



GOVERNMENT OF BERMUDA

\$675,000,000 2.375% Senior Notes due 2030

\$675,000,000 3.375% Senior Notes due 2050

The Government of Bermuda (the “Government,” “we,” “us” and “our”) is offering \$675,000,000 aggregate principal amount of its 2.375% Senior Notes due 2030 (the “2030 notes”) and \$675,000,000 aggregate principal amount of its 3.375% Senior Notes due 2050 (the “2050 notes”) and, together with the 2030 notes, the “notes” and each a separate “series” of notes). The 2030 notes will bear interest at a rate of 2.375% per year, accruing from August 20, 2020. Interest on the 2030 notes will be payable on August 20 and February 20 of each year, commencing on February 20, 2021. The 2050 notes will bear interest at a rate of 3.375% per year, accruing from August 20, 2020. Interest on the 2050 notes will be payable on August 20 and February 20 of each year, commencing February 20, 2021.

The 2030 notes will mature on August 20, 2030 unless earlier redeemed. We may redeem the 2030 notes, in whole or in part, at any time prior to May 20, 2030 (three months prior to the maturity date of the 2030 notes) by paying the greater of the outstanding principal amount of the 2030 notes and a “make-whole” amount calculated by a calculation agent appointed by the Government. In addition, we may redeem the 2030 notes, in whole or in part, at any time on or after May 20, 2030 (three months prior to the maturity date of the 2030 notes), at a redemption price equal to 100% of the principal amount of 2030 notes to be redeemed, plus accrued and unpaid interest. See “Description of the Notes—Optional Redemption.”

The 2050 notes will mature on August 20, 2050 unless earlier redeemed. We may redeem the 2050 notes, in whole or in part, at any time prior to February 20, 2050 (six months prior to the maturity date of the 2050 notes) by paying the greater of the outstanding principal amount of the 2050 notes and a “make-whole” amount calculated by a calculation agent appointed by the Government. In addition, we may redeem the 2050 notes, in whole or in part, at any time on or after February 20, 2050 (six months prior to the maturity date of the 2050 notes), at a redemption price equal to 100% of the principal amount of 2050 notes to be redeemed, plus accrued and unpaid interest. See “Description of the Notes—Optional Redemption.”

The notes will be general, direct, unconditional, unsubordinated and unsecured obligations of the Government and will rank *pari passu* with all of its other existing and future unsubordinated and unsecured debt. It is understood that this provision will not be construed so as to require the Government to make payments under the notes ratably with payments being made under any other external indebtedness. The notes will be backed by the full faith and credit of the Government. The indenture pursuant to which the notes will be issued contains “collective action clauses.” Under these provisions, which differ from the terms of the Government’s Public External Debt issued prior to 2016, the Government may amend the payment provisions of any series of debt securities issued under the indenture (including the notes) and other reserve matters listed in the indenture with the consent of the holders of: (1) with respect to a single series of debt securities, more than 75% of the aggregate principal amount of the outstanding debt securities of such series; (2) with respect to two or more series of debt securities, if certain “uniformly applicable” requirements are met, more than 75% of the aggregate principal amount of the outstanding debt securities of all series affected by the proposed modification, taken in the aggregate; or (3) with respect to two or more series of debt securities, more than 66⅔% of the aggregate principal amount of the outstanding debt securities of all series 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 affected by the proposed modification, taken individually. See “Description of the Notes—Meetings, Amendments and Waivers.”

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 (the “Euro MTF Market”). Application will also be made to list the notes on the Bermuda Stock Exchange (the “BSX”). Ocorian Securities (Bermuda) Limited has been appointed as the BSX listing sponsor for the notes.

The BSX takes no responsibility for the contents of this document, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this document.

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

2030 notes Offering Price: 99.885%, plus accrued interest, if any, from August 20, 2020.

2050 notes Offering Price: 99.719%, plus accrued interest, if any, from August 20, 2020.

The notes have not been registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any other jurisdiction. The notes will be offered only to qualified institutional buyers in the United States pursuant to Rule 144A of the Securities Act and to persons outside the United States pursuant to Regulation S of the Securities Act. For a description of certain restrictions on transfer of the notes, see “Transfer Restrictions” and “Plan of Distribution.”

This offering memorandum includes particulars given in compliance with the listing regulations of the Luxembourg Stock Exchange and the BSX for the purpose of providing information with regard to the Government.

We expect to deliver the notes to investors on or about August 20, 2020 in book-entry form only through the facilities of The Depository Trust Company (“DTC”) and its direct and indirect participants, including Euroclear Bank SA/NV and Clearstream Banking, S.A.

Joint Book-Runners

Goldman Sachs & Co. LLC

HSBC

The date of this offering memorandum is August 17, 2020.

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The information contained in this offering memorandum has been provided by us and other sources identified in this offering memorandum, which we believe to be reliable. No representation or warranty, express or implied, is made by the initial purchasers as to the accuracy or completeness of the information contained in this offering memorandum, and nothing contained in this offering memorandum is, or should be relied upon as, a promise or representation by the initial purchasers, whether as to the past or the future.

The notes described in this offering memorandum have not been registered with, recommended by or approved by the U.S. Securities and Exchange Commission (the “SEC”), or any other U.S. federal or state securities commission or regulatory authority, nor has the SEC or any such state securities commission or authority passed upon the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

This offering memorandum has been received by the BSX. The BSX takes no responsibility for the contents of this offering memorandum, makes no representations as to its accuracy or completeness and expressly disclaims

any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this offering memorandum. The BSX is not prohibited from distributing this offering memorandum and will make it available upon request. Neither the BSX or any other regulatory body in Bermuda has approved or disapproved of the notes and, other than the BSX, no regulatory body in Bermuda has passed opinion upon the adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

Each person receiving this offering memorandum is deemed to acknowledge that this offering memorandum does not contain all the information that would be included in a prospectus if this offering were registered under the Securities Act. In addition, certain information included in this offering memorandum may not conform to the requirements for offerings under the Securities Act.

This offering memorandum may be used only for the purposes for which it has been published. You must comply with all applicable laws and regulations in connection with the distribution of this offering memorandum and the offer or sale of the notes. See “Transfer Restrictions.” You are not to construe the contents of this offering memorandum as investment, legal or tax advice. You should consult your own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of a purchase of the notes. We are not, and the initial purchasers are not, making any representation to you regarding the legality of an investment in the notes by you under applicable laws.

In making an investment decision regarding the notes, you must rely on your own examination of the Government and the terms of the offering, including, without limitation, the merits and risks involved. The offering is being made on the basis of this offering memorandum. Any decision to purchase notes in the offering must be based on the information contained in this offering memorandum.

This offering memorandum contains summaries, believed to be accurate, of some of the terms of specific documents, but reference is made to the actual documents, copies of which will be made available upon request, as indicated under “General Information.” All summaries are qualified in their entirety by this reference.

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. See “Transfer Restrictions.” You should be aware that you may be required to bear the financial risks of an investment in the notes for an indefinite period of time.

No person is authorized in connection with any offering made by this offering memorandum to give any information or to make any representation not contained in this offering memorandum and, if given or made, any other information or representation must not be relied upon as having been authorized by us or the initial purchasers. The information contained in this offering memorandum is presented as of the date hereof and subject to change, completion or amendment without notice. Neither the delivery of this offering memorandum at any time nor any subsequent commitment to enter into any financing shall, under any circumstances, create any implication that there has been no change in the information set forth in this offering memorandum or in our affairs since the date of this offering memorandum.

We reserve the right to withdraw the offering of the notes at any time, and we and the initial purchasers reserve the right to reject any commitment to subscribe for the notes in whole or in part and to allot to you less than the full amount of notes subscribed for by you. We are making this offering subject to the terms described in this offering memorandum.

This offering memorandum does not constitute an offer to sell or a solicitation of an offer to buy the notes to any person in any jurisdiction where it is unlawful to make such an offer or solicitation. The distribution of this offering memorandum and the offer and sale of the notes may be restricted by law in certain jurisdictions. Persons into whose possession this offering memorandum or any of the notes come must inform themselves about, and observe, any such restrictions. See “Plan of Distribution” and “Transfer Restrictions.”

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. Application will also be made to list the notes on the BSX. This offering

memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectuses for securities dated July 16, 2019. We will use our reasonable efforts to facilitate the listing and maintenance of the listing of the notes on the official list of the Luxembourg Stock Exchange for trading on the Euro MTF Market and on the BSX so long as any notes are outstanding; *provided* that, if at any time we determine that maintenance of either listing becomes unduly onerous or requires disclosure of information beyond what we would be required to make publicly available in Bermuda, we may delist the notes from the official list of the Luxembourg Stock Exchange and the Euro MTF Market or the BSX, as the case may be. 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 given in compliance with the listing regulations of the Luxembourg Stock Exchange for trading on the Euro MTF Market and the BSX for the purpose of providing information with regard to the Government. The Government accepts full responsibility for the accuracy of the information contained in this offering memorandum and confirms that, having made all reasonable inquiries and to the best of the Government's knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

PRESENTATION OF ECONOMIC, FINANCIAL AND STATISTICAL INFORMATION

Economic and financial data and statistical information provided in this offering memorandum may be subsequently revised in accordance with our ongoing review of such data and information, and we are not obligated to distribute such revised data and information to any investor. In addition, some of the economic and financial data and statistical information presented herein includes estimates and forecasts based on available data and, accordingly, are subject to revision.

Unless otherwise indicated, estimates in this offering memorandum are estimates of Bermuda's Ministry of Finance, Ministry of Tourism and Transport, Ministry of Public Works, Ministry of The Cabinet Office, Department of Statistics, Department of Communications, the Bermuda Tourism Authority (the "BTA") or the Bermuda Monetary Authority (the "BMA"). Unless otherwise indicated, references to years are to the relevant calendar years. References to fiscal years are to Bermuda's fiscal year, which begins April 1 of each year and ends on March 31 of the following year (*e.g.*, 2019/2020 fiscal year refers to the fiscal year that began on April 1, 2019 and ended on March 31, 2020).

The Accountant General of the Ministry of Finance issues historical financial statements of the Government's Consolidated Fund (the "Consolidated Fund") that are prepared in accordance with the Public Sector Accounting Board and the Accounting Standards Board of the Chartered Professional Accountants of Canada (which are promoted by the Chartered Professional Accountants of Bermuda by signed agreement and therefore generally accepted in Bermuda, which we refer to herein as "Bermuda GAAP") and on an accrued accounting basis. These financial statements are prepared on a different basis from the revenue/expenditure and debt information included in this offering memorandum, which information has been prepared on a modified cash basis. The financial statements as of and for the 2018/2019 fiscal year are available on the Government's website at www.gov.bm. These financial statements and any other information on the Government's website are not part of, or incorporated by reference in, this offering memorandum. Unless otherwise stated, the financial information provided for the 2019/2020 fiscal year and any subsequent period, are preliminary estimates or projections, respectively, based on the information currently available to the Government, which is subject to change.

The Office of the Auditor General audited the historical financial statements of the Consolidated Fund for the 2018/2019 fiscal year, which is not included or incorporated by reference in this offering memorandum. It was the independent opinion of the Auditor General that the annual accounts of the Consolidated Fund are presented fairly, in all material respects, and in accordance with Bermuda GAAP. This unqualified opinion is consistent with the March 31, 2013 through 2017 audit reports. The March 31, 2018 accounts were qualified, however the items that precipitated the 2018 qualified opinion were rectified, resulting in a return to a clean opinion for the 2019 audit. As mentioned above, under the Audit Act 1990, section 6(1)(b), the Auditor General is able to include in her report any other comments she considers appropriate. In the March 31, 2019 report, the Auditor General has, for the eighth consecutive year, included an additional explanatory paragraph as 'other information,' which discusses the increased level of net debt and guarantees and explains that the usefulness of the financial statements is limited because they are not "summary financial statements" as they do not consolidate the results of all Government entities (such as other public funds and Government-controlled organizations), only the Consolidated Fund. These explanatory paragraphs do not alter the Auditor General's unqualified opinion but are rather highlighted matters.

In this offering memorandum, references to "GDP" are to gross domestic product. References to "real GDP" are to real gross domestic product at constant 2013 prices (which is GDP at 2013 prices less net indirect taxes); and references to "nominal GDP" are to nominal gross domestic product (which is GDP at current prices less net indirect taxes). References to "GDP per capita" are to nominal GDP divided by the mid-year average population of the relevant calendar year. The latest annual period for which final GDP and certain other operating data are available is the 2018 calendar year. Quarterly GDP data is available for the quarterly period beginning January 1, 2019 and ended March 31, 2020; however, GDP and certain other operating data for periods ended after December 31, 2019 have not been finalized, and the GDP data for such periods included in this offering memorandum reflect the Government's preliminary estimates based on the information currently available to the Government, which is subject to change.

In this offering memorandum, references to "\$" or "dollars" are to the U.S. dollar as well as the Bermuda dollar, which is pegged to the U.S. dollar at an exchange rate of one U.S. dollar to one Bermuda dollar.

Totals in certain tables in this offering memorandum may differ from the sum of the individual items in such tables due to rounding.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains certain forward-looking statements regarding the Government of Bermuda (the “Government,” “we,” “us” or “our”). All statements relating to the Government, other than statements of historical fact, included or referenced in this offering memorandum which address activities, events or developments that the Government expects or anticipates will or may occur in the future are forward-looking statements. The words “will,” “believe,” “intend,” “expect,” “anticipate,” “project,” “estimate,” “predict” and similar expressions are also intended to identify 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. However, actual results and developments may not conform to expectations and predictions due to risks and uncertainties that could cause actual results to differ materially from expectations, including, among others, the following:

- the effects of pandemics, such as the novel coronavirus (“COVID-19”), and the measures taken by the Government and other governments in response thereto, on our economy and its effects on global and regional economic growth, tourism and our creditworthiness;
- political, economic and other conditions in Bermuda and globally;
- our financial condition and budgeted revenues and expenditures, including, for example, our ability to increase revenues and reduce expenditures;
- legislative, regulatory or administrative initiatives affecting businesses, including insurance companies and other financial service businesses in Bermuda;
- changes in tax and other laws in the United States or Bermuda and other major financial centers that may affect the attractiveness of financial services in Bermuda;
- economic conditions in the United States, Canada, the United Kingdom and the European Union that may have an impact on the demand for financial services or tourism in Bermuda;
- the impact of the departure of the United Kingdom from the European Union on the Bermuda economy, regulatory regime and legal system;
- declines in demand for financial services or tourism in Bermuda, due to competition from other countries or otherwise;
- prevailing conditions in domestic, international and multilateral lending markets and domestic and international capital markets that may affect our ability to finance budgetary requirements, to refinance outstanding debt and other obligations or to finance new projects;
- weather, climatic or geological occurrences, particularly hurricanes and tropical storms;
- terrorism, particularly acts of terrorism outside of Bermuda that affect financial markets or tourism within Bermuda;
- changes in interest rates or exchange rates;
- a reduction in our foreign currency reserves;
- the financial condition and liquidity of banks and other financial institutions in Bermuda;
- trade and tariff policies of Bermuda’s trading partners;

- declines in tax revenues;
- revisions to economic, financial and statistical information; and
- other factors identified in this offering memorandum.

All of the 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.

SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information in this offering memorandum. In this offering memorandum, references to the “Government,” “we,” “us” and “our” are to the Government of Bermuda, and references to “Bermuda” are to Bermuda, a self-governing British Overseas Territory, in each case, unless otherwise indicated.

Bermuda

Bermuda is a self-governing British Overseas Territory comprising the Bermudas or Somers Islands, an archipelago of some 150 islands in the Atlantic Ocean, approximately 570 nautical miles southeast of the state of North Carolina, United States. Bermuda covers an area of approximately 21 square miles with an estimated population of 64,054 as of July 2020. Bermuda is the most populous British Overseas Territory and has an affluent and educated population. Real GDP in 2019 was an estimated \$6.6 billion, with an estimated per capita nominal GDP of \$114,914, one of the highest in the world.

Historical Highlights

- *Political, economic and social stability.* Bermuda has a demonstrated history of political, economic and social stability. Bermuda has the third-oldest continuous parliament in the world with a democratic government dating back to 1620. Originally functioning under the British government, Bermuda has had its own constitution since 1968. Bermuda has a strong economy and proved its fiscal responsibility after the global financial crisis in 2008 by cutting expenses, fostering economic growth and working towards a balanced budget in response to changed economic circumstances.
- *Global leader in GDP per capita.* Bermuda has one of the highest per capita nominal GDPs in the world, serving as a preferred jurisdiction for financial services and international business while offering luxury tourist infrastructure and world-class facilities. Bermuda’s per capita nominal GDP was estimated at \$114,914 for the 2019 calendar year, one of the highest in the world.
- *Commitment to foreign trade and foreign investment.* Foreign direct investment is widely recognized by the Government as one of the main drivers of economic activity. With low personal and corporate taxes, a professional and skilled labor force, proximity to the United States and its markets, and extensive air transportation and communication network, Bermuda is highly attractive for foreign direct investment. Furthermore, as a British Overseas Territory, Bermuda’s legal system is grounded in the common law of the United Kingdom. Its legal, regulatory and accounting systems adhere to high ethical and transparency standards. Bermuda effectively and impartially enforces laws to combat corruption, money laundering and the financing of terrorism. The Government’s policies facilitate the free flow of financial resources in the product and factor market, and the SEC has recognized the BSX as a “Designated Offshore Securities Exchange.” Bermuda’s culture of investment has created a climate of responsible business conduct among producers.
- *Commitment to equality.* In 1834, slavery was abolished in Bermuda and schools were integrated during the 1960s. Following the 1993 election, the Government formed a new Ministry of Human Affairs to address issues of discrimination, particularly those relating to race and gender. The Ministry of Human Affairs subsequently evolved into the Human Rights Commission, a non-Ministry department that provides research and policy recommendations to the Government to promote evidence-based decision-making and to foster partnerships to protect rights of all Bermudians and further promote equality. It also monitors Bermuda’s compliance with relevant international conventions on individual rights. The current Government is focused on reducing economic inequality, in particular by providing more opportunities for Bermudians to work and promote entrepreneurship.
- *A balanced democracy.* Mr. E. David Burt, a member of the Progressive Labour Party (“PLP”), became Premier on July 19, 2017, following the PLP’s victory in the General Election. Mr. Burt replaced former Premier, Mr. Michael Dunkley, a member of the One Bermuda Alliance Party (“OBA”) who served as

Premier from May 19, 2014 until the appointment of Mr. E. David Burt. Of the 36 seats in the House of Assembly, 25 are held by the PLP and 11 are held by the OBA. The elected Speaker of the House (the “Speaker”) is also a member of the PLP, but as Speaker is not permitted to take part in House of Assembly discussions or to vote on matters, unless there is a tie. The leader of the official opposition is Mr. Craig Cannonier (who previously served as Premier) of the OBA. In general, the policies of the PLP are pro-democracy and are relatively similar to those of the OBA.

Bermuda Economy

Overview

The economy of Bermuda is based primarily on international business and the high-end segment of the tourism sector. Bermuda is regarded as a leading international financial center because of the following factors:

- a long-established and highly developed commercial and social infrastructure;
- geographic proximity to the United States and Canada and ease of access to and from major European cities and the United Kingdom;
- recognized by the Organization for Economic Cooperation and Development (the “OECD”), the International Monetary Fund (the “IMF”) and other multilateral organizations as having internationally acknowledged transparency standards;
- transparent and consistent application of financial services policy towards the financial services sector;
- close international relations in the financial sector, including bilateral relations with the G7 and G20 economies as well as other markets that are of significant economic importance to Bermuda;
- well-established reputation as a domicile of choice for insurance and reinsurance;
- the BSX is one of the world’s largest offshore, fully electronic securities markets recognized by the SEC as a “Designated Offshore Securities Market”;
- modern business infrastructure and facilities;
- high standards of living;
- well-educated population and world-class labor force;
- absence of direct taxation and exchange controls for international business; and
- stable regulatory framework.

The largest concentrations of international companies doing business in Bermuda are involved in the insurance and financial services sectors. The international business activity and tourism sectors of the economy together accounted for approximately \$2.7 billion (excluding financial services) in foreign currency receipts and 29.1% of real GDP in 2018.

