continued)

As of December 31, 2024, The Bahamas was assigned a quota of SDR 182,400,000 (2023: SDR 182,400,000) which represents 0.04% (2023: 0.04%) of the total quota allocated by the IMF.

A member's quota determines that country's financial and organizational relationship with the IMF which includes:

- Determining the maximum amount of financial resources the member is obliged to provide to the IMF via its subscription;
- Determining a member's voting power in IMF decisions; and
- Establishing the maximum amount of financing a member can obtain from the IMF.

The Reserve Tranche Position (RTP) represents that proportion of the required quota of currency that each IMF member country must provide to the IMF, but can designate for its own use. The RTP was purchased from the Government of The Bahamas in 1976 and can be encashed on demand in order to meet a balance of payments financing need. This reserve asset is established when a member pays its initial subscription into the IMF at the predetermined amount of SDR or freely usable currency. The IMF designates freely usable currencies as those widely used to make payments for international transactions and are traded in the principal exchange markets.

The Bahamian dollar is designated as an unusable currency which permits the Bank to pay the non-reserve portion of the quota in the form of promissory notes. Subsequent to its initial subscription into the IMF, the Bank has increased the IMF subscriptions of The Bahamas by issuing, non-negotiable, interest-free promissory notes which are payable if the IMF requires an emergency loan. Payment of the promissory notes will give rise to an equal and opposite receivable from the IMF. These promissory notes were issued by the Bank and the Government of The Bahamas on behalf of the Bank, in the Bahamian dollar equivalents of SDR 43,275,901 and SDR 114,698,515 (2023: SDR 43,275,901 and SDR 114,698,515) respectively, convertible into US$ at a rate of 0.766792 (2023: 0.74534) as at December 31, 2024. The promissory notes form, in substance, part of a loan commitment to the IMF and as such are not recognized on the statement of financial position.

9. International Monetary Fund (Continued)

Quota, Subscriptions and Reserve Tranche (continued)

The IMF reserve tranche represents the difference between the members quota and the sum of promissory notes and subscription payments in local currency paid to the IMF as noted below:

	2024		2023	
	SDR	$	SDR	$
Quota	182,400,000	237,874,156	182,400,000	244,720,530
Subscription payments in promissory notes	(157,974,416)	(206,019,907)	(157,974,416)	(211,949,467)
Subscription payments in local currency	(5,140,304)	(6,703,648)	(5,140,304)	(6,896,590)
Reserve tranche	**19,285,280**	**25,150,601**	**19,285,280**	**25,874,473**

The movement in the reserve tranche during the year are as follows:

	2024		2023	
	SDR	$	SDR	$
Beginning balance	19,285,280	25,874,474	19,285,280	25,665,695
Currency movement	-	(723,873)	-	208,778
Total	**19,285,280**	**25,150,601**	**19,285,280**	**25,874,473**

SDR Holdings and SDR Allocation

The IMF may allocate SDRs to member countries in proportion to their IMF quotas. SDRs allocated is treated as a liability in the financial statements of a member, with an equal asset initially being recorded in the form of SDR Holdings.

Members can hold their SDRs as part of their international reserves or sell part or all of their SDR holdings. Members can exchange SDRs for freely usable currencies (and vice versa) among themselves and with prescribed holders; such exchange can take place under a voluntary arrangement or under designation by the IMF. Revaluation differences of SDR assets and liabilities are reported in net foreign exchange gains/losses account in the statement of comprehensive income.

IMF members can also use SDRs in operations and transactions involving the IMF, such as the payment of interest on and repayment of loans, or payment for future quota increases.

Consequently, a member's SDR Holdings (asset) and SDR Allocation (liability) can be different at a point in time.

9. International Monetary Fund (Continued)

SDR Holdings and SDR Allocation (continued)

The IMF pays interest at the SDR interest rate on the amount that a member's net holdings exceed their cumulative allocations. Conversely, if a member's SDR holdings are below its allocation, it incurs a net interest obligation.

Interest on SDR holdings and allocations are received/paid quarterly. The SDR interest rate is determined weekly on each Friday and is based on a weighted average of representative interest rates on three months debt in the money markets of the basket of five (5) SDR international currencies.

SDR Holdings

	2024		2023	
	SDR	$	SDR	$
Beginning balance	119,220,204	159,953,119	124,532,559	165,733,380
Purchases	8,000,000	10,494,047	-	-
Sales	-	-	-	-
Remuneration and other charges	(6,741,476)	(8,945,577)	(5,312,355)	(7,092,773)
Currency movement	-	(4,381,108)	-	1,312,512
Total	120,478,728	157,120,481	119,220,204	159,953,119
Add: Accrued interest		928,563		1,236,921
Ending balance		**158,049,044**		**161,190,040**

SDR Allocation

	2024		2023	
	SDR	$	SDR	$
Beginning balance	299,235,548	401,475,231	299,235,548	398,235,764
Additional SDR	-	-	-	-
Currency movement	-	(11,231,790)	-	3,239,467
Total	299,235,548	390,243,441	299,235,548	401,475,231
Add: Accrued interest		2,127,947		2,760,856
Ending balance		**392,371,388**		**404,236,087**

In accordance with a resolution of the Board of Governors of the IMF, effective December 11, 1978, The Bahamas became a participant in the Special Drawing Rights Department of the IMF, receiving a total allocation of SDR 10,230,000 between 1979 and 1981. A general allocation took effect on August 28, 2009 and a special allocation on September 9, 2009 and increased the Bank’s allocations to SDR 124,413,351. On August 23, 2021, the IMF allocated 456 Billion in SDR to its entire membership of countries, increasing the Bank’s allocation to 299,235,548. In December 2022, the Bank loaned the Government of the Commonwealth of The Bahamas $232,260,313 from the conversion of SDR 174,822,197 as disclosed in Note 17. The interest rate, which is the same on both SDR Holdings and allocation, varied between 3.16% and 4.11% (2023: 2.92% and 4.20%).

10. Bahamas Development Bank Bonds

The movement in the Bahamas Development Bank bonds is as follows:

	2024 $	2023 $
Balance	4,000,000	4,000,000
Add: Accrued interest	135,144	134,135
Total	**4,135,144**	**4,134,135**

These bonds bear interest at the Bahamian dollar prime rate of 4.25% (2023: 4.25%) with $2,000,000 maturing on August 1, 2025 and November 1, 2025, respectively.

11. Advances to Bahamas Government

Section 21(1) of the Act, Amended, states that the Bank shall not make any direct or indirect advances to the Government or to any public corporation. However, per Section 21(4) of the Act, Amended, the Bank may provide temporary loans to the Government, where the amount of the loans, which may be outstanding at any one time, taken together with the Treasury bills or securities issued or guaranteed by the Government or a public corporation, shall not exceed, in aggregate, 30% of the average ordinary revenue of the Government or 30% of the estimated ordinary revenue of the Government, whichever is less. There was an amendment of Section 21 which reduced the temporary loan limits from 30.00% to 15.50% of the average revenue of the Government or the estimated ordinary revenue of the Government, whichever is less, and excluded the Treasury bills and securities in the calculation.

At the year-end date, advances to the Government were within the Bank's temporary loan limits to the Government.

The movements in advances for the year are as follows:

	2024 $	2023 $
Beginning balance	192,046,100	335,000,000
Additional advances	1,310,138,300	1,296,992,200
Repayments	(1,171,138,300)	(1,439,946,100)
	331,046,100	192,046,100
Add: Accrued interest	1,764,492	1,443,641
Ending balance	**332,810,592**	**193,489,741**

11. Advances to Bahamas Government (Continued)

The advances, which are repayable on demand, are as follows:

Rate	2024 $	2023 $
2.905%		63,146,100
2.907%		128,900,000
2.981%	33,146,100	-
2.962%	128,900,000	-
2.962%	10,000,000	-
2.962%	50,000,000	-
2.989%	30,000,000	-
2.989%	24,000,000	-
2.992%	55,000,000	-
	331,046,100	**192,046,100**

12. Bahamas Government Registered Stocks

The Bahamas Government Registered Stocks were classified as financial assets at fair value through other comprehensive income upon the adoption of IFRS 9. The movements in Bahamas Government Registered Stocks are as follows:

	2024 $	2023 $
Beginning balance	470,019,638	297,434,966
Purchases	288,813,649	288,603,576
Market value adjustment	300,316	543,071
Redemptions/maturities	(321,108,018)	(116,561,975)
	438,025,585	470,019,638
Add: Accrued interest	6,340,779	6,217,452
Ending balance	**444,366,364**	**476,237,090**

Bahamas Government Registered Stocks bear interest at rates ranging between 0.028125% and 6.25% (2023: 0.027344% and 6.25%).

