



CENTRAL BANK
OF THE BAHAMAS

2025 ANNUAL REPORT

and Statements of Accounts for
the Year ended December 31, 2025



Our Mission

To promote and maintain a stable currency and a safe and efficient financial system that supports the economic growth and development of The Bahamas.

Our Vision

To be a trusted, forward looking institution, driving innovation and excellence to support a thriving economy.

Our Core Values:

Integrity
Excellence
Innovation

Objectivity
Confidentiality
Empowerment
Teamwork
Initiative

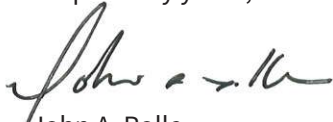


April 28, 2026

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 2025. 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

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 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 that are deemed as 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.

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FOREWORD

The Bahamian economy maintained its growth pace in 2025, as compared to the previous year. In the tourism sector, expansion was moderated from 2024, given continued capacity constraints in the stopover segment and softer demand from US travellers; albeit estimated cruise earnings gains remained robust. Meanwhile, healthy stimulus was sustained from varied-scale foreign direct investment projects, including activities concentrated in the cruise port developments. In the labour market, employment indicators were mixed, as labour force participation outpaced job gains. Further, domestic inflation firmed during the review year, reflecting higher international oil prices.

On the fiscal front, the overall deficit reduced notably in FY2024/25, relative to the preceding year, as the expansion in revenue—led by VAT receipts—outstripped the increase in total expenditure. Similarly, during the first six months of FY2025/26, the deficit decreased, underpinned by revenue gains.

Monetary developments over the year featured a reduction in banking sector liquidity, despite the growth in the deposit base outpacing the rise in domestic credit. However, the financial sector's net foreign assets increased, as the accumulation in external reserves contrasted with the reduction in net external assets of domestic banks. In addition, banks' credit quality indicators improved further, reflecting the continued expansion in economic activity and ongoing loan write-offs. Banks' net income expanded at a moderated pace, as the growth in operating expenses outweighed the rise in interest income and offset the gains in receipts from commission and foreign exchange fees. Given the continued healthy buffers in liquidity and external

reserves, the Central Bank maintained an accommodative monetary policy posture, in an effort to spur further credit growth and support aggregate demand.

With regard to financial sector supervision, the Central Bank progressed a number of initiatives to safeguard the sector, which aligned with its risk-based approach to the monitoring and supervision of financial institutions. In particular, the Bank engaged in public consultation on a compendium of proposed legislative reforms, targeting improved resilience of the financial system, depositor protection, enhanced oversight of the payments systems, strengthened supervision of credit unions, and a further consolidation of the enforcement framework for administrative monetary penalties. The suite of legislation is expected to be enacted in 2026. Further, in 2025, the Bank advanced the work on the secured credit transactions system in The Bahamas, through the enactment of the Movable Property Security Interests Act, 2025.

As the coordination mechanism for financial stability strengthened, the Bank held the inaugural Bahamas Financial Stability Council meeting in 2025. The Council is comprised of senior representatives from the Central Bank, the Ministry of Finance, the Securities Commission of The Bahamas, the Insurance Commission of The Bahamas and the Deposit Insurance Corporation. The main objective of the Council is to ensure the prompt and effective identification of financial stability risks, and to coordinate appropriate mitigation response measures. As an early priority, the Council agreed to focus its attention on improving data coverage from non-bank financial intermediaries.

Over the year, the Bank advanced its payment system modernization efforts, as it made further developments toward compliance with the ISO20022 messaging standard, which allows richer data and improved interoperability across the real-time gross settlement system (RTGS). Further, the Bank progressed the cheque reduction strategy over the review year, with the release of a paper for public consultation in December 2025, which outlined recommendations for payment instrument neutrality and the legislative changes that would be required to undergird a reduction in cheque usage. Moreover, work continued on the development of a Fast Payment System (FPS), with an official Request for Proposal (RFP) issued at end-October, so that design and implementation can take place in 2026.

Dove-tailing these developments, the Bank also advanced several financial inclusion initiatives. Public consultation was undertaken on respective papers for Agency Banking and Access to Basic Banking Services, which would together advance the goal of increasing affordable access to financial services in The Bahamas. The agency banking framework would allow banks and credit unions to engage authorized non-bank entities to extend the reach of their services in underbanked regions; while basic banking provision would mandate access to low-fee or no-fee transaction on payments accounts to low-income earners.

In other notable developments, the Central Bank also strengthened its transparency and communications capacity, by establishing its External Relations Unit in 2025. This emphasis deepened flagship financial literacy and public education efforts already underway—such as the Financial Literacy Fair, Get Money

Smart Financial Literacy Video Essay Competition and the TB Donaldson Research Competition. The Bank is consequently better mobilized to increase stakeholder engagement, and advance the public’s understanding of its policies and operations mission.

At the close of 2025, the Bank completed the development of its new Strategic Plan for 2026-2030. This plan charts a framework for the Bank to continue progressing its mission in an adaptive, forward-looking and transparent manner. Grounded in four key pillars—increased transparency and governance, boosted economic and financial sector resilience, operational excellence and people empowerment, and deepened emphasis on innovation—the Strategic Plan will serve as a guide for the continued evolution of the Bank, taking into account its obligations to its key stakeholders.

All told, staff continue to be the Bank’s most valuable asset. The progress achieved on the Bank’s strategic priorities would not have been possible without the hard work and commitment demonstrated by its talented employees, for whom I am extremely grateful. I also thank the Board of Directors for their invaluable support and oversight throughout the year. With that, I look forward to the staff and Directors’ continued dedication, as we advance the mandate of the Central Bank.



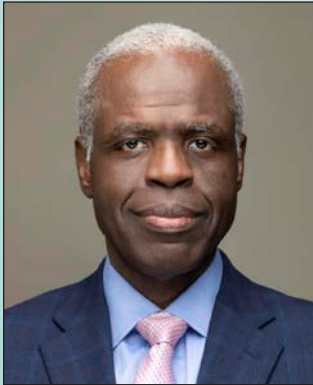
Governor

CENTRAL BANK OF THE BAHAMAS

DIRECTORS AND SENIOR OFFICIALS

At December 31, 2025

DIRECTORS



MR. JOHN ROLLE
Chairman



MR. DEREK ROLLE
Deputy Chairman



MR. ROBERT ADAMS, K.C.
Board Member



MR. THOMAS DEAN
Board Member



MR. JOHN SWAIN
Board Member



DR. OLIVIA SAUNDERS
Board Member



MR. BRYAN KNOWLES
Board Member



MR. KENDAL KELLY
NOTTAGE
Board Member

BOARD COMMITTEES

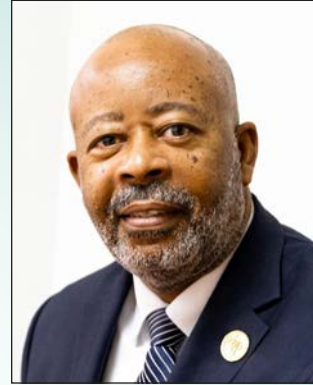
AUDIT COMMITTEE



MR. JOHN SWAIN



MR. BRYAN KNOWLES



MR. KIRVY FERGUSON

ENTERPRISE RISK MANAGEMENT COMMITTEES



DR. OLIVA SAUNDERS



MR. KENDAL KELLY
NOTTAGE



MR. ROBERT ADAMS, K.C.

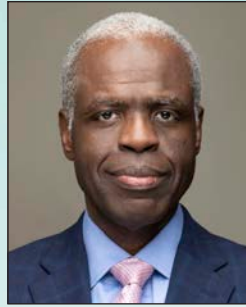


MRS. TARA COOPER
BURNSIDE, K.C.



MS. JUNE COLLIE

SENIOR OFFICIALS



Mr. John A. Rolle
Governor



Mr. Derek S. Rolle
Deputy Governor



Ms. Karen V. Rolle
Inspector, Bank
Supervision



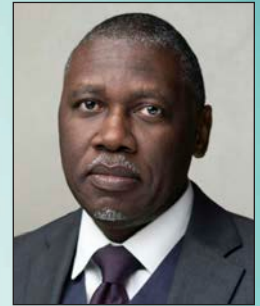
Mrs. Sherrece L.
Saunders
Deputy Inspector, Bank
Supervision



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



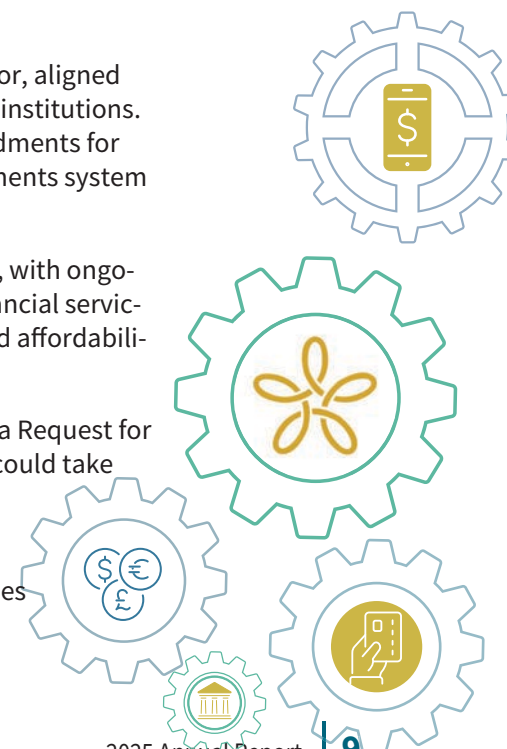
Mr. Luther C. Smith
Manager, Information
Security



Mrs. Latoya J. Smith
Manager, External
Relations

2025 AT A GLANCE

- The domestic economy sustained its growth momentum in 2025, following the 3.4% expansion in 2024, as economic indicators continued to revert to their long-term potential. The outturn was led by gains in the tourism sector, with capacity constrained stopover inflows contrasting with continued robust growth in cruise earnings. In addition, foreign investment activity, including developments in private cruise destinations, sustained stimulus to the construction sector.
- Average consumer price inflation firmed in 2025, reflecting the pass-through effects of higher global oil prices on imported fuel and other goods.
- Employment indicators were mixed during the review year, with labour force participation outpacing jobs gains.
- The fiscal deficit to GDP ratio reduced to an estimated 0.5% in FY2024/25 from 1.2% in FY2023/24, as the VAT-related gain in total revenue, overshadowed the rise in overall expenditure.
- At end-December, the Government's Direct Charge to GDP ratio rose to an estimated 75.1% from 74.3% in 2024. In addition, the National Debt to GDP ratio increased to an estimated 77.1% in 2025, from 76.5% in the preceding year.
- External reserves expanded by \$181.5 million (6.9%), exceeding the prior year's \$115.5 million (4.6%) buildup. This was supported by net foreign currency inflows from real sector activities, and the receipt of proceeds from the Government's external borrowings. The import cover ratio remained at 28.1 weeks of the current year's total non-oil merchandise imports, significantly exceeding the 12 weeks benchmark.
- In 2025, the Bahamas Financial Stability Council (BFSC) convened, comprised of representatives from the Central Bank, the Ministry of Finance, the Securities Commission of The Bahamas, the Insurance Commission of The Bahamas and the Deposit Insurance Corporation. The main objective of the Council is to ensure the prompt and effective identification of financial stability risks, and to coordinate appropriate mitigation measures.
- The Bank progressed a number of initiatives to safeguard the financial sector, aligned with its risk-based approach to the monitoring and supervision of financial institutions. In particular, the Bank issued a compendium of proposed legislative amendments for public consultation, to strengthen supervisory effectiveness, enhance payments system oversight, boost financial stability and improve oversight of credit unions.
- The Bank sustained its consultative work on the cheque reduction strategy, with ongoing public education and outreach to encourage the adoption of digital financial services. Focus also continued on potential reforms to increase the access to and affordability of transaction services.
- Work continued on the development of a Fast Payment System (FPS), with a Request for Proposal (RFP) issued at end-October, so that design and implementation could take place in 2026.
- The Bank finalized its Strategic Plan for 2026 – 2030 over the year, which outlines a four-pillar framework to guide advancement of the policy priorities and operational mandates over the next five years.



BOX 1: STRATEGIC FOCUS FOR 2026-2030

The new strategic plan was developed through a forward-looking, inclusive process to position the Bank as a resilient, adaptive, and trusted organisation; attuned to the needs of stakeholders, and equipped to deliver meaningful impact in an evolving environment. The Plan rests on four pillars:

Pillar 1: Transparency & Governance prioritises upholding open communications with stakeholders, accountability, oversight to maintain public trust and ensure sound decision-making and a governed approach to managing risks within the Central Bank's operating environment.

Pillar 2: Economic and Financial Sector Resilience maintains emphasis on achieving progress on the Bank's statutory mandate for monetary and financial sector policies, the payments system and safeguarding the stability of the Bahamian financial system.

Pillar 3: Operational Excellence & People Empowerment commits the Bank to pursuing higher standards of efficiency, effectiveness and excellence in the services and output provided to the public, while fostering a work environment and culture in which staff are equipped and motivated to perform at their best.

Pillar 4: Innovation places a proactive focus on enabling improvements in the domestic infrastructure for financial services (inclusive of regulations and technology), and the adoption of new tools and approaches to enhance productivity within the Central Bank's operations.

Selected High-Level Objectives for each Strategic Plan Pillar

Pillar 1: Transparency & Governance

As the Bank's effectiveness is inseparable from the trust and engagement fostered with its stakeholders, including the public sector, the regulated financial sector and the wider public, Pillar 1 goals reflect a commitment to a more open, transparent and engaging process. This is to further expose the Bank's operations and activities to the public, in keeping with best international practices for central banking transparency and governance. It includes strengthened and more effective communications and public education processes, as well as increased attentiveness to the content format and target audience of communications, to support the understanding of how the Bank's operations impact the varied range of stakeholders in the Bahamian financial sector and economy. Similarly, the Bank is strengthening the maturity of its risk management culture, mindful of the evolving range of risks in operations from people and technology.

Some high-level objectives are below:

- Strengthen public trust through clearer, more timely communications on policy decisions, economic developments and regulatory matters.
- Deepen public understanding of the Bank's mandate, roles and impact on everyday life.
- Streamline publication timelines and close gaps in economic and supervisory data dissemination.
- Improve transparency and service standards in regulated activities under financial sector supervision and exchange control; and strengthen public consultation

frameworks impacting regulatory developments and reforms.

- Strengthen institutional governance and oversight: in alignment with the Central Bank of The Bahamas Act, 2020 and best international practices; further enhancing Board effectiveness, management committee structures, human resources governance, procurement transparency, financial management controls, and oversight of dormant funds.
- Strengthen risk management frameworks within the Bank's operations regarding anti-money laundering and related financial crime; further enhance technology and third-party risk governance, and improve information governance in line with evolving data security and governance standards.

Pillar 2: Economic & Financial Sector Resilience

Guided by best practices, the Bank will continue to adopt robust regulatory and supervisory frameworks for supervised financial institutions, bolstering the domestic financial sector's soundness and resilience to crisis. It will also target continued compliant frameworks within central bank supervised financial services for anti-money laundering and tax transparency. The Bank's monetary policy objective remains centered on safeguarding the Bahamian dollar fixed exchange rate, through effective administration of exchange controls, while strengthening the toolkit of policies used to manage domestic credit and impacting the adequacy of external reserves. This Pillar also emphasises greater focus on financial inclusion, particularly through payments system modernisation.

Some high-level objectives are:

- Continue to build capacity and policy frameworks to maintain

monetary and exchange rate stability, through improved data quality, and enhanced surveillance and forecasting.

- Improve the coverage and quality of economic data and statistics to inform policy decisions.
- Maintain sustainable approaches to the liberalisation of exchange control policies, while safeguarding foreign reserve adequacy.
- Deepen efforts to modernise, advance and support public debt management operations.
- Advance payment system modernisation, including fast payments, digital currency adoption and strengthened financial market infrastructures.
- Advance financial inclusion and financial literacy initiatives; and strengthen consumer financial protection frameworks.
- Continue the implementation of the Basel III risk-based supervisory framework and strengthen prudential supervision of banks and non-bank institutions.
- Continue to strengthen risk-based supervision and compliance to counter money laundering, terrorist financing and proliferation financing; and uplift jurisdictional effectiveness against international tax transparency standards.
- Strengthen the financial stability monitoring and crisis management framework, through enhanced regulatory cooperation.
- Strengthen the financial sector cyber resilience framework.

Pillar 3: Operational Excellence & People Empowerment

The Central Bank is taking a deliberate approach to improve service level standards and the quality of services provided to the general public, the regulated sector

and stakeholders both inside and outside of The Bahamas. Pillar 3 objectives evolve around responsive, streamlined delivery of outputs and services, embracing modern technologies and agile methodologies. Internally, the Bank is also reinforcing a shared organisational culture of excellence and accountability, ingrained in its performance management and compensation structures.

Several high-level objectives are below:

- Clarify, publish and monitor the Central Bank's service level standards for stakeholders and clients.
- Streamline public-facing services through greater use of digital tools and simplified processes.
- Strengthen institutional governance around project management processes, and collaboration.
- Improve operations resilience around business continuity, cybersecurity & information security and governance.
- Strengthen human resources frameworks, including performance management, training, compensation benchmarking, and staff engagement.
- Strengthen internal systems impacting financial operations and dormant funds administration, and enhance cyber-related financial safeguards.
- Strengthen the enterprise risk management culture, through incentivised accountability structures and enhanced staff training.
- Further advance enterprise risk management maturity in alignment with best international practices and central banking standards.
- Expand the use of technology to improve information management, and continuously improve the Bank's cyber resilience and information security posture.

Pillar 4: Innovation

The Central Bank's emphasis on innovation considers the transformative potential of accessible payments and financial market infrastructures for The Bahamas, and the role of technology as a driver of innovation. Pillar 4 also embraces the Central Bank's role as a facilitator of private sector innovation. Further, there is focus on incentivising a culture of innovation among staff within the Bank.

A number of high-level objectives are below:

- Advance the implementation of a Regulatory Sandbox Framework; and establish a Central Bank-sponsored framework, inclusive of open banking rules and standards to support fintech-driven private sector innovations.
- Scope and pursue further reforms to boost financial inclusion, including a national eKYC registry.
- Develop further resilience in the domestic payments' infrastructure, including offline functionality; and leverage the CBDC and fast payments to expand the reach and interoperability of the cash dispensing infrastructure, particularly in the Family Islands.
- Further modernise the enterprise IT systems and strengthen technology governance.
- Guided by information governance, information security and data protection standards, pursue responsible adoption of AI, cloud computing, and other innovations to boost operations efficiency, internal capacity and productivity.
- Foster an enterprise-level culture of creativity, experimentation and adaptive problem-solving.
- Leverage technology to enhance efficiency, responsiveness and regulatory effectiveness.

OUR **OPERATIONS**



GOVERNANCE & ACCOUNTABILITY

The Bank's corporate governance framework, as outlined in the Central Bank of The Bahamas Act, 2020 (the Act), prescribes, *inter alia*, the roles and responsibilities of the Board of Directors, the Governor and the Deputy Governors. In fulfilling its statutory mandate and functions, the Bank is committed to the continual strengthening of its governance, accountability and risk management practices.

BOARD OF DIRECTORS

Under the governance structure established in the Act, the Board of Directors has overall responsibility for the oversight of the Bank in delivering on its mandate, its management and operations, including strategic planning, financial and accounting practices, procurement activities, succession planning, enterprise risk management and internal control processes. The Board approves policies that govern these activities.

Appointed by the Governor General, on the advice of the Minister of Finance, the Board is comprised of the Governor (Chairman), two non-voting Deputy Governors and six independent non-executive directors. One Deputy Governor position is currently unfilled. Under the Act, each director in exercising their functions is required to maintain the confidentiality of information acquired and, therefore, 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 conducted in good faith, while carrying out their statutory duties. For Board meetings, four directors form a quorum.

During 2025, the full slate of independent non-executive directors continued to serve their multi-year terms. As per their Instruments of Appointment, the non-executive directors were unchanged from the previous year, consisting of Mr. Robert Adams, K.C., Mr. Thomas Dean, Mr. John Swain, Dr. Olivia Saunders, Mr. Kendal Kelly Nottage and Mr. Bryan Knowles.

In 2025, the Board met monthly. One of the key discussion points at the Board-level over the year related to the development of the Bank's new Strategic Plan for 2026-2030. The Board's maintained oversight of the Bank's ongoing operations, policy and procedure development, procurement activities, financial performance, and human resource activities. Further, focus was placed on risk management, inclusive of information technology, information security, business continuity and developments within the internal control environment. The Bank's facilities operations were also discussed, particularly highlighting the ongoing progress of the Cash and Data Centre.

In relation to the Bank's core mandates, the Board outlook for external reserves was consistently tracked, taking into account economic developments and the Government's debt financing operations, as well as the outcomes of the investment strategy for external reserves. Discussions on currency developments generally centred on the progress of the digital currency and enhancements to financial market infrastructures. Specific to the financial sector, Directors monitored material matters concerning supervised financial institutions. These matters related to their financial safety and soundness, international and domestic regulatory and legislative initiatives, mergers, acquisitions, and closure of institutions. The Bahamas' compliance with international Anti-Money Laundering/Countering the Financing of Terrorism and Proliferation Financing (AML/CFT/CPF) standards and Automatic Exchange of Information/Common Reporting Standards (AEOL/CRS) were also discussed, in light of the Bank's contribution to these national initiatives.

AUDIT COMMITTEE

The Board is supported by the Audit Committee, particularly with respect to financial matters of the Bank. The Committee consists of director John Swain (Chairman), director Bryan Knowles and external financial expert Mr. Kirvy Ferguson. The Committee met monthly in 2025, with the Managers of the Finance Department, Internal Audit Unit and Corporate Strategy, Risk and Governance Unit providing relevant financial information and insights into the Bank's internal control environment.

SENIOR MANAGEMENT COMMITTEES

The Senior Management Committee is comprised of the Governor, Deputy Governor and Heads of Departments and Units, who collectively manage the daily operations of the Bank. In weekly meetings, senior managers supported collective oversight of the Bank's operations and maintenance of policies and procedures. Through Committees, such as the Monetary Policy Committee and the centered Policy Advisory Committee, managers contribute to maintaining monetary and financial sector stability and steering the evolution of the financial sector supervisory framework. Managers also serve on other sub-committees to fulfil the Bank's investment operations, staff recruitment and enterprise risk management activities.

ACCOUNTABILITY & TRANSPARENCY

In accordance with its statutory mandate and aligned with international best practices, the Bank continued to uphold a strong commitment to transparency

and accountability in all aspects of its operations. Consistent with these obligations, the Bank submitted an Annual Report on its activities for 2025 to the Minister of Finance, which was tabled in Parliament. Monthly balance sheet statements were also provided to the Minister and published in both the Official Gazette and on the Bank's website to ensure public accessibility.

During the year, the Governor met regularly with the Minister of Finance and the Minister of Economic Affairs to discuss global and domestic economic developments with potential implications for The Bahamas' economy and Government finances. These engagements supported effective coordination between monetary and fiscal policy, while also providing an avenue to apprise the Government of the Bank's performance in executing its statutory responsibilities.

The Bank continued to publish timely data and analysis on domestic economic and financial conditions through its Monthly Economic and Financial Developments (MEFD) reports, Quarterly Economic Reviews (QER), and Quarterly Statistical Digests (QSD). These publications, along with official notices, announcements, and press releases, remain readily accessible on the Bank's website.

Strengthening its public engagement efforts, the Bank also established a dedicated External Relations Unit. The Unit is focused on delivering clear, accessible, and relevant content to the Bank's diverse audiences within The Bahamas and internationally. Its mandate includes fostering greater trust, enhancing financial literacy, and increasing public understanding of the Bank's role, functions, and statutory responsibilities, and how these directly impact individuals, businesses, and the broader economy.

As part of these efforts, the Central Bank expanded public awareness initiatives surrounding digital payment platforms and the modernisation of the payments system. Outreach activities also placed emphasis on cybersecurity awareness, equipping individuals and businesses with information to navigate digital financial services safely and responsibly.

In support of transparency and outreach, the Governor and senior officers delivered speeches and presentations at public forums throughout the year. These engagements addressed domestic economic conditions and forecasts, regulatory and supervisory developments, exchange control policies and progress on payment system initiatives, including digital transformation and the central bank digital currency.

CORPORATE STRATEGY, RISK AND GOVERNANCE

The Bank adheres to sound central banking principles in its operations, continuing to strengthen governance, strategic planning and risk management practices, in line with international standards and best practices. Through the Corporate Strategy, Risk and Governance (CSRG) Unit, which represents the "second line", the Bank supports the establishment of governance frameworks to oversee its operations and coordinates efforts to assist with strategic planning. The CSRG Unit also champions enterprise risk management activities and promotes the self-identification, assessment and management of risks within the "first line". Also, as part of its functions, the CSRG Unit compiles data from the "first line" and produces the Bank's consolidated risk and control profile, supporting informed risk-aware decision making.

Strategic Planning

During the year, the CSRG Unit supported the structured development of the Bank's 2026–2030 Strategic Plan. The process was anchored in a comprehensive planning framework grounded in the Balanced Scorecard methodology, ensuring alignment among strategic priorities, operational execution, risk management, and performance measurement. The development of the strategic plan was informed by extensive internal and external assessments undertaken through a collaborative process involving senior management, with oversight and guidance from the Board, and engagement across the organisation. These assessments examined prevailing economic and financial conditions, global and regional developments, technological change, and national priorities, underscoring the need for a strategic framework that is adaptive, governance-driven, and operationally sound. The assessments also led to the refinement of the Bank's mission, vision, and core values (or strategic elements), as well as the creation of new strategic pillars.

A key component of the planning cycle was the strategic planning tours, during which the Governor met with internal departments and units to discuss their priority areas, expectations, and performance outlooks. These engagements surfaced critical focus areas, operational challenges, and risk considerations specific to each function, enabling more informed, aspirational, and context-driven strategic discussions. Townhall meetings followed, to consolidate the dialogues.

To complement these discussions, the Bank also administered a Culture Survey and a Strategic Elements Survey across the organisation to assess the Bank's cultural pulse and readiness for strategic transformation. The surveys generated both quantitative and

qualitative insights, informing refinements to strategic focus areas, and underscored the importance of embedding cultural considerations within the overall strategic framework.

Leadership engagement remained central to the process. An Open Managers' Retreat was held, facilitating dialogue, peer learning, and alignment on institutional direction. Policy-relevant discussions, including reflections on strategic accomplishments, ensured that future planning was informed by prior achievements, as well as ongoing economic and regulatory evolution.

Collectively, these initiatives enhanced collaboration across the Bank, fostered institutional cohesion, strengthened governance integration, and positioned the Bank to enter the 2026–2030 period with a structured, risk-informed and performance-driven strategic plan.

Enterprise Risk Management (ERM)

In 2025, efforts continued to further advance the implementation of the Bank's enterprise risk management (ERM) framework. Priority was placed on the review of departments' updated risk and control self-assessments to help inform the Bank's current risk and control profile. Stakeholder engagement among staff, as well as the Bank's board and management-level risk committees were also maintained. In particular, risk management training and awareness initiatives were facilitated for departments' risk teams to boost competencies in control testing, project risk management and risk appetite. Ongoing discussions on the Bank's risks and risk management mitigation strategies were held with the Board's Enterprise Risk Committee and management-led Executive Risk Management Committee.

Business Continuity

The Bank continued to improve its business continuity programme. Given the criticality of payment system infrastructures within the domestic economy, a failover exercise was conducted on the new version of the real time gross settlement (RTGS) system to test its resiliency. The Bank also refined existing contingency plans at both the enterprise and department levels, in preparation for potential disruptions from severe weather, and other threats. To ensure redundancy and continuity of operations, the disaster recovery site was assessed to evaluate its resilience. Further, departments commenced business impact assessment exercises to validate priorities around the potential sequencing of recovery activities.

Information Assets Management

The Information Assets Management Unit (IAMU) continued to develop enterprise information governance

policies and procedures for the Bank, and facilitate training and awareness activities. Engagement with the senior management Information Governance Committee also began, formally sensitising management to important information governance considerations. Training and awareness efforts were also intensified throughout the Bank, exposing staff to training on the Freedom of Information Act and data classification, to proactively ensure compliance with legal requirements and information governance best practices.

Additionally, IAMU further advanced the digitising of the Bank's records, facilitated the upgrade of the intranet and commenced work to improve the external website's usability and security. Efforts were also sustained to build the Bank's digital library of journals, books, and periodicals.

Compliance

The Bank's risk management framework for anti-money laundering, counter-financing of terrorism and proliferation financing (AML/CFT/CPF) was further strengthened. This included regular deliberations of the Compliance Steering Committee for the effective oversight of financial crime risk management. Further, the Money Laundering Reporting and Compliance Officer maintained an enterprise-level view of internal operations and controls, supporting further alignment of internal policies and procedures with operations. Staff training and awareness initiatives were also sustained.

External Relations

The Central Bank bolstered its communications framework and resourcing, establishing the External Relations Unit on 1st January 2025. The Unit is tasked with strengthening the strategic approach to transparency, stakeholder engagement and public understanding of monetary and financial sector developments. Throughout the year, the Unit enhanced external communications across traditional and digital platforms, improved media relations and expanded public education initiatives. The Unit also boosted the Central Bank's visibility through infographics, short-form content and video messaging designed to reach broader audiences.

During the year, key communications efforts included the continuation of national public education campaigns on digital payments, financial literacy and fraud prevention; quarterly economic briefings to media and stakeholders; and leadership on key financial sector initiatives, such as the Live Digital Campaign to promote increased digital financial services adoption, and the S.M.A.R.T. anti-fraud campaign to counter artificial intelligence (AI) generated deepfake scams.