Preliminary GDP results for 2019 indicated an estimated GDP at constant prices of \$6.6 billion, which represented a 1.7% increase in constant prices, after adjusting for inflation, registering positive results during the year relative to 2018. The main driver of the growth was a rise in the surplus on the external balance of goods and services. During the 2019 period, GDP at current prices increased by 2.8%.

Real GDP increased by 0.1% in 2018 compared to 2017. Nominal GDP was \$7.3 billion for 2018, representing an increase of 1.7%, or \$121 million, compared to nominal GDP for 2017 of approximately \$7.1 billion. The 2018 figures reflected an increase of 5.3%, or \$364 million, from GDP of \$6.9 billion in 2016. GDP growth in 2018 was driven primarily by growth in the financial and insurance segment and the construction segment, which increased by 5.2%, or \$55.4 million, and 14.2%, or \$34.5 million, respectively, in each case as compared to 2017.

Bermuda's net surplus on merchandise trade, services and income for 2019 was \$763 million, as compared to \$894 million for 2018, a decrease of 14.7% compared to 2018. The net surplus on merchandise trade, services and income increased 2.5% in 2018, compared to 2017.

The Bermuda Consumer Price Index ("CPI") increased by 1.0% in 2019, compared to 1.4% in 2018 and to 1.9% in 2017.

The Government of Bermuda has historically maintained a conservative fiscal policy. The current administration considers the rise in debt as unsustainable and recognizes that it will take time to bring the fiscal position in line with achieving a net debt to revenue ratio that would not exceed 80% and a debt service cost to revenue ratio that would be below 10%. As it works towards these goals, the Government is also focused on targeted investment in growth, while maintaining fiscal discipline to reduce the debt to more manageable levels.

When the current Government took office in July 2017, net debt stood at \$2,397 million and the debt ceiling at \$2.5 billion. The Government came in with a focus on prudently managing the country's finances on behalf of the people of Bermuda and committed to a strategy of not increasing the debt ceiling. The Government was successful in honoring that commitment in the 2017/18 and 2018/19 fiscal years and was on track to do so again in the 2019/2020 fiscal year. However, in July 2019, in anticipation of borrowings to fund the purchase of indebtedness related to the guarantees associated with the stalled Caroline Bay project, the debt ceiling was increased by \$250 million to \$2.75 billion.

The Government expects the employment rate to improve by focusing on policy measures and investments designed to create a more diversified economy, which are expected to generate stronger economic growth. A stronger and more diversified economy is expected to increase employment by creating job opportunities in new and emerging economic sectors that will drive stronger economic growth in the future. The Government expects this will be supported by various other employment initiatives, including immigration reform, improved work permit processes and numerous hotel and airport redevelopment projects discussed elsewhere in this offering memorandum. See "Bermuda."

Multi-Pronged Strategy for Strengthening the Economy

The Government's economic plan was set forth in their 2017 election platform. The Government plan envisioned a multi-pronged strategy to expand the economy by focusing on policies designed to create employment opportunities for Bermudians and promote entrepreneurship.

Since 2017, the Government has been implementing initiatives to (i) stimulate domestic and foreign expenditure through further economic liberalization, targeted investment strategies and diversification of business development initiatives, (ii) continue supporting successful industries, while adhering to fiscally responsible policies through a balanced, long-term growth agenda and (iii) promote economic equality through socially targeted investment strategies. Additionally, the Government is focused on building on these initiatives by (i) expanding financial services and tourism, (ii) diversifying the economy, (iii) reducing the cost of doing business, (iv) making government more efficient and (v) stimulating investment and competition.

In 2019, the Government updated its economic plan in its Budget Statement. The areas of focus included (i) expanding financial services and tourism, (ii) diversifying the Bermuda economy in an effort to attract companies in growing industries, (iii) implementing measures to reduce the cost of living and doing business in Bermuda, (iv) making the Government more efficient and (v) reducing regulations and bureaucracy to stimulate investment while promoting competition in the Bermuda economy.

In the 2020/21 fiscal year, the Government will establish the Economic Development Department (the “EDD”). As of the date of this offering memorandum, the Cabinet has approved the creation of the EDD. As the Government puts the structure into place, it will re-deploy staff from the Business Development Unit, the Fintech Unit and the Department of Information and Communication Technology to the EDD and create a strategy for the economic development and diversification of Bermuda. The primary aim of the EDD is to advance the sustainable economic growth, development and diversity of the Bermuda economy.

Additionally, the following measures will be taken to promote the development of Bermuda’s economy:

- amendments to the trusts legislation have been passed recently which will dramatically increase Bermuda’s marketability by modernizing our trust laws;
- led by the Bermuda Business Development Agency (the “BDA”), marketing efforts, policy and legislative changes are being advanced as part of a targeted Asia and Hong Kong strategy;
- the Cabinet Office, in conjunction with the Ministry of Finance, BDA and BMA, is crafting standalone family office legislation to differentiate Bermuda’s offering in this competitive global space;
- to support the Ministry of Finance and the Registrar of Companies, the BDA is setting out a clear strategy centered around marketing Bermuda’s economic substance regime, which will result in certain changes for companies and ultimately benefit Bermuda in the form of more jobs;
- as our FinTech strategy continues to yield new company formations with more companies applying to be licensed under Bermuda’s framework, the BDA in conjunction with the BMA will be advancing changes to the digital asset framework for the Legislature to consider in September;
- the Regulatory Authority is advancing the necessary fee structure that will allow Bermuda to bring into force legislation to promote subsea cables; and
- the BDA is finalizing guidelines for approved residential schemes in certain economic empowerment zones to attract Bermuda based investment, which are creating construction jobs while maintaining the rich cultural history of these economic empowerment zones.

Expanding Financial Services and Tourism

The Government’s economic plan is rooted in growing the twin pillars that have served the Bermuda economy well, financial services and tourism. Our investments and combined efforts to grow these pillars have been successful as in 2018, we saw an increase in incorporations and job growth in both international business and hospitality. While our property, casualty and captive insurance sectors remain stable, we have witnessed significant growth in the long-term insurance sector. We continue to make strides in attracting more asset managers to our shores by addressing concerns with Bermuda’s economic substance regime, and we expect to leverage our proximity to the financial centers on the eastern seaboard of the United States to attract more asset managers to Bermuda.

In tourism, we continue to invest more in marketing and product development, while recognizing that we must make tourism investment in Bermuda more attractive. The Government is working with unions and hoteliers to increase efficiency and boost productivity in Bermuda’s hospitality industry.

In order to further support the tourism segment and make Bermuda a more attractive travel destination, the Government is in the process of introducing the legalization of casino gaming. By creating a casino industry in Bermuda, the Government seeks to enhance the available tourism products, increase investment in Bermuda and create employment opportunities.

In 2019, the Casino Gaming Amendment Regulations 2019 were published. These regulations covered a wide range of topics which will govern the oversight of the regulatory process for gaming operations. As we work to

rebuild our economy in the context of COVID-19, a well-regulated local gaming industry will be one more avenue to assist in creating jobs, spurring economic activity and providing resources to support vital community activities.

Diversifying the Economy

The Government, in conjunction with the BDA, has developed a multi-faceted approach to creating new areas of economic activity. Over the past year, progress has been made in establishing Bermuda as a domicile for technology companies in the emerging areas of Financial Technology (“FinTech”), Regulatory Technology (“RegTech”) and Insurance Technology (“InsurTech”). We believe the size of our relevant financial sectors and high regulatory standards make us an attractive jurisdiction for technology companies to develop and test their products in our market before exporting those products to the rest of the world.

In addition to looking to attract technology companies to Bermuda, our economic development and diversification strategy has been specifically focused on aviation and shipping, arbitration, biotech and life sciences, intellectual property, satellite and space and nearshoring. Additionally, the Cabinet Office in conjunction with the Ministry of Finance, BDA and BMA is crafting standalone family office legislation to differentiate Bermuda’s offering in this competitive global space. Marketing efforts, policy and legislative changes are also being advanced as part of a targeted Asia and Hong Kong strategy.

Reduce the Cost of Doing Business

The cost of energy, health insurance, and interest rates directly impact our ability to grow Bermuda’s economy. We are committed to providing relief to Bermudians struggling with high interest rates and high health insurance costs. After extensive discussions, we plan to announce reform aimed at reducing the cost of health insurance to provide better coverage for all Bermudians.

Additionally, in 2019, the Regulatory Authority of Bermuda (the “Regulatory Authority”) completed the Integrated Resource Plan which is Bermuda’s national plan for its future electricity needs. We believe the production of this plan is an important step to reducing the cost of electricity.

Making Government More Efficient

While we reduce the cost of doing business in Bermuda, we also understand the importance of making government more efficient so that we are able to provide services to residents in a cost effective manner. To that end, a Government Efficiency Committee was established in March 2018, chaired by the former Junior Minister of Finance. The Committee has worked with Government Departments to streamline and automate processes, raise additional revenue and identify areas for additional savings. The recommendations contained in the Efficiency Committee’s final report were referred to the various government Ministries and Departments for further review and implementation. Additionally, some of the recommendations were incorporated into the deliverables under the Government Reform initiative. The top level of the public service has been reorganized to create a dedicated implementation team that will focus on the execution of the public service reform plan.

Stimulating Investment and Competition

The final pillar of the Government’s economic plan is to take the necessary transformational measures to stimulate investment and job creation in Bermuda. In its 2018/2019 Budget Statement, the Government announced changes allowing international law firms to domicile in Bermuda. The presence of international law firms will generally benefit the economy and employment prospects of Bermudians as well as enhance the national brand. In the 2020/21 Budget, in an effort to further stimulate foreign direct investment, it was announced that the Government will introduce a bill that will reduce the required ownership of a local company from 60% Bermudian-owned to 40% Bermudian-owned, while maintaining the requirement for the board of directors of such company to be at least 60% Bermudians.

Furthermore, the Government plans to relax height and ownership restrictions for developments in the Northeast Hamilton empowerment zone, which will create an additional supply of condominiums. To meet the

increased supply, the Government plans to relax ownership restrictions for these special developments. The narrow relaxation of these restrictions are expected to put more Bermudians to work in construction projects throughout Northeast Hamilton and will create fixed assets that provide ongoing maintenance jobs. More residents in Northeast Hamilton will provide more customers to local business which will lead to an increase in economic activity in the empowerment zone. These new developments will also be key to attracting young Bermudians back to Bermuda as the units will be ideal for singles or couples without children.

Additionally, the Government, in conjunction with the Bermuda First think tank (“Bermuda First”), which is an advisory group consisting of local and international business and community leaders, is committed to building a better Bermuda and ensuring its citizens have the tools and opportunity to participate more equitably in the economy. On August 23, 2019, Bermuda First submitted its Future State Report which identified three critical areas of focus for analysis and reform, healthcare, education and immigration. In addition to these three ‘critical foundational elements’ of focus, Bermuda First made recommendations on how to ensure that Bermuda becomes a leading jurisdiction for technology companies. Some of Bermuda First’s recommendations are being advanced and implemented by the Government through its various departments.

Recent Developments

Economy

In July 2020, the Bermuda Ministry of Finance reported preliminary fiscal performance for the three months ended June 30, 2020. Total revenues were \$221.6 million, a \$41.6 million, or 15.8%, decrease compared to the period ended June 30, 2019. This decrease resulted primarily from the impact of COVID-19 on the collections in passenger taxes, customs duty and other receipts. Total revenues for the three months ended June 30, 2020 were approximately 18% below initial budget estimates.

Current account expenditures (excluding debt service and COVID-19 related expenses) for the three months ended June 30, 2020 were \$225.3 million, a \$10.6 million, or 4.5%, decrease compared to the three months ended June 30, 2019. During this period, the Government spent \$56.0 million in COVID-19 related expenditures (including \$43.6 million in temporary unemployment benefits), increasing total current account expenditure to \$281.3 million, a \$45.3 million, or 19.2%, increase compared to the three month period ended June 30, 2019. Total current expenditures, excluding debt service, for the three months ended June 30, 2020 are higher than the 2020/2021 fiscal year budget estimate of \$234 million.

Capital account expenditures for the three months ended June 30, 2020 were \$11.4 million, a 33.0% or \$5.6 million decrease compared to the three months ended June 30, 2019. This increase was mainly due to the Government delaying the start of capital projects in the context of the COVID-19 pandemic.

Debt service costs for the three months ended June 30, 2020 were \$30.4 million, an increase of \$1.2 million compared to the three months ended June 30, 2019. Additionally, the principal amount of debt outstanding as of June 30, 2020 was approximately \$2,810 million. As of that same date, the aggregate principal amount of debt outstanding, net of the Sinking Fund, was approximately \$2,768 million.

COVID-19

Since December 2019, infections attributable to COVID-19 have been reported around the world. On March 11, 2020, the World Health Organization (the “WHO”) characterized the COVID-19 outbreak as a pandemic. Measures to mitigate the spread and intensity of the outbreak have been undertaken by governments around the world, including mandatory quarantines, travel restrictions, social distancing and curtailment or suspension of economic and other forms of activity.

The COVID-19 pandemic has had an adverse impact on the Bermuda economy, in particular the tourism industry. Through June 2020, as a result of approximately 520,000 lost air and cruise visitor arrivals combined, we estimate a loss of \$245.7 million in direct spending, or \$337.7 million with taxes and fees included. Bermuda has always been a coveted destination for cruise lines, however, we have seen more than 80% of our cruise calls cancelled

for 2020. We believe the cruise cancellations equate to an estimated 423,317 passengers and an estimated \$95.2 million in direct visitor spending lost.

As of August 1, 2020, Bermuda had experienced 156 confirmed cases of COVID-19 infections, of which nine were fatal. The Government adopted several measures in response to the COVID-19 outbreak aimed at preventing mass contagion and overcrowding of Bermudian health service facilities, which included placing severe restrictions on business and economic activity, and movement of people.

The main social safety measures taken by the Government during the COVID-19 pandemic include:

- On March 12, 2020, the Government issued the Quarantine (Travel Ban) Order 2020, which banned travel to and from China, Iran, Italy and the Republic of Korea. On March 20, 2020, the Government closed the international airport to all non-resident passengers.
- On March 23, 2020, the Government closed schools, swimming pools, gyms, salons and barber shops, church services, organized sports activities, concerts, restaurant dine-in services and retail stores.
- On April 1, 2020, the Government issued the Occupational Safety and Health (COVID-19) Temporary Regulations 2020, which mandated employers to allow employees to work remotely.
- On April 4, 2020, the Government announced a 14-day 24-hour “Shelter in Place” order, where residents were only allowed to leave home for groceries, pharmaceuticals or medical emergencies. On April 14, 2020, the “Shelter in Place” order was extended for 14 more days.
- On May 2, 2020, the Government began a phased reopening, which would be done in four phases. Bermuda is currently in the fourth and final phase of its reopening.
- On June 11, 2020, the Government revoked the Quarantine (Travel Ban) Order 2020 and the Occupational Safety and Health (COVID-19) Temporary Regulations 2020, which mandated working remotely where possible.
- On June 30, 2020, the Government moved to the fourth and final phase of its reopening plan.
- On July 1, 2020, the Government replaced the 14-day quarantine requirement with a testing and health supervision regime for persons travelling to Bermuda.

On March 16, 2020, the Bermuda Ministry of Finance advised the House of Assembly that, as part of its COVID-19 Fiscal Plan, it would obtain emergency financing to supplement reduced revenues and additional COVID-19-related expenditures, provide additional funding to assist Bermuda’s unemployed population as a result of the economic impact of the COVID-19 pandemic and curtail lower-priority expenditures to ensure that spending needed for COVID-19 matters can be maintained. These economic measures include:

- To support reduced revenues and additional COVID-19-related expenditures, the debt ceiling was raised by \$150 million to \$2.9 billion. Subsequently, the Ministry of Finance executed a \$20 million credit facility with a local financial institution and another \$150 million credit facility with two local financial institutions.
- On August 5, 2020, the debt ceiling was raised to \$3.5 billion from \$2.9 billion. As of July 2020, net debt stood at \$2.768 billion, leaving the Government with approximately \$731.4 million of borrowing capacity.
- The Government has been delaying the start of any capital projects that have not commenced (resulting in potential savings between \$20 million and \$24 million), freezing the funding of vacant Government posts that are not required to address COVID-19-related matters or to protect

Bermuda's national interests (resulting in potential savings between \$20 million and \$25 million), banning non-essential government travel (resulting in potential savings between \$1 million and \$2 million) and reducing all discretionary spending, including training, materials and supplies, clothing and uniforms (resulting in potential savings between \$5 million and \$7 million).

- In the 2019/20 fiscal year Emergency funding was \$2.3 million, which was provided to the Ministry of Health to fund, among other things, personal protective equipment, testing kits and testing equipment.
- Additional funding was provided to the Ministry of National Security in the amount of \$420,000, to fund costs associated with the mobilization of the regiment (including reserves) to provide manpower to support the relief and recovery efforts, and to provide quarantine facilities.
- Funding was provided to the Ministry of Public Works, the Ministry of Legal Affairs and the Department of Information and Digital Technology in the amount of \$175,000 to support other COVID-19-related expenses.
- As part of the 2020/2021 fiscal year, additional COVID-19-related funding in the amount of approximately \$14.7 million will be provided to the aforementioned Ministries.
- The Government created a temporary unemployment benefit to assist people who had been unemployed as a result of the COVID-19 pandemic. First payments were paid the last week of March 2020, and through June 2020, approximately 10,100 individuals had been paid a total of approximately \$43.6 million.
- The Government has allowed retailers and other commercial importers to apply for duty deferment for up to six months on imported business goods subject to a minimal surcharge and suspended on a voluntary basis contributions to private pensions programs and social insurance programs until June 30, 2021. As of June 2020, total contributions to the private pension programs and social insurance programs were approximately \$250 million and \$113 million, respectively.
- The Government has also passed legislation amending the National Pension Scheme (Occupational Pensions) Act 1998 to permit a person under the age of 65 who participates in a private, defined contribution pension plan or local retirement product to voluntarily withdraw up to \$12,000, from the period that the Act was brought into force until June 30, 2021.
- The Government set payroll taxes at zero until June 30, 2020 for the restaurant and bar sectors. This concession was extended to the quarter ending September 30, 2020. The Government expects the fiscal implications of these actions to result in a reduction of Government revenue of approximately \$1.5 million to \$2 million during such period.
- With respect to direct financial support to small- and medium-sized enterprises ("SMEs"), the Government, together with the Bermuda Economic Development Corporation (the "BEDC") developed the Business Sustainability & Continuity Funding Programme (the "Programme") as a tool created in response to the impact of the COVID-19 pandemic on Bermuda's SMEs.
 - The Programme will be in place until the end of 2020 (or until the funds are fully deployed) and is expected to total \$24 million, \$12 million of which will be funded by a grant from the Government and \$12 million by the BEDC.
 - The Programme consists of financing products for business to take advantage of such as (i) BEDC direct micro loans inclusive of relief micro grants; (ii) BEDC guarantees for overdrafts from Banks; and (iii) BEDC guarantees for loans from external entities (such as banks, credit unions, private companies and individuals).

The aforementioned measures will adversely impact the Government's 2020/2021 budget. As of July 2020, the combination of lower fiscal revenues and higher public spending is expected to result in a further increase of the projected budget deficit of \$19.8 million. Furthermore, the Ministry of Finance estimates that revenue for the 2020/2021 fiscal year could contract by \$200 million to \$225 million. After factoring in the impact of lost revenue and additional expenses relating to the COVID-19 pandemic and the Government's responses thereto, the revised deficit for the 2020/2021 fiscal year was estimated to be in the range of \$275 million to \$315 million, assuming no cost-saving measures are taken to reduce spending. However, giving effect to cost-saving measures implemented by the Government, the Ministry of Finance is targeting a deficit level for the 2020/2021 fiscal year between \$200 million and \$225 million. Such cost-saving measures include delaying the start of any capital projects that have not commenced (resulting in potential savings between \$20 million and \$24 million), freezing the funding of vacant Government posts that are not required to address COVID-19-related matters or to protect Bermuda's national interests (resulting in potential savings between \$20 million and \$25 million), banning non-essential government travel (resulting in potential savings between \$1 million and \$2 million) and reducing all discretionary spending, including training, materials and supplies, clothing and uniforms (resulting in potential savings between \$5 million and \$7 million). However, such estimates regarding anticipated cost savings and target deficit levels are based on current projections and assumptions derived from information available to the Government at this time and, accordingly, are subject to change. There can be no assurance as to how much, if any, of such anticipated cost savings from the measures described above will be realized, or as to the deficit level that the Government will achieve.