13. Loans to Bahamas Development Bank

This balance is comprised of a Government Guaranteed loan facility made available in accordance with Section 23(h) of the Act.

The movement in loans to Bahamas Development Bank are as follows:

	2024 $	2023 $
Beginning balance	1,500,000	1,625,000
Repayments	-	(125,000)
	1,500,000	1,500,000
Add: Accrued interest	59,948	35,126
Ending balance	**1,559,948**	**1,535,126**

The loan bore interest at 2.00% (2023: 2.00%), with $1,500,000 maturing on October 28 2024 and remains outstanding pending settlement.

14. Bridge Authority Bonds

The movements in the Bridge Authority bonds are as follows:

	2024 $	2023 $
Beginning balance	478,100	463,100
Purchases	1,700	15,000
Maturities	(404,800)	-
	75,000	478,100
Add: Accrued interest	5,642	10,170
Ending balance	**80,642**	**488,270**

These remaining bonds outstanding bear interest at 1.63% per annum over the Bahamian dollar prime rate and matures on March 24, 2029. In 2023 the bonds bore interest at rates ranging from 1.50% to 1.63% per annum over the Bahamian dollar prime rate. In 2024 $404,800 matured on March 24, 2024.

15. Clifton Heritage Authority Bonds

These bonds, which mature on May 20, 2025, bear interest at 4.75%. The balance of the Clifton Heritage Authority bonds is made up of the following:

	2024 $	2023 $
Beginning balance	664,900	660,900
Purchases	-	4,000
	664,900	664,900
Add: Accrued interest	5,350	19,574
Total	**670,250**	**684,474**

16. Bahamas Government Treasury Bills

Bahamas Government Treasury bills are discounted at rates ranging between 98.29% and 99.26% (2023: 99.27% and 99.55%) maturing 91 to 182 days from acquisition.

	2024 $	2023 $
Beginning balance	45,664,097	11,679,961
Purchases	64,284,741	71,285,726
Redemptions/maturities	(99,995,524)	(37,301,590)
	9,953,314	45,664,097
Add: Discount earned	33,520	178,950
Ending balance	**9,986,834**	**45,843,047**

17. SDR Loan to the Government

During November 2022, the Government and Central Bank agreed a Memorandum of Understanding (the "MOU") that allowed the Government to access SDRs totaling 174.8 million.

The SDRs are convertible into US$ and at year end, the loan totaled $226,099,090 (2023: $234,152,905). The loan bears variable interest rates, which fluctuate on a monthly basis, ranging from 3.16% to 4.11% (2023: 2.92% to 4.20%). The interest shall be repaid at such frequency and on such dates as may be set by the IMF which is normally on a quarterly basis. To date, the Government has not commenced repayment of the loan.

The MOU further stipulates all obligations related to the SDRs including all costs, charges and payment of interest will be the responsibility of the Government without a financial burden to the Bank.

17. SDR Loan to the Government (Continued)

Set out below are the movements during the year:

	2024 $	2023 $
Beginning balance	234,152,905	232,661,032
Currency movement	(8,053,815)	1,491,873
	226,099,090	234,152,905
Interest accrual	1,713,220	5,003,732
Ending balance	**227,812,310**	**239,156,637**

18. Receivables and Other Assets

The receivables and other assets are comprised of:

	2024 $	2023 $
Prepayments, deposits and advances	8,579,165	2,893,401
Employee loans	5,323,562	4,579,312
Numismatic coins	465,154	457,894
Due from Retirement Plan – Governors and Deputy Governors	591,084	249,282
Others	652,735	1,631,844
	15,611,700	9,811,733
Less: Provision for bad debt on employee loans	(210,512)	(210,512)
Ending balance	**15,401,188**	**9,601,221**

19. Currency in Circulation

In accordance with the Act, the Bank has the sole authority to issue banknotes for circulation in The Bahamas. A breakdown, by denomination, is presented below.

Notes	**2024**	**2023**
	$	**$**
0.50	950,529	940,232
1.00	28,565,569	27,975,615
3.00	2,231,202	2,227,497
5.00	13,946,605	13,729,285
10.00	23,150,290	22,823,040
20.00	58,707,780	58,708,300
50.00	127,801,450	123,737,000
100.00	361,720,300	332,207,000
Other bank notes	82,018	82,018
	617,155,743	**582,429,987**

Coins	**2024**	**2023**
	$	**$**
Coins in Circulation	27,794,391	26,486,399
Demonetized currency liability	6,642,600	6,642,600
	34,436,991	**33,128,999**

In 2018, the Bank commissioned third party consultants to conduct a study to determine the need for the future issuance of the 1-cent coin considering its low circulation to demand ratio, high production costs and lackluster public sentiments. In 2019, the Bank affirmed its decision to demonetize the 1-cent coin in order to address the negative seignorage and loss of purchasing power. This decision was supported with a marketing campaign to inform and educate the public on the eventual elimination of the coin and to coordinate public redemption opportunities.

The Bank facilitated an 18-month redemption by weight programme commencing October 2020 and ending in July 2021. The goal was to improve efficiency of existing denominational line-up given the lack of circulation of the 1-cent denomination and production cost of which amounted to approximately $443,000 annually.

19. Currency in Circulation (Continued)

Demonetised currency liability

The redemption exercise resulted in 664,260,000 1-cent coins remaining outstanding as at December 31, 2024 and 2023 per the below table.

Estimated 1-Cent Coins in Circulation - 2019	Estimated 1-Cent Coins Redeemed - 2021	Total 1-Cent Coin Liability	Total 1-Cent Coin Liability - expressed in dollars ($)
720,000,000	55,740,000	664,260,000	6,642,600

The Bank will recognize the remaining $6,642,600 as gain on extinguishment once the Act is revised and the obligation is written off.

20. Deposits by Commercial Banks

Deposits by commercial banks include current account balances deposited as statutory reserves in accordance with Section 19 of the Act. The remaining funds deposited in the current account are used to facilitate settlement and to effect foreign currency transactions.

The present level of the statutory reserves applicable to commercial banks is 5.00% of total Bahamian dollar deposit liabilities, of which at least 4.00% must be placed on deposit with the Bank. These deposits are interest free and are repayable on demand, subject to maintenance of minimum balances required by the Act.

21. Deposits by International Agencies

The Bank is designated as the fiscal agency for the Commonwealth of The Bahamas. Deposits by international agencies include deposits in Bahamian currency by the World Bank, the International Monetary Fund and the Inter-American Development Bank. These deposits are interest free and are repayable on demand.

22. Accounts Payable and Other Liabilities

Included in accounts payable and other liabilities are Bahamas Inter-bank Settlement (BIS) deposit and transfer transactions that were not cleared by the Bank as at December 31, 2024 totaling $3,289,846 (2023: $25,288,294).

Once subsequently cleared, these transactions are applied to the commercial banks, Bahamas Government and Bahamas Government agencies deposits.

23. Equity and Reserves

Capital management - The Bank's objectives when managing capital, which consists of total equity and reserves on the statement of financial position, are:

- To comply with the capital requirements outlined in Sections 6 and 7 of the Act;
- To safeguard the Bank's ability to continue as a going concern in its provision of Central Banking facilities for The Bahamas; and
- To maintain a strong capital base to support the development of the Bahamian economy.

Capital adequacy and the use of regulatory capital are monitored by the Bank's management, and in accordance with the guidelines established by the Act.

At December 31, 2023 and 2024, the Bank's paid up capital was equal to the authorized capital of $3,000,000.

To comply with Section 31(2) of the Act, the table below presents the distributable earnings of the Bank by deducting from the net income the total amount of "unrealized revaluation gains". Section 7(1)(b) of the Act defines unrealized revaluation gains to include gains and losses arising from the Bank's positions in foreign currencies, gold securities and other financial assets.

	2024 $	2023 $
Net income	85,289,782	62,963,176
Appropriation of foreign exchange loss	2,134,848	196,969
Unrealized loss/(gain) on marketable securities	498,929	(11,023,121)
Distributable earnings per the Act	87,923,559	52,137,024

23. Equity and Reserves (Continued)

Fair value reserve – This account pertains to the unrealized gain/loss on fair value of Bahamas Government Registered Stocks which are classified as financial assets at fair value through other comprehensive income.

Exchange equalization account - This account represents the net foreign exchange gain or loss arising from the revaluation of foreign currency monetary assets and liabilities of the Bank at the date of the statement of financial position.

Building fund - This account represents a reserve for construction of a new premises. During the year, $20 million was appropriated from the general reserve to the building fund.

