LISTING PARTICULARS

U.S.$225,000,000

The Commonwealth of The Bahamas

8.950% Notes due 2032

The Commonwealth of The Bahamas (the "Government") is offering U.S.$225,000,000 aggregate principal amount of its 8.950% notes due 2032, which we refer to as the "notes." The notes will bear interest at the rate of 8.950% per year. Interest on the notes is payable on April 15 and October 15 of each year, beginning on April 15, 2021. The notes will mature on October 15, 2032. The principal amount of the notes will be paid in three equal annual installments on October 15, 2030, October 15, 2031, and at maturity on October 15, 2032. We may redeem some or all of the notes at any time. The redemption prices are discussed in the section entitled "Description of the Notes—Optional Redemption."

The notes will constitute a further issuance of, and form a single series with, our outstanding 8.950% Senior Notes due 2032 issued on October 15, 2020 in the principal amount of U.S.$600,000,000, which we refer to as the "initial notes." The notes will have substantially identical terms to the initial notes, will be treated as a single series of securities with the initial notes under the Fiscal Agency Agreement (as defined in the section entitled "Description of the Notes") and will have the same CUSIP and ISIN numbers as the initial notes. Holders of the notes and the initial notes will vote and consent as one class under the Fiscal Agency Agreement.

The notes will be our direct, general, unsecured, and unconditional obligations and will rank *pari passu*, without any preference or priority of payment, among themselves and with all our other present and future unsecured and unsubordinated indebtedness; it being understood that this provision shall not be construed so as to require us to make payment under the notes ratably with payments being made under any other indebtedness. The notes will be backed by the full faith and credit of the Government.

The notes will be issued pursuant to the Fiscal Agency Agreement, which contains provisions, commonly known as "collective action clauses," regarding acceleration and voting on future amendments, modifications and waivers (which are described in the section entitled "Description of the Notes—Meetings of Note Holders; Modification and Waiver") under which the Government may amend the payment provisions of the notes (which, with reference to such "collective action clauses", means all notes of the same series issued under the Fiscal Agency Agreement) and certain other terms with the consent of the holders of: (1) with respect to the notes, more than 75% of the aggregate principal amount of the outstanding notes; (2) with respect to two or more series of debt securities (including the notes), if certain "uniformly applicable" requirements are met, more than 75% of the aggregate principal amount of the outstanding debt securities of all series (including the notes) affected by the proposed modification, taken in the aggregate; or (3) with respect to two or more series of debt securities (including the notes), whether or not the "uniformly applicable" requirements are met, more than 66⅔% of the aggregate principal amount of the outstanding debt securities of all series (including the notes) affected by the proposed modification, taken in the aggregate, and more than 50% of the aggregate principal amount of the outstanding debt securities of each series (including the notes) affected by the proposed modification, taken individually.

Application will be made to list the notes on the Luxembourg Stock Exchange and to have the notes admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange. This offering memorandum will constitute a prospectus for the purposes of Luxembourg law dated July 16, 2019 on prospectuses for securities.

The notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction. Accordingly, the notes are being offered and sold by the initial purchaser within the United States only to qualified institutional buyers in accordance with Rule 144A under the Securities Act and outside the United States in accordance with Regulation S under the Securities Act. Prospective purchasers that are qualified institutional buyers are hereby notified that the seller of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on transfers of the notes, see "Notice to Investors."

Investing in the notes involves risks. See "Risk Factors" beginning on page 15 of this offering memorandum.

Price: 106.783% plus accrued interest, if any, from October 15, 2020.

The initial purchaser expects to deliver the notes to purchasers, in book-entry form through the facilities of The Depository Trust Company and its direct and indirect participants, including Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme*, on or about December 4, 2020.

Credit Suisse

The date of this offering memorandum is December 23, 2020


The Commonwealth of
The Bahamas
N
U.S.
Grand Bahama
Little Bahama Bank
Abaco
Bimini Islands
Berry Islands
Eleuthera
Nassau
New Providence
Atlantic Ocean
Straits of Florida
Andros
Cat Island
Great Guana Cay
Cal Sal Bank
San Salvador
Great Bahama Bank
Dolly Cays
Rum Cay
Great Exuma
Long Island
Samana Cay
Crooked
Plana Cays
Acklins
Ragged
Mayaguana
Little Inagua
CUBA
Great Inagua
Lake Rosa

You should rely only on the information contained in this offering memorandum. We have not authorized anyone to provide you with different information. We are not, and the initial purchaser is not, making an offer of these securities in any state or jurisdiction where the offer is not permitted. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front of this offering memorandum.

Reference in this offering memorandum to "The Bahamas," "the Commonwealth," "the Government," "we," "us" and "our" refer to the Commonwealth of The Bahamas.

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This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the securities described in this offering memorandum. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. Distribution of this offering memorandum to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized, and any disclosure of any of its contents, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this offering memorandum, agrees to the foregoing and to make no photocopies of this offering memorandum.

Notwithstanding anything in this offering memorandum to the contrary, each prospective investor (and each employee, representative, or other agent of the prospective investor) may disclose to any and all persons, without limitation of any kind, the U.S. tax treatment and U.S. tax structure of this offering and all materials of any kind (including opinions or other tax analyses) that are provided to the prospective investor relating to such U.S. tax treatment and U.S. tax structure, other than any information for which nondisclosure is reasonably necessary in order to comply with applicable securities laws.

We have furnished the information contained in this offering memorandum. The initial purchaser makes no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchaser as to the past or future. The initial purchaser has not independently verified any of the information contained herein (financial, legal, or otherwise) and assume no responsibility for the accuracy or completeness of any such information.

Neither the U.S. Securities and Exchange Commission, any state securities commission nor any other regulatory authority has approved or disapproved of the securities nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy, completeness or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

The notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration or exemption therefrom. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. Please refer to the sections in this offering memorandum entitled "Plan of Distribution" and "Notice to Investors."

In making an investment decision, prospective investors must rely on their own examination of us and the terms of the offering, including the merits and risks involved. Prospective investors should not construe anything in this offering memorandum as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the securities under applicable legal investment or similar laws or regulations.

In this offering memorandum, we rely on and refer to certain economic and financial data. We obtained some of this data from independent publications or other publicly available information. To our knowledge, based on the information provided, no facts have been omitted which would render such information misleading.

We confirm that, to the best of our knowledge, as of the date of this offering memorandum, the information contained in this offering memorandum relating to The Bahamas and the notes is in all material respects in accordance with the facts and does not omit anything likely to affect the import of such information in any material respect. We are responsible for the accuracy and completeness of the information contained in this offering memorandum.

Application will be made to list the notes on the official list of the Luxembourg Stock Exchange and to trading on the Euro MTF Market along with the initial notes. We will use our reasonable efforts to facilitate the listing and to maintain the listing of the notes on the official list of the Luxembourg Stock Exchange for trading on the Euro MTF Market so long as notes are outstanding; *provided* that, if at any time we determine that maintenance of listing becomes unduly onerous or requires disclosure of information beyond what we would be required to make publicly available in the Commonwealth, we may delist the notes from the official list of the Luxembourg Stock Exchange and the Euro MTF Market. If the notes are delisted from the official list of the Luxembourg Stock Exchange and the Euro MTF Market, we will use our reasonable efforts to list the notes on another internationally recognized securities exchange.

This offering memorandum includes particulars provided in compliance with the listing regulations of the Luxembourg Stock Exchange for trading on the Euro MTF Market for the purpose of giving information with regard to the Commonwealth. We accept full responsibility for the accuracy of the information contained in this offering memorandum and confirm having made all reasonable inquiries that, to the best of our knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

This offering memorandum contains descriptions that to our knowledge are accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such descriptions are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request to us or the initial purchaser.

NOTICE TO RESIDENTS OF THE BAHAMAS

PURSUANT TO SECTION 92 OF THE *SECURITIES INDUSTRY ACT, 2011*, THIS OFFERING MEMORANDUM IS EXEMPT FROM THE REGISTRATION REQUIREMENTS SET OUT IN THE SAID ACT. ACCORDINGLY, THIS OFFERING MEMORANDUM HAS NOT BEEN APPROVED BY OR REGISTERED WITH THE SECURITIES COMMISSION OF THE BAHAMAS.

STATEMENT REGARDING FORWARD-LOOKING DISCLOSURE

This offering memorandum includes forward-looking statements regarding the Commonwealth which represent the Government's expectations or beliefs concerning future events that involve risks and uncertainties, including those associated with the effect on The Bahamas of Bahamian, U.S. and worldwide economic conditions, the ability of the Government to implement its strategies for economic growth, the ability of the Government to continue to attract tourists to The Bahamas, the possible effect of a hurricane on the Bahamian economy and other factors. Other than statements of historical facts included in this offering memorandum, all statements, including statements under "Summary," "The Commonwealth of The Bahamas," "The Economy," "Monetary and Financial System," "External Sector of the Economy," "Government Finance," "Public Sector Debt" and elsewhere herein, are forward-looking statements. These statements are based on certain assumptions and analyses the Government has made in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors believed to be appropriate in the circumstances. Although the Government believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. Certain important factors that could cause actual results to differ materially from the Government's expectations are disclosed in this offering memorandum, including in conjunction with the forward-looking statements included in this offering memorandum, such as the following:

- our financial condition, including our ability to increase revenues and reduce expenditures;
- declines in the tourism or financial services industries;
- extreme weather conditions, particularly hurricanes and tropical storms;
- difficult conditions in the Bahamian economy, as well as the global economy;
- the material adverse impact the coronavirus pandemic has had, and is expected to continue to have, on tourism and our economy;
- the fixed foreign exchange regime that is focused on maintaining parity with the U.S. dollar and requires us to maintain adequate levels of foreign currency reserves; and
- other factors identified in this offering memorandum.

All forward-looking statements related to the Government made in this offering memorandum are qualified by cautionary statements. The Government assumes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

PRESENTATION OF ECONOMIC, FINANCIAL, AND OTHER INFORMATION

In this offering memorandum, unless otherwise specified, all currency amounts are denominated in Bahamian dollars ($). The Bahamian dollar circulates freely with the U.S. dollar (U.S.$) in The Bahamas and its value has been maintained by the Government at parity with the U.S. dollar since 1973, as described in "Monetary and Financial System—Exchange Rates and Exchange Controls."

All economic and financial data included in this offering memorandum are presented on a calendar year basis, except for Government revenue and expenditure data (historical and budgetary), which are presented on a fiscal year basis and except for other data as otherwise indicated. The fiscal year of The Bahamas consists of the twelve months commencing July 1 and ending June 30 of each year. Government finance statistics are compiled in accordance with the government finance statistics manual prepared by the International Monetary Fund, or the "IMF."

Certain revenue, expenditure and other financial information included in this offering memorandum for certain fiscal periods, and certain economic data for certain calendar years, are available only on a provisional basis, pending final compilation and completion of analysis by the Government as described in "Government Finance—Budget Process." Government accounts are considered "provisional" until the audit report, prepared by the Auditor-General of the Commonwealth, relating to such accounts is presented to Parliament. Provisional information is identified herein by "(p)". Except as otherwise noted in this offering memorandum, accounts for fiscal years 2015/2016 and 2016/2017 have been audited by the Auditor-General of the Commonwealth and tabled in Parliament, while accounts for fiscal years 2017/2018 through 2018/2019 have been submitted to the Auditor-General of the Commonwealth. Accounts for fiscal year 2019/2020 are being finalized for submission to the Auditor-General of the Commonwealth. Therefore, except as otherwise noted in this offering memorandum, we are providing revenue, expenditure and other financial information included in this offering memorandum for any fiscal year or interim period after fiscal year 2016/2017 on a provisional basis. Economic data included in this offering memorandum for the relevant calendar year is presented on a provisional basis.

The financial information of the Commonwealth included herein has been prepared in accordance with International Public Sector Accounting Standards and on a modified cash basis. Certain financial information is available on the Government's website at *www.bahamas.gov.bs* and the Central Bank of The Bahamas' website at *www.centralbankbahamas.com*. The information provided on these websites is not part of, or incorporated by reference in, this offering memorandum.

Estimates of Gross Domestic Product ("GDP") and its components for historical periods that are included in this offering memorandum, have been prepared by the Department of Statistics of the Commonwealth of The Bahamas. Projections of GDP relating to calendar years 2020 and 2021 are based on IMF reports.

As used herein, the term "public sector debt" includes direct internal and external debt of the Government and, unless the context otherwise requires, internal and external debt of the public corporations of The Bahamas. In light of the Government's ownership interest in these entities, the Government is the guarantor by contract of certain indebtedness of the public corporations, and the incurrence of any debt by any public corporation is subject to Government approval. The Government also provides financial assistance to certain of these public corporations to enable them, among other things, to meet their obligations under various loan agreements as described in "Government Enterprises—Public Corporations" and "Public Sector Debt."

Components contained in tabular information in this offering memorandum may not add up to the totals set forth in the tables due to rounding.

As used herein, the term "n.a." is used to identify economic or financial data that is not available.

SUBMISSION TO JURISDICTION

The Bahamas is a foreign sovereign government. Consequently, it may be difficult for investors to obtain or realize judgments of courts in the United States against The Bahamas. The Government will (1) agree that any legal suit, action or proceeding arising out of or relating to the notes may be instituted by the note holders in any U.S. federal or New York state court of competent jurisdiction located in New York County, State of New York, (2) to the fullest extent that it may effectively do so under applicable U.S. law, waive any objection to venue of any such legal suit, action or proceeding and (3) subject to certain exceptions, waive any immunity (including sovereign immunity) from the jurisdiction of any such U.S. federal or New York state court of competent jurisdiction located in New York County, State of New York. The Government has appointed the Consul General of the Commonwealth of The Bahamas in New York, New York, as its agent for service of process. The above-mentioned submission to jurisdiction, appointment of an agent for service of process and waiver of immunity are subject to significant limitations and qualifications as set forth under "Description of the Notes—Governing Law and Submission to Jurisdiction."

SUMMARY

The following summary is qualified in its entirety by, and is subject to, the detailed financial and other information contained elsewhere in this offering memorandum.

THE COMMONWEALTH OF THE BAHAMAS

The Commonwealth of The Bahamas is an archipelago of approximately 700 islands and cays, spreading over 100,000 square miles of the Atlantic Ocean. From its westernmost island, which lies approximately 50 miles east of Florida, The Bahamas stretches 750 miles in a southeasterly direction to within 50 miles of Haiti and Cuba. The total population of The Bahamas as of the end of 2019 was approximately 385,340, most of which is concentrated in New Providence (where the capital of the country, Nassau, is located) and Grand Bahama.

The Bahamas, which was formerly a British colonial territory, became an independent self-governing nation within the British Commonwealth on July 10, 1973. The political system in The Bahamas is based on the British Westminster model with a Governor General, a Prime Minister, and a bicameral Parliament. The Bahamas has enjoyed political stability since independence. The two primary political parties in The Bahamas are the Free National Movement, the current ruling party, which holds a majority in parliament, and the Progressive Liberal Party, which was in office from May 2012 until May 2017. See "The Commonwealth of The Bahamas—Government, Political System, and Constitution."

The tourism and financial services industries are key contributors to the Bahamian economy. These two sectors of the economy, which include tourism-driven retail sales, real estate, construction, and manufacturing, together historically account for more than half of total GDP and employment. Based on recent Government estimates, tourism has generated approximately 45% of GDP and employed, directly or indirectly, over half of the workforce. In 2019, The Bahamas attracted approximately 7.2 million tourists who spent an estimated $4.1 billion, compared with the 6.3 million tourists in 2016 who spent in excess of $2.6 billion.

During 2019, approximately 82% of "stopover visitors" (i.e., visitors who stay in excess of 24 hours and require accommodations) were from the United States. Over the past several years, the Government has intensified efforts to improve the competitiveness of the tourism sector, principally by promoting new investment in hotels, private cruise ship ports and other facilities, improving infrastructure, developing and enhancing tourist attractions, and expanding marketing efforts.

The financial services sector (which consists predominantly of banks, including private banks, trust companies, insurance companies and investment funds) has historically accounted for an estimated 15% of GDP. The Bahamas has traditionally been an attractive jurisdiction for international financial services businesses because of its favorable tax regime, legislative environment, geographic location, and sophisticated professional services. Over the years, the Government has enacted several measures to strengthen the regulatory and supervisory regime to comply with international "best practices" standards and enhance the attractiveness of The Bahamas as an international financial services center. As of December 31, 2019, there were 221 banks and trust companies licensed in The Bahamas, and the Central Bank of The Bahamas (the "Central Bank") estimates that the total asset base of such institutions was approximately $167.9 billion as of December 31, 2019. The Government does not expect any material change in the number of financial institutions licensed in The Bahamas in 2020, although the total asset base of such institutions may fluctuate in the face of sustained external pressure, such as de-risking by such banks, the reputational fallout resulting from blacklisting, or the threat of blacklisting, by the European Union due to its concerns about remaining deficiencies in The Bahamas' anti-money laundering and counter terrorist financing framework, and such pressures may create challenges in attracting new business and retaining existing business.

According to the Department of Statistics' estimates, real GDP grew at an average annual rate of 1.7% between 2015 and 2019. Specifically, following a recovery to 1.1% in 2014, the Department of Statistics estimates that real GDP growth eased to 0.2% in 2015 before increasing to 1.4% in 2016 and further to 3.1% in 2017 and 3.0% in 2018. However, the Department of Statistics estimates that real GDP growth slowed to 1.2% in 2019, as economic activity in two major economic centers was disrupted by a four-month closure as a result of Hurricane Dorian. The annual inflation rate in The Bahamas has averaged 2.1% over the last three years, and the Government expects that the fixed parity between the Bahamian and U.S. dollars, which the Central Bank has sustained since 1973, will continue to support relatively stable inflation.

The Government's overall strategy is to promote the long-term economic development of The Bahamas by pursuing sound macroeconomic and fiscal policies designed to enhance the competitiveness of the Bahamian economy and facilitate private sector investment and consumption. The key initiatives of the current administration in implementing this strategy include:

- progressing public sector reform to create an efficient public service committed to improving the ease of doing business with the Government;
- promoting debt and fiscal sustainability through judicious expenditure controls, the continuation of enhanced tax compliance initiatives, an improved budgeting process, greater efficiency and cost recovery among the public corporations, pension reform and anchoring fiscal discipline in fiscal responsibility legislation;
- promoting job creation, economic growth and poverty reduction through renewable energy and energy conservation initiatives, the creation of a knowledge-based economy, and upgrading and modernizing of the Family Islands (which refer to all islands that make up The Bahamas archipelago, except for New Providence and Grand Bahama), airports, docks, and marinas;
- providing new business incentives to businesses that offer goods and services in the areas of renewable energy, culture, export, agriculture and fisheries, and manufacturing of authentic Bahamian souvenirs;
- reducing the cost of energy by modernizing the electricity generation, transmission, and distribution infrastructure, and creating a renewable energy economy;
- employing public-private partnerships to finance capital projects;
- supporting Bahamian investments in tandem with strategic foreign direct investments; and
- increasing investments in education, focusing on reforms in the areas of enabling information technology infrastructure, technical and vocational training initiatives, and administrative policy reforms to ensure effectiveness and efficiency in the delivery of services.

The Bahamas' long-term foreign currency credit ratings are BB- from S&P Global Ratings ("S&P") and Ba2 from Moody's Investors Services ("Moody's").

RECENT DEVELOPMENTS

The Bahamian economy has experienced two major shocks in the past twelve months: Hurricane Dorian and the effects of the global pandemic caused by a novel strain of coronavirus (commonly referred to as "COVID-19"). The combination of these two events, as described more fully below, has caused and will continue to cause, substantial adverse effects on the Bahamian economy.

Hurricane Dorian

On September 2nd and 3rd, 2019, Hurricane Dorian, the strongest storm in The Bahamas' recent history, caused severe social and economic hardship and substantial loss of life in two major centers of economic activity—the islands of Abaco and Grand Bahama. External agencies which conducted a damage and loss assessment on the four primary sectors (social, infrastructure, productive, and environment) of the affected islands placed the estimated cost of damages at approximately $2.5 billion, or in excess of 25% of GDP for the year. Of the approximately $2.5 billion in damages, approximately 9%, or $225.0 million, was attributed to damages to public sector infrastructure. The total revenue and other income losses were estimated at $717.3 million, with public sector revenue and income losses accounting for 16% or $114.8 million. Additional costs, mainly attributable to clean-up, were estimated at $220.9 million.

Hurricane Dorian struck at a time when the Government was achieving its targets to reduce both debt and the ratio of the fiscal deficit to GDP to more sustainable levels as mandated by fiscal responsibility laws enacted in

November 2019. The Government introduced a supplementary budget in January 2020 to meet primary costs associated with emergency response services and relief activities, and post-disaster expenditures to cover reconstruction of public sector infrastructure and buildings (e.g. clinics, hospitals, and schools), and to account for revenue losses. Due to the severity of this natural disaster, the Government invoked the exceptional circumstances clause in the Fiscal Responsibility Act, 2018 (the "FRA"), which allowed it to temporarily deviate from existing fiscal and debt targets, and required the preparation of a plan for transitioning back to the targets. See "The Economy—Fiscal Responsibility Act; Budgetary Practices."

Impact of the COVID-19 Pandemic on The Bahamas

At the end of 2019, COVID-19, which was first reported in Wuhan China, began to spread rapidly around the world and, on March 11, 2020, the World Health Organization characterized the outbreak of COVID-19 as a pandemic. The COVID-19 pandemic has presented a challenge of unprecedented proportion to the conduct of business and life in The Bahamas. The first positive case of COVID-19 in The Bahamas was recorded on March 15, 2020 and, by late May 2020, the number of confirmed cases was 100 with 11 fatalities. Following the July 1, 2020 reopening of its borders, The Bahamas began to experience a second wave of COVID-19 infections, and as of November 19, 2020, the number of confirmed COVID-19 cases had reached 7,367, with 163 fatalities. As a result of the COVID-19 pandemic and related containment measures, the Bahamian economy experienced a steep decline in tourism and has incurred substantial expenses.

Impact on Healthcare System

The onset of the COVID-19 pandemic in The Bahamas has increased pressure on the local healthcare system. The country's premier tertiary care institution, the Princess Margaret Hospital, continually runs at high occupancy levels with chronic staff shortages. The influx of COVID-19 patients into the emergency department has further exacerbated capacity issues and forced the recruitment of additional facilities to support the patient load.

To address these challenges, the Government is collaborating in a public-private partnership with Doctors Hospital to increase bed and human resource capacity at its West location. Additionally, the South Beach Health Center has been retrofitted to transition from a primary care center to an inpatient care, testing, and evaluation center. The Government has also recruited more health providers into the healthcare system. However, the high COVID-19 infection rate among health care workers has further diminished the number of essential personnel available to care for COVID-19 patients.

Impact on Credit Ratings

Given the macroeconomic shock brought on by Hurricane Dorian and more recently the COVID-19 pandemic, The Bahamas' credit rating was downgraded by both S&P and Moody's. On April 16, 2020, S&P lowered its long-term foreign and local currency sovereign credit ratings on The Bahamas from BB+ to BB, with the ratings outlook remaining negative. On November 12, 2020, S&P further downgraded The Bahamas' credit rating to BB- and assigned a negative outlook. On June 25, 2020, Moody's downgraded the Government's long-term issuer and senior unsecured ratings by two notches, from Baa3 to Ba2, and revised the outlook to negative from stable.

The Government's Response to the COVID-19 Pandemic

Initial Border Closures and Travel Restrictions

Since early March 2020, the Government has taken preventative and reactionary measures to contain the spread of COVID-19. On March 17, 2020, the Government declared a state of emergency, closed air and sea borders to all incoming passengers, and instituted weekday curfews with full stay-at-home lockdowns during weekends that remained in place through the end of June 2020.

Four-Phased Plan for the Reopening of the Tourism Industry

Once The Bahamas had made strides towards flattening its curve in mid-June 2020, based on recommendations from the Ministry of Health, the Government commenced its four-phased reopening plan for the tourism industry.

Phase 1

Phase 1 began on June 15, 2020 which allowed for private aviation, boaters and yachters (but not commercial flights) to return to The Bahamas, without any requirement that travelers undergo COVID-19 testing or quarantine.

Phase 2 and Additional Restrictions on Entry

Phase 2 initially commenced on July 1, 2020, when international borders were opened for commercial air travel. Following the July 1, 2020 reopening of international borders, the number of COVID-19 cases in The Bahamas spiked, prompting the introduction of certain restrictive measures for people entering The Bahamas. As of July 24, 2020, the Government has required all passengers (residents and tourists) arriving on commercial airlines or private planes, boats, and yachts to obtain a negative result from a real time reverse transcription-polymerase chain reaction ("RT PCR") COVID-19 test, and to submit this test result electronically to the Government five days prior to travel in order to obtain a Bahamas Travel Health Visa for entry into the country. The Government also introduced a 14-day quarantine for incoming visitors and returning residents. During this 14-day quarantine, visitors were allowed to use all the facilities located at their hotel or resort, but were otherwise required to "vacation-in-place" and not leave the hotel or resort premises.

Phase 3

On October 1, 2020 the Government announced its intention to reopen the tourism sector (which the Government refers to as Phase 3) on October 15, 2020. From October 15 through October 31, 2020, incoming visitors were required to "vacation-in-place" for 14 days. However, beginning November 1, 2020, the Government removed the "vacation-in-place" requirement and instead implemented the rapid antigen test protocols discussed below.

The Government expects that Phase 3 will facilitate the reopening of hotels, resorts, and tourist attractions. Since November 1, 2020, visitors have had full access to venues outside of their accommodations and have been able to use the hotel and resort amenities of other properties. Additionally, visitors are able to enjoy full beach access on all islands with the restart of water taxi operations and tourist attractions, such as snorkeling trips, tours, and excursions. However, the provision of goods and services by local vendors in high-traffic tourism areas, including straw markets and jet ski operations, remain closed during Phase 3. In addition, all islands in The Bahamas continue to require the wearing of masks and appropriate social distancing in public places.

The Government still requires visitors to obtain and electronically submit an RT PCR negative COVID-19 test result to the Government in order to receive a Bahamas Travel Health Visa for entry into the country. The valid RT PCR COVID-19 test must be dated no more than five days prior to travel. As of November 14, 2020, visitors are required to opt-in to COVID-19 health insurance that covers visitors for the duration of their stay and is included in the Travel Health Visa application fee. Beginning November 1, 2020, the Government removed the requirement for all visitors to get a COVID-19 rapid antigen test (a "rapid antigen test") upon arrival in The Bahamas. Instead, visitors must complete a daily Health Screening Survey online for 14 days or the length or their stay, whichever is shorter. A rapid antigen test is required on day five of the stay for visitors staying five days or longer and for returning citizens and residents of The Bahamas, to reduce the risk of transmission of the virus. Visitors are able to make arrangements for their required tests at their port of entry or online, and many hotel properties are either providing tests for their guests or information on access to testing.

These protocols, which have been established by the Ministry of Health, also include a comprehensive review of Bahamas Travel Health Visa applications. When determining whether to grant a Bahamas Travel Health Visa, the Ministry of Health relies on an algorithm, which includes reviewing the visitors' countries of origin, recently visited destinations, and direct exposure to COVID-19 cases. The Government intends for this review process to minimize the risk of further spread of COVID-19 and avoid excluding applicants based solely upon their countries of origin. However, the process may not be completely effective.

Reopening plans impacting travel and tourism are the result of a collaborative process between the Ministry of Health and the Ministry of Tourism. Once the two ministries are aligned on approach, they submit their recommendations to the Office of the Prime Minister for final approval. Following final approval from the Office of the Prime Minister, the approved plans are publicly announced. As circumstances regarding the COVID-19 pandemic are constantly changing, any plans regarding reopening, whether by the Government or tourist industry participants, are subject to change.

Several large hotel properties in The Bahamas have announced their plans to resume operations. On November 4, 2020, Baha Mar announced that it would begin welcoming guests back beginning on December 17, 2020, in a phased reopening that will begin with the Grand Hyatt, Baha Mar Casino and Sportsbook, together with several restaurants and lounges. On November 18, 2020, Atlantis announced that it would reopen and welcome guests starting December 10, 2020. Atlantis intends to partner with the Ocean Club and Comfort Suites to create a "Paradise Island Safe Zone", in which registered guests of these properties will have reciprocal access to amenities and offerings. The Warwick Paradise Island resort reopened for overnight stays on November 21, 2020.

Phase 4

Phase 4, or the "full" reopening, is expected to include the provision of goods and services by local vendors in high traffic tourism areas, including straw markets and jet ski operations. However, the timing of Phase 4, which has not been announced, will be contingent upon a number of factors and will require the Office of the Prime Minister to approve recommendations jointly submitted by the Ministry of Health and the Ministry of Tourism, as described above. Metrics to be used by the Ministry of Health to determine the move to this phase, or the return to a previous phase, will include, but not be limited to, the rate of infection measured by a rolling three-day average over a 21-day period, the rate of test results returned within 24 to 48 hours, the total number of tests conducted per day, the percentage of persons contacted within 24 hours of a known positive test result, and the percentage of hospital and ICU capacity available to accommodate a surge.

Air and Cruise Travel to The Bahamas

Despite the impact of COVID-19 on the tourism sector, several major airlines are offering flights to The Bahamas from key source markets, such as the United States and Canada.

The resumption of cruises and ferries to The Bahamas is contingent on several factors, including decisions by the cruise industry and by government regulators. The United States Centers for Disease Control and Prevention's (the "CDC") no-sail ban on cruise ships, initially announced at the outset of the COVID-19 pandemic, expired on October 31, 2020. Effective November 1, 2020, the CDC issued a "Framework for Conditional Sailing Order for Cruise Ships", which provides a phased pathway for the resumption of safe and responsible sailing. In the initial phase, cruise operators are required to build lab capacity to test crew members and future passengers, and must show they adhere to testing, social distancing, quarantining and isolating requirements, when necessary. This phase is to be followed by "mock voyages", with volunteers playing the role of passengers to test virus mitigation strategies on trips. If ships meet certain requirements, they will be certified by the CDC to begin operations with real passengers. Two of the largest cruise operators, Carnival Cruise Line and Royal Caribbean Cruise Line, have targeted resumption in sailing during the first quarter of 2021. The Government expects that once cruises resume, The Bahamas will benefit from short cruise offerings from the neighboring United States, a dominant cruise market. For additional information, see "The Economy—Principal Sectors of the Economy—COVID-19 and Tourism."

We can provide no assurances as to timing, extent, duration, or permanence of any reopening of our borders, the tourism sector, or our economy more broadly. The evolution of local reopening developments is subject to recommendations of the Ministry of Health and Ministry of Tourism, and final approval of the Office of the Prime Minister. See "Risk Factors—Risks Related to The Bahamas" for a discussion of the risks, uncertainties and contingencies applicable to our phased plan to reopen the tourism sector.

Fiscal Policy Response and "Resilient Bahamas" Mandate

The Government's fiscal policy response measures to the COVID-19 pandemic, which prioritized supporting the health care infrastructure, were estimated to be 3.1% of GDP for the combined fiscal years 2019/2020 and 2020/2021, or $364.2 million in aggregate for the two fiscal years. Of these allocations, which were made during the periods listed below, $109.2 million was provided for in fiscal year 2019/2020 and $255.0 million was provided for in fiscal year 2020/2021.

The Government's budget for 2020/2021 was developed against the backdrop of the two external shocks, Hurricane Dorian and the COVID-19 pandemic, which presented significant challenges to the Government's fiscal consolidation goal. Under the theme "Resilient Bahamas", the Government's mandate for 2020/2021 was targeted at restoring the wellbeing and confidence of citizens and residents, restoring economic stability, and planting the seed for an accelerated recovery. The Government articulated a multifaceted strategy, which focused on enhancing public health and safety, expanding social protection, sustaining employment, strengthening the domestic economy, and accelerating government reforms and national resilience.

Presented below are specific details of the "Resilient Bahamas" plan, including implementation progress, allocations made during the period from March 2020 through December 2020, and expenditures made during the first quarter of fiscal year 2020/2021.

- *Public Health and Safety*
    - Approximately $15.2 million allocated in fiscal year 2019/2020 and $21.3 million in fiscal year 2020/2021 to the Ministry of Health to assist with the detection, treatment, and mitigation of COVID-19.
    - During the first quarter of fiscal year 2020/2021, approximately $9.0 million, or approximately 42.3% of the fiscal year 2020/2021 budget allocated to such initiatives, has been spent on increasing capacity at public hospitals, establishing quarantine facilities, and acquiring necessary supplies and personal protection equipment.
- *Social Support Network*
    - Approximately $10.0 million allocated in fiscal year 2019/2020 and $68.0 million in fiscal year 2020/2021 in unemployment assistance for self-employed persons who would not ordinarily qualify for unemployment benefits under the National Insurance Board (the "NIB") benefit scheme, including self-employed individuals or sole entrepreneurs.
    - During the first quarter of fiscal year 2020/2021, approximately $6.3 million has been paid out under the Government's unemployment assistance program, representing 36.6% of the fiscal year 2020/2021 budget allocation.
    - The Government funded the extension of the NIB unemployment benefit program beyond the standard 13-week period, at a cost of approximately $18.8 million during the first quarter of fiscal year 2020/2021, representing approximately 36.4% of the 2020/2021 fiscal year budget allocated to this extension.
    - Allocations targeted for the provision of food and other social assistance programs amounted to $4.0 million in fiscal year 2019/2020 and $21.2 million in fiscal year 2020/2021. The allocations for fiscal year 2020/2021 include $13.9 million for food assistance, $4.4 million for subsistence support for COVID-19 victims and $2.9 million for COVID-19 enforcement. As of September 30, 2020, the Government has spent approximately $14.3 million on these programs, or approximately 67.5% of the fiscal year 2020/2021 budget allocated for food and other social assistance programs.
    - The Government committed to provide utility bill payment waivers for certain persons directly impacted by COVID-19.
- *Employment Levels*
    - To encourage employment retention, the Government allocated approximately $60.0 million in fiscal year 2019/2020 and $120.0 million in fiscal year 2020/2021 under its tax credits and deferral program. As of early September 2020, approximately 80 businesses benefitted from $22.9 million in tax credits and tax deferrals, which supported the retention of over 9,000 jobs.
    - Approximately $20.0 million was allocated in fiscal year 2019/2020 and $30.0 million in fiscal year 2020/2021 for business continuity loans to small businesses. As of early

September 2020, approximately 545 small businesses have accessed the business continuity loans, with an additional $39.0 million approved for disbursement.

- *Domestic Economy*
    - Capital budget of $516.0 million, inclusive of the public construction projects and the contributions for small business funding.
    - 20% reduction in customs duty for building supplies.
    - Tax reduction on fishing and agricultural materials.
    - Extension of Hurricane Dorian tax relief for Abaco and Grand Bahama.
- *Government Reform*
    - Digital transformation to improve the delivery of government services, including the Public Procurement Bill which is awaiting debate in Parliament.
    - Promotion of cashless commerce by reducing the use of cash and checks in the country.
    - Acceleration of rationalization of public corporations.
    - Establishment of the Economic Recovery and Tourism Readiness and Recovery Committees to drive reform in key areas. See discussion of committees below.

To mitigate the fiscal impact of the unexpected budgetary requirements from the Government's COVID-19 response, the budget for fiscal year 2020/2021 introduced recurrent spending cuts of 20% across ministries, excluding interest and salaries, to be achieved through the postponement of non-priority programs and savings from reduced subventions to public corporations.

As part of its pandemic response strategy, the Government established the Economic Recovery, Tourism Readiness and Recovery, and National Food Committees. The Economic Recovery and Tourism Readiness and Recovery Committees (the "TRRC"), a multi-sectoral group comprised of public tourism officials, health officials, and private tourism industry stakeholders, are guiding the country's COVID-19 response and advising on ways to jumpstart the economy following the crisis, with a focus on job creation and stimulating small business development, especially in the tourism sector. The National Food Committee is focused on enhancing collaboration among public institutions, the private sector and civil society organizations to improve access to food to the most vulnerable members of society. On September 29, 2020, the Economic Recovery Committee ("the ERC") submitted its summary report to the Government, which contained roughly 300 recommendations covering a range of areas and strategies that could prompt recovery from the economic shock caused by the COVID-19 pandemic and build greater economic resilience. One of the ERC's recommendation, the extended stay visa program for persons wishing to work or study from The Bahamas for a year, was accepted and implemented by the Government in October 2020.

As of September 30, 2020, the Government had approximately $2.1 billion in external reserves, which corresponded to 8.3 months of importing ability. The Central Bank expects that the level of external reserves will be higher at the end of 2020 as compared to 2019, largely supported by the Government's foreign currency financing activities, including this offering. To cushion any potential pressure on the exchange rate peg to the U.S. dollar, the Central Bank implemented a series of foreign exchange conservation measures. To boost foreign exchange liquidity, the Central Bank suspended dividend payments by foreign-owned commercial banks, provided more latitude to commercial banks to supply foreign exchange to the public before approaching the Central Bank to replenish such funds (by lowering the ceiling on the Bahamian Dollar open position foreign exchange transactions to the maximum of 5% of Tier-1 capital and removing the more binding limit of $5.0 million on net loan exposures), suspended Bahamians' access to foreign exchange for international capital market and real estate investments, and requested the NIB to repatriate approximately $60.0 million of its external assets. The external position is also expected to benefit from the Government's debt management strategy for fiscal year 2020/2021, which includes sourcing the bulk of its financing requirement of approximately $1,327.1 million in foreign currency.

To address concerns related to credit quality, the Central Bank has also encouraged domestic financial institutions to consider loan moratoriums. Specifically, the Central Bank provided guidance to banks that household and business loans in good standing before the onset of the COVID-19 pandemic would not be reclassified because of the deferral of repayments for up to three months if the borrower had been negatively impacted by the COVID-19 pandemic.

In June 2020, the Government also secured assistance from the IMF under the Rapid Financing Instrument Special Draw Rights ("SDR") in the amount of $182.4 million (approximately U.S.$252.0 million), representing The Bahamas' entire IMF quota. This constituted a part of the Government's borrowing authority for fiscal year 2019/2020.

The Government's fiscal performance has been significantly impacted by COVID-19. Prior to the COVID-19 pandemic, the Government had activated the escape clause in the FRA after Hurricane Dorian, which provides for a four-year postponement for achieving certain fiscal consolidation targets (fiscal deficit of 0.5% of GDP by fiscal year 2020/2021 and a public debt-to-GDP ratio of 50% by fiscal year 2024/2025). The budget for fiscal year 2020/2021 provides for a spike in the overall deficit to $1,327.1 million, an increase of $649.6 million from the Hurricane Dorian-revised budget for fiscal year 2019/2020 of $677.5 million. Following the impact of the COVID-19 pandemic on economic activity, revenue receipts are expected to contract by $633.1 million to $1,762.5 million during fiscal year 2020/2021. To help offset some of this impact and the increased expenditures necessitated by the COVID-19 pandemic, the Government effected significant cost reduction initiatives across discretionary budgetary items and subventions to public corporations. Consequently, recurrent expenditure is projected to decline by $113.5 million, or 4.4%, during fiscal year 2020/2021. However, capital spending is expected to increase by $130.0 million, or 25.2%, to $515.5 million to address, among other things, the ongoing hurricane recovery activities and business loans to small and medium sized business to support employment and growth amid the COVID-19 pandemic. The Government expects that the COVID-19 pandemic will further delay the achievement of these targets, but remains focused on bringing the fiscal deficit to 0.5% of GDP by fiscal year 2026/2027 and the debt ratio to 50% of GDP by fiscal year 2030/2031.

The initial impact of the COVID-19 pandemic on the fiscal finances was evidenced in the performance of the final quarter of fiscal year 2019/2020, which registered a sharp rise in the overall deficit to $534.0 million from $79.3 million in the closing quarter of fiscal year 2018/2019. With revenue from value added taxes contracting by 55.0% to $138.5 million, revenue receipts were more than halved to $330.5 million in fiscal year 2019/2020 from $737.2 million in fiscal year 2018/2019. Meanwhile, total expenditure increased to $864.4 million in fiscal year 2019/2020 from $816.4 million in fiscal year 2018/2019, or by 5.9%.

Based on provisional data for the first quarter of fiscal year 2020/2021, the overall deficit widened significantly to $336.3 million from $48.8 million in the first quarter of fiscal year 2019/2020. Revenue collections in the first quarter of fiscal year 2020/2021 of $300.9 million were $251.4 million or 45.5% below the $552.3 million realized in the same period of fiscal year 2019/2020. Total expenditures of $637.2 million represents an increase of $36.1 million or 6.0% over the corresponding quarter of fiscal year 2019/2020.

External Debt Developments for Fiscal Year 2020/2021

Under the borrowing resolution for fiscal year 2020/2021, the Government is authorized to borrow up to $1,327 million.

On August 18, 2020, the Government drew down U.S.$248.0 million of a U.S.$300.0 million bridge facility provided by a group of lenders, one of which is Credit Suisse AG, Cayman Islands Branch (the "2020 Bridge Facility"). On August 27, 2020 the Government obtained a U.S.$200.0 million policy-based loan from the Inter-American Development Bank (the "IADB"), which was fully drawn on September 9, 2020. On October 15, 2020, the Government completed an offering in the international capital markets of U.S.$600.0 million in aggregate principal amount of the initial notes, a portion of the net proceeds of which was used to repay the 2020 Bridge Facility in full. On November 13, 2020, the Government drew down a U.S.$40.0 million policy loan from the Caribbean Development Bank (the "CDB").