The Bank's youth-centred engagement and public education continued, including through competitions that recognised scholarly economic research and creativity in financial literacy. In April 2025, the Bank hosted the 4th annual Financial Literacy Fair, engaging students and educators from schools across New Providence, and the Family Islands. Outreach was also done through the 6th annual *T. Baswell Donaldson Research Competition* for college level students, and the 6th annual *Get Money Smart Financial Literacy Video Essay Competition* for students from the primary school through university levels.

In 2025, public education initiatives tailored for a broader audience included two *Learning Series Webinars*, which focused on the Central Bank's safety net system and cybersecurity. In addition, the *Harbourside Chats with the Governor* series, featured new episodes highlighting the global monetary policy landscape and digital finance.

As social media outreach increased, the Bank also boosted engagement via its platforms on Instagram, Facebook and LinkedIn.

Public education was further bolstered by targeted campaigns, including the partnership with the Alliance for Financial Inclusion's (AFI) Financial Inclusion Initiative for Latin America and the Caribbean (FILAC)'s Regional Awareness and Education Campaign. The Bank also augmented the regular release of monthly and quarterly economic reports with accessible social media infographics, taking a similar approach to boost the visibility of investments in government securities.

Internal Audit

The Internal Audit Unit (IAU) maintained its focus on strengthening the Bank's ability to effectively manage its risk and control environment, providing the Board and management with independent, objective assessment and oversight. The IAU operations are steered by a Board-approved Internal Audit Charter and a risk-driven Annual Audit Plan.

The IAU successfully executed upon the approved risk-based annual audit plan and conducted audits aimed at improving operational processes, advancing strategic activities and supporting the maturation of the Bank's Enterprise Risk Management Framework. The IAU communicates the results of all assessments, and reports its findings to the audited departments, the Board Audit Committee and the Governor and Deputy Governor. The Unit also monitors the Departments' progress with implementation of documented action plans for audit findings. During the year, 18 audit reports were issued.

Information Security

The Information Security Unit (ISU) pursued further alignment of the Bank's security practices with both domestic and international standards and best practices. Enhancements were made to the Bank's security monitoring, threat defence and incident response capabilities. By virtue of the Vulnerability Impact Assessment Matrix (VIAM), developed in-house in 2024, the ISU distributed monthly dashboards to the prioritised departments on the contextualised information security risks in the Bank's operations and promoted proactive remediation efforts. Through the Unit, the Bank also maintained collaboration with regional peers. The Unit also supported the Bank's counteraction of social media deepfake advertisements, supporting External Relations' intervention to protect and maintain the Bank's brand. This gave rise to a multi-pronged approach to improve brand monitoring and awareness. Along similar lines, the Bank plans to leverage ISU resources to increase its community outreach to promote increased adoption and safer use of digital financial products.

Office of The Financial Services Ombudsman

Through the Office of the Financial Services Ombudsman (OFSO), the Central Bank continued to strengthen engagement to promote fairness, transparency, and consumer protection within The Bahamas' financial services sector. The OFSO boosted consumer education outreach activities, enhanced collaboration with strategic partners, and expanded its support mechanisms for complaints resolution. Through sustained engagement with stakeholders and focused operational improvements, the OFSO maintained service standards and reinforced public confidence in its advocacy efforts.

The OFSO collaborated with both internal and external stakeholders, participating in advisory discussions and knowledge-sharing exercises, and contributing to sectoral dialogue on consumer protection risks, complaint trends, and opportunities for service improvements across Central Bank supervised financial institutions. In the meantime, the Bank began to explore digital case management tools to increase the efficiency and effectiveness of advocacy and complaints handling.

Throughout 2025, the OFSO sustained its focus on timely, balanced, and equitable complaint resolution. The Office maintained strong closure rates and service responsiveness, with an 87% closure rate against a total of 111 complaints/inquiries received. The majority of these complaints related to savings accounts disputes, closely followed by credit bureau report complaints.

CURRENCY OPERATIONS

Through the Currency Unit, the Central Bank continued to oversee the issuance and oversight of currency in circulation, advance the numismatic program for collectors, and lead the development of financial market infrastructure, with particular emphasis on payments. Capacity in these operations also advanced the digital currency initiative.

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

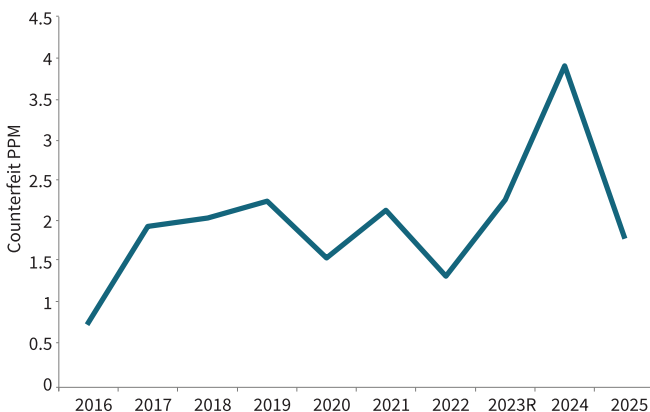
Source: Central Bank of The Bahamas

Circulation Notes and Coins

In 2025, the value of currency in circulation grew by 9.0% to \$719.0 million. Banknotes remained the largest proportion of currency in circulation by value, at 95.0%. The value of banknotes in circulation rose by 10.2% to \$680.4 million; and coins, by 4.1% to \$35.9 million, respectively. Meanwhile, circulating digital currency, Sandollar, grew by 7.7% to \$2.8 million.

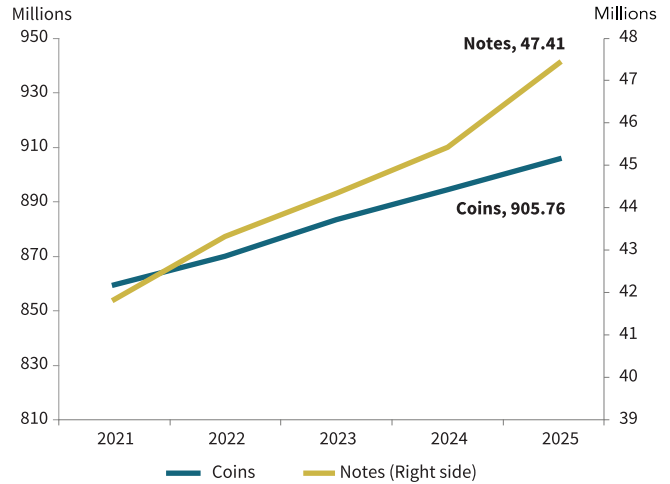
The Bank maintained scheduled and ad hoc anti-counterfeit detection workshops to uphold the public's confidence in banknotes. Over the year, there was a 17.0% increase in the volume of counterfeit notes discovered and the value decreased by 13.0% with the \$20 banknote being the most forged denomination. Despite the increase in the volume of counterfeit notes, the incidence of counterfeit discovered remained comparatively low at 1.86 per million banknotes, based on global standards.

**Counterfeit Parts per Million (PPM)
Notes in Circulation**

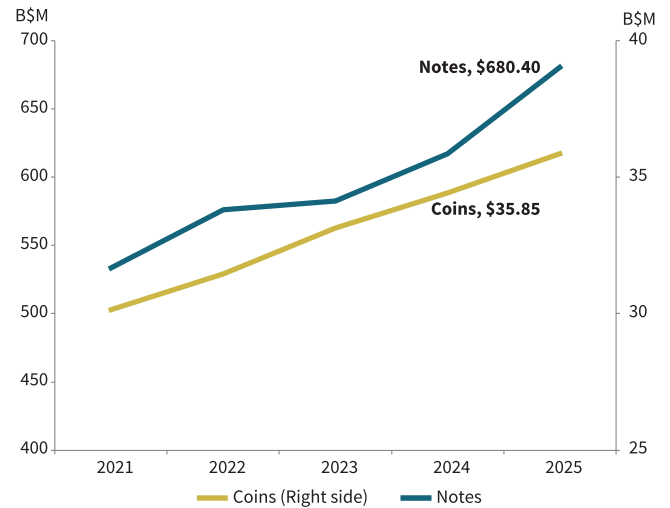


Production activities featured a reprint of the Series 2021 \$100 bill, which was released into circulation during third quarter 2025. In the meantime, preliminary work was underway for the release of a Series 2026 \$10 banknote.

Quantity of Notes and Coins in Circulation



Value of Notes and Coins in Circulation



Numismatics

The Bank continued to satisfy market demand for the annual release of numismatic products. A \$10 Silver Proof Hibiscus Coin was issued in June 2025 (shown on the following page), the third product in the Flora and Fauna series.



Digital Currency Adoption

The central bank digital currency (CBDC) initiatives stayed focused on increased public awareness, improved consumer access and the further development of a robust infrastructure. The Bank sustained partnerships with targeted merchants and authorised financial institutions (AFIs) to further the instrument's adoption. The Bank also targeted marketing campaigns via print, radio, the website, and social media platforms to maximise the CBDC's exposure to the unbanked and underbanked communities. The adoptions programme centred on public education and strategic partner engagements.

Financial Market Infrastructure

During the year, the Bank achieved milestones across varied financial markets infrastructure initiatives. Among these was a further boost to payments system modernisation efforts, including richer data and improved interoperability across the real time gross settlement (RTGS) system platform; and progression towards compliance with the ISO20022 messaging standard, ahead of the Society for Worldwide Interbank Financial Telecommunication (SWIFT) mandated November 2025 deadline. Enhancements also continued to the Bahamas Government Securities Depository (BGSD), with introduction of an automated fee-structure for the processing of transactions.

The Bank also undertook an assessment against the Principles for Financial Market Infrastructures (PFMI) across payments, risk and policy disciplines. The principles, adopted by the international standard setting body, the Committee for Payments and Market Infrastructures (CPMI), offer a roadmap of reforms and remediation to be initiated in 2026.

In regard to Government securities, the Bank further reduced the number of International Securities Identification Numbers (ISINs), as maturing securities systemically offset by the reopening of benchmark issues. This strategy anticipates a 37.0% shrinkage in ISINs by end-2029, with numbers reduced by 9.5% in 2025. These outcomes align with recommendations from the International Monetary Fund (IMF) and Commonwealth Secretariat, to strengthen secondary market liquidity by consolidating the number of outstanding securities issues.

In addition, during the year, in consultation with the Commonwealth Secretariat, the Central Bank resumed efforts to develop the repurchase framework for debt securities, which will be progressed in 2026.

BANKING OPERATIONS

Public Debt Administration

The strategic and sustained development of the domestic debt market remained a key priority for the Bank, as registrar and transfer agent of public sector securities. The Bank facilitated monthly offerings of Bahamas Registered Stock (BRS) and Treasury bills (T-bills), complemented by enhanced market disclosure in the form of published investor notices and performance reports. An entrenched feature of investor outreach also included quarterly meetings with the Ministry of Finance, alongside banks and broker dealers to discuss market trends, economic fundamentals and the fiscal outlook.

As for agency securities, liabilities for the Clifton Heritage Authority declined by \$8.0 million to \$16.0 million, and the Bahamas Mortgage Corporation, by \$3.0 million to \$150.0 million. In contrast, the outstanding balance of the Education Loan Authority, the Bridge Authority and the Bahamas Development Bank remained at \$29.8 million, \$14.0 million and \$4.0 million, respectively.

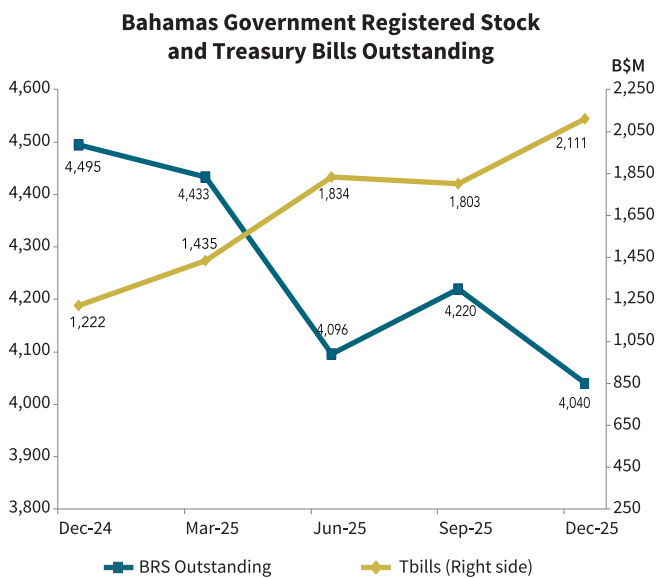
As regards outstanding Government securities, during 2025, T-bill balances increased by \$889.5 million (72.8%) to approximately \$2.1 billion. In contrast, outstanding BRS declined to approximately \$4.0 billion over the same period, representing a contraction of \$454.8 million (10.1%), as approximately \$724.0 million in 1-year BRS were converted to one-year T-bills. Net of this transition, the stock of other BRS maturities expanded on balance.

New debt activity remained concentrated largely in the central government securities. Amid consistent demand, T-bills offerings experienced an average absorption rate of 96.5%. Monthly offers averaged approximately \$502.0 million, bookended by February's \$286.0 million and October's \$852.0 million issuances.

In March 2025, the Central Bank facilitated the first issuance of a 364-day T-bill, replacing the discontinued one-year BRS. It recorded an average absorption rate of 77.1% relative to the amounts on offer. Meanwhile, the 91- and 182-day bills experienced average absorption rates of 103% and 85%, respectively, aligned with an established market preference for shorter-term paper. Likewise, over the year, the average yield for the 91-day tenor rose by 44 basis points to 3.45%; the 182-day tenor, by 21 basis points to 3.15%; while the average return on the 364-day T-bill remained relatively unchanged from the replaced one-year BRS. In terms of funding for T-bills, approximately 76% of accumulative subscriptions were for the 91-day instrument, followed

by 15% and 9% in the 364-day and 182-day instruments, respectively.

Monthly BRS offers sought to raise a cumulative total of \$570.4 million in 2025. While demand for the benchmark tenors fluctuated throughout the year, investor preference remained concentrated in the 3-, 5-, and 7-year tenors, which collectively accounted for an average of 84.0% of total subscriptions. Including private placements, subscriptions totalled \$589.0 million, an excess of 3.0% compared to the offered amounts.



Central Bank's Exposure to the Government

The Central Bank remained in compliance with its lending thresholds for the Government, just \$4.9 million below the cap at end-2025. Notably, outstanding advances decreased to \$326.5 million in 2025 from \$331.0 million in 2024, as the facility was used on a revolving basis to smooth out cashflow needs during the period.

PAYMENTS & SETTLEMENT SYSTEMS

Oversight

The Central Bank's oversight of the domestic payments system focused on enhancing the efficiency, reliability, and security of the supporting infrastructure. In this regard, quarterly meetings were convened with senior representatives of the Bahamas Automated Clearing House (BACH), which is owned and operated by the Clearing Banks Association. Discussions centred on participants' collateral requirements, settlement matters affecting commercial banks, internal audit findings, and other significant developments during the year. The Central Bank also monitored the progress of non-bank entities seeking to join the BACH. Further, engagement was maintained with stakeholders regarding their participation in the Central Bank-owned and operated real-time gross settlement (RTGS) system, the

Bahamas Interbank Settlement System (BISS). While BACH facilitates the clearing of small-value transactions under \$150,000, the RTGS platform processes large-value interbank payments exceeding \$150,000, thereby supporting the safe and timely settlement of high-value transactions.

The Central Bank continued to advance initiatives to strengthen the payments system's role in expanding digital access to financial services. These efforts were primarily guided through the Bahamas Cheque Reduction Steering Committee, which engaged supervised financial institutions, civil society, and key private sector stakeholders. The Committee benchmarked and refined a strategy to reduce reliance on cash and cheques in The Bahamas, with a focus on advancing financial inclusion and promoting legitimate access to digital alternatives for individuals and businesses. The initiative also identified targeted interventions to measurably improve the quality and efficiency of domestic payment services. The Live Digital campaign, jointly funded by the Central Bank and commercial banks, emerged from this broader public education strategy. The campaign featured a series of town hall meetings in New Providence and the Family Islands, aimed at educating residents and businesses about available digital payment options and online banking platforms. Public outreach was further supported through social media, print and broadcast media, reinforcing awareness and encouraging greater adoption of digital financial services.

Payments Settlements Trends

In 2025, domestic wholesale payments settled through the RTGS system increased in volume by 9.4% to 299,213 transactions, and in value, by 1.2% to \$31.3 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 system 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 10.1% expansion in the number of transactions to 6.5 million, while the associated value grew by 9.9% to \$11.4 billion, albeit a tempered speed from the 14.5% boost recorded in 2024. Nevertheless, as observed in the previous years, cheque usage, except for large-value transactions, reduced. The number of instruments cleared fell by 13.7% to 710,000, with a falloff in the corresponding value, by 5.4% to \$3.6 billion.

BOX 2: MONETARY POLICY IN 2025

The Central Bank’s Monetary Policy Committee (MPC) is chaired by the Governor, and includes several Heads of Departments and other technical staff. The Committee meets monthly to monitor and assess both domestic and international developments, advising the Governor on policy measures aimed at preserving monetary and financial stability and safeguarding the sustainability of the fixed exchange rate regime. The outcomes of the Committee’s surveillance are documented in reports that are released to the public within five days of each meeting.

The Committee’s deliberations were framed around several prevailing domestic economic and financial trends, as well as emerging risks. In particular:

- **Domestic economic activity** continued to expand at a steady pace, although growth in stopover tourism segment was constrained by accommodation capacity, while performance in the cruise sector remained robust.
- **Banking sector liquidity** remained healthy, despite a strengthening in domestic credit and improvements in credit quality.
- **External reserves** maintained healthy levels, supported by Government’s external borrowings, and foreign currency inflows from real sector activities.
- **Credit quality indicators** improved further, underpinned by strengthening conditions in the domestic economy.

In evaluating external risks to the domestic economy, the MPC were cognizant of several

important trends. Developments within the tourism sector were broadly favourable, supported largely by strong activity in the cruise segment, which offset the slight downturn in the stopover market, which was constrained by capacity levels. Nonetheless, considerable downside risks persisted, given the heightened tariffs on international trade and uncertainty surrounding the trade policies of major economies. The Committee also monitored ongoing geopolitical tensions in the Middle East and Eastern Europe, with potential to exert upward pressure on global oil prices and disrupt supply chains. The MPC also noted the major central banks relaxed monetary policy stance during the year, with potential to impact consumer confidence if reversed.

Consistent with the Bank’s mission to maintain satisfactory external reserves to maintain the fixed exchange rate, the Committee closely tracked key external reserve adequacy indicators, notably the ratio of external reserves to the Central Bank’s demand liabilities and the import cover ratio. During the first half of the year, external balances increased, in line with seasonality, followed by the traditional decline in the latter half of the year, as import

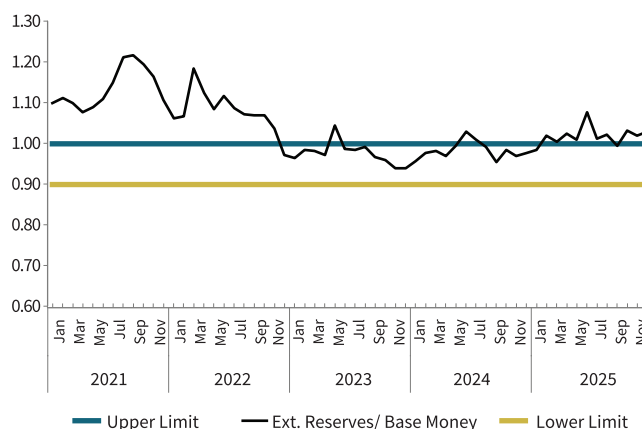
payments rose. As a result, the ratio of reserves to the Central Bank’s demand liabilities remained above 90.0% throughout 2025, surpassing 100% in several months. In particular, the ratio peaked at 107.7% in June, then moderated to 99.4% in September, and subsequently strengthened to 102.9%, in December 2025.

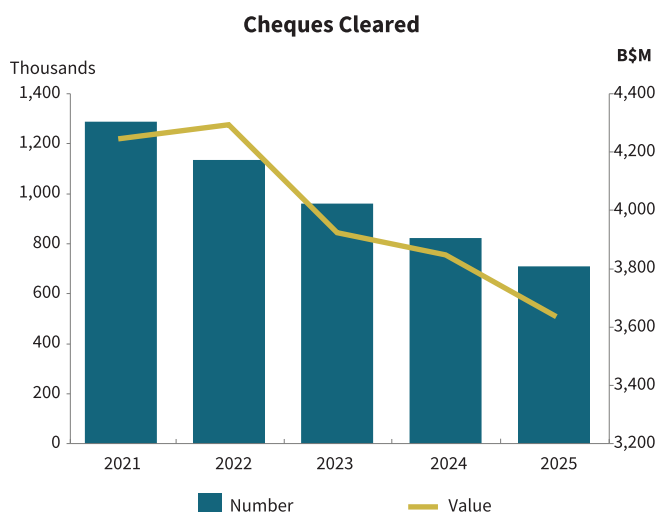
With reference to the widely monitored indicator of total external reserve coverage in weeks of the current year’s total merchandise imports, the ratio rose from 28.4 weeks at end-2024, to 28.8 weeks in the first quarter of 2025. Over the remainder of the year, the measure fluctuated, rising to 31.0 weeks in the second quarter, before declining and reaching its lowest level at 28.1 weeks at the end of 2025, although remaining well above the international benchmark of 12.0 weeks.

The Committee also continued to review key indicators of banking sector soundness. Members noted that persistently high levels of liquidity in the system, reflecting a still cautious lending posture, even as credit expansion strengthened. Meanwhile, credit quality improved further as evidenced by a reduction in the non-performing loan (NPL) rate during the year. In addition, domestic banks remained well capitalised with the average capital adequacy ratio standing at 29.1% at end-December 2025—well in excess of the minimum regulatory ratio of 17.0%.

Against this backdrop of strong foreign reserves and improving economic conditions, the MPC supported the continuation of an accommodative policy stance to encourage lending to the private sector.

Ratio of External Reserves to Base Money





Retail Payments Services

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

Concerning card-based payments, the number of debit card transactions rose by 19.7% to 34.3 million; however, the value decreased by 13.4% to \$3.6 billion. While the trends signified growing consumer confidence in card usage, they also underscored increased adoptions for smaller-value payments, alongside greater access to credit cards and electronic funds transfers for some retail payments.

In 2025, the number of credit cards issued or renewed by commercial banks expanded by 5.6% to 116,701, and the associated value of debt owed rose by 7.1% to \$272.4 million. Disaggregated by access amount, the number of cards with a credit limit under \$5,000 grew by 4.9% to 78,777, while the outstanding balances increased by 6.0% to \$85.9 million. Meanwhile, cards issued with a limit between \$5,000-\$10,000 rose by 6.4% to 22,585, and the corresponding debts, by 6.6% to \$77.5 million. Furthermore, the number of accounts with credit limits above \$10,000 grew by 8.0% to 15,339, and the outstanding value, by 8.7% to \$109.0 million.

On an annualized basis, the total number of automated teller machines (ATMs) deployed decreased by 2.0% to 390. Meanwhile, the volume of ATM transactions reduced by 3.2% to 10.3 million; even though the corresponding value rose by 2.0% to \$3.1 billion, year-on-year.

Financial institutions also reported increased recourse to internet banking services during the year. Such solutions allow all customers to, inter alia, check account balances, make transfers between personal and third-party accounts, pay utility bills, and purchase

foreign currency. The range of internet services varied among financial institutions, and some banks levied a fee for the facilities. During 2025, the number of users, inclusive of residential, business and the public sector, expanded by 15.7% to 190,043.

Payment Fraud Incidence

Aligned with its commitment to consumer protection, the Central Bank tracks fraud incidents related to cheques, debit and credit cards. In 2025, the number of reported fraud cases rose by 48.5% to 17,432, but the associated value declined by 66.9% to \$6.2 million. The majority (96.7%) of incidents originated in New Providence. Disaggregated by type, debit card fraud comprised 83.7% of all cases, while the corresponding value represented 45.1% of the overall value. The volume of credit card fraud constituted 15.8% of all cases and 22.1% of the attendant value. With the sustained reduction in cheque usage, reported fraud was less than 1.0% (0.5%) of total incidences; however, these cases represented 32.8% of the overall amounts, reflective of the typical higher average value of such transactions.

Electronic Money Services

Trends in retail payments facilitated by electronic money service providers (EMSPs), was mixed when compared to 2024, attributed to increased account usage among individuals and authorised financial institutions (AFIs), as well as continued educational outreach in the Family Islands. The integration of the digital currency platform with the ACH provided for more efficient funds transfers, which more AFIs have now fully implemented in their proprietary wallets. However, government-to-people (G2P) and business-to-persons (B2P) transactions remained less used.

The number of active wallet providers declined by seven to six, following the downgrade of one licensee to inactive status. The number of agents also decreased by 20.7% to 111 in 2025, compared to 2024. As for payments, which encompass SandDollar activity, the volume of person-to-business (P2B) transactions grew by 24.3%, along with the attendant value, by 18.7% to \$60.0 million during 2025. Concerning business-to-business (B2B) transactions, the number also expanded to 706 from 45 in 2024, with the corresponding value notably higher at \$2.8 million in 2025, from \$21,000 the previous year. Conversely, the volume of person-to-person (P2P) transactions reduced by 19.8%, and the value was lower by 16.5% at \$3.9 million.

With the discounting of non-active wallet service providers, the total number of active e-money users decreased by 18.7% (27,392) to 118,701, while business

accounts fell by 2.7% (57) to 2,074. Among firms that remained active during both 2024 and 2025, the number of active accounts increased by 5.9%, although active business accounts remained unchanged at 2,074.

Meanwhile, electronic money service providers (EMSPs) augment the Bahamian ATM network, maintaining a total of 346 machines throughout The Bahamas (including the Family Islands), compared to 351 at end-2024. Alongside commercial banks, the population of deployed ATMs was 393 compared to 398 in 2024.

FOREIGN RESERVES MANAGEMENT

The Central Bank’s reserve management strategy stayed focused on capital preservation and maintaining adequate liquidity to meet the private sector’s residual needs for foreign exchange. Within these prudential limits, the Bank seeks to maximize returns on the invested balances.

During 2025, external reserves remained at buoyant levels, underpinned by sustained tourism growth, foreign investment inflows and proceeds from the Government’s external borrowing activities. Reserves expanded by \$181.5 million (6.9%) to reach \$2,814.4 million, exceeding the \$115.5 million (4.6%) growth in 2024. In particular, external reserves peaked in June at \$2,971.7 million, just \$18.1 million (0.6%) below the July 2024 high.

DORMANT ACCOUNT ADMINISTRATION

The Bank administers dormant accounts funds in accordance with provisions in the Banks and Trust Companies Regulation Act, 2020, and the Central Bank of The Bahamas Act, 2020. Under the regime, the definition of accounts that may be classified as “dormant” include custody accounts, contents of safety deposit boxes, money orders, credit card balances, credit balance on loans, collateral held on a loan—including cash and non-cash—funds paid for shares or other interest in a licensee, deposit account of precious metals and gemstones and securities. These accounts are balances with banks on which no customer activity has occurred for at least seven years. As such, banks are required by law to transfer balances to the Central Bank for safekeeping, until the account holders make representation to claim the funds. Otherwise, the funds are custodied with the Central Bank for a 10-year period, before escheatment to the Government. Only account balances of \$500 or less are escheated to the Government on immediate transfer to the Central Bank, although these can also be reclaimed within the ensuing 10-year window.

As at 31st December 2025, the Bank maintained custody of 44,408 dormant facilities, with balances totalling \$131.7 million, denominated in five currencies

(See Table 2). Balances in United States dollars and Bahamian dollars combined, accounted for 98.6% of the total liabilities, while the Canadian dollar, Swiss franc, Euro and British pound accounted for the remaining 1.4%.

In accordance with the law, as at 31st December 2025, an estimated \$6.3 million in dormant funds was due for remittance to the Government against the applicable 10-year custodial period expiration.

Table 2: Dormant Account Balances

Currency	Account Balances	Account Balances	No. of Accounts	% of Total Balances
	2024	2025		
	(\$'000)		2025	2025
Bahamian \$	45,328.3	45,499.5	38,055	34.5
Canadian \$	7,350.3	677.9	443	0.5
Swiss Franc	0.0	0.0	0.0	0.0
Euro	586.9	19.0	64	0.0
UK (Sterling)	1,095.9	1,178.2	109	0.9
US\$	73,605.2	84,318.6	5,723	64.0
TOTALS	127,966.7	131,693.2	44,408	100.0

Source: Central Bank of The Bahamas

EXCHANGE CONTROL ARRANGEMENTS

The Bank, via its Exchange Control Department, discharges its statutory mandate to administer Exchange Controls. This is aimed at prudent management of external reserves, to maintain the fixed parity between the Bahamian and United States Dollars and to ensuring the sustainability of the local foreign exchange markets.

During 2025, foreign currency sales, inclusive of transactions under delegated authority to commercial banks, decreased by 6.5% to \$8.4 billion, mainly attributable to a reduction in loan repayments in the public sector. Foreign currency sales for current account payments fell by \$122.1 million (1.5%) to \$7,892.6 million, on account of contracted outflows for oil imports, interest payments, travel for medical care and other ‘miscellaneous’ services. Foreign currency sales for capital account payments also fell by \$467.6 million (47.0%) to \$526.3 million, vis-à-vis the preceding year, mainly on account of loan repayments and other investments.

The Bahamas Depositary Receipts programme (BDR) facilitated ongoing external portfolio investments at the official exchange rate, through active broker-dealers in 2025. Foreign currency sales for such transactions totalled \$10.6 million, compared to \$9.6 million in 2024, while approvals issued by the Bank for these transactions totalled \$22.4 million and \$26.2 million, respectively.