General reserve - Section 32 of the Act requires that, at the end of any year where the amount in the general reserve exceeds twice the authorized capital of the Bank or 15% of the average amount of demand liabilities of the Bank over the last 3 years, whichever is greater, the excess shall be paid to the Consolidated Fund, unless the Minister of Finance determines otherwise.

The balance of the general reserve at the year-end amounted to $298,351,293 (2023: $235,443,357) equivalent to 10.11% (2023: 8.32%) of demand liabilities.

24. Income

	2024 $	2023 $
Interest on foreign investments		
Demand deposits	22,586,156	18,417,137
Fixed deposits	13,213,823	13,298,263
Interest earned on Externally Managed Funds	4,916,002	3,560,744
Income on Marketable Securities	51,717,711	32,380,390
Interest income on SDR	5,889,818	5,991,447
	98,323,510	73,647,981
Interest on domestic investments		
Bahamas Development Bank bonds	170,466	170,000
Bahamas Government Registered Stocks	21,374,241	13,919,220
Bridge Authority bonds	11,416	28,944
Bahamas Government Treasury bills	305,407	313,167
Clifton Heritage bonds	33,393	31,585
	21,894,923	14,462,916
Interest on loans		
Loans to Bahamas Development Bank	24,822	30,555
Government advances	6,953,425	9,627,005
SDR Loan to Government	8,857,288	8,991,565
Staff	126,151	118,868
	15,961,686	18,767,993
Interest expense on IMF allocation	(15,227,793)	(15,094,486)
Gains/(losses) on investments		
Net foreign exchange loss	(2,134,848)	(196,969)
Realized gain/(loss) on Marketable Securities:		
Externally Managed Marketable Securities	(1,377,557)	(7,926,278)
Foreign Government Securities	8,075,182	-
Unrealized (loss)/gain on Marketable Securities	(498,929)	11,023,121
Net trading loss/ on Bahamas Government Registered Stocks	(199,709)	(423,692)
	3,864,139	2,476,182
Bank license fees income	10,900,000	4,900,000
Other income		
Bank statutory fines	1,490	293
Commission on foreign currency sales	1,833,743	1,668,885
Premium on Investment Currency Market	1,128,633	1,849,291
Other	2,016,974	2,166,746
	4,980,840	5,685,215
Total income	**140,697,305**	**104,845,801**

25. Expenses

	2024 $	2023 $
Staff costs		
Salaries, wages and gratuity	17,807,486	16,478,600
Group insurance plan	2,253,239	2,019,559
Defined contribution plan	1,289,581	1,232,951
Health insurance subsidy	1,053,337	794,521
Staff training	1,615,883	1,250,857
National insurance	683,209	583,101
Former Governors' retirement benefit	256,148	242,527
Responsibility allowance	83,240	64,300
Defined benefit plan	(62,351)	(68,300)
Other	572,718	348,841
	25,552,490	**22,946,957**

	2024 $	2023 $
General and administrative		
Professional fees	7,226,962	5,784,844
Currency	2,347,015	2,147,267
Utilities	1,366,030	1,391,120
Repairs and maintenance	1,503,448	1,362,187
Insurance	364,660	332,635
Subscription and membership fees	372,994	324,325
Cash shipment	346,577	307,476
Directors' remuneration	213,700	251,167
Audit fees	150,300	155,533
Rent and common area maintenance	7,374	9,160
Stationery and office supplies	4,549	1,073
Other	2,779,585	2,286,094
Central Bank Intra-Regional Games	835,419	5,300
External Consultancy	6,960,619	-
Central Bank Anniversary Celebrations	426,668	31,485
	24,905,900	**14,389,666**

26. Right-of-Use Assets and Lease Liabilities

The Bank has lease contracts for various items of land and buildings, used in its operations. Leases of land and buildings generally have lease terms between 3 and 8 years.

26. Right-of-Use Assets and Lease Liabilities (Continued)

Right-of-Use Assets

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the years.

	Land and Buildings $	Total $
January 1, 2024	2,568,450	2,568,450
Additions	1,023,977	1,023,977
Amortization	(838,318)	(838,318)
December 31, 2024	**2,754,109**	**2,754,109**

	Land and Buildings $	Total $
January 1, 2023	3,159,274	3,159,274
Additions	157,005	157,005
Amortization	(747,829)	(747,829)
December 31, 2023	**2,568,450**	**2,568,450**

Lease Liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	Land and Buildings $	Total $
January 1, 2024	2,593,206	2,593,206
Effect of lease modification	-	-
Additions	1,023,977	1,023,977
Interest expense	110,618	110,618
Payments	(923,011)	(923,011)
December 31, 2024	**2,804,790**	**2,804,790**

26. Right-of-Use Assets and Lease Liabilities (Continued)

Lease Liabilities (Continued)

	Land and Buildings $	Total $
January 1, 2023	3,143,977	3,143,977
Additions	157,005	157,005
Interest expense	112,150	112,150
Payments	(819,926)	(819,926)
December 31, 2023	**2,593,206**	**2,593,206**

The following are the amounts recognized in net income:

	2024 $	2023 $
Amortization on right-of-use assets	838,318	747,829
Interest expense on lease liabilities	110,618	112,150

The total cash outflows for leases in 2024 was $923,011 (2023: $819,926).

The maturity analysis of lease liabilities follows:

	2024 $	2023 $
1 year	67,486	736,288
2-5 years	2,737,304	1,856,918
Over 5 years	-	-
	2,804,790	**2,593,206**

Common area maintenance and non-lease components are recognized in net income.

The Bank has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Bank's business needs. Management exercises significant judgement in determining whether these extensions and termination options are reasonably certain to be exercised.

27. The Deposit Insurance Corporation

During 1999, in accordance with Section 5(1) of the Protection of Depositors Act, 1999, the Bank has made an initial capital contribution of $500,000 in the Deposit Insurance Corporation (DIC). This represents 100% of the paid-up portion of the capital of DIC, which was established to manage the Deposit Insurance Fund set up to protect deposits placed with member institutions.

In the opinion of the Directors, the Bank is not exposed, or has rights, to variable returns from its involvement with the DIC and does not have the ability to affect its returns. Consequently, the Deposit Insurance Corporation is not treated as a subsidiary in these financial statements.

Considering the substance of this transaction, this contribution does not meet the recognition criteria as an investment and was subsequently derecognized.

28. Commitments & Contingencies

(a) Contingencies

The Bank is party to claims in the normal course of business, which are at various stages of the judicial process. The Bank is defending all such claims and is of the opinion that the outcomes, which cannot presently be determined, will not adversely affect its operations or financial position.

(b) Commitments

Printing of Currency

The Bank also commits to order currency from several minters and printers. At year-end, the Bank was committed to the following payments for currency:

	2024 **$**	**2023** **$**
Not later than one year	2,986,390	25,520,000

29. Concentration of Assets and Liabilities

	2024 $	2023 $
EXTERNAL ASSETS		
Geographic Region		
North America	89.58%	83.00%
Other	10.42%	17.00%
	100.00%	100.00%
Industry		
Government Sector	100.00%	100.00%
DOMESTIC ASSETS		
Geographic Region		
Bahamas	100.00%	100.00%
Industry		
Government Sector	100.00%	100.00%
DEMAND LIABILITIES		
Geographic Region		
Bahamas	100.00%	100.00%
Industry		
Financial Sector	92.61%	96.58%
Government Sector	7.39%	3.42%
	100.00%	100.00%
OTHER LIABILITIES		
Geographic Region		
North America	100.00%	100.00%
Industry		
Financial Sector	100.00%	100.00%

30. Related Party Transactions

Related parties comprise i) Government ministries and departments; ii) Government corporations and agencies; iii) entities controlled by the Government; iv) entities in which the Government has a significant ownership interest; and v) key management personnel. Not all transactions between the Bank and government-related entities have been disclosed, as permitted by the partial exemption available to wholly-owned government entities in International Accounting Standard 24 Related Party Disclosures.

30. Related Party Transactions (Continued)

The Bank provides certain services to the Government of The Bahamas, in accordance with its mandate under Sections 20 to 26 of the Act. These services include but are not limited to:

- Act as banker to the Government or any public corporation;
- Act as the agent of the Government in the management of the public debt;
- Make temporary advances to the Government;
- Open accounts for, accept deposits from, and collect money for or on account of, the Government or any public corporation; and
- Buy, hold and sell securities issued or guaranteed by the Government

Bank license fee income

As regulator of banks and related financial institutions in accordance with the Bank and Trust Companies Regulation Act 2020, the Bank collects license fees from registered entities and remits the funds to the Government of The Bahamas. The Bank then receives an allocation of the license fees collected and recognizes as bank license fee income as disclosed in Note 24.