The Bahamas Electricity Corporation ("BEC"), the parent of The Bahamas Power and Light Company Ltd. ("BPL"), was obligated to make a balloon payment on June 11, 2020 for legacy debt in the amount of U.S.$246.0 million and was not in a position to make this payment as a result of BPL's delay in issuing the prospective rate reduction bonds, a portion of the net proceeds of which were to be used to repay this outstanding liability. As a result, the Government agreed to and effected a transfer of the U.S.$246.0 million loan from BEC's balance sheet to the balance sheet of the Government on July 24, 2020, under a new U.S.$246.0 million bridge facility between the creditors and the Government, pending the issuance of the rate reduction bonds. See "Government Enterprises—Public Corporations."

As of June 9, 2020, the Government had submitted an application to the Multilateral Investment Guarantee Agency ("MIGA") of the World Bank Group and is currently in the approval process to secure a guarantee for a commercial loan which is currently expected to be between approximately $70.0 to $135.0 million. Additionally, on August 5, 2020, the Government executed an $80.0 million loan agreement with the IADB to fund the initial projects under the $170.0 million Conditional Credit Line for Investment Projects (the "CCLIP") approved by the IADB Board on January 29, 2020. The Government intends to draw down on the $80.0 million loan during fiscal year 2020/2021 to fund the installation of solar technologies in the Family Islands. The Government also intends to secure additional borrowings of approximately $240.0 million from identified multilateral institutions during fiscal year 2020/2021, however the availability of this funding cannot be guaranteed.

Giving effect to the foregoing committed and expected borrowings, the Government anticipates the need to source approximately $275 million in additional borrowed funds (less the net proceeds from this offering of notes) from other commercial sources to satisfy its fiscal year 2020/2021 budgetary needs. See "Public Sector Debt—External Debt."

Recent Public Financial Management Legislative Initiatives

The Government intends to resume various measures when the COVID-19 pandemic subsides, including reviews of public corporations, investment incentives and the pension system. The Government is currently taking steps to finalize several legislative initiatives aimed at securing greater efficiency, transparency, and accountability in public financial management. The Public Procurement Bill, which was tabled in Parliament in June 2020 and is now awaiting debate, would modernize the procurement system in line with international best practices. The existing Financial Administration and Audit Act, 2010 is expected to be replaced by the enactment of the Public Finance Management Bill, 2020 (the "PFM Bill"), and the Public Debt Management Bill, 2020 (the "PDM Bill") would provide for an appropriate governance structure for debt management activities in The Bahamas. Finally, the Statistics Bill, 2020 (the "Statistics Bill") would institutionalize the National Statistical Institute (the "Institute") as an autonomous corporate body to replace the existing Department of Statistics and provide for the development of a national statistical strategy. The Government's reform agenda also includes the eventual conversion of the current defined benefit pension plan into a contributory scheme. See "The Economy—Recent Public Financial Management Legislative Initiatives."

Ministry of Finance Update

On November 25, 2020, the Honorable Deputy Prime Minister and Minister of Finance, Mr. K. Peter Turnquest tendered his resignation as Deputy Prime Minister and Minister of Finance. Prime Minister Dr. Hubert Minnis accepted Mr. Turnquest's resignation and was appointed Minister of Finance by the Governor General on November 30, 2020.

Selected Economic and Financial Information
(in millions of Bahamian dollars, except percentages)

	For the Years Ended June 30,					Budget
	2016	2017	2018(p)	2019(p)	2020(p)	2020/2021
Government Finance: (1)						
Revenue and grants	$ 1,989.4	$ 2,070.3	$ 2,042.4	$ 2,426.3	$ 2,089.1	$ 1,762.5
Expenditure	$ 2,299.4	$ 2,731.0	$ 2,457.3	$ 2,645.6	$ 2,877.3	$ 3,089.6
Overall budget deficit	$ (310.0)	$ (660.7)	$ (414.9)	$ (219.3)	$ (788.2)	$ (1,327.1)
Overall budget deficit as a percentage of nominal GDP(2)(3)	(2.62)%	(5.41)%	(3.25)%	(1.65)%	(6.16)%	(10.52)%

	As of and for the Years Ended December 31,					As of and for the Six Months Ended June 30, 2020
	2015	2016	2017(p)	2018(p)	2019(p)	
The Economy:						
Nominal GDP(5)(p)	$ 11,710.8	$ 11,928.5	$ 12,490.7	$ 13,022.1	$ 13,578.8	n.a.
Increase(decrease) in nominal GDP(5)(p)	5.39%	1.86%	4.71%	4.25%	4.28%	n.a.
Annual inflation rate	1.88%	(0.35)%	1.54%	2.27%	2.49%	(0.14)%(5)
Balance of payments(4)(p)						
Current account balance	$ (1,610.2)	$ (1,059.4)	$ (1,574.6)	$ (1,115.3)	$ 525.6	$ (663.9)
Capital account balance	$ 793.0	$ 778.0	$ 1,572.0	$ 609.1	$ 230.8	$ 589.2.
Foreign exchange reserves	$ 811.9	$ 904.0	$ 1,417.4	$ 1,196.3	$ 1,758.1	$ 2,106.2(5)
Estimated increase (decrease) in real GDP(6)(p)	0.23%	1.44%	3.12%	3.03%	1.22%	n.a.

	As of and for the Years Ended December 31,					As of and for the Nine Months Ended September 30, 2020
	2015	2016	2017(p)	2018(p)	2019p	
National Debt:						
National debt	$ 6,660.4	$ 7,050.2	$ 7,884.3	$ 8,251.2	$ 8,457.3	$ 9,346.3
National debt as a percentage of nominal GDP(2)	56.9%	59.1%	63.1%	63.4%	62.3%	80.8%
Foreign currency public sector debt(7)	$ 2,574.0	$ 2,646.8	$ 3,484.2	$ 3,510.1	$ 3,476.0	$ 4,148.6
Foreign currency public sector debt as a percentage of nominal GDP(2,7)	21.98%	22.19%	27.89%	26.96%	25.60%	35.9%.
Foreign currency public sector debt service(8)	$ 184.6	$ 337.3	$ 698.5	$ 437.8	$ 325.4	$ 528.0
Foreign currency public sector debt service ratio(9)	5.4%	8.7%	6.5%	9.0%	7.1%	n.a.

(1) See "Government Finance—Fiscal Year 2020/2021 Budget" for information as of the three months ended September 30, 2020.
(2) Represent Department of Statistics estimates for 2015-2019 and IMF estimates for 2020.
(3) Based on projections for nominal GDP relating to calendar years 2020 and 2021 indicated by the IMF. The projections relating to the nominal GDP for fiscal years 2019/2020 and 2020/2021 are estimated by adding the nominal GDP relating to the relevant calendar years and dividing the result by two.
(4) Balance of payment accounts are subject to periodic revisions, which may affect data over several periods.
(5) Represents data as of September 30, 2020.
(6) Represents data compiled by the Department of Statistics.
(7) Includes internal and external foreign currency debt of the Government public corporations (whether or not guaranteed by the Government).
(8) Includes all principal and interest payments on foreign currency-denominated debt of the Government and public corporations (whether or not guaranteed by the Government). See "Public Sector Debt—Debt of Public Corporations."
(9) Represents foreign currency public sector debt service as a percentage of exports of goods and non-factor services. Non-factor services are services that do not generate interest, dividends or profits.

Sources: Department of Statistics, Treasury Accounts and Treasury Statistical Summaries.

THE OFFERING

Issuer…..…..	The Commonwealth of The Bahamas.
The Notes…...	U.S.$225,000,000 8.950% notes due 2032.
The Offering…...	The notes are being offered only (a) within the United States to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (b) outside the United States in reliance on Regulation S under the Securities Act.
Part of Existing Series...	The notes will be issued as "Subsequent Securities" (as such term is defined in the Fiscal Agency Agreement) under the Fiscal Agency Agreement, pursuant to which we previously issued our outstanding initial notes. The notes will have substantially identical terms as the initial notes, will be treated as a single series of securities with the initial notes under the Fiscal Agency Agreement, will be fungible with the initial notes for U.S. federal income tax purposes and will have the same CUSIP and ISIN number as the initial notes. Holders of the notes and the initial notes will vote and consent together as one class under the Fiscal Agency Agreement.
Issue Price…...	106.783% of the principal amount of the notes, plus accrued interest, if any, from October 15, 2020.
Original Issue Date…...	December 4, 2020.
Maturity Date…..	The notes will mature on October 15, 2032.
Amortization…...	The Government will pay the principal amount of the notes in three equal annual installments on October 15, 2030, October 15, 2031, and at maturity on October 15, 2032.
Interest Payment Dates…...	The notes will bear interest from the date of original issuance payable semiannually in arrears on April 15 and October 15 of each year, commencing on April 15, 2021.
Status of Notes..	The notes will be direct, general, unsecured, and unconditional obligations of the Government and will rank *pari passu,* without any preference or priority of payment, among themselves and with all other present and future unsecured and unsubordinated indebtedness of the Government; it being understood that this provision shall not be construed so as to require the Government to make payments under the notes ratably with payments

	being made under any other indebtedness. The notes will be backed by the full faith and credit of the Commonwealth of The Bahamas. See "Description of the Notes—Status of the Notes."
Optional Redemption…..	Prior to July 15, 2032 (three months prior to the maturity date of the notes), the notes will be redeemable at any time by the Government, in whole or in part, at a redemption price equal to the greater of: • 100% of the principal amount of the notes to be redeemed; or • the sum of the present values of the Remaining Scheduled Payments (as defined under "Description of the Notes—Optional Redemption") discounted, on a semiannual basis, at a rate equal to the sum of the applicable Treasury Rate (as defined under "Description of the Notes—Optional Redemption") plus 50 basis points. At any time on or after July 15, 2032 (three months prior to the maturity date of the notes), the notes will be redeemable at any time at the option of the Government, in whole or in part, at a redemption price equal to 100% of the principal amount of the notes to be redeemed. In either case, accrued interest, if any, will be paid to the date of redemption.
Negative Pledge and Certain Covenants….............................	The notes contain a negative pledge covenant and certain affirmative covenants. See "Description of the Notes—Negative Pledge" and "Description of the Notes—Covenants."
Collective Action Clauses……………..….............................	The notes will be issued pursuant to the Fiscal Agency Agreement, which contains provisions permitting future modifications to any term of the notes (which, with reference to such "collective action clauses", means all notes of the same series issued under the Fiscal Agency Agreement) without the approval of all the holders of the notes . Under these provisions, the Government may amend the payment provisions of any series of debt securities issued by the Government (including the notes) and other reserved matters listed in the indenture with the consent of the holders of: (1) with respect to the notes, more than 75% of the aggregate principal amount of the outstanding notes; (2) with respect to two or more series of debt securities (including the notes), if certain "uniformly applicable" requirements are met, more than 75% of the aggregate principal amount of the outstanding debt securities of all series (including

	the notes) affected by the proposed modification, taken in the aggregate; or (3) with respect to two or more series of debt securities (including the notes), whether or not the "uniformly applicable" requirements are met, more than 66⅔% of the aggregate principal amount of the outstanding debt securities of all series (including the notes) affected by the proposed modification, taken in the aggregate, and more than 50% of the aggregate principal amount of the outstanding debt securities of each series (including the notes) affected by the proposed modification, taken individually. See "Description of the Notes—Meetings of Note Holders; Modification and Waiver."
Use of Proceeds…...	The Government intends to use the net proceeds from the sale of the notes to finance general development in The Bahamas in fiscal year 2020/2021. See "Use of Proceeds."
Withholding Taxes…..	Payments in respect of the notes are not currently subject to withholding taxes in The Bahamas. The Government will, subject to certain exceptions, pay Additional Amounts (as defined under "Description of the Notes—Additional Amounts") in respect of any future Bahamian withholding taxes as will result in receipt by the holders of notes of such amounts as would have been received by them had no withholding or deduction for such taxes been required. See "Description of the Notes—Additional Amounts."
Form, Denomination and Transfer of Notes….........................	The notes will be issued only in fully registered form, without interest coupons, in minimum denominations of U.S.$200,000 and in integral multiples of U.S.$1,000 in excess thereof. The notes sold within the United States to qualified institutional buyers in reliance on Rule 144A will be represented by a Global Note, referred to as the "Restricted 144A Global Note," deposited with the Fiscal Agent (as defined under "Description of the Notes") as custodian for The Depository Trust Company, or "DTC," and registered in the name of DTC's nominee. The notes sold outside the United States in reliance on Regulation S will be represented by a separate Global Note, referred to as the "Regulation S Global Note," and, together with the Restricted 144A Global Note, referred to as the "Global Notes," deposited with the Fiscal Agent as custodian for DTC and registered in the name of DTC's nominee. DTC will credit portions of the principal amount of the Global Notes to the accounts of persons who have DTC accounts, or "DTC participants," designated by the initial purchaser (as defined

	herein), and ownership in such interests in the Global Notes will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC (with respect to interests of DTC participants) and the records of DTC participants (with respect to other owners of beneficial interests in the Global Notes). Except as described in this offering memorandum, definitive notes will not be issued in exchange for beneficial interests in Global Notes. See "Description of the Notes—Form, Denomination, Book-Entry Procedures and Transfer."
Transfer Restrictions	The Notes have not been registered under the Securities Act and are being offered only to qualified institutional buyers (as defined in Rule 144A) in the United States in transactions exempt from the registration requirements of the Securities Act and to persons outside the United States in reliance on Regulation S. As a result, the notes will be subject to restrictions on transferability and resale. For more information, see "Notice to Investors."
Fiscal Agent	The Bank of New York Mellon.
Governing Law	The notes will be governed by and construed in accordance with the laws of the State of New York, United States of America.
Listing	Application will be made to list the notes on the Luxembourg Stock Exchange and to have the notes admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange.
Risk Factors	See "Risk Factors" beginning on page 15 of this offering memorandum for a discussion of factors you should carefully consider before deciding to invest in the notes.
CUSIP, ISIN and Common Code	For the Restricted 144A Global Note, the CUSIP number is 056732 AL4, the ISIN number is US056732AL44, and the common code is 224440987. For the Regulation S Global Note, the CUSIP number is P06518 AH0, the ISIN number is USP06518AH06, and the common code is 224440839.

RISK FACTORS

Investing in the notes involves risks. We believe the following risks and uncertainties may adversely affect the market value of the notes or our ability to fulfill our obligations under the notes. You should carefully consider the risks described below and the other information contained in this offering memorandum before making an investment decision. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties not currently known to us or that we currently do not believe are material may also adversely affect us.

Risks Related to The Bahamas

Due to a lack of sector diversity in the Bahamian economy, a sharp and sustained downturn in either the tourism or the financial services industries due to the impact of the COVID-19 pandemic or otherwise could significantly affect the stability of the Bahamian economy as a whole.

The Bahamian economy is highly dependent upon the tourism and financial services industries. This lack of economic diversity exposes the Bahamian economy to significant risk of instability, should either sector seriously decline. The COVID-19 pandemic has triggered an unprecedented crisis in the tourism economy, given the immediate and immense shock to the sector following the closure of the borders and other containment measures. During the nine months ended September 30, 2020, the number of visitors to The Bahamas declined significantly to approximately 1.7 million from 5.4 million during the nine months ended September 30, 2019. As tourism is an important source of external reserves and of employment for The Bahamas, the scope and adverse impact of COVID-19 has impacted the country's external reserves growth, caused a sharp rise in an already high unemployment rate and, because of the secondary round impacts of tourism on other sectors of the economy, reduced overall economic activity and The Bahamas' revenue intake.

There is considerable uncertainty regarding the duration and long-term impact of COVID-19 which, if it persists or results in a second wave or resurgence, could have significant adverse consequences for the stability of the Bahamian economy. Although the Government is proactively pursuing measures to mitigate the impact of COVID-19 on the economy and fully reopen the economy to tourists, the efficacy of these measures cannot be guaranteed. The Government can give no assurances as to when the tourist economy will fully reopen or the extent, duration, or permanence of any reopening. Additionally, the Government's current plans for reopening are subject to significant uncertainties and contingencies and may be further delayed due to new developments in the ongoing COVID-19 pandemic. Such uncertainties and contingencies include a possible increase in infection rates, insufficient availability of RT PCR tests, rapid antigen tests, or laboratory capacity to process tests required, and challenges in coordinating with private sector participants involved in sourcing and administering required tests as a part of the tourism sector reopening plan, and the reopening plans of the owners and operators of airlines, cruise lines, hotel properties, casinos, food and beverage businesses, conferences/exhibitors, and other tourist industry participants.

Further, despite promising announcements in early November 2020 by multinational pharmaceutical companies regarding potential COVID-19 vaccines in development, there can be no assurance as to when any vaccine will receive required regulatory approval and become widely available. Further, there can be no guarantee as to the safety and efficacy, the duration of protection, and the required frequency of administration of any such vaccine. Therefore, the COVID-19 pandemic could continue to have a material adverse impact on economic and social conditions in The Bahamas for a duration of time that is currently unknown.

The Bahamian tourism industry is also dependent on the continued perception of The Bahamas as an attractive and safe vacation destination. Any change in this perception, including due to The Bahamas' response to COVID-19 or a reduction in the capital investment in tourism infrastructure or any increase in crime, could have a negative effect on The Bahamas' tourism industry. Additionally, any change in the travel restrictions of other countries, such as the United States, or travel sectors, such as cruise lines, may also impact the perception of The Bahamas as an attractive and safe destination. More lenient COVID-19-related travel restrictions in competing tourist destinations may also affect the perception of The Bahamas as an attractive destination. Moreover, even once travel advisories and restrictions are lifted, tourist demand may remain weak for an indeterminate amount of time and we cannot predict if, and when, tourism levels will return to pre-COVID-19 outbreak levels.

Increases in travel prices could have a material adverse impact on the tourism industry, given its reliance on a combination of commercial airline services and cruise lines for passenger connections and transport. Increases in the price of airfare would increase the overall cost to tourists of visiting The Bahamas and may reduce the volume of tourists or the frequency with which they visit. The impact of increased prices would be further compounded by the increased unemployment rates in many countries, including the U.S., attributed to the COVID-19 pandemic.

Changes in commercial airline services and cruise line services as a result of the COVID-19 pandemic have adversely affected and may in the future adversely impact the profitability of the tourism industry in The Bahamas. Similarly, other events such as strikes, terrorism or terrorist threats, bad weather, or the lack of availability due to schedule changes or a high level of bookings, could further negatively impact the performance of the tourism sector.

With respect to the financial services sector, the level of international banking business in The Bahamas has declined marginally in recent years. The Bahamas has traditionally been an attractive location for international financial services businesses because of its favorable tax regime and legislative environment. The potential loss of such favorable tax treatment or economic stability, due to, among other things, changes in the regulatory and supervisory regimes, could have a negative effect on The Bahamas' position as an international financial services center.

The COVID-19 pandemic has adversely affected The Bahamas' economy and may continue to do so indefinitely.

The ongoing COVID-19 pandemic is currently having a significant adverse impact on the global economy and the economy of The Bahamas. Such effects include risks to citizens' health and safety, as well as reduced economic activity which, in turn, may result in decreased revenue and increased expenditures for the Government. The rapid development and fluidity of the situation precludes any prediction as to the long-term effects of the COVID-19 pandemic on The Bahamas' economy.

The closure of The Bahamas' borders on March 16, 2020 due to the COVID-19 pandemic brought the tourism industry to a halt, reducing the number of arrivals in the nine months ended September 30, 2020 to less than one-third of the number of arrivals in the nine months ended September 30, 2019. This dramatic reduction in tourism negatively impacted economic activity, with budgeted revenue receipts for fiscal year 2020/2021 expected to contract by $633.1 million from fiscal year 2019/2020 estimates, due to the effects of the COVID-19 pandemic. The downturn in the tourism industry, which historically has employed over 50% of the labor force, and the COVID-19 pandemic-induced suspension of significant domestic and foreign investment-related construction activity have both increased the already high rate of unemployment. Preliminary estimates for fiscal year 2019/2020 show a more than threefold rise in the overall deficit, to $788.2 million from $219.3 million in fiscal year 2018/2019, as revenues contracted by $337.1 million or 13.9% and expenditures increased by $231.7 million, or 8.8%. Based on provisional data for the first quarter of fiscal year 2020/2021, the overall deficit widened significantly to $336.3 million from $48.8 million in the first quarter of fiscal year 2019/2020. The Government's reinstatement of the COVID-19 related curfew and lockdown measures for the month of August caused a sharp decline in revenue of $251.4 million or 45.5%, while expenditure increased by $36.1 million or 6.0% during the quarter.

Additionally, the COVID-19 pandemic has caused the Government to make significant emergency expenditures. From March through September 2020, the Government had allocated the equivalent of approximately 3.1% of GDP for the combined fiscal years 2019/2020 and 2020/2021, or $364.2 million in aggregate for the two fiscal years, to address immediate health and economic challenges, including the detection, treatment, and mitigation of COVID-19, unemployment assistance, food relief assistance, and tax credit and deferral programs. The Government may be required to spend significantly more to address health and economic challenges in the future, and there is no guarantee that these emergency expenditures will effectively address the ongoing COVID-19 challenges. If the Government's plans to address the health and economic challenges posed by COVID-19 are not successful, investor confidence may weaken and adversely affect The Bahamas' economy and financial condition, which would impact The Bahamas' ability to service its debt.

If the COVID-19 pandemic continues to spread, its impact on The Bahamas' economy could grow and The Bahamas' economic, political and social conditions could be materially adversely affected. To the extent the COVID-19 pandemic adversely affects The Bahamas' economic and social situation, it may also have the effect of heightening many of the other risks described in this “Risk Factors” section.

Extreme weather conditions have affected and may in the future adversely affect The Bahamas and the financial condition of the Government.

The Bahamas is subject to extreme weather conditions, such as hurricanes and tropical storms, which have the potential to cause extensive physical and economic damage. An extreme weather event could, among other things, limit access to, damage or destroy one or more of the Government’s or the country’s properties or parts of our infrastructure, including roads and bridges. An extreme weather event may also result in power shortages, telecommunications failures, floods, and fires and may cause labor, fuel and other resource shortages that would disrupt the local economy. Such a disaster could significantly increase our expenditures and reduce our revenues, particularly if the Bahamian financial services and tourism industries are affected.

The Bahamas has sustained substantial damage from hurricanes and tropical storms in the past. In 2015 and 2016, two major hurricanes (Joaquin and Matthew) caused an estimated $800.0 million in damage toNew Providence and various Family Islands, which refers to all islands that make up The Bahamas archipelago, except for New Providence and Grand Bahama (the “Family Islands”). In 2019, Hurricane Dorian inflicted significant damage and loss of life in Grand Bahama and Abaco, with damages estimated at approximately $2.5 billion, or more than 25% of GDP for the year. The landfall of another major hurricane on New Providence or another populous island could have a material adverse effect on the economy and financial condition of The Bahamas. In addition, threats of hurricanes in the general vicinity of the country during the hurricane season have had and may have an adverse effect on the tourism industry.

Further, as a small island developing state, The Bahamas is among the most vulnerable globally to the effects of climate change. The Bahamas has responded to the impacts of climate change through a variety of methods and policies. In particular, a Family Island community has been relocated from the shoreline, steps have been taken to strengthen coastal defenses, building codes have been strengthened to provide more robust mitigation against wind damage, and adaptation measures to the loss of major freshwater lens (i.e., bodies of fresh water typically formed beneath permeable limestone islands) included the use of reverse osmosis to provide all citizens with access to potable water across the country. Additionally, The Bahamas National Energy Policy 2013-2033 (“National Energy Policy”) seeks to reduce dependence on fossil fuels by introducing a minimum of 30% renewable energy to the national electricity grids by 2030. As the environment changes with the changes in the global climate, The Bahamas’ resolve to adapt and improve remains resolute, but we cannot assure you that any of these measures or policies will successfully mitigate the risks associated with climate change.

Difficult conditions in the Bahamian economy, as well as in the global economy, may adversely affect our revenues and cause our debt levels to continue to rise.

Since recovering from the 2008 financial crisis in the United States, the Bahamian economy continued to experience relatively modest growth, with significant fluctuations. For example, after experiencing a 2.7% contraction in 2013, The Bahamas’ real GDP increased by 1.1% in 2014, with growth flattening to 0.2% in 2015, amid weakened fundamentals in key source markets. The economy gained momentum in 2016, with real GDP growth of 1.4% which strengthened and stabilized at approximately 3.0% in the subsequent two years, before slowing to a preliminary estimate of 1.2% in 2019. These economic outcomes are due, in part, to challenging global economic conditions, since, as a small, open, and service-oriented economy, the Bahamian economy is significantly influenced by global economic trends. According to a June 2020 IMF assessment, the combined impact of the containment efforts necessitated by the COVID-19 pandemic, alongside the damage caused by Hurricane Dorian, was expected to lead to a recession in the Bahamian economy, with real GDP contracting by as much as 12.5% in 2020. The Government expects that the IMF will increase its estimate of GDP contraction significantly as a result of more recent assessments.

In recent years, through a combination of revenue enhancement measures and expenditure controls, the Government has achieved an improvement in the fiscal deficit, while attempting to maintain the same quality of public services. However, weather-related events in 2015, 2016, and 2019 (Hurricanes Joaquin, Matthew, and Dorian, respectively) have disrupted revenue flows and created increased spending requirements, causing significant increases in the overall deficit and in debt levels. In fiscal year 2019/2020, the combination of Hurricane Dorian and the COVID-19 pandemic increased the overall fiscal deficit to approximately $788.2 million, compared to the original fiscal year 2019/2020 budget deficit of $136.9 million, which was later revised upwards to $677.6 million to take into account the revenue losses and expenditure demands associated with Hurricane Dorian. Correspondingly, the national debt ratio increased to an estimated 74.0% from 60.9% in 2019. The Government has announced a series of expenditure control and enhanced revenue compliance measures to achieve greater fiscal and debt sustainability. See "Government Finance—Fiscal Year 2020/2021 Budget". We cannot assure you that such measures will be successful in containing the deficit, or the national debt, or whether such measures will have a negative effect on the Bahamian economy.

Historically, The Bahamas' external current account deficit has largely been offset by a capital account surplus that has resulted from the inflow of private capital from foreign investors. The COVID-19 pandemic has temporarily interrupted the continuation or commencement of several foreign direct investment projects in the tourism sector, as well as restoration and rebuilding activities in the islands affected by Hurricane Dorian. However, since the Government's lifting of certain COVID-19 related restrictions, several of these projects restarted between April and May 2020, including the Margaritaville Beach Resort at the Pointe, Residences at GoldWynn, and the Baha Mar water-based theme park. If the inflow of private capital is materially reduced in the future, such as due to the continuing impact of the COVID-19 pandemic, a corresponding reduction in the current account deficit would be necessary to avoid a deterioration in the balance of payments. However, if spending on imports of goods and services, such as those utilized by the Government sector, is not reduced, then the improvement in the current account position may not occur, and this would lead to a deterioration in the country's balance of payment position. The Government has sought to mitigate this outcome by initiating a series of expenditure cuts in the 2020/2021 budget to help offset the additional spending and revenue losses associated with the COVID-19 pandemic. Furthermore, should growth in the Bahamian economy continue to lag that of the U.S. economy, The Bahamas' key source market for tourism, we may be required to incur higher levels of indebtedness. If economic conditions in The Bahamas and/or globally, as well as Government deficit and debt levels, do not improve, this may have a material adverse effect on our financial condition and our ability to service our debt, including the notes.

The fixed foreign exchange regime requires Bahamian monetary policy to focus primarily on maintaining parity with the U.S. dollar, rather than on other matters.

The Bahamian dollar is fixed at parity with the U.S. dollar. This means that the country must maintain adequate levels of external reserves, based on international benchmarks, to support the country's demand for foreign currency for international transactions. As a result, maintaining the fixed exchange rate regime is the focus of monetary policy, as opposed to other countries where the central bank's mandate is, for example, price stability. In addition to tourism inflows, net inflows arising from foreign direct investments have historically financed the persistent current account deficits, together with one-off transactions, and have contributed favorably to external reserves over the years. See "Summary—Recent Developments—The Government's Response to the COVID-19 Pandemic" for measures taken by the Central Bank to support resilience in external reserves.

The Bahamas is dependent on foreign oil supplies and may be adversely affected by increases in fuel prices and disruptions in the supply of fuel.

The Bahamas depends on imported fuels to satisfy nearly all of its domestic energy consumption. The tourism sector of the economy consumes a large portion of the total imported fuel products and is dependent on them. Weather-related events, natural disasters, political disruptions, or wars involving oil-producing countries, transportation, taxes or marketing, environmental concerns, and other unpredictable events, may result in crude oil and fuel supply shortages and/or price increases in the future. Any disruption in oil supply, or significant increase in international oil prices, may have a material adverse effect on the Bahamian economy.

Changes in tax policies and regulations, the interpretation thereof or, the adoption of other tax reforms or global tax or financial regulatory initiatives could significantly affect The Bahamas' economic performance and public finances.

The Bahamas has traditionally been an attractive jurisdiction for international financial services businesses because of its favorable tax regime. The Bahamas has no income taxes, capital gains taxes or profit taxes, and residents are free from succession, inheritance, taxes on gifts to close family members, and estate taxes. The introduction of new tax laws and regulations, and uncertainties with respect to future tax policies, pose risks to The

Bahamas. Furthermore, the post-COVID-19 recovery period will require fiscal consolidation, which may be done through improving tax compliance and collection, and strengthening tax administration. Changes in tax-related laws and regulations, and interpretations thereof, can affect tax burdens by increasing tax rates and fees, creating new taxes, limiting tax deductions, and eliminating tax-based incentives. It is unclear whether or in what form any such changes will be enacted into law or how soon any such changes could become effective in the event they were enacted into law.

The Government's financial position, may be adversely affected by changes in taxation policies. See "—The Economy—Social and Economic Policy Framework—Fiscal Policy."

Furthermore, sustained external pressure, such as de-risking by banks operating in The Bahamas, the reputational fallout resulting from blacklisting, or the threat of blacklisting, by the European Union due to its concerns about remaining deficiencies in The Bahamas' anti-money laundering and counter terrorist financing framework may create challenges in attracting new business and retaining existing business, which could make The Bahamas less attractive as a jurisdiction for international financial services businesses and have a material adverse impact on the financial services industry in The Bahamas and accordingly on the Government's financial position.

Risks Related to the Notes

We are a foreign sovereign government, and you may not be able to enforce civil liability provisions of the federal or state securities laws of the United States or provisions of the Fiscal Agency Agreement.

The Bahamas is a foreign sovereign government. To enforce rights under the notes and the Fiscal Agency Agreement against the Government, holders of notes or the Fiscal Agent under the Fiscal Agency Agreement may need to obtain a judgment against the Government in a court of competent jurisdiction in the Commonwealth of The Bahamas, which may prove costly and difficult. Foreign sovereign governments and agencies and instrumentalities thereof are generally immune from being sued in U.S. courts and from the enforcement of judgments of those courts under U.S. law, but may waive this immunity or may be subject to limited exceptions to this immunity, as set forth in the U.S. Foreign Sovereign Immunities Act of 1976 ("Immunities Act"). The Government has waived sovereign immunity, subject to certain conditions pursuant to the Fiscal Agency Agreement, in any action arising out of or relating to the Fiscal Agency Agreement or the transactions contemplated hereby to the fullest extent permitted by applicable law, except for immunity from execution and attachment as set forth in Section 19(4) of the Crown Proceedings Act (Chapter 68, Statute Law of The Bahamas). However, the Government, among other rights, reserves the right to plead sovereign immunity under the Immunities Act with respect to other actions brought against it under U.S. federal securities laws or any state securities laws. In the absence of a waiver of immunity by the Government with respect to such actions, it would not be possible to obtain a U.S. judgment in such action unless a court were to determine that the Government is not entitled to sovereign immunity under the Immunities Act with respect to such action. Moreover, it may not be possible to enforce a judgment obtained under the Immunities Act against the Government's property located in the United States except under the limited circumstances specified in the Immunities Act. Consequently, it may be difficult for you to obtain or enforce judgments of U.S. courts against us. See "Enforcement of Civil Liabilities."

The notes will be subject to transfer restrictions.

The notes have not been registered under the Securities Act or the securities laws of any other jurisdiction. The notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. These exemptions include offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act and in accordance with any applicable securities laws of any other jurisdiction and sales to qualified institutional buyers as defined under Rule 144A. For a discussion of restrictions on resale and transfer, see "Notice to Investors."

The notes will contain provisions that permit The Bahamas to amend the payment terms without the consent of all holders.

The Fiscal Agency Agreement governing the notes contains provisions that would permit The Bahamas to amend, modify or change a provision of the notes, or obtain the waiver of compliance with a provision of the notes, without The Bahamas obtaining the consent or affirmative vote of each holder of the notes. These provisions are commonly referred to as "collective action clauses." Under the terms of the collective action clauses in the Fiscal Agency Agreement, certain key provisions of the notes (which, with reference to such "collective action clauses", means all notes of the same series issued under the Fiscal Agency Agreement), including, among others, the maturity date, interest rate and other payment terms, may be amended with only the consent of the holders of: (1) with respect to the notes, more than 75% of the aggregate principal amount of the outstanding notes, (2) with respect to two or more series of debt securities (including the notes), if certain "uniformly applicable" requirements are met, more than 75% of the aggregate principal amount of the outstanding debt securities of all series (including the notes) affected by the proposed modification, taken in the aggregate, or (3) with respect to two or more series of debt securities (including the notes), whether or not the "uniformly applicable" requirements are met, more than 66⅔% of the aggregate principal amount of the outstanding debt securities of all series (including the notes) affected by the proposed modification, taken in the aggregate, and more than 50% of the aggregate principal amount of the outstanding debt securities of each series (including the notes) affected by the proposed modification, taken individually. As a result, material terms of the notes may be amended, modified or eliminated in a manner that is adverse to you without your consent. See "Description of the Notes—Meetings of Note Holders; Modification and Waiver."

Federal court decisions in New York create uncertainty regarding the meaning of ranking provisions and could potentially reduce or hinder the ability of sovereign issuers to restructure their debt.

In litigation in federal courts in New York captioned NML Capital, Ltd. v. Republic of Argentina, in 2012 the U.S. Court of Appeals for the Second Circuit ruled that the ranking clause in bonds issued by Argentina prevents Argentina from making payments in respect of the bonds unless it makes pro rata payments on defaulted debt that ranks equally with the performing bonds. The U.S. Supreme Court denied a petition for certiorari.

The decision could potentially hinder or impede future sovereign debt restructurings and distressed debt management unless sovereign issuers obtain the requisite bondholder consents pursuant to a collective action clause in their debt, such as the collective action clause contained in the notes. While the notes will rank at least equally with all other present and future unsecured and unsubordinated obligations of the Government, this provision in the Fiscal Agency Agreement shall not be construed so as to require the Government to make payments under the notes ratably with payments being made under any other indebtedness. See "Description of the Notes—Status of the Notes," "Description of the Notes—Covenants," "Description of the Notes—Negative Pledge," "Description of the Notes—Events of Default," and "Description of the Notes—Meetings of Note Holders; Modification and Waiver."

The Fiscal Agency Agreement does not prevent the Government from incurring additional debt or, subject to certain limitations, secured debt.

The Fiscal Agency Agreement governing the notes does not prohibit the Government from incurring additional debt and will allow, subject to certain limitations, the incurrence of secured debt. In addition, the Fiscal Agency Agreement does not impose any restrictions or limitations on any of the entities owned or controlled by the Government. As a result, if the Government, or its owned or controlled entities, incur more debt than they can repay, note holders may not receive full payment on their notes. In addition, if payment of any secured debt is accelerated, secured lenders will have priority over claims for payment on the notes to the extent of the value of the assets that constitute their collateral.

The Bahamas' credit ratings may not reflect all risks of investment in the notes.

The Bahamas' credit ratings are an assessment by rating agencies of its ability to pay its debts when due. Consequently, real or anticipated changes in its credit ratings will generally affect the market value of the notes. These credit ratings may not reflect the potential impact of risks relating to structure or marketing of the notes. Agency ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization. Each agency's rating should be evaluated independently of any other agency's rating.

Developments in other markets may adversely affect the market price of the notes.

The market price of the notes may be adversely affected by developments in the international financial markets and world economic conditions. The market for the notes is, to varying degrees, influenced by economic and market conditions in the United States and Caribbean countries, in addition to other countries. Although economic conditions are different in each country, investors' reactions to developments in one country may affect the securities markets and the securities of issuers from other countries or territories, including The Bahamas. We cannot predict the effect of developments in other securities markets on the market value of the notes.

An active trading market may not develop for the notes.

We do not intend to have the notes listed on a U.S. national securities exchange or to arrange for quotation on any automated dealer quotation systems. Although application will be made to list the notes on the official list of the Luxembourg Stock Exchange for trading on the Euro MTF Market, on which the initial notes are currently listed, we can offer no assurance as to the liquidity of any market that may develop for the notes, your ability to sell your notes or the prices at which you may be able to sell your notes. The initial purchaser has advised us that they may make a market in the notes. However, the initial purchaser is not obligated to do so and may discontinue any market making activities with respect to the notes at any time without notice. The liquidity of any market for the notes will depend on several factors, including
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- the number of holders of the notes;
- the market for similar securities;
- the interest of securities dealers in making a market in the notes; and
- prevailing interest rates.

We cannot assure you as to the development or liquidity of any trading market for the notes.

USE OF PROCEEDS

The Government intends to use the net proceeds from the sale of the notes to finance general development in The Bahamas during fiscal year 2020/2021.

THE COMMONWEALTH OF THE BAHAMAS

General

The Commonwealth of The Bahamas is an archipelago of approximately 700 islands and cays, spreading over nearly 100,000 square miles of the Atlantic Ocean. From its westernmost island, which lies approximately 50 miles east of Florida in the United States, The Bahamas stretches 750 miles in a southeasterly direction to within 50 miles of Haiti and Cuba. There are 29 major islands, 661 cays, and approximately 2,400 rocks which, together, aggregate 5,382 square miles. The two main islands are New Providence (on which the capital of the country, Nassau, is located and which has an area of approximately 80 square miles) and Grand Bahama (which has an area of approximately 530 square miles). The geography of The Bahamas is relatively low and flat, with rock formations creating low ridges beyond which lie many lagoons.

According to the Department of Statistics' Population Projections Report, the total population of The Bahamas as of the end of 2019 was approximately 385,340. The most populated islands in The Bahamas as of 2019 are New Providence, with approximately 275,800 residents, or approximately 72% of the population of the country, and Grand Bahama, with a population of approximately 53,123, or approximately 14% of the population. The Family Islands are more sparsely populated. Based on the Population Projections Report, approximately 93.6% of the Bahamian population was then under the age of 65 and approximately 24.9% of the population was then under the age of 15. In 2018, according to the World Bank, life expectancy at birth in The Bahamas was 74, and according to the United Nations' Human Development Report 2019, the human development ranking of The Bahamas was 60. The ethnic composition of the population is predominantly of African descent, with a substantial minority consisting of immigrants from the United Kingdom, other countries in Europe and North America. English is the official language of The Bahamas.

The Bahamas has a tropical climate with a relatively even temperature throughout the year, which generally varies between 75 and 89 degrees Fahrenheit. The islands are kept warm in the winter months by the Gulf Stream, while the southerly trade winds ensure a comfortable temperature during the summer months. The hurricane season generally lasts from June to November. In recent years, the hurricane season has appeared to be more active, with major storms impacting the country in 2015 (Hurricane Joaquin), 2016 (Hurricane Matthew), which caused significant damage to several islands, and in 2019 (Hurricane Dorian) which caused widespread damage and loss of life on Grand Bahama and Abaco. Grand Bahama and Abaco are the second and third most populated islands in The Bahamas, with approximately 14% and 5%, respectively, of the total population. Prior to Hurricane Wilma in 2005, which caused significant damage on Grand Bahama and some of the Family Islands, the last major hurricane to cause significant damage to The Bahamas occurred in 1929, with particularly devastating effects to New Providence. The landfall of another major hurricane on New Providence could have a material adverse effect on the economy and financial condition of The Bahamas. In addition, threats of hurricanes in the general vicinity of the country during the hurricane season have had and may have an adverse effect on our tourism industry.