As of July 2020, it is estimated that unbudgeted COVID-19-related expenditures for the 2020/2021 fiscal year will be \$105 million to \$115 million, consisting of (i) \$14.7 million estimated for the Ministries of Health, National Security, Legal Affairs, Public Works and the Cabinet Office Departments, (ii) \$80 million estimated for expenditure on unemployment benefits, (iii) a \$5 million grant to the BEDC and (iv) \$15 million estimated for possible call on airport minimum revenue guarantee.

In light of the COVID-19 pandemic, real GDP is currently preliminarily projected to decrease by 7.5% to 12.5% for the 2020 calendar year. The COVID-19-related GDP revision is mainly due to forecasted (i) global growth contraction, (ii) slightly negative impacts on international business, (iii) negative impacts on tourism, (iv) negative impacts on financial market conditions and (v) impacts of social distancing policies. If the COVID-19 pandemic continues as expected, the GDP forecast may be further decreased.

The Minister of Finance has established a COVID-19 Economic Advisory Committee. The role of the Committee is to provide insight and expert advice on how to protect jobs and stimulate economic activity during the economic crisis stemming from the COVID-19 pandemic. The objective of the Committee is to assess and recommend prioritized impactful strategies for short, medium- and long-term economic recovery from the crisis.

The consequences of the COVID-19 pandemic could affect other aspects of our economy and financial system in 2020 and beyond, including, among others, our public debt, interest rates and inflation.

A Regulated Cannabis Scheme for Bermuda

In order to provide further diversification and growth to the Bermuda economy, the Government is in the process of providing a regulatory and licensing regime to establish a cannabis scheme in Bermuda. This is designed to meet the Government's stated policy initiative to progressively liberalize cannabis laws, apace with law reforms in other jurisdictions. There has been consistent public support and advocacy for full legalization of cannabis. The proposed policy sets out the framework of what a regulated cannabis scheme might look like for Bermuda. It has been principally influenced by existing regulated cannabis laws in other favorable jurisdictions such as Canada.

In light of the above, a public consultation exercise on the Government's proposals for a "Regulated Cannabis Regime" ran between June 3, 2020 and July 3, 2020. The public were asked to share comments and feedback on an illustrative draft bill and a policy document which were posted online.

The Government is currently considering the comments, suggestions and feedback received from the public consultation process to determine if any policy changes are required to the proposal. In line with Bermuda's high

regulatory standards, critical risks are being considered and will be appropriately addressed in the final policy to ensure that an appropriate regulatory framework is put in place.

Tender Offer for Existing Notes

Concurrently with this offering, we are offering to purchase for cash up to \$500 million in aggregate principal amount (as such amount may be increased in our sole discretion) of any and all of our outstanding 4.138% Senior Notes due 2023 (the “2023 Notes”), 4.854% Senior Notes due 2024 (the “2024 Notes”), 3.717% Senior Notes due 2027 (the “2027 Notes”) and 4.750% Notes due 2029 (collectively with the 2023 Notes, 2024 Notes and 2027 Notes, the “Existing Notes”). We refer to the offers to purchase the Existing Notes as the “Tender Offers” and an offer to purchase the particular series of Existing Notes as a “Tender Offer.”

The Tender Offers will be on the terms and subject to the conditions set forth in the Offer to Purchase dated August 10, 2020 (the “Offer to Purchase”). The deadline by which a holder must have validly tendered its Existing Notes in order to be eligible to participate in the Tender Offers is 8:00 a.m. (New York City time) on August 17, 2020, unless extended or earlier terminated.

The Tender Offers are subject to the concurrent (or earlier) closing of this offering. This offering memorandum does not constitute an offer to purchase the Existing Notes pursuant to the Tender Offer.

The Offering

Issuer.....	Government of Bermuda.
Issue	2030 notes: \$675,000,000 aggregate principal amount of 2.375% Senior Notes due 2030 (the “2030 notes”). 2050 notes: \$675,000,000 aggregate principal amount of 3.375% Senior Notes due 2050 (the “2050 notes” and, together with the 2030 notes, the “notes” and each a separate “series” of notes).
Currency of Issue.....	U.S. dollars.
Final Maturity Date	2030 notes: August 20, 2030. 2050 notes: August 20, 2050.
Interest Rate	2030 notes: 2.375% per year, accruing from August 20, 2020. 2050 notes: 3.375% per year, accruing from August 20, 2020.
Interest Payment Dates	2030 notes: August 20 and February 20 of each year, commencing on February 20, 2021. 2050 notes: August 20 and February 20 of each year, commencing on February 20, 2021.
Status; Ranking.....	The notes will be general, direct, unconditional, unsubordinated and unsecured obligations of the Government. The notes will rank <i>pari passu</i> with all other present and future unsecured and unsubordinated indebtedness of the Government. It is understood that this provision will not be construed so as to require the Government to make payments under the notes ratably with payments being made under any other external indebtedness. The notes will be backed by the full faith and credit of the Government. See “Description of the Notes—General—Basic Terms” and “Description of the Notes—Covenants.”
Additional Amounts	Principal of, and interest on, the notes will be payable by the Government without withholding or deduction for, or on account of, withholding taxes. In the event that the Government is required to withhold or deduct taxes, duties, assessments or charges, the Government will, subject to certain exceptions, pay such Additional Amounts (as defined in “Description of the Notes—Additional Amounts”) as necessary to enable the holders of the notes to receive after such withholding or deduction the amounts that they would have received absent such withholding or deduction. See “Description of the Notes—Additional Amounts.”
Optional Redemption.....	2030 notes: We may redeem the 2030 notes, in whole or in part, at any time prior to May 20, 2030 (three months prior to the maturity date of the 2030 notes) by paying the greater of the outstanding principal amount of the 2030 notes and a “make-whole” amount

calculated by a calculation agent appointed by the Government, in each case plus accrued and unpaid interest.

In addition, we may redeem the 2030 notes, in whole or in part, at any time on or after May 20, 2030 (three months prior to the maturity date of the 2030 notes) at a redemption price equal to 100% of the principal amount of 2030 notes to be redeemed, plus accrued and unpaid interest.

2050 notes: We may redeem the 2050 notes, in whole or in part, at any time prior to February 20, 2050 (six months prior to the maturity date of the 2050 notes) by paying the greater of the outstanding principal amount of the 2050 notes and a “make-whole” amount calculated by a calculation agent appointed by the Government, in each case plus accrued and unpaid interest.

In addition, we may redeem the 2050 notes, in whole or in part, at any time on or after February 20, 2050 (six months prior to the maturity date of the 2050 notes) at a redemption price equal to 100% of the principal amount of 2050 notes to be redeemed, plus accrued and unpaid interest.

See “Description of the Notes—Optional Redemption.”

Covenants The indenture pursuant to which the notes will be issued contains covenants restricting, among other things, the incurrence of Liens. These covenants are, however, subject to significant exceptions. See “Description of the Notes—Covenants.”

Use of Proceeds The Government intends to use the net proceeds from this offering to (i) fund the deficit for the current and following fiscal years, including COVID-19-related government measures, (ii) repay \$330.7 million of our obligations under our credit facilities with local banks, (iii) pay the approximately \$560.5 million purchase price to holders of our Existing Notes that are validly tendered and accepted for purchase by the Government pursuant to the terms of the Tender Offers and which will settle substantially concurrently with this offering and (iv) contribute \$300.0 million into the Government’s Sinking Fund, to fund a portion of projected budget deficits in the 2021/2022 and 2022/2023 fiscal years. See “Use of Proceeds.”

Form..... The notes will be issued in the form of global notes without coupons registered in the name of a nominee of The Depository Trust Company and its direct and indirect participants, including Euroclear Bank SA/NV and Clearstream Banking, S.A.

Denominations..... Each note will be issued in denominations of \$200,000 and integral multiples of \$1,000 in excess thereof.

Transfer Restrictions..... The notes have not been registered under the Securities Act. The notes are subject to restrictions on transfer and may only be offered in transactions exempt from or not subject to the registration requirements of the Securities Act. See “Transfer Restrictions.”

Listing	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. Application will also be made to list the notes on the BSX. This offering memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectuses for securities dated July 16, 2019.
Governing Law	The notes will be, and the indenture is, be governed by, and construed in accordance with, the laws of the State of New York.
Trustee, Registrar, Paying Agent and Transfer Agent.....	The Bank of New York Mellon.
Security Identifiers	<p>2030 notes: For the Rule 144A Notes, the CUSIP number is 085209 AG9, the ISIN number is US085209AG93 and the common code is 222194652.</p> <p>2030 notes: For the Regulation S Notes, the CUSIP number is G10367 AE3, the ISIN number is USG10367AE36 and the common code 222194709.</p> <p>2050 notes: For the Rule 144A Notes, the CUSIP number is 085209 AH7, the ISIN number is US085209AH76 and the common code is 222194768.</p> <p>2050 notes: For the Regulation S Notes, the CUSIP number is G10367 AG8, the ISIN number is USG10367AG83 and the common code 222194741.</p>
Risk Factors	See “Risk Factors” beginning on page 15 of this offering memorandum for a discussion of factors that you should carefully consider before deciding to invest in the notes.

Summary Historical Consolidated Economic and Financial Information

	As of or for fiscal year ended March 31, (except as specified)				
	2016	2017	2018	2019	2020 ⁽¹¹⁾
(dollar amounts in millions except ratios and percentages)					
Bermuda's economic data					
Real GDP ⁽¹⁾	6,233.5	6,458.6	6,465.4	6,575.3 ⁽¹²⁾	6,016.4
Real GDP growth (%) ^{(1) (2)}	(0.7)%	3.6%	0.1%	1.7% ⁽¹²⁾	(8.5)%
Nominal GDP ⁽¹⁾	6,899.9	7,142.3	7,263.5	7,474.1 ⁽¹²⁾	6,913.5
Nominal GDP growth (%) ^{(1) (2)}	3.7%	3.5%	1.7%	2.9% ⁽¹²⁾	(7.5)%
Population ⁽¹⁾	63,791	63,892	63,973	64,027	64,054
Population growth (%) ^{(1) (2)}	3.3%	0.2%	0.1%	0.1%	0.0%
Per capita nominal GDP ⁽¹⁾	108,164	111,787	113,540	114,914 ⁽¹²⁾	107,826
Inflation ⁽¹⁾	1.5%	1.9%	1.4%	1.0%	0.8%
Unemployment ⁽¹⁾	6.0%	6.0%	4.5%	3.8%	3.8%
Government profit and loss data					
Revenues	953.6	988.0	1,058.9 ⁽³⁾	1,090.3	1,110.9
Expenditures	(1,114.3)	(1,170.0)	(1,129.3)	(1,168.0)	(1,125.5)
Deficit	(160.7)	(182.0)	(70.4)	(77.7)	(14.6)
Interest expense ⁽⁴⁾	116.2	120.6	117.7	124.0	119.2
Sinking Fund contribution ⁽⁴⁾	52.3	58.4	62.1	64.2	—
Government balance sheet data					
Total debt ⁽⁵⁾	2,335.0	2,483.9	2,568.9	2,680.0	2,722.1
Sinking Fund balance ⁽⁶⁾	(117.3)	(86)	(150.2)	(219.2)	(41.7)
Net debt ⁽⁷⁾	2,217.7	2,398.0	2,418.7	2,460.8	2,680.4
Guarantees	698.5	541.4	533.5	567.5	421.1
Government cash flow data					
Capital expenditures	43.7	76.7	56.6	58.6	66.1
Net debt proceeds ⁽⁸⁾	150.0	149.0	84.9	111.1	42.1
Decrease (increase) in Sinking Fund	18.5	31.3	(64.2)	(69.0)	177.5
Net increase in debt ⁽⁹⁾	168.5	180.3	20.7	42.1	219.6
Government financial ratios					
Debt service ratio ⁽¹⁰⁾	0.18	0.18	0.17	0.17	0.11
Net debt/Nominal GDP	32.1%	33.6%	33.3%	32.9% ⁽¹²⁾	38.8%
Deficit/Nominal GDP	(2.3)%	(2.5)%	(1.0)%	(1.0)% ⁽¹²⁾	(0.2)%

Source: Department of Statistics, Bermuda.

- (1) As of or for the year ended December 31 of the year indicated, using population figures based on mid-year population projections produced by the Department of Statistics.
- (2) Growth percentages based on year-over-year comparisons.
- (3) Revenues in the 2017/2018 fiscal year include economic growth from customs duty, payroll tax and civil aviation receipts.
- (4) Contributions to the Sinking Fund and interest expense are included in Expenditure above.
- (5) Excludes guarantees of payment obligations related to (i) a \$276.8 million guarantee by the Government of the Bermuda Hospital Board's annual service payment obligations; (ii) guarantees by the Government related to the West End Development Corporation payment obligations estimated at \$71.8 million; (iii) guarantees by the Government related to the Bermuda Housing Corporation payment obligations estimated at \$29.3 million; (iv) guarantees by the Government related to the BDA Economic Development Corporation payment obligations estimated at \$1.2 million; (v) guarantees by the Government to the BTA payment obligations estimated at \$10.0 million; (vi) guarantees by the Government related to the Bermuda Casino Gaming Commission payment obligations estimated at \$1.2 million; (vii) guarantees by the Government related to Hotel Bermuda Holdings Ltd. payment obligations estimated at \$25.0 million; and (viii) a limited support guarantee by the Government to meet any shortfall in aeronautical revenues collected by Skyport estimated at approximately \$5.8 million, as of March 31, 2020. For more information on Government guarantees, see "Bermuda—Public Finance—Public Debt."
- (6) Sinking Fund (as defined herein) balances include principal and interest components. See "Bermuda—Public Finance—Public Debt—Government—Sinking Fund."
- (7) Net debt is total debt (which excludes guarantees) net of the Sinking Fund balance.
- (8) Net debt proceeds includes proceeds from existing loan and note issuances.
- (9) Net increase in debt excludes obligations of the Government related to guarantees.
- (10) Debt service ratio is calculated as interest expense plus annual contribution to the Sinking Fund divided by revenues.
- (11) 2019/2020 fiscal year figures are estimated for recently completed fiscal year as finalized data is not yet published or publicly available.
- (12) 2018/2019 GDP related figures are estimated as finalized data is not yet published or publicly available.

RISK FACTORS

You should carefully consider the risks described below and the other information contained in this offering memorandum before making an investment decision. 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. 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 Bermuda

The worldwide economic effects of the outbreak of the COVID-19 pandemic and the economic shutdown caused by it has adversely affected, and will continue to affect, Bermuda's economy, and the impact could be material.

The outbreak of the COVID-19 pandemic is currently having an adverse impact on the world economy. COVID-19 was reportedly first detected in Wuhan, Hubei Province, China, and first reported to the WHO country office in China on December 31, 2019. On January 30, 2020, the WHO declared COVID-19 a public health emergency of international concern and on March 11, 2020, the WHO declared the outbreak to be a pandemic. The COVID-19 pandemic has had, and will continue to have, numerous effects worldwide on commercial activity. Many of our trading partners, such as the European Union, the United Kingdom, the United States and Canada, among others, have undertaken various public health measures to control the spread of COVID-19, including the imposition of mandatory quarantines, forced economic shutdowns and travel restrictions, as well as economic measures aimed to mitigate the impacts of such public health policies on their respective national economies. The measures undertaken by the European Union, the United Kingdom, the United States and Canada, among others, have had a material adverse impact on the demand for financial services and tourism in Bermuda.

COVID-19 is present in Bermuda, with a total of 156 confirmed cases and nine deaths as of August 1, 2020, and the Government has taken extensive steps to mitigate the spread of the disease and its impact on public health. Since March 2020, the Government has introduced several measures to address the COVID-19 pandemic. See “Summary—Recent Developments—COVID-19.” The measures implemented so far have resulted in a slowdown in economic activity that will adversely affect economic growth in 2020 and possibly 2021, to a degree that we cannot quantify as of the date of this offering memorandum. The efficacy of these measures cannot yet be evaluated, and it is highly uncertain how long and in what form they will remain in effect.

The long-term effects of the COVID-19 pandemic and other public health crises on the global financial markets and economy are difficult to assess or predict. They include risks to citizens' health and safety, as well as reduced economic activity, which, in turn, could result in decreased revenue and increased expenditures for the Government, among other relevant impacts. It is unclear whether these challenges and uncertainties will be contained or resolved, if at all, and in what timeframe, and what effects they will have on the global financial markets and economy in the long term. We cannot predict the evolution of the pandemic in Bermuda or whether additional restrictions will be implemented. The final impact of the COVID-19 pandemic is still uncertain, but it has adversely affected and is expected to have a significant adverse effect in the future on the economy of Bermuda.

If the economic and public health crisis caused by the COVID-19 pandemic continues and the Government's measures are not effective, the economic performance of the country may suffer more than currently anticipated, as a result of adverse effects on the financial services, international business and tourism sectors, among other things, and thus may potentially adversely affect the Government's ability to service its debt, including the notes. The effects of the COVID-19 pandemic and the economic shutdown may also include an increase in unemployment, a reduction in GDP, a reduction in household income, a reduction in Government revenues, increased Government expenditures and, accordingly, a deterioration of the Government's financial position.

The COVID-19 pandemic, any second wave or resurgence and/or new pandemic in Bermuda or elsewhere may also have the effect of heightening the other risks described herein, such as those relating to economic, social and political developments in Bermuda and its credit ratings. Consequently, the current COVID-19 pandemic and its potential impact on the economy of Bermuda, its principal trading partners or globally may require the Government to enact additional changes to existing regulations or implement more stringent regulations, which may further

adversely impact Bermuda's economy, the prices of, and Bermuda's ability to make payments on, its outstanding debt securities or other indebtedness.

To the extent the COVID-19 pandemic adversely affects Bermuda's economy, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section.

A sharp and sustained downturn in either international business or tourism could significantly affect the stability of the Bermuda economy as a whole.

The Bermuda economy is dependent upon two major sectors: international business (primarily reinsurance and financial services), which accounted for approximately 23.8% of GDP in 2018, and tourism, which accounted for approximately 5.3% of GDP in 2018, in addition to being a major source of employment. This lack of economic diversity exposes the Bermuda economy to significant risk of instability should either sector contract significantly, which the Government expects will be the case for the 2020/2021 fiscal year.

Overall, the insurance and tourism sectors have had less dynamic growth since the 2008 financial crisis in part due to increasing competition from other jurisdictions. Bermuda's economic dependence on the reinsurance industry could adversely impact the Bermuda economy should the 2020 hurricane season create substantial losses for insurers. While three major credit rating agencies predict that the re-insurance industry has sufficient capital to withstand losses at this time, an unanticipated increase in catastrophe losses could disrupt stability for Bermuda-based reinsurers. In addition, Bermuda's position as an international business center is based in part upon its tax neutral regime (Bermuda has no income tax) and its political and economic stability. The potential loss of such neutral tax treatment or economic and political stability, due to, among other things, changes in tax regulations or an attempt by Bermuda to declare independence from the United Kingdom could have a negative effect on Bermuda's position as an international business center. In addition, tourist arrivals to Bermuda had generally been in decline since 2013. In April 2014, the Government established the BTA, a non-governmental entity charged with promoting and controlling Bermuda's tourist industry, to replace the government-run Bermuda Department of Tourism. Since its inception, the BTA has pursued several initiatives to fortify the tourism sector, including focusing on group business travel, targeted advertising campaigns and neighborhood beautification projects. The BTA indicated that after sizeable growth in 2017 and 2018, tourism results were less prosperous in 2019 when compared to the prior years' performances, notwithstanding that, according to BTA figures, 2019 was statistically the second-best year in the past 13 years, with more than 191,000 leisure air visitors. However, the Government cannot assure you that the BTA's initiatives will continue to be successful. The Bermuda tourism industry is also dependent on the continued perception of Bermuda as an attractive and safe vacation destination. Any change in this perception, including as a result of any reduction in the capital investment in tourism infrastructure or any increase in active COVID-19 cases and/or crime, could have a negative effect on Bermuda's tourism industry.