Similarly, the Investment Currency Market (ICM) accommodated capital investments abroad through commercial banks at stable offer and bid rates of 5.0% and 2.5%, respectively. Foreign currency sales and approvals for the ICM in 2025 increased to \$144.4 million and \$261.2 million, respectively, from \$74.3 million and \$128.1 million in the previous year. Further, ICM redemptions approved by the Bank increased to \$6.7 million from \$1.5 million in 2024.

In 2025, the Exchange Control Department continued its outreach with authorised dealers and money transfer businesses, providing guidance and training for personnel mainly responsible for regulatory reporting, compliance and customer-facing transactions. The training exposed the most recent current and capital account liberalisation measures, as well as identified issues pertaining to daily sales reporting. Also, public engagement continued via ongoing assistance through the helpdesk and the issuance of public notices.

The number of authorised agents (trust companies licensed to provide foreign currency services to residents) increased by one to 11. Meanwhile, the number of authorised dealers (commercial banks) and money transmission businesses (MTBs) remained unchanged at ten and five, respectively. Commercial banks, in particular, are permitted to deal in foreign exchange with the public, including authorised foreign currency flows through resident trust companies and MTBs.

ECONOMIC ANALYSIS, STATISTICS AND RESEARCH

The Bank, via the Research Department, upheld its mandate to provide thorough, precise, and timely updates on the country's economic and financial developments, through regular publications, research studies and surveys. Key publications included the Monthly Economic and Financial Developments report (summarizing the surveillance work of the Monetary Policy Committee), the Quarterly Statistical Digest, the Quarterly Economic Review, the Annual Report and the annual Financial Stability Report. Several economic surveys were also compiled and published, including the quarterly Bank Lending Conditions Survey (BLCS) and the Semi-Annual Commercial Bank Fee Survey reports. 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 2024.

Throughout the year, research projects undertaken by staff focused on several topical economic themes, including economic growth, transition risks, macro-prudential policy, digitisation and the informal sector.

Papers presented at the Research Department's internal Roundtable and external conferences included, "Transition Risks in a Small Open Economy: An EDSGE Model with Blue Firms, Financial Frictions and Macroprudential Policy", "Integrating Macro-Financial Dynamics in Forecasting Frameworks: The Case of The Bahamas", "Gross Domestic Product (GDP) Nowcasting Framework", "The Cost of Digitization in Banking: Accelerated Bank Runs in an Open Economy Digital Diamond-Dybvig Model" and "Formal vs. Informal: An Estimation of the Size of the Informal Economy in The Bahamas". In addition, staff presented a paper on climate change transition risks at the International Banking Research Network's (IBRN) annual workshop held in Oslo, Norway and the 56th Annual Regional Annual Monetary Studies Conference hosted by the Central Bank of Curacao. The paper "Formal vs. Informal: An Estimation of the Size of the Informal Economy in The Bahamas" was presented at the 45th Annual Review Seminar hosted by the Central Bank of Barbados. In addition, in 2025, two of the papers: "Growth-at-Risk: A Framework for Assessing Economic Vulnerability" and "Transition Risks in a Small Open Economy: An EDSGE Model with Blue Firms, Financial Frictions and Macroprudential Policy", were published in the Journal of Ecology and Natural Resources.

During the year, the Research Department continued to prioritise technical training to build capacity. The research staff participated in a myriad of training with several key international partners, including the Barcelona School of Economics, Columbia University, University of Pittsburgh, CEMLA, the International Monetary Fund (IMF), the IMF's Caribbean Regional Technical Assistance Centre (CARTAC), the Bank for International Settlements (BIS), World Bank, Central Bank of Brazil, Alliance for Financial Inclusion (AFI), International Banking Research Network (IBRN), InterAmerican Development Bank (IDB), Bahamas National Statistical Institute (BNSI), Financial Stability Board (FSB), PyTorch and the Federal Reserve Bank of New York City. These exposures were intended to provide technical assistance in the area of macro-frameworks, meet the needs and expectations of the Bank and other government agencies and strengthen capacity in the areas of data analytics, macro-financial policymaking, financial programming & scenario analysis, external debt statistics, financial inclusion and financial education.

The Research Department also provided economic and financial statistics on The Bahamas to various multilateral organisations, including the IMF, the BIS, the Caribbean Economic Research Team (CERT), the Caribbean Development Bank (CDB) and the IDB.

BOX 3: LEGISLATIVE & REGULATORY DEVELOPMENTS

The Central Bank developed a compendium of legislative and regulatory reform proposals during 2025. These progressed through various stages of consultation and adoption in 2025. Among other areas of focus that impact international tax transparency standard, proposed reforms to the crisis management framework and reforms to supervisory effectiveness in prudential and governance matters affecting SFIs.

Enacted Reforms

Executive Entities: During the year Parliament enacted the following legislation, impacting executive entities, registered representatives and related activities.

- The Banks and Trust Companies Regulation (Amendment) Act, 2025
- The Executive Entities (Amendment) Act, 2025
- The Banks and Trust Companies (Private Trust Companies and Qualified Executive Entities) Regulations, 2025

These provisions expanded the Central Bank's regulatory remit to executive entities (registered under the Executive Entities Act, 2011) that function as trustees, and introduced a new category of executive entities, the qualified executive entity. Although qualified executive entities are exempted from licensing requirements under the Banks and Trust Companies Regulation Act, 2020, they are now

required to have registered representatives, either licensed by, or registered with the Central Bank. The Central Bank is also now empowered to regulate foundations, as entities to which registered representatives may offer services. Subsequent to the legislative amendments, the Central Bank also issued the General Information and Application Guidelines for private trust companies, qualified executive entities and their registered representatives, which set out governance, risk management, operational and fiduciary standards for such entities.

Collectively, the reform achieved compliance with recommendations of the Organization for Economic Co-operation and Development's (OECD) Global Forum on transparency and exchange of information, that all persons conducting trust business within a jurisdiction, should be supervised by the relevant regulatory authority. The reforms also strengthen compliance with the FATF's (Financial Action Task Force) AML/CFT/CPF global standards.

Dormant Fund Administration:

In June 2025, the Central Bank of The Bahamas Act was amended to authorise the Minister of Finance to withdraw earned interest on dormant funds to fund Government-assisted small home repair and hurricane repair programmes. The amendment qualifies that, transfers may only be after earned

interest has been allocated for dormant account holders.

Privacy of Trust Proceedings:

The Bank and Trust Companies Regulation Act, 2020, was amended in June 2025, to provide for greater privacy of trust proceedings. This occurred alongside the Arbitration (Amendment) Act, 2025 and the Trustee (Amendment) Act, 2025, with similar privacy intent, collectively ensuring that trust products within the jurisdictions remained competitive, while ensuring consistency with principles of open justice that govern the conduct of trust proceedings in court.

Payment of Dividends: The Central Bank finalized and issued the Banks and Trust Companies (Payment of Dividends) Regulations 2025. These clarify regulatory expectations regarding the treatment of dividend payments.

Movable Collateral Registry:

In 2025, the Bank continued to support efforts to modernise the secured credit transactions system in The Bahamas. Parliament enacted the Movable Property Security Interest Act, 2025, strengthening access to credit, by enabling the use of movable property as collateral and establishing a movable collateral registry for The Bahamas. Amendments to nine other statutes were also necessary to recognise the enforceability provisions: (i) Bankruptcy (Amendment) Act, 2025, (ii) Choses in

Action (Amendment) Act, 2025, (iii) Co-operative Societies (Amendment) Act, 2025, (iv) Money Lending (Amendment) Act, 2025, (v) The Bahamas Co-operative Credit Unions (Amendment) Act, 2025, (vi) Companies (Amendment) Act, 2025, (vii) International Business Companies (Amendment) Act, 2025, (viii) Sale of Goods (Amendment) Act, 2025, and (ix) Stamp (Amendment) Act, 2025.

Proliferation Financing: In August 2025, the Central Bank alongside other members of the Group of Financial Services Regulators (GFSR), formally adopted the updated Guidance Notes on Proliferation and Proliferation Financing. The Guidance is intended to assist SFIs in their understanding and management of proliferation financing risks, in alignment with current legal, regulatory, and international standards.

Sanctions Screening: In November 2025, the Central Bank released its Guidance Notes for Sanctions Screening, which specifically address the key elements and minimum expectations for SFIs in establishing and maintaining an effective and adequate sanctions screening process.

Cheque use reduction & Payments Instrument Neutrality: In December 2025, the Central Bank issued a public consultation paper on proposed legislative and policy reforms to accompany the initiative to encourage a reduction in

the public's use of cheques. Integral to a broader strategy to modernise The Bahamas' payments ecosystem, the paper, outlined various transactions value limits considerations for the phased reduction of cheque usage, and identified proposed legislative amendments to facilitate payment-method neutrality.

Other Consultation

The Bank also made consultative progress to advance reforms aimed, *inter alia*, at:

- Strengthening the legislative framework for the recovery, resolution and management of banks and co-operative credit unions in crisis;
- Bringing Money Transmission Service Providers under the same legislative framework as other payment service providers;
- Introducing provisions which streamline the currency framework; and
- Strengthening the Central Bank's supervisory powers

These were encapsulated in a suite of draft amendments impacting the following Acts and regulations.

- The Central Bank of The Bahamas Act, 2020
- The Banks and Trust Companies Regulation Act, 2020
- The Protection of Depositors Act, 1999

- The Protection of Depositors Byelaws, 1999
- The Payment Systems Act, 2012
- The Payment Instruments (Oversight) Regulations, 2017
- The Bahamas Co-Operating Credit Union Act, 2015
- The Bahamas Co-Operative Credit Unions Regulations, 2015

These reforms are expected to be enacted during 2026. Overall, they will strengthen the domestic financial stability framework, and bolster the effectiveness of the Central Bank's supervisory process and further advance initiatives on financial inclusion and consumer financial protection.

Likewise, the Department supported public education efforts, facilitating presentations to students from the primary to the tertiary levels on the roles and functions of the Central Bank and its monetary policy instruments.

PRUDENTIAL SUPERVISION & REGULATION

Profile of Regulated Activities and Entities

The Central Bank’s supervisory mandate for the oversight of banks and trust companies, cooperative credit unions, payment service providers, registered representatives and their related private trust companies (PTCs) is governed under the provisions of the Banks and Trust Companies Regulation Act, 2020 (“the BTCRA”), the Bahamas Co-operative Credit Unions Act, 2015, the Payment Systems Act, 2012, and various regulations under these statutes. The Bank maintains a risk-based approach to supervision involving both off-site and onsite examinations of supervised financial institutions (SFIs), including direct engagement with the board of directors, senior management and other senior officials of these institutions. In addition, the Bank continues to issue new or updated guidance to provide clarity on regulatory standards and expectations.

During 2025, global regulatory standards, coupled with other externalities continued to impact on-balance sheet growth for the Central Bank supervised sector. As a result, the consolidated on- and off-balance sheet assets of banks and trust companies decreased by US\$16.2 billion (3.9%) to US\$401.5 billion in 2025, driven by a 4.5% reduction in fiduciary assets. During the year, the number of banks and trust companies declined to 184 from 192 in 2024 (see Table 3). Although five new licences were issued, 13 SFIs ceased operations, comprising one public bank, three public bank and trusts and nine restricted operations. In the meantime, active public entities included 21 authorised dealers and agents, which are resident for exchange control purposes and allowed to transact with both domestic and international clientele.

Meanwhile, the number of international banks and trust companies licensed to operate from within The Bahamas stood at 60 as at 31st December 2025, following the surrender of two licences. While several new licence applications were submitted to the Central Bank for approval, only one new trust company was licensed in 2025. Year-over-year, the number of operating entities fell by one to 60. Further, total assets on record declined by 4.7% when compared to 31st December 2024, while fiduciary assets declined by less than 1.0%

With regard to the other SFIs, the number of private trust companies (PTCs) increased by six to 186 at

end-2025. Additionally, the number of licensee registered representatives (RRs) for PTCs increased by one to 24; however, the number of financial and corporate service providers (non-licensee RRs) decreased by one to seven. Further, the number of money services firms—comprising payments services institutions and non-bank money transmission businesses (MTBs)—remained at three and five, respectively. Moreover, related agents for MTBs decreased from 19 to 17, while PSP agents remained at 14.

Meanwhile, financial cooperative credit unions remained at eight, inclusive of the Bahamas Cooperative League Limited, which is the apex body. In this regard, the total assets of credit unions expanded by \$28.9 million (5.6%) to \$546.7 million in 2025.

In keeping with the Central Bank’s risk-based approach to supervision and enhanced monitoring, the Bank continued its stakeholder engagement by collaborating with the boards and senior management of licensees, liaising with a co-regulator within the jurisdiction, and engaging with regulatory bodies in other jurisdictions through participation in supervisory colleges.

Table 3: Regulated Entities

	2023	2024	2025
Banks and Trusts	197	192	184
Banks & Trusts	46	44	41
Banks	20	19	18
Trusts	131	129	125
Non-Licensee Reg. Representatives	8	8	7
Licensee Registered Representatives	22	23	24
PTC (Registered)	169	180	186
Non-Bank MTB	5	5	5
Non-Bank MTA	19	19	17
MTB Branches	45	35	41
Cooperative Credit Unions	8	8	8
Payment Services Institutions	3	3	3
Payment Services Agents	14	14	14
Memo Items:			
Assets of Domestic Banks (B\$Bil)	19.11	19.13	20.53
% change	-7.1%	0.1%	7.3%
Assets of International Banks (B\$Bil)*	107.91	108.01	102.96
% change	-8.2%	0.1%	-4.7%

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

Supervisory and Regulatory Developments

The Central Bank further strengthened its supervisory oversight of financial institutions operating in the international space, with increased engagements with regulators that supervise affiliates of Bahamas-based licensees in other jurisdictions. In addition to supporting information sharing, these engagements allow the Bank to benchmark best practices in the regulatory space.

As part of the Bank's efforts to ensure regulations remain adequately robust and in line with the highest international standards, the Bank issued a compendium of legislative amendments for public consultation in October, 2025. The proposed reforms are designed to enhance the supervisory framework, strengthen depositor protection, and improve the overall resilience of the financial system. Following the consultation, material feedback was incorporated into revisions, which are expected to be enacted by Parliament in 2026.

As the domestic financial stability framework advanced, the Central Bank convened the inaugural meeting of the Bahamas Financial Stability Council (the Council) on 20th February 2025, and held two others during the year. The Council, which is chaired by the Governor of the Central Bank, is comprised of senior representatives from the Ministry of Finance, the Securities Commission of The Bahamas, Insurance Commission of The Bahamas, and the Deposit Insurance Corporation. The Council facilitates coordination among the members, with the main objective of ensuring prompt and effective identification of, and responses to, developments that pose a threat to the stability of the Bahamian financial system. In addition, the Council is tasked with policy coordination and the implementation of measures to promote resilience within the financial sector. As an early priority, the Council agreed to focus on improving the coverage of data generated by non-bank financial intermediaries.

Supervisory Effectiveness

The Central Bank's emphasis on enhancing the risk-based supervisory framework includes achieving increased supervisory effectiveness in the follow up and remediation of gaps identified within SFIs' operations during the examinations and surveillance process.

The three categories of supervisory actions consist of:

- Directives, which address the most urgent and serious matters.
- Requirements, which are not as serious or urgent as Directives, but are sufficiently serious that the Central Bank is prepared to deploy its statutory powers to achieve required results.

- Expectations, which cover matters where a SFI should consider improving some aspect of risk management.

The Central Bank monitors supervisory effectiveness by the pace at which SFIs resolve directives and requirements. Broadly, the remediation of directives and requirements continue to reflect a satisfactory result. From September 2024 to September 2025, the total number of directives outstanding across all SFIs decreased from nine to five. In particular, six directives were closed during the period, while two new directives were issued. Meanwhile, requirements due for resolution decreased by 33 (21.0%) over the period, reflecting an uptick in the number of closed matters and a moderate decrease in the pace of newly issued requirements.

SFIs also registered a marked improvement in the timeliness of regulatory reporting for 2025. In particular, the on-time compliance rate for all reporting strengthened to 85.5% from to 84.1% in 2024. This responded to the Bank's targeted approach to identify root cause challenges with the respective SFIs and provide enhanced guidance and ongoing feedback to the supervised entities. In the meantime, work progressed to achieve a targeted, on-time reporting of 95.0%, a standard already met or exceeded by the majority of commercial banks.

As regard oversight of corporate governance structures, as well as 'fit and proper' management of firms within the jurisdiction, the Central Bank approved 243 applications for "approved persons" for the year 2025. This included the review and approval of the appointment of 76 directors, 108 money laundering reporting & executive officers (MLRO) and 59 senior officials/officers.

Financial Crimes Risk and Other Oversight

The Central Bank oversight of financial crimes risk among SFIs remained centered on sustaining technical compliance and effectiveness with international standards, emphasising improved data and analysis of sector trends and practices, enhanced industry guidance and outreach, and strengthened regulatory cooperation.

Table 4: Applications for Approved Persons

	2023	2024	2025
Directors	62	48	76
Money Laundering Reporting & Executive Officers	46	61	108
Senior Officials	63	36	59
Total	171	145	243

Source: Central Bank of The Bahamas

Automated/Analytical Tool

During the year, the Bank successfully deployed its automated AML/CFT/CPF Risk Assessment Tool, to more efficiently analyse SFIs' reported data, produce time-liner micro and macro level assessments of risks. The first AML/CFT/CPF Survey, which covered all regulated entities and registered representatives using the STRIX Risk Assessment Tool, was undertaken during March through May. All SFIs submitted the completed surveys.

Sanctions Thematic Review

In August 2025, the Central Bank conducted its second iteration of the Sanctions Thematic Review of SFIs, following the first such review in 2024. A targeted group of 35 SFIs was selected to validate areas that required improvement. These entities later participated in live screening tests in September and October. In terms of outcomes, targeted SFIs with the highest sanctions exposure demonstrated a 95.0% effectiveness rate in both client and transaction screening, reflecting an improvement from the previous year. Overall, improvements were observed in client and transaction screening across all sectors.

During the fourth quarter of 2025, the Bank released Sanctions Screening Guidance Notes to SFIs, to harden compliance with regulatory minimum standards for establishing and maintaining a robust sanctions screening framework and process.

Industry Outreach

The Central Bank maintained engagement with directors, senior officials, money-laundering reporting officers and compliance officers through periodic meetings, which reinforced its understanding of sectoral and institution-specific risk profiles. In addition, the Bank persisted with industry briefings on supervisory and regulatory updates, enhancing transparency and supporting the more effective allocation of supervisory resources.

Regulatory Training

In the Central Bank's internal capacity development efforts, training in AML/CFT/CPF matters was varied during the year. Among these, two senior staff participated in the Financial Action Task Force's (FATF) Assessor Training, offered for the representatives of The Bahamas' Group of Financial Services Regulators (GFSR). It equipped participants to undertake a national self-assessment to strengthen compliance ahead of the 2026 mutual evaluation. Staff also participated in the annual training hosted by the Financial Intelligence Unit; and maintained specialist accreditation through

the Bank's corporate subscription to the Association of Certified Anti-Money Laundering Specialists (ACAMS) programme.

Annual Bahamas Research Conference on Financial Crime

For the sixth year, the Annual Bahamas Research Conference on Financial Crime was a key feature of the Central Bank's international outreach. The conference, held 16th – 17th January, 2025 attracted approximately 400 participants both in-person and virtually, including leading researchers, practitioners, and policymakers who presented research papers related to AML and financial crime. Overall, 15 papers were presented, including one co-authored by a senior staff of the Bank. Notably, in attendance were the representatives from FATF, CFATF, Financial Action Task Force of Latin America (GAFILAT), and the IDB. The IDB also continued its co-sponsorship, providing translation services. In keeping with the custom, approved papers and presentations, and the conference proceedings document (a summary highlight of each paper) were published on the AML Conference website.

Group of Financial Services Regulators (GFSR) Initiatives

As an active member of the GFSR, Central Bank supported collaborative work to strengthen regulatory oversight and initiatives to counter financial crimes. In June 2025, the GFSR issued Joint Guidance Notes on Targeted Financial Sanctions Reporting Forms and in August 2025, joint guidelines were issued on Countering Proliferation Financing. Further, the GFSR progressed plans to publish the 2021–2023 AML/CFT/CPF Report by the first quarter of 2026. The GFSR also identified that sustained efforts were needed to develop simplified guidance on domestic politically exposed persons (PEPs), and collectively supported the rollout of the Ministry of Finance's Designated Supervisory Authority framework for the OECD's Common Reporting Standards (CRS) on international tax transparency.

Identified Risk Framework Steering Committee (IRFSC) Initiatives

The Bank was also active in the National Identified Risk Framework Steering Committee (IRFSC) for financial crimes, participating in regular meetings in preparation for The Bahamas' CFATF Fifth Round Mutual Evaluation, led by the National Identified Risk Framework Coordinator in the Office of the Attorney General and Ministry of Legal Affairs. Preparatory activities included CFATF country-level training for regulators, other agencies and targeted SFIs. These covered targeted training

on updates to FATF Recommendations and Immediate Outcomes to enhance understanding of the international standards. In addition, the Bank began work to support updates to the National Risk Assessment (NRA) to reflect emerging risks.

OECD's Common Reporting Standards

In strengthening the supervisory and enforcement regime, the OECD's CRS, the Ministry of Finance as the Competent Authority, delegated its responsibility for administering and enforcing compliance to the Designated Supervisory Authorities (DSAs), comprising the Central Bank of The Bahamas, Securities Commission of The Bahamas, the Insurance Commission of The Bahamas and the Compliance Commission. The DSAs signed a multi-lateral Memorandum of Understanding (MoU) with the Competent Authority to formalise the supervisory program and engaged external technical support to operationalise a harmonised supervisory program. Under this framework, The Bahamas also underwent the CRS Peer Review. The draft peer review report recommended a compendium of supervisory and legislative reforms to strengthen the effectiveness of The Bahamas' CRS framework before a finalised assessment is issued in 2026.

Examinations Programme

The onsite examinations process is an integral component of the Central Bank supervisory activities, with the scope and frequency for each SFI prioritised on a risk basis. In 2025, the Central Bank conducted 25 examinations, including a review of the credit portfolio of a local subsidiary for a foreign parent regulator (see Table 5). In addition, discovery review meetings were held to enhance supervisory understanding of the operations of two SFIs.

The core risk areas examined during onsite visits included money laundering, terrorist and proliferation financing (ML/TF/PF) and CRS compliance. Credit risk was a more limited focus. The SFIs examined were identified through the supervisory planning process, which considered factors such as systemic impact, the results of the latest risk assessment, the timing of the last examination, and emerging risks.

During the year, the Central Bank issued 17 examination reports. As of 31st December 2025, eight reports were being finalised.

Domestic SFIs Risks

Credit Risk Review

The Central Bank monitors credit risk management

Table 5: On-site Examinations Conducted

	2023	2024	2025
Examinations			
Domestic Licensees	0	1	3
Other Licensees			
Follow-up /Special Focus	9**	10	21
Regulator Initiated	1 ^F	2 ^F	1
Discovery Reviews	0	3*	2*
Financial Credit Unions	2	1	0
Electronic Money Service Providers	2	0	0
Money Transfer Business	1	2	0
Total	15	17	27
Reports			
Finalized Reports	14	11	17
Reports in Progress	0	3	8
Total	14	14	25

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.

trends in the domestic banking sector as an input into capital adequacy assessments and to ensure that the lending environment continues to recover healthily and sustainably. In 2025, this surveillance highlighted further improved credit quality indicators, with the non-performing loan (NPL) ratio declining to 5.0% of the corresponding portfolio from an estimated 5.5% at end-2024. Consistent with the reduction in delinquencies, banks scaled back loan loss provisions, to an estimated 86.2% from 95.0% in 2024.

Capital Adequacy and Liquidity

Commercial banks maintained significant surplus capital and liquidity positions in 2025, robust even to stress testing. As at December 2025, commercial banks reported a capital adequacy ratio (CAR) of 27.57%, well above the minimum requirement 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 4.8%, but consistently yielded no capital injection requirement. At all levels of shocks, capital remained well above the minimum required CAR of 17.0%.

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, as excess liquidity remained at robust levels across the banking system.

Credit Unions

The Central Bank focused its supervision of credit unions on key inherent risk areas and practices, including money laundering and credit risks, as well as corporate governance. During the year, the sector's credit quality improved modestly, with the non-performing loan (NPL) ratio declining to an estimated 6.6% at end-2025 from 7.1% at end-2024.

In support of enhanced oversight, the Central Bank received technical assistance from the IMF's Caribbean Regional Technical Assistance Centre (CARTAC) in September 2025, highlighting supervisory approaches to credit unions' corporate governance frameworks. The technical assistance provided further insight on considerations to be included in planned legislative reforms that could enhance supervisory oversight, including boards and committee structures, risk management, "fit and proper" assessment guidelines and regulatory reporting.

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 money laundering—and operational risk management, ensuring that all key exposures were being effectively identified, measured, mitigated and monitored. During the year, PSPs' total assets decreased to \$44.0 million from \$53.0 million in 2024. In contrast, the total value of inward and outward transactions increased to \$219.6 million from \$189.5 million, indicating growth in transaction volumes despite the modest contraction in assets.

Basel II and III Implementation Programme

The Central Bank continued to implement the Basel III risk-based supervisory framework. To this end, draft Liquidity Risk Regulations and Guidelines were released to the industry on 22nd May 2025, for a 90-day consultation period. The Bank also conducted a Quantitative Impact Study (QIS) with a select group of SFIs, to further assess the impact of the proposed framework on SFIs' liquidity position, and to ensure that the proposed reporting forms were adequately calibrated.

Guidance Notes and Policies

The consultative process of developing and issuing policy guidance notes is centrally imbedded in the Central Bank's regulatory engagement process. In May 2025, the Bank issued a proposal on Agency Banking for a 45-day consultation period. The consultation paper addressed financial inclusion considerations to broaden access to essential financial services, by permitting licensed non-bank entities—such as payment service providers and money transmission businesses—to deliver basic banking services as agents of licensed banks and credit unions. The proposed framework sets out the eligibility criteria for agents and sub-agents, while establishing operational and compliance requirements, and introducing robust consumer protection measures. The framework also emphasises the importance of interoperability, including seamless integration with the Central Bank digital currency, SandDollar. Public feedback from the consultation was collated in preparation for the development of a guideline in early 2026.

In December 2025, the Central Bank also released its Guide to the AML/CFT/CPF Ladder of Supervisory Intervention for a two-week consultation. This specifically addressed the remedial stages of intervention for breaches to AML/CFT/CPF standards and regulations. The Guide targets increased awareness and enhanced the transparency of the supervisory intervention framework.

In July 2025, the Central Bank published the GFSR's Uniform Approach for Targeted Financial Sanctions (TFS) Reporting Guidance and Reporting Form, introducing a standardised approach to TFS reporting to improve data quality, enhance supervisory oversight, and ensure consistency across the sector. Complementary, the GFSR Guidance on Countering the Financing of Proliferation (CFP) was also issued in July 2025, to bolster national compliance with UN Security Council Resolutions (UNSCRs) and FATF Recommendation 7.

Meanwhile, the Banks & Trust Companies Regulation Act – Payment of Dividends Regulations, 2025, was brought into force in August 2025. The regulations clarify the Central Bank's expectations regarding the treatment of dividend distribution.

Crisis Management

The consultative process during 2025 also engaged SFIs and other financial stakeholders on the compendium of proposed legal reforms to enhance The Bahamas' crisis management framework, while strengthening the operations of the deposit insurance scheme. These initiatives build on key recommendations from the 2022 IMF Technical Assistance Mission that focused

on strengthening both the institutional and legislative capacity to prepare for and respond to financial sector crises. In October 2025, the Central Bank therefore launched a public consultation on a revised set of draft legislative proposals under development for several years. The proposed reforms would amend the following:

- The Central Bank of The Bahamas Act, 2020
- The Banks and Trust Companies Regulation Act, 2020
- The Protection of Depositors (Amendment) Act, 2020
- The Payment Systems Act, 2012

The identified objectives include:

- Enhance the resolution framework for systemically important financial institutions
- Transitioning of money transmission providers to a broader payments' framework
- Expanded oversight and consumer protection in payment systems
- Strengthened depositor protection through back-stop funding arrangements
- Support for governance and digital currency reforms

Administrative Monetary Penalties

Monetary penalties imposed under the existing regulations totalled \$275,000 for 2025, as compared to \$71,000 in 2024. Since 2016, sanctions totalling \$2.5 million have been levied, with approximately \$2.3 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 was further advanced during 2025, focusing on onboarding new participants, providing training to existing entities, and expanding public education on responsible borrowing and lending practices.

By the end of the year, 27 institutions had executed participation agreements and were interacting with the bureau in some capacity. Of these, 22 reporting entities were fully operational (in production), while four were in the testing phase and pending transition to full reporting status. Further, a total of 17 credit information providers—comprised of seven commercial banks, five credit unions and five non-bank money lenders—were actively accessing and utilising credit reports to inform their loan adjudication processes.

Between December 2021 and December 2025, a cumulative total of 90,370 credit reports were accessed. On

average, each institution accessed approximately 111 reports per month. The steady increase in utilisation underscores the bureau's growing relevance in underwriting decisions.

By law, regulated non-bank lenders, insurance companies with credit portfolios and public utilities are all mandated to report data to the bureau. Continued onboarding and full compliance by these entities remains critical to strengthening data completeness, improving credit transparency, and enhancing the bureau's effectiveness as a risk mitigation and financial stability tool.

Regulatory Cooperation

In 2025, the Bank received ten information requests from eight foreign regulatory authorities. The origin of these requests is summarised in Table 6.