As part of the Government's multi-layered financial resilience strategy, the Government is a participant in the Caribbean Catastrophe Risk Insurance Facility (the "CCRIF"), which provides member governments in the Caribbean with short-term liquidity as insurance against government loss of revenue caused by natural disasters. The facility is designed to limit the financial impact of catastrophic hurricanes and earthquakes on governments in this region, however the Government expects that any pay-outs will represent only a small portion of its expenses associated with such disasters. In the redesigned arrangement, agreed in 2017, the coverage splits The Bahamas into three zones—covering the North West, South East, and Central Bahamas, and each with separate parametric triggers featuring different attachment points and payout factors to enhance coverage. In 2019, the CCRIF provided a pay out of approximately $12.9 million to assist with Hurricane Dorian recovery efforts. To supplement the CCRIF's pay out funding for expenses related to Hurricane Dorian recovery and to meet immediate disaster recovery financing needs, the Government borrowed U.S.$80.0 million from a U.S.$100.0 million contingent credit line executed with the IADB. In accordance with the Central Bank of The Bahamas (Amendment) Act, 2018, the Government established the Disaster Relief Fund (the "Fund") and used $40.1 million from dormant bank account balances, which are bank account balances that have not been claimed by depositors within the specified 17-year period after which the depositors' claims to the deposits are extinguished. The Government intends to have the Fund fully established under a legislative framework and for it to be funded with additional dormant bank account balances and budgetary contributions to be made over time.

Government, Political System, and Constitution

The Bahamas, which was formerly a British colonial territory, became an independent self-governing nation within the British Commonwealth on July 10, 1973. The Bahamas has enjoyed political stability since independence.

The Bahamas recognizes the British monarch as its formal head of state. An appointed Governor General serves as the British monarch's representative in The Bahamas. The Governor General is appointed by Her Majesty, the Queen, based on the recommendation of the Prime Minister of The Bahamas and generally acts in accordance with the advice of the Cabinet.

Politically, Bahamians have had considerable control over their affairs since long before independence, beginning with the first government assembly in 1729. In May 1963, a conference was held in London to consider a new constitution for The Bahamas at which it was agreed that the colony should have full internal self-government, with the Governor General retaining reserved powers only for foreign affairs, defense, and internal security. The new constitution came into force on January 7, 1964, and constitutional advances in 1969 brought the country to the verge of complete self-government.

The political system in The Bahamas is based on the British Westminster model. Parliament consists of the House of Assembly and the Senate. The House of Assembly currently is comprised of 39 members who are elected by universal adult suffrage at least every five years. The Governor General appoints, as Prime Minister, the member of the House of Assembly who is the leader of the party that commands the support of the majority of the members of the House of Assembly. The Senate is comprised of 16 members who are appointed by the Governor General as follows: nine on the advice of the Prime Minister, four on the advice of the Leader of the Opposition, and three on the advice of the Prime Minister after consultation with the Leader of the Opposition. The term of Parliament is typically a five-year period. However, the Governor General, acting on the advice of the Prime Minister, may dissolve the proceedings of Parliament at any time within this five-year period. Upon the dissolution of Parliament, all members of the House of Assembly and Senate must vacate their seats and general elections ensue.

Following the most recent general election held on May 10, 2017, the House of Assembly was comprised of 35 members from the Free National Movement (the "FNM") and four members from the Progressive Liberal Party (the "PLP"). Two members of Parliament from the FNM are now independent. The Honorable Dr. Hubert Alexander Minnis, who is leader of the FNM, is the Prime Minister. The Leader of the Opposition is the Honorable Philip E. Davis, M.P. The FNM and the PLP are generally considered to be centrist political parties in terms of political philosophy and policies.

The executive business of the country is conducted by a cabinet currently consisting of the Prime Minister and 17 other ministers (the "Cabinet"). The ministers are appointed by the Governor General on the advice of the leader of the Government, who generally is also the Prime Minister.

Judicial power is vested in the Judicial Committee of the Privy Council (based in the United Kingdom), The Bahamas Court of Appeal, the Supreme Court, and the Magistrates' Courts. Appeals in almost all matters lie from the Supreme Court to The Bahamas Court of Appeal, with further appeal in certain instances to the Judicial Committee of Her Majesty's Privy Council. The Governor General appoints the Chief Justice of the Supreme Court on the advice of the Prime Minister after consultation with the Leader of the Opposition. The Governor General appoints the other justices with the advice of the Judicial and Legal Service Commission. The Judicial Committee of Her Majesty's Privy Council serves as the highest appellate court. English common law is the basis of the Bahamian legal system.

Bahamas Military

The Royal Bahamas Defence Force (the "Defence Force") is the coast guard of The Bahamas, which comprises the entirety of armed forces in The Bahamas, as the country does not have an army or an air force. Under The Defence Act, the Defence Force has been mandated to defend The Bahamas, protect its territorial integrity, patrol its waters, provide assistance in times of disaster, maintain order in conjunction with the law enforcement agencies of The Bahamas, and carry out any such duties as determined by the country's National Security Council. The Defence Force is also a member of the Caribbean Community's (the "CARICOM") Regional Security Task

Force, an international agreement for the defense and security of the eastern Caribbean region.

Education System

The education system in The Bahamas is comparable to that of many Western countries. Approximately 12.2% of the country's 2020/2021 budget is allocated to education, which is considered a top priority of the Government. In 2019, education represented an estimated 2.3% of GDP. Education in The Bahamas is compulsory from age five through sixteen, with approximately 63,000 students attending school at the primary and secondary levels as of the end of 2019. The adult literacy rate was estimated to be 96% as of 2018, according to the United Nations' Human Development Report 2019.

The Bahamas' education system classifies schools into three major categories: (1) primary, for children ages five to eleven; (2) secondary, for ages eleven to sixteen; and (3) schools for all ages in areas where more than one school is not justified by the corresponding population density. In general, schools in the Family Islands are smaller than those in New Providence and Grand Bahama due to the relatively long distances between settlements.

The Bahamas has both public and private schools. In fiscal year 2019/2020, the Ministry of Education operated 167 public schools, while private schools account for 77 of the country's schools. The Government has put substantial effort into developing its education system, making education available to all Bahamians at no cost to families, regardless of their financial means.

The Bahamas' education system is based on the Colonial British model. In primary school grades, students sit for exams at the end of each academic year, however, promotion is largely automatic. In secondary school grades, students must take their first major external exam, the National Junior Certificate Examination, in the ninth grade. The country's exit examination for secondary school is The Bahamas General Certificate of Secondary Education. The credential received permits its holders to matriculate into post-secondary education or join the labor market.

The country's education system also offers Bahamians the opportunity to pursue post-secondary studies. The University of The Bahamas, which was chartered on November 10, 2016 and had its genesis in the College of The Bahamas, is the Government's academic tertiary education institution. The Bahamas Technical and Vocational Institute (the "BTVI") offers certificate, diploma, and associates of science degree programs to all students with campuses on New Providence and Grand Bahama. The BTVI also offers online instruction. Over the years, several non-Bahamian colleges have offered higher education programs in The Bahamas.

Social Welfare System

In 1974, the Government introduced the country's first national social insurance program, which provides benefits to qualified contributors for retirement, disability, illness, maternity, funeral expenses, industrial benefits and survivor's assistance. Noncontributory assistance is available for pensions to seniors, survivor's benefits, and disability. Most of these benefits are paid out for noncontributory old-age pensions. The Government also administers a number of social welfare programs under its Ministry of Social Services and Urban Development, which has oversight over social services, social welfare, pensions to seniors, care for the indigent and the elderly, child protection and rehabilitative services, among others.

The Government continues to invest resources to address overall crime and safety and to reduce any security threats in The Bahamas, especially given the risks to the sustainability of the tourism and financial services industries. This is being accomplished through the use of sophisticated surveillance methods, including the implementation of shot spotter technology in high crime areas, drones, and an expanding network of closed-circuit television across New Providence. The establishment of the Real Time Crime Center in early 2020 and the merging of other resources to provide a more comprehensive first line of defense in dealing with major crimes has also enhanced operational capabilities. Most of these efforts are concentrated on the island of New Providence, where the majority of criminal activity has historically occurred. The Grand Bahamas and Family Islands account for less than a combined 23% of all criminal activity in 2019.

Based on statistics compiled by the Royal Bahamas Police Force, major crimes across The Bahamas have declined by 6.6% to 3,304 incidents in 2019, compared with 3,646 incidents in 2018. Between 2018 and 2019, New

Providence recorded a decrease of 5.9% to 2,632 incidents, Grand Bahama recorded a decrease of 10.0% to 361 incidents, and the Family Islands recorded a decrease of 8.1% to 411 incidents.

Membership in International Organizations

The Bahamas is a member of various regional and international organizations, including the British Commonwealth of Nations, the United Nations and its agencies, the IMF, and the World Bank. The Bahamas also has membership in the Non-Aligned Movement, CARICOM, the CDB, the Organization of American States, the IADB, and the World Customs Organization. The Bahamas is a signatory to the Conotou Agreement, which associates the African, Caribbean and Pacific States with the European Union, and to the Caribbean Basin Initiative with the United States. The Government continues to pursue membership with the World Trade Organization (the "WTO"), which has granted The Bahamas observer status. The Bahamas is also signatory to the Economic Partnership Agreement between the Caribbean Forum (CARICOM plus the Dominican Republic) and the European Union.

Bahamas Tax System

The absence of direct taxation has enabled The Bahamas to attract a substantial number of financial enterprises in search of tax efficient jurisdictions. The Bahamas has no income taxes, capital gains taxes or profit taxes, and residents are free from succession, inheritance, taxes on gifts to close family members or estate taxes. The only direct tax is a real property tax, ranging from 0.625% to 1.0% (subject to a maximum of $60,000) for owner-occupied property, 0.75% to 2% for commercial property, and 0.625% for residential property (with a minimum of $300). Businesses are taxed on their turnover at rates ranging in most cases from 0.75% to 1.25%, and new and small businesses are exempt. Banks, insurance companies, and other financial institutions are not subject to business license taxes, but are charged fees directly by their regulators. In January 2015, the Government introduced value added tax ("VAT") and the current standard rate is 12%—having been increased from 7.5% on July 1, 2018. VAT on real property transfers is at the rate of 2.5% where the value is $100,000 or less and 10% where the value is above $100,000. VAT is the dominant source of government revenue, accounting for approximately 42.0% of The Bahamas' revenue in fiscal year 2019/2020. The average rate of duty charges on imports is estimated between 30% and 35%, although there are numerous exemptions.

Bahamas Infrastructure and Energy Sector

The Bahamas has solid infrastructure in place. The Government has spent tens of millions of dollars on infrastructure improvements since the early 1990s, resulting in modern telecommunications and transportation networks, as well as medical facilities. To facilitate the needs of its high-tech businesses, The Bahamas offers high-speed fiber optic links and broadband Internet (cable and DSL).

The Bahamas boasts an extensive network of well-developed roads and highways, with 800 miles of road on New Providence reported in 2002. In 2013, the Government substantially completed the New Providence Road Improvement Project, which has improved the road system and decreased traffic congestion, road deterioration and flooding on New Providence. The island also has 34 seaports, allowing for regular shipping connections to the Americas and Europe. Furthermore, The Bahamas has two international airports (Lynden Pindling International Airport in New Providence and Grand Bahama International Airport in Grand Bahama), together with six Tier I airports on various Family Islands that are served by various international airlines that provide direct flights to and from key destinations in Europe, North and South America, and the Caribbean, with connections worldwide.

Scheduled domestic flights by the national airline, Bahamasair, link the island chain while also providing scheduled service to Florida. Charter services are available to all parts of the archipelago.

The Bahamas is served by several hospitals, mini-hospitals, and clinics. The Princess Margaret Hospital on New Providence is the largest and offers specialist facilities. Two smaller private hospitals, Doctors Hospital and Lyford Cay Hospital, also offer specialized medical treatment. Hospital facilities also exist in Freeport. Resident medical practitioners provide health care on the Family Islands. The COVID-19 pandemic has presented several challenges to hospital facilities in The Bahamas, including constraints in nursing capacity and personnel trained to manage high level care, such as ventilator technicians. In addition, limited laboratory capacity presented challenges in processing large numbers of COVID-19 tests resulting in a back-log in testing and the processing of test results.

For more information regarding the Government's response to these challenges, see "Summary—Recent Developments—The Government's Response to the COVID-19 Pandemic."

The Bahamas Power and Light Limited, the public corporation responsible for electricity generation and transmission, recently implemented a hedging strategy to take advantage of favorable movements in oil prices. The Government has also embarked on an IADB-funded program to introduce solar installations throughout the Family Islands, to modernize the energy sector and reduce dependence on imported fossil fuels. For more information regarding current oil exploration licenses, see "The Economy—Principal Sectors of the Economy—Other."

THE ECONOMY

General

The Bahamian economy is highly dependent upon the tourism and financial services industries. These two sectors of the economy, which include tourism-driven retail sales, real estate, construction, and manufacturing, together traditionally account for more than half of total GDP and employment. Based on recent Government estimates, tourism has generated approximately 45% of GDP and employed, directly or indirectly, over half of the workforce. In 2019, The Bahamas attracted approximately 7.2 million visitors, who spent in excess of $4.1 billion during their visits. In 2016, the 6.3 million visitors spent in excess of $2.6 billion during their visit. In 2019, stopover visitors constituted approximately 24.9% of total visitors to The Bahamas, with nearly 82% of all stopover visitors originating from the United States. Over the past several years, the Government has intensified efforts to improve the competitiveness of the tourism sector, principally by promoting new investment in hotels, private ports of call for cruise lines and other facilities, improving infrastructure, developing and enhancing tourist attractions, and expanding marketing efforts.

The financial services sector (which consists predominantly of banks, including private banks and trust companies, insurance companies, and investment funds) has also historically accounted for an estimated 15% of GDP. The Bahamas has traditionally been an attractive jurisdiction for international financial services businesses because of its favorable tax regime, legislative environment, and supportive professional infrastructure. Over the years, various legislative and regulatory initiatives were implemented to strengthen the regulatory and supervisory regime—aimed at bringing the financial sector into compliance with international "best practices" standards and enhancing the attractiveness of The Bahamas as an international financial services center. The Government sector also plays a significant role in the Bahamian economy.

The following table sets forth summary GDP information for the years ended December 31, 2015 through December 31, 2019.

	Years Ended December 31,				
	2015	2016	2017	2018	2019
Nominal GDP (in millions of $)(p)	$ 11,710.80	$ 11,928.50	$ 12,490.70	$ 13,022.10	$ 13,578.80
Increase (decrease) in nominal GDP (%)(1)(p)	5.39%	1.86%	4.71%	4.25%	4.28%
Nominal GDP per capita (in thousands of $)(2)(p)	31.68	31.94	33.10	34.15	35.24
Population (in thousands)(2)	370	373	377	381	385
Estimated increase (decrease) in real GDP (%)(1)(p)	0.23%	1.44%	3.12%	3.03%	1.22%

(1) Represents data compiled by the Department of Statistics.
(2) Represents Department of Statistics estimates.
Source: Department of Statistics.

For more detailed information on trends in GDP, see "—Gross Domestic Product."

The Bahamian economy is a small open economy and, as a result, reflects fluctuations in trade and investments much more readily than a closed economy. The external sector of the Bahamian economy is largely driven by the international services sector, which consists primarily of tourism and financial services. The Bahamas usually has a current account deficit because it imports significantly higher volumes of goods and services to support the tourism industry than it exports. This deficit generally increases when foreign direct investments increase. The current account deficit has, however, been offset by a continuing capital account surplus due to the inflow of capital into the economy, particularly in connection with new foreign investments in tourist facilities such as the Albany Project, the Resorts World Bimini project, the Baha Mar project, and Margaritaville Beach Resort at the Pointe. See "—Principal Sectors of the Economy—Resorts."

The Bahamian economy recorded mildly positive rates of economic expansion between 2016 and 2019. The rate of increase in real GDP improved from 1.4% in 2016 to 3.1% and 3.0% in 2017 and 2018, respectively, primarily benefitting from a combination of foreign direct investments and tourism activity which have strong linkages to construction activity and employment creation. However, preliminary estimates indicate that real GDP growth in The Bahamas moderated to 1.2% in 2019, primarily due to the loss of economic activity in Abaco and Grand Bahama caused by Hurricane Dorian. Based on the IMF's October 2020 World Economic Outlook Report, the Bahamian economy is expected to contract by an estimated 14.8% in 2020, due to the extensive adverse impact of the COVID-19 pandemic on economic activity. The Government expects that the IMF will increase its estimate of economic contraction significantly as a result of more recent assessments. Historically, foreign direct investment projects have generated new jobs and taxes that have positively affected GDP. In the fiscal sector, the Government introduced VAT in January 2015, as part of its fiscal consolidation plan, to broaden the tax base and improve fiscal indicators. Although recent hurricanes and the COVID-19 pandemic have necessitated unplanned spending, the Government continues to pursue measures designed to enhance revenue and constrain expenditure growth. Among these are the increase in the VAT rate, from 7.5% to 12% on July 1, 2018, and ongoing measures to rationalize expenditures and reduce subventions to public corporations.

Fiscal Responsibility Act; Budgetary Practices

Since fiscal year 2018/2019, the Government's budgetary practices have been characterized by enhanced transparency and accountability as codified in November 2018 with the introduction of the FRA which was designed with technical assistance from the IMF. The FRA establishes three numerical rules, namely:

- a ceiling on the overall budget deficit set at 0.5% of GDP;
- a ceiling on the annual growth rate of current expenditures set at the long-term nominal GDP growth—once the budget deficit target has been met; and
- a ceiling on government debt set at no more than 50% of GDP—for which the Government had set an original target date of 2024/2025.

To reinforce transparency and bolster the credibility of the rule-based policy framework, the FRA also establishes an independent "watchdog," the Fiscal Responsibility Council (the "Council"), whose key mandate is to assess compliance with the FRA and advise on budgetary matters, including the review of the fiscal strategy report, annual budget, mid-year review, pre-election economic and fiscal updates, government accounts, and any fiscal adjustment plan in response to deviations from the FRA targets. The Council was appointed by the Governor General in July 2019. The new fiscal responsibility governance framework enhanced transparency through new periodic reporting. Beginning with the opening quarter of fiscal year 2018/2019, the Government introduced quarterly fiscal reporting, and, in fiscal year 2019/2020, produced the inaugural citizen budget, explicitly developed for the public.

The FRA provides for a transition period, during which fiscal consolidation efforts are to achieve a gradual reduction in the overall budget deficit to the target by 2020/2021. During the transition period, the overall budget deficit could not exceed 1.8% of GDP in fiscal year 2018/2019 and 1.0% of GDP in fiscal year 2019/2020. Given the uncertainty in macroeconomic forecasts, the FRA provides for a compliance margin of 0.5% of GDP in any given fiscal year, including the transition period. The FRA also includes an escape clause, with a well-specified and transparent process for use in the event of a sudden and unexpected external shock which results in significant economic downturn. Whenever it is triggered, the Government is required to prepare a fiscal adjustment plan for returning to compliance with the fiscal objectives.

Prior to Hurricane Dorian in fiscal year 2018/2019, the Government was successful in meeting its fiscal targets. For fiscal years 2017/2018 and 2018/2019, the overall deficit was reduced from 3.3% of GDP in 2017/2018 to 1.7% of GDP in 2018/2019, which was under the mandated target of 1.8%. This progress of deficit reduction was interrupted in fiscal year 2019/2020 due to significant revenue losses and increased expenditures due to the impact of Hurricane Dorian which increased the overall deficit to GDP ratio to 6.16% of GDP compared with the targeted 1.0%. Consequently, the Government invoked the exceptional circumstances clause in the FRA. A fiscal adjustment plan was prepared within the context of a revised budget and medium-term fiscal framework, which envisaged a delay in compliance with the mandated 2020/2021 deficit to GDP target of 0.5% until 2024/2025 and the debt target of 50% was shifted from 2024/2025 to 2028/2029. The COVID-19 pandemic presented another external shock delaying the implementation of the Government's fiscal adjustment plan announced in the Supplementary Budget presented to Parliament in January 2020. The unplanned COVID-19-related expenditure requirements and revenue losses have led to a sharp increase in the Government's overall deficit and borrowing requirements for fiscal year 2020/2021.

Faced with the unprecedented impact of the COVID-19 pandemic on macroeconomic conditions in The Bahamas, the Government's fiscal year 2020/2021 budget focuses on protecting the health and safety of Bahamians, providing adequate social support to vulnerable members of the community, sustaining employment through the support of micro and small and medium sized businesses ("MSMEs"), and on accelerating the reform agenda. Accordingly, the Government has included in the budget targeted allocations to address COVID-19 needs in the areas of public health services, social assistance benefits, unemployment assistance for self-employed persons, not normally eligible for the unemployment benefits from the NIB, business continuity support to the MSMEs, and tax credits and deferrals for businesses. To help offset these additive impacts, the Government implemented discrete cuts in various discretionary expenditures, including its funding to various public corporations. See "—Principal Sectors of the Economy—Government."

As part of the requirements under the FRA, the Government is mandated to prepare, on an annual basis, a Fiscal Strategy Report setting out the medium-term macroeconomic outlook and the Government's fiscal strategy that will serve to guide the preparation of the next annual budget. The Fiscal Strategy Report is to be provided to both Parliament and the Council by the third Wednesday of November. The 2020 Fiscal Strategy Report was due November 18, 2020. However, the Government notified Parliament that the 2020 Fiscal Strategy Report will be delayed until early December.

Recent Public Financial Management Legislative Initiatives

The Public Procurement Bill, which is intended to modernize the Government's procurement arrangements in line with international best practices, was tabled in Parliament in June 2020, and is awaiting debate during the Fall 2020 parliamentary session. The existing Financial Administration and Audit Act is expected to be replaced by the enactment of the PFM Bill. Among the reforms to be introduced with the Public Procurement Bill is the establishment of the eProcurement and Supplier Registry—the Government's electronic procurement system that will facilitate the execution of online procurement activities and promote efficiency, transparency and fairness in the government's procurement activities.

The draft PDM Bill is intended to bolster the governance and institutional framework for effective debt management via the establishment of a debt management office and a debt management committee and institutionalize the preparation and implementation of a medium-debt management strategy. A 45-day public consultation period on the PDM Bill ended on November 17, 2020, and the Government expects to enact the PDM Bill by January 2021, pending Parliamentary approval.

The draft PFM Bill addresses weaknesses in the existing public finance law (the Financial Administration and Audit Act, 2010), by incorporating best practices for public financial management relative to accountability and transparency and coverage. The PFM Bill sets out provisions for enhanced cash management, provides for more periodic reporting, broadens entity accountability beyond the central government to public corporations and improves on many of the administrative provisions. The PFM Bill was released for a 45-day public consultation which ended on November 17, 2020, and efforts are underway to have the draft legislation finalized for enactment by January 2021, pending Parliamentary approval.

In keeping with best practice for promoting professional independence in statistical agencies, the recently drafted Statistics Bill would institutionalize the Institute as an autonomous corporate body to replace the existing Department of Statistics. Accountability of the Institute is expected to be achieved via annual reporting to the Parliament. There is also a provision for the development of a national statistical strategy by the Board-appointed advisory National Statistical Committee, to be comprised of heads of other agencies in the national statistical ecosystem as well as representatives of the private sector. The intent is to ensure a participatory, consultative, all-inclusive, and transparent approach to the development and dissemination of the national statistical strategy, which is to be published on the official website of the Institute and reviewed every three years. The Statistics Bill was released for public consultation in early September 2020 and the Government will seek to enact the legislation before the end of 2020, pending Parliamentary approval.

The Government's reform agenda also includes the eventual conversion of the current defined benefit pension plan into a contributory scheme.

Gross Domestic Product

During the 2008 recession, from which the Bahamian economy subsequently recovered, real GDP contracted at a rate of 2.3% and declined further by 4.2% in 2009. The economy posted a real GDP growth rate of 0.2% in 2010, which improved to a growth rate of 1.4% in 2016. Stronger tourism performance, alongside increased foreign investment inflows, which are linked to construction activity, supported a firming and stabilizing in real GDP expansion, to 3.1% in 2017 and 3.0% in 2018. The adverse impact of Hurricane Dorian on economic activity in Abaco and Grand Bahama was the primary factor underlying the decline in estimated real GDP growth to 1.2% in 2019. Based on the IMF assessment, The Bahamas is expected to experience a recession in 2020, with real GDP contracting by an estimated 12.5%. The Government expects that the IMF will increase its estimate of GDP contraction significantly as a result of more recent assessments. In recent years, The Bahamas has maintained relatively stable prices, with an inflation rate averaging less than 3.0% during 2017, 2018, and 2019, and with an increase in prices in 2019 reflecting the increase in the VAT rate to 12.0%.

The following table sets forth nominal GDP and expenditures (and as a percentage of nominal GDP) of The Bahamas for the years ended December 31, 2015 through December 31, 2019.

	Years Ended December 31,									
	2015(p)		2016(p)		2017(p)		2018(p)		2019(p)	
	(in millions of $, except percentages)									
The Economy:										
Nominal GDP(1) ……………………………...	11,711	100%	11,929	100%	12,491	100%	13,022	100%	13,579	100%
Add: Imports of goods and Services……………………………………	4,480	38%	4,453	37%	4,997	40%	4,999	38%	4,980	37%
Total supply of goods and services……………	16,191	138%	16,382	137%	17,487	140%	18,021	138%	18,559	137%
Less: Exports of goods and services…………………………………….	4,441	38%	4,364	37%	4,539	36%	5,132	39%	5,329	39%
Total goods and services available for domestic expenditure…………………...	11,750	100%	12,018	101%	12,948	104%	12,889	99%	13,230	97%

(1) Represents data compiled by the Department of Statistics.
Sources: The Central Bank and the Department of Statistics.

Principal Sectors of the Economy

The following table sets forth the Government's estimates of the contributions of the principal sectors of the Bahamian economy as a percentage of total nominal GDP of The Bahamas for the years ended December 31, 2015 through December 31, 2019.

	Years Ended December 31,				
	2015	2016	2017	2018	2019
Agriculture forestry and fisheries..	0.8	0.9	0.8	0.7	0.6
Mining and quarrying..	0.9	0.3	0.3	0.8	0.6
Manufacturing..	2.5	3.3	3.1	2.3	2.3
Electricity and gas, water supply and sewerage.....................	2.2	2.7	2.4	2.9	2.7
Construction...	5.9	6.9	7.6	6.6	7.3
Wholesale and retail trade, motor vehicle repairs..................	11.9	12.1	10.8	10.2	10.3
Transport and storage...	5.2	5.1	4.2	3.9	3.2
Accommodation and food services…………………………..	9.3	7.9	8.1	9.6	9.3
Information and communication……………………………	4.1	3.8	3.6	3.5	3.1
Financial and insurance activities…………………………….	7.6	8.5	8.7	8.5	7.6
Real estate activities………………………………………….	14.9	15.2	15.3	14.8	14.5
Professional, scientific, and technical services………………	3.5	3.4	3.4	3.2	3.3
Administrative and support services…………………………	2.5	2.3	2.5	2.1	1.9
Public administration and defense, social security…………...	5.2	5.2	5.4	5.1	6.0
Education……………………………………………………..	2.7	2.7	2.7	2.4	2.3
Human and health social work……………………………….	2.8	3.0	2.9	2.9	2.8
Arts, other services, household employment, extraterritorial organizations……………………………………………….	7.4	7.4	7.3	7.0	6.8

Source: Department of Statistics.

The following table sets forth the percentage of employed persons (as a percentage of the total labor force) by economic sector as of May 31, 2019.

	As of May 31, 2019
Agriculture, hunting, forestry, and fishing	1.0
Mining, quarrying, electricity, gas, and water	2.9
Manufacturing	2.8
Construction	9.0
Wholesale and retail	14.5
Hotels and restaurants	18.5
Transport, storage, and communication	8.7
Financing, insurance, real estate, and other business services	6.5
Community, social and personal services	35.4
Not stated	0.7

Source: Department of Statistics.

The following discussion briefly describes the principal non-governmental sectors of the economy. For a description of the governmental sector, see "—Government" and "Government Enterprises."

The Bahamian economy is highly dependent upon the tourism and financial services industries. These two sectors of the economy, which include tourism-driven retail sales, real estate, construction, and manufacturing, together traditionally account for more than half of total GDP and employment. Based on recent Government estimates, tourism has generated approximately 45% of GDP and employed, directly or indirectly, over half of the workforce. The Government estimates that the financial services sector (which consists predominantly of banks, including private banks and trust companies, insurance companies, and investment funds) has historically accounted for an estimated 15% of GDP.

Tourism

Tourism is the major sector in the Bahamian economy, accounting for a significant portion of the country's GDP and employing much of its workforce, directly or indirectly. With its tropical climate, proximity to the United States, accessibility and political stability, The Bahamas attracted approximately 7.2 million total visitors (including stopover visitors, cruise, and day visitors) in 2019 (with 27.5% of annual visitors in the first quarter, 26% in the second quarter, 21.5% in the third quarter, and 25% in the fourth quarter of 2019).

One of The Bahamas' attractive tourist destinations is the Family Islands. The Family Islands are an attractive destination due to their seclusion and varied hotel offerings ranging from high-end boutique hotels to vacation rental homes. Visitors tend to stay for longer periods of time in the Family Islands (approximately eight days) compared with Nassau/Paradise Island (approximately six days). Visitors typically spend more on the Family Islands, both because of the higher average daily rate at many of the Family Islands hotels and because most visitors that stay in these islands enjoy fishing, boating, diving, and other such activities. Prior to the COVID-19 pandemic, flights were readily available to the major Family Islands (notably Bimini, Abaco, Eleuthera, Exuma, and Grand Bahama) from mainland United States or Canada, and, in the case of San Salvador, from Paris, France. However, the remainder of the Family Islands do not have international airports with the capacity to receive the larger international carriers and, as a result, depend on private aviation and visitors transiting through Nassau or arriving via boat or yacht.

The performance of the Bahamian tourism sector is, and will continue to be, largely dependent upon economic and other conditions in the United States and other countries that serve as key source markets. During the nine months ended September 30, 2020, the number of visitors to The Bahamas declined significantly to approximately 1.7 million from 5.4 million in the nine months ended September 30, 2019. For information on how the COVID-19 pandemic has impacted the Bahamian tourism industry, see "—COVID-19" below.

Resorts

The Bahamas' hotel sector has been among the hardest hit by the COVID-19 pandemic, which led to the temporary closure of most properties, some of which continue to remain closed, and to employees being furloughed and, in some cases, terminated due to the extended duration of the pandemic. However, in early November 2020, several of the large hotel properties announced staged reopening plans beginning as early as December. Beyond this direct employment impact, resort closures also interrupted various expansion and renovation plans, such as the renovation at the Atlantis property, while others, such as the Margaritaville Beach Resort at the Pointe, the GoldWynn condo-hotel and residences project, and the Baha Mar water-based theme park have restarted construction activity as of April 2020.

Generally, the Government has maintained efforts to improve the competitiveness of the Bahamian tourism sector by promoting new investment in hotels, private ports of call for cruise lines and other facilities, upgrading the tourism infrastructure, and expanding marketing efforts. To develop and promote tourism, the Ministry of Tourism was provided with a total budget of approximately $130.4 million in fiscal year 2019/2020, while the amount estimated for fiscal year 2020/2021 (including the budget estimated for ministries that fall under the Ministry of Tourism, but are not directly related to tourism such as those relating to aviation and airports) is equal to $106.1 million. These resources are used to facilitate the development of new hotels and attract foreign investment to The Bahamas. As a result of the Government's efforts, The Bahamas has benefited in recent years from a steady stream of private investment in the tourism sector, including the launch and expansion of the Albany Project, the Resorts World Bimini project, the Baha Mar project, and the Margaritaville Beach Resort at the Pointe.

- *Albany Project* – This luxury resort community in the southwestern end of New Providence, owned by British financier Joe Lewis and renowned golfers Tiger Woods and Ernie Els, was opened in 2010. The community features a luxury boutique hotel and a variety of residences that include beach front views, access to a beach club, custom homes on the golf course, equestrian ranchettes and marina apartments. Aimed at becoming an international draw for financial services and medical and sports tourism, the community is currently in the midst of an approximately $750.0 million expansion project including the addition of a helicopter landing pad, a wellness center, a financial center, a "first of its kind" sports academy with boarding accommodation, and a school.

- *Resorts World Bimini* – A 750 acre resort and casino located on Bimini Island, the resort opened in 2013 and is a combined investment of Mr. Gerado Capo, a leading Florida builder and real estate developer, through his company RAV Bahamas Ltd., and the Malaysia-based Genting Group, a leading international resort, gaming, cruise line, agriculture, and energy conglomerate. In June 2016, the resort opened the five-star 305 room hotel and casino property which is being operated under the world-renowned Hilton brand.

- *Baha Mar* – The approximately $4.2 billion mega-resort, Baha Mar, a 1,800 room hotel and 200,000 square foot convention center operated by the Grand Hyatt, first opened to guests on April 21, 2017. The Baha Mar also features the 100,000 square foot, world class Sky Warrior casino (presently the largest in the region) as well as the 18-hole Jack Nicklaus Signature Golf Course. Additional phases of the Baha Mar resort project were subsequently opened, including the SLS Lux hotel property, which opened in November 2017, and the upscale Rosewood property, in May 2018. The Baha Mar announced that despite the COVID-19 enforced construction suspension, which was recently lifted, its $300.0 million water-based theme park remains scheduled to be completed next year.

- *Margaritaville Beach Resort at the Pointe* – Other substantive tourism-related investments underway include the $250.0 million Margaritaville Beach Resort and condo hotel residences at the Pointe on New Providence, and post-Hurricane Dorian reconstruction and expansion plans.

Additional planned and current construction includes the following:

- *Disney Cruise Line* – On March 7, 2019, Disney Cruise Line ("Disney") executed a Heads of Agreement with the Government to invest between $250.0 million and $400.0 million to create an environmentally sustainable private cruise destination on the island of Eleuthera, at Lighthouse Point. Disney is in the process of conducting an environment impact assessment. The Government expects that the project will commence construction in early 2021.

- *GoldWynn's Residences at GoldWynn* – A new 156 unit condo-hotel and residences on Goodman's Bay, Nassau, is underway, with construction work restarted since the lifting of COVID-19 restrictions on construction activity in March 2020. The developer is the Wynn Group of Companies, which has made an investment of approximately $130.0 million. The project is expected to be completed by December 2021.

- *Nassau Cruise Port Ltd.* – This special purpose vehicle, owned in part by Global Ports Holding Plc., entered into a port operation and lease agreement on August 28, 2019 with the Government to extend the Nassau cruise berthing capacity and enhancing the experience for cruise arrivals with the creation of recreational, entertainment, shopping and eating centers, and centralized transportation facilities. The capital investment for the project is approximately U.S.$250.0 million. Environmental studies have been completed and work is ongoing on the project. The project is expected to be completed by the second quarter of 2022.

- *Tyroz Development at Lantern Head and South West Point, South Abaco* – A Heads of Agreement was executed between the Government and Tyroz Family Holdings Ltd, as developer, in February 2020. Under the terms of the Heads of Agreement, the developer will construct an up-market gated resort community in South Abaco with a wide range of amenities, including the expansion and upgrade of the Sandy Point airport, a marina, golf course, clubhouse, restaurants, a retail and residential component, swimming pools, waterpark, utility services, resort accommodations, and related amenities. The capital investment for the project is approximately U.S.$ 300.0 million. As of September 2020, the developer is progressing with the technical elements of the project, including the environment impact assessment and environmental management plan.

In addition to large scale developments, the Government also promotes smaller eco-friendly developments as a means of encouraging investment by Bahamian investors in the tourism sector and to further expand hotel market opportunities within this sector, particularly in the sparsely populated Family Islands.

The Government has also made a direct investment in resort properties to support the tourism industry. In October 2016, Hurricane Matthew severely damaged anchor resort properties in Grand Bahama, resulting in the closure of the Memories Resort and parts of the Grand Lucayan Resort and 50% of the hotel rooms in Grand Bahama being out-of-commission in 2017. As part of a broader plan to support employment and the recovery of the Grand Bahama economy, the Government decided to step in as interim owner of the Grand Lucayan Resort which was facing closure. On August 15, 2018, the Government, through a special purpose vehicle, purchased certain parcels of land comprising the Grand Lucayan Hotel for the purchase price of U.S.$65.0 million. The Government made an initial payment of $30.0 million and, in accordance with the sales purchase agreement, the remaining balance of U.S.$35.0 million was secured by a mortgage on the properties. The loan is repayable in seven tranches at an interest rate of 4% and is supported by a guarantee from the Government. Since this transaction, the Government has provided support to Lucayan Renewal Holdings Ltd. for operational purposes, including debt service. In March 2020, the Government signed a Heads of Agreement with Bahamas Port Investments Ltd, a joint company of Royal Caribbean International and the ITM Group, for the sale of the Grand Lucayan Resort and the development of a cruise port in Grand Bahama. Proceeds from the sale of the property are expected to be used to reimburse the Government for its capital investment in the transaction. Although COVID-19 has delayed the closing of this transaction, the Government believes all parties remain fully vested in plans to revitalize the tourism sector in Grand Bahama.

Cruise and Air Travel

Nassau is one of the world's busiest cruise ship ports, with approximately 2,271 ship calls in 2019, a 2.0% increase in the number of ships that visited in 2018. In addition, The Bahamas has two international airports (Lynden Pindling International Airport in New Providence and Grand Bahama International Airport in Grand Bahama), together with six Tier I airports on various Family Islands that are served by various international airlines that provide direct flights to and from key destinations in Europe, North and South America and the Caribbean, with connections worldwide. Scheduled domestic flights by the national airline, Bahamasair, link the island chain while also providing scheduled service to Florida. Charter services are available to all parts of the archipelago. The two largest airports are in Nassau, located in New Providence and in Freeport, located in Grand Bahama. The Grand

Bahama International Airport sustained significant damage during Hurricane Dorian, and the existing owners (Hutchison Whampoa and the Grand Bahama Port Authority) are contemplating its sale. Given the importance of the airport to the economic revival of the Grand Bahama economy, the Government is in discussions with the owners for the acquisition of the property, for a consideration of $1 each to each owner for their respective 50% equity stake in the airport.

Visitor Information

The following table sets forth selected data relating to visitors to The Bahamas as of and for the years ended December 31, 2015 through December 31, 2019 and the nine months ended September 30, 2019 and September 30, 2020.

	As of and for the Years Ended December 31,					As of and for the Nine Months Ended September 30, 2019	As of and for the Nine Months Ended September 30, 2020[(p)]
	2015	**2016**	**2017**	**2018**	**2019**		
	($ in millions, visitors in thousands)						
Stopover visitors							
Total visitors	1,496	1,499	1,452	1,625	1,802	1,469[(1)]	386[(1)]
Increase (decrease)	3.6%	0.2%	(3.1)%	11.9%	11.0%	16.3%	(73.7%)
Total expenditures	2,224	2,430	2,614	3,371	3,730	n.a.	n.a.
Cruise visitors							
Total visitors	4,513	4,690	4,626	4,878	5,429	3,961	1,327
Increase (decrease)	(6.1)%	3.9%	2.5%	4.0%	11.3%	11.2%	(66.5%)
Total expenditures	309	294	314.	354	393	n.a.	n.a.
Total visitors[(2)]	6,112	6,265	6,136	6,622	7,244	5,438	1,739
Increase (decrease)	(3.3)%	2.5%	0.4%	5.7%	9.4%	10.5%	(68.0%)
Total expenditures[(3)]	2,538	2,726	2,930	3,728	4,125	n.a.	n.a.
Increase (decrease)	9.6%	7.4%	7.5%.	27.2%	10.7%	n.a.	n.a.

(1) Represents air (includes day visitors, which are excluded from annual stopover data) and sea arrivals (all arrivals by sea, including cruise).
(2) Includes stopover, cruise, and day visitors.
(3) Represents total expenditures of stopover, cruise, and day visitors.
Sources: Ministry of Tourism and Central Bank.

From 2018 to 2019, The Bahamas experienced a 9.4% increase in total visitors to The Bahamas to approximately 7.2 million tourists in 2019. This follows a 5.7% increase from 2017 to 2018 to approximately 6.6 million tourists. The number of stopover visitors increased by approximately 11% between 2018 and 2019 and 11.9% between 2017 and 2018. The number of cruise visitors grew by approximately 11.3% from 2018 to 2019, up significantly from the 4.0% increase from 2017 to 2018. Tourists spent an estimated $4.1 billion in 2019, an increase of 10.7% from the $3.7 billion spent by tourists in 2018. The 27.2% increase in total visitor expenditure in 2018 reflected the impact of the opening of the multi-billion dollar Baha Mar resort in tandem with additional flight routes, higher average occupancy, and higher average daily room rates.

The following table sets forth selected data relating to hotel performance indicators relative to stopover visitors to The Bahamas as of and for the years ended December 31, 2015 through December 31, 2019.

	As of and for the Years Ended December 31,				
	2015	**2016**	**2017**	**2018**	**2019**
Average Occupancy Rate	58.6%	57.9%	56.1%	57.4%	61.8%
Average Daily Room Rate	$209.44	$212.46	$219.15	$232.68	$251.14
Visitor Nights (000)	11.272	10.802	10.190	10.135	10.003

The average occupancy rate for stopover visitors declined steadily from 58.6% in 2015 to 56.1% in 2017. Due to the opening of the multi-billion dollar Baha Mar resort, beginning with the Grand Hyatt in April 2017 and the Rosewood in May 2018, and the increased flight routes accompanying these openings, the average occupancy rate increased to 57.4% in 2018 and increased further to 61.8% in 2019. The average daily room rate rose from approximately $209 in 2015 to $219 in 2017. Average room rates increased by 6.2% to $233 in 2018 and increased by 7.9% to $251 in 2019. Such increases were attributable to an increase in high-end room inventory added by the Baha Mar.