Natural disasters and extreme weather conditions could adversely affect Bermuda and the financial condition of the Government.

Bermuda is affected by meteorological catastrophes and extreme weather conditions, such as hurricanes and tropical storms, which have the potential to cause extensive physical and economic damage. A meteorological catastrophe or other extreme weather event could, among other things, limit access to, damage or destroy one or more of the Government's or Bermuda's properties or parts of our infrastructure, including roads and bridges. A catastrophe or other extreme weather event may also result in disruption to the local economy, and may cause labor, fuel and other resource shortages. Further, global warming trends are contributing to an increase in the frequency of erratic weather patterns globally and are intensifying the severity of impact of such catastrophes. The growing political and scientific sentiment is that increased concentrations of carbon dioxide and other greenhouse gases in the atmosphere are influencing global weather patterns. Concern over climate change, including global warming, highlights the uncertainty as to future trends of exposure to extreme weather events.

On October 12, 2014, Category 1 Hurricane Fay made landfall in Bermuda, leaving most of the population without electric power. Less than one week later, on October 17, 2014, Category 2 Hurricane Gonzalo made landfall on the southwestern coast, severely compounding the damage to the island. At the height of the storm, approximately 31,000 of 36,000 electricity customers were without power. Overall damage caused by the two hurricanes in quick succession was estimated at between \$200 and \$400 million. In 2016 the eye of Hurricane Nicole,

a Category 3 hurricane at the time, passed directly over Bermuda. No life-threatening injuries were reported and overall damage amounted to approximately \$15 million, which was less than anticipated. On September 18, 2019, Category 3 Hurricane Humberto made landfall in Bermuda, with the system's southern eyewall passing over the island. Nearly 28,000 homes were without electricity and farmers reported a severe loss of crops. Overall damage to the island was estimated at \$25 million. The Government's insurance policy covered much of the property damages that Government Departments and Quasi-Autonomous Non-Governmental Organizations sustained from these hurricanes.

While the Government maintains insurance coverage in the event of natural disasters, this insurance coverage is limited to the full current market value or replacement cost of Government buildings, and does not cover damage to infrastructure assets such as roads or bridges, or "business interruption" or similar coverage. In the event of any such catastrophe or other extreme weather event, the Government would be liable for any required deductible costs as well as costs associated with repairing any damage to Bermuda's infrastructure (other than Government buildings), while having to bear any resultant decrease in revenues due to interruptions in business or tourism.

Economic Substance Requirements required by the European Union could adversely affect us.

Harmful tax practices have become the focus of increased scrutiny from the European Union. The Council of the European Union (the "EU Council") adopted a resolution on a "Code of Conduct" for business taxation which measures are directed at counteracting the effects of zero tax and preferential tax regimes around the world. In 2017, the Code of Conduct Group (Business Taxation) (the "COCG") investigated the tax policies of both European Union member states and non-European Union member states, assessing tax transparency, fair taxation and the implementation of anti-base erosion and profit shifting measures.

Following assessment by the COCG, Bermuda was included in a list of jurisdictions ("2.2 Jurisdictions") which are required by the European Union to address concerns of the COCG relating to the demonstration of economic substance. Other countries in the 2.2 Jurisdictions category which are required to demonstrate economic substance include Guernsey, Jersey, Isle of Man and the Cayman Islands.

Bermuda and other 2.2 Jurisdictions were listed specifically under Criterion 2.2 of the assessment which relates to tax regimes that facilitate offshore structures which attract profits without real economic activity. Criterion 2.2 applies when the standard code assessment ("Criterion 2.1") cannot be applied because of the absence of a corporate tax system or because the jurisdiction applies a nominal corporate tax rate equal to zero or almost zero.

Bermuda implemented economic substance legislation by December 31, 2018 (the Economic Substance Act 2018 and the Economic Substance Regulations 2018), in accordance with guidance provided by the COCG Scoping Paper and the OECD. Due to a minor technical fault in the drafting of the Economic Substance Act 2018 and the Economic Substance Regulations 2018, Bermuda was briefly placed on the European Union's Annex I (the 'blacklist') at an Economic and Financial Affairs Council ("ECOFIN") meeting held on March 12, 2019. The drafting fault was swiftly corrected and Bermuda was delisted from the blacklist during the first subsequent ECOFIN meeting on May 17, 2019. Bermuda is currently not included in either the blacklist or Annex II of the European Union's lists for non-cooperative or not fully compliant jurisdictions. Bermuda is presently considered to be a compliant jurisdiction.

Bermuda continues to work with the COCG in the development of guidance notes that provide information to industry and other users on how the Government interprets the economic substance legislation. While the OECD's Forum for Harmful Tax Practices (the "FHTP") secretariat has reviewed Bermuda's guidance notes and has indicated it has no challenges with their content ahead of the planned October 2020 meeting of the FHTP, Bermuda will have to wait until the fall meeting of European Union member states to find out their official position. If the European Union member states find the guidance notes acceptable, then Bermuda will continue to remain off of the blacklist. Conversely, if the European Union member states determine that the guidance notes present a challenge, Bermuda will be given three months to satisfactorily address any issues the European Union member states have identified before being moved to the blacklist.

It is expected that during the FHTP meeting in October 2020, Bermuda, as well as the other 2.2 Jurisdictions, will undergo a Fully Equipped Monitoring Mechanism ("FEMM") assessment in which the effectiveness of Bermuda's economic substance regime will be evaluated. The FEMM assessment looks beyond the legislative framework to the operative functionality of actual implementation of the economic substance regime considering factors such as human resources, information technology, training and development and levels of competency, among

others. It is understood that the European Union will place a degree of reliance on the outcome of the FEMM assessment in determining whether or not jurisdictions will be considered for inclusion in the blacklist.

In order to preserve its reputation and existing businesses, in particular the (re)insurance sector, Bermuda is committed to addressing these concerns. However, this may not be the case for other 2.2 Jurisdictions, which may lead to some businesses that are, or would, incorporate in Bermuda electing another jurisdiction.

The OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (“BEPS”) brings together over 135 countries and jurisdictions to collaborate on the implementation of the BEPS package. Based on the FHTP’s assessment of economic substance in 12 jurisdictions with no or very low income tax, such jurisdictions represent only 11.25% of the membership of BEPS.

In 2019, it was publicly announced that BEPS agreed upon a Programme of Work for Addressing the Tax Challenges of the Digitalisation of the Economy (the “Programme of Work”).

The Programme of Work is divided into two pillars:

- Pillar one addresses the allocation of taxing rights between jurisdictions and considers various proposals for new profit allocation and nexus rules; and
- Pillar two (also referred to as the “Global Anti-Base Erosion” or “GloBE” proposal) calls for the development of a coordinated set of rules to address ongoing risks from structures that allow multinational enterprises (“MNEs”) to shift profit to jurisdictions where they are subject to no or very low taxation.

Therefore, international business companies in Bermuda that fall within the scope of the Programme of Work’s pillar two may be subject to income tax at levels consistent with the internationally agreed minimum income tax rate when the Programme of Work is implemented. This may cause international business companies to reconsider and re-evaluate the value proposition of being domiciled in Bermuda.

The United Kingdom’s departure from the European Union could adversely affect us.

On June 23, 2016, voters in the United Kingdom approved an advisory referendum to withdraw from the European Union. On March 29, 2017, the United Kingdom invoked Article 50 of the Treaty of Lisbon, which provides for a mechanism for the voluntary and unilateral withdrawal of a country from the European Union. The triggering of Article 50 initiated a two-year period of negotiation for the United Kingdom to leave the European Union, and the United Kingdom left the European Union on January 31, 2020. Negotiations are currently underway to determine the future terms of the United Kingdom’s relationship with the European Union, including, among other things, the terms of trade between the United Kingdom and the European Union. The withdrawal could, among other potential outcomes, adversely affect the tax, tax treaty, currency, operational, legal and regulatory regimes to which Bermuda’s Government is subject, as a British Overseas Territory under the jurisdiction and sovereignty of the United Kingdom. Negotiations on post-exit arrangements likely will be complex and protracted, and there can be no assurance regarding the terms, timing or consummation of any such arrangements.

The United Kingdom’s withdrawal from the European Union could also lead to legal uncertainty and potentially divergent national laws and regulations as the United Kingdom determines which European Union laws to replace or replicate. Though the United Kingdom assisted in early negotiations of Bermuda’s efforts to meet the European Union’s Solvency II Directive 2009/138/EC (“Solvency II”), because Bermuda’s negotiations were conducted directly with the European Union, it is treated as a third country. The BMA and Ministry of Finance continue to have positive relationships with key European Union officials. Similarly, Bermuda’s Tax Information Exchange Agreements (“TIEAs”) were negotiated under third country status. Thus, the impact of the United Kingdom’s exit from the European Union should have minimal impact on Bermuda’s Solvency II equivalence and TIEAs. However, though Bermuda has likewise mostly committed itself as a third country to bi-lateral and multi-lateral agreements, and is considering changes to the current entrustment agreement with the United Kingdom, the

United Kingdom's exit from the European Union could materially alter Bermuda's current political and economic relationships.

In addition, weakening of economic conditions or economic uncertainties tends to adversely impact tourism, and if such conditions emerge in the United Kingdom or in the rest of Europe, they may have a material adverse effect on Bermuda's tourism sector. The potential effects of the withdrawal of the United Kingdom from the European Union, as well as any other risks we cannot predict, may have a material adverse effect on Bermuda's financial condition and Bermuda's ability to service its debt, including the notes.

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

The deficit to GDP ratio was estimated at 2.6% in the 2015/2016 fiscal year and 2.9% in the 2016/2017 fiscal year. These circumstances called for higher levels of borrowing by the Government to finance budget requirements, with total debt, not including guarantees, nearly quadrupling from 2008 to 2012 that necessitated the adoption of legislation to raise the debt ceiling in 2013. The gross debt to GDP ratio grew to an estimated 40.5% in the 2016/2017 fiscal year from less than 5% in 2007. Subsequently, Bermuda emerged from the contraction in the third quarter of 2016 and real GDP grew by 3.6% and 0.1% in 2017 and 2018, respectively. Additionally, net debt grew at an average amount of \$81.1 million per year from fiscal year-end 2017 to 2019. There is no guarantee that Bermuda will avoid higher levels of indebtedness. If economic conditions in Bermuda or globally, as well as Government deficit and debt levels, do not continue to improve, this may have a material adverse effect on our financial condition and our ability to service our debt, including the notes.

Financial or other problems in Bermuda's banking sector may adversely affect the Bermuda economy.

Difficulties in the Bermuda economy, as well as the global economy, have had an adverse impact on the financial condition of Bermuda's banking sector. In the past, the banking sector was particularly affected by increases in non-performing loans, particularly within the mortgage sector, which was affected by a downturn in the real estate market. Rising bank loan deterioration in Bermuda's banking sector may pose a risk to the broader economy, as the sector is estimated to have total assets in an amount corresponding to approximately 3.3 times Bermuda GDP, as of December 31, 2018. The two largest banks, HSBC Bank Bermuda Limited and Bank of N.T. Butterfield & Son Limited ("Butterfield Bank"), accounted for approximately 93% of the total combined assets of the sector on a consolidated basis in 2019. Given this large concentration, a significant deterioration in the credit quality of either of these two banks may have an adverse effect on Bermuda's economy. In addition, the Government may have a limited ability to intervene in order to support or improve conditions in the banking sector. Many banks are foreign-owned and fall under the responsibility of the jurisdiction of their parent entity. Further, because the BMA lacks an independent monetary policy, it has limited capacity to act as "lender of last resort" to the banking sector. Moreover, while the Bermuda Deposit Insurance Corporation (the "BDIC") contributes to the stability of the financial system in Bermuda, it has a narrow mandate to provide deposit insurance for Bermuda dollar deposits, whereby eligible depositors will be compensated up to a maximum specified amount of their deposits upon failure of a scheme member.

Finally, in relation to the COVID-19 pandemic, the BMA has been proactive in monitoring the impact of COVID-19 on its four licensed banks (HSBC Bank of Bermuda Limited, Butterfield Bank, Clarien Bank Ltd. and Bermuda Commercial Bank Limited). The BMA has been in regular dialogue with the four banks by requesting detailed reports when needed (e.g. weekly liquidity and foreign exchange positions) and assessing risk management actions taken by the four banks. The BMA has also taken targeted regulatory measures to assist the four banks by providing extensions to certain regulatory filings. As of the end of the second quarter of 2020, the impact of COVID-19 on the four banks' financial strength has been immaterial. Furthermore, with approximately 7% of all loans as non-performing loans as of the 2019/2020 fiscal year and Bermuda banks' loan to asset ratio at approximately 36% as of the 2019/2020 fiscal year (a ratio that is comparatively lower than its peers), the BMA believes that post-COVID-19 data has not indicated any reason to be concerned with respect to loans and non-performing loans.

Regulatory changes in the United States, the United Kingdom and Europe could have an adverse effect on the Government's sources of revenue.

Given Bermuda's dependence on the global economy, and, in particular, its dependence on revenues derived from its status as an attractive international business center, the Bermuda economy may be affected by regulatory changes in the United States, the United Kingdom and/or the European Union, which could interfere with this favorable status.

The Government has supported several large economic development projects, which, if unsuccessful, could have an adverse effect on Bermuda's economy and increase the Government's debt obligations.

The Government has supported several large economic development projects in an effort to enhance Bermuda's standing as a tourist destination and in furtherance of the Government's policies intended to expand employment opportunities. For example, in 2016, the Government guaranteed a loan to a hotel developer at Caroline Bay, previously known as Morgan's Point, in the amount of \$165 million for the construction of a Ritz Carlton hotel and residences. Construction of residential units began in 2015. The first phase was expected to be completed in 2019. However, significant construction delays and cost-overruns resulted in a partial temporary suspension of work in March 2018, after which construction costs and interest on the outstanding \$85 million tranche B debt (the "Tranche B Debt") was funded by the sponsor of the Caroline Bay project on a monthly basis. Interest on the outstanding \$75 million tranche C debt (the "Tranche C Debt") was being paid-in-kind until the expiration of a standstill agreement in June 2018, at which point the Tranche C Debt went into default.

Subsequently, the sponsor of the Caroline Bay project sought additional financing for the project but was not successful. In May 2019, the main contractor for the Caroline Bay project was directed to fully suspend work while the sponsor continued to seek additional financing. In August 2019, the sponsor failed to make an interest payment on the Tranche B Debt resulting in the trustee for the Tranche B Debt issuing a formal acceleration of the Tranche B Debt and a demand on the guarantee. To fully satisfy its obligations under the guarantee, the Government elected to purchase both the Tranche B Debt and Tranche C Debt.

Subsequently, in March 2020, the Government successfully applied to the Supreme Court of Bermuda to appoint joint provisional liquidators (JPLs) over the operating company, George's Bay Limited. Oversight of George's Bay Limited by the JPLs is still ongoing. Furthermore, the Government is working with advisors to determine the best use for the assets once the Government assumes responsibility, should such assets be used in partial satisfaction of the outstanding claims owed to the people of Bermuda.

Additionally, in August 2015, the Government entered into an interim agreement with the Canadian Commercial Corporation ("CCC"), a corporation of the Government of Canada, to finance the construction of a new terminal and other renovations at Bermuda's L.F. Wade International Airport. The parties entered into a final financing agreement in March 2017 under which CCC, through a subcontract arrangement to Aecon Construction Group Inc., will execute the construction component of the project. The airport redevelopment plan aims to increase efficiency of airport operations, improve airport security, health and safety and increase passenger capacity. The airport redevelopment project is financed by the concessionaire, which has arranged financing from institutional investors abroad, is not expected to add to Bermuda's national debt or impact Bermuda's credit rating. In October 2017, the Government began a review of the airport redevelopment project in an effort to negotiate better terms, employing the Bermuda Airport Authority's global infrastructure advisor to review and report on potential optimization elements. Published in February 2018, this report highlighted the opportunities to optimize gains both within the existing project agreement framework, an approach that was endorsed by the Bermuda Airport Authority, or through a total withdrawal from the existing contract. However, as the report indicates, the airport redevelopment project agreement is a complex project financing structure reliant on cash flows from future passenger traffic volumes, and we cannot ensure that the Government will be able to execute any such optimization elements as advised. Additionally, we cannot ensure that CCC will successfully construct the new terminal and complete the planned renovations on time, on budget or at all.

Construction delays, difficulty in obtaining financing or difficulty or delays in obtaining regulatory approvals may affect the timing of completion of these projects as well as their overall costs. The Government cannot assure you that these or any other development projects will be completed as scheduled or that they will be successful in increasing tourism in Bermuda. If the projects are not completed as planned or at all, or they face financial difficulty, the Government may be obligated to make payments on any financial guarantees it has assumed or will assume to support their development, thereby increasing public debt and hampering policy initiatives to promote economic

expansion and diversification. In addition to the financial risks, these projects face operational and quality control risks.

In response to the COVID-19 pandemic, the Government has taken certain measures to protect the population of Bermuda and its healthcare system; one of which was to close the airport to regularly scheduled commercial air traffic for a period of approximately three months from March to June 2020. Commercial flights arriving into and departing from the airport resumed in July 2020 with limited airline schedules and considerably reduced passenger numbers as compared to the corresponding period of 2019. Passenger numbers are not expected to increase to pre-COVID-19 pandemic levels until 2021.

Under the terms of the Project Agreement, the Government is required to meet any shortfall in aeronautical revenues collected by the Bermuda Skyport Corporation Limited (“Skyport”) from airlines if they fall below a certain pre-determined quarterly threshold, and if certain other conditions set out in the Project Agreement are met. This contractual regime is intended primarily to protect the financing cash flows required by Skyport for its senior debt service payments. As of the date of this offering memorandum, the Government is required to pay approximately \$5.8 million to Skyport for the shortfall in aeronautical revenues collected arising from reduced air traffic during the second quarter of 2020. While there is some uncertainty with respect to passenger numbers and the related aeronautical revenues for the remainder of 2020, it is expected that there will be a further shortfall and the Government will be required to make additional payments to Skyport at the end of the third and fourth quarters of 2020, which will likely be financed through revenue receipts or borrowing.

Over the years the Government has proposed a number of tax reforms in order to increase revenues. The Government cannot provide assurance that these potential tax reforms will generate the expected revenues, that it will be successful in implementing any or all of the proposed reforms or that the increased taxes will not adversely affect the Bermuda economy.

As part of the Government’s efforts to balance Bermuda’s budget, in October 2017, the Government established the Tax Reform Commission (the “TRC”) by way of the Tax Reform Commission Act 2017. The mission of the TRC was to examine Bermuda’s tax system for the purpose of determining any measures that may be taken to best enable a system of taxation and revenue collection that is equitable, effective, efficient, competitive and transparent. The TRC report was made available to the Government in October 2018 and included several recommendations to increase revenue. Although the Government expects its proposed reforms to increase revenues, which would in turn allow the Government to further pay down its debt, the proposals are still under consideration. As a result, there can be no assurances that the reforms will be implemented in their current form or at all. Furthermore, the Government may face political opposition to the proposed reforms, which could result in the adoption of modified versions of such reforms or the inability to enact any or all of the reforms. Additionally, any increased costs of conducting business that may result from any tax reforms may have an adverse effect on the economy as a whole. See “Bermuda—Government Revenue Sources and Tax Policy—Tax Policy—Tax Reform” for a description of the proposed reforms.

Also, due to COVID-19, the Government has provided tax concessions to various sectors of the economy. We expect these concessions will have an impact on our revenue collections.

Bermuda may be adversely affected by any perceived status as a tax haven, especially following increased international attention on offshore business entities in other jurisdictions that are used to minimize or avoid taxes.