During the year, the allocation received by the Bank of $10,900,000 (2023: $4,900,000).

Key management remuneration

The Bank's senior officials and directors are regarded to be its key management personnel.

The following balances and transactions relate to key management personnel:

(a) Compensation:

	2024 **$**	**2023** **$**
Senior officials' salaries and short-term benefits	3,267,866	2,853,734
Directors' remuneration	213,700	251,167
Post-employment benefits	162,077	160,262
	3,643,643	**3,265,163**

30. Related Party Transactions (Continued)

(b) Other assets include secured loans to employees totaling $5,113,051 (2023: $4,368,800), net of provision for bad debt totaling $210,512 (2023: $210,512), of which the following relates to key management personnel:

	2024 $	2023 $
Beginning of the year	529,618	667,334
Advances during the year	249,590	158,192
Repayments during the year	(391,529)	(295,908)
End of the year	**387,679**	**529,618**

(c) Post-employment pension obligation and other benefits:

	2024 $	2023 $
Defined benefit pension plan for Governors and Deputy Governors	2,093,944	1,441,382
Gratuity	179,040	206,992
End of the year	**2,272,984**	**1,648,374**

Central Bank of The Bahamas

Notes to the Financial Statements
December 31, 2024
(Continued)

31. Financial Instruments

Categories of Financial Instruments

	Amortized Cost $	Fair Value Through Profit or Loss $	Fair Value Through Other Comprehensive Income $	Total Carrying Amount $
December 31, 2024				
EXTERNAL ASSETS				
Cash and deposits with banks	395,766,719	-	-	395,766,719
Foreign Government securities	1,896,657,228	-	-	1,896,657,228
Marketable securities	-	157,319,250	-	157,319,250
International Monetary Fund:				
Bahamas reserve tranche	-	25,150,601	-	25,150,601
Special drawing rights - holdings	-	158,049,044	-	158,049,044
DOMESTIC ASSETS				
Cash on hand	78,483	-	-	78,483
Bahamas Development Bank bonds	4,135,144	-	-	4,135,144
Advances to Bahamas Government	332,810,592	-	-	332,810,592
Bahamas Government Registered Stock	-	-	444,366,364	444,366,364
Loans to Bahamas Development Bank	1,559,948	-	-	1,559,948
Bridge Authority Bonds	80,642	-	-	80,642
Clifton Heritage Authority Bonds	670,250	-	-	670,250
SDR Loan to Government	227,812,310	-	-	227,812,310
Bahamas Government Treasury Bills	-	-	9,986,834	9,986,834
Employee loans and other receivables	5,765,786	-	-	5,765,786
Total	**2,865,337,102**	**340,518,895**	**454,353,198**	**3,660,209,195**

31. Financial Instruments (Continued)

Categories of Financial Instruments (continued)

	Fair Value Through Profit or Loss $	Other Financial Liabilities $	Total Carrying Amount $
December 31, 2024			
DEMAND LIABILITIES			
Notes in circulation	-	617,155,743	617,155,743
Coins in circulation	-	34,436,991	34,436,991
Sand Dollar in circulation	-	2,622,538	2,622,538
Deposits by commercial banks	-	2,051,506,541	2,051,506,541
Deposits by Bahamas Government and Bahamas Government agencies	-	200,703,221	200,703,221
Deposits by International agencies	-	255,150	255,150
Accounts payable and other liabilities	-	8,242,507	8,242,507
Investment currency market payable	-	15,559,080	15,559,080
OTHER LIABILITIES			
International Monetary Fund: Special drawing rights allocation	392,371,388	-	392,371,388
Total	**392,371,388**	**2,930,481,771**	**3,322,853,159**

Central Bank of The Bahamas

Notes to the Financial Statements
December 31, 2024
(Continued)

31. Financial Instruments (Continued)

Categories of Financial Instruments (continued)

	Amortized Cost $	Fair Value Through Profit or Loss $	Fair Value Through Other Comprehensive Income $	Total Carrying Amount $
December 31, 2023				
EXTERNAL ASSETS				
Cash and deposits with banks	610,189,854	-	-	610,189,854
Foreign Government securities	1,565,810,788	-	-	1,565,810,788
Marketable securities	-	154,332,046	-	154,332,046
International Monetary Fund:				
Bahamas reserve tranche	-	25,874,473	-	25,874,473
Special drawing rights - holdings	-	161,190,040	-	161,190,040
DOMESTIC ASSETS				
Cash on hand	98,409	-	-	98,409
Bahamas Development Bank bonds	4,134,135	-	-	4,134,135
Advances to Bahamas Government	193,489,741	-	-	193,489,741
Bahamas Government Registered Stock	-	-	476,237,090	476,237,090
Loans to Bahamas Development Bank	1,535,126	-	-	1,535,126
Bridge Authority Bonds	488,270	-	-	488,270
Clifton Heritage Authority Bonds	684,474	-	-	684,474
SDR Loan to Government	239,156,637	-	-	239,156,637
Bahamas Government Treasury Bills	-	-	45,843,047	45,843,047
Employee loans and other receivables	6,000,644	-	-	6,000,644
Total	**2,621,588,078**	**341,396,559**	**522,080,137**	**3,485,064,774**

31. Financial Instruments (Continued)

Categories of Financial Instruments (continued)

	Fair Value Through Profit or Loss $	Other Financial Liabilities $	Total Carrying Amount $
December 31, 2023			
DEMAND LIABILITIES			
Notes in circulation	-	582,429,987	582,429,987
Coins in circulation	-	33,128,999	33,128,999
Sand Dollar in circulation	-	1,691,858	1,691,858
Deposits by commercial banks	-	2,068,810,560	2,068,810,560
Deposits by Bahamas Government and Bahamas Government agencies	-	84,580,346	84,580,346
Deposits by International agencies	-	255,187	255,187
Accounts payable and other liabilities	-	30,664,130	30,664,130
Investment currency market payable	-	12,722,537	12,722,537
OTHER LIABILITIES			
International Monetary Fund: Special drawing rights allocation	404,236,087	-	404,236,087
Total	**404,236,087**	**2,814,283,604**	**3,218,519,691**

32. Fair Value Measurements

Fair value of financial instruments

Below is a comparison of the carrying value and the fair value of the Bank's financial instruments, other than those with carrying value that approximates its fair value.

	2024 Carrying Value $	2024 Fair Value $	2023 Carrying Value $	2023 Fair Value $
FINANCIAL INSTRUMENTS				
Foreign Government securities	1,896,657,288	2,023,651,235	1,565,810,788	1,679,935,466
Loans to Bahamas Development Bank	1,559,948	1,649,358	1,535,126	1,635,187
Bridge Authority bonds	80,642	82,845	488,270	502,605
Clifton Heritage Authority bonds	670,250	686,076	684,474	694,132
TOTAL	**1,898,968,128**	**2,026,069,514**	**1,568,518,658**	**1,682,767,390**

32. Fair Value Measurements (Continued)

Fair value of financial instruments (continued)

i) It is the Directors' opinion that the carrying value of other assets and liabilities approximate their fair value due to the short-term maturities of these investments.

ii) Investments in Bahamas Development Bank bonds yield market-based interest rates resulting in its carrying value approximating its fair value.

iii) Advances to the Bahamas Government and deposits by commercial banks, international agencies, the Bahamas Government and government agencies are considered due on demand. Thus, in the absence of any impairment on the financial assets, the carrying amount approximates the fair value.

Fair value hierarchy and measurements

The Bank ranks its investment securities based on the hierarchy of valuation techniques required by IFRSs, 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 Bank's market assumptions. These two 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 Bank considers relevant and observable market prices in its valuations where possible.

32. Fair Value Measurements (Continued)

Fair value hierarchy and measurements (continued)

The level in the fair value hierarchy within which the fair value measurement is categorized 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 asset.

The determination of what constitutes 'observable' requires significant judgment by the Bank. The Bank 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.

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. 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, including equity securities.