The following table sets forth selected data relating to stopover visitors to The Bahamas by country/region of origin as of and for the years ended December 31, 2015 through December 31, 2019, and the nine months ended September 30, 2019 and September 30, 2020.

	As of and for the Years Ended December 31,					As of and for the Nine Months Ended September 30, 2019	As of and for the Nine Months Ended September 30, 2020
	2015	2016	2017	2018	2019		
Stopover Visitors							
United States	78.1%	78.9%	78.9%	79.8%	81.6%	82.2%	79.7%
Canada	9.9%	8.3%	7.6%	7.8%	7.4%	7.0%	10.8%
Europe	6.9%	7.3%	8.0%	7.5%	6.6%	6.4%	6.0%
Rest of the World	5.1%	5.5%	5.5%	4.9%	4.4%	4.4%	3.5%

The distribution of stopover visitors by country/region of origin reflects the dominant share of the United States in the total visitor mix. From a low of 78.1% in 2015, the share of the visitors from the United States in the total number of visitors moved upwards and stabilized at 78.9% before increasing by 1.8% to 81.6% in 2019. Canada contributed the next largest visitor share of 9.9% in 2015, which declined, on balance, over the four-year period to 7.4% in 2019. Europe's share of total stopover visitors at 6.9% in 2015 increased to 8.0% in 2017, and decreased thereafter to a five year low of 6.6% in 2019.

COVID-19 and Tourism

The COVID-19 pandemic has triggered an unprecedented crisis in the tourism sector around the world and in The Bahamas. With the closure of borders on March 16, 2020 and the implementation of Government mandated containment measures, tourism came to a sudden stop, hotels announced closures, and cruise ship sailing was suspended. The number of arrivals fell precipitously to 1.7 million in the nine months ended September 30, 2020, from 5.4 million in the nine months ended September 30, 2019. With the global cruise industry shutdown, cruise visitors totaled 1.3 million in the nine months ended September 30, 2020, compared to 4.0 million in 2019 and stopover visitors declined to 0.4 million from 1.5 million in 2019.

According to the United Nation World Tourism Organization (the "UNWTO"), international stopover visitors have declined across destinations worldwide in 2020, with a 90% to 100% decline during April and May and an overall decline in arrivals of 55.9% globally from January through May 2020 compared with the same periods in 2019. Comparatively, The Bahamas experienced an overall decline in stopover visitors of 59.5% from January to May 2020, compared with the same period in 2019.

As part of its response strategy to the impacts of the COVID-19 pandemic, the Government focused on initiatives to address the reopening of the tourism industry in the continuing presence of COVID-19. By mid-May 2020, the Ministry completed its internal strategic plan for addressing tourism marketing, product facilitation and quality in the post lockdown environment, and completed its immediate crisis response and engaged in marketing campaigns to keep the destination top-of-mind with potential visitors. Key strategic priorities include the propagation of the necessary health and safety protocols within the tourism industry, a revised approach to encourage domestic tourism and address other key markets, and planning for improved resiliency in tourism. For more information regarding the Government's reopening plan, see "Summary—The Government's Response to the COVID-19 Pandemic."

By the end of May 2020, the TRRC, a multi-sectoral group comprised of public tourism officials, health officials, and private tourism industry stakeholders, had completed and published a strategy for tourism readiness and recovery in the post-lockdown environment. The TRRC's plan focuses on the development of protocols to protect and ensure the health and safety of both visitors and tourism workers, at air and sea ports as well as in the full range of tourism operations, including hotels, marinas, tour operators, transportation, attractions, restaurants, retail, etc.

Four-Phased Plan for the Reopening of the Tourism Industry

Once the Bahamas had made strides towards flattening its curve in mid-June 2020, based on recommendations from the Ministry of Health, the Government commenced its four-phased reopening plan for the tourism industry.

Phase 1

Phase 1 began on June 15, 2020 which allowed for private aviation, boaters, and yachters (but not commercial flights) to return to The Bahamas, without any requirement that travelers undergo COVID-19 testing or quarantine.

Phase 2 and Additional Restrictions on Entry

In June, prior to the full reopening of the economy and the Phase 2 reopening, the Ministry of Tourism trained over 15,000 tourism front-line workers on the protocols established in the TRRC plan and also delivered health and safety certification programs to hotels and tourism operations, to ensure their ability to operate safely and effectively. By June 2020, the country had successfully contained and curbed the first wave of COVID-19 infections. At the end of June, the incident cases in The Bahamas were reduced to zero and the number of confirmed cases was 104. Phase 2 initially commenced on July 1, 2020, when international borders were opened for commercial air travel.

During the initial weeks of the Phase 2 reopening of international borders, the number of stopover visitors increased to 13,736 from 2,513 in June 2020, confirming the continued demand for travel to The Bahamas despite the ongoing COVID-19 pandemic. In July, flights from key markets in Canada, for example, were fully booked and stopover visitors continued to increase, even though the numbers were still substantially below those of 2019. Jet Blue and Air Canada are currently operating flights to The Bahamas from Fort Lauderdale, Florida and Toronto, Canada, respectively.

Following the Phase 2 reopening, The Bahamas faced a second wave of infections that began in late-July. Data collected by the Ministry of Health indicated that this second wave was instigated not by inbound international tourism traffic, but by local outbound travel and the subsequent community spread upon return to The Bahamas. This spike in infections prompted the the introduction of certain restrictive measures for people entering The Bahamas. As of July 24, 2020, the Government has required all passengers (residents and tourists) arriving on commercial airlines or private planes, boats, and yachts to obtain a negative result from an RT PCR test, and to submit this test result electronically to The Government five days prior to travel in order to obtain a Bahamas Travel Health Visa for entry into the country. The Government also introduced a 14-day quarantine for incoming visitors and returning residents. During this 14-day quarantine, visitors were allowed to use all the facilities located at their hotel or resort, but are otherwise required to "vacation-in-place" and not leave the hotel or resort premises.

The maritime private watercrafts and charters and private aviation markets, which were opened ahead of the broader commercial tourism market, brought in thousands of visitors in the second half of June 2020. However, the resumption of cruises and ferries to The Bahamas will depend on decisions by the cruise industry and may also depend on developments relating the CDC's "no sail" ban on the cruise industry. The CDC's no-sail ban, initially announced at the outset of the COVID-19 pandemic, expired on October 31, 2020. However, effective November 1, 2020, the CDC issued a "Framework for Conditional Sailing Order for Cruise Ships", which provides a phased pathway to the resumption of safe and responsible sailing. In the initial phase, cruise operators are required to build lab capacity to test crew members and future passengers, and must show they adhere to testing, social distancing, quarantining and isolating requirements, when necessary. This phase is to be followed by "mock voyages", with volunteers playing the role of passengers to test virus mitigation strategies on trips. If ships meet certain requirements, they will be certified by the CDC to begin operations with real passengers. Two of the large cruise operators, Carnival and Royal Caribbean Cruise Line, have targeted resumption in sailing during the first quarter of 2021. The Government expects that once cruises resume, The Bahamas will likely have a competitive edge as a short cruise destination because of its proximity to the United States, a dominant cruise market, and from significant investments already made by the large operators in private cruise ports.

Phase 3 and Phase 4

On October 1, 2020 the Government announced its intention to reopen the tourism sector (which the Government refers to as Phase 3) on October 15, 2020, with the "vacation-in-place" requirement continuing through October 31, 2020 and a revised requirement to obtain and electronically submit an RT PCR negative COVID-19 test dated no more than five days prior to travel. As of November 1, 2020, visitors are no longer required to "vacation-in-place" or required to obtain a rapid antigen test upon arrival in The Bahamas. Instead, visitors must fill out a daily Health Screening Survey online for 14 days or the length of their stay, whichever is shorter. A rapid antigen test is required on day five of the stay for visitors staying five days or longer. At this time, the timing of Phase 4 has not been announced. For more information regarding Phase 3 and Phase 4 of the current reopening plans see "Summary—The Government's Response to the COVID-19 Pandemic."

Ongoing Tourist Demand

As the impact of the COVID-19 pandemic has demonstrated, any significant decline in the performance of the tourism sector is likely to have a negative effect on the overall financial condition of The Bahamas. Given the unprecedented nature of the COVID-19 pandemic, the Government cannot predict the impact of the COVID-19 pandemic on the financial condition of The Bahamas. Even once travel advisories, border closures, and other tourism-related restrictions are lifted, a lack of tourist demand may persist for a significant length of time and there is no certainty that tourism levels will return to pre-COVID-19 pandemic levels. Despite this ongoing uncertainty, The Bahamas is focused on ensuring it is ready and equipped to reopen and operate in accordance with post-COVID-19 safety measures. However, any reopening is subject to significant uncertainties and contingencies, and there can be no assurance that future economic and other conditions in the United States and other countries will not have an adverse effect on the tourism sector or that Government and private sector initiatives to improve the competitiveness of the tourism industry of the country will be effective.

If tourism levels do not resume as the Government anticipates and there is a significant divergence in the fiscal outcome from the fiscal year 2020/2021 budget expectations, the Government may be required to reassess its need for additional external financing, which, if needed, will be incorporated into the submission of the Mid-year Review report due to Parliament by the last Wednesday in February.

Financial Services

The financial services industry (which consists predominantly of banking, including private banking, and trust companies, insurance companies and investment funds) has also historically accounted for 15% of GDP and provided substantial employment to the country.

The Bahamas is a principal jurisdiction of choice for conducting financial services, ranging from international banking, asset protection trusts and international business companies to estate planning and ship registration. The Government believes The Bahamas continues to be an attractive jurisdiction for financial service businesses because of (i) the absence of corporate and personal income taxes, (ii) geographic proximity to the United States, (iii) skilled professional support, (iv) political, social and economic stability, (v) its strong regulatory framework and (vi) minimal exchange controls for transactions between nonresident parties. The Bahamas' commitment to improving its standing as an established international financial center has been bolstered by the recent enactments and the issuance of several guidelines designed to strengthen The Bahamas' anti-money laundering regime and improve the level of regulatory supervision of financial institutions.

In terms of institutional participation, the level of international banking business in The Bahamas has declined, although the quality of the remaining institutions may have improved since December 2000, with the introduction of licensing requirements that require a physical presence and actual operations in The Bahamas. As institutions conformed to physical presence standards (see "Monetary and Financial System—Financial Sector"), the number of bank and trust companies licensed to operate within or from The Bahamas has been on a downward trend since 2001, settling at 221 in 2019, down from 356 in 2001. As of June 30, 2020, the total asset base of offshore banking and trust institutions was estimated to be approximately $176.7 billion. Due to the ongoing automation of operations and consolidation of business activities, total employment in the banking sector decreased by an estimated 1.2% between 2018 and 2019.

Outside of the banking sector, statistics compiled by The Bahamas' Securities Commission indicate a decline in the number of licensed investment funds, from 748 in 2018 to 725 at year end 2019. In the insurance sector, the number of registered insurance companies is estimated to have increased by nine in 2019 to a total of 137.

The Government does not expect any material change in the number of financial institutions licensed in The Bahamas in 2020, although the total asset base of such institutions may fluctuate in the face of sustained external pressure, such as de-risking by such banks, the reputational fallout resulting from blacklisting, or threat of blacklisting, by the European Union due to its concerns about remaining deficiencies in The Bahamas' anti-money laundering and counter terrorist financing framework, and such pressures may create challenges in attracting new business and retention of existing business.

The Government, through the Ministry of Finance, is also collaborating with the Clearing Banks Association and the Central Bank to promote cashless commerce in The Bahamas. The aim of this initiative is not to eliminate the use of cash, but to reduce cash and check utilization in The Bahamas, expanding financial services to remote parts of the country and supporting new business opportunities. A task force is being formed to help achieve established targets.

Construction and Manufacturing

The construction sector accounted for an estimated 7.3% of GDP in 2019 and employed an estimated 19,300 or 9% of the total labor force as of May 2019. The following table sets forth construction activity (in number of construction permits, building starts, and building completions) in The Bahamas (New Providence and Grand Bahama) for the years ended December 31, 2015 through December 31, 2019.

	Years Ended December 31,				
	2015	2016	2017	2018	2019
Building Permits:					
Number	1,299	1,136	1,269	1,503	1,399
Value (in millions of $)	$ 553	$ 545	$ 403	$ 662	$ 804
Building Starts:					
Number	442	352	389	396	346
Value (in millions of $)	$ 120	$ 96	$ 155	$ 118	$ 97
Building Completions:					
Number	588	627	643	649	505
Value (in millions of $)	$ 229	$ 202	$ 1,494	$ 334	$ 195

Sources: Department of Statistics, Bulletin of Construction Statistics, and unpublished data. Note: Includes data for New Providence and Grand Bahama only.

In recent years, the construction sector has benefited from the public investment in infrastructure programs as well as private investment in resort and residential properties. For example, in April 2017 the first phase of the approximately $4.2 billion Baha Mar development on New Providence was completed, which included a convention center operated by Grand Hyatt, a golf course, and the other two major hotels, the SLS Lux and the Rosewood properties. In addition to the above, phase one of the $250.0 million Pointe project has been completed, and the multi-million dollar Resorts World Bimini property opened officially in June 2016. Construction is also positively impacted by increased tourism, and construction of resorts may increase to meet tourist demand if and when tourism to The Bahamas increases again. In the coming periods, the Government expects construction sector output to be driven by domestic demand and other foreign direct investment developments, especially on the Family Islands, as well as hurricane rebuilding activity on the islands of Abaco and Grand Bahama.

The manufacturing sector accounted for an estimated 2.3% of GDP in 2019. The manufacturing industry is comprised of the production of goods for the local market and for export. The manufacturers that produce goods for the local market are primarily small, locally-owned industries, including, among others: (i) mattress and pillow manufacturing, (ii) paper converting, (iii) ice, soft drink, perfume, clothing, and crystal production and (iv) printing and publishing. Those manufacturers producing goods for export are primarily foreign-owned manufacturers, such as, for example, a salt mining facility owned by Morton International, Inc.

Government

The Government plays a significant role in the Bahamian economy with respect to its contribution to GDP and employment. Public administration and defense and social security represented an estimated 6.0% of GDP in 2019 and public sector employment was 44,125 or 20.5% of total employed person as at May 2019. The Government participates in the communications, transportation, utilities, hotel, and banking industries through its stakes in an estimated 24 significant public corporations and statutory bodies. The Government is continuing to pursue a program of reforms to public enterprises with the objective of making them self-sustained entities and alleviating the ongoing need for subventions, which represented approximately 19.1% of the Government's recurrent spend for fiscal year 2019/2020. During the fiscal year 2020/2021 budget process, public corporations were asked to implement a mix of cost savings and revenue enhancement measures to deliver a 10%, or roughly $21.0 million, reduction in subventions. The Government engaged a private sector firm to undertake a review of public corporations to identify legislative, regulatory, and institutional approaches to achieve cost reductions and revenue optimization opportunities as a part of this broader rationalization objective. Between 2020 and 2024, the Government has targeted $100.0 million in fiscal savings as initiatives are implemented in these areas, which are integral to the Government's fiscal consolidation plans and are expected to provide the fiscal space for other emerging needs.

Other

In 2016, the Government enacted a compendium of new petroleum industry legislation (repealing and replacing the Petroleum Act, Ch 219)—modernizing petroleum exploration, drilling, production, and related matters in conformance with current international industry standards. In particular, the new legislative framework allows the Government to explore for petroleum resources in partnership with another entity or alone, and for the Minister responsible for the petroleum industry to enter into production sharing agreements with other petroleum exploration and production companies. Under the new fiscal regime, the Government is to take a significant share of revenue associated with petroleum production, and payment of royalties is to be made into a sovereign wealth fund. The legislation also provided for liability for environmental damage and pollution to rest solely with the licensee or lessee, with hefty fines and penalties.

Currently there are two oil exploration companies that have been granted oil exploration licenses in The Bahamas. The two companies are Bahamas Petroleum Company Limited ("BPC"), and Columbus Pillow Exploration Co. Ltd. ("Columbus Pillow"). BPC has gained all the relevant required approvals and will be drilling its first oil well by December 2020. Once its Environment Impact Assessment and Environment Management Plans are approved, Columbus Pillow will be allowed to drill onshore. Choice Petroleum Company Ltd. and Pelican Exploration Co. Ltd have applied for oil exploration permits and licenses, which are being presently processed.

In 2019, the remaining sectors of the Bahamian economy consisted of agriculture and fisheries, non-tourism-related transportation and communication services and other commercial, personal, and social services, which on an aggregate basis accounted for approximately 21.1% of The Bahamas' 2019 GDP.

Economic Policies and Strategy

The Government's overall strategy is to promote the long-term economic development of The Bahamas by pursuing sound macroeconomic and fiscal policies designed to enhance the competitiveness of the Bahamian economy and facilitate private sector investment and consumption. In addition to the Government's short-term strategies indicated above, over the long-term, the key initiatives of the current administration in implementing this strategy include:

- progressing public sector reform to create an efficient public service committed to improving the ease of doing business with the Government;
- promoting a more sustainable debt and deficit trajectory through judicious expenditure controls, the continuation of enhanced tax compliance initiatives, an improved budgeting process, greater

efficiency and cost recovery among the public corporations, pension reform, and anchoring fiscal discipline in fiscal responsibility legislation;

- promoting job creation, economic growth, and poverty reduction through renewable energy and energy conservation initiatives, the creation of a knowledge-based economy, and upgrading and modernizing the Family Island airports, docks, and marinas;

- providing new business incentives to businesses that offer goods and services in the areas of renewable energy, culture, export, agriculture and fisheries, and manufacturing of authentic Bahamian souvenirs;

- reducing the cost of energy by modernizing the electricity generation, transmission, and distribution infrastructure, and creating a renewable energy economy;

- employing public-private partnerships to finance capital projects;

- supporting Bahamian investments in tandem with strategic foreign direct investments; and

- increasing investments in education, focusing on reforms in the areas of enabling information technology infrastructure, technical and vocational training initiatives, and administrative policy reforms to ensure effectiveness and efficiency in the delivery of services.

The Government believes that the economic stability created by sound macroeconomic and fiscal policies will lead to increased investments in The Bahamas that will generate employment opportunities and additional revenue sources for The Bahamas. In connection with its commitment to adhering to such policies, the Government is committed to improving its current sovereign credit ratings from both Moody’s and S&P, which were downgraded as a result of the macroeconomic shocks caused by Hurricane Dorian and more recently the COVID-19 pandemic. As such, the Government is dedicated to reducing the growth rate of its debt as economic conditions improve, decreasing the Commonwealth’s debt-to-GDP ratio in line with the targets set in the FRA and the Fiscal Strategy Reports.

The Government has a history of successfully using tax and other incentives to promote growth and does not propose to change this strategy at this time. Over the medium term, the Government seeks to ensure that incentives from large scale investments are not granted disproportionately. To achieve this goal, the Government is committed to reviewing its incentive legislation. This review would allow the Government to introduce incentives tailored to the needs of citizens and investors.

Employment and Labor

The following table sets forth the annual average rate of unemployment in The Bahamas as of May 31, 2014 through May 31, 2019.

	As of May 31,					
	2014	**2015**	**2016**	**2017**	**2018**	**2019**
Average unemployment rate	13.8%	12.0%	12.7%	9.9%	10.0%	9.5%

Source: Department of Statistics.

Prior to COVID-19, the recovery in the global economy provided some positive impetus for the domestic economy in recent years, and the Government expected that the unemployment rate would continue to improve. The unemployment rate narrowed to 12.0% in May 2015, from 13.8% in May 2014, but increased to 12.7% in May 2016. As of May 2019, the unemployment rate tapered to 9.5%. With the interruption to economic activity caused by Hurricane Dorian in Abaco and Grand Bahama, the unemployment rate was expected to increase and has worsened due to the impact of the COVID-19 pandemic. Based on the IMF’s October 2020 World Economic Outlook Report, the unemployment rate could exceed 25% in 2020. However, the Government expects that, as the impact of the pandemic subsides, and containment measures are reversed, the tourism industry, which historically employs over 50% of the labor force, will recover allowing for the return of furloughed and terminated workers to support the rebound in activity, but the timing, extent, and duration of such developments is unknown. In addition, the Government expects that the post-Hurricane Dorian construction activity planned for Abaco and Grand Bahama, and the various pipeline foreign investment projects waiting to resume activity, will contribute to a decrease in unemployment levels. For more information on the impact of COVID-19 see "—COVID-19" above.

The mean household income in The Bahamas for May 2019 and May 2018 was $47,212 and $42,676, respectively.

Inflation

The inflation rate in The Bahamas tends to parallel movements in inflation rates in the United States, reflecting the openness of the Bahamian economy, the significant level of trade with the United States, and the fixed parity of the Bahamian Dollar with the U.S. dollar. The Bahamas has, in recent years, experienced relatively stable inflation rates. During 2019, the change in the retail price index amounted to an increase of 2.5% compared to an increase to 2.3% in 2018, mainly reflecting price gains in global oil prices which fed through to transportation costs and the average prices for most goods and services.

Litigation

The Commonwealth is not involved in any material litigation or arbitration proceedings.

MONETARY AND FINANCIAL SYSTEM

Central Bank

The Central Bank was established under the Central Bank of The Bahamas Act in 1974, which was superseded in 2000 by an Act with the same name. The main function of the Central Bank is to promote and maintain monetary stability and credit and balance of payments conditions conducive to the orderly development of the economy, particularly the fixed parity between the Bahamian and U.S. dollars that has existed since 1973. The Central Bank also assumes a key role in overseeing and promoting the soundness and integrity of the banking system.

The Central Bank has at its disposal traditional instruments of monetary policy, including open market operations, discount rate adjustments, variable reserve ratios, selective credit controls, and "moral suasion." Through its various departments, the Central Bank acts as lender of last resort to banks, arranges the issue and redemption of Government securities, provides clearing facilities to banks, administers exchange controls, acts as advisor and banker to the Government and other public corporations, manages the country's external reserves, and governs the licensing and supervision of banks in The Bahamas.

Financial Sector

General

As of June 30, 2020, The Bahamas' financial system consisted of 223 banks and trust companies licensed to operate within or from within The Bahamas. Of the total, 85 held a public license and were permitted to provide banking and/or trust services to members of the public, and 138 were restricted, non-active, or nominee licensees. The sector also included 136 private trust companies, five non-bank money transmission service providers, and ten credit unions.

Banking activities continue to dominate the financial services sector in The Bahamas. Of the 223 banks and trust companies licensed in The Bahamas as of June 30, 2020, 22 were permitted to conduct operations in the domestic market. These are comprised of eight commercial banks authorized to deal in gold and all foreign currencies, and 14 institutions (which include 10 trust companies) for which domestic activities are limited. As of June 30, 2020, the total domestic assets of Bahamian domestic bank licensees stood at approximately $10,882.0 million, while the international business of the domestic licensees totaled approximately $7,929.0 million.

Financial services traditionally and currently account for an estimated 15% of the country's GDP. As a result, the Government has enacted legislative and regulatory initiatives aimed at enhancing the financial services sector and strengthening the regulatory environment. A compendium of statutes which came into effect in 2000, as well as other legislation which have come into force in more recent years, provide for more comprehensive and enhanced supervision and increased money laundering deterrence—all within the context of a framework that allows for greater international cooperation in the oversight of the financial system.

Over the last decades, The Bahamas has worked closely with the Organization for Economic Co-operation and Development (the "OECD") to adopt uniform standards of transparency and exchange of information between countries, especially countries offering or providing financial services. To date, The Bahamas has adopted several of the OECD's international standards of tax transparency and exchange of information in the financial services sector. With the introduction of the Common Reporting Standard (the "CRS") by the OECD in 2014 and resulting requirement for the automatic exchange of tax and financial information on a global level, the Government of The Bahamas has taken a policy decision to implement the CRS by way of the Multilateral Convention on the Mutual Administrative Assistance in Tax Matters on a non-reciprocal basis.

In January 2019, The Bahamas undertook a Financial Sector Assessment Program ("FSAP") led by a team from the IMF. The assessment comprised of a series of comprehensive reviews of the key segments of the financial sector, mainly systemic risk oversight, financial stability analysis and stress testing, banking supervision, and crisis management and to a lesser extent, the insurance, and securities activities. The FSAP report acknowledged the effective supervisory program that the Central Bank has in place, as well as the many strategic initiatives undertaken over the past few years that have helped to strengthen the overall regulatory and supervisory framework for the banking and trust sector. The Central Bank's robust supervisory program resulted in The Bahamas being rated as either compliant or largely compliant with all 29 of the Basel Core Principles. The report concluded that The Bahamas appears to be resilient to current threats to its financial stability, but action is needed to safeguard against potential weaknesses associated with problem assets, systemic risk monitoring, and crisis management.

Know Your Client, Anti-money Laundering and Countering the Financing of Terrorism Policies

The Caribbean Financial Action Task Force's (the "CFATF") onsite Fourth Round Mutual Evaluation of The Bahamas' Know Your Client ("KYC"), Anti-money Laundering ("AML"), and Countering the Financing of Terrorism ("CFT") supervisory framework and practices was conducted between November 30 and December 11, 2015. The CFATF report was finalized and published on July 17, 2017.

In response to the CFATF report and inclusion of The Bahamas on the list of jurisdictions under increased monitoring by the Financial Action Task Force (the "FATF" and the "FATF Grey-List"), The Bahamas has strengthened its AML, CFT, and counter proliferation ("CFP" and, together with AML and CFT, "AML/CFT/CFP") legislative, regulatory, and supervisory framework with the passing of a compendium of legislation during 2018 and 2019, and the issuance of AML/CFT/CFP related supervisory guidelines and guidance notes to address the enhanced supervisory approach to AML/CFT/CFP risk. In November 2018, as a result of The Bahamas' progress in strengthening its framework to address money laundering, terrorist financing, and proliferation financing since the CFATF report, the CFATF re-rated the country on 13 of the FATF 40 Technical Compliance Recommendations, resulting in compliance with 30 FATF Recommendations rated as compliant or largely compliant, 10 rated as partially complaint and none rated as non-compliant. Further, having agreed upon an "Action Plan" with the FATF in September 2018 to address the AML/CFT/CFP deficiencies, in February 2020, The Bahamas was deemed to have substantially addressed or largely addressed 95% of issues identified. Accordingly, the FATF plenary granted an onsite review to The Bahamas to verify the progress made, which is required prior to releasing the country from the FATF Grey-List. Such onsite review has not taken place and is pending due to COVID-19-related travel restrictions.

As the onsite FATF review is pending, The Bahamas was advised that the European Union was intending to blacklist The Bahamas due to its concerns about remaining deficiencies in The Bahamas' anti-money laundering and counter terrorist financing framework. The Bahamas has been engaged with the European Union regarding this threat of blacklist as it is based primarily on the country being listed on the FATF Grey-List without any consideration for The Bahamas' efforts to address the FATF's concerns.

The Government has placed significant emphasis on and remains committed to maintaining a suitable and progressive legal, regulatory, supervisory, and enforcement framework ensuring that the country meets and complies with international standards and best practices regarding financial and prudential supervision, combatting money laundering, terrorist financing, proliferation financing, and other identified risks.

In addition, the European Union has been monitoring The Bahamas with respect to the implementation of economic substance requirements. In February 2020, The Bahamas was completely removed from The European Union's Economic and Financial Affairs Council List of Non-Cooperative Jurisdictions for Tax Purposes. The European Union confirmed that The Bahamas has implemented the necessary reforms to meet the European Union criteria on tax governance and cooperation on tax matters.

Banking

Non-performing loans held by banks have maintained a downward trajectory over the last five years, attributed to modest gains in the economy, ongoing debt restructuring activities, loan write-offs, and hurricane relief measures. Commercial banks' non-performing loans decreased from a high of 15.1% of the portfolio in 2015 to 8.0% in 2019. The slight firming to 8.2% by September 2020 in banks' credit quality indicators improved slightly over the three-month period ended in June 2020, may be attributable to the ending of the loan deferral schemes for displaced persons and businesses. The Central Bank believes that non-performing loans could have increased further as a percentage of commercial banks' portfolios in the absence of such loan deferral schemes, and anticipates that credit quality indicators may deteriorate significantly in the absence of a continuation of forbearance by the banks, particularly if the COVID-19 pandemic persists.

In 2015, to address the deterioration in the prudential liquidity and capital requirements of the predominately Government-owned commercial bank, the Bank of The Bahamas, its non-performing loans having a face value of $100.0 million were transferred to Bahamas Resolve Limited ("Resolve"), a special purpose vehicle established by the Government for this expressed purpose and supported by a promissory note of equivalent value. In 2016, the Government's support of the Bank of The Bahamas was extended as the Government subscribed for the majority of the institution's $40.0 million ordinary shares rights offering. Between December 2016 and February 28, 2017, the Government subscribed for $10.0 million of The Bahamas' $30.0 million fixed rate perpetual contingent convertible bonds which were subsequently converted into common shares effective June 2017. As a result of these two transactions, the Government and the NIB now hold a combined majority shareholding of 82.6% in the Bank of The Bahamas.

In an effort to provide more support to the institution, additional non-performing loans from the Bank of The Bahamas, totaling approximately $167.7 million, were transferred to Resolve in two tranches, effective August 2017 and September 2017, and Resolve issued a corresponding promissory note payable to the Government. The Government provided additional liquidity support, amounting to $100.0 million to facilitate Resolve retiring the original $100.0 million promissory note from the Bank of The Bahamas. The Government believes that these corrective and proportional response measures have placed the Bank of The Bahamas on a more sound footing and limit the incidence of future fiscal risks. After five years of losses, the Bank of The Bahamas returned to profitability in the fiscal year which ended June 2018, which has since continued through the fiscal year which ended June 2019. The Bank of The Bahamas recorded a net comprehensive income of $3.3 million in fiscal year 2018/2019, compared with $2.6 million in fiscal year 2017/2018.

The following table sets forth selected financial soundness indicators for domestic commercial banks and other local financial institutions in The Bahamas as of and for the years ended December 31, 2015 through December 31, 2019 and the six months ended June 30, 2020.

	As of and for the Years Ended December 31,					As of and for the Six Months Ended June 30,
	2015	**2016**	**2017**	**2018**	**2019**	**2020(p)**
			(%)			
Financial system capital adequacy ratio	33.33	28.60	32.20	32.29	28.58	29.60
Non-performing loans net of provisions to capital	22.85	15.50	11.99	7.32	5.40	6.03
Non-performing loans to total gross loans	14.21	11.35	9.17	8.28	7.20	6.88
Return on average assets	1.89	2.05	1.79	2.28	2.44	n.a.
Return on equity	6.99	7.87	6.75	8.50	10.60	n.a.
Interest margin to gross income	70.52	69.43	69.41	68.46	67.36	n.a.
Non-interest expenses to gross income	47.42	48.44	52.08	48.00	49.00	n.a.
Liquid assets to total assets (liquid asset ratio)	24.07	25.88	29.00	26.60	29.60	30.91
Liquid assets to deposits	37.01	37.81	42.68	38.30	40.90	42.73
Foreign currency deposits, percent of total deposits	2.94	4.51	3.96	5.81	7.61	6.76
Deposits maturing within 3 months, percent of total deposits	20.37	13.83	12.18	9.03	7.04	8.19
Total provisions to total loans	8.84	8.70	7.37	7.72	7.51	8.83
Total provisions to non-performing loans	58.50	70.61	74.65	84.82	93.81	113.35
Total non-performing loans to private sector loans	15.11	12.32	9.88	9.10	8.01	7.79
Memo Items (in millions of $)						
Total domestic assets	9,812.89	9,967.30	10,194.33	9,946.11	10,685.55	10,882.17
Total domestic liabilities	7,161.65	7,372.85	7,494.99	7,303.46	8,290.88	8,451.17
Total equity	2,651.24	2,594.45	2,699.34	2,642.65	2,394.67	2,431.00
Liquid assets	2,361.55	2,579.92	2,956.18	2,649.03	3,214.53	3,363.54
Interest margin	541.00	536.75	523.84	525.05	544.62	n.a.
Commission & forex income	29.53	24.84	28.54	29.45	38.13	n.a.
Total deposits	6,380.37	6,823.96	6,925.96	6,913.20	7,727.49	7,872.49

	As of and for the Years Ended December 31,					As of and for the Six Months Ended June 30,
	2015	2016	2017	2018	2019	2020(p)
			(%)			
Fixed deposits up to 3 months	1,299.63	943.50	843.65	624.22	544.23	644.56
Domestic currency deposits	6,186.26	6,508.07	6,644.87	6,507.80	7,138.16	7,338.11

Source: Central Bank.

The following table sets forth consolidated assets of domestic commercial banks and other local financial institutions in The Bahamas as of September 30, 2020.

	As of September 30, 2020					
	Cash	Balance with Central Bank	Securities	Loans & Advances	Other Assets	Total
Total amount (in thousands of $)	128,619.00	1,472,870.00	2,051,784.00	6,837,394.00	472,492.00	10,963,159.00
% Share	1.2%	13.4%	18.7%	62.4%	4.3%	100.0%

Source: Central Bank of The Bahamas Quarterly Statistical Digest November 2020.

Monetary Policy

The Central Bank conducts the monetary policy of The Bahamas. The Central Bank's monetary policy objective is to maintain stable credit and other conditions to support the fixed parity between the Bahamian and U.S. dollars, while simultaneously allowing economic development objectives to be pursued. The stability objective includes maintaining the external value of the currency, while the development objective requires promoting and supporting a high level of domestic production, employment, and growth. The Government's move towards a more flexible and market-oriented framework for liquidity and credit management was advanced with the recent listing of all government bonds on the Bahamas International Securities Exchange on July 8, 2020, marking the official launch of electronic trading. The Government expects this move to deepen domestic credit markets. The Government has also begun a three-year project covering key bond market governance and infrastructure deliverables such as the planned establishment of a buyback and exchange program for government securities, the introduction of competitive and non-competitive bidding schemes, establishment of the operational and regulatory framework for the Central Securities Depository, and the introduction of Central Bank repurchase operations in line with its goal of introducing indirect instruments of monetary policy.

On December 22, 2016, the Central Bank reduced its discount rate by 50 basis points to 4.0%, with the view to position domestic businesses to benefit from growth opportunities in the near-term and to give support to housing investments. The Central Bank will continue to monitor economic developments and will make needed adjustments in its monetary stance to ensure the development of the financial sector, along with sustaining economic growth.

The following table sets forth the monetary and credit aggregates as of the years ended December 31, 2015 through December 31, 2019 and the nine months ended September 30, 2020.

	As of the Years Ended December 31,					As of the Nine Months Ended September 30, 2020(p)
	2015	2016	2017	2018	2019	
			(in millions of $)			
Currency in active circulation	247	280	293	310	337	383
Demand deposits	2,071	2,261	2,654	2,728	3,248	3,160
Money supply (M1)	2,318	2,741	2,947	3,039	3,585	3,543
Savings deposits	1,148	1,296	1,371	1,427	1,637	1,801
Fixed deposits	2,966	2,866	2,738	2,552	2,420	2,244
Money supply (M2)(1)	6,433	6,903	7,056	7,018	7,642	7,588
Foreign currency deposits	188	308	274	402	588	469

	As of the Years Ended December 31,					As of the Nine Months Ended September 30, 2020(p)
	2015	2016	2017	2018	2019	
Money supply (M3)(2)	6,620	7,211	7,330	7,419	8,320	8,058
Private sector credit	6,300	6,171	5,983	5,886	5,892	5,834
Net credit to Government	2,198	2,551	2,383	2,539	2,621	2,765
Credit to rest of public sector	468	406	472	486	445	389
Total domestic credit	8,966	9,128	8,838	8,911	8,957	8,988
Other net external liabilities(3)	(532)	(225)	(265)	(124)	33	(121)
Official foreign reserves	812	904	1,417	1,196	1,758	2,106
Bank liquidity	405	750	819	602	961	1,262

(1) Represents the sum of M1, savings deposits and fixed deposits.
(2) Represents the sum of M2 and foreign currency deposits.
(3) Represents the domestic banks' net external position. Liabilities comprise the deposits of nonresidents, foreign share capital and the net balances due to head offices and to other banks abroad by domestic banks. The assets cover the net balances held by domestic banks with their head offices and other banks abroad, holdings of foreign notes and coins, foreign securities, commercial bills and loans and advances made to nonresidents.
Source: Central Bank of The Bahamas Quarterly Statistical Digest November 2020.

The money supply increased by 10.9% in 2019 as compared to growth rates of approximately 1.2% and 1.7% in 2018 and 2017, respectively, primarily as a result of reinsurance receipts following Hurricane Dorian in 2019, and the positive tourism performance linked to the 10.2% gain in the more lucrative stopover visitor segment of the tourist mix compared with the 9.0% growth in 2018 and a 2.9% contraction in 2017. In 2019, the double-digit growth of approximately 14% in savings deposits and demand deposits contrasted with the approximately 5% decrease in fixed deposits.

Personal loans accounted for approximately 72.0% of overall domestic bank credit as of September 30, 2020. Other sectors of the economy maintained relatively constant percentage shares of overall bank credit, with the Government representing 12.8%, construction 4.5%, distribution 4.0%, and other 6.7%.

Foreign currency loans of domestic banks decreased from approximately $533.7 million as of December 31, 2015 to approximately $386.6 million as of September 30, 2020, equating to a 27.6% decline over the period. The operations of Bahamian domestic banks include a significant international component, with foreign assets totaling approximately $8.6 billion as of September 30, 2020.

The following table sets forth the deposit liabilities of domestic banks as of the years ended December 31, 2015 through December 31, 2019 and the nine months ended September 30, 2020.

	As of the Years Ended December 31,					As of the Nine Months Ended September 30, 2020(p)
	2015	2016	2017	2018	2019	
	(in millions of $)					
Demand deposits	2,077.8	2,539.0	2,698.9	2,815.1	3,492.8	3,618.4
Savings deposits	1,162.2	1,315.2	1,390.5	1,454.4	1,667.4	1,836.3
Fixed deposits	3,140.4	2,969.8	2,836.5	2,643.7	2,567.3	2,400.2
Total	6,380.4	6,824.0	6,925.9	6,913.2	7,727.5	7,854.9

Source: Central Bank.

Total deposit liabilities of domestic banks increased from $6.4 billion in December 2015 to $7.9 billion in September 2020, an increase of 23.1%. Demand deposits, which averaged 40.1% of the total deposits across the period, rose steadily over the years to a high of $3.6 billion at the end of September 2020. Savings deposits, which accounted for the lowest proportion of total deposits, at an average of 20.6%, was $1.8 billion at the end of September 2020. Fixed deposits at the end of September 2020 were $2.4 billion, representing an average of 39.3% of total deposits across the period.

Bank Regulation and Supervision

General

The Central Bank regulates and supervises the banking, trust, credit union, money transmission business and payment provider sectors of The Bahamas and is responsible for ensuring the safety and soundness of its supervised financial institutions ("SFIs") and the stability of the financial system. Its supervisory and regulatory framework is aimed at ensuring that SFIs maintain appropriate corporate governance, adequate risk controls, and compliance with applicable laws and regulations. Its prudential oversight includes reviews of liquidity, solvency, and capital adequacy. Through the development and issuance of policy guidelines and regulations, the Central Bank has aligned its practices with the Core Principles for Effective Bank Supervision as prescribed by the Basel Committee on Banking Supervision.

The supervisory and regulatory functions of the Central Bank include the authorization and approval of individuals and institutions, off-site monitoring, on-site examinations, and policy development. It is strongly focused on licensing approvals, which involve, among other things, the consideration of whether an applicant is a "fit and proper person," a review of the capitalization of a company to determine if minimum capitalization requirements are met and a review of the internal controls of a company to monitor and detect risk. Once a license is issued, the supervisory process of the Central Bank then involves monitoring and controlling the activities of the banks in accordance with established rules and regulations, and determining viability from the perspective of liquidity, solvency, and risk exposure.

Some Bahamian banks focus on domestic clients, and others on international clients. Both groups are subject to the same licensing and supervision regime for prudential matters. Under the Bahamian exchange control regime, domestic banks have full licenses to deal in Bahamian Dollars. Most international banks have elected not to seek an Exchange Control designation, or alternatively have only secured a limited license. These international banks are exempt from certain measures that the Central Bank imposes on domestic banks relating to reserve requirements, restrictions on the holdings of foreign assets, foreign exchange transactions and other credit measures.

The Central Bank employs various tools in exercising supervisory oversight of SFIs, which include off-site supervision (such as risk assessments, financial analyses, discovery review and other meetings), as well as on-site examinations. These tools have been tailored to promote high banking standards and the stability and soundness of the banking system, while providing sufficient flexibility to facilitate growth in business.

The Central Bank facilitates regulatory cooperation on several important fronts, including responses to international requests from foreign authorities, and participation in domestic and international cooperative forums. Supervisory co-operation and information exchanges are facilitated through established multilateral and bilateral memorandums of understanding ("MOUs"), with foreign supervisory authorities and relevant legislation. Further, on the basis of MOUs, the Central Bank liaises and cooperates with home country supervisors of all subsidiaries in The Bahamas with foreign parents, via periodic supervisory teleconferences and the exchange of annual home/host supervisory letters, to assess the impact, if any, of material risk issues identified at the enterprise level for operations in The Bahamas. Additionally, the Central Bank is a member of the Caribbean Group of Banking Supervisors, the Offshore Group of Banking Supervisors, and the Association of Supervisors of Banks of the Americas. Locally, the Central Bank is a part of the Group of Financial Service Regulators, which includes the Insurance Commission of The Bahamas, the Securities Commission of The Bahamas, and the Compliance Commission.