Table 6: 2025 Requests for Cooperation

Country	Requests Received From Foreign Regulators
Abu Dhabi	1
Brazil	1
British Virgin Islands	1
Cayman Islands	1
Cyprus	1
Panama	1
Switzerland	1
Turks and Caicos Islands	3
Total Requests	10

Source: Central Bank of The Bahamas

Membership in International and Regional Bodies

Representatives of the Central Bank participated in national, regional and international associations to foster cooperation and capacity building. This included The Bahamas' GFSR and the national Identified Risk Framework Steering Committee (IRFC) for AML and related matters.

During 2025, senior representatives of the Bank Supervision Department (the Department) participated in various regulatory/supervisory colleges both in the Caribbean and Canada, mainly for DSIBs, which are subsidiaries of international banking groups. In addition, appropriate staff participated in international conferences including the Group of International Financial Centres Supervisors held in Switzerland and the Cayman Islands, and in the Association of Supervisors of Banks of the Americas (ASBA) meeting in Trinidad & Tobago.

In 2024, the Central Bank became a member of the International Credit Unions Regulators' Network (ICURN), a non-profit association of financial cooperative supervisors that provides supervisor training. In 2025, the Bank attended the first ICURN conference, in Dublin, Ireland.

Further, the Department continued to liaise and cooperate with home-consolidated supervisors of all subsidiaries in The Bahamas with a foreign parent, through periodic supervisory teleconferences and the exchange of annual home/host supervisory letters, to assess the relevant impact of material risk issues identified at the enterprise level for operations in The Bahamas. Supervisory co-operation and information exchanges continued to be facilitated through established multilateral and bilateral MOUs with foreign supervisory authorities and relevant legislation.

DEPOSIT INSURANCE CORPORATION

Through the technical and administrative support provided by the Central Bank, the Deposit Insurance Corporation (DIC) maintained strategic activities to build operational capacity, enhance public confidence in the financial sector and uphold compliance with international principles for effective deposit insurance. Under the Protection of Depositors (Amendment) Act, 2020, the DIC is mandated to insure Bahamian dollar depositors in member banks and credit unions up to \$50,000 per depositor, per account type.

At end-2025, the DIC had 18 member institutions. In aggregate, insurable deposits of these members increased by 3.8% to \$9.2 billion in 2025, while aggregate insured deposits (within the coverage maximum) rose by 5.0% to \$2.8 billion. Member banks held the largest share of both insurable and insured deposits, at \$8.8 billion (95.3%) and \$2.5 billion (87.5%), respectively. Meanwhile, member credit unions accounted for the remaining insurable deposits of \$436.2 million, and insured amount of \$351.7 million. As a result, the coverage ratio—which represents the share of insured deposits to insurable deposits—was 28.0% for banks and 80.6% for credit unions. Banks' other insurable liabilities totalled \$62.5 million, consisting of \$57.6 million in accrued interest and \$4.8 million in stored value cards. For credit unions, accrued interest totalled \$1.2 million.

In regard to funding, the DIC's premium rate increased to one tenth of one percent (0.1%) of insurable deposits, averaged over liabilities as at 31st March and 30th September of the prior year. Premium collections increased by 109.3% to \$9.3 million over the preceding year, of which, approximately \$8.9 million was attributed to banks and \$0.4 million to credit unions. As a

result, the Deposit Insurance Fund (DIF) continued its steady growth as the DIC advanced its objective of strengthening its overall size toward the industry benchmark of 4% of insured deposits. As at 31st December 2025, the DIF was approximately at \$115.3 million, representing 1.2% of members' insurable deposits and 4.0% of insured deposits. Similarly, total assets of the DIC increased by approximately \$27.1 million (30.7%) to \$115.4 million.

INFORMATION TECHNOLOGY

During 2025, the Bank continued to strengthen its information technology (IT) infrastructure, with emphasis on operational resilience, data integrity, and systems modernisation. Key milestones for the payments infrastructure included attaining SWIFT Customer Security Controls Framework v2025 compliance; and upgrading the software platform for the Bahamas Interbank Settlement System (BISS) to compliance with the ISO 20022 messaging standard, within the targeted international timeframe.

The Bank also upgraded its core database infrastructure, adding advanced clustering and load balancing to boost system availability, resilience, and business continuity. In parallel, hardware upgrades were initiated across the Bank's data centres for its corporate and digital currency platforms to improve capacity, reliability, and scalability; upgrades commenced to the telephony, email and messaging platforms; and security enhancements were initiated to improve user experience across the Bank's public-facing websites. Also noteworthy, was the successful launch of an AML reporting solution to automate data collection, build risk modules, and to assist with meeting FATF requirements.

The Bank expanded its software development capacity, onboarding additional talent and adopting modernised tools, to accelerate internal systems development and improve user experience. Work also progressed to expand the Bank's automation footprint, further limiting operational risks associated with manual processes.

FACILITIES MANAGEMENT, AND WORKPLACE HEALTH & SAFETY

The Banks' facilities management operations remained concentrated on the adequacy of staffing accommodations, premises upkeep, and workplace security & safety.

The Bank normally conducts its business from its main headquarters building, situated between Market Street on the west and Frederick Street on the east, and a leased space in The Bahamas Financial Centre. In addition, the Bank owns three protected historic 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 Bank also leases remote space outside of the Downtown Area for backup IT servers.

Construction works for the New Cash & Data Centre (CDC), on Frank Watson Highway, Western New Providence, further progressed during the year. As a part of the Bank's 50th Anniversary celebrations, a commemorative tree-planting ceremony was held on 28th May, 2025 at the CDC's construction site. During this ceremony, the Bank's staff planted 50 saplings at the Centre's 50th Anniversary Commemorative Garden to symbolise the Bank's 50 years of excellent service.

As a part of the Central Bank's strategic effort, capacity continued to be strengthened within the physical security operations, partly in anticipation of administrative structures required for the CDC. Training and strengthening also occurred in collaboration with the Royal Bahamas Police Force.

HUMAN RESOURCES

The Human Resources (HR) operations support the Bank through a range of employee-focused initiatives, including recruitment, compensation and benefits administration, capacity building, wellness activities, industrial relations and staff development programmes. The HR Department worked closely with all internal departments to ensure that staff-related policies and procedures were consistently applied, remaining focused on staff engagement efforts, union relations, and strengthening the Bank's culture of performance management and accountability.

At year-end, the Bank's staff complement increased by 26 to 316, vis-à-vis 2024, comprised of 206 non-management persons, 93 middle management and 17 executive management employees.

In 2025, there were 17 employee separations—ten resignations, one termination, one early retirement, four normal retirements, and one end-of-contract. Consequently, the turnover rate decreased to 3.8% from 6.6% in 2024, the lowest in five years.

During the year, the Bank recruited 43 new staff, and filled 42 positions through internal staff movements, including 29 promotions, 10 transfers, two appointments, and one secondment. In addition, there were five contract renewals. At year-end 2025, 30 job vacancies existed.

Meanwhile, the Bank's gender balance remained comparable to prior years, with a female-to-male ratio of 1.4:1 in 2025.

During the annual Employee Recognition and Awards Ceremony, held 22nd January 2026, the Bank celebrated

42 employees who achieved service milestones of 5, 10, 15, 20, 25, 30 and 35 years of service in 2025. Recognition was also given to those employees who made exceptional contributions to the strategic goals of the Bank, through the Governor's Award programme. The 2026 awardee was credited with exceptional leadership and contributions in advancing the work programme of the Deposit Insurance Corporation.

Table 7: Workforce Metrics

	2023	2024	2025
Staff Complement	272	290	316
Gender Distribution (%)			
Male	38.6	41.0	41.1
Female	61.4	59.0	58.9
Turnover Rate (%)*	12.9	6.6	3.8

Source: Central Bank of The Bahamas

* Includes staff who retired during the period.

Employee Relations

The Bank promoted open and transparent dialogue with staff during the year. At the management level, weekly Heads of Departments meetings were convened, with the forum expanded once per month to middle-managers. These continued to facilitate consensus building engagement on the Bank's policies and direction, and exchange of pertinent updates on strategic and other developments within the organisation. In addition, during the year, the Governor hosted a series of department tours to interact directly with all staff on strategic goals, challenges, and priorities for the upcoming strategic plan cycle, commencing in 2026.

The Bank also maintained constructive relationships with both staff and unions. Four-year industrial agreements were concluded in July, 2025 with the Bahamas Communications and Public Managers Union (BCPMU) and in October, 2025 with the Union of Central Bankers (UCB). In addition to compensation, the industrial agreements identified areas for progressive reforms, including sick and compassionate leave, the performance management system and retirement policy provisions.

Sustained HR contact and support was provided to retirees during periods of illness and bereavement. Assistance was also available for health and national insurance matters. In May 2025, a seminar was hosted for retirees, featuring presentations from the Bank's group health insurance provider and National Health Insurance representatives. The session sought to equip

retirees with critical information on health insurance coverage, enrolment processes and benefit entitlements. In addition, the Bank hosted receptions for two employees who retired in 2025. Further, the annual Retirees' Thanksgiving Luncheon was held on 18th November, 2025.

Employee Benefits

During the annual review process for the group health insurance, the Bank renewed its agreement with CG Atlantic Insurance. In line with the claims experience, there was a 6.0% increase in the premium rate for active employees. The retirees' cost, which is partly subsidised by the Bank, rose by 15.0%.

The Central Bank prioritised employee wellness throughout the year. During the "June Jumpstart" initiative month, fitness activities included a two-week long step challenge, aerobics classes, a fitness instruction class; and partnering with the Union of Central Bankers (UCB) on a blood donation drive. In addition, the Bank facilitated biometric screenings and issued regular communications on non-communicable diseases. Year-long participation continued in the CG Zest Wellness Programme, which engaged 79% of staff, compared to 81% in the previous year. Counselling services was maintained through the Employee Assistance Programme, while the Great House Cafeteria remained the focal point for healthy meal options. Employee engagement included the Bank's annual sponsorship of the Staff and Children's Christmas Party, monthly social gatherings, and year-round child-care programmes (Afterschool, Easter, Summer and Winter). Special activities were also held in recognition of International Women's Day and International Men's Day. In November 2025, the Bank relaunched the Employee Houses—an initiative designed to revive camaraderie, teamwork, and friendly competition across the organisation, through sporting, cultural, and community-based activities. The Houses, each named in honour

of the past Governors, reinforce a shared legacy and commitment to excellence.

Staff Development and Training

The Bank's capacity development initiatives encompassed a balanced programme of in-house, local, and international training, which aligned with strategic and operational priorities, and the evolving regulatory environment.

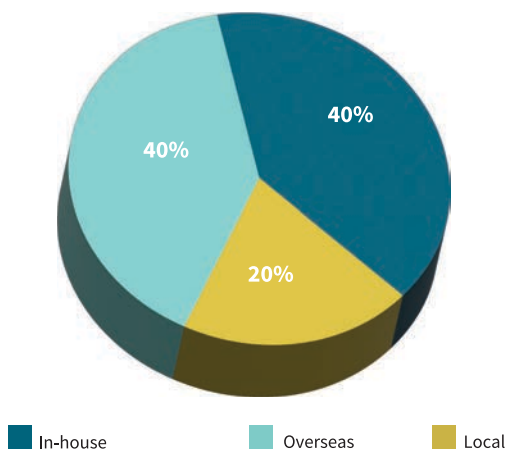
In its role as a regional convenor of knowledge-sharing initiatives, the Bank both hosted and co-hosted various conferences and specialised workshops, including the 6th Annual Bahamas Research Conference on Financial Crime, and the 2nd Biennial Macroeconometric Caribbean Conference, alongside targeted technical and supervisory training sessions delivered in collaboration with regional and international partners.

In-house learning initiatives, a key pillar of the Bank's development strategy, focused on leadership and supervisory skills, onboarding and induction, security and situational awareness, behavioural and communication competencies, performance review, and building digital capabilities. Also, the Executive Management annual workshop retreat was held in New Providence during the second quarter. Senior leaders deliberated to align strategic priorities, strengthen leadership cohesion, and deepen organisational effectiveness.

Other training activities during the year reflected five broad themes: financial stability & policy development; compliance, risk management, and supervision; leadership & organisational effectiveness; digital & technical skills enhancement; and workplace communication & safety. Programmes were delivered in partnership with recognised institutions, including the Association of Certified Anti-Money Laundering Specialists, the BIS, IDB, IMF, the IMF CARTAC, and other regional and international training providers.

The Bank also provides financial assistance and incentive awards to support employee academic pursuits toward master's, bachelor's, and associate degree programmes. Six employees completed qualifications during the year. One employee completed a programme at the bachelor's degree level, and five at the master's degree level. Another employee continued their secondment at the BIS Representative Office for the Americas in Mexico City, Mexico. Additionally, two employees were granted overseas In-Service Awards, to attend the University of Bremen and Villanova University, respectively, and another employee continued a local In-Service Award at the University of The Bahamas.

Employee Training (2025)



Compensation Review

The Bank augments its own market compensation studies, by contributing to benchmarking studies of

Table 8: Summary of Training Developments

	In- House	Local	Overseas	Total 2025
First Quarter	116	58	29	203
Second Quarter	55	16	91	162
Third Quarter	56	17	57	130
Fourth Quarter	34	38	85	157
TOTAL PARTICIPANTS	261	129	262	652

Source: Central Bank of The Bahamas

other local and regional entities. During the year, the Bank participated in four such surveys: the Regional Financial Services Compensation Survey, the Association of International Banks and Trust Companies (AIBT) in The Bahamas, a regional services regulator, and the Regional Banking Compensation Survey.

Executive Professionals and Apprentice Programmes

The internship programmes continued to allow the Bank to recruit competitive external talent for structured introduction to the operations and roles within the Bank. During 2025, there were no new Executive Professional Interns, with graduate level qualification. However, three new Apprentice Interns (college undergraduates) were recruited, commencing rotations in the Finance, Currency, and Information Security operations. Existing participants continued their training rotations. Meanwhile, both the Executive Professionals and Apprentice Interns received ongoing support through the one-on-one Mentorship Programme delivered by senior staff in the Bank.

Summer Internship Programme

The 2025 Summer Internship programme continued in a physical format. The eight-week programme commenced in June 2025, with 20 interns placed across various Departments to gain exposure to Central Bank operations. Further, four students completed and presented research papers during the internship programme.

COMMUNITY INVOLVEMENT AND OUTREACH

Each year, the Bank sponsors career development initiatives for students. During 2025, four work-experience opportunities were provided to scholars from the International School of Business, Entrepreneurship, and Technology and Jordan Prince William High School. In addition, students from St. Anne’s School, C.C. Sweeting Senior High School, Elite School of Excellence, Noble Preparatory Academy, and Temple Christian High School visited the Bank. The students benefitted from presentations on central banking, financial literacy, savings and investment, and counterfeit detection. The Bank also

provided a 14-week internship opportunity to a University of The Bahamas student.

The Bank’s Art & Culture Programme remained vibrant, with the curatorial team hosting several exhibitions in the William C. Allen Gallery. The 2025 calendar started with All Together Now, which showcased highlights from the High School and Open Call Competitions. This was followed by I.C.E. A Refuge. A Home Away from Home. A Sacred Space, featuring artists from the Incubator for Collaborative Expression (I.C.E.); and concluded with Sons of David, presenting new works by Matthew David Rahming, who became the first artist sponsored by the Bank to participate in the Fountainhead Residency in Miami, Florida, USA.

There was renewed support for the National Art Gallery of The Bahamas’ summer camp, the Transforming Spaces Art Tour, and the Sandilands Rehabilitation Programme. Further, the Balcony House Museum was officially reopened with Balcony House – Revisited, while the launch of The Teahouse Café in the former outdoor kitchen activated the site as a shared cultural space for staff and the public. Representing another milestone, the Bank participated in the FUZE Caribbean Art Fair, with a booth that featured works by Javon Nixon, which received positive regional and international attention, and generated strong sales for the artist.

During the year, youth outreach expanded through classroom visits, student exhibition tours, transportation sponsorship for local students and schools from the Family Islands, as well as support for the Fish Tale Literacy Society theatre production involving primary schools.

An important highlight of the Bank’s Art & Culture Programme was the launch of the publication “The Bank – The Culture—The Collection”, a 300-page coffee table book, which documented the history of the Bank’s art programme. The Bank’s collection continued to grow in 2025, with the acquisition of works by cutting-edge Bahamian artists. A significant addition to the sculpture garden was a ceramic work by internationally recognized Bahamian artist Anina Major.

2025 FINANCIAL PERFORMANCE

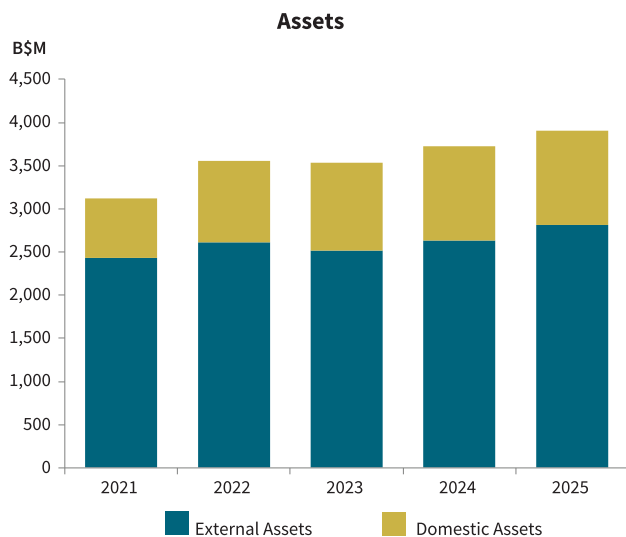
The Central Bank’s financial statements for the year ended 31st December 2025, along with comparable figures for 2024, are presented on pages 52 to 138 of this report.

The financial outturn was largely impacted by developments in external reserves, driven by real sector performance, global interest rates (mainly in the US) and the Government’s financing activities.

In 2025, the Central Bank’s total assets grew by \$183.3 million (4.9%) to \$3,908.5 million. External

assets—representing 72.0% of the total—increased by \$181.5 million (6.9%) to \$2,814.4 million, primarily supported by net inflows from tourism and other private sector activities. Disaggregated by the components, foreign currency cash and deposit balances rose by \$159.7 million (40.4%) to \$555.5 million. Further, the Central Bank’s holdings of marketable securities advanced by \$12.9 million (0.6%) to \$2,066.9 million. In addition, IMF Special Drawing Rights (SDR) holdings were valued higher by \$7.6 million (4.8%) at \$165.7 million, and the Reserve Tranche by \$1.3 million (5.0%) at \$26.4 million.

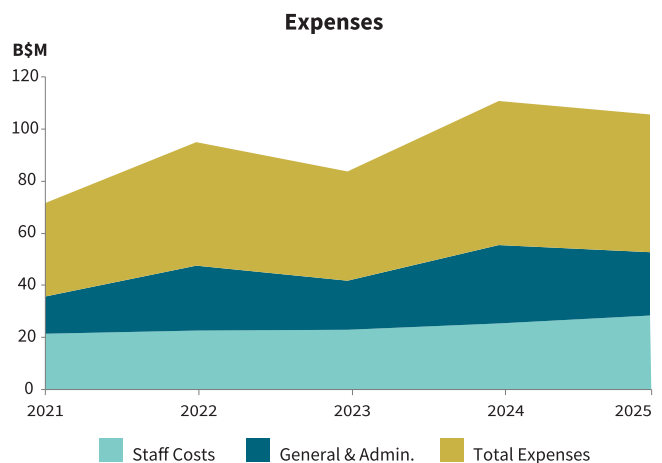
The Central Bank’s domestic assets rose by \$1.9 million (0.2%) to \$1,094.1 million in 2025. Contributing to this outcome, the SDR equivalent loan to the Government was revalued higher by \$13.0 million (5.7%) to \$240.8 million in 2025. Further, the value of property, plant & equipment increased by \$16.9 million (44.5%) to \$54.9 million, while currency inventory rose by \$3.4 million (32.2%) to \$13.8 million. Receivables and other assets also grew by \$2.2 million (14.5%) to \$17.6 million and retirement benefit assets, by \$0.4 million (67.9%) to \$1.1 million. Providing some offset, holdings of the Bahamas Registered Stock (BRS) declined by \$17.6 million (3.9%) to \$426.8 million, while the Treasury bill portfolio contracted to zero from holdings of \$10.0 million at end-2024. Further, advances to the Government fell by \$1.8 million (0.5%) to \$331.1 million, and intangible assets reduced by more than half to \$1.7 million. In addition, claims represented as Bahamas Development Bank bonds stabilised at \$4.1 million, while the remaining loan to the Bahamas Development Bank was repaid in full in 2025. The remaining domestic assets reduced by a combined \$1.4 million (40.4%) to \$2.1 million.



The Central Bank’s total demand liabilities expanded by \$78.8 million (2.7%) to \$3,029.3 million in 2025. In

noteworthy fluctuations, currency in circulation, inclusive of SandDollar, advanced by \$64.8 million (9.9%) to \$719.0 million. In addition, Government and related agency deposits grew by \$36.4 million (18.1%) to \$237.1 million. Actuarial liabilities, such as health insurance subsidies and the Investment Currency Market liabilities, grew by \$2.2 million (15.4%) and \$2.0 million (12.9%) to \$16.4 million and \$17.6 million, respectively. By contrast, the unremunerated reserve deposits of commercial banks decreased by \$26.1 million (1.3%) to \$2,025.4 million, while accounts payable fell by \$0.4 million (5.2%) to \$7.8 million.

The Central Bank’s total income contracted by \$2.1 million (1.5%) to \$138.6 million in 2025, underpinned by a \$10.9 million (9.0%) falloff in net interest income from investment sources to \$110.0 million. Specifically, interest on foreign investments reduced by \$12.9 million (13.2%) to \$85.4 million, while earnings on domestic investments, declined by \$2.0 million (9.2%) to \$19.9 million. Conversely, interest received on loans rose by \$0.8 million (4.9%) to \$16.7 million. Meanwhile, “other” miscellaneous transactions recorded earnings of \$28.5 million, up from \$19.7 million in 2024.



During the year, the Central Bank’s total expenses decreased by \$2.7 million (4.8%) to \$52.7 million, primarily due to a \$5.3 million (21.4%) decline in general and administrative costs to \$19.6 million. Likewise, depreciation expenses stabilised at \$2.0 million. However, staff costs were higher by \$2.9 million (11.3%) at \$28.4 million.

As a consequence of these developments, the Central Bank recorded a total comprehensive net income of \$85.3 million, vis-à-vis \$81.1 million in 2024.

OUR ENVIRONMENT



DOMESTIC ECONOMIC DEVELOPMENTS

Preliminary indications are that the domestic economy sustained its growth momentum in 2025, following the 3.4% expansion in 2024, as economic indicators continued to revert to their long-term potential. The outturn was led by gains in the tourism sector, with capacity constrained stopover inflows, accompanied by robust growth in cruise arrivals. In addition, foreign investment activity, including developments in private cruise destinations, sustained stimulus to the construction sector. Against this backdrop, domestic inflationary pressures firmed during the year, reflecting the pass-through effects of higher global oil prices on imported fuel and other goods. However, employment indicators were mixed, as labour force participation outpaced jobs gains.

In the fiscal sector, the overall deficit decreased for FY2024/25, as the VAT-related gain in total revenue, overshadowed the rise in overall expenditure. Similar trends were noted for the first half of FY2025/26, with a narrowing in the deficit, as increased revenue collections, led by higher VAT receipts, outpaced the expansion in aggregate expenditure. Financing of the deficit for FY2024/25 and the first half of the new fiscal year was proportionately weighted toward the domestic market and comprised of a combination of long and short-term debt instruments.

The Direct Charge on the Government rose by \$639.2 million (5.4%), to \$12,406.8 million during the calendar year. As a result, the corresponding ratio of the Direct Charge to GDP increased by 0.8 percentage points to an estimated 75.1%, following a 0.5 percentage points reduction to 74.3% in 2024. Similarly, the National Debt—inclusive of Government loan guarantees to the public sector—rose by \$620.6 million (5.1%) to \$12,732.5 million at end-2025. Further, the National Debt to GDP ratio firmed by 0.6 percentage points to an estimated 77.1% in 2025, relative to a 0.7 percentage points decrease to 76.5% the year prior.

Monetary sector developments in 2025 were marked by a reduction in bank liquidity, despite the expansion in the deposit base outpacing the rise in domestic credit. However, growth in the financial system's net financial assets increased, as the buildup in external reserves contrasted with the decline in net external assets of domestic banks. In this environment, at end-2025, the stock of external reserves was equivalent to an estimated 28.4 weeks of the current year's total merchandise imports, similar to 2024; remaining well above the 12.0 weeks international benchmark.

Banks' credit quality indicators continued to improve in 2025, against the backdrop of sustained economic

growth and ongoing loan write-offs. However, banks' net profits grew at a moderated pace, as the growth in operating expenses outweighed the rise in interest income and offset the gains in receipts from commission and foreign exchange fees. Meanwhile, the weighted average interest rate spread narrowed, as the increase in the mean deposit rate exceeded the uptick in the associated loan rate.

In the external sector, the estimated current account deficit widened during the year, as the rise in the merchandise trade deficit, overshadowed the expansion in the tourism-led services account surplus. Further, the deficit on the primary income account expanded and the surplus on the secondary income account declined. Meanwhile, net financial account inflows, excluding reserve assets, increased in 2025, explained by a switch in loan receipts to an inflow from an outflow in the year prior, due primarily to net receipts by the Government and deposit-taking entities.

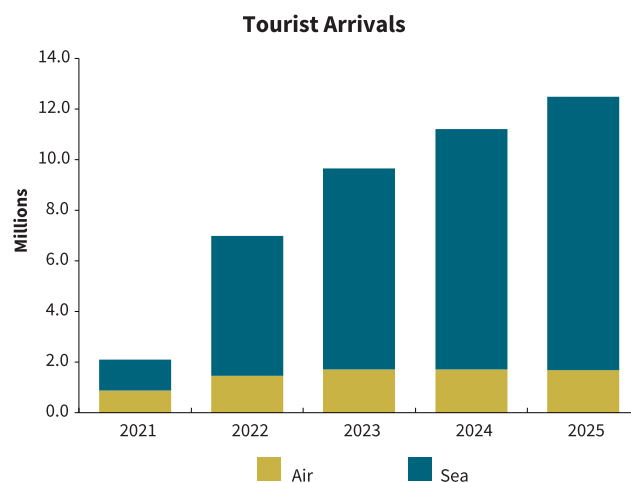
REAL SECTOR

Tourism

The tourism sector recorded sustained growth in 2025, albeit moderated, as robust gains in the cruise category, contrasted with accommodation capacity constraints that limited the high-yielding air segment activity.

According to data from the Ministry of Tourism, total visitor arrivals increased by 11.4% to 12.5 million in 2025, a slowdown from the 16.2% growth in 2024. In particular, sea visitors grew by 13.8% to 10.8 million visitors; whereas the high-value added air traffic component decreased further by 1.6% to 1.7 million passengers, vis-à-vis a 0.2% falloff in the previous year.

An analysis by first port of entry showed that arrivals to New Providence grew by 4.3% to 5.4 million, underpinned by a 6.5% growth in sea passengers to 4.2



million, which overshadowed the 2.2% decline in air traffic to 1.3 million. Moreover, visits to Grand Bahama almost doubled to 1.1 million visitors, largely attributed to the opening of a new cruise destination facility (Celebration Key); sea traffic boosted to 1.0 million from 0.5 million and the air component, by 19.7% to 0.1 million. In addition, visitor arrivals to the Family Islands advanced by 10.0% to 6.0 million, bolstered by a 10.8% rise in sea passengers to 5.6 million, in contrast to the 2.8% reduction in air traffic to 0.3 million.

As a subset of the stopover market, the private vacation rental market maintained a positive trajectory in 2025, though capacity gains outpaced sales growth. Data provided by AirDNA revealed that off-resort total room nights sold increased further by 5.1% in 2025, consolidating a 5.9% augmentation in 2024. By category, the increase in entire place listings registered 5.5% vis-a-vis 5.1% in the prior year; and hotel comparable listings, a moderated 4.6%, atop the 7.7% recorded in the previous year. Meanwhile, the average occupancy rate for hotel comparable rentals declined by 2.9 percentage points to 48.5%, with the associated average daily rate (ADR) reducing by 1.6% to \$157.76. Likewise, the average occupancy rate for entire place listings fell by 2.0 percentage points to 47.6%, but the accompanying ADR rose by 3.6% to \$643.30.

Construction

During the review year, construction sector activity was bolstered by new and ongoing varied-scale foreign investment projects, and fairly steadied lending for domestic private sector activities. Further, near-term forward-looking indicators suggested some improvements in domestic construction financing.

Table 9: Selected Economic Indicators			
	2023	2024	2025
	(% Change)*		
Real GDP	3.0	3.4	n.a.
Unemployment Rate (%)**	9.9	8.9	9.3
Hotel Occupancy (%)***	74.4	69.2	68.6
Total Arrivals	37.9	16.2	11.4
Mortgage Disbursements	2.7	23.8	1.9
Construction Completions - Value	(10.1)	18.7	n.a.
Inflation	3.1	0.42	n.a.
National Debt/GDP Ratio (%)****	77.2	76.5	77.1

Source: Central Bank of The Bahamas

*Unless otherwise indicated.
 **2025 is as at June.
 *** Data from The Ministry of Tourism - Hotel Performance Statistics - Nassau / Paradise Hotels Only
 ****2025 GDP estimates derived from IMF's data.

Reflective of domestic activity, total mortgage disbursements for new construction and repairs—reported by commercial banks, insurance companies and the Bahamas Mortgage Corporation—declined by just \$1.0 million (0.6%) to \$150.9 million, a reversal from a \$58.4 million (62.5%) expansion in 2024. Accounting for 71.7% of the total, residential disbursements fell by \$1.9 million (1.8%) to \$108.2 million, a switch from a \$20.4 million (22.7%) growth a year earlier. Meanwhile, commercial mortgage disbursements rose by \$1.0 million (2.3%) to \$42.6 million, but was notably lower than the \$38.0 million gain in the previous year.

