*INVESTMENT AND SOVEREIGN RESEARCH*

# Bahamas Tender offer

**Our Recommendation on Bonds Issued By the Commonwealth of the Bahamas**

**In 2021**, JMMB Group Research assigned a **Strongly Underweight** recommendation to all sovereign bonds issued by the **Commonwealth of The Bahamas (The Bahamas)**. This recommendation was based on the significant deterioration in the country's macroeconomic and fiscal position following **Hurricane Dorian** in 2019 and the **COVID-19 pandemic** in 2020. At the time, we highlighted that The Bahamas' elevated debt burden, rising debt-servicing costs, and vulnerability to external shocks increased the risk of a future debt event.

Our assessment also considered the increasing frequency and intensity of climate-related events across the Caribbean, particularly hurricanes, which pose a persistent threat to fiscal sustainability and economic stability in small island economies. Given these structural vulnerabilities, we concluded that an adverse weather-related or economic shock could materially weaken the sovereign's capacity to meet its financial obligations.

**We have not altered this recommendation and continue to maintain a cautious stance on Bahamian sovereign debt.** However, we are currently conducting a comprehensive review of the country's macroeconomic, fiscal, and debt dynamics to determine whether recent developments warrant a revision to our outlook or support maintaining our existing recommendation. This review will focus on the sustainability of the sovereign's fiscal improvement, debt trajectory, financing profile, and resilience to external shocks.

## Tender Offer

On 19 October 2026, the Bahamas launched a cash tender offer to repurchase portions of five outstanding U.S. dollar-denominated sovereign bond issues. The transaction is being financed through a concurrent issuance of new global notes, with the government retaining discretion over the maximum amount purchased in each series.

**Key Terms**

- **Offer Launch Date:** 19 October 2026
- **Expiration Date:** 27 October 2026 at 5:00 p.m. (New York time)
- **Expected Settlement Date:** 29 October 2026
- **Funding Source:** Proceeds from a new global bond issuance
- **Proration:** May be applied if tenders exceed the maximum purchase amount allocated to a series
- **Withdrawal Deadline:** 27 October 2026

Total outstanding principal eligible under the offer: approximately US$812.96 million.
Payment to Bondholders for notes accepted in the tender offer, investors will receive:

1. **Principal Repayment/Purchase Consideration**
   - Payment based on the applicable purchase price listed above.
   - Prices are generally at or above par for the 2028 and 2029 bonds and below par for the longer-dated 2033 and 2038 bonds.

2. **Accrued and Unpaid Interest**
   - Holders will receive **all accrued and unpaid interest** from the last interest payment date up to, but excluding, the **29 October 2026 settlement date**.

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- Accrued interest will be paid **in addition to** the quoted purchase price.

**Notes Eligible for Purchase**

| Notes | Outstanding Principal Amount | Purchase Price (per US$1,000 Principal) |
|---|---|---|
| 6.000% Notes due 2028 | US$158.18 million | US$1,007.69 |
| 9.000% Notes due 2029 | US$173.14 million | US$1,081.55 |
| 6.950% Notes due 2029 | US$226.12 million | US$1,022.50 |
| 6.625% Notes due 2033 | US$175.64 million | US$986.25 |
| 7.125% Notes due 2038 | US$79.89 million | US$970.00 |

**Example**

A holder of **US$100,000 principal** of the **9.000% Notes due 2029** whose bonds are accepted would receive:

- Purchase price: **US$108,155** (US$1,081.55 per US$1,000 principal)
- Plus accrued interest up to the settlement date

**Additional Features**

- The government is not required to purchase any minimum amount of notes.
- Acceptance of tenders is contingent on successfully completing the new bond issue.
- If tendered amounts exceed the government's maximum purchase allocation for a series, purchases may be **prorated**.
- Investors who tender existing bonds may receive preferential consideration for allocations in the new bond issue, although no allocation is guaranteed.
- Brokers representing holders of the **2029 (6.950%)**, **2033**, and **2038** notes may qualify for a **0.25% processing fee** on accepted tenders up to **US$250,000 principal per holder**.

**Implications**

The transaction represents a liability management initiative aimed at refinancing existing debt obligations and optimizing the Government's maturity profile. By repurchasing outstanding bonds and issuing new notes, The Bahamas can enhance its debt structure while providing liquidity to existing bondholders through the tender offer.

The bonds included in the **offer are relatively illiquid, given the modest outstanding principal amounts** of the individual issues. As a result, they tend to trade with wider bid-ask spreads than similarly rated sovereign bonds with larger issue sizes and greater secondary market activity**. Consequently, investors who are satisfied with the current coupon and yield and intend to hold these securities until maturity may find limited benefit in participating in the tender offer**.

However, **the offer may be attractive to investors who anticipate a need to liquidate their holdings prior to maturity**. Due to the bonds' limited liquidity, these investors could face the risk of selling their securities at a discount to fair value in the secondary market. **The tender offer therefore provides an opportunity to exit positions at predetermined prices,** while potentially reallocating proceeds into instruments with a more appropriate maturity profile, liquidity profile, or risk-return characteristics.

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