Anti-money Laundering and Countering the Financing of Terrorism

An area of recent focus for the Central Bank has been on matters related to AML/CFT. In November 2017, a new Analytics Unit was formed within the Bank Supervision Department in November 2017. The new unit has two focuses: AML and Financial Data. The AML division focuses on the enhancement of the AML/CFT supervisory framework, and specifically on continuous supervision of SFIs employing an annual supervisory cycle that includes collecting information on governance, risk management and compliance reports, ongoing dialogue with the money laundering reporting officer and compliance functions, SFI risk analysis, rating and ranking, and updating and executing supervisory action plans to address deficiencies in AML/CFT positions for each SFI. The Financial Data arm addresses continuous monitoring of SFIs' financial soundness and prudential limits and other regulatory compliance employing an annual supervisory cycle, which involves reviews of financial and risk assessments.

During 2018, the Central Banks' Guidelines on the Prevention of Money Laundering & Countering the Financing of Terrorism were amended to include provisions against Proliferation Financing. To this end, the section "Terrorism and Terrorist Financing" was renamed "Terrorism, Terrorist Financing and the Proliferation of Weapons of Mass Destruction" and includes the expansion of offences related to terrorism to a broader range of activities. The interpretative section now includes and clarifies terms and definitions which are reflected in other related pieces of legislation, and the internal controls, policies, and procedures section includes guidance to assist supervised financial institutions in assessing their level of identified risk.

The Central Bank, in its ongoing efforts to improve policies and regulations that balance safety, efficiency, and competitiveness in the Bahamian banking system, while promoting financial system stability, revised and simplified its Bahamian Basel II and III approach. During 2018, the Central Bank consulted with the industry by way of four discussion papers which proposed to simplify the Bahamian Basel II and III frameworks, consistent with the proportionality principles set out by the Basel Committee. The discussion papers outlined the Central Bank's proposed approach to its capital requirements, liquidity, minimum disclosure, and the framework for Domestic Systemically Important Banks. The Central Bank intends to fully implement its Basel framework by 2022 and, in the coming months, will release the draft Capital Regulations and Guidelines for a second round of industry consultation.

On-site examinations remain a significant supervisory tool of the Central Bank and over the course of 2019, the Central Bank conducted a total of 25 on-site examinations and seven discovery review meetings. The risk areas examined during the year focused primarily on money laundering, terrorist, and proliferation financing risk, and corporate governance. The Central Bank also undertook two joint special AML examinations with the Securities Commission of The Bahamas, utilizing the agreed Protocol for the Joint On-site Examinations which were formalized in January 2012.

Other Legislation

The Government enacted the Credit Bureau Act in March 2018, which introduced a legal system of credit reporting within the financial system in The Bahamas to enable credit information sharing and reporting, and to facilitate objective credit decisions by financial institutions and other credit providers. The Credit Bureau Act provides for the regulation of these activities, including the licensing by the Central Bank of credit bureaus, and institutes safeguards for data protection for customers of credit providers. The supporting Regulations were enacted in February 2019 and the Central Bank licensed the credit bureau operator, CRIF Information Services Bahamas Limited, on December 7, 2019. The company is owned by CRIF SpA, an Italian based entity, which operates in multiple jurisdictions. The credit bureau is expected to become operational in December 2020, with the first credit reporting expected to commence 12 to18 months post licensing. Over time, it is expected to enhance the quality of information on which lending decisions are made and promote increased ease of access to credit in The Bahamas. The Central Bank intends to collaborate with the operator on financial literacy initiatives to promote public awareness of the credit reporting framework.

A recent notable achievement for the Central Bank was the enactment of a new Central Bank Act, 2020, the Banks and Trust Companies Regulations Act, 2020 and the Protection of Depositors Act, 2020. The Central Bank Act, 2020 consolidates and modernizes the governing law and provides for the continuance of the Central Bank, its functions, powers, and duties. The existing provisions are strengthened and clarified relative to the objectives and functions of the Central Bank, the legal environment of the Central Bank and the statutory safeguards to credit to the Government and subscription of public debt in primary markets. It includes provisions to achieve greater operational flexibility to the Central Bank in conducting its investment activities and eliminates ambiguity and ensures clarity and consistency with the existing Central Bank Act and with other legislation which govern the Central Bank's regulatory functions. The Banks and Trust Companies Regulation Act, 2020 consolidates and modernizes the law regulating bank and trust companies and provides for a special resolution framework for banks. The Protection of Depositors Act, 2020 enhances the corporate governance framework of the Deposit Insurance Corporation and depositor protection. The legislation reduces the time within which the Deposit Insurance Corporation must make payouts to depositors following the failure of a member institution and includes co-operative credit unions in the membership of the Deposit Insurance Fund.

Exchange Rates and Exchange Controls

The unit of currency in The Bahamas is the Bahamian dollar. The Government has maintained a fixed parity of the Bahamian dollar with the U.S. dollar since February 1973. The U.S. dollar circulates freely with the Bahamian dollar. The official buying and selling rates for the U.S. dollar are $1.00 and $1.0025, respectively, per U.S.$1.00.

The Central Bank administers exchange controls under the provisions of the Exchange Control Regulations Act. The Central Bank, however, delegates to authorized dealers the authority to approve allocations of foreign exchange for certain payments. As a member of the IMF, The Bahamas has agreed not to impose restrictions on current account transactions, although exchange controls are used to monitor developments in this area.

The Government has pursued a policy of gradual liberalization of exchange controls, instituting several rounds in 1995, 2002, 2007, 2010, 2016, 2017, 2018 and most recently in 2019 designed to progressively liberalize the system. In line with these measures, commercial banks (authorized dealers) were given broader approval authority for a wide range of current account transactions (personal, business and temporary residents' remittances abroad) and signatory on foreign currency account, reducing the need for customers to approach the Central Bank. There has also been a relaxation of certain capital account restrictions with the objective of providing enhanced opportunities for residents to participate in and finance investments overseas and locally in foreign currency, while promoting opportunities for deepening of domestic capital markets. Commercial banks have been given approval to facilitate foreign currency lending to wholly Bahamian-owned entities, operating in eligible sectors of the economy and lending to temporary residents in Bahamian dollars. Areas covered by various exchange control liberalization measures included:

- revisions in the investment currency market rate;
- foreign real estate time-share purchases;
- employee stock option plans and employee share purchase plans;
- emigration;
- funding and investment guidelines for temporary residents and permanent residents with restricted right to work;
- investment in securities publicly traded on foreign exchanges and listed on The Bahamas International Securities Exchange, such as Bahamian depositary receipts;
- regional cross border listings;
- NIB overseas investment program;
- resident designated entities' investments in private and public sector securities;
- lending by commercial banks to wholly-owned Bahamian entities; and
- lending by non-residents to entities regarded as resident for exchange control purposes.

Regarding capital account transactions, all foreign currency transfers require Central Bank approval and outflows of resident-owned capital are restricted. The use of official exchange for direct investment abroad is limited in amount and is restricted to investments that are expected to meet certain balance of payments criteria. Investments abroad that do not meet these criteria may be financed by foreign currency borrowings, by purchases of foreign currency at a premium of 5% over the official market rate in the investment currency market maintained by the Central Bank, or by use of retained profits of foreign subsidiary companies. In addition, for any capital gains realized on the investment, the investor, under current bid and offer rates, would be entitled to a premium of 2.5% on the original capital invested in the foreign holdings. The use of investment currency is prescribed for transactions involving residents purchasing foreign currency-denominated assets from non-residents and making direct investments outside The Bahamas.

In financing overseas investments by borrowing, residents other than authorized banks must obtain the permission of the Central Bank to borrow foreign currency from nonresidents, while authorized dealers are subject to exchange control guidelines with respect to their lending in foreign currency to residents. Residents must obtain the specific approval of the Central Bank to acquire property outside The Bahamas, and purchases over $500,000 are normally expected to be made with foreign currency purchased in the investment currency market.

In-bound investments by non-residents of The Bahamas are restricted in certain businesses, such as wholesale and retail operations, restaurants, nightclubs and domestic newspapers and magazine publications. The consent of the Central Bank is required for the issue or transfer of shares in a Bahamian company to a non-resident and for the transfer of control of a Bahamian company to a nonresident.

Special procedures apply to investments in real property. As specified under the International Persons Landholding Act, 1993, a non-Bahamian (other than a permanent resident or a non-Bahamian acquiring land or an interest in land under a corporate/investment vehicle or by inheritance), who purchases or acquires an interest in real property to be used as an owner-occupied property or for the construction of premises to be used as an owner-occupied property, must, after completion of the purchase or acquisition, apply to register such acquisitions with the Bahamas Investment Authority. Upon receipt of the application, the purchase or acquisition is registered, and a Certificate of Registration issued evidencing the registration. A non-Bahamian (other than a permanent resident of The Bahamas or a non-Bahamian acquiring land or an interest in land by inheritance) who (i) notwithstanding the above, intends to purchase or acquire an interest in real property which is two or more contiguous acres in size, or (ii) intends to purchase or acquire an interest in real property which is not to be used as an owner-occupied property or for the construction of premises to be used as an owner-occupied property, must first apply to the Bahamas Investment Authority for approval. If the application is successful, a permit evidencing the approval is issued to the non-Bahamian.

In 2019, the Central Bank liberalized exchange controls on residential property transactions (both purchases and sales) involving non-residents (corporate/investment vehicles ultimately and solely owned by such non-residents or directly by the non-residents). The Central Bank has delegated the authority to commercial banks (authorized dealers) to sell foreign currency for repatriation of the proceeds of sale of residential real estate, on evidence that the ultimate beneficial owners of the sold property are non-residents.

Investments in commercial real estate projects still require exchange control approval, but only at the development stage. Subsequent sales of subdivided residential units or constructed dwellings (whether attached or detached) do not require approval. However, exchange control approval is required if non-residents seek financing secured by Bahamian real estate.

EXTERNAL SECTOR OF THE ECONOMY

The Bahamian economy is a small open economy and, as a result, reflects fluctuations in trade and investments much more readily than a closed economy. The external sector of the Bahamian economy is largely driven by the international services sector, which consists primarily of tourism and financial services. The Bahamas customarily has a current account deficit because it imports significant volumes of goods and services to support its tourism industry. The current account deficit has largely been offset by a capital account surplus due to the inflow of private capital into the economy, particularly in connection with tourism-related projects as well as Government borrowings.

Foreign Trade

The following table sets forth the values by category of The Bahamas' imports and exports for the years ended December 31, 2014 through December 31, 2018, and the nine months ended September 30, 2019, the latest period for which trade data is available.

	Years Ended December 31,					As of the Nine Months Ended September 30, 2019[(p)]
	2014	2015	2016	2017	2018	
			(in millions of $)			
Imports:						
Food and live animals	512	509	492	532	580	414
Beverages and tobacco	85	93	91	103	86	69
Crude materials (except fuel)	67	69	73	84	80	60
Mineral fuels, lubricants, etc.	868	535	403	553	583	554
Animal and vegetable oils	10	9	9	10	10	8
Chemicals	394	343	273	296	318	188
Manufactured goods	557	433	439	509	529	385
Machinery and transport equipment	720	615	669	770	675	513
Miscellaneous and other items	424	429	365	467	528	329
Other commodities and transportation	152	128	118	103	133	105
Total imports	3,790	3,162	2,932	3,428	3,521	2,625
Exports:						
Total domestic exports	353	230	202	225	237	163
Total re-exports[(1)]	170	149	155	172	174	215
Total exports	523	379	357	397	412	378

(1) Represents goods that are imported into The Bahamas, held in The Bahamas, and then re-exported to various countries.
Sources: External Trade Statistic Report, Department of Statistics, Central Bank of The Bahamas Quarterly Statistical Digest, November 2020.

Geographic Distribution of Trade

The largest trading partner of The Bahamas is the United States, which primarily reflects the proximity of the countries, the fixed parity of the U.S. and Bahamian dollars and the close relationship between the countries. The Bahamas also conducts trade with Canada, the United Kingdom, and other countries comprising the European Union. According to the Government's estimates for the nine months ended September 30, 2020, 86.4% of Bahamian exports were to the United States, while 83.7% of all imports into The Bahamas were from the U.S. Imports from the European Union and certain other countries together (among them, the United Kingdom, Canada, Caribbean countries and others) were 3.2% and 13.1%, respectively. Given its heavy reliance on trade in goods and services with the United States, The Bahamas' economy is, and will continue to be, dependent upon economic and other conditions in the United States.

The following table sets forth the distribution of non-oil imports and exports (including re-exports) by country/region for the years ended December 31, 2014 through December 31, 2018, and the nine months ended September 30, 2019, the latest period for which trade data is available.

	Years Ended December 31					As of the Nine Months Ended September 30, 2019(p)
	2014	2015	2016	2017	2018	
	(in millions of $)					
Imports:						
United States	2,559	2,180	2,132	2,436	2,469	1,734
United Kingdom	24	21	23	21	51	38
Canada	20	26	23	27	26	15
Caribbean Commonwealth	48	16	13	17	26	117
European Union (excluding United Kingdom)	85	93	70	113	73	66
Other countries	206	291	268	261	294	101
Total	2,941	2,627	2,529	2,875	2,938	2,071
Exports:						
United States	404	309	294	313	297	326
United Kingdom	5	5	13	9	9	4
Canada	14	6	2	3	1	4
Caribbean Commonwealth	1	5	8	15	21	1
European Union (excluding United Kingdom)	58	24	26	34	46	25
Other countries	41	31	13	23	36	18
Total	524	379	357	397	410	378

Source: External Trade Statistics Report, Department of Statistics, Central Bank of The Bahamas Quarterly Statistical Digest November 2020.

Balance of Payments

The balance of payments is used to record the value of the transactions carried out between a country's residents and the rest of the world. The balance of payments is comprised of two accounts: (1) the current account, which comprises net exports of goods and services (the difference in value of exports minus imports), net financial and investment income, and net transfers; and (2) the capital account, which is the difference between financial capital inflows and financial capital outflows.

The following table sets forth the balance of payments as of and for the years ended December 31, 2015 through December 31, 2019, and the six months ended June, 2020, the latest period for which data are available.

	As of and for the Years Ended December 31,					As of the Six Months Ended June 30, 2020(p)
	2015(p)	2016(p)	2017(p)	2018(p)	2019(p)	
Current Account:	(in millions of $, except percentages)					
Merchandise trade (net)						
Exports	521	481	571	642	669	247
Imports.	(2,954)	(2,632)	(3,109)	(3,317)	(3,073)	(1,319)
Total	(2,434)	(2,150)	(2,538)	(2,675)	(2,404)	(1,072)
Services (net)						
Travel	2,265	2,397	2,560	3,396	3,790	880
Transportation	(145)	(157)	(114)	(154)	(143)	(133)
Other	(726)	(892)	(797)	(674)	(788)	(438)
Total	1,281	1,216	1,380	2,311	2,631	309
Income (net)						
Compensation of employees	(68)	(39)	(39)	(29)	(63)	(48)
Investment income	(259)	(401)	(322)	(653)	(485)	(221)
Total	(363)	(440)	(361)	(682)	(547)	(438)
Current transfers (net)						

	As of and for the Years Ended December 31,					As of the Six Months Ended June 30, 2020(p)
	2015(p)	2016(p)	2017(p)	2018(p)	2019(p)	
Government	130	117	114	133	145	49
Other sectors	(224)	198	(169)	(201)	701	319
Total	(94)	315	(55)	(69)	846	368
Current account surplus (deficit)	(1,610)	(1,059)	(1,575)	(1,115)	526	(664)
Current account surplus (deficit) as a percentage of nominal GDP	(13.47%)	(6.0%)	(12.1%)	(11.4%)	0.6%	
Capital and Financial Account:						
Capital account (transfers)	(20)	(14)	(26)	(21)	(20)	(5)
Financial account.	813	792	1,598	630	251	594
Direct investment	526	390	305	491	265	105
Portfolio investment	(12)	(22)	(17)	(12)	(10)	(4)
Other investment	299	423	1,310	150	(3)	493
Central government long-term capital flow (net)	95	118	835	(8)	(22)	334
Other public sector capital	7	100	(10)	(40)	(23)	(12)
Banks	30	(306)	40	(141)	(157)	67
Other	169	511	446	339	198	104
Capital and financial account	793	778	1,572	609	231	589
Net errors and omissions(1)	841	373	516	285	(195)	368
Overall balance	(24)	(92)	(513)	221	(562)	294

(1) When all actual balance of payments entries are totaled, the resulting balance will show a net credit or a net debit. That balance is the result of errors and omissions in compilation of statements. Some of the errors and omissions may be related to recommendations for practical approximation to principles. In the balance of payments, the standard practice is to show separately an item for net errors and omissions. Labeled by some compilers as a balancing item or statistical discrepancy, that item is intended as an offset to the overstatement or understatement of the recorded components.

Source: Central Bank of The Bahamas Quarterly Statistical Digest November 2020.

As a net importer of goods, The Bahamas' external current account deficit mostly reflects the trends in tourism receipts (for exports) and consumer demand (for imports). During 2019, the current account position reversed to an estimated surplus of $526.0 million, from an estimated deficit of $1,115.0 million in 2018. The increase was largely attributed to Hurricane Dorian-related re-insurance inflows, which underpinned a surge in current transfers resulting in a net receipt of $846.0 million, compared to a $68.6 million net outflow in 2018. In addition, the trade goods deficit decreased by $271.0 million (10.1%) to $2,404.1 million, due to the combination of a $243.6 million (38.0%) reduction in imports and a $27.4 million (0.8%) rise in exports. Boosted by a $397.9 million (10.7%) gain in net tourism receipts, the services account surplus rose by an estimated $320.0 million (13.9%) to $2,630.7 million in 2019, although below the $931.0 million (67.5%) expansion in 2018.

The capital and financial account normally registers a surplus, as private sector investment net inflows usually offset capital transfers and public sector net outflows. In 2019, the capital and financial account surplus narrowed to $230.8 million, compared to $609.1 million in 2018, due mainly to a significant reduction in private sector loan-based financing inflows following the completion of the mega Baha Mar resort. For similar reasons, direct investments inflows declined sharply by $226.8 million to $264.6 million, following an increase of $186.8 million in 2018. Meanwhile, the public sector external debt net repayment was lower by $3.3 million at $44.6 million in 2019.

In the six months ended June 30, 2020, the current account balance was in a deficit by $663.9 million, and the capital account posted a $589.2 million surplus, boosted by government borrowings.

The following table sets forth the official foreign currency reserves as of the years ended December 31, 2015 through December 31, 2019 and the nine months ended September 30, 2019 and September 30, 2020.

As of the Years Ended December 31,					As of the Nine Months Ended September 30,	
2015	2016	2017	2018	2019	2019	2020
(in millions of $)						

Balances with banks	207	255	699	376	794	689	466
Foreign securities	522	551	615	671	780	703	1,438
Special drawing rights at IMF	9	26	27	27	27	26	27
Reserve position at IMF	75	73	77	123	157	140	175
Total	812	904	1,417	1,196	1,758	1,559	2,106

Source: Central Bank of The Bahamas Quarterly Statistical Digest November 2020

Between 2015 and 2017, external reserves trended upwards, being augmented in 2017 by net proceeds from the Government's U.S.$750.0 million external bond issuance. However, external reserves declined in 2018, reflecting, to a large extent, the impact of higher global oil prices and foreign debt refinancing by a public corporation with domestic currency. By the end of December 2019, external reserves had registered strong growth of $562.0 million from December 2018 to $1,758.0 million, with the increase mainly due to receipts associated with Hurricane Dorian insurance claims.

As of September 30, 2020, the Government had approximately $2.1 billion in external reserves, which corresponds to 8.3 months of importing ability. This increase of $547 million over September 30, 2019 reflects the benefit to external reserves from the reinsurance inflows, as well as Government foreign currency borrowings. The Central Bank expects that the level of external reserves will be higher at the end of 2020 as compared to 2019, largely supported by the Government's foreign currency financing activities, including this offering

According to the Central Bank, external reserves as of December 31, 2019 were reported at an estimated 37.9 weeks of total merchandise imports, which is above the international benchmark of 3.0 months. By comparison, the December 31, 2018 stock of external reserves at $1,196.0 million was reported at an estimated 22.3 weeks. As of September 30, 2020, the import cover improved to a reported 36.0 weeks from 24.7 weeks as of September 30, 2019.

GOVERNMENT ENTERPRISES

Public Corporations

Traditionally, the Government has played a significant role in the economy through its ownership and management of an estimated 24 significant public corporations. The public corporations are corporate entities established under special authorizing statutes or are incorporated under ordinary company legislation but are wholly owned or majority-owned by the Government.

In light of the Government's ownership interests in the public corporations, the Government is a guarantor by contract of certain indebtedness of the public corporations, and the incurrence of any debt by the public corporations is subject to Government approval. At December 31, 2019, the total debt of the public corporations stood at $1,691.7 million, of which $723.0 million was contractually guaranteed by the Government. See "Public Sector Debt—Debt of Public Corporations." In fiscal year 2019/2020, the Government's subsidies to the public corporations approximated $479.7 million and the budget for fiscal year 2020/2021 is approximately $408.0 million.

Certain of the public corporations have incurred substantial and recurring net losses and have significant negative net worth balances. In particular, Bahamasair, The Hotel Corporation of The Bahamas ("The Hotel Corporation") and The Water & Sewerage Corporation ("WSC") have had poor financial performance over the past several years. The most recent audit reports for the financial statements for these public corporations contain qualifications expressing doubt about their respective ability to continue as going concerns without the continued support of the Government. The Government anticipates that subsequent audit reports will contain similar qualifications.

None of the public corporations has ever defaulted on the payment of principal or interest under any loan agreement and the Government has never been required, as guarantor, to cure any payment defaults, except for defaults of the Government Guaranteed Student Loans under the Education Loan Authority in the amount of $11.9 million in fiscal year 2018/2019 and $6.0 million in fiscal year 2020/2021. For fiscal year 2019/2020, the Government provided an aggregate of $81.9 million in financial support to Bahamasair, WSC, and the Broadcasting Corporation of The Bahamas to ensure that these public corporations are able to meet their obligations under various loan agreements and to cover other commitments. See "Government Finance—Revenues and Expenditures." In addition, certain of the public corporations have from time to time failed to meet certain technical covenants contained in various loan agreements, including, depending upon the public corporation involved, financial, information reporting, or other covenants. These public corporations have obtained waivers from lenders for past covenant noncompliance, as well as prospective short-term monetary assistance from the Government. As of the date of this offering memorandum, such technical noncompliance problems have been cured.

In June 2016, the Government capitalized, in the amount of approximately $70.2 million, a special purpose holding company, HoldingCo2015 Limited ("HoldingCo"), for the purpose of owning 51.75% of the shares of NewCo2015 (now Be Aliv Limited) which received the country's second mobile communication license. The remaining 48.25% is owned by Cable Bahamas Limited—the successful applicant under the request for proposal process. The Government has plans underway for the eventual sale of its shares to Bahamian nationals. In May 2019, the Government granted HoldingCo a loan of $10.75 million to enable it to comply with Be Aliv Limited's request for loan funding from its strategic partners to bridge cash flow requirements. HoldingCo and the Government executed a promissory note, which provides for scheduled payments of principal and interest that mirror those to be received by HoldingCo from Be Aliv Limited over the four-year loan period.

Under the Electricity Act, 2015, BPL, a wholly-owned subsidiary of BEC, was established to provide for the generation and transmission of electricity for consumption on most islands in The Bahamas. For the fiscal year ended June 30, 2019, the consolidated balance sheet of BEC and BPL showed total assets of approximately $855.7 million, total liabilities of approximately $709.5 million, total shareholders' equity of approximately $146.2 million, and a consolidated net comprehensive income of approximately $17.7 million. In November 2019, the Government passed the amended Rate Reduction Bond ("RRB") Act which authorized the BPL to restructure $246.0 million of legacy debt of the BEC, its parent company, and raise an additional $289.0 million in new funding to invest in modern power generation. Before further legislative changes necessary to permit issuance of the rate reduction bond could be made, the BPL was faced with the virtual closure of capital markets for issuers such as The Bahamas. On June 11, 2020, BEC was obligated to make a balloon payment for legacy debt in the amount of U.S.$246.0 million and was not in a position to make this payment as a result of BPL's delay in issuing the prospective rate reduction bonds, a portion of the net proceeds from which were to be used to repay this outstanding liability. As result, the Government agreed to transfer the U.S.$246.0 million loan from BEC's balance sheet to the balance sheet of the Government under a new U.S.$246.0 million bridge facility between the creditors and the Government.

The WSC protects water resources, regulates the extraction, use and supply of water, disposes of sewerage and grants and controls water rights. As of December 31, 2018, WSC had total assets of approximately $356.9 million, total liabilities of approximately $228.5 million and total shareholders' equity of approximately $128.5 million. For the year ended December 31, 2018, WSC recorded a net comprehensive loss of approximately $15.3 million.

Bahamasair provides passenger and cargo transportation services in The Bahamas and between The Bahamas and Florida. As of the fiscal year ended June 30, 2018, Bahamasair had total assets of approximately $149.2 million, total liabilities of approximately $178.3 million and total shareholders' deficit of approximately $29.1 million (comprising capital contributions of approximately $607.7 million and an accumulated deficit of approximately $636.8 million). For the fiscal year ended June 30, 2018, Bahamasair recorded a net comprehensive loss of approximately $22.3 million. In the context of a financing transaction carried out by Bahamasair in April 2016, the Government has contractually agreed to make periodical subventions to Bahamasair in an amount sufficient to ensure that Bahamasair can continue its business operations and, in any case, assessed to be not lower than approximately $105.4 million as of September 16, 2020 (the latter to be paid in multiple tranches up to May 2026). For a description of the debt of the public corporations, see "Public Sector Debt—Debt of Public Corporations."

Certain other public corporations or entities with substantial Government ownership in operation at present in The Bahamas are the Central Bank, The Bahamas Development Bank, The Bahamas Mortgage Corporation, the NIB, The Hotel Corporation, The Bank of The Bahamas Limited, the Education Loan Authority, Lucayan Renewal Holdings Limited, the Airport Authority and the Civil Aviation Authority.

The primary functions of the Central Bank are to promote and maintain monetary stability and credit and balance of payment conditions conducive to the orderly development of the economy and to oversee and promote the soundness and integrity of the banking system. As of December 31, 2019, the Central Bank had total assets of approximately $2,265.8 million, total liabilities of approximately $2,039.9 million and capital and reserves of approximately $225.9 million. For the year ended December 31, 2019, the Central Bank recorded net comprehensive income of approximately $16.5 million.

The NIB administers specific benefit programs, including workman's compensation, retirement, maternity, death, and short and long-term disability pursuant to The Bahamas' national insurance program established in the National Insurance Act and Regulations. As of December 31, 2018, the NIB had total assets of approximately $1.8 billion, total liabilities of approximately $86.0 million and reserves of approximately $1.7 billion. For the year ended December 31, 2018, the NIB recorded a total comprehensive loss of approximately $1.9 million.

The Nassau Airport Development Company ("NAD"), which is a subsidiary of the Airport Authority, is responsible for the operation and development of the Lynden Pindling International Airport in Nassau, Bahamas. As of June 30, 2019, NAD had total assets of approximately $492.5 million, total liabilities of approximately $545.5 million and total shareholder's equity of approximately negative $53.1 million. Benefitting from the increase in passenger traffic with the opening of Baha Mar and interest savings from debt refinancing, NAD's net comprehensive income for the year ended June 30, 2019 was approximately $7.8 million. This compared with a net comprehensive loss of $4.4 million for the year ended June 30, 2018.

Energy Sector Reform

Over the years, The Bahamas has taken significant steps toward energy sector reform, commencing with the publication, in August 2013, of the National Energy Policy. This policy serves as a roadmap to achieve total energy reform by the year 2033 through strategic steps such as fuel diversification, infrastructure modernization, renewable energy source development, conservation, and efficiency. Among the goals of the National Energy Policy is the reduction of dependence on fossil fuels by making renewable at least 30% of the country's electricity production by 2030.

To pave the way for the reform, the Government introduced a new legal framework, the Electricity Act, 2015, Utilities Regulation and Competition Authority (Amendment) Act, 2015, and the Electricity Rate Reduction Bond Act, 2015. The Electricity Act, 2015 and corresponding repeal of the Electricity Act and Out Islands Electricity Act, provided for the diversification in the generation, supply, and distribution of electricity, in accordance with the National Energy Policy, including through renewable energy sources, and the modernization and consolidation of the law in relation to electrical installations.

Another element of the legislative changes was the expansion of the Utilities Regulation & Competition Authority's responsibilities to transform it into an independent regulator of the electricity sector. Such additional responsibilities include, among other things, licensing of public electricity suppliers, reviewing and approving electricity tariff rates charged to the consumer, reviewing the need for additional electricity generation by independent power producers, and establishing rules and approving competitive processes where applicable for procurement of power generation resources conducted by BPL, or any other public electricity supplier.

The Electricity Rate Reduction Bond Act, 2015 provided the legal framework and infrastructure to enable the issuance of such bonds, through Bahamas Rate Reduction Bond Company Ltd. (a special purpose entity)—the purpose of which is to generate proceeds to be used for the payment and satisfaction of specified legacy debts of the BEC, to settle unfunded pension plan benefit obligations, and to fund generation expansion plans. Bahamas Rate Reduction Bond Company Ltd., in conjunction with BPL, intends to issue these bonds within the next ten months.

At present, BPL is responsible for the generation, transmission and distribution of electricity in The Bahamas outside of the Hawksbill Creek area (where this responsibility lies with the Grand Bahama Power Company (the "GBPC")), although the GBPC, through an arrangement with the Government of The Bahamas, provides electricity for the entire island of Grand Bahama. BPL also does not currently supply electricity in the Spanish Wells area of Eleuthera.

Recently, BPL, with the assistance of the IADB, took advantage of the current environment of low international oil prices, to lock in benefits with its first ever oil hedging program.

GOVERNMENT FINANCE

Budget Process

By virtue of the Constitution of The Bahamas and implementing acts, the Ministry of Finance is the central agency responsible for the preparation of the Government's budget, with the supreme approval authority vested in The Bahamas Parliament. The Constitution requires the Ministry of Finance to prepare, before the end of each fiscal year, annual estimates of revenues and expenditures for public services for the succeeding fiscal year. The budget system ensures that approved expenditures are spent only for approved purposes and are not exceeded. Accordingly, the budget, accounting, and audit systems ensure financial and legal accountability of the executive branch of the Government to the legislature.

The budget consists of recurrent and capital revenues and recurrent and capital expenditures. The most significant recurrent revenues are value added tax, customs duties, business fees, real property taxes and other tourism related taxes. Capital revenues consist of proceeds from the sale of Government assets. Recurrent expenditures comprise day-to-day operating expenditures of the Government and debt service. Capital expenditures consist of expenditures related to infrastructure and physical assets.

The budgetary process for each fiscal year begins in December prior to the fiscal year when a program of activities, including implementation dates, is agreed upon within the Ministry of Finance. In the following January, an assessment of the macro-economic environment for the coming fiscal year is undertaken, based primarily on forecasts for the Bahamian economy, the anticipated effect of the U.S. economic conditions on the Bahamian economy and, in particular, the state of the stopover visitor segment of the tourism industry. The assessment is discussed internally within the Ministry of Finance, and estimates are sought from other ministries and departments of the Government. Estimates obtained from other ministries and departments are subsequently examined by the Budget Division of the Ministry of Finance for compliance with policy and accuracy, completeness, and reasonableness. When necessary, budget hearings are held to discuss specific estimates. Final estimates are integrated in a comprehensive budget document for submission to the Cabinet for deliberation. Thereafter, the Cabinet authorizes the Minister of Finance to present the budget to Parliament.

Following the end of each fiscal year, Government accounts are prepared by the Treasury Department and audited by the Audit Department and then, together with the audit report, presented to Parliament. The accounts for each year contain detailed information on the Government's revenues (including grants and capital revenues) and borrowings during the prior year and the Government's expenditures (including debt service and equity and subsidy transfers to the public corporations) for the prior year. Until the audit report is presented to Parliament, the Government accounts are labeled as "provisional."

The Government's fiscal management program continues to focus on strengthening the overall budgetary situation through improvements in tax administration and enforcement capacity, enhancement of revenues and containment of expenditures, and a carefully considered privatization program.

The fiscal year of The Bahamas consists of the twelve months ending June 30 of each year.

Fiscal Year 2020/2021 Budget

The fiscal year 2020/2021 budget forecasts an overall deficit of $1,327.1 million, compared to the originally projected $137.0 million budget deficit in fiscal year 2019/2020. However, due to Hurricane Dorian in September 2019, the Government tabled and passed a supplementary budget for fiscal year 2019/2020 in January 2020, which forecasted a revised budget deficit for fiscal year 2019/2020 of $677.5 million. Revenue receipts are expected to narrow by $633.1 million (35.9%) to $1,762.5 million, compared to the fiscal year 2019/2020 budget, taking into account the continued effects of Hurricane Dorian as well as the adverse impact of the COVID-19 pandemic. In addition, total expenditure is projected to grow by $16.5 million (0.5%) to $3,089.6 million, which included social, health, and business support measures in response to the COVID-19 pandemic, and was tempered somewhat by discretionary spending cuts.

Current expenditure is estimated to decline by $113.5 million (4.4%), against the backdrop of a mandatory 20% policy cut in discretionary spending. Specifically, outlays were reduced for travel by $13.4 million, services by

$37.5 million, operational expenses by $4.2 million, and supplies and materials by $10.4 million. However, capital outlays are expected to increase by $130.0 million (25.2%) to $515.5 million, inclusive of various programs related to the ongoing recovery efforts associated with Hurricane Dorian, and business continuity loans for small and medium-sized businesses ($30.0 million) to support employment and growth amid the COVID-19 pandemic. To cover financing requirements, the Government has planned total new borrowings of $1,327.0 million (including the net proceeds from the offering of notes contemplated in this offering memorandum and excluding $696.0 million in debt refinancing for fiscal year 2020/2021). Of the $696.6 million in estimated debt repayment, $501.6 million is in Bahamian dollars and $195.0 million in foreign currency (not including repayments under the 2020 Bridge Facility).

Notwithstanding the unexpected shock of the COVID-19 pandemic, in its 2020/2021 Budget Communication, the Government reiterated commitment to achieving medium-term sustainability in the fiscal deficit and debt, consistent with the requirements of the FRA, which the Government intends to achieve through its decision to cut discretionary spending amid the COVID-19 pandemic and its continued commitment to the reform of public corporations. More medium-term initiatives, such as the use of public private partnerships for select capital projects, greater cost recovery, and transformation of the existing defined benefit pension scheme into a contributory regime remain priority objectives on the Government's reform agenda. These will be supported by ongoing reforms to modernize public financial management arrangements. Revenue optimization measures, which have started to yield notable returns, are predicated on a more aggressive stance on real property tax compliance to bring yields up to their potential levels—the use of domestic audits to ensure proper and timely filings relative to VAT and business license returns, and the utilization of risk-based approaches and post clearance audits for customs and excise tax collections.

Preliminary data on the outcome for fiscal year 2019/2020 show a significantly higher than projected overall deficit of approximately $788.2 million, which compares with the revised budget deficit of $677.5 million. The $110.6 million deviation from the fiscal year 2019/2020 revised budget target primarily reflected weak revenue flows in the final quarter of the fiscal year associated with the shutdown of the economy in response to the impact of COVID-19. Specifically, revenue receipts in the final quarter of fiscal year 2019/2020 were $330.5 million compared with $737.2 million for the fourth quarter of fiscal year 2018/2019, a 55.2% contraction. The most significant line item decline was in the dominant VAT line, with receipts of $138.5 million, approximately 55.0% below the 2018/2019 intake of $307.7 million. Expenditures of $864.4 million for fiscal year 2019/2020 compared with $816.4 million for fiscal year 2018/2019, or an increase of 5.9%.

The following table sets forth the Government's revenue, expenditure, and deficit for the original and revised budgets for fiscal year 2019/2020, the actual outturn for fiscal year 2019/2020, the budget for fiscal year 2020/2021, and the percent change in the budget for fiscal year 2020/2021 compared to the actual results of fiscal year 2019/2020.

	Fiscal Year 2019/2020			**Fiscal Year 2020/2021**	
	Original Budget	**Revised Budget**	**Actual**	**Budget**	**% Change**
	(in millions of $)				
Government revenue	2,628.1	2,395.6	2,089.1	1,762.5	(15.6%)
Government expenditure	2,765.0	3,073.1	2,877.3	3,089.6	7.4%
Recurrent	2,530.0	2,687.6	2,508.6	2,574.1	2.6%
Capital	235.0	385.5	368.8	515.5	39.8%
Deficit	(136.9)	(677.6)	(788.2)	(1,327.1)	68.4%
Deficit/GDP	1.0%	5.4%	6.2%	10.52%	5.0%

Sources: Treasury Accounts and Treasury Statistical Summaries.

The following table sets forth the Government's revenue, expenditure, and financing transactions for fiscal years 2016/2017 through 2019/2020, the three months ended September 30, 2019 and September 30, 2020, and the budgets for fiscal years 2019/2020 and 2020/2021.

	For the Years Ended June 30,				Budget	Budget	As of the Three Months Ended September	As of the Three Months Ended September
	2017	2018(p)	2019(p)	2020(p)	2019/2020	2020/2021	30, 2019(p)	30, 2020(p)
				(in millions of $)				
Revenue and Grants:								
Tax revenue	1,841.0	1,835.7	2,198.7	1,849.7	2,107.1	1,513.4	498.8	269.5
Non-tax revenue	229.2	204.0	227.6	239.4	286.3	247.1	53.4	31.4
Capital revenue	0.1	0.2	—	—	—	—	—	—
Grants	—	2.6	—	0.1	2.1	2.0	0.1	—
Total	2,070.3	2,042.4	2,426.3	2,089.1	2,395.6	1,762.5	552.3	300.9
Expenditure:								
Current expenditure	2349.3	2188.6	2422.2	2508.6	2687.6	2574.1	544.8	579.8
Capital expenditure	381.7	268.7	223.4	368.8	385.5	515.5	56.3	57.4
Total	2,731.0	2,457.3	2,645.6	2,877.3	3,073.1	3,089.6	601.1	637.2
Overall budget deficit	**(660.7)**	**(414.9)**	**(219.3)**	**(788.2)**	**(677.6)**	**(1,327.1)**	**(48.8)**	**(336.3)**
Total Financing activities	**660.7**	**414.9**	**219.3**	**788.2**	**677.6**	**1,327.1**	**48.8**	**336.3**
Net acquisition of financial assets:								
Sinking Funds	—	—	46.5	46.5	46.5	46.5	6.7	—
Equity	120.2	20.0	47.9	10.3	—	—	5.0	—
Other	—	—	22.8	15.0	—	—	15.0	—
Total	120.2	20.0	117.2	71.8	46.5	46.5	26.7	—
Net incurrence of liabilities (+):								
Internal borrowing:								
Bahamian Dollars:								
Treasury bills (net)	337.7	111.7	231.3	233.6	—	—	29.7	1.2
Loans/advances	249.5	14.0	234.0	305.0	—	—	3.0	140.0
Government securities	545.0	492.0	619.7	562.6	—	—	103.0	81.5
Total	1,132.1	617.7	1,085.0	1,101.1	1,288.2	2,030.8	135.7	222.7
Foreign currency:								
Loans	—	—	—	50.0	—	—	—	130.4
Government securities	—	—	—	—	—	—	—	—
Total	—	—	—	50.0	—	—	—	130.4
Total internal borrowing	1,132.1	617.7	1,085.0	1,151.1	1,288.2	2,030.8	135.7	353.2
External borrowing:								
Loans	43.3	619.3	9.2	395.7	64.5	42.9	31.9	567.8
Government securities	—	750.0	—	—	—	—	—	—
Total external borrowing	43.3	1,369.3	9.2	395.7	64.5	42.9	31.9	567.8
Debt repayment:								
Internal:								
Bahamian dollars	557.1	798.2	717.2	835.1	609.0	497.4	83.7	126.1
Foreign currency	—	—	—	—	—	4.2	—	—
Total	557.1	798.2	717.2	835.1	609.0	501.6	83.7	126.1
External	38.1	504.4	83.9	43.9	98.9	195.0	14.6	102.8
Total debt repayment	595.1	1,302.6	801.1	879.0	708.0	696.0	98.3	229.0
Change in short term advances	(93.3)	11.7	48.6	23.8	—	—	33.3	11.4
Cash balance change increase (decrease)	293.8	(261.2)	(5.2)	168.4	79.2	(3.5)	(27.2)	(367.1)

Sources: Treasury Accounts and Treasury Statistical Summaries; and First Quarter Fiscal Year 2020/2021 Report on Budgetary Performance.