32. Fair Value Measurements (Continued)

Fair value hierarchy and measurements (continued)

The following table categorizes into three levels the inputs used to measure fair value of financial instruments:

Financial assets and liabilities that are measured at fair value on a recurring basis

	Fair value measurements as at December 31, 2024			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
FINANCIAL ASSETS				
Financial assets at fair value through profit or loss				
Marketable Securities	157,319,250	-	-	157,319,250
International Monetary Fund:				
Bahamas reserve tranche		25,150,601	-	25,150,601
Special Drawing rights - holdings		158,049,044	-	158,049,044
Financial assets at fair value through Other Comprehensive Income				
Bahamas Government Treasury bills	-	10,247,445	-	10,247,445
Bahamas Government Registered Stocks	-	444,366,364	-	444,366,364
FINANCIAL LIABILITIES				
Financial liabilities at fair value through profit or loss				
International Monetary Fund:				
Special drawing rights allocation		392,371,388	-	392,371,388

	Fair value measurements as at December 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
FINANCIAL ASSETS				
Financial assets at fair value through profit or loss				
Trading Securities	154,332,046	-	-	154,332,046
International Monetary Fund:				
Bahamas reserve tranche	-	25,874,473	-	25,874,473
Special Drawing rights - holdings	-	161,190,040	-	161,190,040
Financial assets at fair value through Other Comprehensive Income				
Bahamas Government Treasury bills	-	45,843,047	-	45,843,047
Bahamas Government Registered Stocks	-	476,237,090	-	476,237,090
FINANCIAL LIABILITIES				
Financial liabilities at fair value through profit or loss				
International Monetary Fund:				
Special drawing rights allocation	-	404,236,087	-	404,236,087

32. Fair Value Measurements (Continued)

Fair value hierarchy and measurements (continued)

Financial assets and liabilities that are measured at fair value on a recurring basis (continued)

During the current year, the Bank reassessed its fair value levelling process and identified financial assets and financial liabilities of $187,064,513 and $404,236,087, respectively, with observable prices that were not traded in an active market as at December 31, 2023. The corresponding disclosures have been revised to include those financial assets and financial liabilities within Level 2 as at December 31, 2023.

The were no other movements between hierachy levels for financial assets and liabilities that are measured at fair value on a recurring basis as at December 31, 2024 and 2023.

Level 3
The Bank does not have any level three classifications at December 31, 2024 and 2023.

Financial assets and liabilities that are not measured at fair value on a recurring basis.

	Fair value measurements as at December 31, 2024			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
FINANCIAL ASSETS				
Cash and deposits with banks	395,845,202	-	-	395,845,202
Financial assets held at amortized cost				
Bahamas Development Bank bonds	-	4,135,144	-	4,135,144
Advances to Bahamas Government	-	332,810,592	-	332,810,592
Loans to Bahamas Development Bank	-	1,559,948	-	1,559,948
Bridge Authority bonds	-	80,642	-	80,642
Employee loans and other receivables	-	5,765,786	-	5,765,786
Foreign Government Securities	1,896,657,228	-	-	1,896,657,228
Clifton Heritage Authority bonds	-	670,250	-	670,250
SDR loan to Government	-	227,812,310	-	227,812,310

32. Fair Value Measurements (Continued)

Fair value hierarchy and measurements (continued)

Financial assets and liabilities that are not measured at fair value on a recurring basis (continued)

	Fair value measurements as at December 31, 2024			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
FINANCIAL LIABILITIES				
Other financial liabilities				
Notes in circulation	617,155,743	-	-	617,155,743
Coins in circulation	34,436,991	-	-	34,436,991
Sand Dollar in circulation	2,622,538	-	-	2,622,538
Deposits by commercial banks	-	2,051,506,541	-	2,051,506,541
Deposits by Bahamas Government and Bahamas Government agencies	-	200,703,221	-	200,703,221
Deposits by international agencies	-	255,150	-	255,150
Accounts payable and other liabilities	-	8,242,507	-	8,242,507
Investment currency market payable	-	15,559,080	-	15,559,080

	Fair value measurements as at December 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
FINANCIAL ASSETS				
Cash and deposits with banks	610,288,263	-	-	610,288,263
Financial assets held at amortized cost				
Bahamas Development Bank bonds	-	4,134,135	-	4,134,135
Advances to Bahamas Government	-	193,489,741	-	193,489,741
Loans to Bahamas Development Bank	-	1,535,126	-	1,535,126
Bridge Authority bonds	-	488,270	-	488,270
Employee loans and other receivables	-	6,000,644	-	6,000,644
Foreign Government Securities	1,565,810,788	-	-	1,565,810,788
Clifton Heritage Authority bonds	-	684,474	-	684,474
SDR loan to Government	-	239,156,637	-	239,156,637

	Fair value measurements as at December 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
FINANCIAL LIABILITIES				
Other financial liabilities				
Notes in circulation	582,429,987	-	-	582,429,987
Coins in circulation	33,128,999	-	-	33,128,999
Sand Dollar in circulation	1,691,858	-	-	1,691,858
Deposits by commercial banks	-	2,068,810,560	-	2,068,810,560
Deposits by Bahamas Government and Bahamas Government agencies	-	84,580,346	-	84,580,346
Deposits by international agencies	-	255,187	-	255,187
Accounts payable and other liabilities	-	30,664,130	-	30,664,130
Investment currency market payable	-	12,722,537	-	12,722,537

32. Fair Value Measurements (Continued)

Fair value hierarchy and measurements (continued)

Financial assets and liabilities that are not measured at fair value on a recurring basis (continued)

During the current year, the Bank reassessed its fair value levelling process and identified financial assets of $239,156,637, respectively, with observable prices that were not traded in an active market as at December 31, 2023. The corresponding disclosures have been revised to include those financial assets and financial liabilities within Level 2 as at December 31, 2023.

The fair value of the financial assets and liabilities disclosed under level 1 and 2 above have been determined considering, amongst other factors, discounted cash flows, with the most significant input being the Bahamian prime rate as the discount rate. The Bahamian dollar Prime rate as at December 31, 2024 was 4.25% (2023: 4.25%).

33. Risk Management

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance. From this perspective, the Bank considers certain non-financial assets and liabilities in its overall risk management assessment.

The most important types of risks are fiduciary risk, credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk and interest rate risk.

The Bank's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices.

Risk management is carried out by the investment and monetary policy committees under policies approved by the Board of Directors. The committees identify, evaluate and hedge financial risks in close co-operation with the Bank's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and financial instruments.

Fiduciary risk

To manage fiduciary risk, the Bank generally takes a conservative approach in its fiduciary undertakings.

33. Risk Management (Continued)

Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Significant changes in the economy, or in the health of a particular segment that represents a concentration in the Bank's portfolio, could result in losses that are different from those provided for at the statement of financial position date. Credit exposures arise principally in loans and advances, debt securities and other bills in the Bank's asset portfolio. The Investment Committee monitors credit risk management and control, and regular reports are provided to the Board of Directors. The Directors do not consider that the Bank is exposed to any significant credit risk because its financial assets consist primarily of cash and securities issued or guaranteed by the United States Governments or The Bahamas Government.

Cash and cash equivalents are short term funds placed with reputable financial institutions and the risk of default was considered to be low, therefore ECL was determined to be nil. Also considered low risk were fixed deposits with reputable institutions and government backed securities.

While the credit agency Moody's currently rates The Bahamas as 'B1 Stable', the Bank considers the Government backed securities as low risk. The Bank calculated ECL on its holdings of Government backed securities with consideration for the prevailing country credit rating by Moody's and a history of no default on debt obligations. The assessment estimated ECL as a percentage of the total financial assets was deemed immaterial resulting in no provisioning. In addition, the Bank considers the various tools available to the sovereign to meet its future financial obligations such as available SDR loan facility with the IMF, enhanced tax collections and the alignment of fees with government services.

Maximum credit exposure at year end approximates the carrying value of all assets.

33. Risk Management (Continued)

Exposure to credit risk

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.

	2024 $	2023 $
Cash and deposits with banks		
Aaa	4,591,699	496,174,483
Aa2	30,708,313	36,284,438
A1	149,982,492	41,501,143
Aa1	11,871,846	9,927,986
Aa3	194,862,557	-
A-	51,679	-
A2	-	25,774,606
	392,068,586	609,662,656
Bahamas Development Bank bonds		
B+	4,135,144	4,134,135
Advances to Bahamas Government		
B+	332,810,592	193,489,741
SDR loan to Government		
B+	227,812,310	239,156,637
Bahamas Government Registered stock		
B+	444,366,364	476,237,090
Loans to Bahamas Development bank		
B+	1,559,948	1,535,126
Bridge Authority bonds		
B+	80,642	488,270

33. Risk Management (Continued)

Credit risk (continued)

Exposure to credit risk (continued)

	2024 $	2023 $
Receivables and other assets	5,765,785	6,000,644
Bahamas Government Treasury bills		
B+	9,986,834	45,843,047
Foreign Government securities		
Aaa	1,896,657,228	1,565,810,788
Marketable securities		
Aaa	157,319,250	154,332,046
Clifton Heritage Authority bonds		
B+	670,250	684,474
International Monetary Fund		
Bahamas reserve tranche	25,150,601	25,874,473
Special drawing rights - holdings	158,049,044	161,190,040
	3,656,432,578	**3,484,439,167**

Market risk

The Bank takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Bank's exposure to market risk is from its financial investment portfolios.