Forward-looking indicators of domestic financed construction activity firmed. Although the number of mortgage commitments—for new construction and repairs—decreased by 46 to 344, the associated value appreciated by 3.6% to \$138.0 million. By loan category, the number of residential approvals fell by 38 to 334, with the correlated value reduced by 8.0% to \$81.0 million. Also, the number of commercial mortgage commitments declined by 8 to 10, but the accompanying value rose by 26.4% to \$57.0 million

In term of interest rates, in the review year, the average financing costs for commercial and residential mortgages steadied at 6.5% and 6.0%, respectively, vis-à-vis 2024.

Employment

According to estimates provided by the Bahamas National Statistical Institute, labour market conditions were comparatively mixed in the second quarter of 2025, relative to the same period in 2024. A 3.4 percentage points improvement in the labour force participation rate to 76.7%, outpaced a 2.3% growth in the number of employed persons. As a result, the All-Bahamas unemployment rate rose to 9.3% as at the second quarter of 2025, from 8.7% in the comparative quarter in 2024. The youth unemployment rate also rose by 1.3 percentage points to 20.3%, vis-à-vis the same quarter in the previous year.

A disaggregation by major market showed that the jobless rate in New Providence increased by 0.7 percentage points, year-on-year, to 9.3% during the second quarter of 2025. In contrast, the unemployment rate in Grand Bahama declined to 9.4%, from 9.8% in the comparative 2024 period. In Abaco, the jobless rate also decreased to 10.6% in the second quarter, from 14.0% in the corresponding period last year.

Prices

Average domestic consumer price inflation—as measured by changes in the average Retail Price Index for The Bahamas—rose to 1.1% in 2025 from 0.4% in 2024. Contributing, average costs increased for

communication by 1.3%, after posting a decrease of 6.0% in the year prior. Further, average inflation quickened for several categories, including furnishing, household equipment and routine maintenance (12.8%) and restaurant & hotel (9.5%). In addition, declines in average prices moderated for transport (1.6%) and clothing & footwear (0.4%). In a partial offset, average costs reduced for alcohol beverages, tobacco & narcotics, by 2.9% and for education, by 1.6%, following respective gains of 1.8% and 2.8% in the previous year. Further, average inflation slowed for miscellaneous goods and services (2.7%), health (3.0%) and housing, water, gas, electricity & other fuels (0.1%). Average costs also fell for food & non-alcohol beverages, by 1.9%, after registering a gain of 3.0% in 2024, while the decline to recreation & culture, stabilized at the 1.1%.

In line with the reduction in global oil prices, domestic energy prices fell in 2025. In particular, the average cost of diesel decreased by 3.9% to \$4.94 per gallon, relative to 2024. Likewise, the average price of gasoline reduced by 1.6% to \$5.47 per gallon, compared to 2024. Similarly, Bahamas Power and Light (BPL) fuel surcharge on average consumption of less than 800-kilowatt hour (kWh), declined by 0.5% to 17.04 cents per kWh in 2025. However, the charge on the usage of more than 800 kWh rose by 9.1% to 21.04 cents per kWh.

FISCAL OPERATIONS

FY2024/25 Performance

The Government's overall fiscal deficit decreased to \$78.9 million in FY2024/25 from \$194.0 million in FY2023/24 (see Table 10); an estimated \$9.1 million (13.0%) higher than the budgeted projection. An analysis of the components showed that total revenue increased by \$326.9 million (10.7%) to \$3,396.0 million, explained by a rise in value added tax (VAT)

collections—albeit \$377.6 million (5.1%) lower than the forecasted amount. In addition, total expenditure grew by \$211.8 million (6.5%) to \$3,474.9 million, although an estimated \$138.2 million (3.8%) less than the approved allocation.

REVENUE

Tax revenue—which represented 89.1% of total collections—grew by \$290.3 million (10.6%) to \$3,026.4 million during the fiscal year, but was \$116.3 million (3.7%) lower than budgeted. Contributing, VAT receipts rose by \$91.8 million (6.8%) to \$1,438.0 million, although approximately \$77.6 million (5.1%) below the budgeted forecast. In addition, proceeds from stamp taxes on financial and realty transactions increased by \$17.0 million (15.6%) to \$125.8 million. Further, taxes on the use or supply of goods and services advanced by \$40.7 million (14.5%) to \$322.1 million, as revenue from business licenses grew by \$22.3 million (10.2%) to \$242.0 million and company taxes, by \$12.4 million (63.5%) to \$32.1 million. Receipts from motor vehicle taxes also moved higher by \$4.9 million (14.2%) to \$39.6 million and marine license, by \$1.0 million (13.2%) to \$8.4 million. Likewise, income from specific taxes—primarily gaming—firmed by \$1.8 million (3.9%) to \$47.2 million. Similarly, revenue from international trade & transactions expanded by \$146.4 million (20.2%) to \$871.7 million, led by gains in departure taxes of \$122.8 million (56.0%) to \$342.2 million and export taxes, of \$22.9 million (9.3%) to \$269.5 million. Also, property taxes increased by \$6.8 million (3.4%) to \$210.0 million.

Non-tax revenue grew by \$36.2 million (10.9%) to \$369.2 million compared to the prior fiscal year, although \$25.1 million (6.4%) lower than projected. Underpinning this outturn, collections from the sale of goods & services rose by \$27.4 million (11.5%) to \$266.1 million, as receipts from immigration fees increased

Table 10: Fiscal Indicators (B\$ Millions)

	FY2022/23 _p	FY2023/24 _p	FY2024/25 _p	FY2025/26	
	Actual	Actual	Actual	Approved Estimates	Preliminary ¹ Estimates
Government Revenue	2,855.4	3,069.1	3,396.0	3,896.3	1,507.6
as % of GDP	19.2	19.7	20.8	23.5	9.1
Government Expenditure	3,390.0	3,263.1	3,474.9	3,613.1	1,850.0
as % of GDP	22.8	21.0	21.3	21.8	11.2
Surplus/(Deficit)	(534.6)	(194.0)	(78.9)	283.2	(342.4)
as % of GDP	(3.6)	(1.2)	(0.5)	0.5	(2.1)

Source: Ministry of Finance

Compiled according to the IMF's Government Finance Statistics Format. 1 July - December, 2025

by \$16.3 million (13.3%) to \$138.5 million. In addition, income from property moved higher by \$11.1 million (23.6%) to \$58.3 million. Likewise, “miscellaneous” and unidentified revenue rose by \$1.6 million (36.0%) to \$5.9 million, and collections from fines, penalties & forfeits, by \$1.5 million (24.6%) to \$7.6 million. However, reimbursements and repayments fell by \$5.0 million (14.2%) to \$30.1 million.

EXPENDITURE

Current expenditure—at 91.8% of total outlays—expanded by \$227.8 million (7.7%) to \$3,189.3 million, but was approximately \$79.3 million (2.4%) lower than the approved allocation.

With regard to the components, payments for the use of goods & services rose by \$130.1 million (23.2%) to \$691.6 million. Further, interest payments on public debt grew by \$59.2 million (9.7%) to \$672.4 million, underpinned by increases in both internal and external debt obligations. Likewise, disbursements for compensation of employees advanced by \$35.1 million (4.2%) to \$878.4 million and other “miscellaneous” payments, by \$24.5 million (8.8%) to \$302.5 million, mainly due to a rise in current transfers. Conversely, outlays for subsidies fell by \$11.0 million (2.7%) to \$401.6 million and for social benefits, by \$10.1 million (4.2%) to \$233.7 million.

Capital outlays reduced by \$16.1 million (5.3%) to \$285.6 million—an estimated \$58.9 million (17.1%) lower than the projected expenditure. Underlying this outturn, capital transfers declined by \$9.2 million (18.0%) to \$42.1 million. Further, payments for the acquisition of non-financial assets fell by \$6.8 million (2.7%) to \$243.5 million, on account of a \$7.0 million (2.8%) decline in spending on fixed assets to \$241.4 million.

First Six Months of 2025/2026

Preliminary indications are that for the first six months of FY2025/26, the Government’s overall deficit reduced to \$342.4 million from \$367.7 million, relative to the same period of FY2024/25. Reflective of this outturn,

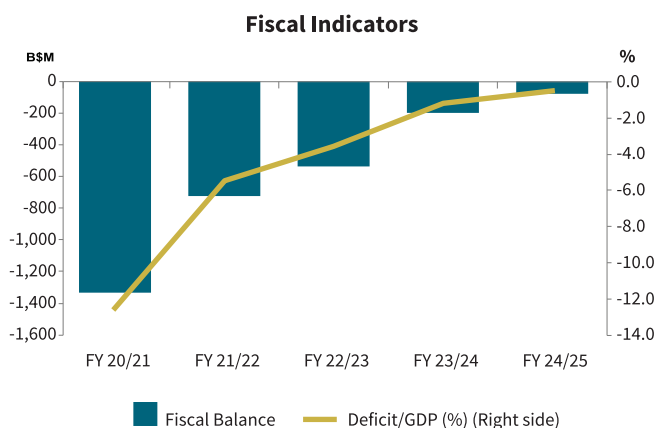
total revenue rose by \$66.6 million (4.6%) to \$1,507.6 million, outstripping the \$41.3 million (2.3%) increase in total expenditure to \$1,850.0 million.

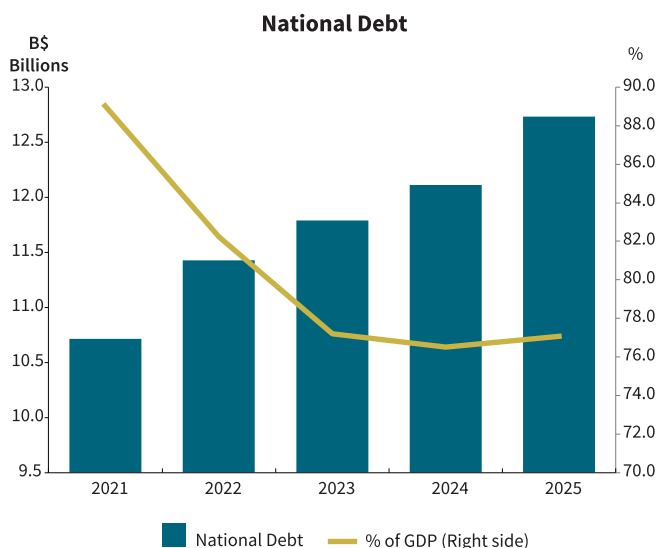
The half-year tax receipts grew by \$54.4 million (4.2%) to \$1,345.9 million. In particular, revenue from general taxes expanded by \$67.9 million (9.3%) to \$794.2 million, as VAT collections moved higher by \$76.1 million (11.5%) to \$739.1 million, overshadowing the falloff in revenue from stamp taxes on financial and realty transactions, by \$8.2 million (12.9%) to \$55.1 million, compared to the previous fiscal period. In addition, excise and specific taxes—mainly gaming—registered gains of 40.3% and 7.3% to \$4.6 million and \$19.0 million, respectively. Further, taxes on the use of goods and services increased by \$4.5 million (7.2%) to \$67.6 million, explained by a rise in collections from marine license fees, motor vehicle taxes, company taxes, and business license fees. In addition, proceeds from general stamp taxes advanced to \$2.8 million from just \$0.2 million in the same period of the prior year. In an offset, taxes on international trade and transactions reduced by \$18.4 million (4.5%) to \$393.9 million. By component, collections from departure taxes fell by \$8.7 million (5.1%) to \$160.9 million; export duties, by \$6.2 million (5.5%) to \$105.8 million; and customs & other import taxes, by \$3.7 million (2.8%) to \$126.7 million. Property taxes also fell by \$4.9 million (7.2%) to \$63.7 million.

Non-tax revenue also rose by \$11.4 million (7.6%) to \$160.7 million, on account of increases in the sales of goods & services.

The growth in total expenditure was mainly attributed to a \$42.2 million (2.6%) rise in recurrent outlays to \$1,658.3 million during the six-month period. The outcome included increased allocations for compensation of employees, other payments—inclusive of current transfers and insurance premiums—subsidies, social benefits and interest payments on public debt. Conversely, capital spending fell by \$0.9 million (0.5%) to \$191.7 million, owing to a decrease in the acquisition of non-financial assets.

Budgetary financing operations for the six-month period were dominated by domestic market activity. Internal borrowings, which totalled \$1,919.8 million, comprised of local currency loans & advances (\$918.3 million), Government bonds (\$486.1 million) and net Treasury bills/notes (\$277.3 million). Meanwhile, external borrowings amounted to \$257.1 million. Debt repayments for the period totalled \$1,542.9 million, the majority of which repaid Bahamian dollar obligations (\$1,231.3 million).





National Debt

During 2025, the Government’s Direct Charge rose by \$639.2 million (5.4%) to \$12,406.8 million, exceeding the previous year’s growth of \$340.1 million (3.0%). Correspondingly, the ratio of the Direct Charge to GDP increased by 0.8 percentage points to approximately 75.1%, relative to a 0.5 percentage points reduction to 74.3% in 2024 (See Table 11). Bahamian dollar denominated debt—at 53.8% of the total—increased by \$293.5 million (4.6%), to \$6,669.7 million. Further, foreign currency claims grew by \$345.7 million (6.4%) to \$5,737.1 million. A breakdown by holder classification revealed that private (non-financial) and institutional investors held the largest share of local currency debt at 43.4%,

followed by banks (40.7%), the Central Bank (11.2%) and public corporations (4.7%).

For the year, the Government’s contingent liabilities decreased by \$18.6 million (5.4%), to \$325.6 million. Consequently, the National Debt rose by \$620.6 million (5.1%) to \$12,732.5 million at-end December, higher than the \$323.5 million (2.7%) growth in 2024. In addition, the National Debt-to-GDP ratio increased by 0.6 percentage points to an estimated 77.1%, vis-à-vis a 0.7 percentage points reduction to 76.5% in 2024.

Foreign Currency Debt

Public sector foreign currency debt expanded by \$319.6 million (5.6%) to \$6,060.9 million in 2025. New drawings of \$1,570.3 million compared to amortisation payments of \$1,336.2 million. The Government’s outstanding liabilities, which constituted 94.7% of the total, grew by \$345.8 million (6.4%) to \$5,737.1 million. In contrast, the public corporations’ debt stock decreased by \$26.2 million (7.5%) to \$323.9 million.

Foreign currency debt service payments reduced by \$24.1 million (1.4%) to \$1,725.0 million. Underlying this outturn, the public corporations’ segment fell by \$52.3 million (46.8%) to \$59.4 million, while the Government’s share rose by \$28.2 million (1.7%) to \$1,665.5 million. Net of refinancing activities and liability management operations by the Government, the debt service to exports ratio fell to 11.1% from 18.4% in 2024. Similarly, the Government debt service/revenue ratio narrowed by 15.6 percentage points to 19.0%.

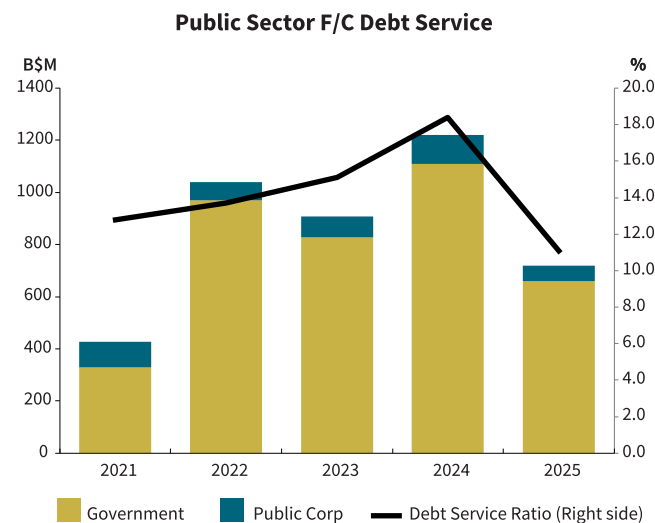
A breakdown by creditor profile indicated that the majority of foreign currency debt remained held by capital market investors (43.6%), followed by external banks (27.3%), multilateral institutions (24.2%), Central Bank (3.9%), bilateral agencies (0.6%) and domestic banks (0.4%). An analysis by currency type revealed that the bulk of the debt was denominated in United States

Table 11: Debt Indicators

	2023p	2024p	2025p
A. Total F/C Debt	5,773.1	5,741.4	6,060.9
i) External Debt	5,372.7	5,411.0	5,735.9
ii) Internal F/C Debt	400.4	330.4	325.0
B. National Debt	11,788.5	12,111.9	12,732.5
i) Direct Charge	11,427.5	11,767.6	12,406.8
C. Debt Service Ratio (%)*	15.1	18.4	11.1
	% of GDP		
A. Total F/C Debt	37.8	36.3	36.7
i) External Debt	35.2	34.2	34.7
ii) Internal F/C Debt	2.6	2.1	2.0
B. National Debt	77.2	76.5	77.1
i) Direct Charge	74.8	74.3	75.1

Source: Treasury Accounts and Public Corporations’ Quarterly Report
*Net of refinancing activities

2025 GDP estimates derived from the IMF’s data



dollars (88.1%), with smaller portions in euros (7.1%), IMF SDRs (4.0%), the Chinese yuan (0.6%) and the Swiss Franc (0.2%).

MONEY, CREDIT AND INTEREST RATES

Monetary Sector

Monetary sector developments were marked by a decrease in banking sector liquidity, despite the expansion in the deposit base outpacing the rise in domestic credit. However, growth in the financial system's net financial assets expanded, as the buildup in external reserves contrasted with the decline in net external assets of domestic banks. Further, banks' credit quality indicators improved over the review year, bolstered by sustained economic growth and ongoing loan write-offs. Banks' profit grew at a moderated pace, as the growth in operating expenses outweighed the rise in interest income and offset the gains in receipts from commission and foreign exchange fees. Meanwhile, the weighted average interest rate spread narrowed, as the rise in the mean deposit rate exceeded the slight uptick in the average lending rate.

Bank Liquidity

Bank liquidity contracted in 2025, underpinned by a reduction in holdings of Government long-term securities. Specifically, average net free cash reserves—a narrow measure of liquidity—contracted by \$35.3 million (1.9%) to \$1,831.0 million, a switch from the \$31.3 million (1.7%) accumulation in 2024. In the monthly trends, balances fluctuated during the year, holding steady at an average of \$1,799.6 million in the first six months of the year, peaking at \$1,952.9 million in July, before trending downward to \$1,831.0 million in December. As a result, the ratio of net free cash reserves to Bahamian dollar deposits fell to 19.7% from 21.5% in the year prior.

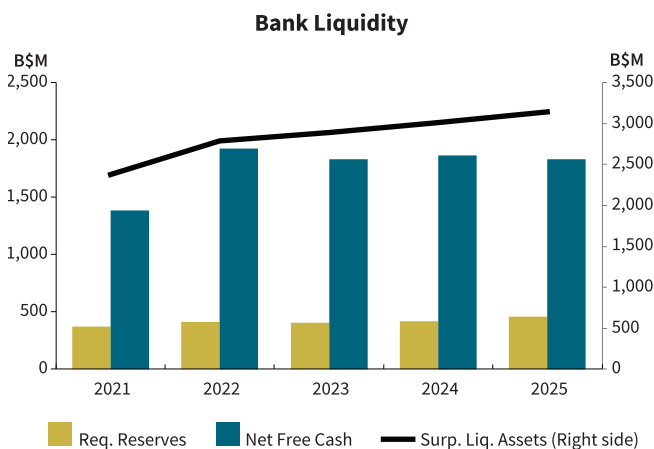


Table 12: Flow of Bank Credit (B\$ Millions)

Destination	Outstanding	Absolute		Outstanding
	as at 2023	2024	Changes 2025	as at 2025
Government (net)	3,423.4	65.6	133.8	3,622.8
Central Bank	886.8	8.3	(103.5)	791.6
Domestic Banks	2,536.6	57.3	237.4	2,831.2
Rest of Public Sector	326.1	37.7	(33.5)	330.2
Central Bank	6.8	(0.4)	(2.1)	4.3
Domestic Banks	319.3	38.1	(31.4)	325.9
Private Sector	5,859.0	391.5	312.1	6,562.6
Domestic Banks	5,859.0	391.5	312.1	6,562.6
Consumer	1,962.9	110.9	105.3	2,179.1
Mortgages	2,692.4	57.5	19.9	2,769.8
Other Loans	1,203.7	223.1	186.9	1,613.8
Financing				
Liabilities (Net of Government)	9,113.1	297.8	870.5	10,281.3
Currency	430.9	35.8	51.1	517.8
Total Deposit liabilities	8,682.2	262.0	819.4	9,763.5
Demand deposits	4,294.9	183.0	718.3	5,196.2
Savings deposits	2,294.8	184.7	248.0	2,727.5
Fixed Deposits	2,092.5	(105.7)	(146.9)	1,839.8
International reserves	2,517.4	115.5	181.5	2,814.4
Other net external liabilities	(156.6)	(73.5)	196.4	(33.7)
Capital and surplus	2,482.9	(46.9)	(94.6)	2,341.4
Other (net)	373.3	286.0	14.4	673.7

Source: Central Bank of The Bahamas

Excess liquid assets—a broader measure of liquidity, including Government securities—recorded an average monthly surplus of \$3,164.8 million per month, 2.3% higher than the average surplus in the preceding year. On a monthly basis, excess reserves peaked at \$3,289.0 million in July. However, reflecting seasonal influences, in the ensuing months, balances eased to \$3,139.5 million at end-December, for an annual gain of \$123.9 million (4.1%). Further, year-end surplus liquid assets exceeded the statutory minimum by 185.3%, relative to 195.3% in 2024.

Money Supply

The overall money supply (M3) grew by \$827.1 million (8.7%) to \$10,281.3 million in 2025, surpassing the \$351.8 million (3.9%) expansion in the previous year. In particular, the buildup in narrow money (M1) accelerated to \$541.6 million (11.7%) from \$307.6 million (7.1%), with the gains in demand deposits more than doubling to \$490.4 million (11.8%) from \$271.8 million (7.0%) in 2024. Similarly, the growth in currency in active circulation extended to \$51.1 million (11.0%), from \$35.8 million (8.3%) in the preceding year.

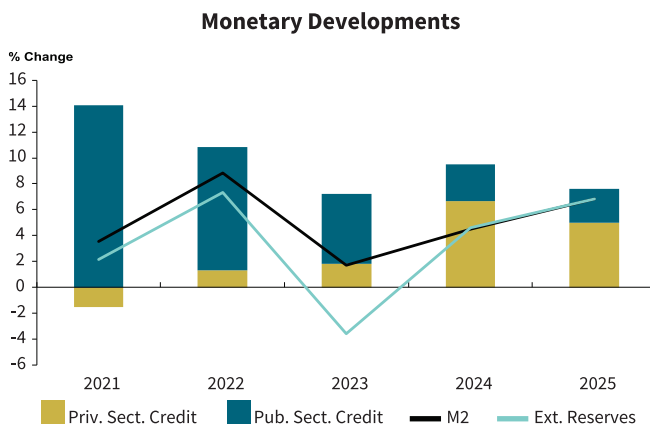
Broad money (M2) expanded by \$615.4 million (6.9%), exceeding the year-earlier \$386.3 million (4.5%) accumulation. In particular, savings deposits grew by \$238.7

million (9.8%), extending the \$183.3 million (8.1%) gain in the prior year, paced by higher private sector balances. In contrast, the reduction in fixed deposits deepened to \$165.0 million (8.6%) from \$104.6 million (5.2%) the year earlier. Meanwhile, foreign currency deposits rose by \$211.7 million (42.7%), a reversal from the \$34.5 million (6.5%) falloff in the previous year, largely attributed to increased private placements.

As a proportion of the overall money stock (M3), Bahamian dollar demand deposits constituted the largest share at 45.1%, followed by savings deposits (26.0%) and fixed deposits (17.0%). Foreign currency balances and currency in active circulation represented smaller shares, at 6.9% and 5.0%, respectively.

Domestic Credit

Growth in total domestic credit slackened to \$412.2 million (4.1%) from \$494.9 million (4.9%) in 2024, bringing the total stock to \$10,515.6 million at end-December 2025, given moderated gains in private sector lending. The Bahamian dollar credit component remained dominant at 92.8% of the total. Net claims on the Government rose at an accelerated \$133.8 million



(3.8%), relative to a \$65.6 million (1.9%) gain in the previous year; but credit to the public corporations declined by \$33.5 million (9.2%), offsetting the \$37.7 million (10.4%) increase of the preceding year.

Meanwhile, expansion in private sector credit slowed to \$312.1 million (5.0%), from \$391.6 million (6.3%) in 2024. An analysis by sector showed that net personal lending—accounting for 69.8% of the total—tapered to \$97.7 million (2.0%), from \$173.7 million (3.7%) in the preceding year. Similarly, outstanding credit increased for distribution (\$66.9 million), “miscellaneous” purposes (\$44.8 million), professional & other services (\$35.0 million), transport (\$25.0 million), construction (\$20.5 million), tourism (\$15.9 million), entertainment & catering (\$11.2 million) and fisheries (\$3.4 million); with a minor gain for agriculture. Conversely, credit

balances reduced for manufacturing (\$6.1 million), with a more muted decline for mining & quarrying.

A further breakdown of personal loans revealed that the growth in residential mortgages slackened to \$19.9 million (0.7%) from \$57.5 million (2.1%) in 2024; and for consumer loans, to \$103.9 million (5.0%), from \$105.5 million (5.3%) the year prior. Further, overdrafts decreased by \$26.2 million (46.3%), contrasting with the \$10.8 million (23.5%) uptick in 2024.

In the Bahamian dollar portion of consumer credit, net lending rose for private cars (\$59.8 million), debt consolidation (\$48.3 million), other miscellaneous purposes (\$18.3 million), land purchases (\$3.3 million) and furnishings & domestic appliances (\$1.5 million). Conversely, net repayments were recorded for credit cards (\$17.3 million), education (\$3.8 million), travel (\$3.0 million) and home improvements (\$2.4 million).

Interest Rates

During 2025, the weighted average interest rate spread on domestic banks’ loans and deposits narrowed by 4 basis points to 10.64%. Contributing, the mean deposit rate rose by 5 basis points to 0.59%, while the weighted average lending rate edged up by 1 basis point to 11.24%.

In terms of lending, the average rate on commercial mortgages reduced by 57 basis points to 6.23%, while the rate on consumer loans fell by 26 basis points to 12.84%. Contrastingly, the rate on overdrafts rose by 78 basis points to 11.5%, while residential mortgage rates edged up by 1 basis point to 5.21%.

With regard to deposits, the mean rate paid on demand deposits increased by 5 basis points to 0.25%. Conversely, the average rate offered on savings deposits tapered by 1 basis point to 0.26%. Meanwhile, the average range on fixed maturities firmed to 0.26%–1.48%, from 0.26%–1.45% in the previous year.

In other interest rate developments, the average 90-day Treasury bill rate rose by 17 basis points to 3.08%. Further, the Central Bank’s Discount rate and commercial banks’ Prime rate were maintained at 4.00% and 4.25%, respectively.

Net Foreign Assets

Total net foreign assets of the financial system rose by \$375.7 million (15.6%) to \$2,778.6 million in 2025. In particular, the Central Bank’s external reserves expanded by \$181.5 million (6.9%), exceeding the prior year’s \$115.5 million (4.6%) gain, supported by net foreign currency inflows from real sector activities, and the receipt of proceeds from Government’s external borrowings. Further, domestic banks’ net foreign liabilities

contracted by \$196.4 million (85.4%) to \$33.7 million, a switch from the \$73.5 million (47.0%) growth in 2024.

An analysis of monthly trends showed that external reserves balances increased steadily through the first six months of 2025, peaking at \$2,990.9 million in June. However, amid seasonally elevated foreign currency demand in the latter half of the year, estimates trended lower to \$2,814.4 million at end-December. In 2025, the average monthly levels stood at \$2,847.0 million, increasing by \$8.2 million (0.3%), relative to the previous year.

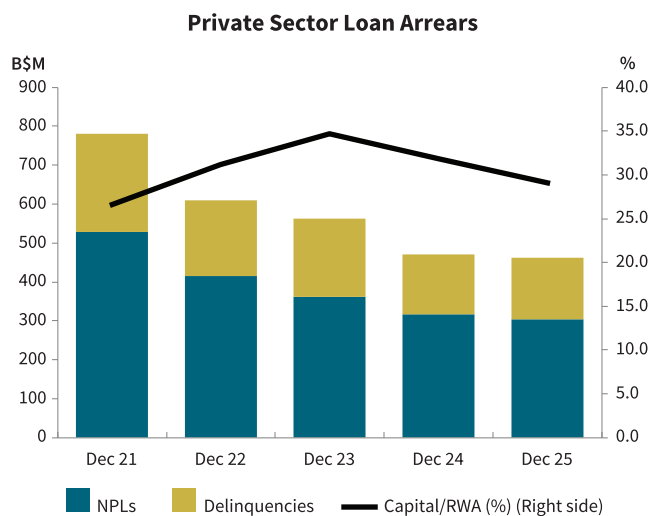
A breakdown of the underlying foreign currency transactions affecting external reserves showed that the Central Bank’s net purchases widened to \$89.0 million in 2025 from \$26.3 million in 2024. Leading this development, net outflows to public corporations—primarily for fuel purchases—declined to \$394.9 million from \$511.7 million in 2024. However, the Bank’s net intake from the Government moderated to \$368.6 million from \$414.3 million in the prior year. Similarly, the Bank’s net purchases from commercial banks tapered to \$115.3 million from \$123.8 million a year earlier.

At end-December, the stock of external reserves stood at an estimated 28.1 weeks of the current year’s total merchandise imports (including oil purchases), similar to 2024, 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 grew by \$141.2 million (11.9%) to \$1,325.4 million in 2025.