Bermuda has historically been the subject of increased scrutiny as a result of a widespread perception that it is a tax haven given its tax neutrality, which attracts multiple international business segments, including offshore accounts and special purpose companies. Following the publication of the “Panama Papers” and the “Paradise Papers,” international attention on the tax status of offshore business entities greatly increased. Though no evidence of illegal tax activity in Bermuda has been reported, since the publication of such papers certain foreign governments, including the United States and the United Kingdom, as well as multilateral organizations such as the European Union, have recommended measures to increase tax transparency.

In an effort to support these initiatives and to combat the perception of Bermuda as a tax haven, in April 2016, Bermuda adopted the tax transparency regime recommended by the OECD. Under the agreement, Bermuda

companies which are multinational enterprises must submit detailed operational reports in every country in which they operate to the tax administration in the country where their parent company is located. The reports will then be shared automatically in all relevant jurisdictions. In August 2017, the OECD-hosted the Global Forum on Transparency and Exchange of Information for Tax Purposes (the “Global Forum”) published the results of a peer review process aimed at assessing compliance with international standards for the exchange of information on request between tax authorities, according to which Bermuda was ranked “Largely Compliant.” The potential loss of favorable tax treatment or economic stability due to, among other things, changes in the regulatory and supervisory regimes as a result of this agreement or others, could have a material adverse effect on Bermuda’s financial system or its position as an international business center.

Some public sector employees are unionized and wage increases or work stoppages by our unionized employees may have a material adverse effect on the economy and our ability to perform government services.

The majority of the Government’s employees are represented by labor unions under collective bargaining agreements, which need to be renewed from time to time. Currently, three unions representing the Bermuda School Principals, Bermuda Police, and the Bermuda Prison Officers are negotiating new collective bargaining agreements with the Public Sector Negotiating Team (PSNT). In addition, we have in the past and may in the future seek, or be obligated to seek, agreements with our employees regarding workforce reductions, closures and other restructurings. We may not be able to negotiate acceptable new collective bargaining agreements or future restructuring agreements, which could result in labor disputes. Also, we may become subject to material labor cost increases or additional work rules imposed by agreements with labor unions. Although we believe we have good relations with our employees, work stoppages or other labor disturbances may occur in the future which could adversely impact the economy and our ability to perform our government services.

Some of Bermuda’s key businesses’ employees are also unionized. Material disputes at one or more of these businesses could adversely affect the Bermuda economy. In October 2018, members of the Electrical Supply Trade Union withdrew labor in response to management changes at Bermuda Electric Light Company Limited (“BELCO”), Bermuda’s sole retailer of electricity. While operations returned to normal in less than 24 hours and management concerns have been addressed, future disruptions of labor at BELCO could adversely affect the delivery of electricity in Bermuda which could adversely affect the Bermuda economy. In December 2019, members of the Port Workers Division of the Bermuda Industrial Union downed tools and staged a morning protest in response to a dispute with management. By 5:00 p.m. on the day of the protest, a resolution to the matter had been achieved, but future work stoppages at the Hamilton Docks could threaten container moves which could adversely affect the Bermuda community which depends on goods imported through the Hamilton Docks.

Risks Related to the Notes

We are a foreign 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 indenture.

Bermuda is a self-governing overseas territory of the United Kingdom, a foreign sovereign state. In order to enforce rights under the notes and the indenture against the Government, holders of notes or the trustee under the indenture may need to obtain a judgment against the Government in the Bermuda courts, 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 the Government 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. The Government has waived sovereign immunity, subject to certain conditions pursuant to the indenture, in any action arising out of or based upon the notes to the fullest extent permitted by applicable law. However, the Government reserves, among other rights, the right to plead sovereign immunity under the U.S. Foreign Sovereign Immunities Act with respect to 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 U.S. Foreign Sovereign Immunities Act with respect to such action. Moreover, it may not be possible to enforce a judgment obtained under the U.S. Foreign Sovereign Immunities Act against the Government’s property located in the United States except under the limited circumstances

specified in the U.S. Foreign Sovereign Immunities Act. Consequently it may be difficult for you to obtain or enforce judgments of U.S. courts against us. For a description of the procedures in Bermuda for enforcing foreign judgments against the Government, see “Enforceability of Civil Liabilities Under U.S. Federal Securities Laws and Other Matters.”

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 “Transfer Restrictions” and “Plan of Distribution.”

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

The notes will contain provisions regarding voting on amendments, modifications and waivers which are commonly referred to as “collective action clauses.” Under these provisions, certain key terms of the notes may be amended, including the maturity date, interest rate and other payment terms, without your consent. See “Description of the Notes—Meetings, Amendments and Waivers.”

The indenture will not prevent the Government from incurring additional debt or, subject to certain limitations, secured debt.

The indenture pursuant to which the notes will be issued does not prohibit the Government from incurring additional debt and allows, subject to certain limitations, the incurrence of secured debt. In addition, the indenture 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 are able to repay, noteholders may not receive full payment on their notes. In addition, if payment of any secured debt is accelerated, secured lenders may have priority over claims for payment on the notes to the extent of the value of the assets that constitute their collateral.

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 securities of Bermuda issuers 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 Bermuda. 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.

The notes are a new issue of securities for which there is no established public market. 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. We expect, however, that the notes will be listed on the official list of the Luxembourg Stock Exchange for trading on the Euro MTF Market and on the BSX. The initial purchasers have advised us that they may make a market in the notes. However, the initial purchasers are 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 a number of factors, including:

- 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.

There can be no assurance that Bermuda's credit ratings will improve or remain stable, or that they will not be downgraded, suspended or cancelled by the rating agencies.

Bermuda currently holds long-term foreign currency credit ratings of "A+" (stable outlook) from S&P Global Ratings ("S&P") and "A2" (stable outlook) from Moody's Investors Services Inc. ("Moody's"). Ratings address the creditworthiness of Bermuda and the likelihood of timely payment of Bermuda's long-term debt securities. Ratings are not a recommendation to purchase, hold or sell securities and may be changed, suspended or withdrawn at any time. Bermuda's current ratings and the rating outlooks currently assigned to it depend, in part, on economic conditions and other factors that affect credit risk and are outside the control of Bermuda. There can be no assurance that Bermuda's credit ratings will improve or remain stable, or that they will not be downgraded, suspended or cancelled. Any credit rating downgrade, suspension or cancellation may have an adverse effect on the market price and the trading of the notes.

USE OF PROCEEDS

The net proceeds to be received by the Government from the sale of the notes will be approximately \$1,344.1 million, after deducting the initial purchasers' discounts and estimated offering expenses. The Government intends to use the net proceeds from this offering to (i) fund the deficit for the current and following fiscal years, including COVID-19 related government measures, (ii) repay \$330.7 million of our obligations under our credit facilities with local banks, (iii) pay the approximately \$560.5 million purchase price to holders of our Existing Notes that are validly tendered and accepted for purchase by the Government pursuant to the terms of the Tender Offers and which will settle substantially concurrently with this offering and (iv) contribute \$300.0 million into the Government's Sinking Fund, to fund a portion of projected budget deficits in the 2021/2022 and 2022/2023 fiscal years.

BERMUDA

Discovered by Spanish navigator Juan de Bermudez in 1503, Bermuda was first settled and claimed by the British Virginia Company following a shipwreck in 1609. The representative Assembly, established in 1620, is the third oldest continuous parliament in the world. Today, Bermuda is a self-governing British Overseas Territory comprising the Bermudas or Somers Islands, an archipelago of some 150 islands in the Atlantic Ocean approximately, 570 nautical miles southeast of the state of North Carolina. Bermuda is approximately 22 miles long, rarely more than one mile wide and has 60 miles of coastline. Its principal municipal areas are Hamilton, the capital, and the Town of St. George.

Bermuda is the most populous British Overseas Territory, with an estimated population of 64,054 as of July 2020. The population density is relatively high, with approximately 3,100 people per square mile. Based on the 2016 Census, approximately 70% of the population was born in Bermuda. The official language of Bermuda is English. The majority of foreign-born residents without Bermudian status consists primarily of the employees of Bermuda's many international businesses and their dependents. Although Bermuda has a labor force with a wide range of skills, it is insufficient to meet the territory's growing needs. Therefore, the Government has taken measures to increase the number of people in the work force, including lifting term limits on work permits and proposing legislation to grant permanent residency status to certain groups of Bermuda residents.

In accordance with the Government's latest estimates, for the fiscal year ended March 31, 2020, the Government had total revenues of \$1.1 billion and total expenditures of \$1.1 billion.

Immigration Reform

The Ministry of Labour will amend the Residential Certificate Policy to offer one (1) year short-term residential certificates to "digital nomads" and non-Bermudian post-secondary students, and extend the minimum period a visitor may stay in Bermuda from 90 to 180 days. The objectives of this policy are to increase the residential population, increase economic activity, job security, and to help market Bermuda as a place to reside, visit, or do business. A "digital nomad" is a person who is location-independent and uses technology to perform their job, working remotely and telecommuting rather than being physically present at a company's headquarters or office. These visitors are likely to reside in Bermuda without seeking employment on the island and will promote economic activity.

Additionally, the Government passed legislation in April 2020 entitled the Repatriation and Mixed Status Families Bill, which aimed to regularize the immigration status of persons born overseas to Bermudian parents and to allow them to repatriate back to Bermuda, and therefore contribute to the resident population. This Bill also allowed long-time residents of Bermuda to regularize their immigration status by obtaining Bermudian status or a Permanent Resident Certificate. This legislation is currently in force.

Finally, the Immigration Department is re-engineering processes and improving its computerized systems. These improvements will lead to a more efficient, consistent and fair processing of applications. This will lead to faster turn-around-times and responses to industry stakeholders, which will add to Bermuda's attractiveness as a jurisdiction.

Constitution, Government, Legal System and International Cooperation

Constitution

Bermuda is a self-governing British Overseas Territory. The Constitution of Bermuda (the "Constitution"), which came into force in 1968, provides for the protection of fundamental rights and freedoms of the individual, the powers and duties of the Governor and the composition, powers and procedure of the Legislature, the Cabinet, the Judiciary and the Public Service.

Political Overview

The Government consists of a Governor, a Deputy Governor, a Cabinet and a bicameral legislature. The Governor is appointed by the British Monarch and is responsible for defense, external affairs, internal security and the police force. On these matters, the Governor is required to consult with the Governor's Council, which consists of the Premier and two or three Cabinet Ministers. The Cabinet Ministers are appointed in writing by the Governor after consultation with the Premier.

The principal bodies which constitute the political decision-making process in Bermuda are: the Cabinet, the House of Assembly and the Senate. The House of Assembly has 36 members elected from 36 constituencies, representing the public's vote during the General Election. Bermudians 18 years of age and older are eligible to vote, as well as non-Bermudian citizens of the United Kingdom who registered as voters before May 1, 1976. Generally, the House of Assembly institutes legislation, which is then approved by the Senate and signed into statute by the Governor. The political structure and tradition encourage open discussion and debate of issues.

The Senate, or Upper House, has 11 appointed members: five members appointed on the advice of the Premier, three on the advice of the leader of the opposition party, and three by the Governor. The Senate does not have any power to veto or amend any legislative proposals presented by the House and can only defer the proposal for a period of up to one year. Legislative power is vested in this bicameral legislature consisting of the Senate and the House of Assembly.

The majority leader in the House of Assembly serves as Premier. The Premier is selected by the party in power and then formally appointed by the Governor. The Premier nominates the Cabinet Ministers, who are responsible for the operations and strategy of their respective ministries. Currently, the Government has 10 ministries including the Cabinet Office. The Cabinet is responsible to the Legislature.

General elections are held at least every five years, with the most recent being held on July 18, 2017. The Constitution permits the Premier to call an election at any time within a five year period, with a maximum three-month delay between the announcement and election polling.

Government

Mr. E. David Burt, a member of the PLP, became Premier on July 19, 2017, following the PLP's victory in the General Election. Mr. Burt replaced former Premier, Mr. Michael Dunkley, who served as Premier from May 19, 2014 until the appointment of Mr. E. David Burt. Of the 36 seats in the House of Assembly, 25 are held by the PLP and 11 are held by the OBA. The elected Speaker is also a member of the PLP, but as Speaker is not permitted to take part in House of Assembly discussions or to vote on matters, unless there is a tie.

The leader of the official opposition is Mr. Craig Cannonier (who previously served as Premier) of the OBA. In general, the policies of the PLP are pro-democracy and are relatively similar to those of the OBA.

Legal System

Bermuda's legal system is based on the British model, consisting of codified legislation and the Common Law. The court system is made up of Magistrate Courts, a Supreme Court and a Court of Appeal, with final appeal to the Privy Council in the United Kingdom.

International Cooperation

The U.S.-Bermuda Tax Convention Act of 1986, through a treaty, provides for the sharing of information between the United States and Bermuda on matters of tax fraud, tax avoidance and related issues of a civil or criminal nature, and automatic exchange of U.S. Foreign Account Tax Compliance Act ("U.S. FATCA") and OECD Country by Country reporting standard ("CBC") information. With respect to jurisdictions other than the United States, the Government passed the Tax Information Exchange Agreement Implementation Act of 2005 to give effect to tax information exchange agreements concluded between the Government and other jurisdictions. In 2000, Bermuda committed to the OECD to uphold the standards of transparency and exchange of tax information. Further, Bermuda does not inhibit disclosure of vital tax and money-laundering information to its international partners, nor does it have

bank secrecy legislation. Bermuda participated fully in the OECD's development of a model tax information exchange agreement ("TIEA"), which was ratified in 2002. Bermuda's leadership role in establishing the OECD model TIEA was assisted by its experience as a partner of the United States in the long-standing TIEA that was signed in 1988. Bermuda was the first grey-listed jurisdiction to ascend to the OECD White List after the list's publication on April 2, 2009.

Bermuda is currently a party to 41 TIEAs on a bilateral basis with various countries, each based on the OECD's internationally agreed standard for transparency and exchange of information. Of these, three are double taxation agreements. As of October 29, 2018, Bermuda has over 110 multilateral TIEA partners from Bermuda's participation in the Multilateral Convention on Mutual Assistance in Tax Matters (the "Convention"). Bermuda's exchange of information network includes all members of the G20, all European Union member states and other OECD countries. On September 2, 2009, Bermuda was elected as Vice Chair of the Steering Group of the new OECD Global Forum, the only non-G20, non-OECD jurisdiction to be elected to that level of leadership in the OECD Global Forum and believed to be in recognition of becoming the first grey-listed jurisdiction to ascend to the OECD white list. Bermuda was subsequently also elected to host the 2011 meeting of the OECD Global Forum. The 2011 Global Forum was the first time in the western hemisphere that a non-G20, non-OECD member hosted that event, demonstrating Bermuda's status as a leading financial services center.

In keeping with transparency and exchange of information principles, and as part of its efforts to combat tax evasion, the Government has implemented U.S. FATCA based on the U.S. IGA Model 2 Agreement, pursuant to which Bermuda's financial institutions exchange information with U.S. authorities. Through Bermuda's participation in the Convention, Bermuda exchanges the OECD Common Reporting Standard ("CRS") and the OECD CBC information with every country around the world that joined the OECD-administered convention.

In 2014, the OECD announced the introduction of the CRS, which has now been widely accepted as the international standard for financial account reporting for tax purposes outside of the United States. The CRS sets out the financial account information to be exchanged between participating countries, the financial institutions required to report, the types of accounts and taxpayers covered, as well as common due diligence procedures to be followed by financial institutions. Bermuda legislation was amended to ensure all Bermuda persons comply with the obligations of the CRS, U.S. FATCA and any other arrangements or agreements entered into by the Government for the exchange of information for tax purposes.

European Union Global Tax Reform Initiative

In 2017, the COCG investigated the tax policies of both European Union member states and non-member states, assessing (i) tax transparency, (ii) fair taxation and (iii) implementation of anti-base erosion and profit shifting measures in an effort to improve tax good governance on a global level through the upholding of international standards on information exchange, tackling of harmful tax practices and dismantling of artificial tax structures. Following this investigation, the EU Council published on May 25, 2016 certain conclusions on the external strategy for effective taxation and recommended the implementation of measures to prevent tax fraud, evasion and avoidance. Bermuda was included in a list of 2.2 Jurisdictions which are required to address concerns of relating to the demonstration of economic substance under Criterion 2.2 of the assessment, which relates to tax regimes that facilitate offshore structures which attract profits without real economic activity. The EU Council called for the swift and comprehensive implementation by all 2.2 Jurisdictions of the internationally agreed standards of transparency and exchange of information developed by the OECD and encouraged all 2.2 Jurisdictions to commit to implement international standards as soon as practicable. 2.2 Jurisdictions failing to introduce such legislation to address the EU Council's concerns risk being placed on a 'blacklist' of non-cooperative tax jurisdictions.

Bermuda implemented economic substance legislation by December 31, 2018 (the Economic Substance Act 2018 and the Economic Substance Regulations 2018), in accordance with guidance provided by the COCG Scoping Paper and the OECD. Due to a minor technical fault in the drafting of the Economic Substance Act 2018 and the Economic Substance Regulations 2018, Bermuda was briefly placed on the European Union's Annex I (the 'blacklist') at an Economic and Financial Affairs Council ("ECOFIN") meeting held on March 12, 2019. The drafting fault was swiftly corrected and Bermuda was delisted from the blacklist during the first subsequent ECOFIN meeting on May 17, 2019. Bermuda is currently not included in either the blacklist or Annex II of the European Union's lists for non-cooperative or not fully compliant jurisdictions. Bermuda is presently considered to be a compliant jurisdiction.

Bermuda continues to work with the COCG in the development of guidance notes that provide information to industry and other users on how the Government interprets the economic substance legislation. It is important to note that under the Bermuda legislative framework, guidance notes do not have the force of law but are rather interpretive suggestions. The COCG has taken the position that the guidance notes are an integral part of the economic substance regime and therefore must be considered in conjunction with the legislative framework when assessing the efficacy of said regimes. While the OECD's Forum for Harmful Tax Practices (the "FHTP") secretariat has reviewed Bermuda's guidance notes and has indicated it has no challenges with their content ahead of the planned October 2020 meeting of the FHTP, Bermuda will have to wait until the fall meeting of European Union member states to find out their official position. If the European Union member states find the guidance notes acceptable, then Bermuda will continue to remain off of the blacklist. Conversely, if the European Union member states determine that the guidance notes present a challenge, Bermuda will be given three months to satisfactorily address any issues the European Union member states have identified before being moved to the blacklist.

It is expected that during the FHTP meeting in October 2020, Bermuda, as well as the other 2.2 Jurisdictions, will undergo a Fully Equipped Monitoring Mechanism ("FEMM") assessment in which the effectiveness of Bermuda's economic substance regime will be evaluated. The FEMM assessment looks beyond the legislative framework to the operative functionality of actual implementation of the economic substance regime considering factors such as human resources, information technology, training and development and levels of competency, among others. It is understood that the European Union will place a degree of reliance on the outcome of the FEMM assessment in determining whether or not jurisdictions will be considered for inclusion in the blacklist.

OECD Digital Tax Initiative

The OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting ("BEPS") brings together over 135 countries and jurisdictions to collaborate on the implementation of the BEPS package.

Based on the FHTP's assessment of economic substance in 12 jurisdictions with no or very low income tax, such jurisdictions represent only 11.25% of the membership of BEPS.

In 2019, it was publicly announced that BEPS agreed upon a Programme of Work for Addressing the Tax Challenges of the Digitalisation of the Economy (the "Programme of Work").

The Programme of Work is divided into two pillars:

- Pillar one addresses the allocation of taxing rights between jurisdictions and considers various proposals for new profit allocation and nexus rules; and
- Pillar two (also referred to as the "Global Anti-Base Erosion" or "GloBE" proposal) calls for the development of a coordinated set of rules to address ongoing risks from structures that allow multinational enterprises ("MNEs") to shift profit to jurisdictions where they are subject to no or very low taxation.

Pillar two is an OECD emerging international tax standard that will enable overseas countries to apply a minimum corporate income tax rate (anticipated to be approximately 12.5%) to international business companies domiciled in Bermuda, if not applied by the Government. Bermuda is in the category of no or low income tax jurisdictions that are members of BEPS. Bermuda is engaged in lobbying, along with other jurisdictions, under the Programme of Work's pillar two, but such jurisdictions represent only 11.25% of the BEPS membership which is dominated by income tax countries.