The market risks arising from the Bank's activities are monitored by the Investment Committee and the Monetary Policy Committee. Regular reports are submitted to the Board of Directors and operating units.

Currency risk

Apart from the Bank's assets and liabilities with the IMF, which are denominated in SDRs, its exposure to foreign currency risk is limited. The only other significant foreign currency is US dollar, on which there is no exposure because the Bahamian dollar and the US dollar are pegged 1:1. The Bank manages any other foreign currency exposure using internal hedging techniques, by matching assets and liabilities wherever possible.

33. Risk Management (Continued)

Currency risk (continued)

The following table presents the carrying amounts of the Bank's financial assets and liabilities by currency:

***(BSD equivalent)**

	BSD	USD*	GBP*	EUR*	Other*	SDR*	Total
As of December 31, 2024							
Financial Assets							
Cash and deposits with banks	78,483	395,596,484	71,359	23,991	74,884	-	**395,845,201**
Foreign Government securities	-	1,896,657,228	-	-	-	-	**1,896,657,228**
Marketable securities	-	157,319,250	-	-	-	-	**157,319,250**
International Monetary Fund:							
Bahamas reserve tranche	-	-	-	-	-	25,150,601	**25,150,601**
Special drawing rights - holdings	-	-	-	-	-	158,049,044	**158,049,044**
Domestic financial assets	1,027,891,952	-	-	-	-	-	**1,027,891,952**
Total financial assets	**1,027,970,435**	**2,449,572,962**	**71,359**	**23,991**	**74,884**	**183,199,645**	**3,660,913,276**
Financial Liabilities							
Notes in circulation	617,155,743	-	-	-	-	-	**617,155,743**
Coins in circulation	34,436,991	-	-	-	-	-	**34,436,991**
Sand Dollar in circulation	2,622,538	-	-	-	-	-	**2,622,538**
Deposits by commercial banks	2,051,506,541	-	-	-	-	-	**2,051,506,541**
Deposits by Bahamas Government and Bahamas Government agencies	200,703,221	-	-	-	-	-	**200,703,221**
Deposits by international agencies	-	255,150	-	-	-	-	**255,150**
Accounts payable and other liabilities	8,242,507	-	-	-	-	-	**8,242,507**
Investment Currency Market payable	-	-	-	-	-	-	**-**
International Monetary Fund:	15,559,080	-	-	-	-	-	**15,559,080**
Special drawing rights allocation	-	-	-	-	-	392,371,388	**392,371,388**
Total financial liabilities	**2,930,226,621**	**255,150**	**-**	**-**	**-**	**392,371,388**	**3,322,853,159**
Net on-balance sheet position	**(1,902,256,186)**	**2,449,317,812**	**71,359**	**23,991**	**74,884**	**(209,171,743)**	**338,060,117**

Central Bank of The Bahamas

Notes to the Financial Statements
December 31, 2024
(Continued)

33. Risk Management (Continued)

Currency risk (continued)

*(BSD equivalent)

	BSD	USD*	GBP*	EUR*	Other*	SDR*	Total
As of December 31, 2023							
Financial Assets							
Cash and deposits with banks	98,409	610,153,720	7,473	7,842	20,819	-	610,288,263
Foreign Government securities	-	1,565,810,788	-	-	-	-	1,565,810,788
Marketable securities	-	154,332,046	-	-	-	-	154,332,046
International Monetary Fund:							
Bahamas reserve tranche	-	-	-	-	-	25,874,473	25,874,473
Special drawing rights - holdings	-	-	-	-	-	161,190,040	161,190,040
Domestic financial assets	968,512,369	-	-	-	-	-	968,512,369
Total financial assets	**968,610,778**	**2,330,296,554**	**7,473**	**7,842**	**20,819**	**187,064,513**	**3,486,007,979**
Financial Liabilities							
Notes in circulation	582,429,987	-	-	-	-	-	582,429,987
Coins in circulation	33,128,999	-	-	-	-	-	33,128,999
Sand Dollar in circulation	1,691,858	-	-	-	-	-	1,691,858
Deposits by commercial banks	2,068,810,560	-	-	-	-	-	2,068,810,560
Deposits by Bahamas Government and Bahamas Government agencies	84,580,346	-	-	-	-	-	84,580,346
Deposits by international agencies	-	255,187	-	-	-	-	255,187
Accounts payable and other liabilities	30,664,130	-	-	-	-	-	30,664,130
Investment Currency Market payable	12,722,537	-	-	-	-	-	12,722,537
International Monetary Fund:							
Special drawing rights allocation	-	-	-	-	-	404,236,087	404,236,087
Total financial liabilities	**2,814,028,417**	**255,187**	**-**	**-**	**-**	**404,236,087**	**3,218,519,691**
Net on-balance sheet position	**(1,845,417,639)**	**2,330,041,367**	**7,473**	**7,842**	**20,819**	**(217,171,574)**	**267,488,288**

33. Risk Management (Continued)

Sensitivity of BSD compared to foreign currencies reflected in these financial statements is as follows:

	Average Rate		Year-end Spot Rate	
	2024	**2023**	**2024**	**2023**
USD	1.0000	1.0000	1.0000	1.0000
GBP	1.2826	1.2506	1.3084	1.2733
EUR	1.0821	1.0975	1.0535	1.1052
SDR	1.3268	1.3337	1.3107	1.3417

Special Drawing Rights (SDRs), the IMF's unit of account, is essentially a specified basket of five (5) major international currencies (i.e., the U.S. Dollar, Euro, Japanese Yen, Pound Sterling and Chinese Renminbi). The weightage of each currency is as follows:

Currency	**Weight**
USD	43.38%
EUR	29.31%
CNY	12.28%
JPY	7.59%
GBP	7.44%
	100.00%

At December 31, 2024, if BSD had weakened/strengthened by 10% against SDR with all other variables held constant, comprehensive income for the year would have been BSD 2,012,011 (2023: BSD 1,890,741) higher/lower, mainly as a result of foreign exchange gains/losses on translation of SDR-denominated financial assets and liabilities.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may decrease or create losses in the event that unexpected movements arise. The level of mismatch of interest rate repricing that may be undertaken by the Bank is monitored frequently by the Investment Committee and the Monetary Policy Committee.

33. Risk Management (Continued)

Interest rate risk (continued)

Certain of the Bank's financial assets and liabilities are exposed to interest rate risk. Foreign Government securities carry an average yield of 2.22% (2023: 1.98%); however, if these securities had a reduced average yield of 1.13% (2023: 1.08%), derived from their varying yields at the lower end of the spectrum, income for the year and equity at year end would have been reduced by $37,614,737 (2023: $12,922,291). Had the yield been tilted towards the higher end of the spectrum, to 4.17% (2023: 3.21%), income for the year and equity at year end would have increased by $19,609,782 (2023: $16,345,851).

In respect of all variable interest bearing instruments, if interest rates had been 50 basis points higher, with all other variables remaining constant, the increase in equity and net operating results for the year would amount to approximately $5,471,765 (2023: $3,409,480), arising from variable rate instruments. If interest rates had decreased by 50 basis points, the decrease in equity and net operating results for the year would amount to approximately $3,509,908 (2023: $4,580,245).

	2024	**2023**
	$	**$**
Fixed Rate Instruments		
Financial assets	2,558,488,813	2,242,700,832
Variable Rate Instruments		
Financial assets	868,253,976	1,086,132,253
Financial liabilities	392,371,388	404,236,087

Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due, and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

The Bank manages its foreign liquidity risks through appropriate structuring of its foreign investment portfolios to ensure that the maturity profiles of foreign assets sufficiently match those of foreign commitments. This is monitored and managed on a regular basis. In addition, the Bank's foreign investment portfolio comprises mainly short-term, highly liquid investment instruments.

33. Risk Management (Continued)

Liquidity risk (continued)

The Bank's liquidity risk management process, as carried out within the Bank, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met, inclusive of replenishment of funds as they mature. The Bank maintains an active presence in global money markets to enable this to happen;

- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

- Monitoring statement of financial position liquidity ratios against internal and statutory requirements; and

- Managing the concentration and profile of debt and financial instrument maturities.