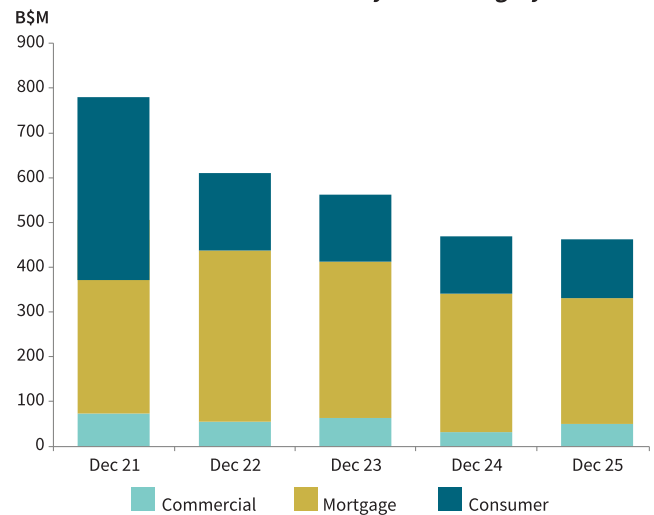
BANKING SECTOR PERFORMANCE

Credit Quality

Domestic banks’ credit quality indicators improved during 2025, against the backdrop of sustained economic growth and ongoing loan write-offs. Total



Private Sector Arrears by Loan Category



private sector loan arrears decreased by \$7.7 million (1.7%) to \$461.8 million, although lower than the \$92.2 million (16.4%) contraction in 2024. Correspondingly, the ratio of arrears to total private sector loans fell by 51 basis points to 7.6%, following a 2.2 percentage points decrease in the previous year.

The reduction in total delinquencies was largely concentrated in non-performing loans (NPLs)—arrears in excess of 90 days and on which banks have ceased accruing interest—which declined by \$14.7 million (4.6%) to \$303.0 million, although below the \$43.8 million (12.1%) retrenchment in the prior year. In contrast, short-term arrears (31–90 days) rose by \$6.9 million (4.6%) to \$158.8 million, a shift from the \$48.3 million (24.2%) decrease in 2024. As a result, the ratio of NPLs to total private sector loans fell by 50 basis points to 5.0%, while the ratio for short-term arrears stayed at 2.6%.

A disaggregation by loan type revealed that mortgage delinquencies contracted by \$28.4 million (9.2%) to \$280.8 million, further to the \$40.9 million (11.7%) falloff in the previous year. The associated arrears-to-loans ratio fell by 1.3 percentage points to 11.0%. In an offset, commercial arrears grew by \$18.0 million (55.4%) to \$50.4 million, a reversal from the \$30.2 million (48.2%) reduction in 2024, with the attendant loan ratio rising by 1.1 percentage points to 3.9%. Similarly, consumer delinquencies rose by \$2.7 million (2.1%) to \$130.6 million, a switch from a \$21.0 million (14.1%) decline in the prior year, although the corresponding ratio narrowed by 21 basis points to 5.9%. Meanwhile, the NPL ratio for consumer credit softened to 3.8% from 4.1% in 2024; and for mortgages, to 7.0% from 8.2% a year earlier. However, the respective ratio for commercial arrears firmed to 3.1% from 2.3% last year.

Table 13: Commercial Banks' Financial Soundness Indicators*

	2023	2024	2025
Capital Adequacy			
Regulatory capital/RWAs**	34.7	33.6	29.1
Regulatory Tier 1 capital/RWAs**	33.8	33.1	28.6
Asset Quality			
NPLs/Private Sector Loans	6.6	5.5	5.0
NPLs to Capital	16.1	14.5	14.4
Earnings & Profitability			
Return on assets	3.4	4.2	4.4
Return on equity	18.0	23.0	26.4
Liquidity			
Liquid assets to total domestic assets	37.4	37.6	38.1

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

Capital Adequacy and Provisions

Given the improvement in credit quality indicators, banks reduced their provisions for loan losses, but maintained high capital adequacy ratios. Specifically, loan loss provisions decreased by \$40.7 million (13.5%) to \$261.1 million in 2025, extending the previous year's \$28.2 million (8.6%) reduction. Correspondingly, the ratio of total provisions to total private sector loans narrowed by 81 basis points to 4.0%; and as a fraction of arrears, by 7.7 percentage points to 56.5%; and NPLs, by 8.9 percentage points to 86.2%. In addition, banks wrote-off an estimated \$62.6 million in bad debts and recovered approximately \$45.6 million.

Banks maintained robust capital levels in 2025, although the average risk-adjusted capital ratio moved lower to 29.1% from 33.6% in the previous year. Nevertheless, the ratio remained well in excess of the minimum regulatory prescribed ratio of 17.0% (see Table 13).

Bank Profitability

Domestic banks' net income strengthened in 2025, though at a moderated pace when compared to 2024. Estimated profits grew further by \$49.1 million (9.7%) to \$553.6 million, after a \$102.2 million (25.4%) improvement in 2024. The net interest margin widened by \$12.3 million (2.0%) to \$622.8 million, vis-à-vis a \$28.6 million (4.9%) rise last year. Interest income was up by \$11.0 million (1.7%) to \$659.2 million, while interest expense decreased by \$1.3 million (3.4%) to \$36.4 million. Further, income from commission and foreign exchange transactions advanced by \$79.7 million

(74.2%) to \$187.1 million, contributing to a \$92.0 million (12.8%) rise in the gross earnings margin to \$809.9 million.

Operating costs increased by \$41.4 million (7.9%) to \$564.6 million, a tapering from the \$50.6 million (10.7%) growth in the previous year. Specifically, staff costs rose at a moderated \$10.1 million (5.5%) to \$192.3 million. Meanwhile, non-staff outlays—including professional services, Government fees and maintenance—grew by \$29.9 million (9.1%) to \$358.4 million; and occupancy costs increased by \$1.5 million (12.4%), to \$13.9 million. Consequently, the net earnings margin moved higher by \$50.5 million (26.0%) to \$245.3 million.

Banks' other net earnings on their "non-core" activities decreased by \$1.5 million (0.5%), to \$308.3 million, after a \$100.3 million (47.9%) expansion in the previous year. Provisions for bad debt declined to \$15.2 million, although lower than the \$47.7 million reduction in the year prior, while other fee-based income increased further by \$30.9 million (10.7%) to \$318.4 million, and while depreciation costs edged down by \$0.2 million (0.7%) to \$25.2 million.

Given these developments, the gross earnings margin ratio relative to banks' average assets rose by 44 basis points to 6.40%, as the commission and foreign exchange income ratio grew by 59 basis points to 1.48%, while the net interest margin ratio edged down by 15 basis points to 4.92%. In addition, the net earnings margin firmed by 32 basis points to 1.94%; however, the operating costs ratio moved higher by 12 basis points to 4.46%. Overall, the net income margin (return on assets) rose by 19 basis points to 4.38%, supported by a rise in commission and foreign exchange fees receipts, interest income and a decline in bad debt expenses.

Capital Market Developments

Developments in the domestic capital market were relatively tempered in 2025. In particular, the volume of shares traded on the Bahamas International Stock Exchange (BISX) contracted by 62.1% to 6.1 million, after a four-fold increase to 16.1 million in the previous year. Correspondingly, the value of traded shares decreased by 48.4% to \$61.6 million, a shift from the 53.2% expansion in 2024. However, the BISX All Share Price Index—a market capitalisation weighted index—increased by 3.4% to 3,109.5, albeit lower than the 5.5% gain in the previous year.

In the Government debt securities market, the Central Bank facilitated offerings—inclusive of Treasury bills and Bahamas Registered Stocks (BRS) or

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

	2023p	2024p	2025p
I. CURRENT ACCOUNT	(1,069.1)	(1,299.7)	(1,549.7)
i) Merchandise Trade (net)	(3,212.6)	(3,736.8)	(3,987.0)
Exports	862.2	870.6	817.5
Imports	4,074.8	4,607.4	4,804.5
of which: Oil	977.5	1,014.4	845.0
ii) Services (net)	2,950.4	3,300.0	3,329.2
Travel	4,541.2	5,142.5	5,130.4
Other	(1,590.9)	(1,842.6)	(1,801.2)
iii) Primary Income (net)	(859.2)	(913.9)	(936.5)
iv) Secondary Income (net)	52.3	51.0	44.6
II. CAPITAL AND FINANCIAL ACCOUNT			
i) Capital Account (Transfers)	0.0	0.0	0.0
ii) Financial Account	(1,151.9)	(1,055.4)	(1,232.7)
of which: Direct Investment	(97.1)	(77.1)	39.7
III. NET ERRORS AND OMISSIONS	(176.4)	359.9	498.4
IV. CHANGES IN EXTERNAL RESERVES	(93.6)	115.5	181.5

Source: Central Bank of The Bahamas

bonds—totalling \$6.6 billion in 2025, with an average absorption rate of 97.8%, outpacing the \$4.8 billion offering in 2024, but it held a higher average subscription rate at 108.0%. A breakdown by instrument showed that there were 22 Treasury bill offerings over the year—predominantly rollovers—with the 91-day bills recording an average absorption rate of 104.5%, as compared to the 106.6% in the previous year. Similarly, the 182-day bills averaged an absorption rate of 88.3%, relative to 104.0% in the year prior, while the newly released 364-day bill—which replaced the now discontinued one-year note—recorded an average absorption rate of 77.8%. Further, there were 16 BRS offerings, with an average subscription rate of 96.8%, vis-à-vis 105.0% in 2024.

Regarding market preference, institutional investors continued to dominate the short-term market, while bond offerings were taken up mostly by individual investors.

INTERNATIONAL TRADE AND PAYMENTS

According to provisional estimates on the external sector, the estimated current account deficit expanded by \$250.0 million (19.2%) to \$1,549.7 million in 2025 (See Table 14). Underlying this development was a widening in the merchandise trade deficit, which overshadowed the accumulation in the services account surplus, supported by tourism receipts. Further, the deficit on the primary income account grew and the surplus on the secondary income account declined. Meanwhile, net

financial account inflows, excluding reserve assets, increased to \$1,232.7 million from \$1,055.4 million in the preceding year, led by a switch in loan receipts to an inflow from an outflow in the year prior, due primarily to net receipts by the Government and other sectors.

The estimated merchandise trade deficit widened by \$250.2 million (6.7%) to \$3,987.0 million in 2025, owing to a \$197.0 million (4.8%) rise in imports to \$4,804.5 million, which outstripped the \$53.2 million (6.2%) reduction in exports to \$817.5 million. A further disaggregation of trade flows, fuel import declined by \$169.4 million (16.7%) to \$845.0 million, mainly given average price abatement. In particular, the average per barrel cost of kerosene jet-fuel decreased by 7.9% to \$100.37; propane, by 7.4% to \$50.42; gas oil, by 5.4% to \$99.35 and bunker-C, by 5.4% to \$70.71. Conversely, average per barrel prices for aviation gas rose by 68.5% to \$296.07; and motor gas, by 8.3%, to \$133.55.

During 2025, the services account surplus rose by \$29.3 million (0.9%) to \$3,329.2 million, despite a softening in net travel receipts by \$12.1 million (0.2%) to \$5,130.4 million. Contributing, net outflows declined for “other” business services, by \$65.7 million (9.0%) to \$664.4 million and for telecommunications, computer & information services, by \$37.5 million (47.6%) to \$41.3 million. In addition, net payments for construction services reduced by \$4.5 million (6.4%) to \$65.9 million and intellectual property, by \$4.5 million (26.7%) to \$12.4 million. Providing some offset, net outflows for transportation services moved higher by \$40.2 million (8.9%) to \$494.0 million, due to a rise in payments for both sea and air transport. Further, net payments for insurance & pension services grew by \$18.3 million (6.6%) to \$297.2 million, while net outlays for Government goods and services increased by \$12.2 million (5.7%) to \$226.0 million.

The primary income account deficit (against wages and investment income) broadened by \$22.6 million (2.5%) to \$936.5 million during the review year. Specifically, net payments for employees’ compensation grew by \$19.9 million (16.0%) to \$144.6 million. Further, net investment income outflows rose by \$2.7 million (0.3%) to \$792.0 million, explained by a surge in “other” investments income outflows—encompassing interest by private companies and banks—by \$161.5 million (70.3%) to \$391.3 million. In contrast, net profit remittances on direct investments—inclusive of banks’ retained earnings—contracted by \$115.4 million

(43.9%) to \$147.4 million, while net remittances against portfolio investment declined by \$46.9 million (13.1%) to \$311.0 million.

During the year, the secondary income account surplus, primarily reflecting net transfers, reduced by \$6.4 million (12.5%) to \$44.6 million, reflective of a \$24.6 million (11.6%) falloff in general Government inflows to \$187.5 million. Further, “other” net private current transfers’ outflows rose by \$9.0 million (29.0%) to \$40.2 million. In an offset, various private financial and non-financial corporations’ net outflows decreased by \$27.3 million (20.9%) to \$103.1 million, inclusive of a reduction in workers’ remittances.

In 2025, similar to the preceding year, there were no estimated transfers for the capital account—which consisted of financial corporations, non-financial corporations, households and non-financial institutions serving households (NPISHs).

The net financial inflows—indicative of investments—increased by \$179.3 million (17.0%) to an estimated \$1,232.7 million in 2025. Contributing to this development, “other” net investment inflows expanded, as external loan exposures grew. Within the financial account components, loan transactions shifted to a net inflow of \$152.4 million from a net outflow of \$254.7 million in the prior year, reflective of net receipts by the Government and deposit-taking entities. Further, “other” private sector-related accounts receivable/payable position switched to a net inflow of \$250.6 million from a net remittance of \$137.7 million in the previous year. In addition, due to valuation changes in the IMF Special Drawing Rights (SDRs) allocations, a net inflow of \$19.6 million was recorded, more than reversing the net outflow of \$11.2 million in 2024. In a slight offset, net receipts from currency and deposits (through banking sector exposures) reduced by \$461.1 million (28.4%) to \$1,159.6 million. Meanwhile, banking sector net portfolio outflows rose by \$69.1 million (29.0%) to \$307.7 million. The outturn included a shift in debt securities transactions to a net payment of \$580.3 million from a net inflow of \$247.7 million, which overshadowed equity and investment fund shares net receipts of \$272.5 million, a turnaround from a net outflow of \$486.3 million in the preceding year. Further, direct investments reversed to a net outflow of \$39.7 million, from a net inflow of \$77.1 million in 2024, as receipts from equity investment fund shares declined notably to \$59.5 million from \$152.6 million, while net repayments associated with debt instruments increased by \$23.6 million (31.3%) to \$99.2 million.

In line with these developments, and after adjusting for net errors and omissions, reserve assets surplus, which

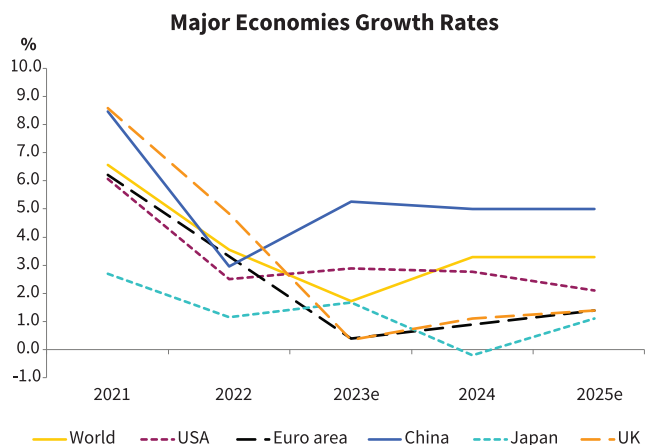
corresponds to the change in the Central Bank’s external reserves, expanded to \$181.5 million from \$115.5 million in 2024.

INTERNATIONAL ECONOMIC DEVELOPMENTS

Growth in the global economy almost steadied at an estimated 3.2% in 2025 compared to 3.3% in the previous year. This outturn was heavily influenced by trade policy uncertainties and the protracted geopolitical tensions in the Middle East and Eastern Europe. Nevertheless, labour market conditions varied during the review year, while inflationary pressures moderated. In this environment, most of the major central banks relaxed their monetary policy stances in an effort to further encourage economic growth, while continuing to monitor inflation trends.

Real GDP growth in the United States moderated to 2.2% in 2025, from 2.8% in 2024, reflective of a falloff in government spending and exports, which overshadowed gains in consumer spending and investments. Likewise, China’s economy grew at a slower pace of 4.5%, as compared to 5.4% in the prior year. Further, in Japan, real GDP expansion tapered to 0.1% over the review year, from 1.9% in the previous year, amid continued subdued private consumption. In contrast, the United Kingdom’s estimated real output growth strengthened to an estimated 1.2%, from 0.9% in 2024, underpinned by a rebound in services activity. Similarly, the euro area’s real GDP expanded to 1.5%, from 0.8% in the preceding year.

During 2025, labour market conditions showed mixed trends across major economies. In the United States, the unemployment rate averaged 4.3% in 2025—excluding the month of October, when no data was collected as a result of the federal government shutdown—vis-à-vis 4.0% in 2024. Meanwhile, in the euro area, the jobless rate declined by 10 basis points to 6.2% in 2025. In contrast, the United Kingdom’s jobless rate rose by 70 basis points to 5.2%. Similarly, China’s



unemployment rate increased by 10 basis points to an averaged 5.2% in 2025. Meanwhile, the unemployment rate in Japan held steady at 2.6% over the review year.

During the year, global inflationary pressures eased for almost all of the major economies, in response to interest rate cuts by their respective central banks. In the United States, the annualised inflation rate decreased to 2.7% from 2.9% in the previous year. Further, the United Kingdom's annual inflation rate moderated to 3.4%, from 3.5% in 2024. Similarly, the euro area's annual inflation rate slowed to 1.9%, from 2.4% in the previous year. In Japan, annual inflation reduced to 2.1%, from 3.6% the year prior. In contrast, China recorded a 0.8% increase in annual inflation, a reversal from a 0.1% decline in the preceding year.

During the year, most major central banks relaxed their monetary policy stances, against the backdrop of easing inflationary pressures. Specifically, in the United States, the Federal Reserve reduced its target range for the federal funds rate to 3.50%-3.75% from 4.25%-4.50% in 2024. The Federal Reserve also continued to decrease its holdings of Treasury securities and agency debt, as well as mortgage-backed securities. Likewise, in the United Kingdom, the Bank of England lowered its main policy rate to 3.75% from 4.75%, while reducing the government's bond purchase programme to £553.0 billion. Similarly, in the euro area, the European Central Bank decreased its interest rates for the main refinancing operations rate to 2.15% from 3.15%; the deposit facility rate, to 2.00% from 3.00%; and the marginal lending facility rate, to 2.40% from 3.40% the previous year, in line with its commitment to achieving its medium-term inflation objective. The People's Bank of China also narrowed its reverse repo rate to 1.4% from 1.5% in 2024, while continuing to conduct open market operations to ensure adequate liquidity within the banking system. In contrast, the Bank of Japan raised its policy rate by 50 basis points to 0.75% during the year, marking a further step towards policy normalisation.

The major economies' fiscal balances recorded mixed movements during 2025. According to the International Monetary Fund (IMF), the average fiscal deficit to GDP ratio in advanced economies narrowed to 5.4% in 2025, from 5.9% in 2024. In particular, in the United States, the federal deficit to GDP contracted to 7.4%, from 8.0% in the previous year. The United Kingdom's deficit to GDP ratio also declined to 4.3%, from 5.8%. However, the euro area's deficit to GDP ratio edged up to 3.2%, from 3.1% in 2024. Among major Asian economies, Japan's deficit to GDP ratio fell to 1.3% from 1.5% in the preceding year. However, China's deficit to GDP

ratio rose to 8.6% from 7.4%.

The US dollar depreciated against all of the major currencies during the review year, underpinned by trade and inflationary uncertainty. In particular, the dollar weakened considerably against the Swiss Franc by 11.9% to CHF0.79 and the euro, by 11.9% to €0.85. Likewise, the dollar decreased against the British Pound, by 7.1% to £0.74 and the Canadian dollar, by 4.6% to CAD\$1.37. Further, in the Asian markets, the dollar declined relative to the Chinese Renminbi, by 4.3% to CNY6.988 and the Japanese Yen, by 0.3% to ¥156.71.

In 2025, all of the major equity markets recorded positive movements, attributed to increased investment in technology and expected higher productivity gains. Specifically, in the United States, the S&P 500 and the Dow Jones Industrial Average (DJIA) moved higher by 16.4% and 12.9%, respectively. In Europe, the German Dax increased by 23.0% and the French CAC 40, by 10.2%. Similarly, the United Kingdom's FTSE grew by 21.5%. Further, in Asia, Japan's Nikkei rose by 26.2%, while China's Shanghai Composite Index gained 18.4%.

Primary commodities' market price movements varied during the year. In particular, the average crude oil price reduced by 14.0% to US\$69.24 per barrel in 2025. Further, on a point-on-point basis, the price fell by 16.7% to US\$61.96 per barrel at end-December, 2025 in comparison to 2024. In contrast, in the precious metals market, as investors boost holdings of relatively safe assets, the average price of gold rose sharply by 44.9% to US\$3,484.96 per troy ounce, and silver, by 47.6% to US\$41.54 per troy ounce.

Developments in the major economies' external balances were mixed during the review year. In the United States, the trade deficit declined by US\$2.1 billion (0.2%) to US\$901.5 billion from the previous year, as export growth of 6.2% outpaced the 4.8% rise in imports. In Asia, China's trade surplus expanded by 16.5%, to \$1,188.2 billion, supported by a 5.2% increase in exports, combined with a 0.1% decline in imports. Further, Japan's trade deficit contracted significantly to ¥2.6 trillion from ¥5.3 trillion in the prior year, reflecting a 3.1% expansion in exports, which outstripped the modest 0.3% rise in imports. In contrast, in the United Kingdom, the annual trade in goods and services deficit increased by £4.1 million (23.2%) to £21.8 billion in 2025, as the 3.9% growth in imports overshadowed the 3.5% gain in exports. Further, the euro area trade surplus narrowed to €164.4 billion from €168.9 billion in the previous year, on account of a 2.7% expansion in imports, which eclipsed the 2.4% increase in exports.

DOMESTIC ECONOMIC OUTLOOK FOR 2026

The Bahamian economy is expected to sustain its positive growth trajectory in 2026, as it shifts from the post-pandemic recovery to a more sustainable expansion, largely supported by tourism and foreign direct investment-related projects. For the tourism sector, the cruise segment is projected to register further gains as port infrastructure expands throughout the islands and demand remains strong in major cruise markets. Meanwhile, the high-value-added stopover segment is anticipated to grow at a more tempered pace, owing to accommodation capacity constraints and the normalisation of travel demand following the post-pandemic rebound. Moreover, continued investments in resorts, marinas, and other tourism facilities are expected to support sectoral performance and visitor spending. Conversely, the inflationary outlook is less certain, given upward pressures on energy prices, which could pass through to other economic sectors.

On the construction front, activity is projected to remain robust, supported by ongoing foreign direct investments and major tourism-related developments. Infrastructure upgrades, cruise port redevelopments, and resort expansion projects across several islands are expected to sustain employment and stimulate domestic economic activity. As a result, the labour market is anticipated to continue strengthening, supported by sustained activity in tourism and construction. Unemployment levels are anticipated to moderate, although challenges such as skills shortages and uneven employment opportunities across islands may persist.

Fiscal conditions are expected to improve further in 2026, as the Government sustains its consolidation efforts. This is premised on stronger tourism-related forecasts and improved economic activity. Additionally, budgetary financing operations should retain a mix of domestic and external market activity, with a larger share of total operations expected to be concentrated in the domestic sector.

In the monetary sector, banking system liquidity is forecasted to remain high; however, balances are likely to decrease, due to a more expansionary trend in domestic lending. Furthermore, banks are expected to maintain consistent capital levels and adequate provisions, which would help mitigate risks to financial stability.

Lastly, external reserve balances are expected to fluctuate within healthy ranges throughout 2026, well above international benchmarks and more than adequate to maintain the Bahamian dollar currency peg.

Despite the generally positive outlook, downside risks

have increased for the Bahamian economy, given external sector uncertainties and potential developments in the United States. In particular, geopolitical tensions, including conflicts in the Middle East could undermine consumer confidence and constrain disposable incomes in the United States, thereby reducing tourism spending. A persistence of significantly higher energy prices would also materially inflate travel costs and potentially suppress demand, albeit the proximity of The Bahamas to North America could boost the relative affordability of the destination compared to more distant vacation options for these markets. In the meantime, climatic risks, including hurricanes and other natural disasters, pose continuing threats to infrastructure and economic stability.

FINANCIAL **STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2025





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, 2025, 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, 2025;
- 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.

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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) as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

Management is responsible for the other information. The other information comprises the 2025 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.

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 judgement 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 matter

This report, including the opinion, has been prepared for and only for the Board 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

April 28, 2026

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

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

	Notes	2025 \$	2024 \$
ASSETS			
EXTERNAL ASSETS			
Cash and deposits with banks comprise:	6		
Cash and cash equivalents	3	555,465,164	349,691,252
Deposits with banks	3	-	46,075,467
Foreign Government securities	7	1,899,374,566	1,896,657,228
Marketable securities	8	167,502,560	157,319,250
International Monetary Fund:	9		
Bahamas reserve tranche		26,411,245	25,150,601
Special drawing rights (SDR) – holdings		165,655,679	158,049,044
		<u>2,814,409,214</u>	<u>2,632,942,842</u>
DOMESTIC ASSETS			
Cash on hand	3	107,437	78,483
Bahamas Development Bank bonds	10	4,128,294	4,135,144
Advances to Bahamas Government	11	331,054,432	332,810,592
Bahamas Government Registered Stocks	12	426,814,897	444,366,364
Loans to Bahamas Development Bank	13	-	1,559,948
Bridge Authority bonds	14	143,322	80,642
Clifton Heritage Authority bonds	15	29,258	670,250
Bahamas Government Treasury bills	16	-	9,986,834
SDR loan to the Government	17	240,830,269	227,812,310
Currency inventory		13,825,835	10,455,149
Retirement benefit asset - employees	34	1,050,260	625,600
Receivables and other assets	18	17,637,702	15,401,188
Property and equipment	4	54,924,655	38,017,422
Intangible assets	5	1,703,536	3,477,313
Right-of-use assets	26	1,854,242	2,754,109
		<u>1,094,104,139</u>	<u>1,092,231,348</u>
TOTAL ASSETS		<u>3,908,513,353</u>	<u>3,725,174,190</u>

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)

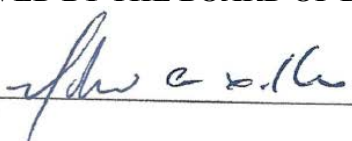
Statement of Financial Position (Continued)

As at December 31, 2025

(Expressed in Bahamian dollars)

	Notes	2025 \$	2024 \$
DEMAND LIABILITIES			
Notes in circulation	19	680,398,081	617,155,743
Coins in circulation	19	35,851,811	34,436,991
Sand Dollar in circulation		2,761,573	2,622,538
Deposits by commercial banks	20	2,025,424,334	2,051,506,541
Deposits by Bahamas Government and Bahamas Government agencies		237,064,619	200,703,222
Deposits by international agencies	21	255,197	255,150
Accounts payable and other liabilities	22	7,811,695	8,242,507
Lease liabilities	26	1,912,208	2,804,790
Investment currency market payable		17,566,358	15,559,080
Health insurance subsidy benefit for retirees	35	16,418,101	14,224,170
Retirement Benefit Plan for Governors and Deputy Governors	36	3,868,734	3,031,549
		<u>3,029,332,711</u>	<u>2,950,542,281</u>
OTHER LIABILITIES			
International Monetary Fund: Special drawing rights allocation	9	411,649,631	392,371,388
TOTAL LIABILITIES		<u>3,440,982,342</u>	<u>3,342,913,669</u>
EQUITY AND RESERVES			
Authorized and fully paid capital	23	3,000,000	3,000,000
Exchange equalization account	23	10,252,079	7,462,291
Contingency reserve		750,000	750,000
Other reserves		10,389,415	10,389,415
Building fund	23	63,680,403	63,680,403
Fair value reserve	23	(649,095)	(1,372,881)
General reserve	23	380,108,209	298,351,293
TOTAL EQUITY AND RESERVES		<u>467,531,011</u>	<u>382,260,521</u>
TOTAL LIABILITIES, EQUITY AND RESERVES		<u>3,908,513,353</u>	<u>3,725,174,190</u>

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



Director



Director

28, April 2026

Date

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, 2025 (Expressed in Bahamian dollars)

	Notes	2025 \$	2024 \$
INCOME			
Interest income:	24		
Foreign investments		85,388,594	98,323,510
Domestic investments		19,873,167	21,894,923
Loans		<u>16,748,589</u>	<u>15,961,686</u>
		122,010,350	136,180,119
Interest expense		<u>(11,982,400)</u>	<u>(15,227,793)</u>
Net interest income		110,027,950	120,952,326
Net foreign exchange gain/(loss)		2,789,788	(2,134,848)
Net trading loss on Bahamas Government Registered Stocks		(309,664)	(199,709)
Realized (loss)/gain on marketable securities:			
Externally managed marketable securities	8	(285,272)	(1,377,557)
Foreign Government Securities		6,593,123	8,075,182
Unrealized gain/(loss) on marketable securities	8	4,889,238	(498,929)
Bank license fees income		9,900,000	10,900,000
Other income		<u>4,962,955</u>	<u>4,980,840</u>
Total income		<u>138,568,118</u>	<u>140,697,305</u>
EXPENSES			
Staff costs	25	28,447,861	25,552,490
General and administrative	25	19,569,453	24,905,900
Depreciation	4	2,039,094	2,048,445
Amortization of intangible asset	5	1,773,777	2,062,370
Amortization of right-of-use assets	26	<u>899,867</u>	<u>838,318</u>
Total expenses		<u>52,730,052</u>	<u>55,407,523</u>
NET INCOME		<u>85,838,066</u>	<u>85,289,782</u>
OTHER COMPREHENSIVE LOSS			
<i>Items that will or may be reclassified to net income</i>			
Valuation gain on Bahamas Government Registered Stock	12	723,786	300,316
<i>Items that will not be reclassified to net income</i>			
Actuarial gain/(loss) on defined benefit pension plan for employees	34	374,365	(281,548)
Actuarial (loss) on health insurance subsidy benefit for retirees	35	(1,261,709)	(2,328,516)
Actuarial (loss) on defined pension plan benefit for Governors and Deputy Governors	36	<u>(404,018)</u>	<u>(1,906,630)</u>
Total other comprehensive (loss)		<u>(567,576)</u>	<u>(4,216,378)</u>
TOTAL COMPREHENSIVE INCOME		<u>85,270,490</u>	<u>81,073,404</u>