Revenues and Expenditures

The Government's overall deficit increased to approximately $788.2 million in fiscal year 2019/2020 from approximately $219.3 million for fiscal year 2018/2019. The Government expects its overall deficit to increase substantially in fiscal year 2020/2021 in comparison to the fiscal year 2019/2020 budget due to the ongoing impact of COVID-19 which is expected to weaken economic activity, resulting in reduced revenues, and increased expenditure to support consumption.

Based on provisional data of the fiscal outturn for the first quarter of fiscal year 2020/2021, the overall deficit widened to an estimated $336.3 million from an estimated $48.4 million in the corresponding period in fiscal year 2019/2020. The Government's reinstatement of COVID-19 related curfews and lockdowns for the entire month of August 2020 exerted pressure on revenue performance. Revenue collections in the first quarter of fiscal year 2020/2021 of $300.9 million were $251.4 million or 45.5% below the $552.3 million realized in the same period of fiscal year 2019/2020. Total expenditure at $637.1 million represents an increase of $36.1 million or 6.0% over the fiscal year 2019/2020 period.

Current Revenues

The Bahamas does not have a system of direct taxation and relies on indirect taxes, mainly in the form of customs duties, stamp taxes, real property taxes, taxes on tourism activities, and VAT. Historically, the majority of the revenue collected derived from taxes on international trade, which represented approximately 44.6% of tax revenue over the four fiscal years preceding VAT's implementation in fiscal year 2014/2015. Comparatively, in fiscal year 2015/2016, following the full introduction of the new tax, taxes on international trade comprised 26.2% of total revenue, while VAT receipts made up 32.5%. Further, non-tax revenue, comprising various fees, services charges, and property sales, has accounted for an estimated 11.4% of total revenue over the past five fiscal years.

The following table sets forth the Government's current revenues for fiscal years 2016/2017 through 2019/2020, the three months ended September 30, 2019 and September 30, 2020, and the budgets for fiscal year 2019/2020 and fiscal year 2020/2021.

	For the Years Ended June 30,				Budget	Budget	As of the Three Months Ended September	As of the Three Months Ended September
	2017	2018(p)	2019(p)	2020(p)	2019/2020	2020/2021	30, 2019(p)	30, 2020(p)
	(in millions of $)							
Tax revenue								
Property tax ……………..…….	120.6	123.6	109.3	99.1	113.6	104.8	8.5	8.5
Taxes on goods and services …….								
General								
Value added tax ………………….	638.2	680.6	896.6	877.4	973.3	666.3	266.2	134.7
Stamp tax ………………….………..	105.1	109.5	225.3	66.9	101.5	65.2	10.6	12.3
Excise tax …………………….....	288.9	256.8	241.9	251.9	254.8	161.8	72.9	13.2
Specific taxes (gaming) …………….	27.4	37.2	39.8	39.9	36.2	34.2	8.4	5.4
Taxes on use of/permission to use goods …………………..............								
Motor vehicle tax ………………...	29.7	36.6	35.4	30.0	38.8	33.0	6.3	6.1
Company registration fees ……….	21.4	20.9	20.3	16.6	25.4	15.9	1.9	2.5
License to conduct specific bus …. Activities	149.8	113.6	145.2	100.1	114.9	85.5	11.3	6.1
Marine license activities.................	2.7	2.5	2.2	1.6	2.0	2.0	0.3	0.3
Bank & trust co. license fees	18.8	18.1	27.6	—	—	—	—	—
Taxes on international trade and transactions................................								
Customs & other import duties	286.1	270.4	284.5	225.5	282.2	224.6	67.6	74.3
Taxes on exports..............................	9.4	18.3	13.1	8.5	8.8	29.3	2.9	3.2
Departure tax...................................	134.6	143.2	147.2	125.3	145.4	83.4	39.8	1.6
Other	1.2	0.1	0.2	0.2	—	0.1	—	—
General stamp taxes..........................	7.2	4.4	10.1	6.7	10.4	7.3	2.1	1.3
Total tax revenue	1,841.0	1,835.7	2,198.7	1,849.7	2,107.1	1,513.4	498.8	269.5
Non-tax revenue								
Property income................................	52.3	23.0	19.6	30.3	39.5	40.4	1.8	0.8
Interest & dividends	34.8	6.6	5.4	10.8	24.6	25.6	0.4	0.7
Revenue from Government property	17.6	16.3	14.2	19.5	14.8	14.9	1.4	0.1
Sales of goods & services	155.2	163.4	196.0	149.2	206.5	154.7	39.8	29.5
Fees & service charges..................	137.3	145.4	175.1	130.3	185.8	135.3	35.2	26.5
Other.	17.8	18.1	20.9	18.9	20.8	19.4	4.6	3.0
Fines, penalties & forfeits	1.2	1.2	6.7	4.7	6.1	4.6	0.3	0.8
Reimbursements & repayments......	0.0	0.2	0.2	39.7	28.2	42.6	—	—
Misc. & unidentified revenue	20.1	14.9	2.4	15.4	2.5	1.8	11.5	0.3
Sales of other non-financial assets..	0.4	1.3	2.7	0.1	3.6	3.0	—	—
Total non-tax revenue.....................	229.2	204.0	227.6	239.4	286.3	247.1	53.4	31.4
Capital revenue..............................	0.1	0.2	—	—	—	—	—	—
Grants..	—	2.6	—	0.1	2.1	2.0	0.1	—
Total revenue and grants.................	2,070.3	2,042.4	2,426.3	2,089.1	2,395.6	1,762.5	552.3	300.9

Sources: Treasury Accounts and Treasury Statistical Summaries; and First Quarter Fiscal Year 2020/2021 Report on Budgetary Performance.

Tax Reforms

Given the impact of the COVID-19 pandemic on the economy, the Government did not pursue any significant revenue raising measures or reforms in the 2020/2021 budget.

The Bahamas applied to become a member of the WTO in September 2001. Currently, work is being undertaken to either update or create the legal and regulatory framework required for the implementation of the various WTO agreements. To date, The Bahamas has held four meetings, the most recent being held on September

2018 and April 2019, with the WTO working party, that included multilateral and bilateral negotiations with several members, including the United States, Canada, and the European Union as its major trading partners. These negotiations are required to finalize the Government's commitments. The target date for WTO accession, initially announced for year-end 2019, has been revised to allow for legislative reform and greater public awareness on the impact of WTO membership.

In preparation for accession to the WTO, the Government has made a concerted effort to reduce the overall share of tariffs and duties as a percentage of total government revenue. As a result of several tax reform measures, the overall share of tariffs as a percentage of government revenue has decreased over the past seven fiscal years (fiscal year 2011/2012 through fiscal year 2018/2019) from approximately 25% to 11%.

The Government commissioned a vulnerability study to analyze the potential impacts of WTO accession on government revenue, the results of which were used to inform the WTO goods offer. In addition to the vulnerability study, in 2018, the Government undertook a revenue study that led to the development of a dynamic equilibrium model that takes into consideration both direct and indirect impacts of tariff reductions on Government revenue, thereby providing a more accurate assessment of potential revenue losses.

Current and Capital Expenditure

A substantial portion of current expenditures is for the purchase of goods and services and wages and salaries, although a major proportion of capital expenditure is earmarked for developmental and infrastructural programs, with smaller sums relating to transfers to public corporations. General public service accounts for the largest category of expenditures, averaging approximately 32.3% of total spending over the past five years, followed by economic affairs (18.9%), education (12.7%), health (12.5%), public order and safety (8.5%), and social protection (6.1%), with the remaining categories accounting for less than 5.0% each.

The following table sets forth the Government's expenditures, by functional classification, for fiscal years 2016/2017 through 2019/2020, the three months ended September 30, 2019 and September 30, 2020, and the budgets for fiscal year 2019/2020 and fiscal year 2020/2021.

	For the Years Ended June 30,							
	2017[(p)]	2018[(p)]	2019[(p)]	2020[(p)]	Budget 2019/2020	Budget 2020/2021	As of the Three Months Ended September 30, 2019	As of the Three Months Ended September 30, 2020
					(in millions of $)			
General public service:	838.3	812.8	936.0	968.5	1,084.9	1,004.6	194.9	187.0
of which:								
Executive organs, fin., fiscal, & ext. affairs ..	372.7	297.2	383.2	369.7	408.5	332.3	12.8	13.7
General personnel services….	153.3	131.6	165.9	202.2	214.7	214.6	36.6	33.2
Public debt transactions ...	273.4	350.8	352.2	365.9	422.6	421.9	81.2	93.5
Defense...........................	112.6	72.3	66.3	67.2	69.8	67.9	13.8	14.6
Education........................	329.0	312.8	335.7	367.7	368.6	375.6	97.9	77.8
Health	332.2	294.4	337.4	409.8	398.6	415.9	83.9	99.5
Public order & safety.......	213.1	215.2	227.4	248.0	251.0	250.4	53.2	59.8
Housing	2.4	10.8	3.4	2.5	18.3	2.4	0.5	0.5
Environmental protection	114.6	89.2	102.7	152.2	153.4	130.6	31.0	26.9
Economic Affairs	540.5	463.0	446.4	463.0	514.9	532.6	82.8	80.6
of which:								
General economic, commercial & labor affairs.......................	46.6	101.6	57.6	37.2	61.3	49.3	21.2	4.5
Mining, manufacturing & construction	222.6	208.5	116.9	161.2	130.9	140.2	19.1	31.4
Agriculture, forestry, fishing, and hunting ..	26.7	29.4	29.8	29.2	31.0	36.1	6.6	5.7
Transport............................	32.6	33.8	52.6	56.1	74.2	68.7	14.3	15.4
Other Industries..................	157.4	120.5	85.1	108.1	88.4	100.5	16.9	8.0
of which:								

	For the Years Ended June 30,				Budget 2019/2020	Budget 2020/2021	As of the Three Months Ended September 30, 2019	As of the Three Months Ended September 30, 2020
	2017(p)	2018(p)	2019(p)	2020(p)				
Tourism........................	134.9	118.1	83.9	103.2	81.9	90.9	14.8	7.9
Recreation, culture & religion..	43.4	56.4	37.7	33.6	31.8	35.9	7.1	6.5
Social protection:	128.2	191.9	149.0	156.7	166.7	177.8	36.4	84.0
of which:								
Old age.........................	85.5	91.8	97.6	104.5	110.7	110.5	26.4	29.5
Social exclusion	4.1	3.6	4.3	4.4	4.3	10.3	0.4	0.4
Total expenditure	2,299.4	2,731.0	2457.3	2,645.6	2,877.3	3,073.1	601.0	637.2

Sources: Central Bank of The Bahamas Quarterly Statistical Digest, November 2020.

The following table sets forth the Government's economic expenditures for fiscal years 2016/2017 through 2019/2020, the three months ended September 30, 2019 and September 30, 2020, and the budgets for fiscal year 2019/2020 and fiscal year 2020/2021.

	For the Years Ended June 30,				Budget 2019/2020	Budget 2020/2021	As of the Three Months Ended September 30, 2019(p)	As of the Three Months Ended September 30, 2020(p)
	2017	2018(p)	2019(p)	2020(p)				
					(in millions of $)			
Current expenditure:								
Compensation of employees........................	726.4	728.7	712.2	759.9	787.2	748.9	177.2	166.5
Use of goods and services	575.7	448.8	591.2	551.0	659.1	557.7	109.5	98.9
Public debt interest..........	267.8	313.9	328.5	339.1	377.1	396.9	75.5	80.5
Internal borrowings.....	179.4	183.4	182.7	199.2	219.1	247.1	55.2	60.5
Bahamian dollars.....	179.4	183.4	182.7	199.2	219.6	244.7	55.2	60.5
Foreign currency......	—	—	—	—	—	2.4	—	—
External borrowings......	88.3	130.4	145.8	139.9	157.9	149.8	20.3	20.0
Subsidies	409.6	327.8	392.7	427.5	382.5	370.9	87.8	98.8
Grants.............................	7.2	7.6	8.2	8.6	9.2	7.5	1.9	2.5
Social assistance benefits.	159.1	165.7	186.1	187.7	199.5	278.2	37.9	80.5
of which: pensions & gratuities..................	117.9	127.5	139.8	140.1	140.7	140.8	32.1	34.0
Other payments..................	203.4	196.1	203.3	234.9	273.0	214.1	55.0	52.1
Current transfers n.e.c......	123.4	128.8	150.5	158.4	195.5	146.3	46.6	40.1
Insurance premiums	80.1	67.2	52.8	76.5	77.5	67.8	8.3	12.0
Total current expenditure....	2,349.3	2,188.6	2,422.2	2,508.6	2,687.6	2,574.1	544.8	579.8
Capital expenditure:								
Capital transfers..............	107.6	40.0	30.6	155.6	162.2	203.0	18.3	16.6
Acquisition of non-financial assets............	274.1	228.7	192.8	213.2	223.3	312.5	38.0	40.8
Fixed assets	267.5	228.7	192.8	213.2	218.5	307.7	38.0	40.8
Valuables........................	—	—	—	—	—	—	—	—
Land	6.7	—	—	—	4.8	4.8	—	—
Total capital expenditure.....	381.7	268.7	223.4	368.8	385.5	515.5	56.3	57.4
Total expenditure	2,731.0	2,457.3	2,645.6	2,877.3	3,073.1	3,089.6	601.1	637.2

Sources: Central Bank of The Bahamas Quarterly Statistical Digest, November 2020.

PUBLIC SECTOR DEBT

General

The public sector debt of The Bahamas consists of direct internal and external debt obligations of the Government and the public corporations. The Government believes that the level of public sector debt continues to be relatively low as compared with many other countries, but the public sector debt as a percentage of GDP has grown steadily since 2008. Since gaining independence in 1973, The Bahamas has never defaulted in the payment of principal or interest on any of its internal or external indebtedness to any lender or investor. However, from time to time the Government has cured defaults on intra-governmental debt between wholly-owned Government agencies.

As of June 30, 2020, the public sector debt of The Bahamas totaled approximately $9,856.4 million, including approximately $712.9 million in guaranteed public corporation debt and approximately $8,191.2 million in direct debt obligations of the Government. Of the approximately $8,191.2 million in direct debt obligations of the Government, approximately $5,239.9 million (or 64.0%) represented debt denominated in Bahamian dollars and the balance of approximately $2,951.3 million (or 36.0%) represented debt denominated in foreign currencies, primarily U.S. dollars.

As of September 30, 2020, the public sector debt of The Bahamas totaled approximately $10,177.2 million, including approximately $440.8 million in guaranteed public corporation debt and approximately $8,904.0 million in direct debt obligations of the Government. Of the approximately $8,904.0 million in direct debt obligations of the Government, approximately $5,336.5 million (or 59.9%) represented debt denominated in Bahamian dollars and the balance of approximately $3,387.1 million (or 40.1%) represented debt denominated in foreign currencies, primarily U.S. dollars. Since June 30, 2020, the Government's outstanding public sector debt increased by an aggregate of U.S.$712.8 million. See "—External Debt" below.

As used herein, the term "external debt" means debt initially incurred or issued outside The Bahamas, regardless of the currency of denomination, while "internal debt" means debt initially incurred or issued inThe Bahamas, regardless of the currency of denomination.

All long-term borrowings by the Government must be approved by Parliament. The legal authorizations for the issuance of the notes offered hereby are set forth in the resolution of the House of Assembly dated June 22, 2020, which authorizes the Minister of Finance to borrow approximately $1,334.2 million in such currency as the Minister may determine. The Government does not expect that this financing, which will result in a partial refinancing of existing Government indebtedness, will detract from the Government's aim of reducing its fiscal deficit or reducing its debt-to-GDP ratio.

Section 17 of the Financial Administration and Audit (Amendment) Act, 2012 provides for the Government to borrow short-term by way of advances from banks, insurance companies, and money lending institutions and by way of Treasury bills. The short-term borrowing constraint is placed at 60% of the greater of (i) the average ordinary revenue, which is the average of the latest three years' ordinary revenue for which audited accounts are available and (ii) the estimated revenue for the current budget year.

By the Central Banks' statute, short-term advances to the Government, taken together with any Treasury bills or securities issued or guaranteed by the Government or a public corporation, may not exceed the lesser of 30% of the average ordinary revenue of the Government for the last three years or 30% of the estimated ordinary revenue for the most recently approved budget estimates. As of September 30, 2020, the Central Bank's advances to the Government were approximately $124.9 million, which represents 6.5% of average ordinary revenue for fiscal years 2014/2015, 2015/2016 and 2016/2017 and 7.1% of estimated ordinary revenue for fiscal year 2020/2021. Taken together with the securities issued or guaranteed by the Government or public corporations, the respective proportions were 19.5% and 21.4%. The Central Bank's statute also limits its portfolio of government securities with maturities of five or more years to 20% of the Central Bank's demand liabilities. As of September 30, 2020, this statutory proportion of long-term debt was 7.74%.

The Government, by legislation, also acts as a guarantor under several loans programs to citizens to assist with housing, hurricane re-building, education, small business development, and tourism development, and from time to time cures defaults associated with these loans. In connection with each of these loan programs, the borrower is required to pay an annual premium fee that the Government pools into separately designated reserve accounts for each program. The Government utilizes the funds from the requisite reserve account to satisfy defaults under these loans. If, and to the extent that, the amounts in the requisite reserve account are insufficient to satisfy the default, the Government, as guarantor, will cure any defaults. To the extent that such payments are made, they are reflected in the national budget. To date, payments made by the Government in excess of the established reserves have not been material; however, there can be no assurance that payments made by the Government in excess of the established reserves in the future, including in connection with the restructuring of the loans made by the Education Loan Authority, will not be significant.

The following table sets forth the national debt of The Bahamas as of December 31, 2015 through December 31, 2019 and as of September 30, 2020.

	As of December 31,					As of September 30,
	2015	2016	2017(p)	2018(p)	2019(p)	2020(p)
	(in millions of $)					
Direct Charge						
External Debt (by Instrument)						
Government securities	900.0	900.0	1,650.0	1,650.0	1,650.0	1,650.0
Loans	741.2	845.5	966.2	943.8	917.7	1,737.1
Total external debt	1,641.2	1,745.5	2,616.2	2,593.8	2,567.7	3,387.1
External Debt (by Holder)						
Commercial banks	—	—	—	—	—	—
Offshore financial institutions	—	—	—	—	—	—
Bilateral financial institutions	72.4	80.8	90.7	79.6	72.5	68.1
International financial institutions	221.3	217.0	213.7	207.5	232.1	792.7
Private capital markets	900.0	900.0	1,650.0	1,650.0	1,650.0	1,650.0
Other financial institutions	447.5	547.7	661.8	656.7	613.0	876.3
Total external debt	1,641.2	1,745.5	2,616.2	2,593.8	2,567.7	3,387.1
Internal Debt (by Instrument)						
Foreign currency	36.6	—	—	—	50.0	180.4
Government securities	—	—	—	—	—	—
Loans	36.6	—	—	—	50.0	180.4
Bahamian dollars	4,227.3	4,570.1	4,563.9	4,905.1	5,115.6	5,336.5
Advances	134.7	134.7	134.7	119.7	74.9	124.9
Treasury bill	817.1	793.9	655.7	875.7	977.1	945.0
Government securities	3,072.8	3,314.8	3,492.3	3,536.7	3,725.4	3,795.8
Loans	202.8	326.8	281.2	373.0	338.2	470.8
Total internal debt	4,263.9	4,570.1	4,563.9	4,905.1	5,165.6	5,517.0
Internal Debt (by Holder)						
Foreign currency	36.6	—	—	—	50.0	180.4
Commercial banks	36.6	—	—	—	—	—
Other local financial institutions	—	—	—	—	50.0	180.4
Bahamian dollars	4,227.3	4,570.1	4,563.9	4,905.1	5,115.6	5,336.5
The central bank	519.5	727.5	413.6	518.7	455.7	372.2
Commercial banks	1,708.5	1,789.1	1,975.9	1,983.5	2,053.6	2,237;.2
Other local financial institutions	26.4	17.2	27.2	11.1	21.7	20.0
Public corporations	650.3	600.7	602.3	586.6	602.7	582.8
Other	1,322.5	1,435.6	1,544.9	1,805.2	1,981.8	2,124.4
Total internal debt	4,263.9	4,570.1	4,563.6	4,905.1	5,165.6	5,517.0
Total foreign currency debt[1]	1,677.8	1,745.5	2,616.2	2,593.8	2,617.7	3,567.5
Total Direct Charge	5,905.1	6,315.6	7,180.1	7,498.9	7,733.2	8,904.0
Contingent Liabilities						
Bahamas Development Bank	50.1	46.1	43.1	41.0	41.0	40.0
Bahamas Electricity Corporation	242.9	227.6	203.0	246.0	246.0	—
Bahamas Water & Sewerage Corp.	60.5	68.7	71.8	76.5	72.0	69.4
Bridge Authority	23.0	23.0	23.0	23.0	16.0	16.0
Broadcasting Corporation	—	—	—	—	—	—
Bahamasair	9.0	—	—	—	—	—
Bahamas Mortgage Corporation	165.1	165.1	165.1	160.1	160.0	160.0
Educational Guarantee Fund	7.1	10.9	11.2	—	—	—
Hurricane Loan Programme	3.0	4.4	4.6	—	—	—
Education Loan Authority	67.0	67.0	67.0	62.0	62.0	47.0
Hotel Corporation	—	—	—	—	—	—

	As of December 31,					As of September 30,
	2015	2016	2017(p)	2018(p)	2019(p)	2020(p)
Airport Authority	—	—	—	—	—	—
The Clifton Heritage Authority	24.0	24.0	24.0	24.0	24.0	24.0
Public Hospitals Authority	103.8	97.9	91.6	84.7	77.1	69.4
SBDC Bahamas	—	—	—	—	0.9	1.5
Lucayan Renewal Holdings Ltd	—	—	—	35.0	25.0	15.0
Total Contingent Liabilities	755.3	734.6	704.2	752.3	723.9	442.3
Total National Debt	6,660.5	7,050.3	7,884.4	8,251.3	8,457.3	9,346.3

(1) External plus internal foreign currency debt.

As the above table shows, total Government debt has increased since 2015. The Government recognizes that continued debt accumulation may increase the vulnerability of the Bahamian economy to adverse domestic or external factors. As a result, the Government has placed a high priority on reducing the ratio of Government debt-to-GDP in the medium term.

The following table sets forth (in percentages) Government debt outstanding by remaining maturity as of June 30, 2020.

Remaining Years Until Maturity	Bahamian Dollar	Foreign Currency
Less than 5	47.9%	28.1%
5-10 years	20.5%	49.1%
10-15 years	11.2%	12.2%
15 years or more	20.4%	10.6%
Total	100.0%	100.0%

Source: Central Bank.

Internal Debt

Total direct internal Government debt was approximately $5,517.0 million as of September 30, 2020, representing an increase of approximately 9.8% over the corresponding amount as of September 30, 2019. Internal debt has been incurred or issued only in Bahamian dollars and U.S. dollars. However, no restrictions exist to prevent the incurrence or issuance of public debt in The Bahamas in other currencies or composite currencies.

The following table sets forth the composition of the direct internal debt of the Government by holder as of December 31, 2015 through December 31, 2019 and September 30, 2020.

	As of December 31,					As of September 30,
	2015	2016	2017(p)	2018(p)	2019(p)	2020(p)
			(in millions of $)			
Bahamian Dollars						
The Central Bank	519.5	727.5	413.6	518.7	455.7	372.2
Commercial banks	1,708.5	1,789.1	1,975.9	1,983.5	2,053.6	2,237.2
Other local financial institutions	26.4	17.2	27.2	11.1	21.7	20.0
Public corporations	650.3	600.7	602.3	586.6	602.7	582.8
Other.	1,322.5	1,435.6	1,544.9	1,805.2	1,981.8	2,124.4
Total	4,227.3	4,570.1	4,563.9	4,905.1	5,115.6	5,336.5
Foreign currency						
Commercial banks	36.6	—	—	—	50.0	180.4
Other local financial institutions	—	—	—	—	—	—
Total	36.6	—	—	—	50.0	180.4
Total direct internal debt	4,263.9	4,570.1	4,563.9	4,905.1	5,165.6	5,517.0

Sources: Treasury Accounts and Treasury Statistical Summaries.

As of September 30, 2020, internal debt represented 62.0% of The Bahamas' total direct Government debt. Of the total $5,517.0 million in total internal direct debt of the Government as of September 30, 2020, 96.7% was denominated in local currency, while the remaining 3.3% was denominated in foreign currency. Between December 31, 2015 and September 30, 2020, internal direct debt rose by approximately 29.4%.

For a description of the internal debt (guaranteed and other) of the public corporations, see "—Debt of Public Corporations."

External Debt

Total direct external Government debt was approximately $3,387.1 million as of September 30, 2020, representing a 32.3% increase compared to the corresponding amount as of September 30, 2019. The external debt set forth in the table below is denominated principally in U.S. dollars. The following is a summary of debt securities issued and outstanding by the Commonwealth:

- In July 2003, The Bahamas completed a sovereign note offering in the international capital markets, issuing U.S.$200.0 million of 6.625% notes due 2033. The 6.625% notes, which will mature on May 15, 2033, provide for semi-annual interest payments.
- In April 2008, The Bahamas completed an offering in the international capital markets of U.S.$100.0 million of 7.125% notes due 2038. The 7.125% notes, which will mature on April 2, 2038, provide for semi-annual interest payments.
- In November 2009, The Bahamas completed an offering in the international capital markets of U.S.$300.0 million of 6.950% notes due 2029. The 6.950% notes, which will mature on November 20, 2029, provide for semi-annual interest payments.
- In January 2014, The Bahamas completed an offering in the international capital markets of U.S.$300.0 million of 5.750% notes due 2024. The 5.750% notes, which will mature on January 16, 2024, provide for semi-annual interest payments.
- In November 2017, The Bahamas completed an offering in the international capital markets of U.S.$750.0 million of 6.000% notes due 2028. The 6.000% notes, the principal amounts of which The Bahamas will pay in three equal annual installments on November 2026, November 2027, and November 2028, provide for semi-annual interest payments.
- In October 2020, The Bahamas completed an offering in the international capital markets of U.S.$600.0 million of initial notes. The initial notes, the principal amounts of which The Bahamas will pay in three equal annual installments on October 2030, October 2031, and October 2023, provide for semi-annual interest payments.

The following table sets forth the composition of the direct external debt of the Government by holders of such debt as of December 31, 2015 through December 31, 2019 and September 30, 2020.

	As of December 31,					As of September 30,
	2015	2016	2017[(p)]	2018[(p)]	2019[(p)]	2020[(p)]
			(in millions of $)			
Bilateral	72.4	80.8	90.7	79.6	72.5	68.1
International financial institutions	221.3	217.0	213.7	207.5	232.1	792.7
Private capital markets	900.0	900.0	1,650.0	1,650.0	1,650.0	1,650.0
Other financial institutions	447.5	547.7	661.8	656.7	613.0	876.3
Total	1,641.2	1,745.5	2,616.2	2,593.8	2,567.7	3,387.1

Sources: Treasury Accounts and Treasury Statistical Summary Printouts.

For a description of the external debt (guaranteed and other) of public corporations, see "—Debt of Public

Corporations."

As of September 30, 2020, the external debt of the Government accounted for approximately 38.0% of direct charge.

Since June 30, 2020, the Government's external debt has increased by amounts borrowed under five new loan facilities.

- On July 24, 2020, a new loan agreement for a U.S.$246.0 million bridge facility was executed by the Government to take on the debt obligation for the U.S.$246.0 million legacy BEC debt. The Government executed a side agreement with the BPL for the servicing of the debt, until it is repaid out of the net proceeds of the prospective rate reduction bonds to be issued by BPL.
- On August 18, 2020, the Government drew down U.S.$248.0 million of the 2020 Bridge Facility.
- On August 27, 2020 the Government obtained a U.S.$200.0 million policy-based loan from IADB, which was fully drawn on September 9, 2020.
- On October 15, the Government accessed the international capital markets for U.S.$600 million in aggregate principal amounts of the initial notes. A portion of the proceeds of that offering were used to repay the U.S.$248 million of the 2020 Bridge Facility obtained in August 2020.
- On November 13, 2020, the Government drew down a U.S.$40.0 million policy loan from the CDB.

As of June 9, 2020, the Government had submitted an application to the MIGA of the World Bank Group and is currently in the approval process to secure a guarantee for a commercial loan, for an amount which is expected to be between approximately $70.0 million to $135.0 million. On August 5, 2020, the Government executed an $80.0 million loan agreement with the IADB to fund the first operation under the $170.0 million CCLIP approved by the IADB Board on January 29, 2020. The objective of the CCLIP is to enable The Bahamas to advance renewable energy, improving the reliability and resilience to climate-related natural disasters, while rehabilitating critical infrastructure. The Government intends to draw down on the $80.0 million loan during fiscal year 2020/2021 to fund the installation of solar technologies in the Family Islands. The Government also intends to secure additional borrowings of approximately $240.0 million from identified multilateral institutions.

Giving effect to the foregoing committed and expected borrowings, the Government anticipates the need to source approximately $275 million in additional borrowed funds (less the net proceeds from this offering of notes) to satisfy its fiscal year 2020/2021 budgetary needs.

Foreign Currency Debt

The following table sets forth the composition of the foreign currency-denominated public sector debt (including the debt of public corporations) as of December 31, 2015 through December 31, 2019 and as of September 30, 2020.

	As of December 31,					As of September 30,
	2015	2016	2017(p)	2018(p)	2019(p)	2020
	(in millions of $)					
Direct internal debt	36.6	—	—	—	50.0	180.4
Direct external debt	1,641.2	1,745.5	2,616.2	2,593.8	2,567.7	3,387.1
Total direct debt	1,677.8	1,745.5	2,616.2	2,593.8	2,617.7	3,567.5
Government-guaranteed debt of Public Corporations	345.7	327.6	303.7	383.4	365.2	102.8
Total	2,023.5	2,073.0	2,919.9	2,977.2	2,982.8	3,670.3
Non-Government-guaranteed debt	550.5	573.7	564.3	532.9	493.2	478.3
Total	2,574.0	2,646.8	3,484.2	3,510.1	3,476.0	4,148.6

Sources: Treasury Accounts and Public Corporations Reports.

The following table sets forth foreign currency public sector debt (including the debt of public corporations) by holder of such debt as of December 31, 2015 through December 31, 2019 and as of June 30, 2020.

	As of December 31,					As of June 30,
	2015	2016	2017^(p)	2018^(p)	2019^(p)	2020^(p)
			(in millions of $)			
Multilateral:						
Inter-American Development Bank	274.2	276.4	271.3	265.0	279.2	323.5
World Bank	—	—	—	—	—	—
International Monetary Fund	—	—	—	—	—	250.9
European Union, European Investment Bank	0.7	0.6	0.6	0.5	0.4	0.3
Caribbean Development Bank	7.1	8.9	13.8	18.6	24.5	74.2
Total multilateral	281.9	285.8	285.6	284.0	304.1	649.0
Bilateral:						
Export/Import Bank of China	72.4	80.8	90.7	79.6	72.5	68.5
Export Development Bank of Canada	—	—	—	—	—	—
Total bilateral	72.4	80.8	90.7	79.6	72.5	68.5
Commercial Banks/Int'l Fin. Institutions	848.8	919.9	998.2	1072.0	1048.2	1033.4
Other/Int'l Investors	1,370.9	1360.2	2,109.7	2074.5	2051.2	2,038.4
Total foreign currency public sector debt	2,574.0	2,646.8	3,484.2	3,510.1	3,746.0	3,789.3

Sources: Treasury Accounts and Public Corporations Reports.

The Government has in recent years relied on the IADB to provide financing for several of its infrastructural development projects.

Substantially all foreign currency public sector debt borrowings were at variable interest rates linked primarily to LIBOR Euribor or the U.S. prime rate. The profile of foreign currency public sector debt (including non-Government guaranteed debt of public corporations) as of September 30, 2020 was as follows:

Currency	% Share
U.S. dollar	85.2
IMF SDRs	6.2
Swiss franc	5.0
European Currency Units	1.9
Chinese Yuan	1.7
Total	100.0

Sources: Central Bank.

Bahamian Dollar Debt

Public sector debt denominated in Bahamian dollars increased by approximately 21.7% between 2015 and 2019. As of December 31, 2019, public sector Bahamian dollar-denominated public debt (including the debt of public corporations) consisted of approximately $5,959.8 million in direct debt from domestic bank loans and securities issued and a total of approximately $846.2 million of total public corporation debt (of which approximately $357.9 million was contractually guaranteed by the Government). Substantially all Bahamian-dollar public sector debt borrowings were at variable interest rates linked to the Bahamian, commercial banks' prime rate.

The following table sets forth the composition of the public sector debt (including the debt of public corporations) in Bahamian dollars as of December 31, 2015 through December 31, 2019 and September 30, 2020.

	As of December, 31					As of September 30,
	2015	2016	2017^(p)	2018^(p)	2019^(p)	2020^p)
			(in millions of $)			
Total internal debt	4,227.3	4,570.1	4,563.9	4,905.1	5,115.6	5,336.5
Government-guaranteed debt	399.7	391.8	384.9	369.0	357.9	338.0
Total	4,627.0	4,961.9	4,948.7	5,274.1	5,473.5	5,674.5

Non-Government-guaranteed debt	259.7	290.3	399.1	463.7	486.3	480.4
Total (including non-Government guaranteed debt)	4,886.7	5,252.2	5,347.8	5,737.8	5,959.8	6,154.9

Sources: Treasury Accounts and Public Corporations Reports.

Debt of Public Corporations

In light of the Government's ownership interest in various public corporations, the Government is a guarantor by contract of certain indebtedness of such public corporations, and the incurrence of any debt by the public corporations is subject to Government approval, as described in "Government Enterprises—Public Corporations." Guarantees by the Government of any public corporation indebtedness are in addition to the Government's direct indebtedness. The Government has had to meet calls on the guarantees for loans under the Government Guaranteed Student Loans under the Education Loan Authority in the amount of $11.9 million in fiscal year 2018/2019 and an additional amount of $6.0 million in fiscal year 2020/2021. From time to the time, the Government has also cured defaults on intra-governmental debt between wholly-owned Government agencies.

The Government made two short-term shareholder loans to BPL of $15.0 million each in June and August of 2019. Both loans, which were to assist with the company's debt amortization payments, were to be repaid no later than December 31, 2019 using proceeds from the prospective rate reduction bond. However, considering the delay in the issuance of these bonds, the Government and BPL executed an amendment to allow for an extension to the maturity date for both loans, to September 2020. Given the ongoing delay in the issuance of the rate reduction bond, the Government and BPL are in the process of executing an amendment that would extend the maturity dates for both loans, which are being serviced in accordance with the agreements by BPL until March 2021. The Government expects for both of these shareholder loans, together with the U.S.$246.0 million bridge facility obtained in July 24, 2020, to be repaid out of the net proceeds of the rate reduction bonds to be issued by BPL.

The following table shows the composition of the internal and external debt of public corporations (including both the debt contractually guaranteed by The Bahamas and the debt not supported by the Government's guarantee) as of December 31, 2015 through December 31, 2019 and the nine months ended September 30, 2020.

	As of the Years Ended December 31,					As of the Six Months Ended September 30, 2020(p)
	2015	2016	2017(p)	2018(p)	2019(p)	
	(in millions of $)					
External debt:						
Government-guaranteed loans						
Bahamas Electricity Corporation	82.2	77.0	68.7	83.2	83.2	—
Water and Sewerage Corporation	60.5	68.7	71.8	76.5	72.0	69.4
Bahamas Development Bank	0.1	0.1	0.1	—	—	—
Total	142.8	145.8	140.6	159.7	155.2	69.4
Non-Government-guaranteed loans						
Bahamasair	—	95.0	95.0	92.6	87.0	83.4
Nassau Airport Development Company	391.8	386.7	382.0	325.6	313.3	302.0
Total	391.8	481.7	477.0	418.2	400.2	385.4
Total external debt	534.6	627.5	617.7	578.0	555.4	454.8
Internal debt:						
Bahamian dollars						
Government-guaranteed loans						
Bahamas Mortgage Corp	165.1	165.1	165.1	160.1	160.0	160.0
Bahamas Development Bank	50.0	46.0	43.0	41.0	41.0	40.0
Bridge Authority	23.0	23.0	23.0	23.0	16.0	16.0
Education Loan Authority	67.0	67.0	67.0	62.0	62.0	47.0
The Clifton Heritage Authority	24.0	24.0	24.0	24.0	24.0	24.0
Public Hospitals Authority	70.6	66.7	62.8	58.9	54.9	51.0
Total	399.6	391.7	384.8	368.9	357.8	338.0
Non-Government-guaranteed loans						
Bahamas Electricity Corporation	43.0	35.5	35.5	35.5	35.5	35.5
The Bahamas Power and Light Co. Ltd.…	—	—	—	25.0	45.0	45.0
Water and Sewerage Corporation	15.5	17.6	13.2	12.3	11.3	10.6
Bahamas Development Bank	3.6	3.6	2.8	2.5	3.5	3.4
Hotel Corporation	0.5	0.5	0.4	—	—	—
Bahamasair	—	25.0	25.0	24.4	22.9	21.9
Bahamas Broadcasting Corporation	4.1	3.9	3.8	3.6	3.5	3.3
College of The Bahamas	24.9	22.6	38.7	35.2	31.7	28.2
Nassau Airport Development Co.	62.7	61.5	61.0	135.1	132.9	132.6
Resolve Bahamas Limited	100.0	100.0	198.7	167.7	167.7	167.7
Bridge Authority	5.3	6.0	6.0	6.0	6.0	6.0
Poinciana SPV Limited	—	14.0	14.0	16.4	15.5	15.3
HoldingCo.2015 Ltd.	—	—	—	—	10.8	10.8
Total	259.8	290.4	399.2	463.8	486.3	480.4
Total Bahamian dollar	659.4	682.1	784.0	832.6	844.2	818.4
Foreign currency						
Government-guaranteed loans						
Bahamas Electricity Corporation	160.8	150.6	134.2	162.8	162.8	—
Bahamasair	9.0	—	—	—	—	—
Public Hospitals Authority	33.2	31.2	28.8	25.9	22.2	18.4
Lucayan Renewal Holdings Ltd……………	—	—	—	35.0	25.0	15.0
Total	202.9	181.8	163.0	223.7	210.0	33.4
Non-Government-guaranteed loans						
Bahamas Electricity Corporation	85.9	18.5	9.6	0.8	—	—
The Bahamas Power and Light Co. Ltd……	—	—	—	50.0	30.0	30.0
Nassau Airport Development Company	72.8	73.5	77.7	63.9	63.0	62.9
Total	158.7	92.0	87.3	114.7	93.0	92.9
Total internal foreign currency	361.6	273.8	250.4	338.4	302.9	126.3
Total internal debt	1,021.0	955.9	1,034.3	1,171.0	1,147.2	944.7
Total foreign currency debt(1)	896.2	901.3	868.0	916.3	858.3	581.1
Total debt	1,555.6	1,583.4	1,652.0	1,748.9	1,702.6	1,399.5

(1) Includes internal and external debt.

Source: Quarterly Reports from Public Corporations.

Total Debt Service

The following table sets forth the public sector debt service indicators (including the debt service of public corporations) for the period as of and for the years ended December 31, 2015 through December 31, 2019 and the six months ended June 30, 2020.

	As of and for the Years Ended December 31,					As of and for the Six Months Ended June 30,
	2015	2016	2017(p)	2018(p)	2019(p)	2020(p)
Foreign currency:						
Total debt service as a percentage of exports of goods and non-factor services	5.4	8.7	6.5	9.0	7.1	10.2
Debt service/GDP	1.6	2.8	5.6	3.4	2.4	n.a
Public sector debt/GDP	22.0	22.2	27.9	27.0	25.6	n.a
Bahamian dollars:						
Debt service/GDP	4.1	4.4	8.1	12.7	6.7	n.a
Public sector debt/GDP	41.7	44.0	42.8	44.1	43.8	n.a

Sources: Treasury Accounts and the Central Bank.

During the five-year period ended December 31, 2019, foreign currency debt service accounted for an average of 2.4% of GDP and Bahamian dollar debt service accounted for an average of 6.7% of GDP. The foreign currency public sector debt-to-GDP ratio rose from 22.0% in 2015 to 25.6% in 2019. Likewise, Bahamian dollar public sector debt-to-GDP ratio expanded from 41.7% in 2015 to 43.8% in 2019. If Government debt accumulation continues to increase, the vulnerability of the Bahamian economy to adverse domestic or external factors may also increase.

The following table sets forth the public sector debt service schedule (including the debt service of the public corporations) as of and for the years ended December 31, 2015 through December 31, 2019 and the nine months ended September 30, 2020.

	As of and for the Years Ended December 31,					As of and for the Nine Months Ended September 30,
	2015	2016	2017(p)	2018(p)	2019(p)	2020(p)
	(in millions of $, except %)					
Foreign currency:						
Government	101.4	170.6	586.0	228.6	208.2	215.2
Public corporations	83.2	166.7	112.6	209.2	117.2	312.8
Total foreign currency debt service	184.6	337.3	698.5	437.8	325.4	528.0
Government debt service to Government revenue (%)	5.2	9.0	6.5	10.5	8.3	16.7
Bahamian dollars:						
Government	419.0	660.1	899.8	799.5	838.0	822.7
Public corporations	57.5	55.1	122.2	108.2	72.4	58.1
Total	476.5	715.2	1,022.0	907.6	910.4	880.8
Government debt service to Government revenue (%)	21.7	35.0	43.1	36.8	33.3	63.8
Total debt service	666.1	1,052.5	1,720.5	1,345.5	1,235.7	1,408.7

Sources: Treasury Accounts and Public Corporations Reports.