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

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December 31, 2024
(Continued)

33. Risk Management (Continued)

Liquidity risk (continued)

	Up to 1 month $	1 to 3 months $	3 months to 1 year $	1 to 5 years $	Over 5 years $	Total $
Period of maturity						
As of December 31, 2024						
Financial Assets						
Cash and deposits with banks	349,769,735	-	46,075,467	-	-	**395,845,202**
Foreign Government Securities and Marketable Securities	72,321,096	121,873,613	239,821,752	959,345,082	503,379,406	**1,896,740,949**
Marketable securities	-	-	-	157,319,250	-	**157,319,250**
International Monetary Fund:						
Bahamas reserve tranche	25,150,601	-	-	-	-	**25,150,601**
Special drawing rights – holdings	-	-	158,049,044	-	-	**158,049,044**
SDR Loan to Government			227,812,310			**227,812,310**
Bahamas Development Bank bonds	-	-	4,135,144	-	-	**4,135,144**
Advances to Bahamas Government	223,687,417	109,123,175	-	-	-	**332,810,592**
Bahamas Government Registered stock	1,017	158,522	12,063,354	165,991,496	266,151,975	**444,366,364**
Bahamas Government Treasury Bills	-	-	9,986,834	-	-	**9,986,834**
Loans to Bahamas Development Bank	-	-	-	-	1,559,948	**1,559,948**
Bridge Authority bonds	-	-	-	80,642	-	**80,642**
Clifton Heritage Authority bonds	-	-	670,250	-	-	**670,250**
Receivables and other assets	2,734	20,121	167,132	1,556,560	4,019,238	**5,765,785**
Total financial assets	**670,932,600**	**231,175,431**	**698,781,287**	**1,284,293,030**	**775,110,567**	**3,660,292,915**

Central Bank of The Bahamas

Notes to the Financial Statements
December 31, 2024
(Continued)

33. Risk Management (Continued)

Liquidity risk (continued)

	Up to 1 month $	1 to 3 months $	3 months to 1 year $	1 to 5 years $	Over 5 years $	Total $
Period of maturity						
As of December 31, 2024						
Financial Liabilities						
Notes in circulation	617,155,743	-	-	-	-	**617,155,743**
Coins in circulation	34,436,991	-	-	-	-	**34,436,991**
Sand Dollar in circulation	2,622,538	-	-	-	-	**2,622,538**
Deposits by commercial banks	2,051,506,541	-	-	-	-	**2,051,506,541**
Deposits by Bahamas Government and Bahamas Government agencies	200,703,221	-	-	-	-	**200,703,221**
Deposits by International agencies	255,150	-	-	-	-	**255,150**
Accounts payable and other liabilities	8,242,507	-	-	-	-	**8,242,507**
Lease liability		269,242	804,235	1,939,278		**3,012,755**
Investment Currency Market payable	15,559,080	-	-	-	-	**15,559,080**
International Monetary Fund:						
Special drawing rights allocation	392,371,388	-	-	-	-	**392,371,388**
Total financial liabilities	**3,322,853,159**	**269,242**	**804,235**	**1,939,278**	**-**	**3,325,865,914**
Net on-balance sheet position	**(2,651,920,559)**	**230,906,189**	**697,977,052**	**1,282,353,752**	**775,110,567**	**334,427,001**

Central Bank of The Bahamas

Notes to the Financial Statements
December 31, 2024
(Continued)

33. Risk Management (Continued)

Liquidity risk (continued)

	Up to 1 month $	1 to 3 months $	3 months to 1 year $	1 to 5 years $	Over 5 years $	Total $
Period of maturity						
As of December 31, 2023						
Financial Assets						
Cash and deposits with banks	26,236,770	26,163,794	557,887,699	-	-	**610,288,263**
Foreign Government Securities and Marketable Securities	18,167,460	67,692,604	246,095,953	893,537,980	340,316,791	**1,565,810,788**
Marketable securities	-	-	-	154,332,046	-	**154,332,046**
International Monetary Fund:						
Bahamas reserve tranche	25,874,473	-	-	-	-	**25,874,473**
Special drawing rights – holdings	161,190,040	-	-	-	-	**161,190,040**
SDR Loan to Government	-	239,156,637	-	-	-	**239,156,637**
Bahamas Development Bank bonds	-	-	-	-	4,134,135	**4,134,135**
Advances to Bahamas Government	193,489,741	-	-	-	-	**193,489,741**
Bahamas Government Registered stock	33,381	303	35,274,706	114,431,269	326,497,431	**476,237,090**
Bahamas Government Treasury Bills	-	-	45,843,047	-	-	**45,843,047**
Loans to Bahamas Development Bank	-	-	-	-	1,535,126	**1,535,126**
Bridge Authority bonds	-	-	-	488,270	-	**488,270**
Clifton Heritage Authority bonds	-	-	-	-	684,474	**684,474**
Receivables and other assets	4,494	12,277	134,296	1,193,474	4,656,103	**6,000,644**
Total financial assets	**424,996,359**	**333,025,615**	**885,235,701**	**1,163,983,039**	**677,824,060**	**3,485,064,774**

Central Bank of The Bahamas

Notes to the Financial Statements
December 31, 2024
(Continued)

33. Risk Management (Continued)

Liquidity risk (continued)

	Up to 1 month $	1 to 3 months $	3 months to 1 year $	1 to 5 years $	Over 5 years $	Total $
Period of maturity						
As of December 31, 2023						
Financial Liabilities						
Notes in circulation	582,429,987	-	-	-	-	**582,429,987**
Coins in circulation	33,128,999	-	-	-	-	**33,128,999**
Sand Dollar in circulation	1,691,858	-	-	-	-	**1,691,858**
Deposits by commercial banks*	2,068,810,560	-	-	-	-	**2,068,810,560**
Deposits by Bahamas Government and Bahamas Government agencies	84,580,346	-	-	-	-	**84,580,346**
Deposits by International agencies	255,187	-	-	-	-	**255,187**
Accounts payable and other liabilities	30,664,130	-	-	-	-	**30,664,130**
Lease liability		212,999	632,644	1,954,433		**2,800,076**
Investment Currency Market payable	12,722,537	-	-	-	-	**12,722,537**
International Monetary Fund: Special drawing rights allocation	404,236,087	-	-	-	-	**404,236,087**
Total financial liabilities	**3,218,519,691**	**212,999**	**632,644**	**1,954,433**	**-**	**3,221,319,767**
Net on-balance sheet position	**(2,793,523,332)**	**332,812,616**	**884,603,057**	**1,162,028,606**	**677,824,060**	**263,745,007**

*Deposits by commercial banks are included in the up to 1 month maturity grouping but are subject to statutory limits so it is unlikely that these will all drawn down at one time.

33. Risk Management (Continued)

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

34. Retirement Benefit Plans

Defined Contribution Plan

	2024 $	2023 $
Amount recognized as an expense (Note 25)	1,289,581	1,232,951

Defined Benefit Plan

The movements in the contributory defined benefit obligation over the year are as follows:

	2024 $	2023 $
Present value of obligation at start of year	15,032,821	16,189,621
Interest cost	781,921	838,467
Benefits paid	(1,632,154)	(1,889,519)
Actuarial (gain)/loss on obligation due to experience	282,868	(105,748)
Present value of obligation at end of year	**14,465,456**	**15,032,821**
Fair value of plan assets at start of year	15,877,618	17,009,577
Interest income	828,810	884,186
Contributions paid – both employees' and employer's	23,012	30,682
Benefits paid	(1,632,154)	(1,889,519)
Administrative costs	(7,550)	(8,100)
Return on plan assets, excluding interest income	1,320	(149,208)
Fair value of plan assets at end of year	**15,091,056**	**15,877,618**

34. Retirement Benefit Plans (Continued)

Defined Benefit Plan (continued)

The amount recognized as a liability/(asset) in the statement of financial position in respect of the Bank's contributory defined retirement benefit plan is as follows:

	2024 $	2023 $
Present value of funded obligations	14,465,456	15,032,822
Fair value plan assets	(15,091,056)	(15,877,618)
	(625,600)	**(844,796)**

Summary of plan investments, in accordance with IAS 19 is as follows:

	2024 $	2023 $
Cash	381,073	398,961
Interest receivable	472,538	522,763
Bahamas Government Registered Stocks	13,807,676	14,237,676
Other bonds	352,640	376,812
Equity securities	400,000	400,000
Accounts payable	(322,871)	(58,594)
Total	**15,091,056**	**15,877,618**

The income recognized in the statement of comprehensive income in respect of the Bank's contributory defined retirement benefit plan is as follows:

	2024 $	2023 $
Administrative cost	7,550	8,100
Net interest income	(46,889)	(45,718)
	(39,339)	**(37,618)**
Remeasurements recognized in OCI	**281,548**	**43,460**

34. Retirement Benefit Plans (Continued)

Defined Benefit Plan (continued)

Effective June 30, 2019, the Plan was amended to:

1. Cease pension accruals while retaining all benefit eligibility rules and calculations for active Members.
2. Allow those already eligible to early retire, and those within 5 years of early retirement eligibility, to stay in or opt out of the Plan with all others receiving a cash payout.
3. Cease contributions from active Members.