The objective of the Programme of Work's pillar two is directed at jurisdictions with no or very low income tax and such jurisdictions are a very small minority of BEPS. As a result, we believe it is unlikely the main policy objective of pillar two will change.

Therefore, international business companies in Bermuda that fall within the scope of the Programme of Work's pillar two may be subject to income tax at levels consistent with the internationally agreed minimum income tax rate when the Programme of Work is implemented. This may cause international business companies to reconsider and re-evaluate the value proposition of being domiciled in Bermuda.

European Union General Data Protection Regulation

Effective May 25, 2018, the European Union General Data Protection Regulation (the “GDPR”) was designed to govern the use of personal information and data relating to any individual in the European Union, as well as European Union citizens living overseas, establishing one single set of data protection rules across the European Union and making it simpler and cheaper for organizations to do business while providing investors in offshore financial centers data privacy. The GDPR applies to companies located within the European Union and all companies using or holding EU individuals' personal data outside of the European Union.

Both Bermuda-based companies and Government agencies such as the BTA collect personal data from individual users, and certain of this data may constitute protected personal data under the GDPR. Bermuda companies will need to assess whether they offer or sell goods or services to European Union citizens in order to bring their operations in line with the GDPR. Companies and agencies that violate the GDPR are subject to either of two tiers of sanctions, with maximum fines of up to €20 million or 4% of annual worldwide turnover, whichever is greater.

Bermuda's Personal Information Protection Act (“PIPA”) regulates the use of personal information by organizations in a manner which recognizes both the need to protect the rights of individuals in relation to their personal information and the need for organizations to use personal information for legitimate purposes. Using a flexible, risk-based framework, PIPA generally aligns with the obligations of the GDPR.

PIPA received Royal Assent on July 27, 2016. Sections relating to the appointment of the Privacy Commissioner were enacted on December 2, 2016, including the creation of the office as well as those duties and powers relevant to its operation in the period leading up to its implementation. The first Privacy Commissioner took office on January 20, 2020. Once PIPA is fully in effect, both private- and public-sector organizations will need to assess the risk of harm to individuals from use of personal information and implement controls to mitigate that risk.

AML/ATF Regime

Bermuda is committed to combating money laundering and the financing of terrorism. The Government has done significant work to fulfill its commitment and to update Bermuda's legal regime to reflect the revised international standards from the Financial Action Task Force (“FATF”) on combatting money laundering and terrorist financing, as well as the financing of proliferation of weapons of mass destruction, by implementing a comprehensive legal regime for anti-money laundering and combating the financing of terrorism (“AML/ATF”).

Bermuda is a founding member of the Caribbean Financial Action Task Force (“CFATF”), which was the first FATF-style regional body to be established globally. The CFATF was established specifically to combat money laundering and terrorist financing in the Caribbean region and is itself an associate member of the FATF. The Government's commitment to this important work is further evidenced by the significant contributions that Bermuda continues to make at the CFATF and FATF working group and plenary meetings, and by the key leadership roles that Bermuda has taken within CFATF. In 2009 and 2010, Bermuda served as Chair of the first FATF and CFATF joint typologies project on Money Laundering and Terrorist Financing using Trust and Corporate Service Providers and was one of two co-Chairs of the CFATF's Working Group on FATF Initiatives for more than five years, starting from the inception of said working group, whose duties, among others, includes overseeing the mutual evaluation and follow-up process within CFATF. Furthermore, Bermuda is a member of the CFATF's Steering Group and has been for the majority of the past ten years. Bermuda's Prime Contact also serves as the chair of the CFATF's Budget and Audit Committee. Additionally, Bermuda will take on the Deputy-Chairmanship of the CFATF to commence after the November Plenary in anticipation of assuming the Chairmanship in 2021. This is a three-year commitment to play a leadership role at the helm of the organization as Deputy-Chair, Chair and Immediate Past Chair.

Key components of Bermuda's AML/ATF legal framework include the Proceeds of Crime Act 1997 (“POCA”), the Anti-Terrorism (Financial and Other Measures) Act 2004 (“ATFA”), the Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing) Regulations 2008 (the “Regulations”) and the Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing Supervision and Enforcement) Act 2008 (“SEA”). Together, this legislation establishes the core elements of the AML/ATF regime for the criminalization of money laundering and the financing of terrorism crimes, the prevention, detection, investigation and sanctioning of those crimes, as well as the implementation of compliance requirements for regulated sectors and the development of the supervisory framework to oversee and enforce them. This framework is also supported by other legislation, such as the Financial Intelligence Agency Act 2007, which establishes Bermuda's financial intelligence unit (FIU); the suite of regulatory

acts, which govern the prudential oversight of financial institutions and designated non-professional businesses and professions, as well as another suite of legislation governing the incorporation, registration and operation of legal persons within Bermuda in accordance with international standards and best practices.

POCA criminalizes money laundering and describes the conduct that constitutes the predicate offenses for this crime, thus establishing the framework to support the prevention and detection of money laundering and the associated predicate offences. POCA enables authorities to pursue and confiscate from criminals, the unlawful benefits from crime, through the creation of the regimes for conviction-based and non-conviction based confiscation of criminal proceeds. Under this legislation, a confiscated assets fund has been established to receive all confiscated criminal proceeds. POCA also imposes reporting requirements for suspicious transactions on all persons engaged in employment, business, trade or profession. In addition, under POCA, the Minister of Legal Affairs has power to impose directions on regulated entities, where, among other reasons, the FATF requires countries to take heightened measures because of the heightened risk of money laundering originating from specified countries. Compliance with these directions are monitored by the respective supervisory authorities. Finally, POCA established the National Anti-Money Laundering Committee (“NAMLC”), comprised of all of the authorities responsible for executing the various components of Bermuda’s AML/ATF regime. NAMLC has a statutorily prescribed advisory role in the development of national AML/ATF policy, and is also mandated to coordinate and manage the national assessment of money laundering and terrorism financing risks, as well as other AML/ATF initiatives that require participation from the member agencies.

ATFA enables Bermuda to fight terrorist financing, money laundering of terrorist property, and financing of proliferation, regardless of where the threat originates. It also stipulates the reporting requirements related to suspected breaches of ATFA. Under ATFA, the Minister of Legal Affairs also has power to impose directions on regulated entities in relation to terrorist financing risks or activities related to the financing of proliferation that are deemed to pose a significant risk to the national interests of Bermuda. For instance, the Minister may require entities to conduct enhanced customer due diligence, conduct enhanced ongoing monitoring of clients, systematically report to specified authorities about certain transactions or business relationships, or to limit or cease conducting specified business. The BMA and other supervisory authorities are charged with supervising and monitoring compliance with such directions or with any conditions imposed by the Minister in exemption licenses issued under these provisions.

The Regulations are implemented in accordance with powers under both POCA and ATFA. They prescribe a comprehensive set of requirements, in line with the preventive measures set out in the FATF’s 40 recommendations, requiring regulated institutions to have appropriate systems and controls in place to prevent money laundering and terrorism financing and to support the detection and prosecution of those crimes if they do occur. These systems and controls include the application of customer due diligence measures, both at the beginning of a relationship and on an ongoing basis; the conduct of enhanced due diligence on both domestic and foreign politically exposed persons, the maintenance of appropriate transactions and customer due diligence records, carrying out ongoing transaction monitoring, the determination and application of enhanced measures, where money laundering or terrorism financing risk is suspected, or where the risk of those offences is determined to be higher. Other significant controls for the banking sector in particular, include the management of correspondent banking relations and the implementation of specific measures to secure transparency in relation to wire transfers. All sectors are also required to adequately vet staff and provide them with appropriate AML/ATF training. Over time, the Regulations have been subjected to significant updates to reflect changes in the international standards, exemplified by various amendments in recent years which have expanded the requirements relating to the identification and mitigation of risk in relation to customers, transactions and products; as well as the imposition of requirements for the regular conduct of AML/ATF audits; among other significant enhancements to the customer due diligence requirements. All regulated financial institutions are subject to the requirements of these Regulations, thus covering entities in the banking, insurance, investment (funds and managers), trust and corporate service provider sectors. In addition, the Regulations apply to legal and accounting firms, real estate brokers, dealers in precious metals and stones and other dealers in high value goods. Although there are no casinos yet operational in Bermuda, the licensing and AML/ATF regulatory framework is already in place to ensure that this sector is also subject to these obligations whenever it becomes operational.

SEA was established to provide the legislative framework to designate and empower supervisory authorities to monitor and enforce compliance by regulated financial institutions and other regulated non-financial businesses and professions in regard to their obligations under POCA, ATFA and the Regulations. The relevant supervisory authorities in Bermuda are the BMA, the Financial Intelligence Agency (the “FIA”), the Superintendent of Real Estate,

the Bermuda Gaming Commission and the Barristers and Accountants AML/ATF Board. Under SEA, the BMA was designated as the supervisory authority for the AML/ATF regulated financial institutions, which, in addition to the core principle sectors, also includes trust service providers and corporate service providers. Enforcement responsibilities for regulatory breaches are entrusted to a specialized enforcement unit within the BMA. In addition to sanctioning powers, under SEA, the BMA may also impose civil penalties up to \$10,000,000 and may make public its decision to do so. SEA also allows the BMA to use its powers under the various prudential regulatory acts to take enforcement action in relation to AML/ATF breaches.

The FIA serves as Bermuda's national financial intelligence unit. The FIA is an administrative financial intelligence unit, in that it does not have police powers. The FIA's function is to receive, collect, analyze and disseminate information on activities suspected of being money laundering and terrorism financing activities. The FIA's mandate was expanded in 2016, when it also became an AML/ATF supervisory authority, through amendments to SEA which brought dealers in high value goods into scope of the AML/ATF regime and designated the FIA as their supervisory authority. The FIA has powers to issue directives for failure to comply with AML/ATF requirements; and can also impose civil penalties up to a maximum of \$250,000.

The amendments to SEA and the enactment of new licensing legislation in 2016 also established a new regime for the supervision of real estate brokers for compliance with POCA, AFTA and the Regulations. The Superintendent of Real Estate is the designated supervisory authority responsible for real estate supervision, as of September 1, 2016, and the sector was fully brought into scope under the new licensing requirements with effect October 2017. Under SEA, the Superintendent of Real Estate has been vested with additional powers to impose civil penalties up to a maximum of \$250,000 for breaches of AML/ATF requirements.

The SEA also allows for the Minister of Legal Affairs to designate a professional, self-regulating body to supervise a professional group. As such, in 2010 the Minister designated the Barristers and Accountants AML/ATF Board (the "Board") to oversee lawyers and accountants practicing with independent legal and accounting firms in Bermuda. The Board was established jointly by the Chartered Professional Accountants of Bermuda and the Bar Council. Under the oversight of this supervisory body, accountants and lawyers are required to comply with AML/ATF law and maintain requisite systems and procedures in place to conduct due diligence with respect to their clients (at inception and on an ongoing basis) to detect and deter money laundering or terrorist financing, and to report any suspicious activity to the FIA.

Finally, as noted above, recently enacted legislation and amendments to the suite of AML/ATF laws have expanded the role of the ROC, to undertake supervisory responsibilities in relation to dealers of precious metals and stones and other high value dealers, all together broadly described as 'dealers in high value goods'. This sector was previously brought into scope of the AML/ATF regime in 2016, under the supervisory oversight of the FIA. This change in supervision, will now leverage the efficiencies available within the ROC, given the supervisory experience and capacity developed in that agency, in their statutory capacity as the Superintendent of Real Estate. In relation to this sector, the ROC has the same supervisory powers as they do in relation to the real estate sector. However, the sector is subject to registration rather than licensing, with the ability for entities to opt out of registration if they can demonstrate and continue to satisfy the supervisor that they have adequate systems in place to operate their retail businesses, without breaching the statutory threshold for accepting cash.

In addition to the AML/ATF legislative enhancements noted above, the operational framework has also been strengthened domestically. NAMLC continues to fulfill its statutory mandate and provide information on relevant matters to ensure persons and entities in Bermuda understand their obligations under the AML/ATF legislation and are aware of related global developments. To support NAMLC, an office was established in the Ministry of Legal Affairs (transferred in 2017 to the Ministry of Finance) with a dedicated team of professionals focusing on AML/ATF matters. This office carries out the secretariat functions for NAMLC and provides a platform for coordination between NAMLC member agencies that are responsible for administering the various components of Bermuda's AML/ATF regime, including its international commitments. This office also plays a key role in national initiatives such as the assessment of Bermuda's money laundering and terrorism financing risks.

Further, the supervisory authorities have taken active steps to ensure that the framework is effectively implemented. All supervisory bodies have developed a risk-based approach to supervision of their respective cohorts, which has been updated and refined, as necessary. Such bodies have in place a combination of on-site and offsite

monitoring programs to monitor compliance by entities with the requirements and, where necessary, to ensure appropriate steps are taken to enforce such compliance. Work continues to ensure that there is appropriate analysis of relevant risks and action taken to mitigate such risk.

In order to modernize Bermuda's anti-corruption/anti-bribery legal framework and to satisfy the FATF's requirement for implementation of the United Nations Convention against Corruption (the "UNCAC"), Bermuda revised its anti-bribery/anti-corruption laws and enacted a stand-alone Bribery Act in 2016, effective September 1, 2017 (the "Bribery Act 2016"). The Bribery Act 2016 was modeled on the United Kingdom's Bribery Act, which is widely considered to represent best practice in this area. The Bribery Act 2016 updated Bermuda's bribery offenses, which previously only targeted public officials in Bermuda who receive or solicited bribes. The Bribery Act 2016 now addresses the criminal culpability of both the offeror and the receiver of bribes and is not limited to bribes aimed at or received by public officials. The legislation also criminalizes the act of bribing a foreign public official by or on behalf of Bermudian persons and imposes new requirements on commercial organizations to ensure that they implement adequate procedures to prevent bribery from being committed on their behalf.

As a result of significant efforts to modernize Bermuda's anti-corruption laws, the United Kingdom requested that the United Nations extend its ratification of the UNCAC to Bermuda. The Secretary-General of the United Nations enacted the extension of the UNCAC to Bermuda on June 4, 2018. In addition, work is ongoing to bring procurement legislation in line with best practices, which will enhance the transparency and efficacy of public procurement procedures.

The efforts detailed above are part of initiatives intended to bring Bermuda to substantial compliance with international standards and to ensure that the regime is effective in combatting money laundering and the financing of terrorism and proliferation. As part of these efforts, in 2013 Bermuda undertook its first national risk assessment ("NRA"), to identify and assess Bermuda's money laundering risks. This important initiative began the process of identifying and understanding the money laundering threats and vulnerabilities unique to Bermuda, as part of its ongoing effort to ensure that Bermuda's regime continues to appropriately address the challenges related to the fight against money laundering. A summary report of the NRA's findings was subsequently communicated to the Government. As a result, the Government made it a national priority to enhance Bermuda's compliance with the FATF standards and approved the National AML/ATF Strategy and Action Plan developed by NAMLC to enhance the effectiveness of Bermuda's regime and to ensure that the findings of the 2013 NRA on money laundering risks are appropriately reflected in the framework. Since then Bermuda has conducted three further national risk assessments, including two terrorism financing risk assessments, the first concluded in December 2016 and the second concluded in June 2020, as well as an updated money laundering national risk assessment, which concluded in December 2017. The consolidated findings of the 2016 and 2017 risk assessments were published in a report in May 2018, and significant steps were taken by NAMLC and the respective supervisory authorities to communicate these findings to regulated entities. Work is underway to finalize the report on the 2020 NRA. These NRAs have formed the basis for iterative developments to Bermuda's national AML/ATF action plan, the development of a formal national AML/ATF policy and a series of significant amendments to Bermuda's AML/ATF laws. This iterative development of policies, strategies and action plans is ongoing, with proposed changes to be made to them arising from the recently concluded 2020 NRA, once Cabinet's approval for the report and recommendations is obtained.

As a result of these and other relevant measures, Bermuda's framework has been significantly strengthened. In connection with the considerable increases in resources and attention devoted to AML/ATF matters, there have been more money laundering convictions and seizures and confiscations of money laundering-related assets have substantially increased.

Bermuda is considered to have a strong and robust AML/ATF regime. The U.S. State Department consistently places Bermuda in the "lowest risk" category in its assessments of vulnerabilities and threats to U.S. national security and the stability of the global financial system, recognizing Bermuda's enhancements to its AML/ATF framework. This assessment is presented in Volume 2 of the State Department's 2016 International Narcotic Control Strategy Report. Bermuda has been in the "lowest risk" category since 2002.

In addition, the effectiveness of Bermuda's AML/ATF framework has been confirmed in the January 2020 Mutual Evaluation Report, which was published by the FATF on January 31, 2020. This report is the result of Bermuda's 4th Round Mutual Evaluation, which was conducted by the CFATF. The Government's substantial efforts

to develop, implement and enhance the AML/ATF framework has been considered to be effective, as the CFATF has confirmed that Bermuda's AML/ATF legislative framework and institutional arrangements are among the best in class, with ratings of 'compliant' or 'largely compliant' in all but one of the FATF's 40 recommendations. More importantly, the effectiveness of Bermuda's AML/ATF regime is clearly demonstrated by the fact that Bermuda has received a rating of 'High' level of effectiveness in relation to Immediate Outcome 1 (Risk, Policy and Coordination), one of the 11 key goals that FATF has identified for an effective AML/CFT framework, one of only two countries in the world to date, whose money laundering and terrorism financing risk assessment, national coordination and policy-making systems and practices have been recognized in this manner. In addition, a rating of 'substantial' level of effectiveness has also been awarded in relation to Immediate Outcomes 2 (International Cooperation), 3 (Supervision), 5 (Legal Persons and Arrangements), 6 (Financial Intelligence), 9 (Terrorist Financing Investigation and Prosecution), and 10 (Terrorist Financing Preventive Measures and Financial Sanctions), demonstrating the strength of Bermuda's capacity for international cooperation, supervision and enforcement, transparency of beneficial ownership of legal persons and arrangements, financial intelligence, investigation and prosecution of terrorism financing and for effective implementation of targeted financial sanctions in relation to terrorism financing.

Beneficial Ownership Registry

The European Union is due to publish an implementation review of the 5th Anti-Money Laundering Directive in January 2022. Within 12 months of that publication, Bermuda will seek to bring forward to the Legislature proposals to establish public access to beneficial ownership data of companies held on a central register.

Recognizing the importance of the provision of beneficial ownership information for the prevention and detection of domestic and cross-border crime, and in keeping with Bermuda's commitment to implement a global standard once adopted, the Government of Bermuda intends to make such central register of beneficial ownership information of companies accessible to the public.

Military

Royal Bermuda Regiment

The Royal Bermuda Regiment (the "RBR") is the only military unit in Bermuda and it carries on an uninterrupted 400-year military tradition on the island. The RBR is a battalion-sized light infantry unit with both land and marine (Coast Guard) components. On average the RBR has mobilized every two years. In recent times, it has typically served to speed post hurricane recovery, but most recently to support the Government of Bermuda's COVID-19 response.

The RBR is an all-volunteer reserve unit with a minimum obligation of three years and two months. The unit broadly follows United Kingdom doctrine and policy and soldiers and officers attend United Kingdom courses. It is supported by a 28-person professional staff including two United Kingdom personnel.

At a minimum, soldiers are obligated to complete a two-week annual camp as well as a further two weeks of training over weekends and evenings. Soldiers may only be ordered to deploy for active service in Bermuda and may volunteer to join RBR deployments overseas.

The Regiment's operational focus is Military Aid to the Civil Authority, specifically, Humanitarian Aid and Disaster Relief, Force Protection, Maritime Safety and Security and National Ceremonial Events.

As Bermuda is a British Overseas Territory, overall military command of the RBR is exercised by the Governor, who is appointed by the monarch of the United Kingdom, and who is Commander-in-Chief. Powers with regard to the RBR's finances rest with a Minister of the Bermuda Government, who is responsible for national security.