Bahamian dollar debt service requirements more than doubled from $666.1 million in 2015 to $1,231.8 million in 2019. Foreign currency debt service increased from approximately $184.6 million to approximately $325.4 million over the same period. In recent years, the debt service requirements for Bahamian dollar debt have outweighed such requirements for foreign currency debt, consistent with the higher Bahamian dollar debt burden. Between 2015 and 2019, the ratio of foreign currency debt service to Government revenues has fluctuated, peaking at 10.5% in 2018, but averaging 7.9% over the last five years.

As part of its liability management activities in consideration of the impact of the COVID-19 pandemic, the Government obtained principal extensions, for twelve months in each instance, for several bilateral long-term loan facilities with commercial banks and syndicated domestic facilities. Of the $696.6 million in principal payments originally scheduled for fiscal year 2020/2021, the Government has obtained a principal extension for $96.8 million of such payments with respect to its syndicated domestic facilities until 2021/2022. The Government obtained a total of $19.6 million in external principal deferrals, for six months, on two external facilities, utilizing principal extension option clauses provided for in the respective credit agreements. Therefore, principal extensions totaled $116.4 million or 16.7% of the $696.6 million budgeted principal payments for fiscal year 2020/2021. The Government also obtained a twelve month extension for a $17.0 million short-term facility with a domestic banking institution, originally due July 29, 2020.

The following table sets forth the projected public sector debt service schedule (including the debt service of the public corporations) as of October 30, 2020. The table does not give effect to the issuance of the notes offered hereby.

	Nov-Dec 2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	(in millions of $)										
Amortization:											
Bahamian dollars											
Government	204.1	544.0	413.7	251.0	248.0	221.3	196.8	222.4	211.0	151.2	164.3
Public corporations............	10.6	48.0	185.9	62.3	57.9	60.5	63.6	14.2	36.2	19.7	13.7
Total..............................	214.7	591.9	599.6	313.3	305.9	281.8	260.4	236.6	247.2	170.9	178.0
Foreign currency											
Government	3.0	336.8	269.4	162.2	530.8	166.2	330.6	311.1	306.2	356.2	251.5
Public corporations............	6.1	78.1	26.0	21.0	84.9	15.8	15.7	15.7	15.7	15.7	15.7
Total..............................	9.1	414.9	295.4	183.3	615.6	182.0	346.7	326.8	321.9	371.9	267.2
Total amortization......	223.9	1,006.8	895.0	496.5	921.6	463.8	607.0	563.4	569.1	542.8	445.2
Interest:											
Bahamian dollars											
Government	14.5	191.7	172.2	156.1	144.8	132.5	123.6	114.4	105.5	96.3	89.1
Public corporations............	7.6	39.2	36.5	29.4	25.7	23.4	20.8	19.4	17.7	15.6	14.7
Total..............................	22.1	230.9	208.7	185.5	170.4	155.8	144.4	133.8	123.2	111.9	103.8
Foreign currency											
Government	44.9	213.7	197.2	185.3	172.7	159.3	155.7	138.6	122.2	105.8	83.6
Public corporations............	7.1	32.5	29.4	28.2	25.0	22.0	21.2	20.3	19.5	18.7	17.8
Total..............................	52.0	246.2	226.6	213.5	197.7	181.3	176.9	159.0	141.7	124.4	101.4
Total interest	74.0	477.1	435.3	399.0	368.1	337.2	321.3	292.7	264.9	236.3	205.2
Total debt service:											
Bahamian dollars											
Government	218.6	735.6	585.9	407.0	392.8	353.8	320.3	336.8	316.5	247.5	253.4
Public corporations............	18.2	87.2	222.4	91.7	83.6	83.8	84.4	33.6	53.9	35.3	28.4
Total..............................	236.8	822.8	808.3	498.8	476.4	437.6	404.8	370.4	370.4	282.8	281.8
Foreign currency											
Government	47.8	550.6	466.6	347.5	703.4	325.5	486.6	449.7	428.3	461.9	335.1
Public corporations............	13.3	110.6	55.4	49.3	109.9	37.8	36.9	36.1	35.3	34.4	33.6
Total..............................	61.1	661.1	522.0	396.8	813.3	363.3	523.5	485.8	463.6	496.4	368.7
Total debt service.......	297.9	1483.9	1330.3	895.5	1289.7	800.9	928.3	856.2	834.0	779.2	650.4

Source: Central Bank.

Note: The table above does not give effect to issuance of the notes offered hereby. The table includes forecasted interest and amortization for facilities obtained after June 30, 2020.

Debt Record

Since gaining independence in 1973, The Bahamas has never defaulted in the payment of principal or interest on any of its internal or external indebtedness to any lender or investor. However, from time to the time the Government has cured defaults on intra-governmental debt between wholly-owned Government agencies and corporations. For more information regarding the Government's obligations as guarantor of certain indebtedness of the public corporations, see "—Debt of Public Corporations" above.

DESCRIPTION OF THE NOTES

On October 15, 2020, the Government issued $600,000,000 in aggregate principal amount of its 8.950% Senior Notes due 2032 (the "initial notes") under a Fiscal Agency Agreement, dated as of October 15, 2020, among the Government and The Bank of New York Mellon, as Fiscal Agent, or the "Fiscal Agent," which term includes any successor as Fiscal Agent under the Fiscal Agency Agreement (the "Fiscal Agency Agreement").

The $225,000,000 in aggregate principal amount of additional notes offered hereby (for purposes of this "Description of the Notes" section only, the "new notes," and together with the initial notes, the "notes") constitute "Subsequent Securities" (as such term is defined in the Fiscal Agency Agreement) under the Fiscal Agency Agreement. Accordingly, the new notes and the initial notes will be treated as a single series of securities under the Fiscal Agency Agreement and holders of the new notes and the initial notes will vote and consent as one class under the Fiscal Agency Agreement. The new notes will have substantially identical terms to the initial notes, other than the issue date and offering price, will have the same CUSIP and ISIN numbers as the initial notes and, when listed, will trade together with the initial notes. A copy of the Fiscal Agency Agreement is available for inspection with prior written notice during normal business hours at the office of the Fiscal Agent or any paying agent, collectively the "Paying Agents," with respect to the notes.

The following descriptions of certain provisions of the notes and the Fiscal Agency Agreement are subject to, and are qualified in their entirety by reference to, the terms and conditions of the notes and the Fiscal Agency Agreement, including the definitions therein of certain terms.

General

The notes will bear interest from October 15, 2020 at a rate per annum of 8.950% and will mature at par on October 15, 2032. The Government will pay the principal amount of the notes in three equal annual installments on October 15, 2030, October 15, 2031, and at maturity on October 15, 2032. Interest on the notes will be payable semiannually in arrears in equal installments on April 15 and October 15 of each year (each such date, a "Payment Date"), commencing on April 15, 2021 to the persons in whose names the notes are registered at the close of business 15 days preceding the relevant Payment Date, whether or not such day is a Business Day. Interest on the notes will be calculated using a 360-day year of twelve 30-day months.

The Government may replace the Fiscal Agent at any time with prior written notice, subject to the appointment of a replacement fiscal agent. If a replacement fiscal agent is appointed, the Government will, if and for so long as the notes are listed on the Luxembourg Stock Exchange, publish a notice regarding such appointment in a leading newspaper having general circulation in Luxembourg. The Fiscal Agent is not a trustee for the holders of the notes and does not have the same responsibilities or duties to act for such holders as would a trustee. The Government may maintain deposit accounts and conduct other banking transactions in the ordinary course of business with the Fiscal Agent.

The Government will maintain a principal paying agent, a transfer agent and a registrar in New York City and, if and for so long as the notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange require, in Luxembourg. The Government may replace a paying agent at any time, subject to the appointment of a replacement paying agent. If a replacement paying agent is appointed, the Government will, if and for so long as the notes are listed on the Luxembourg Stock Exchange, publish a notice regarding such appointment in a leading newspaper having general circulation in Luxembourg.

The notes may be transferred or exchanged at the offices or agencies maintained by the Government for such purpose (which initially will be the office of the Fiscal Agent specified on the inside back cover page of this offering memorandum).

Status of the Notes

The new notes will be direct, general, unsecured, unsubordinated and unconditional obligations of the Government and will rank *pari passu*, without any preference or priority of payment, among themselves and with all other present and future unsecured and unsubordinated Indebtedness (as defined under "—Negative Pledge" below) of the Government; it being understood that this provision shall not be construed so as to require the Government to make payments under the notes ratably with payments being made under any other indebtedness. The Government has pledged its full faith and credit for the due and punctual payment of all amounts due in respect of the notes.

Form, Denomination, Book-Entry Procedures and Transfer

The new notes are being offered and sold within the United States to qualified institutional buyers in reliance on Rule 144A. New notes also may be offered and sold outside the United States in reliance on Regulation S. The new notes will be issued only in fully registered form, without interest coupons. The new notes will be issued in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

Global Bonds

The new notes will initially be issued in the form of two registered notes in global form, as follows:

- new notes sold to qualified institutional buyers in reliance on Rule 144A under the Securities Act will be represented by a Global Note, the Restricted 144A Global Note; and

- new notes sold in offshore transactions to non-U.S. persons in reliance on Regulation S will be represented by a Global Note, the Regulation S Global Note.

Upon issuance, each of the Global Notes will be deposited with the Fiscal Agent as custodian for The Depository Trust Company ("DTC") and registered in the name of Cede & Co., as nominee of DTC.

Ownership of beneficial interests in each Global Note will be limited to persons who have accounts with DTC, the DTC participants, or persons who hold interests through DTC participants. The Government expects that under procedures established by DTC:

- upon deposit of each Global Note with DTC's custodian, DTC will credit portions of the principal amount of the Global Note to the accounts of DTC participants designated by the initial purchaser; and

- ownership of beneficial interests in each Global Note will be shown on, and transfer of ownership of those interests will be effected only through, records maintained by DTC (with respect to interests of DTC participants) and the records of DTC participants (with respect to other owners of beneficial interests in each Global Note).

Beneficial interests in the Regulation S Global Note will initially be credited within DTC to Euroclear and Clearstream Banking on behalf of the owners of such interests. Investors purchasing new notes in this offering may hold their interests in the Regulation S Global Note directly through Euroclear or Clearstream Banking, if they are participants in those systems, or indirectly through organizations that are participants in those systems; however, upon issuance of the new notes, the Government intends to settle by delivering interests in the Regulation S Global Note solely through Euroclear or Clearstream Banking. Each of Euroclear and Clearstream Banking will appoint a DTC participant to act as its depositary for the interests in the Regulation S Global Note that are held within DTC for the account of each of these settlement systems on behalf of its respective participants.

The laws of some states of the United States require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a Global Note to such persons may be limited to that extent. Because DTC can act only on behalf of participants, which in turn act on behalf of indirect participants and certain banks, the ability of a person having beneficial interests in a Global Note to pledge such interests to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests. For certain other restrictions on the transferability of the notes see "—Exchanges between the Global Notes."

Beneficial interests in the Global Notes may not be exchanged for notes in physical certificated form except in the limited circumstances described below.

Each Global Note and beneficial interests in each Global Note will be subject to restrictions on transfer as described under “Transfer Restrictions.”

The information in this section concerning DTC, Euroclear, and Clearstream Banking and their book-entry systems has been obtained from sources that the Government believes to be reliable, and the Government makes no representation or warranty with respect thereto.

Neither the Fiscal Agent, transfer agent nor registrar shall have any obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer or exchange imposed under the Fiscal Agency Agreement or under applicable law with respect to any transfer or exchange of any note (including any transfers between or among participants or other beneficial owners of interests in any global note) other than to require delivery of such certificates and other documentation or evidence as are expressly required by the terms of the Fiscal Agency Agreement and to examine the same to determine substantial compliance as to form with the express requirements thereof.

Exchanges between the Global Notes

Beneficial interests in a Regulation S Global Note may be exchanged for beneficial interests in a Restricted 144A Global Note only if such exchange occurs in connection with a transfer of the note pursuant to Rule 144A and the transferor first delivers to the Fiscal Agent a written certificate (in the form provided in the Fiscal Agency Agreement) to the effect that the notes are being transferred to a person who the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A under the Securities Act, purchasing for its own account or the account of one or more qualified institutional buyers in a transaction meeting the requirements of Rule 144A and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Beneficial interests in a Restricted 144A Global Note may be transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note only if the transferor first delivers to the Fiscal Agent a written certificate (in the form provided in the Fiscal Agency Agreement) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S or Rule 144 (if available).

Any beneficial interest in one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in the other Global Note will, upon transfer, cease to be an interest in such Global Note and will become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for so long as it remains such an interest.

Book-Entry Procedures for the Global Notes

All interests in the Global Notes will be subject to the operations and procedures of DTC, Euroclear, and Clearstream Banking. The Government provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither the Government nor the initial purchaser is responsible for those operations or procedures.

DTC has advised that it is:

- a limited purpose trust company organized under the laws of the State of New York;
- a “banking organization” within the meaning of the New York State Banking Law;
- a member of the U.S. Federal Reserve System;
- a “clearing corporation” within the meaning of the Uniform Commercial Code; and
- a “clearing agency” registered under Section 17A of the U.S. Securities Exchange Act of 1934, as amended, or the “Exchange Act.”

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between its participants through electronic book-entry changes to the accounts of its participants. DTC's participants include securities brokers and dealers, banks and trust companies, clearing corporations, and other organizations. Indirect access to DTC's system is also available to others such as banks, brokers, dealers, and trust companies; these indirect participants clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. Investors who are not DTC participants may beneficially own securities held by or on behalf of DTC only through DTC participants or indirect participants in DTC.

So long as DTC's nominee is the registered owner of a Global Note, that nominee will be considered the sole owner or holder of the notes represented by that Global Note for all purposes under the Fiscal Agency Agreement. Except as provided below, owners of beneficial interests in a Global Note:

- will not be entitled to have notes represented by the Global Note registered in their names;
- will not receive or be entitled to receive physical, certificated notes; and
- will not be considered the owners or holders of the notes under the Fiscal Agency Agreement for any purpose, including with respect to the giving of any direction, instruction, or approval to the Fiscal Agent under the Fiscal Agency Agreement.

As a result, each investor who owns a beneficial interest in a Global Note must rely on the procedures of DTC to exercise any rights of a holder of notes under the Fiscal Agency Agreement (and, if the investor is not a participant or an indirect participant in DTC, on the procedures of the DTC participant through which the investor owns its interest in the notes).

Payments of principal and interest with respect to the notes represented by a Global Note will be made by the Fiscal Agent to DTC's nominee as the registered holder of the Global Note. Neither the Government nor the Fiscal Agent will have any responsibility or liability for the payment of amounts to owners of beneficial interests in a Global Note, for any aspect of the records relating to or payments made on account of those interests by DTC, or for maintaining, supervising or reviewing any records of DTC relating to those interests.

Payments by participants and indirect participants in DTC to the owners of beneficial interests in a Global Note will be governed by standing instructions and customary industry practice and will be the responsibility of those participants or indirect participants and DTC.

Transfers between participants in DTC will be effected under DTC's procedures and will be settled in same-day funds. Transfers between participants in Euroclear or Clearstream Banking will be effected in the ordinary way under the rules and operating procedures of those systems.

Cross-market transfers between DTC participants, on the one hand, and participants in Euroclear or Clearstream Banking, on the other hand, will be effected within DTC through the DTC participants that are acting as depositaries for Euroclear and Clearstream Banking. To deliver or receive an interest in a Global Note held in a Euroclear or Clearstream Banking account, an investor must send transfer instructions to Euroclear or Clearstream Banking, as the case may be, under the rules and procedures of that system and within the established deadlines of that system. If the transaction meets its settlement requirements, Euroclear or Clearstream Banking, as the case may be, will send instructions to its DTC depositary to take action to effect final settlement by delivering or receiving interests in the relevant Global Note in DTC, and making or receiving payment under normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream Banking participants may not deliver instructions directly to the DTC depositaries that are acting for Euroclear or Clearstream Banking.

Because of time zone differences, the securities account of a Euroclear or Clearstream Banking participant that purchases an interest in a Global Note from a DTC participant will be credited on the business day for Euroclear or Clearstream Banking immediately following the DTC settlement date. Cash received in Euroclear or Clearstream Banking from the sale of an interest in a Global Note to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream Banking cash account as of the business day for Euroclear or Clearstream Banking following the DTC settlement date.

DTC, Euroclear, and Clearstream Banking have agreed to the above procedures to facilitate transfers of interests in the Global Notes among participants in those settlement systems. However, the settlement systems are not obligated to perform these procedures and may discontinue or change these procedures at any time. Neither the Government nor the Fiscal Agent will have any responsibility for the performance by DTC, Euroclear, or Clearstream Banking or their participants or indirect participants of their obligations under the rules and procedures governing their operations.

Certificated Notes

Notes in physical, certificated form will be issued and delivered to each person that DTC identifies as a beneficial owner of the related notes only if:

- DTC notifies the Government at any time that it is unwilling or unable to continue as depositary for the Global Notes and a successor depositary is not appointed within 90 days;
- DTC ceases to be registered as a clearing agency under the Exchange Act and a successor depositary is not appointed within 90 days;
- the Government, at its option, notifies the Fiscal Agent that it elects to cause the issuance of certificated notes; or
- an Event of Default (as defined under "—Events of Default; Acceleration of Maturity" below) shall have occurred and be continuing with respect to such notes.

Payments

All payments on the notes will be made in immediately available funds in such coin or currency of the United States of America as of the time of payment shall be legal tender for the payment therein of public and private debts.

Payments of the principal of, interest on and Additional Amounts (as defined under "—Additional Amounts") on or in respect of any Global Note will be made to DTC, in accordance with DTC procedures, or to its nominee (or any successor thereto) as the registered owner thereof. Neither the Government nor the Fiscal Agent or any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

Payments of interest in respect of each note will be made by the Paying Agents by wire transfer in immediately available funds to an account maintained by such holder at a bank located in New York or in Europe as may have been appropriately designated by such person to the Fiscal Agent in writing not later than 15 days prior to the relevant Payment Date (or such other date as the Fiscal Agent may accept). Unless such designation is revoked, any such designation made by such person with respect to such notes will remain in effect with respect to any future payments with respect to such notes payable to such person.

Any payment of principal or interest required to be made on a Payment Date which is not a Business Day need not be made on such day, but may be made on the next succeeding Business Day with the same force and effect as if made on such Payment Date, and no interest shall accrue with respect to such payment for the period from and after such Payment Date. As used herein, the term "Business Day" means any day, other than a Saturday or Sunday, on which banks in New York City (and, in the case of any certificated note, in the place of presentment thereof in accordance with the terms of such note) are not required or authorized by law or executive order to be closed.

All payments are subject in all cases to any applicable tax or other laws and regulations, but without prejudice to the provisions of "—Additional Amounts." No commissions or expenses shall be charged to the note holders in respect of such payments.

Subject to applicable law, any monies held by the Fiscal Agent for the payment of principal or interest on the notes that remains unclaimed for two years after such amount shall have become due and payable shall be returned to the Government, and holders entitled to such monies shall thereafter look only to the Government for any payment to which such holders may be entitled. Claims against the Government for the payment of principal and interest in respect of the notes shall become void unless presentation for payment is made within a period of ten years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined under "—Additional Amounts"), to the extent permitted by applicable law.

If a note becomes mutilated, defaced, destroyed, lost, or stolen, the Government may issue, and the Fiscal Agent will authenticate and deliver, a substitute note. In each case, the applicant for a substitute note will be required to furnish to the Government and to the Fiscal Agent (or to any Paying Agent at whose offices the applicant presents the notes for exchange) an indemnity under which it will agree to pay the Government, the Fiscal Agent and any other agent for any losses they may suffer relating to the note that was mutilated, defaced, destroyed, lost or stolen. The Government and the Fiscal Agent may also require that the applicant present other documents or proof. The applicant will be required to pay all expenses and reasonable charges associated with the replacement of the mutilated, defaced, destroyed, lost or stolen note.

Further Issuances

The Government may from time to time, without the consent of note holders, create and issue further notes having the same terms and conditions as the notes in all respects, except for issue date, issue price and the first payment of interest thereon. Additional notes issued in this manner will be consolidated with and will form a single series with the previously outstanding notes, except that if such additional notes are not fungible with the notes for U.S. federal income tax purposes, such additional notes will be assigned a separate CUSIP and/or ISIN number.

Optional Redemption

Prior to July 15, 2032 (three months prior to the maturity date of the notes (the "par call date")), the notes will be redeemable at any time at the option of the Government, in whole or in part, at a redemption price equal to the greater of (1) 100% of the principal amount of the notes to be redeemed, and (2) the sum of the present values of the Remaining Scheduled Payments discounted, on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months), at a rate equal to the sum of the applicable Treasury Rate plus 50 basis points.

At any time on or after the par call date, the notes will be redeemable at any time at the option of the Government, in whole or in part, at a redemption price equal to 100% of the principal amount of the notes to be redeemed.

In either case, accrued interest, if any, will be paid to the date of redemption.

For purposes of the Government's redemption right described above, the following terms have the meanings specified below:

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of sovereign debt securities of comparable maturity to the remaining term of the notes (assuming the notes matured on the par call date).

"Comparable Treasury Price" means, with respect to any Redemption Date, as determined by the Independent Investment Banker (i) the average of the Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (ii) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Independent Investment Banker" means Credit Suisse Securities (USA) Inc., RBC Capital Markets, LLC, or their respective successors or affiliates, or one of the Reference Treasury Dealers appointed by the Government.

"Redemption Date" when used with respect to any note to be redeemed means the date which is a Business

Day fixed for such redemption by the Government pursuant to the Fiscal Agency Agreement.

"Reference Treasury Dealer Quotations" mean, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer, at 3:30 p.m., New York City time, on the third Business Day preceding such Redemption Date.

"Reference Treasury Dealers" means any four nationally recognized investment banking firms, and their respective successors and affiliates, selected by the Government that are each also a primary U.S. Government securities dealer. If any Reference Treasury Dealer shall cease to be a primary U.S. Government securities dealer, the Government will substitute another nationally recognized investment banking firm that is a primary U.S. Government securities dealer.

"Remaining Scheduled Payments" means, with respect to the notes to be redeemed, the remaining scheduled payments of principal of and interest on those notes that would be due after the related Redemption Date but for that redemption (assuming the notes matured on the par call date); provided, however, that if such Redemption Date is not an interest payment date with respect to the notes to be redeemed, the amount of the next succeeding scheduled interest payment on those notes will be reduced by the amount of interest accrued on such notes to such Redemption Date.

"Treasury Rate" means, with respect to any Redemption Date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated (on a day-count basis) yield to maturity computed as of the second business day immediately preceding that Redemption Date of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that Redemption Date.

Notice of any redemption will be mailed by first-class mail, postage prepaid, or delivered in accordance with the procedures of the applicable depositary, at least 30 but not more than 60 days before the redemption date to holders of notes to be redeemed at their respective registered addresses. For so long as the notes are listed on the official list of the Luxembourg Stock Exchange for trading on the Euro MTF Market and the rules of such exchange require, the Government will also cause notices of redemption to be published as described under "–Notices" below. The notes, when called for redemption as specified herein, will become due on the date fixed for redemption. The Government will pay the redemption price for the notes together with accrued and unpaid interest thereon through the redemption date. On and after the redemption date, interest will cease to accrue on the notes so long as the Government has deposited with the Fiscal Agent or appropriate Paying Agent funds in satisfaction of the applicable redemption price pursuant to the Fiscal Agency Agreement. Upon redemption of the notes by the Government, the notes will be cancelled.

In the event that fewer than all of the notes are to be redeemed at any time, selection of notes for redemption will be made, in the case of certificated notes, on a pro rata basis, by lot or by other method as acceptable to the Government in compliance with the requirements of the principal national securities exchange, if any, on which notes are listed, or in the case of global notes, by such other method as acceptable by DTC, although in either case no notes of U.S.$200,000 in original principal amount or less will be redeemed in part.

Open Market Purchases

The Government may at any time purchase any of the notes in any manner for any consideration. If purchases are made by tender, tenders must be available to all holders of notes alike. Any notes that are so purchased by the Government will be cancelled and may not be reissued or resold.

Covenants

So long as any note remains outstanding or any amount payable under the Fiscal Agency Agreement remains unpaid, the Government will:

(i) notify the Fiscal Agent in writing promptly upon becoming aware of the occurrence of any event which is, or after notice or passage of time or both would be, an Event of Default;

(ii) ensure that its obligations under the notes will at all times constitute direct, general, unsecured and unconditional obligations of the Government ranking pari passu without any preference or priority of payment, among themselves and with all other present and future unsecured and unsubordinated Indebtedness of the Government;

(iii) give prompt notice to the Fiscal Agent of any future appointment or any resignation or removal of any Paying Agent or of any change by any Paying Agent of any of its specified offices;

(iv) maintain its membership in, and its eligibility to use the general resources of, the IMF; and

(v) ensure that the Central Bank of the Commonwealth of The Bahamas makes available to the Government sufficient U.S. dollars to enable the Government to perform its payment obligations under the notes and the Fiscal Agency Agreement.

Negative Pledge

So long as any note remains outstanding, the Government will not create or permit to exist any Security Interest (as defined below) in any of its present or future revenues or assets to secure Public External Indebtedness (as defined below) of the Government, unless (i) the notes are secured equally and ratably with such Public External Indebtedness or the notes have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by the holders of the notes as provided under "—Meetings of Note Holders, Modification and Waiver;" *provided*, *however*, that the Government may create or permit to exist:

(i) Security Interests existing on the date of the Fiscal Agency Agreement securing Public External Indebtedness incurred or assumed by the Government;

(ii) Security interests securing Public External Indebtedness incurred or assumed by the Government in connection with a Project Financing (as defined below), provided that (a) the holders of such Public External Indebtedness agree to limit their recourse to the assets and revenues of such project as the principal source of repayment of such Public External Indebtedness (subject to normal nonrecourse carve-outs) and (b) the property over which such Security Interest is granted consists solely of such assets and revenues or claims that arise from the operation, failure to meet specifications, failure to complete, exploitation, sale or loss of, or damage to, such assets;

(iii) Security Interests securing Public External Indebtedness incurred or assumed by the Government to finance the acquisition of the assets or property in which such Security Interest has been created or permitted to exist (including any Security Interests that exist on such acquired assets or property on the date of acquisition of such assets or property), provided that such Security Interests shall not encumber any other assets or property of the Government;

(iv) Security Interests extending, renewing or replacing in whole or in part any Security Interest permitted by clause (i), (ii) or (iii) above; *provided, however*, that (a) such Security Interests do not extend beyond the assets, revenues or property subject to the then existing Security Interest, and (b) the Public External Indebtedness secured by such Security Interests may not exceed the Public External Indebtedness secured at the time by the then existing Security Interest; and

(v) Security Interests securing Public External Indebtedness (excluding Public External Indebtedness permitted by clauses (i) through (iv) above) which does not have an aggregate principal amount in excess of U.S.$25,000,000 (or its equivalent in any other currency).

For purposes of this covenant and of "—Events of Default; Acceleration of Maturity" below, the following terms have the meanings specified below:

"External Indebtedness" means Indebtedness which is payable (or may be paid) (A) in a currency or by reference to a currency other than the currency of the Government and (B) to a person resident or having its principal place of business outside the Government.

"Indebtedness" means any present or future indebtedness for borrowed money (including, without limitation, any loans, bonds, notes or other securities), or any guarantee thereof.

"Project Financing" means any financing of all or part of the costs of the acquisition, construction or development of any project in which the person or persons providing such financing expressly agree to limit their recourse to the project financed.

"Public External Indebtedness" means any External Indebtedness of the Government which is in the form of, or represented by, bonds, notes or other securities which are for the time being or are capable of being or are intended to be quoted, listed or ordinarily dealt on any stock exchange, automated trading system or over-the-counter or other securities market.

"Security Interest" means any mortgage, charge, lien, deed of trust, pledge, security interest, other encumbrance or preferential arrangement which has the practical effect of constituting a security interest with respect to the payment of any present or future obligations with or from the proceeds of any assets or revenues of any kind.

Additional Amounts

Payments in respect of the notes are not currently subject to withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature, or "Taxes," in the Commonwealth of The Bahamas. See "Taxation." In the event that any payments in respect of the notes become subject to withholding or deduction for taxes imposed by the Commonwealth of The Bahamas or any political subdivision or taxing authority thereof or therein, the Government will pay such additional amounts, or "Additional Amounts," as will result in receipt by the holders of notes of such amounts as would have been received by them had no such withholding or deduction been required; *provided* that no such Additional Amounts shall be payable with respect to any note to or on behalf of a holder or beneficial owner who is liable for Taxes in respect of such note (i) by reason of such holder or beneficial owner having some connection with the Commonwealth of The Bahamas other than the mere holding of such note or the receipt of principal or interest or the enforcement of rights, in respect thereof, (ii) by reason of the failure of such holder to comply with any certification, identification or other reporting requirement, if such holder is legally able to comply, concerning the nationality, residence, identity or connection with the Commonwealth of The Bahamas, or any political subdivision or taxing authority thereof or therein, of the holder or beneficial owner of a note or any interest therein or rights in respect thereof, if (a) compliance is required by the Commonwealth of The Bahamas, or any political subdivision or taxing authority thereof or therein, as a precondition to exemption from such withholding or deduction, (b) at least 30 days prior to the first Payment Date with respect to which such requirements shall apply, the Government shall have notified all holders of notes that such holders will be required to comply with such requirements and (c) such requirements are not materially more onerous to such holders (in form, in procedure or in the substance of information disclosed) than comparable information or other reporting requirements imposed under U.S. federal tax law, regulation and administration practice (such as Internal Revenue Service Forms W-8BEN, W-8BEN-E, W-8ECI, W-8IMY and W-9) or (iii) by reason of the failure of such holder to present such holder's note for payment (where such presentation is required) within 30 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for and notice thereof is given to the holder, whichever occurs later, or the "Relevant Date," except to the extent that the holder thereof would have been entitled to Additional Amounts in presenting the note for payment on any date during such 30-day period.

The Government will furnish documentation evidencing the payment of any Taxes to the Fiscal Agent or the holders of the notes or beneficial owners of the notes upon request.

No Additional Amounts shall be payable in respect of any note to a holder that is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent the beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner would not have been entitled to receive payment of the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the holder of such note.

Any reference herein, in the Fiscal Agency Agreement or in any note to principal and interest shall be deemed to refer to any Additional Amounts which may be payable under the undertakings referred to in this section "—Additional Amounts."

Except as provided above, the Government shall not be required to pay any Additional Amounts (or make any other payment) with respect to Taxes of whatever nature imposed or levied by any government or political subdivision or taxing authority thereof or therein.

The Government will pay any present or future stamp, court, issue or documentary taxes or any other excise or property taxes, charges or similar levies which arise in the Commonwealth of The Bahamas or any political subdivision thereof or taxing authority thereof or therein in respect of the creation, issue, execution, delivery, registration or making of payments in respect to the notes or any other document or instrument referred to therein. The Government will also indemnify the holders of the notes from and against any stamp, court, issue or documentary taxes or any other excise or property taxes, charges or similar levies resulting from, or required to be paid by any of them in any jurisdiction in connection with, the enforcement of the obligations of the Government under the notes or any other document or instrument referred to therein following the occurrence of any Event of Default (as defined below).

Events of Default; Acceleration of Maturity

If one or more of the following events with respect to the notes (herein referred to as "Events of Default") shall have occurred and be continuing:

(i) the Government fails to pay any principal on the notes when due; or (b) the Government fails to pay interest or Additional Amounts on the notes when due, and such failure to pay interest shall continue for a period of 30 days;

(ii) the Government fails to perform any other obligation contained in the notes which failure is materially prejudicial to the interests of the holders of the notes, and such failure shall continue for a period of 60 days after written notice requiring the same to be remedied shall have been given to the Government by the Fiscal Agent or the holder of any note;

(iii) Public External Indebtedness of the Government having an aggregate principal amount in excess of U.S.$25,000,000 (or its equivalent in any other currency) is accelerated by reason of any event of default (however described);

(iv) the Government fails to make any payment in respect of Public External Indebtedness of the Government in an aggregate principal amount in excess of U.S.$25,000,000 (or its equivalent in any other currency) when due (as such date may be extended as a result of any applicable grace period or waiver);

(v) any writ, execution, attachment or similar process is levied, after the date hereof, against all or any substantial part of the assets of the Government in connection with any judgment for the payment of money exceeding U.S.$25,000,000 (or its equivalent in other currencies) and remains unsatisfied, undischarged and in effect for a period of 60 days without a stay of execution, unless such judgment is adequately bonded or is being contested in good faith by appropriate proceedings properly initiated and diligently conducted and, in either case, such process is not executed against such assets;

(vi) the Government declares a general moratorium with respect to any payment of any Public External Indebtedness of the Government which does not expressly exclude the notes;

(vii) the Government shall deny, contest, or repudiate any of its obligations under the notes;

(viii) it becomes unlawful for the Government to (a) pay any amounts under the notes or (b) perform or comply with any one or more material obligations under the notes or the Fiscal Agency Agreement; or

(ix) failure by the Government to maintain its membership in, and its eligibility to use the general resources of, the IMF, and such failure continues for a period of 60 days;

then the Fiscal Agent, at the written request of holders of not less than 25% in principal amount of the notes outstanding, shall, by written notice to the Government, declare all the notes then outstanding to be immediately due and payable, and upon any such declaration the same shall become and shall be immediately due and payable upon the date that such written notice is received by the Government, unless prior to such date the Event of Default or Events of Default giving rise to such declaration shall have been cured or waived. If such Event of Default or Events of Default giving rise to any such declaration of acceleration shall be cured following such declaration, such declaration may be rescinded by the holders of a majority in aggregate principal amount of the notes then outstanding in accordance with the procedures described in "—Meetings of Note Holders; Modification and Waiver" below. However, no such rescission shall extend to or shall affect any subsequent default or shall impair any right consequent thereon. The Fiscal Agent shall not be deemed to have knowledge or notice of the occurrence of any default or event of default, unless a responsible trust officer of the Fiscal Agent shall have received written notice from the Government or a holder describing such default or event of default, and stating that such notice is a notice of default.

Meetings of Note Holders; Modification and Waiver

A meeting of holders of the notes may be called, as set forth below, at any time and from time to time to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by the Fiscal Agency Agreement or the notes to be made, given or taken by holders of notes or to modify, amend or supplement the terms of the notes or the Fiscal Agency Agreement as hereinafter provided. The Fiscal Agent at the request of the Government may at any time call a meeting of holders of the notes for any such purpose to be held at such time and at such place in New York County, State of New York, as the Fiscal Agent at the request of the Government shall determine. Notice of every such meeting, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given as provided in the terms of the notes, not less than 30 nor more than 60 days prior to the date fixed for the meeting. If at any time the holders of at least 10% in aggregate principal amount of the outstanding (as defined in the Fiscal Agency Agreement) notes shall have requested the Fiscal Agent to call a meeting of the holders of the notes for any such purpose, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, the Fiscal Agent shall call such meeting for such purposes by giving notice thereof.

To be entitled to vote at any meeting of holders of notes, a person shall be a holder of outstanding notes or a person duly appointed by an instrument in writing as proxy for such a holder. Except as set forth below, the holders or proxies representing a majority in principal amount of the outstanding notes shall constitute a quorum. At the reconvening of any meeting adjourned for a lack of a quorum, the holders or proxies representing 25% of the aggregate principal amount of the outstanding notes will constitute a quorum for the taking of any action set forth in the notice of the original meeting. For purposes of a meeting of holders of notes that proposes to discuss the "reserved matters," which are specified below, the holders or proxies representing 75% of the aggregate principal amount of the outstanding notes will constitute a quorum. The Fiscal Agent may make such reasonable and customary regulations consistent with the Fiscal Agency Agreement as it shall deem advisable for any meeting of holders of notes with respect to, among other things, the proof of the appointment of proxies in respect of holders of notes, the adjournment and chairmanship of such meeting, the appointment and duties of inspectors of votes, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate.

The Government and the Fiscal Agent (subject to the terms of the Fiscal Agency Agreement) may, upon agreement between themselves, without the vote or consent of any holder of notes, modify, amend or supplement the Fiscal Agency Agreement or the notes for the purpose of (i) adding to the covenants of the Government for the benefit of the holders of notes, (ii) surrendering any right or power conferred upon the Government, (iii) securing the notes pursuant to the requirements of the Fiscal Agency Agreement or otherwise, (iv) curing any ambiguity, or curing, correcting or supplementing any defective provision contained in the Fiscal Agency Agreement or in the notes, (v) amending the Fiscal Agency Agreement or the notes in any manner which the Government may determine and which shall not adversely affect the interest of any holder of notes in any material respect or (vi) correcting a manifest error of a formal, minor or technical nature.

With (i) the affirmative vote, in person or by proxy thereunto duly authorized in writing, of the holders of more than 50% in aggregate principal amount of the outstanding notes that are represented at a meeting duly called and held as specified above, or (ii) the written consent of the holders of more than 50% in aggregate principal amount of the outstanding notes, the Government and the Fiscal Agent may, upon agreement between themselves, modify, amend or supplement the terms of the notes or, insofar as it affects the notes, the Fiscal Agency Agreement, in any way, and such holders may make, take or give any request, demand, authorization, direction, notice, consent, waiver or other action provided by the Fiscal Agency Agreement or the relevant notes to be made, given or taken by holders of the notes; provided, however, that any such action to be effected pursuant to clause (i) above must be approved by the holders of not less than 25% of the aggregate principal amount of notes then outstanding.

However, holders of any series of debt securities issued by the Government (including the notes) must approve, by vote or consent through one of the three modification methods described below, any modification, amendment, supplement or waiver proposed by the Government that would do any of the following ((a)-(j) referred to herein as "reserved matters"):

(a) change the due date for the payment of the principal of, or any installment of interest on, any note;

(b) reduce the principal amount of any note, or the portion of such principal amount which is payable upon acceleration of the maturity of such note or the interest rate thereon;

(c) change the coin or currency in which, or the required place at which, payment with respect to interest or principal in respect of the note is payable;

(d) reduce the proportion of the principal amount of the notes the vote or consent of the holders of which is necessary to modify, amend or supplement the Fiscal Agency Agreement or the terms and conditions of the notes or to make, take or give any request, demand, authorization, direction, notice, consent, waiver or other action provided hereby or thereby to be made, taken or given;

(e) change the obligation of the Government to pay Additional Amounts;

(f) change the governing law provisions of the notes;

(g) change the courts to the jurisdiction of which the Government has submitted;

(h) change the Government's obligation to appoint and maintain an agent for service of process;

(i) change the Government's waiver ofimmunity in respect of actions or proceedings brought by any holder based upon the notes; or

(j) reduce the percentage in principal amount of outstanding notes that constitutes the quorum required at any meeting of holders of notes at which a resolution is adopted.

A change to a reserved matter, including the payment terms of any series of debt securities (including the notes), can be made without noteholders' consent, as long as the change is approved, pursuant to one of the three following modification methods, by vote or consent by:

(i) the holders of more than 75% of the aggregate principal amount of the outstanding notes insofar as the change affects the notes (but does not modify the terms of any other debt securities);

(ii) where such proposed modification would affect the outstanding notes and at least one other series of debt securities that constitutes Outstanding Debt Securities (as defined below), the holders of more than 75% of the aggregate principal amount of the then outstanding notes and all of the series of Outstanding Debt Securities affected by the proposed modification, taken in the aggregate, if certain "uniformly applicable" requirements are met (defined in the Fiscal Agency Agreement as "cross-series modification with single aggregated voting"); or

(iii) where such proposed modification would affect the outstanding notes and at least one other series of debt securities that constitute Outstanding Debt Securities, whether or not the "uniformly applicable" requirements are met, the holders of more than 66⅔% of the aggregate principal amount of the then outstanding notes and the Outstanding Debt Securities of the series affected by the proposed modification, taken in the aggregate, and the holders of more than 50% of the aggregate principal amount of each of the outstanding notes and the Outstanding Debt Securities of each series affected by the modification, taken per individual series.

"Uniformly applicable," as used herein, means a modification by which holders of debt securities of all series affected by that modification are invited to exchange, convert or substitute their debt securities on the same terms for (x) the same new instruments or other consideration or (y) new instruments or other consideration from an identical menu of instruments or other consideration. It is understood that a modification will not be considered to be uniformly applicable if each exchanging, converting or substituting holder of debt securities of any series affected by that modification is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting or substituting holder of debt securities of any series affected by that modification (or, where a menu of instruments or other consideration is offered, each exchanging, converting or substituting holder of debt securities of any series affected by that modification is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting or substituting holder of debt securities of any series affected by that modification electing the same option under such menu of instruments).