137 active Members opted for a cash payout and transferred the payout amount to the Defined Contribution Pension Plan. The combined actuarial present value of accrued benefits paid to these members amounted to $40,861,019.

6 active Members nearing retirement opted to remain in the Defined Benefit Pension Plan and 3 remained at year end.

Movements in the net asset recorded in the statement of financial position are as follows:

	2024 $	2023 $
Net asset at beginning of year	(844,797)	(819,956)
Net gain recognized in net income	(39,339)	(37,618)
Employer contributions	(23,012)	(30,683)
Remeasurements recognized in OCI	281,548	43,460
Net asset at end of year	**(625,600)**	**(844,797)**

The Bank does not make additional contributions to the Plan effective June 30, 2019. Prior to this date, the Bank contributed approximately 18.9% of gross payroll to the plan.

Principal actuarial assumptions used at the statement of financial position date are as follows:

	2024 $	2023 $
Discount rate	5.50%	5.50%
Expected rate of salary increase at age 18	4.00%	4.00%
Expected rate of salary increase at age 59	4.00%	4.00%
Cost of living adjustment for active employees	1.25%	1.25%

The actual return on plan assets during the year was $830,130 (2023: $734,978).

34. Retirement Benefit Plans (Continued)

Sensitivity and other results

The benefit obligation as at year-end is distributed as follows:

	2024 $	2023 $
Pensioners	12,639,926	12,490,629
Vesting actives	1,825,530	2,542,192
	14,465,456	15,032,821

The pensioner liability of $12,639,926 (2023: $12,490,629), included $970,591 (2023: $964,575) relating to assumed cost of living adjustments.

The liability for actives of $1,825,530 (2023: $2,542,192), included $33,760 (2023: $48,228) relating to assumed cost of living adjustments and $49,299 (2023: $132,453) relating to assumed future salary increases.

The following table illustrates the changes or sensitivity of the benefit obligation as at December 31, 2024 for 1% changes in discount rate and salary increases.

	2024		2023	
	1% Increase $	1% Decrease $	1% Increase $	1% Decrease $
Benefit obligation	(1,109,288)	1,287,485	(1,208,034)	1,409,629
Future salary increases	12,889	(12,660)	35,318	(34,414)

If all members lived one year longer than projected, the liability at year-end would be $14,924,850 (2023: $15,489,842).

The weighted average duration of the defined benefit obligation at December 31, 2024 is 8.2 years (2023: 8.7 years).

35. Health Insurance Subsidy Benefit for Retirees

The movement in the health insurance subsidy for retirees over the year is as follows:

	2024 $	2023 $
Present value of obligation at start of year	11,212,085	9,036,833
Interest cost	606,496	488,501
Current service cost	446,841	306,020
Benefits paid	(369,768)	(309,988)
Actuarial loss on obligation due to experience	55,669	440,876
Actuarial loss on obligation due to financial assumption change	2,272,847	1,249,843
Present value of obligation at end of year	**14,224,170**	**11,212,085**
Contribution paid – employees' and employers' contributions	369,768	309,988
Benefits paid	(369,768)	(309,988)
	-	-

The expense recognized in the statement of comprehensive income in respect of the health insurance subsidy benefit for retirees is as follows:

	2024 $	2023 $
Current service cost	446,841	306,020
Net interest cost	606,496	488,501
	1,053,337	**794,521**
Remeasurements recognized in OCI	**2,328,516**	**1,690,719**

35. Health Insurance Subsidy Benefit for Retirees (Continued)

Movements in the net liability recorded in the statement of financial position are as follows:

	2024 $	2023 $
Net liability at beginning of year	11,212,085	9,036,833
Net expense recognized in net comprehensive income	1,053,337	794,521
Employer contributions	(369,768)	(309,988)
Remeasurements recognized in OCI	2,328,516	1,690,719
Net liability at end of year	**14,224,170**	**11,212,085**

Principal actuarial assumptions used at the statement of financial position date are as follows:

	2024 $	2023 $
Discount rate	6.00%	5.50%
Rate of Medical Subsidy Increases	7.00%	5.00%

Sensitivity and Other Results

The benefit obligation as at year-end comprises:

	2024 $	2023 $
Pensioners	6,923,625	5,901,345
Actives	7,300,545	5,310,740
Total	**14,224,170**	**11,212,085**

The following table illustrates the changes or sensitivity of the benefit obligation as at December 31, 2024 for 1% changes in discount rate.

	2024		2023	
	1% Increase $	1% Decrease $	1% Increase $	1% Decrease $
Benefit obligation	(2,090,340)	2,681,926	(1,534,568)	1,946,780

35. Health Insurance Subsidy Benefit for Retirees (Continued)

If all members lived one year longer than projected, the liability would be $14,844,131 (2023: $11,630,711).

There was a .50% increase in the discount rate in 2024.

The weighted average duration of the defined benefit obligation at December 31, 2024 is 16.5 years (2023: 15.3 years).

36. Retirement Benefit Plan for Governors and Deputy Governors

The movements in the noncontributory defined benefit obligation over the year are as follows:

	2024 $	2023 $
Present value of obligation at start of year	4,274,982	4,155,651
Interest cost	220,035	222,339
Current service cost	208,365	202,403
Benefits paid	(548,705)	(226,250)
Actuarial loss/(gain) on obligation due to experience	1,941,173	(79,161)
Present value of obligation at end of year	**6,095,850**	**4,274,982**
Fair value of plan assets at start of year	3,406,211	3,426,123
Expected return on plan assets	172,252	182,215
Benefits paid	(548,705)	(226,250)
Actuarial gain on plan assets	34,543	24,123
Fair value of plan assets at end of year	**3,064,301**	**3,406,211**

The amount recognized as a liability in the statement of financial position in respect of the Bank's contributory defined retirement benefit plan is as follows:

	2024 $	2023 $
Present value of funded obligations	6,095,850	4,274,982
Fair value of plan assets	(3,064,301)	(3,406,211)
	3,031,549	868,771

36. Retirement Benefit Plan for Governors and Deputy Governors (Continued)

The expense recognized in the statement of comprehensive income in respect of the Bank's non-contributory defined retirement benefit plan for governors and deputy governors is as follows:

	2024 $	2023 $
Current service cost	208,365	202,403
Net interest expense	47,783	40,124
	256,148	**242,527**
Remeasurements recognized in OCI	**1,906,630**	**(103,284)**

Movements in the net liability recorded in the statement of financial position are as follows:

	2024 $	2023 $
Net liability at beginning of year	868,771	729,528
Net expense recognized in net income	256,148	242,527
Remeasurements recognized in OCI	1,906,630	(103,284)
Net liability at end of year	**3,031,549**	**868,771**

Principal actuarial assumptions used at the statement of financial position date are as follows:

	2024 $	2023 $
Discount rate at end of year	5.50%	5.50%
Salary increase (p.a.)	3.50%	3.50%
Cost of living adjustment for pensioners (p.a.)	3.50%	3.50%

36. Retirement Benefit Plan for Governors and Deputy Governors (Continued)

Sensitivity and other results

The benefit obligation as at year-end is distributed as follows:

	2024 $	2023 $
Pensioners	4,001,906	2,833,600
Actives - Unvested	2,093,944	1,441,382
	6,095,850	4,274,982

The pensioner liability of $4,001,906 (2023: $2,833,600) included $906,617 (2023: $662,169) relating to assumed cost of living adjustments which are directly linked to assumed future salary increases.

The liability for actives of $2,093,944 (2023: $1,441,382) included $601,582 (2023: $430,530) relating to assumed future salary increases and cost of living adjustments.

The following table illustrates the changes or sensitivity of the benefit obligation as at December 31, 2024 and 2023 for 1% changes in discount rate and salary increases.

	2024		2023	
	1% Increase $	1% Decrease $	1% Increase $	1% Decrease $
Discount	(535,781)	633,785	(393,763)	467,718
Future salary increases	588,740	(508,190)	429,009	(369,269)

If all members lived one year longer than projected, the liability at year-end would be $6,319,236 (2023: $4,428,540).

The weighted average duration of the defined benefit obligation at December 31, 2024 is 9.5 (2023: 10.0 years).

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1974-2024

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