Bermuda Police Service

The Bermuda Police Service is organized into four main divisions: the Community Policing Division, the Serious Crime Division, the Support Service Division and the Corporate Services Division. The budget allocation for the Bermuda Police Service for the 2020/2021 fiscal year is \$65.8 million, or approximately 5.9% of the projected total current Government expenditure for the 2020/2021 fiscal year. Bermuda experiences very low levels of crime.

Independence

Bermuda has maintained under review the question of whether or not to remain a self-governing British Overseas Territory or become an independent member of the British Commonwealth. In a poll carried out in July 2015 by Profiles of Bermuda, over 70% of Bermudians opposed independence from Britain.

The United Kingdom does not and is not obligated to provide financial or economic assistance of any form, and only has legal obligations (such as providing judicial functions through the Privy Council, which is a body of advisors to the British Sovereign comprised primarily of senior politicians and judges responsible for hearing appeals from British Overseas Territories such as Bermuda) and representative obligations (such as representing Bermuda at the United Nations).

Infrastructure

Bermuda has 140 miles of public roads, 42 bridges and 97 docks of various sizes and complexity. An extensive telecommunications system connects Bermuda to the world's financial centers. There are four international submarine cables linking Bermuda to mainland North America. Approximately 98% of individuals in Bermuda have internet access and over 100% of the population have a mobile subscription. Bermuda has eight radio stations, two television broadcast stations, three subscription TV providers, two mobile providers and one daily newspaper.

The Regulatory Authority of Bermuda (the "RA") defines multiple retail and wholesale markets within the electronic communication, or telecom sector. These markets can be divided into the following key service types:

- i. Mobile;
- ii. Broadband;
- iii. Fixed voice;
- iv. Subscription television;
- v. Business connectivity; and
- vi. Off-island connectivity.

In order to operate one of these services in the electronic communications sector in Bermuda, private businesses must obtain a Communications Operating License ("COL"), which includes Integrated Communications Operating Licenses ("ICOLs"). As of July 2020, Bermuda has issued 19 separate ICOLs.

However, due to considerable consolidation in the electronic communications sector since 2015, of the 19 ICOL currently issued to electronic communications providers in Bermuda, eight of them are currently held by the two main players in the electronic communications sector of Bermuda, Digicel Group and OneComm. As a result, these two major players dominate many of the island's electronic communications services.

Mobile

Mobile service operators provide mobile communications services, which generally fall into three different categories:

- i. voice calls;
- ii. text messaging; and
- iii. mobile data.

At present, only the two main providers, Digicel Group and OneComm, offer 4G Long-Term Evolution (“LTE”) mobile services. In 2017, OneComm and Digicel Group announced the deployment of their 4G spectrum based electronic communications networks and since this deployment both have achieved over 99.9% of coverage on the island.

Both Digicel Group and OneComm offer a prepaid 3G mobile service, whereby customers can pay to top up their phone minutes, text and mobile data. Their 4G plans range in size from 3GB mobile data for \$105 per month to 25G mobile data for \$199 (Digicel) or 50GB for \$250 (OneComm), per month, excluding the \$12 government fee.

Broadband

Broadband internet services can be provided via a range of technologies, including the following:

- i. digital subscriber line (“DSL”);
- ii. coaxial cable;
- iii. fiber; and
- iv. wireless broadband technology (“fixed wireless”).

The two main providers, OneComm and Digicel Group, have broadband network coverage that is currently offered as a service across the entire island of Bermuda. However, these two networks differ in terms of technology. OneComm operates a broadband network based on fiber and coaxial cable technology; and Digicel Group operates a fiber broadband network, along with a legacy DSL (copper) network.

Both OneComm and Digicel Group have upgraded their networks to offer broadband speeds. Currently, they are offering speeds to consumers of up to 500 Mbps download and 75 Mbps upload. It is estimated that since the beginning of 2019, OneComm and the Digicel Group have both achieved at least 95% geographic coverage of their respective fiber wire based broadband networks.

Although there are other players in the broadband market, such as Link and Bluewave, these providers do not have wide-scale broadband networks. However, they do offer broadband services through a variety of different technologies to a much smaller number of customers in Bermuda.

Fixed Voice

The fixed voice market provides the consumer with the ability to make, as well as receive, phone calls between a fixed location in Bermuda and any other phone number, whether a local or long-distance (i.e. international) phone call.

The fixed telephone market is largely, and has historically been, served by Bermuda Telephone Company Ltd. (now operated by Digicel Group), with sectoral providers such as Link and TeleBermuda International Limited serving, and operating in, small parts of the market, with the number of fixed voice customer numbers increasing in Bermuda generally.

Subscription Television

The subscription television (or PayTV) sector encompasses services and technologies capable of delivering audio-visual content to end-users.

Traditional subscription television services include, among others, the following delivery mechanisms:

- i. cable-based subscription television, in which a coaxial cable connection is used to access television services;
- ii. satellite-based subscription television, in which a satellite dish (and associated decoder box) is used to access television services;
- iii. antennae-based subscription television, in which digital signals are “broadcast” from a local transmission tower and received at the subscriber’s home using a small outdoor antenna; and

- iv. internet protocol television (“IPTV”), in which live television is streamed through an Internet connection.

The two main providers, OneComm and Digicel Group, both offer subscription television service on the island. However, unlike broadband and mobile, the third subscription TV provider, WOW, maintains a reasonable market share.

Business Connectivity

Business connectivity services (often called “leased line” services) provide symmetric, uncontended data connectivity services between two network aggregation nodes or business premises, or connectivity to cloud-based services. The primary users of these services are larger businesses and telecommunications service providers. Businesses use these services to connect multiple offices to remote business servers located in Bermuda, or to connect with international data transmission networks in order to access data centers outside of Bermuda.

During the RA’s Market Review of the Electronic Communications Sector in 2019, Digicel Group had approximately 60% of the share of business connectivity by revenue, OneComm had approximately 27% of the share and Link Bermuda had approximately 13% of the share.

Off-island Connectivity

Off-island (submarine cable) connectivity is an essential input into many on-island electronic communications services. As mentioned above, there are currently four international cables used for off-island connectivity.

L.F. Wade International Airport

The L.F. Wade International Airport is the only airport serving Bermuda. Approximately 270,000 passengers travel through L.F. Wade International Airport in 2019. After several assessments commissioned by the Government concluded that the useful life of the existing airport terminal was nearing expiration, in 2015 the Government entered into an initial agreement (the “Airport Development Agreement”) with CCC, a wholly-owned corporation of the Government of Canada, to finance the construction of a new terminal and other renovations. The Government, at the time, anticipated that this contract with CCC would provide Bermuda an efficient and fiscally responsible route to modernizing its airport.

In 2017, the Government and CCC signed a memorandum of understanding, a letter of agreement, the Airport Development Agreement and a subsequent contract to design, build, finance, operate and maintain new airport facilities under a 30-year public-private partnership redevelopment project. The contract between the Government and CCC was simultaneously novated from the Government and CCC to the Bermuda Airport Authority (the “Authority”) and the Bermuda Skyport Corporation Limited (“Skyport”), respectively, as an amended and restated version of the contract (the “Project Agreement”). The Authority was established under the Bermuda Airport Authority Act 2017 and owns the L.F. Wade International Airport. The Authority also delivers certain Government-retained services and regulates airport fees. Skyport is a special purpose Bermuda company, wholly-owned by Aecon Concessions.

According to the Project Agreement, Skyport subcontracted with CCC, who then subcontracted with Aecon Construction Group Inc., who are responsible for the design and construction of the new airport facilities. Skyport will have direct responsibility for the related operations and maintenance, including the new terminal and existing facilities, during the 30-year concession term. After the concession term ends, the operating and maintenance responsibilities will revert back to the Authority.

The Project Agreement and related financing agreements were signed in March 2017, with construction of the new passenger terminal building commencing in April 2017 and the target date for completion originally scheduled for July 2020. Due to unavoidable delays arising from the impact of the COVID-19 pandemic, completion is now expected to be in September 2020, and the opening of the new passenger terminal building is being planned for December 2020. The airport redevelopment plan aims to improve the efficiency of airport operations, airport security, health and safety and to expand airport capacity.

The Authority also bears ongoing financial responsibility for certain related capital projects during the redevelopment phase, which will be included in Bermuda's annual fiscal budget. For example, the Authority has replaced the aging Doppler weather radar system and is upgrading other essential airfield navigation and communication equipment infrastructure. It has also contracted with various overseas vendors for the procurement, installation and ongoing maintenance support for e-Gates and other Government agency security equipment to be located in the new airport terminal building.

In response to the COVID-19 pandemic, the Government has taken certain measures to protect the population of Bermuda and its healthcare system; one of which was to close the airport to regularly scheduled commercial air traffic for a period of approximately three months from March to June 2020. Commercial flights arriving into and departing from the airport resumed in July 2020 with limited airline schedules and considerably reduced passenger numbers as compared to the corresponding period of 2019. Passenger numbers are not expected to increase to pre-COVID-19 pandemic levels until 2021.

Under the terms of the Project Agreement, the Government is required to meet any shortfall in aeronautical revenues collected by Skyport from airlines if they fall below a certain pre-determined quarterly threshold, and if certain other conditions set out in the Project Agreement are met. This contractual regime is intended primarily to protect the financing cash flows required by Skyport for its senior debt service payments. As of the date of this offering memorandum, the Government is required to pay approximately \$5.8 million to Skyport for the shortfall in aeronautical revenues collected arising from reduced air traffic during the second quarter of 2020. While there is some uncertainty with respect to passenger numbers and the related aeronautical revenues for the remainder of 2020, it is expected that there will be a further shortfall and the Government will be required to make additional payments to Skyport at the end of the third and fourth quarters of 2020.

Water, Sewage and Waste

Water

Bermuda is one of the few places in the world that uses a roof catchment and tank system to collect and store rainwater for drinking purposes. This is a very low-cost method for potable water collection.

Approximately 66% of Bermuda's residential drinking water is harvested from rainwater. Residential building codes specify that each home must have at least 80% of the roof area guttered so that rainwater can be harvested and stored in water tanks. More than 21,000 water tanks store water for individual domestic and commercial use. Additionally, there are over 3,000 abstraction wells, which must be licensed by the Environmental Authority as administered by the Department of Environment and Natural Resources of the Bermuda Government. Water produced from licensed wells may only be used for non-potable uses such as toilet-flushing, irrigation and clothes washing purposes, unless the water is treated to meet potable standards and permitted by the Ministry of Health, e.g. by using reverse osmosis technologies.

Bermuda is now more reliant on supplemental water than in the past, and a significant amount of potable water is obtained from sea or brackish water using reverse osmosis. The required supplemental water is obtained either from ground abstraction (commercial or private) or sea water. Supplemental water is regularly used by 34% of Bermuda's residences, while the percentage of commercial entities that require additional water is estimated to be greater. Recent developments of multi-story buildings have increased supplementary use because their roof areas do not catch a sufficient volume of rain to support the consumption patterns of their occupants. Supplemental water is obtained either via piped water from Government or private entities (depending on location) or from water truckers who provide a top up service to the water tanks of the buildings. The amount of supplemental water obtained will be correlated to the amount and distribution of rainfall over the year, as well as changes in visitor numbers which would increase or decrease demand.

There are several reverse osmosis plants in Bermuda. The Government operates the Tynes Bay Seawater Reverse Osmosis plant (the "TBSWRO"), which was built in 2009 to increase the Government's water production capacity. The TBSWRO is able to produce up to 1 million imperial gallons per day. With the TBSWRO's capacity, as well as other Government-operated water treatment plants, Bermuda's supplemental water needs are expected to be met for the short-to medium-term future.

Sewage

There is no centralized sewage system for all homes in Bermuda. All domestic properties must either have their own deep dug-in and properly approved cesspits, as far away as possible from water tanks and water lenses or, if they are close to the water table, high water mark or are within cave protection areas, then they must construct septic tanks connected either to deep sealed boreholes or sand filters. The Government operates a sewage receiving facility that receives septage from cesspits, septic tanks and sludge from wastewater treatment plants. Most hotels have their own sewage treatment plants that meet secondary or tertiary effluent quality standards. There are also four sewer mains that collect raw wastewater from (i) the City of Hamilton, some areas in Pembroke, Prospect Devonshire, and effluent from the Government septage facility, (ii) Corporation of St George's, (iii) Bermuda Land Development Company at Southside, St David's, and (iv) the West End Development Corporation ("WEDCO") at Dockyard.

The Government has multiple solid waste receiving sewage facilities. The Waste Management Section of the Ministry of Public Works is responsible for the safe disposal of all household and commercial waste and recycling in Bermuda, including collection of garbage and recyclables from most residents. Garbage is taken to the Tynes Bay Waste To Energy Facility and recyclables are taken to the Material Recovery Facility for processing and either shipped abroad or used in Bermuda. The recyclables are shipped out of Bermuda for reprocessing. The Waste Management Section is also responsible for composting, special waste, airport waste management, public awareness of waste management issues and enforcement of the Waste and Litter Control Act, 1987.

Power and Electricity

BELCO is Bermuda's sole retailer of electricity and operates a generating plant and transmission and distribution systems throughout Bermuda. BELCO has four generation stations on 23 acres of property in Pembroke with a generation capacity of 215 megawatts. The power stations consist of diesel engines and gas turbines using a combination of heavy and light fuel oil. The diesel engines are primarily used for base load and mid-merit order production of power on a daily basis. While slower to start up than the gas turbine engines, diesel engines are more efficient to operate. In contrast, gas turbine engines can be started up and used almost immediately, helping to meet peak demand. Individual engine capacity ranges between 4.5 and 14.3 megawatts. The demand for electricity is typically greater in the summer months. BELCO's procures both the diesel and heavy fuel oil directly from overseas oil vendors. There is a 6 megawatt solar photovoltaic plant installed on an abandoned runway at the L.F. Wade International Airport which is planned to be in operation late 2020, and which will provide about 5% of peak generation. Additionally a maximum of 3.5 megawatts comes from the Government-operated Tynes Bay waste-to-energy Facility.

In July 2018, a consortium of international contractors, Burmeister & Wain Scandinavian Contractor A/S (BWSC) and MAN Energy Solutions (MAN ES), was awarded a \$100 million contract with BELCO to install four dual-fuel engines and construct all associated infrastructure at BELCO's Pembroke facility. The new engines, delivering 56 megawatts of power, were commissioned in March 2020 and are expected to replace nine older diesel engines that are going out of service in 2020. The new engines also have the capacity to run on both fuel oil and natural gas.

As of September 2019, there were approximately 35,800 metered connections. Annual megawatt-hour sales decreased by 2% from 564,117 in 2018 to 552,521 in 2019. BELCO's transmission and distribution system consists of 34 substations, approximately 135 miles of underground transmission cable, approximately 120 miles of underground distribution cable, approximately 545 miles of overhead distribution lines and approximately 370 miles of overhead service lines. The electric system's transmission voltage levels are 34,000 and 23,000 volts, the distribution voltage level is 4,160 volts, the residential service voltage level is 120/208 volts and the operating frequency is 60 Hertz.

The Government enacted the Electricity Act 2016, which became effective on October 28, 2016, was designed to facilitate high quality, secure, affordable and environmentally sustainable electricity service in Bermuda through the creation of a new electricity regulatory framework. This new legislation is a key step in changing how Bermuda sources and uses electricity as a consequence of continuing developments in renewable energy, energy efficiency, and conventional energy technologies. In the last few years Bermuda has seen an increasing adoption of solar energy by homes and businesses.

Since the enactment of the Electricity Act 2016, an internal reorganization of BELCO management strained relationships between BELCO workers and the company's management. On October 19, 2018, industrial action by BELCO workers led to a temporary work stoppage that threatened potential interruption of electricity supply. Ascendant Group Limited ("Ascendant"), BELCO's parent company, obtained a Supreme Court order directing members of the Electricity Supply Trade Union to return to their full employment effective immediately. BELCO workers have since returned to work and normal operations have resumed. On October 22, 2018, a new president of operational accountability for BELCO was appointed in response to employee demands for a change in management.

Recently, the Regulatory Authority, the electricity sector regulator, received an application for review and approval that Algonquin Power and Utilities Corp. ("Algonquin"), a Canada-based company, seeks to acquire control of BELCO by way of an amalgamation between Bermuda Sustainability Acquisition Ltd., a subsidiary of Algonquin, with Ascendant. The Regulatory Authority is currently assessing the application in accordance with the applicable legislative and regulatory framework and the Ministerial Directions. This process has a legislative deadline for completion of October 4, 2020.

Hurricanes

The hurricane season in Bermuda runs from June to November. The Government currently has traditional property insurance in place on a total insured value basis, meaning that all of the Government's buildings are insured for their full declared value. The deductible is \$750,000 per event. Bermuda is directly affected by extreme weather conditions, such as hurricanes and tropical storms, which have in the past caused extensive physical and economic damage.

Global warming trends are contributing to an increase in the frequency of erratic weather patterns globally and are intensifying the severity of impact of such catastrophes. The growing political and scientific sentiment is that increased concentrations of carbon dioxide and other greenhouse gases in the atmosphere are influencing global weather patterns. Concern over climate change, including global warming, highlights the uncertainty as to future trends of and exposure to extreme weather events.

On September 5, 2003, Category 3 Hurricane Fabian swept over Bermuda with winds of up to 150 miles per hour. Overall damage was estimated at between \$160-180 million. In particular, Bermuda's hospitality sector suffered substantial property damage to hotels, restaurants and golf courses. The hotel sector lost some 20% of its capacity (about 1,200 beds) but was quickly able to recover. The Government insurance policy covered much of the property damages that Government Departments and Quasi-Autonomous Non-Governmental Organizations sustained from the hurricane.

On September 19, 2006, Category 2 Hurricane Florence caused only superficial damage to Bermuda. At that time about 23,000 residents experienced electricity outages, and only one hotel sustained damage. On September 19, 2010, Category 4 Hurricane Igor passed just west of Bermuda with 75 mph winds causing short term power outages throughout much of Bermuda.

On October 12, 2014, Category 1 Hurricane Fay made landfall in Bermuda, leaving most of the population without electric power. Less than one week later, on October 17, 2014, Category 2 Hurricane Gonzalo made landfall on the southwestern coast, severely compounding the damage to the island. At the height of the storm, approximately 31,000 of 36,000 electricity customers were without power. Overall damage caused by the two hurricanes in quick succession was estimated at between \$200 and \$400 million. The Government insurance policy covered much of the property damages that Government Departments and Quasi-Autonomous Non-Governmental Organizations sustained from the hurricane.

On September 12, 2018, Category 2 Hurricane Florence passed approximately 350 miles west of Bermuda with minimal damage reported.

On September 18, 2019, Bermuda was hit with Category 3 Hurricane Humberto, with the system's southern eyewall passing over the island. Sustained winds were recorded at 110 mph with higher winds effecting the north-

west part of the island, damaging roofs of 600 buildings and downing many trees. Nearly 28,000 homes were without electricity and farmers reported a severe loss of crops. Overall damage to the island is estimated to be \$25 million.

Education

Bermuda has a high standard of education and high literacy rates. There is free compulsory education in Government schools for students from the age of 5 to 18 years. A number of scholarships are awarded by both the Government and the private sector for higher education. A large proportion of the adult population graduated from secondary school, and a significant proportion of secondary school graduates pursue tertiary education in Bermuda, the U.S., Canada and the United Kingdom.

The Government continues to maintain a strong commitment to education. The education expenditure projected for the 2020/2021 fiscal year is estimated to total \$137.6 million. In 2017, the Ministry of Education steered the development of a multi-year transformative public community-driven strategic plan for the public education system, that extends from 2018 to 2022. This strategic plan (“Plan 2022”) was designed using a structured public engagement protocol which gave a voice to thousands of Bermudians, who had the opportunity to influence the development and direction of public school education in Bermuda. Plan 2022 has the following five priorities areas:

- Priority 1: Increasing Academic Rigour and Student Engagement
- Priority 2: Ensuring Career, College, and Workforce Readiness
- Priority 3: Enhancing the Quality of Teacher Practice and System Leadership
- Priority 4: Improving Infrastructure and Instructional Resources and
- Priority 5: Ensuring System Success

These five priorities are categorized by adaptive and technical strategies that positions the Department of Education for transforming how the Government will structure and deliver public education, to ensure students are educated to lead personally, professionally and to compete locally and contribute globally. To undertake the execution of specific strategies in Plan 2022 calling for school restructuring, the Ministry of Education contracted with overseas experienced consultants with the qualifications and a proven track record in school redesign and transformation. The consultants will help develop and manage the restructuring and redesign of the Bermuda Public School System during the next two years, for achieving the vision of a 21st century public school education.