Any modification consented to or approved by the holders of debt securities pursuant to the above provisions will be conclusive and binding on all holders of the notes and, subject in each case to the terms of the applicable Outstanding Debt Agreements as described below, on all holders of the relevant series of debt securities or all holders of all series of debt securities affected by a cross-series modification, as the case may be, whether or not they have given such consent, and on all future holders of those debt securities whether or not notation of such modification is made upon the debt securities. Any instrument given by or on behalf of any holder of a debt security in connection with any consent to or approval of any such modification will be conclusive and binding on all subsequent holders of that debt security.

The Government may select, in its discretion, any modification method for a reserved matter modification in accordance with the Fiscal Agency Agreement and may designate which series of debt securities will be included for approval in the aggregate of modifications affecting two or more series of debt securities. Any selection of a modification method or designation of series to be included will be final for the purpose of that vote or consent solicitation.

For so long as any series of debt securities (collectively, the "Outstanding Debt Securities") constituting Public External Indebtedness issued by the Government on or after the date of this offering memorandum pursuant to a fiscal agency or other agreement or an indenture containing amendment, modification and waiver provisions substantially the same as those set forth herein (each, an "Outstanding Debt Agreement") is outstanding, if the Government certifies to the Fiscal Agent and to the fiscal agent or trustee under the relevant Outstanding Debt Agreement that a cross-series modification is being sought simultaneously with a "Outstanding Debt Agreement reserved matter modification", the Outstanding Debt Securities affected by such Outstanding Debt Agreement reserved matter modification shall be treated as a "series of Outstanding Debt Securities affected by that proposed modification" as that phrase is used in the Fiscal Agency Agreement; provided, that if the Government seeks a cross-series modification with single aggregated voting, in determining whether such modification will be considered uniformly applicable, the holders of any series of Outstanding Debt Securities affected by the Outstanding Debt Agreement reserved matter modification shall be deemed "holders of debt securities of all series affected by that modification," for the purpose of the uniformly applicable definition. It is the intention that in such circumstances, the votes of the holders of the affected Outstanding Debt Securities be counted for purposes of the voting thresholds specified in the fiscal agency agreement or indenture for the applicable cross-series modification as though those Outstanding Debt Securities had been affected by that cross-series modification although the effectiveness of any modification, as it relates to the Outstanding Debt Securities, shall be governed exclusively by the terms and conditions of those Outstanding Debt Securities and by the applicable Outstanding Debt Agreement; provided, however, that no such modification as to the notes will be effective unless such modification shall have also been adopted by the holders of the Outstanding Debt Securities pursuant to the amendment and modification provisions of the applicable Outstanding Debt Securities set forth in the applicable Outstanding Debt Agreement.

"Outstanding Debt Agreement reserved matter modification," as used herein, means any modification to a reserved matter affecting the terms and conditions of one or more series of Outstanding Debt Securities, pursuant to the applicable Outstanding Debt Agreement.

For purposes of determining whether the holders of the requisite principal amount of outstanding notes has approved any amendment, modification or change to, or waiver of, the notes or the Fiscal Agency Agreement, or whether of the holders of the requisite principal amount of outstanding notes has delivered a notice of acceleration of the notes, notes owned, directly or indirectly, by the Government or any public sector instrumentality of the Government will be disregarded and deemed not to be outstanding, except that in determining whether the Fiscal Agent shall be protected in relying upon any amendment, modification, change or waiver, or any notice from holders, only notes that the Fiscal Agent knows to be so owned shall be so disregarded. As used in this paragraph, "public sector instrumentality" means any department, ministry or agency of the Government or any corporation, trust, financial institution, or other entity controlled by the Government or any of the foregoing, and "control" means the power, directly or indirectly, through the ownership of voting securities or other ownership interests, by contract or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other legal entity.

For any matter or amendment for which the consent of the holders of the notes is required, the Government may solicit the consent of the holders of the notes to such matter or modification not less than 10 and no more than 30 days before the expiration date for the receipt of such consents as specified by the Government. Before soliciting any consent or vote of any holder of the notes for any change to a reserved matter, the Government will provide the following information to the Fiscal Agent for distribution to the holders of notes affected by the proposed modification:

- a description of the Commonwealth of The Bahamas' economic and financial circumstances that are in the Government's opinion relevant to the request for the proposed modification, a description of the Commonwealth of The Bahamas' existing debt;

- if the Government shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, (x) a description of any such arrangement or agreement and (y) where permitted under the information disclosure policies of the multilateral or other creditors, as applicable, a copy of the arrangement or agreement;

- a description of the Government's proposed treatment of external debt instruments that are not affected by the proposed modification and its intentions with respect to any other major creditor groups; and

- if the Government is then seeking any reserved matter modification affecting any other series of debt securities, a description of that proposed modification.

Notices

The Government will mail notices to certificated holders of the notes at their registered addresses. The Government will consider any mailed notice to have been given on the date of mailing. Electronic notice will be delivered to registered holders of Global Notes through DTC.

Notwithstanding anything herein to the contrary, any notice to a holder of an interest in a global note will be deemed sufficiently given if given to the depositary for such note (or its designee), pursuant to the applicable procedures of such depositary.

If and for so long as the notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, the Government will publish notices to the holders of the notes in a leading newspaper having general circulation in Luxembourg and The Bahamas, or, alternatively, on the website of the Luxembourg Stock Exchange at *http://www.bourse.lu.*

Neither the failure to give notice nor any defect in any notice given to any particular holder of a note shall affect the sufficiency of any notice with respect to any other notes.

Listing

Application will be made to list the new notes on the official list of the Luxembourg Stock Exchange and to trade on the Euro MTF Market. The new notes will trade together with the initial notes.

Governing Law and Submission to Jurisdiction

The Fiscal Agency Agreement and the initial notes are and the new notes will be governed by, and construed in accordance with, the laws of the State of New York.

The Government will agree that any legal suit, action or proceeding arising out of or relating to the notes may be instituted by the note holders in any U.S. federal or New York state court of competent jurisdiction located in New York County, State of New York, and will waive, to the fullest extent that it may effectively do so under applicable U.S. law, any objection to venue and any right to assert a defense of an inconvenient forum in response to any such legal suit, action or proceeding. Any process or other legal summons in connection with any such action may be served upon the Consul General of the Commonwealth of The Bahamas, at his or her offices at 231 East 46th Street, New York, New York 10017, acting as agent for service of process for The Bahamas. The Government will irrevocably waive and agree not to plead, to the fullest extent that it may effectively do so under applicable law, any immunity (including sovereign immunity) from the jurisdiction of any such federal or New York state court of competent jurisdiction located in the New York County, State of New York, to which it might otherwise be entitled in any such suit, action or proceeding arising out of or based upon the notes, except for immunity from execution and attachment as set forth in Section 19(4) of the Crown Proceedings Act (discussed below). Notwithstanding anything to the contrary, the Government will not consent to service or waive sovereign immunity with respect to actions brought against it under U.S. federal securities laws or any state securities laws. The Government has waived any immunity that it may claim under the Immunities Act, except as set forth above in this paragraph.

The Government will irrevocably waive, to the fullest extent permitted by law, any requirement or other provision of law, rule, regulation or practice, which requires or otherwise establishes as a condition to the institution, prosecution or completion of any action or proceeding (including appeals) arising out of or relating to the notes, the posting of any bond or the furnishing, directly or indirectly, of any other security.

Section 19 of the Crown Proceedings Act provides that, where in any proceedings by or against the Government any order (including an order for costs) is made by any court in The Bahamas in favor of any person against the Government, the proper officer of the court shall, on an application made by or on behalf of that person at any time after the expiration of 21 days from the date of the order or, in the case in which the order provides for the payment of costs and such costs are required to be taxed, at any time after the taxing of costs, whichever is later, issue a certificate to such person, a copy of which may be served upon the Attorney General of The Bahamas. If the order provides for the payment of money or costs, the Minister of Finance of The Bahamas shall pay the amount due to such person or his attorney, together with the interests, if any, lawfully due thereon; provided that the court by which any such order as aforesaid is made or any court to which an appeal against the order lies may direct that, pending an appeal or otherwise, payment of the whole of any amount so payable, or any part thereof, shall be suspended, and if the certificate has not been issued may order such direction to be inserted therein. Subject to this, section 19(4) of the Crown Proceedings Act provides that no execution or attachment or process in the nature thereof shall be issued out of any court in The Bahamas for enforcing payment by the Government of any money or costs, and no person shall be individually liable under any order for the payment by the Government of any money or costs.

Judgments of a foreign court against the Government where the Government has not appeared in the relevant proceedings or has unsuccessfully claimed immunity in such proceedings, may not be enforceable in the courts of The Bahamas on the grounds of public policy.

Judgment Currency

The Government agrees that, if a judgment or order given or made by any court or arbitration tribunal for the payment of any amount in respect of any note is expressed in a currency, or the “judgment currency,” other than the currency, or the “denomination currency,” in which such note is denominated, the Government will pay any deficiency arising or resulting from any variation in rates of exchange between the date as of which the amount in the denomination currency is notionally converted into the amount in the judgment currency for the purposes of such judgment or order and the business day immediately following the date of actual payment thereof. This obligation will constitute a separate and independent obligation from the other obligations under the notes, will give rise to a separate and independent cause of action, will apply irrespective of any waiver or extension granted from time to time and will continue in full force and effect notwithstanding any judgment or order for a liquidated sum or sums in respect of amounts due in respect of the relevant note or under any such judgment or order.

Concerning the Fiscal Agent

The Government has initially appointed The Bank of New York Mellon as the Fiscal Agent, principal paying agent, a transfer agent and a registrar and The Bank of New York Mellon SA/NV, Luxembourg Branch, as the Luxembourg Listing Agent.

The Fiscal Agency Agreement contains provisions relating to the obligations and duties of the Fiscal Agent, to the indemnification of the Fiscal Agent and to the Fiscal Agent’s relief from responsibility for actions that it takes. Other than sending a notice of default or an Event of Default to holders, the Fiscal Agent shall have no other duties or responsibilities in connection with a default or an Event of Default and shall not be required to participate in any proceedings or litigation on behalf of the holders or any other third party in connection with a default or an Event of Default. The Fiscal Agent is entitled to enter into business transactions with the Government or any of its affiliates without accounting for any profit resulting from such transactions.

Neither the Fiscal Agent, in any capacity hereunder, nor the Luxembourg Listing Agent have participated in the preparation of this offering memorandum and neither makes any representation or warranty as to the accuracy or validity of the information contained herein.

NOTICE TO INVESTORS

Because of the following restrictions, investors are advised to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of the notes.

The notes have not been and will not be registered under the Securities Act or with any securities regulatory authority in any jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except that notes may be offered or sold within the United States to qualified institutional buyers in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A.

Each purchaser of the notes hereunder will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(i) it represents that it (a) is a qualified institutional buyer, purchasing the notes for its own account or for the account of one or more qualified institutional buyers, and it is aware that the sale to it is being made in reliance on Rule 144A, or (b) is not a U.S. person and is acquiring the notes in an offshore transaction within the meaning of Regulation S;

(ii) it acknowledges that the notes are being offered in transactions not involving any public offering in the United States within the meaning of the Securities Act, and that the notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(iii) unless it holds an interest in a Regulation S Global Note and either is a person located outside the United States or is not a U.S. person, it understands and agrees that if in the future it decides to resell, pledge or otherwise transfer the notes or any beneficial interests in the notes, it will do so, prior to the date which is one year after the later of the date of original issue and the last date on which the Government or an affiliate of the Government was the owner of such notes, only (a) to the Government or any affiliate thereof, (b) to a person whom the seller reasonably believes is a qualified institutional buyer within the meaning of Rule 144A under the Securities Act purchasing for its own account or for the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A (c) in compliance with Rule 903 or Rule 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States or any other applicable jurisdiction;

(iv) it agrees to, and each subsequent holder is required to, notify any purchaser of the notes from it of the resale restrictions referred to in paragraph (iii) above, if then applicable;

(v) it understands and agrees that notes initially offered within the United States to qualified institutional buyers will be represented by one or more Restricted 144A Global Notes and that notes offered outside the United States in reliance on Regulation S will be represented by Regulation S Global Notes;

(vi) it understands that the Restricted 144A Global Notes will bear a legend to the following effect unless otherwise agreed to by the Government:

"THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY IN ANY JURISDICTION, AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD OR PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER (A)

REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE NOTES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS, (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT IN ACCORDANCE WITH THE FISCAL AGENCY AGREEMENT AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE DATE OF ORIGINAL ISSUE AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH NOTES, ONLY, (1) TO THE COMMONWEALTH OF THE BAHAMAS OR ANY AFFILIATE THEREOF, (2) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND, IN EACH CASE, IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND."; and

(vii) it acknowledges that the Government and the initial purchaser and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of such acknowledgments, representations or warranties deemed to have been made by virtue of its purchase of notes are no longer accurate, it shall promptly notify the Government; and if itis acquiring any notes as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

The one-year resale restriction period referred to in the above legend may be extended, in our discretion, in the event of one or more issuances of additional notes, as described under "Description of the Notes—Further Issuances." The above legend (including the restrictions on resale specified thereon) may be removed solely in our discretion and at our direction.

For further discussion of the requirements under the Fiscal Agency Agreement to effect exchanges or transfer of interests in Global Notes, see "Description of the Notes—Form, Denomination, Book-Entry Procedures and Transfer."

ENFORCEMENT OF CIVIL LIABILITIES

It may be difficult for investors to obtain or realize upon judgments of courts in the United States against us. The Bahamas is a foreign sovereign government, generally immune from lawsuits and from the enforcement of judgments under United States law. Foreign sovereign governments, however, may waive this immunity and limited exceptions to this immunity are set forth in the U.S. Foreign Sovereign Immunities Act of 1976, as amended ("Immunities Act"). In addition, substantially all of our assets are located outside of the United States, and all of our representatives and certain other parties named herein reside outside the United States and substantially all of the assets of such persons are located outside the United States.

Except as provided below, to the extent that The Bahamas or any of its assets may have, or may hereafter become entitled to or have attributed to it (whether or not claimed), any right of immunity, on the grounds of sovereignty (including under the Immunities Act) or otherwise, from any action, suit or proceeding, from setoff or counterclaim, from the jurisdiction of any court, from service of process upon it or any agent, from attachment upon or in aid of execution of judgment or from execution of judgment or other legal process or proceeding for the giving of any relief or for the enforcement of judgments, whether in the United States, The Bahamas or elsewhere, The Bahamas will, to the fullest extent permitted by applicable law, waive and agree not to assert any such immunity for itself, its property, assets, or revenues, wherever located with respect to its obligations, liabilities, or any other matter under or arising out of or in connection with the Fiscal Agency Agreement and the notes. However, The Bahamas will reserve the right to plead sovereign immunity under the Immunities Act with respect to actions brought against it under United States federal securities laws or any state securities laws. In the absence of a waiver of immunity by The Bahamas with respect to such actions, it would not be possible to obtain a U.S. judgment in such an action unless a court were to determine that The Bahamas is not entitled to sovereign immunity under the Immunities Act with respect to that action. Moreover, you may not be able to enforce a judgment obtained under the Immunities Act against The Bahamas' property located in the United States except under the limited circumstances specified in the Immunities Act. As a result, holders of the notes may be required to pursue such claims against us in The Bahamas and under Bahamian law.

The Government will agree that any legal suit, action or proceeding arising out of or relating to the notes may be instituted by the note holders in any U.S. federal or New York state court of competent jurisdiction located in New York County, State of New York, and will waive, to the fullest extent that it may effectively do so under applicable U.S. law, any objection to venue and any right to assert a defense of an inconvenient forum in response to any such legal suit, action or proceeding. Any process or other legal summons in connection with any such action may be served upon the Consul General of the Commonwealth of The Bahamas, at his or her offices at 231 East 46th Street, New York, New York 10017, acting as agent for service of process for The Bahamas. The Government will irrevocably waive and agree not to plead, to the fullest extent that it may effectively do so under applicable law, any immunity (including sovereign immunity) from the jurisdiction of any such federal or New York state court of competent jurisdiction located in New York County, State of New York, to which it might otherwise be entitled in any such suit, action or proceeding arising out of or based upon the notes, except for immunity from execution and attachment as set forth in Section 19(4) of the Crown Proceedings Act (discussed below). Notwithstanding anything to the contrary, the Government will not consent to service or waive sovereign immunity with respect to actions brought against it under U.S. federal securities laws or any state securities laws. The Government has waived any immunity that it may claim under the Immunities Act, except as set forth above in this paragraph.

The Government will irrevocably waive, to the fullest extent permitted by law, any requirement or other provision of law, rule, regulation or practice, which requires or otherwise establishes as a condition to the institution, prosecution, or completion of any action or proceeding (including appeals) arising out of or relating to the notes, the posting of any bond or the furnishing, directly or indirectly, of any other security.

Section 19 of the Crown Proceedings Act provides that, where in any proceedings by or against the Government any order (including an order for costs) is made by any court in The Bahamas in favor of any person against the Government, the proper officer of the court shall, on an application made by or on behalf of that person at any time after the expiration of 21 days from the date of the order or, in the case in which the order provides for the payment of costs and such costs are required to be taxed, at any time after the taxing of costs, whichever is later, issue a certificate to such person, a copy of which may be served upon the Attorney General of The Bahamas. If the order provides for the payment of money or costs, the Minister of Finance of The Bahamas shall pay the amount due to such person or his attorney, together with the interests, if any, lawfully due thereon; provided that the court by which any such order as aforesaid is made or any court to which an appeal against the order lies may direct that, pending an appeal or otherwise, payment of the whole of any amount so payable, or any part thereof, shall be suspended, and if the certificate has not been issued may order such direction to be inserted therein. Subject to this, section 19(4) of the Crown Proceedings Act provides that no execution or attachment or process in the nature thereof shall be issued out of any court in The Bahamas for enforcing payment by the Government of any money or costs, and no person shall be individually liable under any order for the payment by the Government of any money or costs.

Judgments of a foreign court against the Government where the Government has not appeared in the relevant proceedings or has unsuccessfully claimed immunity in such proceedings, may not be enforceable in the courts of The Bahamas on the grounds of public policy.

The Bahamas has been advised by its Bahamian counsel that final and conclusive judgments against The Bahamas for the payment of a sum of money rendered by a U.S. federal or New York State court, including in respect of civil liabilities predicated upon applicable securities laws, may be enforced in The Bahamas against The Bahamas and its respective representatives and certain others named herein without reconsideration of the merits, *provided* that:

- such court had proper jurisdiction under Bahamian conflict of law rules;
- the judgment is for a debt or definite sum of money other than a sum payable in respect of taxes or charges of a like nature or in respect of a fine or penalty;
- such court did not contravene the rules of natural justice of The Bahamas;
- such judgment was not obtained by fraud on the part of the party in whose favor the judgment was given or of the court pronouncing it;
- the enforcement of such judgment would not be contrary to the public policy of The Bahamas;
- the correct procedures under the laws of The Bahamas are duly complied with;
- such judgment is not inconsistent with a prior Bahamian judgment in respect of the same matter; and
- enforcement proceedings are instituted within six years after the date of such judgment.

Upon a determination by a Bahamian judge that such foreign judgment has satisfied these criteria, the courts of The Bahamas would recognize such foreign judgment as a valid judgment, and permit the same to found the basis of a fresh action in The Bahamas and should give a judgment based thereon without there being a re-trial or reconsideration of the merits of the case.

TAXATION

Certain Bahamian Tax Consequences

The following is a general description of certain tax laws of The Bahamas relating to the notes and does not purport to be a comprehensive description of the tax treatment of the notes. Prospective purchasers should consult their tax advisers as to the tax laws and the specific tax consequences of acquiring, holding, and disposing of the notes.

Under existing laws and regulations of The Bahamas, payments by The Bahamas of principal of and interest on the notes to a nonresident of The Bahamas will not be subject to taxation in The Bahamas and no withholding for any Bahamian tax will be required on any such payments to any such nonresident holders of the notes. There is no income tax under Bahamian law and, accordingly, a holder of notes will not be subject to any Bahamian income tax in respect of any payment of principal or interest on the notes, or in respect of any gain on disposition of the notes.

In the event of the imposition of such withholding taxes or duties, The Bahamas has undertaken to make payments of Additional Amounts as described under "Description of the Notes—Additional Amounts."

Purchasers of notes may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase.

Certain United States Federal Income Tax Consequences

The following discussion summarizes the material U.S. federal income tax consequences of the acquisition, ownership, and disposition of the notes. The discussion is based upon provisions of the U.S. Internal Revenue Code of 1986, as amended (the "Code") its legislative history, judicial authority, current administrative rulings and practice, and existing and proposed Treasury Regulations, all as in effect and existing on the date hereof.

Legislative, judicial, or administrative changes or interpretations may alter or modify the validity of the statements and conclusions set forth below. Any such changes or interpretations may be retroactive, so as to result in U.S. federal income tax consequences different from those summarized below, and could adversely affect a holder of the notes. Except as otherwise described herein, this discussion applies only to notes held as capital assets (as defined in Section 1221 of the Code) by a person purchasing notes from us in the offering at the price set forth on the cover of this offering memorandum. This discussion does not purport to deal with all aspects of U.S. federal income taxation that might be relevant to particular holders in light of their personal circumstances or status, nor does it discuss the U.S. federal income tax consequences to certain types of holders subject to special treatment under the U.S. federal income tax laws, such as certain financial institutions, insurance companies, real estate investment trusts, regulated investment companies, dealers or traders in securities, tax-exempt organizations, persons subject to alternative minimum tax, persons that hold notes that are a hedge against, or that are hedged against, currency risk or that are part of an integrated investment (including a straddle) or as part of a conversion or repurchase transaction, accrual method taxpayers subject to special tax accounting rules as a result of their use of certain financial statements under Section 451(b) of the Code, U.S. Holders (as defined below) whose functional currency is not the U.S. dollar or partnerships or other entities classified as partnerships for U.S. federal income tax purposes. Moreover, the effect of any applicable state, local or non-U.S. tax laws, the Medicare tax on investment income or any U.S. federal tax laws other than with respect to income taxation, is not discussed.

For purposes of this discussion, a "U.S. Holder" is a beneficial owner of notes that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source or (iv) a trust the administration of which is subject to the primary supervision of a court within the United States and with respect to which one or more U.S. persons have the authority to control all substantial decisions of the trust. For purposes of this discussion, a "non-U.S. Holder" is a beneficial owner of notes, other than a partnership (or other entity classified as a partnership for U.S. federal income tax purposes), that is not a U.S. Holder. The U.S. federal income tax treatment of a partner in a partnership (or other entity classified as a partnership for U.S. federal income tax purposes) that holds notes generally will depend on such partner's particular circumstances and on the activities of the partnership.

Partners in such partnerships should consult their own tax advisors.

Qualified Reopening

For U.S. federal income tax purposes, we expect and the following discussion assumes that the notes offered hereby will be treated as issued in a "qualified reopening" of the initial notes. For U.S. federal income tax purposes, debt instruments issued in a qualified reopening are deemed to be part of the same issue as the original debt instruments. Under the treatment described in this paragraph, the notes offered hereby will have the same issue date and the same issue price as the initial notes for U.S. federal income tax purposes, and because the initial notes were issued at no more than a de minimis discount from their stated principal amount, the initial notes were issued without original issue discount ("OID") and, therefore, the notes offered hereby will also be issued without OID. If the notes were not issued in a qualified reopening, the timing, amount and character of the income recognized with respect to the notes could differ from that described herein, and the notes might not be fungible with the initial notes.

Contingent Payment Debt Instrument

In certain circumstances (see "Description of the Notes—Optional Redemption"), the Commonwealth may be obligated to pay additional amounts to optionally redeem the notes. These potential payments may implicate the provisions of the U.S. Treasury regulations relating to "contingent payment debt instruments." Under these U.S. Treasury regulations, however, one or more contingencies will not cause a debt instrument to be treated as a contingent payment debt instrument if, as of the issue date, such contingencies in the aggregate are considered "remote" or "incidental." Although not free from doubt, the Commonwealth intends to take the position that the possibility of paying additional amounts upon an optional redemption should not cause the notes to be treated as contingent payment debt instruments for U.S. federal income tax purposes. The Commonwealth's determination generally is binding on a holder unless such holder discloses its contrary position in the manner required by the applicable U.S. Treasury regulations. The Commonwealth's determination is not, however, binding on the IRS. It is possible that the IRS may take a different position from that described above, in which case, if such position is sustained, the timing and amount of income included and the character of the income recognized with respect to the notes may be materially and adversely different from the consequences discussed herein. The remainder of this discussion assumes that the notes will not be treated as contingent payment debt instruments for U.S. federal income tax purposes. You should consult your own tax advisors regarding the possible application of the contingent payment debt instrument rules to the notes.

U.S. Holders

Payments of Interest. Except with respect to pre-issuance accrued interest (discussed below), interest payments on the notes will be taxable as ordinary interest income to a U.S. Holder when received or accrued in accordance with such holder's regular method of accounting for U.S. federal income tax purposes, and such income will include any tax withheld from interest payments notwithstanding that such withheld amount is not in fact received by such U.S. Holder. A U.S. Holder will also be required to include in income any Additional Amounts paid or accrued (in accordance with such method of accounting) with respect to the notes. Interest income on a note generally will constitute foreign source income and, depending on the U.S. Holder's circumstances, generally will be considered "passive" or "general" income, which, in either case, is treated separately from other types of income in computing the foreign tax credit allowable to U.S. Holders under U.S. federal income tax laws. If any foreign income taxes are imposed in respect of payments on the notes, the U.S. Holder may be eligible, subject to a number of complex limitations, for a deduction or a foreign tax credit. Investors are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Pre-Issuance Accrued Interest. A portion of the price paid for a note offered hereby will be allocable to interest that "accrued" prior to the date the note is purchased, which we refer to as pre-issuance accrued interest. We intend to take the position that, to the extent a portion of a U.S. Holder's purchase price is allocable to pre-issuance accrued interest, a portion of the first stated interest payment equal to the amount of such pre-issuance accrued interest will be treated as a nontaxable return of such pre-issuance accrued interest to the U.S. Holder. Amounts treated as a nontaxable return of pre-issuance accrued interest should reduce a U.S. Holder's adjusted tax basis in the note offered hereby by a corresponding amount.

Sale, Exchange, Redemption or Other Disposition. The sale, exchange, redemption or other disposition of a note will be a taxable event for U.S. federal income tax purposes. In such event, a U.S. Holder will recognize taxable gain or loss equal to the difference, if any, between (i) the amount of cash plus the fair market value of any property received upon such sale, exchange, redemption or other disposition (except to the extent that such cash or property is attributable to accrued interest, which amount will be taxable as ordinary income to the extent not previously included in gross income) and (ii) the U.S. Holder's tax basis therein. A U.S. Holder's tax basis in a note generally will be equal to the purchase price paid by such U.S. Holder for such note, reduced by any previous payments of principal, any amortized bond premium, any pre-issuance accrued interest previously received and any payments on the note other than interest. Such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the note will have been held by the U.S. Holder for more than one year at the time of such sale, exchange, redemption or other disposition. Long-term capital gains may be taxed at a lower rate than ordinary income for certain non-corporate U.S. Holders (including individuals). The ability of a U.S. Holder to deduct a capital loss is subject to limitations under the Code.

Gain or loss realized by a U.S. Holder on the sale, exchange, redemption or other disposition of a note will generally be treated as U.S. source gain or loss for U.S. foreign tax credit purposes.

Amortizable Bond Premium. If a U.S. Holder purchases a note offered hereby for an amount (excluding any portion thereof allocable to pre-issuance accrued interest) that exceeds the note's principal amount, the U.S. Holder will be considered to have purchased the note with "amortizable bond premium" in an amount equal to the excess. Generally, a U.S. Holder may elect to amortize the premium as an offset to interest, using a constant-yield method, over the remaining term of the notes. However, because the notes may be optionally redeemed by us for an amount in excess of their principal amount, special rules apply that could result in a deferral of the amortization of the bond premium until later in the term of the notes. Under the Treasury Regulations, a U.S. Holder may offset the stated interest income allocable to an accrual period with the bond premium allocable to the accrual period. If the bond premium allocable to an accrual period exceeds the stated interest income allocable to the accrual period, the excess is treated as a bond premium deduction. However, the amount treated as a bond premium deduction is limited to the amount by which such U.S. Holder's total interest inclusions on the notes in prior accrual periods exceed the total amount treated by such U.S. Holder as a bond premium deduction in prior accrual periods. If any of the excess bond premium is not deductible, that amount is carried forward to the next accrual period. If a U.S. Holder elects to amortize bond premium, the U.S. holder must reduce its adjusted tax basis in the notes by the amount of the bond premium used to offset interest income as set forth above. An election to amortize bond premium applies to all taxable debt obligations held or subsequently acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies and may be revoked only with the consent of the Internal Revenue Service.

Foreign Financial Asset Reporting. Certain U.S. Holders are subject to reporting requirements on their ownership of certain foreign financial assets, including debt of foreign entities, if the aggregate value of all of these assets exceeds U.S.$50,000 at the end of the taxable year (or U.S.$75,000 on any day during the taxable year). The notes are expected to constitute foreign financial assets subjects to these requirements unless the notes are held in an account at a financial institution. U.S. Holders should consult their tax advisors regarding the application of these reporting requirements to their ownership of the notes.

Non-U.S. Holders

A non-U.S. Holder generally will not be subject to U.S. federal income tax with respect to the receipt of interest on the notes, or gain realized on the sale or other disposition of notes, unless (i) the interest or gain is treated as effectively connected with the conduct by such holder of a trade or business in the United States (and, if an income tax treaty applies, the interest or gain is attributable to a permanent establishment maintained by the non-U.S. Holder in the United States), or (ii) in the case of gain derived by an individual, such individual is present in the United States for 183 days or more in the taxable year and certain other conditions are met. If a non-U.S. Holder is described in (i) above, it will be subject to tax on the interest or gain in the same general manner as if the non-U.S. Holder were a U.S. Holder, unless an applicable income tax treaty provides otherwise, and if a non-U.S. Holder is a foreign corporation it may be subject to an additional branch profits tax equal to 30% (or lesser rate as may be specified under an applicable income tax treaty) on its effectively connected earnings and profits (subject to certain adjustments). If a non-U.S. Holder is an individual described in (ii) above, such holder will be subject to a flat 30% tax (subject to reductions under an applicable income tax treaty) on the gain, which may be offset by U.S. source capital losses, even though such holder is not considered a resident of the United States.

Information Reporting and Backup Withholding

The "backup" withholding and information reporting requirements may apply to certain payments of principal and interest on a note and to certain payments of proceeds of the sale or other disposition of a note. Backup withholding generally will apply if the holder fails to furnish its taxpayer identification number (social security number or employer identification number), to certify that such holder is not subject to backup withholding, or to otherwise comply with the applicable requirements of the backup withholding rules. Certain holders (including, among others, most corporations) are not subject to the backup withholding and information reporting requirements. Under current Treasury Regulations, backup withholding and information reporting generally will not apply to payments made to a holder of a note who has provided the required certification under penalties of perjury that it is not a U.S. Holder or has otherwise established an exemption.

Any amounts withheld under the backup withholding rules from a payment to a holder may be claimed as a credit against such holder's U.S. federal income tax liability provided the required information is furnished to the Internal Revenue Service.

PLAN OF DISTRIBUTION

Credit Suisse Securities (USA) LLC is acting as the initial purchaser of the notes. Subject to the terms and conditions stated in the purchase agreement, the initial purchaser has agreed to purchase the principal amount of notes set forth opposite its name below:

Initial Purchaser	Principal Amount of Notes
Credit Suisse Securities (USA) LLC	U.S.$225,000,000
Total	U.S.$225,000,000

The purchase agreement provides that the obligation of the initial purchaser to purchase the notes is subject to certain conditions precedent, to the passing on of legal matters by counsel, to the validity of the notes and to other conditions. The initial purchaser may offer and sell the notes through certain of its affiliates.

The initial offering price is set forth on the cover page of this offering memorandum. The initial purchaser may offer the notes to selected dealers at the initial offering price set forth on the cover page of this offering memorandum less a selling concession. After the notes are released for sale, the initial purchaser may change the offering price and other selling terms. The initial purchaser reserves the right to cancel any order of notes in whole or in part.

In the purchase agreement, the Government has agreed that the Government will indemnify the initial purchaser against certain liabilities, including liabilities under the Securities Act, or contribute to payments that the initial purchaser may be required to make in respect of those liabilities.

The notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States or any other jurisdiction. Accordingly, the notes are subject to restrictions on resale and transfer as described under "Notice to Investors."

In the purchase agreement, the initial purchaser has represented, warranted and agreed that:

- the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from the registration requirements of the Securities Act or in transactions not subject to those registration requirements; and

- during the initial distribution of the notes and otherwise until 40 days after the later of the commencement of this offering and the closing of this offering, they will offer or sell notes:

    - inside the United States only to persons whom they reasonably believes to be qualified institutional buyers in transactions pursuant to, and in accordance with, Rule 144A;

    - outside the United States in accordance with Regulation S; or

    - pursuant to another exemption from registration under the Securities Act.

Application will be made to list the notes on the official list of the Luxembourg Stock Exchange and to trading on the Euro MTF Market. However, the initial purchaser cannot assure you that the listing application will be approved. The initial purchaser cannot assure you that the prices at which the notes will sell in the market after this offering will not be lower than the offering price or that an active trading market for the notes will develop and continue after this offering. The initial purchaser may make a market in the notes. However, the initial purchaser is not obligated to do so and may discontinue any market making activities with respect to the notes at any time without notice.

Accordingly, the initial purchaser cannot assure you as to the liquidity of or the trading market for the notes.

In connection with the offering, the initial purchaser may engage in overallotment, stabilizing transactions and covering transactions. Overallotment involves sales in excess of the offering size, which creates a short position for the initial purchaser. Covering transactions involve purchases of notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions involve bids to purchase notes so long as the stabilizing bids do not exceed a specified maximum. Any of these transactions may have the effect of preventing or retarding a decline in the market price of the notes. These transactions may also cause the price of the notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions.

The initial purchaser may conduct these transactions in the over-the-counter market or otherwise. If the initial purchaser commences any of these transactions, they may discontinue them at any time in their sole discretion.

The initial purchaser and certain of its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financial and brokerage activities. The initial purchaser and certain of its affiliates have in the past performed commercial banking, investment banking and advisory services for the Commonwealth from time to time for which they have received customary fees and reimbursement of expenses and may, from time to time, engage in transactions with and perform services for the Commonwealth in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses. In the ordinary course of its various business activities, the initial purchaser and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own respective accounts and for the accounts of their respective customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Commonwealth.

Selling Restrictions

Neither we nor the initial purchaser is making an offer to sell, or seeking offers to buy, the notes in any jurisdiction where the offer and sale is not permitted. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the notes or possess or distribute this offering memorandum, and you must obtain any consent, approval or permission required for your purchase, offer or sale of the notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither we nor the initial purchaser will have any responsibility therefor.

Canada

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("NI 33-105"), the initial purchaser is not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

European Economic Area

The notes may not be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II, or (ii) a customer within the meaning of the Insurance Distribution Directive where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by the PRIIPs Regulation for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

United Kingdom

In the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are "qualified investors" (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

An invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA)

in connection with the issue or sale of any notes which are the subject of the offering contemplated by this offering memorandum will only be communicated or caused to be communicated in circumstances in which Section 21(1) of FSMA does not apply to us.

Chile

Pursuant to Law 18,045 of Chile (the "securities market law of Chile") and Rule (Norma de Carácter General) 336, dated June 27, 2012 ("Rule 336"), issued by the Superintendency of Securities and Insurance of Chile (Superintendencia de Valores y Seguros de Chile, or "SVS"), the notes may be privately offered in Chile to certain "qualified investors" identified as such by Rule 336 (which in turn are further described in Rule 216, dated June 12, 2008, of the SVS). Rule 336 requires the following information to be provided to prospective investors in Chile:

- the date of commencement of the offer is December 2, 2020. The offer of the notes is subject to Rule 336;
- the subject matter of this offer are securities not registered with the SVS, nor with the foreign securities registry (registro de valores extranjeros) of the SVS, due to the notes not being subject to the oversight of the SVS;
- since the notes are not registered in Chile there is no obligation by the issuer to make publicly available information about the notes in Chile; and
- the notes will not be subject to public offering in Chile unless registered with the relevant securities registry of the SVS.

Información a los Inversionistas Chilenos

De conformidad con la ley N° 18.045, de mercado de valores y la Norma de Carácter General N° 336 (la "NCG 336"), de 27 de junio de 2012, de la Superintendencia de Valores y Seguros de Chile (la "SVS"), los valores pueden ser ofrecidos privadamente a ciertos "inversionistas calificados," a los que se refiere la NCG 336 y que se definen como tales en la Norma de Carácter General N° 216, de 12 de junio de 2008, de la SVS. La siguiente información se proporciona a potenciales inversionistas de conformidad con la NCG 336:

- La oferta de los valores comienza el 2 de diciembre de 2020, y se encuentra acogida a la NCG 336, de la SVS;

- La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, por lo que tales valores no están sujetos a la fiscalización de esa SVS;

- Por tratarse de valores no inscritos en Chile no existe la obligación por parte del emisor de entregar en Chile información pública sobre los mismos; y

- Estos valores no podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el Registro de Valores correspondiente.

Hong Kong

This offering memorandum has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. No person may offer or sell in Hong Kong, by means of any document, any notes other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong and any rules made under that Ordinance, or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap.32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance or to any persons in the circumstances referred to in paragraph (ii) above.

Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore (the "MAS"). Accordingly, this offering memorandum may not be circulated or distributed, nor may the notes be offered for exchange, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the notes are subscribed for or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, then securities, debentures and units of securities and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the notes under Section 275 except: (i) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (ii) where no consideration is given for the transfer; (iii) by operation of law; (iv) as specified in Section 276(7) of the SFA; or (v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Singapore Securities and Futures Act Product Classification: Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the SFA, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the notes are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Japan

The notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, "Japanese Person" means any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Switzerland

This offering memorandum is not intended to constitute an offer or solicitation to purchase or invest in the notes. The notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("FinSA") and no application has or will be made to admit the notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this offering memorandum nor any other offering or marketing material relating to the notes constitutes a prospectus pursuant to the FinSA, and neither this offering memorandum nor any other offering or marketing material relating to the notes may be publicly distributed or otherwise made publicly available in Switzerland.

Panama

The notes have not been and will not be registered under the Panamanian Securities Act with the Superintendence of Capital Markets in the Republic of Panama. Accordingly, (i) the notes cannot be publicly offered or sold in Panama, except in transactions exempted from registration under the Panamanian Securities Act, (ii) the Panamanian Superintendence of Capital Markets has not reviewed the information contained in this offering memorandum, (iii) the notes and the offering thereof are not subject to the supervision of the Panamanian Superintendence of Capital Markets, and (iv) the notes do not benefit from the tax incentives provided by Panamanian Securities Act.

GENERAL INFORMATION

The notes have been accepted into DTC's book-entry settlement system. The notes have been accepted for clearance through Euroclear and Clearstream. The International Securities Identification Number, or ISIN, for the Restricted 144A Global Note is US056732AL44, the CUSIP Number for the Restricted 144A Global Note is 056732 AL4, and the common code for the Restricted 144A Global Note is 224440987. The ISIN for the Regulation S Global Note is USP06518AH06, the CUSIP Number for the Regulation S Global Note is P06518 AH0, and the common code for the Regulation S Global Note is 224440839. The Government's Legal Entity Identifier is 549300W13SXC7EKNJC20.

The legal authorizations for the issuance of the notes offered hereby are set forth in the resolution of the House of Assembly, dated June 22, 2020 which authorizes the Minister of Finance to borrow approximately $1,334.2 million in U.S. dollars.

Copies of the Fiscal Agency Agreement (including the forms of the global notes and the definitive notes) will, for if and so long as the notes are listed on the Luxembourg Stock Exchange, be available for inspection free of charge during normal hours on any weekday (except Saturdays and public holidays) at the specified offices of the Luxembourg Listing Agent. Documents forming the prospectus will also be available at the offices of the Luxembourg Listing agent.

OFFICIAL STATEMENTS

Information included herein which is identified as being derived from a publication of the Government or one of its agencies or instrumentalities is included herein on the authority of such publication as a public official document of the Government. All other information in this offering memorandum is included as a public official statement made on the authority of the Ministry of Finance of the Government, in its official capacity.

LEGAL MATTERS

The validity of the notes and certain other legal matters relating to the issuance of the notes will be passed upon for the Government by Hogan Lovells US LLP, U.S. counsel to the Government, and by the Office of the Attorney-General of The Bahamas. Certain legal matters related to the offering will be passed upon for the initial purchaser by Allen & Overy LLP, U.S. counsel to the initial purchaser, and Higgs & Johnson, Bahamian counsel to the initial purchaser.

ISSUER

Government of the Commonwealth of The Bahamas c/o Ministry of Finance
Sir Cecil V. Wallace-Whitfield Centre Nassau, The Bahamas

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U.S.$225,000,000

The Commonwealth of The Bahamas

8.950% Notes due 2032

O F F E R I N G   M E M O R A N D U M

Credit Suisse

December 23, 2020