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, 2025
(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
<i>Other comprehensive loss</i>								
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 Changes in Equity and Reserves (Continued)
For the Year Ended December 31, 2025
(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, 2025	3,000,000	7,462,291	750,000	10,389,415	63,680,403	(1,372,881)	298,351,293	382,260,521
Comprehensive income								
Net income	-	-	-	-	-	-	85,838,066	85,838,066
Valuation gain on Bahamas Government Registered Stocks	-	-	-	-	-	723,786	-	723,786
<i>Other comprehensive loss</i>								
Actuarial gain on defined benefit pension plan for employees (Note 34)	-	-	-	-	-	-	374,365	374,365
Actuarial loss on health insurance subsidy benefit for retirees (Note 35)	-	-	-	-	-	-	(1,261,709)	(1,261,709)
Actuarial loss on defined benefit pension plan for Governors and Deputy Governors (Note 36)	-	-	-	-	-	-	(404,018)	(404,018)
Total comprehensive income	-	-	-	-	-	723,786	84,546,704	85,270,490
Allocation to building fund (Note 23)	-	-	-	-	-	-	-	-
Appropriation of foreign exchange gain (Note 2 (b) ii)	-	2,789,788	-	-	-	-	(2,789,788)	-
Balance at December 31, 2025	3,000,000	10,252,079	750,000	10,389,415	63,680,403	(649,095)	380,108,209	467,531,011

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, 2025 (Expressed in Bahamian dollars)

	Notes	2025 \$	2024 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income		85,838,066	85,289,782
Adjustments for non-cash items:			
Discount earned on foreign government securities - net	7	(1,620,934)	(5,014,031)
Depreciation	4	2,039,094	2,048,445
Loss on disposal of property, plant and equipment - net		11,618	-
Amortization of intangible asset	5	1,773,777	2,062,370
Amortization of right of use asset	26	899,867	838,318
Interest income		(120,389,235)	(131,166,088)
Gain on sale of marketable securities			
Externally managed marketable securities	8	285,272	1,377,557
Unrealized loss/(gain) on marketable securities		(4,889,238)	498,929
Interest on lease liabilities		90,448	110,618
Interest expense		11,982,400	15,227,793
Decrease/(increase) in operating assets			
Currency inventory		(3,370,686)	(357,521)
International Monetary Fund – net SDRs		(2,172,573)	14,050,557
Deposits with banks – with original contractual maturities greater than three months		45,477,808	12,697,845
Retirement benefit asset/liability - employees		(50,295)	(62,352)
Receivables and other assets		(2,236,514)	(5,799,967)
Increase/(decrease) in operating liabilities			
Notes in circulation		63,242,334	34,725,756
Coins in circulation		1,414,820	1,307,992
Sand Dollar in circulation		139,035	930,680
Deposits by commercial banks		(26,082,203)	(17,304,019)
Deposits by Bahamas Government and Bahamas Government agencies		36,361,399	116,122,876
Deposits by international agencies		47	(37)
Investment currency market payable		2,007,278	2,836,543
Health insurance subsidy benefit for retirees		932,222	683,569
Retirement benefit liability – Governors and Deputy Governors		433,167	256,148
Accounts payable and other liabilities		(430,812)	(22,421,623)
International Monetary Fund		19,560,485	(11,231,790)
Net cash from operating activities		111,246,647	97,708,350

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, 2025 (Expressed in Bahamian dollars)

	Notes	2025 \$	2024 \$
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of foreign government securities	7	(920,311,588)	(1,219,108,337)
Proceeds from maturities/redemptions of foreign government securities	7	921,891,000	898,069,000
Purchase of marketable securities	8	(134,081,992)	(79,732,890)
Proceeds from sales of marketable securities	8	128,628,028	75,133,275
Purchase of property and equipment	4	(18,971,946)	(13,400,905)
Proceeds from sales of property and equipment	4	14,000	-
Additions to intangible asset	5	-	-
Purchase of Bridge Authority bonds	14	(61,700)	(1,700)
Proceeds from maturity of Bridge Authority bonds	14	-	404,800
Maturity of Clifton Heritage Authority Bonds	15	637,600	-
Purchase of Bahamas Government Registered Stock	12	(108,327,800)	(288,813,649)
Proceeds from sales and maturities of Bahamas Government Registered Stocks	12	126,430,146	321,108,018
SDR loan to the Government	17	(13,320,401)	8,053,815
Repayments of loans by Bahamas Development Bank	13	1,500,000	-
Purchase of Bahamas Government Treasury bills	16	(3,321,748)	(64,284,741)
Proceeds from the sales/maturities of Bahamas Government Treasury bills	16	13,275,062	99,995,524
Advances to Bahamas Government	11	(1,353,876,431)	(1,310,138,300)
Repayments from Bahamas Government	11	1,358,408,300	1,171,138,300
Interest received		116,086,166	132,263,260
Sale of SDRs	9	-	-
Purchases of SDRs	9	(6,792,805)	(10,494,047)
Net cash from/(used in) investing activities		107,803,891	(279,808,577)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of lease liabilities	26	(983,030)	(923,011)
Interest paid		(12,264,642)	(15,860,702)
Net cash used in financing activities		(13,247,672)	(16,783,713)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		205,802,866	(198,883,940)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		349,769,735	548,653,675
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	555,572,601	349,769,735

The accompanying notes are an integral part of these financial statements

Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025

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, 2025

On July 1, 2025, the Central Bank of The Bahamas Act, 2020 was amended. The following are the amendments to Section 27 of the Act:

- a. Insertion of subsection (6A) which grants the Minister of Finance authority to request the withdrawal of interest income accrued on dormant account funds which exceeds those amounts to be credited to account holders to be used for government assisted small home repair and hurricane repair programmes.
- b. Insertion of subsection (6B) The minister shall make an annual report stating the use of funds under this section which shall be laid before both houses of Parliament.
- c. Insertion of subsection (6C) The report shall include-
 - a. The amount of the withdrawal; and
 - b. The specific programme the amount has been applied to.

Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025

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), (h), (n), 33, 34, 35 and 36.

Central Bank of The Bahamas

Notes to the Financial Statements

December 31, 2025

(Continued)

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, 2025 were not relevant or not significant to the Bank's operations and accordingly did not impact the Bank's accounting policies or financial statements.

Amendments to IAS 21 - Lack of Exchangeability is applicable for January 1, 2025.

The IASB amended IAS 21 The Effects of Changes in Foreign Exchange Rates. The amendments require entities to disclose additional information when a currency is not exchangeable and the entity estimates a spot exchange rate as a result. The objective is to enable users of the financial statements to understand the nature, financial impact, and uncertainty arising from the lack of exchangeability.

The amendment noted above did not have any material impact on the financial statements and management does not expect this amendment to have a material impact on its financial statements in future periods as the Group's transactions are predominantly denominated in exchangeable currencies.

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 annual periods beginning after January 1, 2026:

Amendments to the Classification and Measurement of Financial Instruments –
Amendments to IFRS 9 and IFRS 7

In May 2024, the IASB issued targeted amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7. The new amendments will be effective for reporting periods beginning on or after January 1, 2026. These amendments clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; add new disclosures

Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025 (Continued)

2. Material Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 (continued)

for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The amendments to IFRS 9 and IFRS 7 will be effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted.

The Bank does not expect these amendments to have a material impact on its operations or financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 in response to investors' concerns about comparability and transparency of entities' performance reporting. The new presentation requirements introduced in IFRS 18 will increase comparability of the financial performance of similar entities, especially related to how 'operating profit or loss' is defined. The new disclosure requirements for 'management-defined performance measures' will enhance transparency. IFRS 18 is effective from 1 January 2027 and has not yet been adopted by the Bank.

Management is in the process of determining the impact on the Bank of applying IFRS 18. The Bank is the process of preparing a transition plan and is expected to be on track to report our first IFRS 18-compliant annual financial statements for the period ending 31 December 2027.

At each subsequent reporting period, the Bank will provide an update on the progress towards transition to IFRS 18.

Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025 (Continued)

2. Material Accounting Policies (Continued)

(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.

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.

Central Bank of The Bahamas

Notes to the Financial Statements

December 31, 2025

(Continued)

2. Material Accounting Policies (Continued)

(c) Financial assets (continued)

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.

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.

Central Bank of The Bahamas

Notes to the Financial Statements

December 31, 2025

(Continued)

2. Material Accounting Policies (Continued)

(c) Financial assets (continued)

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.

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

Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025 (Continued)

2. Material Accounting Policies (Continued)

(c) Financial assets (continued)

iii) Financial assets held at amortized cost (continued)

- 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.

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 (SICR).

Central Bank of The Bahamas

Notes to the Financial Statements

December 31, 2025

(Continued)

2. Material Accounting Policies (Continued)

(d) Impairment of financial assets (continued)

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.

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.

Central Bank of The Bahamas

Notes to the Financial Statements

December 31, 2025

(Continued)

2. Material Accounting Policies (Continued)

(d) Impairment of financial assets (continued)

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

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:

- 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;

Central Bank of The Bahamas

Notes to the Financial Statements

December 31, 2025

(Continued)

2. Material Accounting Policies (Continued)

(d) Impairment of financial assets (continued)

Definition of default (continued)

- 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

Significant increase in credit risk

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, 2025 (\$nil as at December 31, 2024) 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, 2025 (\$nil as at December 31, 2024).

Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025 (Continued)

2. Material Accounting Policies (Continued)

(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.

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.

Central Bank of The Bahamas

Notes to the Financial Statements

December 31, 2025

(Continued)

2. Material Accounting Policies (Continued)

(e) Property and equipment (continued)

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.

(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.

Central Bank of The Bahamas

Notes to the Financial Statements

December 31, 2025

(Continued)

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.

Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025 (Continued)

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.

Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025 (Continued)

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.

Central Bank of The Bahamas

Notes to the Financial Statements

December 31, 2025

(Continued)

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.

Central Bank of The Bahamas

Notes to the Financial Statements

December 31, 2025

(Continued)

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.

Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025 (Continued)

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 current VAT rate is 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.

Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025 (Continued)

3. Cash and Deposits with Banks

Cash and deposits with bank comprise the following:

	2025	2024
	\$	\$
Cash and cash equivalents	555,465,164	349,691,252
Deposits with banks (with original contractual maturities greater than three months)	<u>-</u>	<u>46,075,467</u>
	<u>555,465,164</u>	<u>395,766,719</u>

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

	2025	2024
	\$	\$
External Assets		
Cash in vault	1,613,290	3,698,133
Cash and deposit with banks (with original contractual maturities less than three months)	<u>553,851,874</u>	<u>345,993,119</u>
	555,465,164	349,691,252
Domestic Assets		
Cash on hand	<u>107,437</u>	<u>78,483</u>
	<u>555,572,601</u>	<u>349,769,735</u>

Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025 (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, 2025	4,664,097	21,956,503	10,637,753	13,223,762	1,803,280	937,081	23,641,537	76,864,013
Additions	-	34,975	4,400	-	36,638	176,606	18,719,327	18,971,946
Disposals/Retirement/Impairment	-	-	-	-	-	(64,319)	-	(64,319)
As at December 31, 2025	4,664,097	21,991,478	10,642,153	13,223,762	1,839,918	1,049,368	42,360,864	95,771,640
ACCUMULATED DEPRECIATION								
As at January 1, 2025	-	14,018,974	9,913,958	13,048,672	1,534,678	330,309	-	38,846,591
Charge for the year	-	921,175	669,697	166,035	175,225	106,962	-	2,039,094
Disposals/Retirement/Impairment	-	-	-	-	-	(38,700)	-	(38,700)
As at December 31, 2025	-	14,940,149	10,583,655	13,214,707	1,709,903	398,571	-	40,846,985
NET BOOK VALUE								
As at December 31, 2025	4,664,097	7,051,329	58,498	9,055	130,015	650,797	42,360,864	54,924,655
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	-	308,490	52,871	-	173,980	228,579	12,640,124	13,404,044
Disposals/Retirement/Impairment	-	(3,139)	-	-	-	-	-	(3,139)
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

Central Bank of The Bahamas

Notes to the Financial Statements

December 31, 2025

(Continued)

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, 2025, the Bank has outstanding contractual commitments on the Cash and Data Centre Project in the amount of \$48,685,522 (2024: \$64,705,025).

The Bank broke ground in 2024 and anticipated completion within 24 months in 2026 which was rescheduled for March 2027.

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, 2025, the Bank has no outstanding contractual commitments to service providers and consultants for the IT Modernization project (2024: \$nil). The Bank revised the expected completion time from August 2025 (Phase 1) to September 2026 and continues to assess the completion date for Phase 2.

Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025 (Continued)

5. Intangible Assets

	Sand Dollar Project \$	Development Costs \$	Total \$
COST			
As at January 1, 2025	10,311,852	-	10,311,852
Additions	-	-	-
As at December 31, 2025	10,311,852	-	10,311,852
ACCUMULATED AMORTIZATION			
As at January 1, 2025	6,834,539	-	6,834,539
Amortization	1,773,777	-	1,773,777
As at December 31, 2025	8,608,316	-	8,608,316
NET BOOK VALUE			
As at December 31, 2025	1,703,536	-	1,703,536

	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

Central Bank of The Bahamas

Notes to the Financial Statements

December 31, 2025

(Continued)

5. Intangible Assets (Continued)

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 92.91% (2024: 89.24%) of such liabilities.

7. Foreign Government Securities

Foreign Government Securities represent internally managed marketable securities issued or guaranteed by foreign governments. At December 31, 2025, marketable securities held by the Bank, which mature after 5 years, constituted 21.97% (2024:19.12%) of the Bank's external assets. The movement in Foreign Government Securities classified as financial assets held at amortized cost are as follows:

	2025	2024
	\$	\$
Beginning balance	1,882,385,494	1,556,332,126
Purchases at nominal value	923,743,400	1,227,988,000
Discount on purchases	(3,431,812)	(8,879,663)
Redemptions/maturities	(921,891,000)	(898,069,000)
Discount earned	3,037,887	6,447,378
Amortized premium	(1,416,953)	(1,433,347)
	<u>1,882,427,016</u>	<u>1,882,385,494</u>
Add: Accrued interest	16,947,550	14,271,734
Ending balance	<u>1,899,374,566</u>	<u>1,896,657,228</u>

Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025 (Continued)

7. Foreign Government Securities (Continued)

These securities bear interest at rates varying between 0.375% and 5.81% (2024: 0.25% and 6.00%).

During the year, the Bank continue to purchase callable foreign government securities in order to maximize 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 continue 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:

	2025	2024
	\$	\$
Beginning balance	156,176,407	153,453,278
Purchases	134,081,992	79,732,890
Sales	(128,628,028)	(75,133,275)
Realized loss	(285,272)	(1,377,557)
Unrealized gain/(loss)	4,889,238	(498,929)
	<u>166,234,337</u>	<u>156,176,407</u>
Add: Accrued interest	1,268,223	1,142,843
Ending balance	<u>167,502,560</u>	<u>157,319,250</u>

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).

Central Bank of The Bahamas

Notes to the Financial Statements

December 31, 2025

(Continued)

9. International Monetary Fund (Continued)

Quota, Subscriptions and Reserve Tranche (continued)

As of December 31, 2025, The Bahamas was assigned a quota of SDR 182,400,000 (2024: SDR 182,400,000) which represents 0.04% (2024: 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 (2024: SDR 43,275,901 and SDR 114,698,515) respectively, convertible into US\$ at a rate of 0.730192 (2024: 0.766792) as at December 31, 2025. 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.

Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025 (Continued)

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:

	2025		2024	
	SDR	\$	SDR	\$
Quota	182,400,000	249,797,314	182,400,000	237,874,156
Subscription payments in promissory notes	(157,974,416)	(216,346,408)	(157,974,416)	(206,019,907)
Subscription payments in local currency	(5,140,304)	(7,039,661)	(5,140,304)	(6,703,648)
Reserve tranche	19,285,280	26,411,245	19,285,280	25,150,601

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

	2025		2024	
	SDR	\$	SDR	\$
Beginning balance	19,285,280	25,150,601	19,285,280	25,874,474
Currency movement	-	1,260,644	-	(723,873)
Total	19,285,280	26,411,245	19,285,280	25,150,601

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.

Central Bank of The Bahamas

Notes to the Financial Statements

December 31, 2025

(Continued)

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

	2025		2024	
	SDR	\$	SDR	\$
Beginning balance	120,478,728	157,120,481	119,220,204	159,953,119
Purchases	5,000,000	6,792,805	8,000,000	10,494,047
Sales	-	-	-	-
Remuneration and other charges	(5,124,675)	(6,875,665)	(6,741,476)	(8,945,577)
Currency movement	-	7,787,593	-	(4,381,108)
Total	120,354,053	164,825,214	120,478,728	157,120,481
Add: Accrued interest		830,465		928,563
Ending balance		165,655,679		158,049,044

SDR Allocation

	2025		2024	
	SDR	\$	SDR	\$
Beginning balance	299,235,548	390,243,441	299,235,548	401,475,231
Additional SDR	-	-	-	-
Currency movement	-	19,560,485	-	(11,231,790)
Total	299,235,548	409,803,926	299,235,548	390,243,441
Add: Accrued interest		1,845,705		2,127,947
Ending balance		411,649,631		392,371,388

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 2.66% and 4.10% in 2025 (2024: 3.16% and 4.11%).

Central Bank of The Bahamas

Notes to the Financial Statements

December 31, 2025

(Continued)

10. Bahamas Development Bank

The movement in the Bahamas Development Bank is as follows:

	2025	2024
	\$	\$
Balance	4,000,000	4,000,000
Add: Accrued interest	<u>128,294</u>	<u>135,144</u>
Total	<u>4,128,294</u>	<u>4,135,144</u>

These bonds bore interest at the Bahamian dollar prime rate of 4.25% (2024: 4.25%) with \$2,000,000 maturing on August 1, 2025 and November 1, 2025, respectively and remained outstanding at year end as a receivable. One \$2,000,000 bond was paid in early 2026 and the other remains pending.

11. Advances to Bahamas Government

Pursuant to Section 21(4) of the Act, Amended, the Bank may provide temporary loans to the Government, provided that the total amount of such loans outstanding at any time shall not exceed 15.5% of the average ordinary revenue of the Government or the estimated ordinary revenue of the Government, whichever is less. Treasury bills and securities are excluded from this 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:

	2025	2024
	\$	\$
Beginning balance	331,046,100	192,046,100
Additional advances	1,353,876,431	1,310,138,300
Repayments	<u>(1,358,408,300)</u>	<u>(1,171,138,300)</u>
	326,514,231	331,046,100
Add: Accrued interest	<u>4,540,201</u>	<u>1,764,492</u>
Ending balance	<u>331,054,432</u>	<u>332,810,592</u>

Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025 (Continued)

11. Advances to Bahamas Government (Continued)

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

Rate	2025	2024
	\$	\$
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
3.279%	50,000,000	-
3.298%	50,000,000	-
3.131%	226,514,231	-
	<u>326,514,231</u>	<u>331,046,100</u>

12. Bahamas Government Registered Stocks

The Bahamas Government Registered Stocks were classified as financial assets at fair value through other comprehensive income. The movements in Bahamas Government Registered Stocks are as follows:

	2025	2024
	\$	\$
Beginning balance	438,025,585	470,019,638
Purchases	108,327,800	288,813,649
Market value adjustment	723,786	300,316
Redemptions/maturities	(126,430,146)	(321,108,018)
	<u>420,647,025</u>	<u>438,025,585</u>
Add: Accrued interest	6,167,872	6,340,779
Ending balance	<u>426,814,897</u>	<u>444,366,364</u>

Bahamas Government Registered Stocks bear interest at rates ranging between 0.0325% and 6.25% (2024: 0.028125% and 6.25%).

Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025 (Continued)

13. Loans to Bahamas Development Bank

This Government Guaranteed loan facility made available in accordance with Section 23(h) of the Act matured in October 2024 and was subsequently settled in December 2025 both principal and interest.

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

	2025	2024
	\$	\$
Beginning balance	1,500,000	1,500,000
Repayments	<u>(1,500,000)</u>	<u>-</u>
	-	1,500,000
Add: Accrued interest	<u>-</u>	<u>59,948</u>
Ending balance	<u>-</u>	<u>1,559,948</u>

The loan bore interest at 2.00% (2024: 2.00%).

14. Bridge Authority Bonds

The movements in the Bridge Authority bonds are as follows:

	2025	2024
	\$	\$
Beginning balance	75,000	478,100
Purchases	61,700	1,700
Maturities	<u>-</u>	<u>(404,800)</u>
	136,700	75,000
Add: Accrued interest	<u>6,622</u>	<u>5,642</u>
Ending balance	<u>143,322</u>	<u>80,642</u>

These remaining bonds outstanding bear interest at 1.63% per annum over the Bahamian dollar prime rate and matures on March 24, 2029. In 2025, the bonds bore interest at rates ranging from 1.50% to 1.63% per annum (2024: 1.50% to 1.63%) over the Bahamian dollar prime rate.

Central Bank of The Bahamas

Notes to the Financial Statements

December 31, 2025

(Continued)

15. Clifton Heritage Authority Bonds

Several bonds matured on May 20, 2025 and bore interest at 4.75% (2024: 4.75%). The balance of the Clifton Heritage Authority bonds is made up of the following:

	2025	2024
	\$	\$
Beginning balance	664,900	664,900
Purchases	-	-
Maturities	(637,600)	-
	<u>27,300</u>	<u>664,900</u>
Add: Accrued interest	1,958	5,350
Total	<u>29,258</u>	<u>670,250</u>

16. Bahamas Government Treasury Bills

Bahamas Government Treasury bills are discounted at rates ranging between 99.71% and 99.90% (2024: 98.29% and 99.26%) maturing 91 to 182 days from acquisition. All Treasury bills were redeemed or matured in 2025.

	2025	2024
	\$	\$
Beginning balance	9,953,314	45,664,097
Purchases	3,321,748	64,284,741
Redemptions/maturities	(13,275,062)	(99,995,524)
	-	9,953,314
Add: Discount earned	-	33,520
Ending balance	<u>-</u>	<u>9,986,834</u>

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 2025, the loan totaled \$239,419,491 (2024: \$226,099,090). The loan bears variable interest rates, which fluctuate on a monthly basis, ranging from 2.66% to 4.10% (2024: 3.16% to 4.11%). 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.

Central Bank of The Bahamas

Notes to the Financial Statements

December 31, 2025

(Continued)

17. SDR Loan to the Government (Continued)

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. To date, the Government continues to service the loan quarterly and has not commenced repayment.

Set out below are the movements during the year:

	2025	2024
	\$	\$
Beginning balance	226,099,090	234,152,905
Currency movement	13,320,401	(8,053,815)
	<u>239,419,491</u>	<u>226,099,090</u>
Interest accrual	1,410,778	1,713,220
Ending balance	<u>240,830,269</u>	<u>227,812,310</u>

18. Receivables and Other Assets

The receivables and other assets are comprised of:

	2025	2024
	\$	\$
Prepayments, deposits and advances	10,255,741	8,579,165
Employee loans	5,472,289	5,323,562
Numismatic coins	385,474	465,154
Due from Retirement Plan –		
Governors and Deputy Governors	718,482	591,084
Others	1,016,228	652,735
	<u>17,848,214</u>	<u>15,611,700</u>
Less: Provision for bad debt on employee loans	<u>(210,512)</u>	<u>(210,512)</u>
Ending balance	<u>17,637,702</u>	<u>15,401,188</u>

Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025 (Continued)

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	2025 \$	2024 \$
0.50	959,828	950,529
1.00	29,372,879	28,565,569
3.00	2,250,036	2,231,202
5.00	14,503,560	13,946,605
10.00	24,569,720	23,150,290
20.00	63,213,440	58,707,780
50.00	139,746,200	127,801,450
100.00	405,700,400	361,720,300
Other bank notes	82,018	82,018
	<u>680,398,081</u>	<u>617,155,743</u>
Coins	2025 \$	2024 \$
Coins in Circulation	29,209,211	27,794,391
Demonetized currency liability	6,642,600	6,642,600
	<u>35,851,811</u>	<u>34,436,991</u>

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 ended 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.

Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025 (Continued)

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, 2025 and 2024 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.

Central Bank of The Bahamas

Notes to the Financial Statements

December 31, 2025

(Continued)

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, 2025 totaling \$135,913 (2024: \$3,289,846).

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, 2024 and 2025, 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.

	2025	2024
	\$	\$
Net income	85,838,066	85,289,782
Appropriation of foreign exchange (gain)/loss	(2,789,788)	2,134,848
Unrealized (gain)/loss on marketable securities	<u>(4,889,238)</u>	<u>498,929</u>
Distributable earnings per the Act	<u>78,159,040</u>	<u>87,923,559</u>

Central Bank of The Bahamas

Notes to the Financial Statements

December 31, 2025

(Continued)

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, there were no appropriations made to the building fund from the general reserve..

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 \$380,108,209 (2024: \$298,351,293) equivalent to 12.55% (2024: 10.11%) of demand liabilities.

Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025 (Continued)

24. Income

	2025	2024
	\$	\$
<i>Interest on foreign investments</i>		
Demand deposits	19,054,708	22,586,156
Fixed deposits	6,908,790	13,213,823
Interest earned on Externally Managed Funds	5,802,798	4,916,002
Income on Marketable Securities	48,904,257	51,717,711
Interest income on SDR	4,718,041	5,889,818
	<u>85,388,594</u>	<u>98,323,510</u>
<i>Interest on domestic investments</i>		
Bahamas Development Bank bonds	163,014	170,466
Bahamas Government Registered Stocks	19,675,111	21,374,241
Bridge Authority bonds	5,643	11,416
Bahamas Government Treasury bills	16,418	305,407
Clifton Heritage bonds	12,981	33,393
	<u>19,873,167</u>	<u>21,894,923</u>
<i>Interest on loans</i>		
Loans to Bahamas Development Bank	25,616	24,822
Government advances	9,506,162	6,953,425
SDR Loan to Government	7,069,280	8,857,288
Staff	147,531	126,151
	<u>16,748,589</u>	<u>15,961,686</u>
<i>Interest expense on IMF allocation</i>	<u>(11,982,400)</u>	<u>(15,227,793)</u>
<i>Gains/(losses) on investments</i>		
Net foreign exchange gain/(loss)	2,789,788	(2,134,848)
Realized (loss)/gain on Marketable Securities:		
Externally Managed Marketable Securities	(285,272)	(1,377,557)
Foreign Government Securities	6,593,123	8,075,182
Unrealized gain/(loss) on Marketable Securities	4,889,238	(498,929)
Net trading loss on Bahamas Government		
Registered Stocks	(309,664)	(199,709)
	<u>13,677,213</u>	<u>3,864,139</u>
<i>Bank license fees income</i>	<u>9,900,000</u>	<u>10,900,000</u>
<i>Other income</i>		
Bank statutory fines	84	1,490
Commission on foreign currency sales	1,596,390	1,833,743
Premium on Investment Currency Market	882,055	1,128,633
Other	2,484,426	2,016,974
	<u>4,962,955</u>	<u>4,980,840</u>
Total income	<u>138,568,118</u>	<u>140,697,305</u>

Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025 (Continued)

25. Expenses

	2025	2024
	\$	\$
<i>Staff costs</i>		
Salaries, wages and gratuity	19,469,594	17,807,486
Group insurance plan	2,611,877	2,253,239
Defined contribution plan	1,415,547	1,289,581
Health insurance subsidy	1,356,691	1,053,337
Staff training	1,755,718	1,615,883
National insurance	803,416	683,209
Former Governors' retirement benefit	433,167	256,148
Responsibility allowance	78,780	83,240
Defined benefit plan	(50,295)	(62,351)
Other	573,366	572,718
	<u>28,447,861</u>	<u>25,552,490</u>

	2025	2024
	\$	\$
<i>General and administrative</i>		
Professional fees	8,328,212	7,226,962
Currency	1,325,303	2,347,015
Utilities	1,443,972	1,366,030
Repairs and maintenance	2,299,949	1,503,448
Insurance	404,126	364,660
Subscription and membership fees	367,323	372,994
Cash shipment	589,328	346,577
Directors' remuneration	213,700	213,700
Audit fees	190,000	150,300
Rent and common area maintenance	-	7,374
Stationery and office supplies	2,235	4,549
Other	4,319,022	2,779,585
Central Bank Intra-Regional Games	-	835,419
External Consultancy	45,933	6,960,619
Central Bank Anniversary Celebrations	40,350	426,668
	<u>19,569,453</u>	<u>24,905,900</u>

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.

Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025 (Continued)

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, 2025	2,754,109	2,754,109
Additions	-	-
Amortization	<u>(899,867)</u>	<u>(899,867)</u>
December 31, 2025	<u>1,854,242</u>	<u>1,854,242</u>
	Land and Buildings \$	Total \$
January 1, 2024	2,568,450	2,568,450
Additions	1,023,977	1,023,977
Amortization	<u>(838,318)</u>	<u>(838,318)</u>
December 31, 2024	<u>2,754,109</u>	<u>2,754,109</u>

Lease Liabilities

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

	Land and Buildings \$	Total \$
January 1, 2025	2,804,790	2,804,790
Additions	-	-
Interest expense	90,448	90,448
Payments	<u>(983,030)</u>	<u>(983,030)</u>
December 31, 2025	<u>1,912,208</u>	<u>1,912,208</u>

Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025 (Continued)

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

Lease Liabilities (Continued)

	Land and Buildings	Total
	\$	\$
January 1, 2024	2,593,206	2,593,206
Additions	1,023,977	1,023,977
Interest expense	110,618	110,618
Payments	<u>(923,011)</u>	<u>(923,011)</u>
December 31, 2024	<u>2,804,790</u>	<u>2,804,790</u>

The following are the amounts recognized in net income:

	2025	2024
	\$	\$
Amortization on right-of-use assets	889,867	838,318
Interest expense on lease liabilities	90,448	110,618

The total cash outflows for leases in 2025 was \$983,030 (2024: \$923,011).

The maturity analysis of lease liabilities follows:

	2025	2024
	\$	\$
1 year	13,768	67,486
2-5 years	1,898,440	2,737,304
Over 5 years	<u>-</u>	<u>-</u>
	<u>1,912,208</u>	<u>2,804,790</u>

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.

Central Bank of The Bahamas

Notes to the Financial Statements

December 31, 2025

(Continued)

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.

Commitments

I.T. Projects

The Bank also commits to various I.T. projects. At year end, the Bank was committed to the following payments:

	2025	2024
	\$	\$
One to two years	9,590,128	2,986,390

Central Bank of The Bahamas

Notes to the Financial Statements

December 31, 2025

(Continued)

29. Concentration of Assets and Liabilities

	2025	2024
	\$	\$
EXTERNAL ASSETS		
<i>Geographic Region</i>		
North America	64.76%	89.58%
UK	0.05%	0.00%
Other	35.19%	10.42%
	<u>100.00%</u>	<u>100.00%</u>
<i>Industry</i>		
Government Sector	100.00%	100.00%
DOMESTIC ASSETS		
<i>Geographic Region</i>		
Bahamas	100.00%	100.00%
<i>Industry</i>		
Government Sector	100.00%	100.00%
DEMAND LIABILITIES		
<i>Geographic Region</i>		
Bahamas	100.00%	100.00%
<i>Industry</i>		
Financial Sector	91.59%	92.61%
Government Sector	8.41%	7.39%
	<u>100.00%</u>	<u>100.00%</u>
OTHER LIABILITIES		
<i>Geographic Region</i>		
North America	100.00%	100.00%
<i>Industry</i>		
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.

Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025 (Continued)

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 \$9,900,00 (2024: \$10,900,000).

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:

	2025	2024
	\$	\$
Senior officials' salaries and short-term benefits	3,049,377	3,267,866
Directors' remuneration	213,700	213,700
Post-employment benefits	169,374	162,077
	<u>3,432,451</u>	<u>3,643,643</u>

Central Bank of The Bahamas

Notes to the Financial Statements

December 31, 2025

(Continued)

30. Related Party Transactions (Continued)

- (b) Other assets include secured loans to employees totaling \$5,682,801 (2024: \$5,113,050), net of provision for bad debt totaling \$210,512 (2024: \$210,512), of which the following relates to key management personnel:

	2025	2024
	\$	\$
Beginning of the year	387,679	529,618
Advances during the year	261,757	249,590
Repayments during the year	<u>(341,699)</u>	<u>(391,529)</u>
End of the year	<u>307,737</u>	<u>387,679</u>

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

	2025	2024
	\$	\$
Defined benefit pension plan for Governors and Deputy Governors	995,908	2,093,944
Gratuity	<u>138,866</u>	<u>179,040</u>
End of the year	<u>1,134,774</u>	<u>2,272,984</u>

Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025 (Continued)

31. Financial Instruments

Categories of Financial Instruments

December 31, 2025

EXTERNAL ASSETS

Cash and deposits with banks	555,465,164	-	-	-	555,465,164
Foreign Government securities	1,899,374,566	-	-	-	1,899,374,566
Marketable securities	-	167,502,560	-	-	167,502,560
International Monetary Fund:					
Bahamas reserve tranche	-	26,411,245	-	-	26,411,245
Special drawing rights - holdings	-	165,655,679	-	-	165,655,679

DOMESTIC ASSETS

Cash on hand	107,437	-	-	-	107,437
Bahamas Development Bank bonds	4,128,294	-	-	-	4,128,294
Advances to Bahamas Government	331,054,432	-	-	-	331,054,432
Bahamas Government Registered Stock	-	-	426,814,897	-	426,814,897
Loans to Bahamas Development Bank	-	-	-	-	-
Bridge Authority Bonds	143,322	-	-	-	143,322
Clifton Heritage Authority Bonds	29,258	-	-	-	29,258
SDR Loan to Government	240,830,269	-	-	-	240,830,269
Bahamas Government Treasury Bills	-	-	-	-	-
Employee loans and other receivables	6,278,006	-	-	-	6,278,006

Total

	<u>3,037,410,748</u>	<u>359,569,484</u>	<u>426,814,897</u>		<u>3,823,795,129</u>
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Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025 (Continued)

31. Financial Instruments (Continued)

Categories of Financial Instruments (continued)

	Fair Value Through Profit or Loss \$	Other Financial Liabilities \$	Total Carrying Amount \$
December 31, 2025			
DEMAND LIABILITIES			
Notes in circulation	-	680,398,081	680,398,081
Coins in circulation	-	35,851,811	35,851,811
Sand Dollar in circulation	-	2,761,573	2,761,573
Deposits by commercial banks	-	2,025,424,334	2,025,424,334
Deposits by Bahamas Government and Bahamas Government agencies	-	237,064,619	237,064,619
Deposits by International agencies	-	255,197	255,197
Accounts payable and other liabilities	-	7,811,695	7,811,695
Investment currency market payable	-	17,566,358	17,566,358
OTHER LIABILITIES			
International Monetary Fund: Special drawing rights allocation	<u>411,649,631</u>	<u>-</u>	<u>411,649,631</u>
Total	<u>411,649,631</u>	<u>3,007,133,668</u>	<u>3,418,783,299</u>

Central Bank of The Bahamas

Notes to the Financial Statements

December 31, 2025

(Continued)

31. Financial Instruments (Continued)

Categories of Financial Instruments (continued)

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

Amortized Cost	\$	Fair Value Through Profit or Loss	\$	Fair Value Through Other Comprehensive Income	\$	Total Carrying Amount	\$
2,865,337,102		340,518,895		454,353,198		3,660,209,195	

Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025 (Continued)

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	<u>392,371,388</u>	<u>-</u>	<u>392,371,388</u>
Total	<u>392,371,388</u>	<u>2,930,481,771</u>	<u>3,322,853,159</u>

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.

	2025		2024	
	Carrying Value \$	Fair Value \$	Carrying Value \$	Fair Value \$
FINANCIAL INSTRUMENTS				
Foreign Government securities	1,899,374,566	2,033,702,620	1,896,657,228	2,023,651,235
Loans to Bahamas Development Bank	-	-	1,559,948	1,649,358
Bridge Authority bonds	143,322	147,338	80,642	82,845
Clifton Heritage Authority bonds	<u>29,258</u>	<u>29,941</u>	<u>670,250</u>	<u>686,076</u>
TOTAL	<u>1,899,547,146</u>	<u>2,033,879,899</u>	<u>1,898,968,068</u>	<u>2,026,069,514</u>

Central Bank of The Bahamas

Notes to the Financial Statements

December 31, 2025

(Continued)

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.

Central Bank of The Bahamas

Notes to the Financial Statements

December 31, 2025

(Continued)

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.

Central Bank of The Bahamas

Notes to the Financial Statements

December 31, 2025

(Continued)

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, 2025			Total \$
	Level 1 \$	Level 2 \$	Level 3 \$	
FINANCIAL ASSETS				
Financial assets at fair value through profit or loss				
Marketable Securities	167,502,560	-	-	167,502,560
International Monetary Fund:				
Bahamas reserve tranche	-	26,411,245	-	26,411,245
Special Drawing rights - holdings	-	165,655,679	-	165,655,679
Financial assets at fair value through Other Comprehensive Income				
Bahamas Government Treasury bills	-	-	-	-
Bahamas Government Registered Stocks	-	426,814,897	-	426,814,897
FINANCIAL LIABILITIES				
Financial liabilities at fair value through profit or loss				
International Monetary Fund:				
Special drawing rights allocation	-	411,649,631	-	411,649,631
	Fair value measurements as at December 31, 2024			Total \$
	Level 1 \$	Level 2 \$	Level 3 \$	
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	-	9,986,834	-	9,986,834
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

Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025 (Continued)

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 confirmed no changes.

There were no movements between hierarchy levels for financial assets and liabilities that are measured at fair value on a recurring basis as at December 31, 2025 and 2024.

Level 3

The Bank does not have any level three classifications at December 31, 2025 and 2024.

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

	Fair value measurements as at December 31, 2025			Total \$
	Level 1 \$	Level 2 \$	Level 3 \$	
FINANCIAL ASSETS				
Cash and deposits with banks	555,572,601	-	-	555,572,601
Financial assets held at amortized cost				
Bahamas Development Bank bonds	-	4,128,294	-	4,128,294
Advances to Bahamas Government	-	331,054,432	-	331,054,432
Bridge Authority bonds	-	143,322	-	143,322
Employee loans and other receivables	-	6,278,005	-	6,278,005
Foreign Government Securities	1,899,374,566	-	-	1,899,374,566
Clifton Heritage Authority bonds	-	29,258	-	29,258
SDR loan to Government	240,830,269	-	-	240,830,269

Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025 (Continued)

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, 2025			Total \$
	Level 1 \$	Level 2 \$	Level 3 \$	
FINANCIAL LIABILITIES				
Other financial liabilities				
Notes in circulation	680,398,081	-	-	680,398,081
Coins in circulation	35,851,811	-	-	35,851,811
Sand Dollar in circulation	2,761,573	-	-	2,761,573
Deposits by commercial banks	-	2,025,424,334	-	2,025,424,334
Deposits by Bahamas Government and Bahamas Government agencies	-	237,064,619	-	237,064,619
Deposits by international agencies	-	255,197	-	255,197
Accounts payable and other liabilities	-	7,811,695	-	7,811,695
Investment currency market payable	-	17,566,358	-	17,566,358

	Fair value measurements as at December 31, 2024			Total \$
	Level 1 \$	Level 2 \$	Level 3 \$	
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	-	5,765,785	-	5,765,785
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

	Fair value measurements as at December 31, 2024			Total \$
	Level 1 \$	Level 2 \$	Level 3 \$	
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

Central Bank of The Bahamas

Notes to the Financial Statements

December 31, 2025

(Continued)

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 confirmed no changes.

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, 2025 was 4.25% (2024: 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.

Central Bank of The Bahamas

Notes to the Financial Statements

December 31, 2025

(Continued)

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 Positive', 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.

Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025 (Continued)

33. Risk Management (Continued)

Credit risk (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.

	2025	2024
	\$	\$
Cash and deposits with banks		
Aaa	155,593,959	4,591,699
Aa2	239,440,730	30,708,313
A1	119,999,884	149,982,492
Aa1	40,059,266	11,871,846
Aa3	-	194,862,557
A-	-	51,679
A2	-	-
A3	114,082	-
Ba2	257,243	-
	<u>555,465,164</u>	<u>392,068,586</u>
Bahamas Development Bank bonds		
B+	4,128,294	4,135,144
Advances to Bahamas Government		
B+	331,054,432	332,810,592
SDR loan to Government		
B+	240,830,269	227,812,310
Bahamas Government Registered stock		
B+	426,814,897	444,366,364
Loans to Bahamas Development bank		
B+	-	1,559,948
Bridge Authority bonds		
B+	143,322	80,642
Receivables and other assets	6,278,005	5,765,785
Bahamas Government Treasury bills		
B+	-	9,986,834
Foreign Government securities		
Aaa	1,899,374,566	1,896,657,228
Marketable securities		
Aaa	167,502,560	157,319,250
Clifton Heritage Authority bonds		
B+	29,258	670,250
International Monetary Fund:		
Bahamas reserve tranche	26,411,245	25,150,601
Special drawing rights - holdings	165,655,679	158,049,044
	<u><u>3,823,687,691</u></u>	<u><u>3,656,432,578</u></u>

Central Bank of The Bahamas

Notes to the Financial Statements

December 31, 2025

(Continued)

33. Risk Management (Continued)

Credit risk (continued)

Exposure to credit risk (continued)

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.

Central Bank of The Bahamas
Notes to the Financial Statements
December 31, 2025
(Continued)

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, 2025							
Financial Assets							
Cash and deposits with banks	107,437	555,260,321	96,089	9,918	98,836	-	555,572,601
Foreign Government securities	-	1,899,374,566	-	-	-	-	1,899,374,566
Marketable securities	-	167,502,560	-	-	-	-	167,502,560
International Monetary Fund:							
Bahamas reserve tranche	-	-	-	-	-	26,411,245	26,411,245
Special drawing rights - holdings	-	-	-	-	-	165,655,679	165,655,679
Domestic financial assets	1,009,543,584	-	-	-	-	-	1,009,543,584
Total financial assets	1,009,651,021	2,622,137,447	96,089	9,918	98,836	192,066,924	3,824,060,235
Financial Liabilities							
Notes in circulation	680,398,081	-	-	-	-	-	680,398,081
Coins in circulation	35,851,811	-	-	-	-	-	35,851,811
Sam Dollar in circulation	2,761,573	-	-	-	-	-	2,761,573
Deposits by commercial banks	2,025,424,334	-	-	-	-	-	2,025,424,334
Deposits by Bahamas Government and Bahamas Government agencies	237,064,619	-	-	-	-	-	237,064,619
Accounts payable and other liabilities	7,811,695	255,197	-	-	-	-	255,197
Investment Currency Market payable	17,566,358	-	-	-	-	-	17,566,358
International Monetary Fund:							
Special drawing rights allocation	-	-	-	-	-	411,649,631	411,649,631
Total financial liabilities	3,006,878,471	255,197	-	-	-	411,649,631	3,418,783,299
Net on-balance sheet position	(1,997,227,450)	2,621,882,250	96,089	9,918	98,836	(219,582,707)	405,276,936

Central Bank of The Bahamas
Notes to the Financial Statements
December 31, 2025
(Continued)

33. Risk Management (Continued)

Currency risk (continued)

***(BSD equivalent)**

As of December 31, 2024	BSD	USD*	GBP*	EUR*	Other*	SDR*	Total
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:							
Special drawing rights allocation	15,559,080	-	-	-	-	392,371,388	15,559,080
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, 2025

(Continued)

33. Risk Management (Continued)

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

	<u>Average Rate</u>		<u>Year-end Spot Rate</u>	
	2025	2024	2025	2024
USD	1.0000	1.0000	1.0000	1.0000
GBP	1.3197	1.2826	1.3456	1.3084
EUR	1.1315	1.0821	1.1750	1.0535
SDR	1.3508	1.3268	1.3695	1.3107

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:

<u>Currency</u>	<u>Weight</u>
USD	43.38%
EUR	29.31%
CNY	12.28%
JPY	7.59%
GBP	<u>7.44%</u>
	<u>100.00%</u>

At December 31, 2025, if BSD had weakened/strengthened by 10% against SDR with all other variables held constant, comprehensive income for the year would have been BSD 1,890,485 (2024: BSD 2,012,011) 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.

Central Bank of The Bahamas

Notes to the Financial Statements

December 31, 2025

(Continued)

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 2.94% (2024: 2.22%); however, if these securities had a reduced average yield of 0.77% (2024: 1.13%), 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 \$25,162,075 (2024: \$37,614,737). Had the yield been tilted towards the higher end of the spectrum, to 4.56% (2024: 4.17%), income for the year and equity at year end would have increased by \$16,624,166 (2024: \$19,609,782).

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 \$7,048,927 (2024: \$5,471,765), 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 \$1,885,244 (2024: \$3,509,908).

	2025	2024
	\$	\$
Fixed Rate Instruments		
Financial assets	2,757,116,078	2,558,488,813
Variable Rate Instruments		
Financial assets	816,300,161	868,253,976
Financial liabilities	411,649,631	392,371,388

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.

Central Bank of The Bahamas

Notes to the Financial Statements

December 31, 2025

(Continued)

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.

Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025 (Continued)

33. Risk Management (Continued)

Liquidity risk (continued)

Period of maturity As of December 31, 2025	Up to 1 month \$	1 to 3 months \$	3 months to 1 year \$	1 to 5 years \$	Over 5 years \$	Total \$
Financial Assets						
Cash and deposits with banks	107,437	-	555,465,164	-	-	555,572,601
Foreign Government Securities	40,499,542	149,062,610	227,304,671	938,808,511	543,699,232	1,899,374,566
Marketable securities	-	-	-	167,502,560	-	167,502,560
International Monetary Fund:						
Bahamas reserve tranche	26,411,245	-	-	-	-	26,411,245
Special drawing rights – holdings	165,655,679	-	-	-	-	165,655,679
SDR Loan to Government	-	-	240,830,269	-	-	240,830,269
Bahamas Development Bank bonds	4,128,294	-	-	-	-	4,128,294
Advances to Bahamas Government	331,054,432	-	-	-	-	331,054,432
Bahamas Government Registered stock	4,437,116	482,007	72,470,847	196,008,740	153,416,187	426,814,897
Bahamas Government Treasury Bills	-	-	-	-	-	-
Loans to Bahamas Development Bank	-	-	-	-	-	-
Bridge Authority bonds	-	-	-	143,322	-	143,322
Clifton Heritage Authority bonds	-	-	-	-	29,258	29,258
Receivables and other assets	-	-	-	6,278,005	-	6,278,005
Total financial assets	572,293,745	149,544,617	1,096,070,951	1,308,741,138	697,144,677	3,823,795,128

Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025 (Continued)

33. Risk Management (Continued)

Liquidity risk (continued)

Period of maturity	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	\$	\$	\$	\$	\$	\$
As of December 31, 2025						
Financial Liabilities						
Notes in circulation	680,398,081	-	-	-	-	680,398,081
Coins in circulation	35,851,811	-	-	-	-	35,851,811
Sand Dollar in circulation	2,761,573	-	-	-	-	2,761,573
Deposits by commercial banks	2,025,424,334	-	-	-	-	2,025,424,334
Deposits by Bahamas Government and Bahamas Government agencies	237,064,619	-	-	-	-	237,064,619
Deposits by International agencies	255,197	-	-	-	-	255,197
Accounts payable and other liabilities	7,811,695	-	-	-	-	7,811,695
Lease liability	-	264,302	747,735	927,241	-	1,939,278
Investment Currency Market payable	17,566,358	-	-	-	-	17,566,358
International Monetary Fund:						
Special drawing rights allocation	411,649,631	-	-	-	-	411,649,631
Total financial liabilities	3,418,783,299	264,302	747,735	927,241	-	3,420,722,577
Net on-balance sheet position	(2,846,489,554)	149,280,315	1,095,323,216	1,307,813,897	697,144,677	403,072,551

Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025 (Continued)

33. Risk Management (Continued)

Liquidity risk (continued)

Period of maturity As of December 31, 2024	Up to 1 month \$	1 to 3 months \$	3 months to 1 year \$	1 to 5 years \$	Over 5 years \$	Total \$
<i>Financial Assets</i>						
Cash and deposits with banks	349,769,735	-	46,075,467	-	-	395,845,202
Foreign Government 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, 2025 (Continued)

33. Risk Management (Continued)

Liquidity risk (continued)

Period of maturity As of December 31, 2024	Up to 1 month \$	1 to 3 months \$	3 months to 1 year \$	1 to 5 years \$	Over 5 years \$	Total \$
<i>Financial Liabilities</i>						
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 International Monetary Fund:	15,559,080	-	-	-	-	15,559,080
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

*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.

Central Bank of The Bahamas

Notes to the Financial Statements

December 31, 2025

(Continued)

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 endeavors 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

	2025	2024
	\$	\$
Amount recognized as an expense (Note 25)	1,415,547	1,289,581

Defined Benefit Plan

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

	2025	2024
	\$	\$
Present value of obligation at start of year	14,465,456	15,032,821
Interest cost	745,800	781,921
Benefits paid	(1,810,899)	(1,632,154)
Actuarial (gain)/loss on obligation due to experience	213,797	282,868
Actuarial (gain) loss on obligation due to demographic assumption changes	<u>(68,377)</u>	<u>-</u>
Present value of obligation at end of year	<u>13,545,777</u>	<u>14,465,456</u>
Fair value of plan assets at start of year	15,091,056	15,877,618
Interest income	780,634	828,810
Contributions paid – both employees’ and employer’s	23,012	23,012
Benefits paid	(1,810,899)	(1,632,154)
Administrative costs	(7,550)	(7,550)
Return on plan assets, excluding interest income	<u>519,784</u>	<u>1,320</u>
Fair value of plan assets at end of year	<u>14,596,037</u>	<u>15,091,056</u>

Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025 (Continued)

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:

	2025	2024
	\$	\$
Present value of funded obligations	13,545,777	14,465,456
Fair value plan assets	<u>(14,596,037)</u>	<u>(15,091,056)</u>
	<u>(1,050,260)</u>	<u>(625,600)</u>

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

	2025	2024
	\$	\$
Cash	380,523	381,073
Interest receivable	470,588	472,538
Bahamas Government Registered Stocks	13,323,744	13,807,676
Other bonds	340,669	352,640
Equity securities	400,000	400,000
Accounts payable	<u>(319,487)</u>	<u>(322,871)</u>
Total	<u>14,596,037</u>	<u>15,091,056</u>

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

	2025	2024
	\$	\$
Administrative cost	7,550	7,550
Net interest income	<u>(34,833)</u>	<u>(46,889)</u>
	<u>(27,283)</u>	<u>(39,339)</u>
Remeasurements recognized in OCI	(374,365)	281,548

Central Bank of The Bahamas

Notes to the Financial Statements

December 31, 2025

(Continued)

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 (2024: \$40,861,019).

6 active Members nearing retirement opted to remain in the Defined Benefit Pension Plan and 1 remained at year end.

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

	2025	2024
	\$	\$
Net asset at beginning of year	(625,600)	(844,797)
Net gain recognized in net income	(27,283)	(39,339)
Employer contributions	(23,012)	(23,012)
Remeasurements recognized in OCI	<u>(374,365)</u>	<u>281,548</u>
Net asset at end of year	<u>(1,050,260)</u>	<u>(625,600)</u>

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:

	2025	2024
	\$	\$
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 \$1,300,420 (2024: \$830,130).

Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025 (Continued)

34. Retirement Benefit Plans (Continued)

Sensitivity and other results

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

	2025	2024
	\$	\$
Pensioners	12,819,922	12,639,926
Vesting actives	<u>725,856</u>	<u>1,825,530</u>
	<u>13,545,778</u>	<u>14,465,456</u>

The pensioner liability of \$12,819,922 (2024: \$12,639,926), included \$974,504 (2024: \$970,591) relating to assumed cost of living adjustments.

The liability for actives of \$725,856 (2024: \$1,825,530), included \$12,046 (2024: \$33,760) relating to assumed cost of living adjustments and \$80,265 (2024: \$49,299) relating to assumed future salary increases.

The following table illustrates the changes or sensitivity of the benefit obligation as at December 31, 2025 for 1% changes in discount rate and salary increases.

	2025		2024	
	1% Increase \$	1% Decrease \$	1% Increase \$	1% Decrease \$
Benefit obligation	(1,012,400)	1,170,892	(1,109,288)	1,287,485
Future salary increases	21,417	(20,865)	12,889	(12,660)

If all members lived one year longer than projected, the liability at year-end would be \$14,001,641 (2024: \$14,924,850).

The weighted average duration of the defined benefit obligation at December 31, 2025 is 8 years (2024: 8.2 years).

Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025 (Continued)

35. Health Insurance Subsidy Benefit for Retirees

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

	2025	2024
	\$	\$
Present value of obligation at start of year	14,224,170	11,212,085
Interest cost	840,716	606,496
Current service cost	515,975	446,841
Benefits paid	(424,469)	(369,768)
Actuarial loss on obligation due to experience	2,311,104	55,669
Actuarial loss on obligation due to financial assumption change	3,930,241	2,272,847
Actuarial gain on obligation due to demographic assumption change	<u>(4,979,636)</u>	<u>-</u>
Present value of obligation at end of year	<u>16,418,101</u>	<u>14,224,170</u>

The change in the actuarial gain on obligation due to demographic assumption change for the Defined Benefit Plan and Health Insurance Subsidy Benefit for Retirees as of December 31, 2025 was a result of the official retirement age increasing from 60 to 65 years of age, that resulted in an increase in the average age for retirement.

Contribution paid – employees’ and employers’ contributions	424,469	369,768
Benefits paid	<u>(424,469)</u>	<u>(369,768)</u>
	<u>-</u>	<u>-</u>

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

	2025	2024
	\$	\$
Current service cost	515,975	446,841
Net interest cost	<u>840,716</u>	<u>606,496</u>
	<u>1,356,691</u>	<u>1,053,337</u>
Remeasurements recognized in OCI	1,261,709	2,328,516

Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025 (Continued)

35. Health Insurance Subsidy Benefit for Retirees (Continued)

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

	2025	2024
	\$	\$
Net liability at beginning of year	14,224,170	11,212,085
Net expense recognized in net comprehensive income	1,356,691	1,053,337
Employer contributions	(424,469)	(369,768)
Remeasurements recognized in OCI	<u>1,261,709</u>	<u>2,328,516</u>
Net liability at end of year	<u>16,418,101</u>	<u>14,224,170</u>

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

	2025	2024
	\$	\$
Discount rate	5.60%	6.00%
Rate of Medical Subsidy Increases	8.00%	7.00%

Sensitivity and Other Results

The benefit obligation as at year-end comprises:

	2025	2024
	\$	\$
Pensioners	10,138,503	6,923,625
Actives	<u>6,279,598</u>	<u>7,300,545</u>
Total	<u>16,418,101</u>	<u>14,224,170</u>

The following table illustrates the changes or sensitivity of the benefit obligation as at December 31, 2025 for 1% changes in discount rate.

	2025		2024	
	1% Increase \$	1% Decrease \$	1% Increase \$	1% Decrease \$
Benefit obligation	(2,434,273)	3,121,136	(2,090,340)	2,681,926

Central Bank of The Bahamas

Notes to the Financial Statements

December 31, 2025

(Continued)

35. Health Insurance Subsidy Benefit for Retirees (Continued)

If all members lived one year longer than projected, the liability would be \$ 17,306,089 (2024: \$14,844,131).

There was a 0.40% decrease (2024: 0.50% increase) in the discount rate in 2025.

The weighted average duration of the defined benefit obligation at December 31, 2025 is 16.7 years (2024: 16.5 years).

36. Retirement Benefit Plan for Governors and Deputy Governors

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

	2025 \$	2024 \$
Present value of obligation at start of year	6,095,850	4,274,982
Interest cost	326,095	220,035
Current service cost	266,431	208,365
Benefits paid	(333,735)	(548,705)
Actuarial loss on obligation due to experience	<u>450,997</u>	<u>1,941,173</u>
Present value of obligation at end of year	<u>6,805,638</u>	<u>6,095,850</u>
Fair value of plan assets at start of year	3,064,301	3,406,211
Expected return on plan assets	159,359	172,252
Benefits paid	(333,735)	(548,705)
Actuarial gain on plan assets	<u>46,979</u>	<u>34,543</u>
Fair value of plan assets at end of year	<u>2,936,904</u>	<u>3,064,301</u>

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:

	2025 \$	2024 \$
Present value of funded obligations	6,805,638	6,095,850
Fair value of plan assets	<u>(2,936,904)</u>	<u>(3,064,301)</u>
	<u>3,868,734</u>	<u>3,031,549</u>

Central Bank of The Bahamas

Notes to the Financial Statements

December 31, 2025

(Continued)

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:

	2025	2024
	\$	\$
Current service cost	266,431	208,365
Net interest expense	<u>166,736</u>	<u>47,783</u>
	<u>433,167</u>	<u>256,148</u>
Remeasurements recognized in OCI	404,018	1,906,630

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

	2025	2024
	\$	\$
Net liability at beginning of year	3,031,549	868,771
Net expense recognized in net income	433,167	256,148
Remeasurements recognized in OCI	<u>404,018</u>	<u>1,906,630</u>
Net liability at end of year	<u>3,868,734</u>	<u>3,031,549</u>

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

	2025	2024
	\$	\$
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%

Central Bank of The Bahamas

Notes to the Financial Statements December 31, 2025 (Continued)

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:

	2025	2024
	\$	\$
Pensioners	3,834,595	4,001,906
Actives - Unvested	<u>995,908</u>	<u>2,093,944</u>
	<u>4,830,503</u>	<u>6,095,850</u>

The pensioner liability of \$3,834,595 (2024: \$4,001,906) included \$841,893 (2024: \$906,617) relating to assumed cost of living adjustments which are directly linked to assumed future salary increases.

The liability for actives of \$995,908 (2024: \$2,093,944) included \$988,988 (2024: \$601,582) 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, 2025 and 2024 for 1% changes in discount rate and salary increases.

	2025		2024	
	1% Increase \$	1% Decrease \$	1% Increase \$	1% Decrease \$
Discount	(637,050)	756,267	(535,781)	633,785
Future salary increases	722,787	(620,504)	588,740	(508,190)

If all members lived one year longer than projected, the liability at year-end would be \$7,059,820 (2024: \$6,319,236).

The weighted average duration of the defined benefit obligation at December 31, 2025 is 10.2 (2024: 9.5 years).

37. Subsequent Events

The Bank does not have any subsequent events to disclose as of the date of this report.

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