Education in Bermuda is governed by the Education Act 1996. Subsequent to the 2015 amendments to that Act that introduced parent councils (school-based parental advisory bodies) and the Parental Involvement Committee (a system-level parent advisory body), the Ministry of Education continues to strengthen its commitment to parental engagement through the implementation of these legislative changes.

Also, since 2015, the Ministry of Education has expanded and diversified scholarship offerings to provide financial support to a greater number of persons pursuing post-secondary education. In addition to providing traditional scholarships based on academic merit, the Ministry of Education provides scholarships specifically for persons who face barriers to participating in post-secondary education, including persons with financial need, persons pursuing technical and vocational fields, persons with disabilities and non-traditional students over the age of 25 years.

Bermuda College, founded in 1974, the only tertiary education institution in Bermuda, provides post-secondary education in arts and sciences, hotel and business administration, applied sciences and nursing and allied health. It is accredited by the New England Commission on Higher Education (NECHE) and grants certificates, diplomas and associate degrees in the various disciplines as well as professional certifications and workforce development certificates through its Division of Professional and Career Education. It also has established more than 30 articulation (transfer) agreements with institutions of higher learning in Canada, the Caribbean, the United Kingdom and the United States. Through these agreements, Bermuda College graduates are able to transfer to the partner institutions with advanced standing to complete their undergraduate degrees.

As the only tertiary education institution on the island, Bermuda College plays a critical role in Bermuda’s economy. This role will become more critical as Bermuda recovers from the COVID-19 pandemic. Bermuda

College's vision statement is transforming lives through innovative education; and, in support of this vision, in 2018 it established its latest five-year strategic plan, "*Delivering Success*," with the assistance of internal and external stakeholders.

The six strategies emanating from the visioning activity are:

- Strategy 1: Student Success
- Strategy 2: Campus Culture
- Strategy 3: Human Capital
- Strategy 4: Diversification of Revenue and Partnerships
- Strategy 5: Infrastructure
- Strategy 6: Branding and Marketing

Funding these strategies will ensure Bermuda College continues to meet its mission of providing the community with innovative programs, training, support services and access to partnerships that lead to local and global success. These strategies will also ensure that Bermuda College continues to be an internationally accredited institution.

To ensure tuition is affordable for the average citizen, the Government of Bermuda funds 76% of Bermuda College's operating expenses, including a financial aid grant in the amount of \$250,000 annually. Over the past several years, Bermuda College has been optimizing its human resources to become more efficient and has also successfully decreased its staffing as a result of normal attrition. It has also been able to decrease its expenses without impacting the quality of the education and training offered.

Social Welfare

Pensions

Substantially all employees in Bermuda are registered under the Government pension plan, known as the Contributory Pension Plan, which had total assets of approximately \$1.8 billion as of April 30, 2020. Weekly contributions are approximately \$71.84 per employee, divided evenly between the employee and the employer. Maximum monthly payments to retirees are approximately \$1,564.18. The Contributory Pension Plan provides a first tier, or basic, pension. Additionally, all employers are required by law to provide pension plans for their Bermudian employees. Most of these private sector plans are defined contribution plans with contributions of 10% of pay, typically divided equally between employee and employer.

In addition, public sector employees participate in the Public Service Superannuation Fund ("PSSF"). The PSSF is a contributory defined benefit plan with public officers contributing 8% of pay while uniformed officers contribute 9.5% of pay. These contributions are matched by the Government. The PSSF, with a market-based asset value of \$615.9 million as of March 31, 2019, was estimated under conservative actuarial assumptions to have an unfunded liability of \$950.3 million.

Health

Bermuda's health system combines private and public sector care delivery and financing, with the two sectors working collaboratively to provide care and health insurance coverage for a majority of the population.

Bermuda's total health expenditure was \$736.6 million in 2018, representing 11.6% of Bermuda's GDP. The system is financed primarily by the private sector, which represents 77.4% of total health financing, the majority of which is through health insurance payments. The public sector contributes 22.6% to health system financing. For the

2020/2021 fiscal year, the Ministry of Health has been provided a budget of approximately \$243 million, which is an increase of \$1.9 million from the 2019/2020 fiscal year.

Public health functions are delivered by the Department of Health including immunizations and environmental health services. Primary care is delivered largely by private providers with independent community-based practices. Secondary and acute care services are delivered at the general hospital and a mental health facility, each providing inpatient and outpatient services, overseen by a Government appointed board. The general hospital has a new acute care wing and affiliation agreements with Johns Hopkins Hospital.

The health system is regulated through a number of Government-appointed boards, which license health professionals and health insurers, and Government Departments, which license some healthcare facilities such as rest homes.

The Health Insurance Act of 1970 made hospital insurance available for all working residents and their non-employed spouses. It also provided for free hospital care for children, the indigent and subsidized rates for the elderly. The Government regulates the minimum insurance package, which has a total cost of \$335.2 million in 2019. This standard health benefit and mutual reinsurance fund (covering primarily hospital-based care) is the basic plan in any private or public insurance policy on the island. Its premium is community rated, requiring that health insurance providers offer this basic plan in any health insurance policies within Bermuda. Private and public insurers also provide coverage for supplemental benefits in excess of the minimum plan.

The Government provides two low-cost insurance plans. Both plans are funded through premiums, Government capital and transfer contributions from pooled funds, in order to maintain premiums at an affordable level. The plans are evaluated on an annual basis and premium and benefits are adjusted to accordingly.

FutureCare is the Government's affordable health insurance plan for persons aged 65 and older. All policy holders pay the same premium for the same level of coverage. The plan offers medical, dental, specialist overseas care and includes pharmaceutical coverage. There are currently over 4,400 seniors enrolled in this plan, approximately 40% of the senior population in Bermuda.

The Government also offers a Health Insurance Plan, which provides medical, dental, specialist, and overseas care coverage to any resident, without risk rating. This plan insures over 3,200 persons at a cost of approximately \$430 per month.

Financial Assistance

Bermuda does not have unemployment insurance. However, the Department of Financial Assistance is mandated to ensure that individuals with insufficient financial resources have access to services in order to gain, maintain, or regain a minimum standard of living while encouraging personal and economic independence. Financial assistance also encourages individuals to develop their skills and resources. Financial assistance payments increased significantly following the 2008 financial crisis due to the downturn in international business and tourism in Bermuda.

The budget allocation for financial assistance for the 2020/2021 fiscal year is \$50.9 million, or approximately 4.5% of the projected Government expenditure for the 2020/2021 fiscal year. The biggest demographic of Bermudians receiving financial assistance are seniors; however, despite Bermuda's aging population, the budget allocation for financial assistance purposes is expected to remain below 5.0% in the medium term. The following table shows the last five years of Government expenditure on financial assistance:

	As of or for the fiscal year ended March 31,				
	2015/2016	2016/2017	2017/2018 (dollars in millions)	2018/2019	2019/2020 ⁽¹⁾
Budget allocation	\$ 54.6	\$ 53.5	\$ 51.9	\$ 51.7	\$ 51.4
% of total expenditure	4.9%	4.6%	4.6 %	4.6 %	4.6%
Change from previous year	5.2%	(2.0)%	(2.9)%	(0.4) %	(0.6)%

Source: Department of Statistics, Bermuda.

(1) 2019/2020 figures are estimated expenditures for current fiscal year.

Litigation

The Government is not involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened) relating to claims or amounts which may have or have had during the 12 months prior to the date of this offering memorandum a material adverse effect on the Government's financial position taken as a whole.

A Regulated Cannabis Scheme for Bermuda

In order to provide further diversification and growth to the Bermuda economy, the Government is in the process of providing a regulatory and licensing regime to establish a cannabis scheme in Bermuda. This is designed to meet the Government's stated policy initiative to progressively liberalize cannabis laws, apace with law reforms in other jurisdictions. There has been consistent public support and advocacy for full legalization of cannabis. The proposed policy sets out the framework of what a regulated cannabis scheme might look like for Bermuda. It has been principally influenced by existing regulated cannabis laws in other favorable jurisdictions such as Canada.

In light of the above, a public consultation exercise on the Government's proposals for a "Regulated Cannabis Regime" ran between June 3, 2020 and July 3, 2020. The public were asked to share comments and feedback on an illustrative draft bill and a policy document which were posted online.

The Government is currently considering the comments, suggestions and feedback received from the public consultation process to determine if any policy changes are required to the proposal. In line with Bermuda's high regulatory standards, critical risks are being considered and will be appropriately addressed in the final policy to ensure that an appropriate regulatory framework is put in place.

ECONOMY

Once almost entirely dependent on tourism for foreign exchange earnings, Bermuda has developed its position as an international business center since World War II. The economy of Bermuda is based primarily on international business and tourism, which are Bermuda's primary sources of foreign exchange earnings.

Economic Policy

The Government's economic plan was set forth in their 2017 election platform. The Government plan envisioned a multi-pronged strategy to expand the economy by focusing on policies designed to create employment opportunities for Bermudians and promote entrepreneurship.

Since 2017, the Government has been implementing initiatives to (i) stimulate domestic and foreign expenditure through further economic liberalization, targeted investment strategies and diversification of business development initiatives, (ii) continue supporting successful industries, while adhering to fiscally responsible policies through a balanced, long-term growth agenda and (iii) promote economic equality through socially targeted investment strategies. Additionally, the Government is focused on building on these initiatives.

In 2019, the Government updated its economic plan in its Budget Statement. The areas of focus included (i) expanding financial services and tourism, (ii) diversifying the Bermuda economy in an effort to attract companies in growing industries, (iii) implementing measures to reduce the cost of living and doing business in Bermuda, (iv) making the Government more efficient and (v) reducing regulations and bureaucracy to stimulate investment while promoting competition in the Bermuda economy.

In the 2020/21 fiscal year, the Government will establish the Economic Development Department (the "EDD"). As of the date of this offering memorandum, the Cabinet has approved the creation of the EDD. As the Government puts the structure into place, it will re-deploy staff from the Business Development Unit, the Fintech Unit and the Department of Information and Communication Technology to the EDD and create a strategy for the economic development and diversification of Bermuda. The primary aim of the EDD is to advance the sustainable economic growth, development and diversity of the Bermuda economy.

The Minister of Finance has also established a COVID-19 Economic Advisory Committee. The role of the Committee is to provide insight and expert advice on how to protect jobs and stimulate economic activity during the economic crisis stemming from the COVID-19 pandemic. The objective of the Committee is to assess and recommend prioritized impactful strategies for short, medium- and long-term economic recovery from the crisis.

Additionally, the following measures will be taken to promote the development of Bermuda's economy:

- amendments to the trusts legislation have been passed recently which will dramatically increase Bermuda's marketability by modernizing our trust laws;
- led by the BDA, marketing efforts, policy and legislative changes are being advanced as part of a targeted Asia and Hong Kong strategy;
- the Cabinet Office, in conjunction with the Ministry of Finance, BDA and BMA, is crafting standalone family office legislation to differentiate Bermuda's offering in this competitive global space;
- to support the Ministry of Finance and the Registrar of Companies, the BDA is setting out a clear strategy centered around marketing Bermuda's economic substance regime, which will result in certain changes for companies and ultimately benefit Bermuda in the form of more jobs;
- as our FinTech strategy continues to yield new company formations with more companies applying to be licensed under Bermuda's framework, the BDA in conjunction with the BMA will be advancing changes to the digital asset framework for the Legislature to consider in September;

- the Regulatory Authority is advancing the necessary fee structure that will allow Bermuda to bring into force legislation to promote subsea cables; and
- the BEDC is finalizing guidelines for approved residential schemes in certain economic empowerment zones to attract Bermuda based investment, which are creating construction jobs while maintaining the rich cultural history of these economic empowerment zones.

Expanding Financial Services and Tourism

The Government's economic plan is rooted in growing the twin pillars that have historically served the Bermuda economy well: financial services and tourism. Our investments and combined efforts to grow these pillars have been successful as in 2018, we saw an increase in incorporations and job growth in both international business and hospitality. While our property, casualty and captive insurance sectors remain stable, we have witnessed significant growth in the long-term insurance sector. We continue to make strides in attracting more asset managers to our shores by addressing concerns with Bermuda's economic substance regime, and we expect to leverage our proximity to the financial centers on the eastern seaboard of the United States to attract more asset managers to Bermuda.

In tourism, we continue to invest more in marketing and product development, while recognizing that we must make tourism investment in Bermuda more attractive. The Government is working with unions and hoteliers to increase efficiency and boost productivity in Bermuda's hospitality industry.

In order to further support the tourism segment and make Bermuda a more attractive travel destination, the Government is in the process of introducing the legalization of casino gaming. By creating a casino industry in Bermuda, the Government seeks to enhance the available tourism products, increase investment in Bermuda and create employment opportunities.

In 2019, the Casino Gaming Amendment Regulations 2019 were published. These regulations covered a wide range of topics which will govern the oversight of the regulatory process for gaming operations. As we work to rebuild our economy in the context of COVID-19, a well-regulated local gaming industry will be one more avenue to assist in creating jobs, spurring economic activity and providing resources to support vital community activities.

Diversifying the Economy

The Government, in conjunction with the BDA, has developed a multi-faceted approach to creating new areas of economic activity. Over the past year, progress has been made in establishing Bermuda as a domicile for technology companies in the emerging areas of FinTech, RegTech and InsurTech. We believe the size of our relevant financial sectors and high regulatory standards make us an attractive jurisdiction for technology companies to develop and test their products in our market before exporting those products to the rest of the world.

In addition to looking to attract technology companies to Bermuda, our economic development and diversification strategy has been specifically focused on aviation and shipping, arbitration, biotech and life sciences, intellectual property, satellite and space and nearshoring. Additionally, the Cabinet Office in conjunction with the Ministry of Finance, BDA and BMA is crafting standalone family office legislation to differentiate Bermuda's offering in this competitive global space. Marketing efforts, policy and legislative changes are also being advanced as part of a targeted Asia and Hong Kong strategy.

Reduce the Cost of Doing Business

The cost of energy, health insurance, and interest rates directly impact our ability to grow Bermuda's economy. We are committed to providing relief to Bermudians struggling with high interest rates and high health insurance costs. After extensive discussions, we plan to announce reform aimed at reducing the cost of health insurance to provide better coverage for all Bermudians.

Additionally, in 2019, the Regulatory Authority completed the Integrated Resource Plan which is Bermuda's national plan for its future electricity needs. We believe the production of this plan is an important step to reducing the cost of electricity.

Making Government More Efficient

While we reduce the cost of doing business in Bermuda, we also understand the importance of making Government more efficient so that we are able to provide services to residents in a cost effective manner. To that end, the Government Efficiency Committee, chaired by the former Junior Minister of Finance, has worked with Government Departments to streamline and automate processes, raise additional revenue and identify areas for additional savings. The recommendations contained in the Efficiency Committee's final report were referred to the various government Ministries and Departments for further review and implementation. Additionally, some of the recommendations were incorporated into the deliverables under the Government Reform initiative. The top level of the public service has been reorganized to create a dedicated implementation team that will focus on the execution of the public service reform plan.

Stimulating Investment and Competition

The final pillar of the Government's economic plan is to take the necessary transformational measures to stimulate investment and job creation in Bermuda. In its 2018/2019 Budget Statement, the Government announced changes allowing international law firms to domicile in Bermuda. The presence of international law firms will generally benefit the economy and employment prospects of Bermudians as well as enhance the national brand. In the 2020/21 Budget, in an effort to further stimulate foreign direct investment, it was announced that the Government will introduce a bill that will reduce the required ownership of a local company from 60% Bermudian-owned to 40% Bermudian-owned, while maintaining the requirement for the board of directors of such company to be at least 60% Bermudians.

Furthermore, the Government plans to relax height and ownership restrictions for developments in the Northeast Hamilton empowerment zone, which will create an additional supply of condominiums. To meet the increased supply, the Government plans to relax ownership restrictions for these special developments. The narrow relaxation of these restrictions are expected to put more Bermudians to work in construction projects throughout Northeast Hamilton and will create fixed assets that provide ongoing maintenance jobs. More residents in Northeast Hamilton will provide more customers to local business which will lead to an increase in economic activity in the empowerment zone. These new developments will also be key to attracting young Bermudians back to Bermuda as the units will be ideal for singles or couples without children.

Additionally, the Government in conjunction with Bermuda First, which is an advisory group consisting of local and international business and community leaders, is committed to building a better Bermuda and ensuring its citizen have the tools and opportunity to participate more equitably in the economy. On August 23, 2019, Bermuda First submitted its Future State Report which identified three critical areas of focus for analysis and reform, healthcare, education and immigration. In addition to these three 'critical foundational elements' of focus, Bermuda First made recommendations on how to ensure that Bermuda becomes a leading jurisdiction for technology companies. Some of Bermuda First's recommendations are being advanced and implemented by the Government through its various departments.

GDP

Real GDP increased by an estimated 1.7% in 2019 compared to 2018. Nominal GDP was \$7.3 billion for 2018, representing an increase of 1.7%, or \$121 million, compared to nominal GDP for 2017 of approximately \$7.1 billion. This reflected an increase of 5.3%, or \$364 million from GDP of \$6.9 billion in 2016. In 2018, growth was driven largely by the financial and insurance segment and the construction segment, which increased by 5.2%, or \$55.4 million, and 14.2%, or \$34.5 million, respectively, in each case as compared to 2017.

In July 2015, the Department of Statistics began publishing quarterly GDP data. The publication uses the expenditure approach to measure GDP on a more frequent basis than the annual official measure of GDP, which

highlights economic activity by references to various sectors during each period. The two GDP measures are reconciled in September of each year, when the Department of Statistics publishes its annual statistics.

Bermuda's preliminary quarterly GDP results for the calendar fourth quarter of 2019 indicated an estimated GDP at constant prices of \$1,603 million. This represented a 0.3% increase year-over-year. The main driver of the growth was a rise in the surplus on the external balance of goods and services.

Bermuda continues to maintain an economy focused on international business, finance, tourism and construction. Eight out of the 19 reporting industries experienced GDP growth in 2018. The following table shows GDP by industry for the years indicated.

Real gross domestic product⁽¹⁾ by economic sector 2015-2018

	For the year ended December 31,			
	2015	2016	2017	2018
		(dollars in thousands)		
Agriculture, Forestry and Fishing.....	\$ 14,371	\$ 20,837	\$ 19,809	\$ 18,122
Manufacturing.....	32,195	32,965	35,077	34,210
Electricity, Water Supply and Waste Management.....	84,723	64,456	65,488	71,486
Construction & Quarrying.....	210,123	232,200	242,841	276,743
Wholesale and Retail Trade.....	333,917	331,394	341,611	326,104
Transportation and Storage.....	121,754	122,501	132,079	133,806
Accommodation and Food Service.....	211,060	214,665	271,408	258,750
Information and Communication.....	182,124	171,776	182,170	173,872
Financial and Insurance Activities ⁽²⁾	906,266	890,566	906,103	914,051
Real Estate Activities.....	881,827	890,816	935,268	952,040
Professional, Scientific and Technical Activities	377,085	379,316	382,360	378,471
Administrative and Support Services	118,538	119,970	125,491	130,901
Public Administration.....	337,432	325,322	336,715	332,939
Education	126,896	130,895	129,507	127,488
Human Health and Social Work.....	308,532	313,745	315,367	324,336
Arts, Entertainment and Recreation.....	36,046	44,659	61,021	24,392
Other Service Activities.....	60,097	57,474	58,820	58,062
Activities of Households as Employers.....	14,123	13,820	13,739	13,161
International Business Activities.....	1,620,986	1,582,809	1,597,923	1,622,618
GDP at Constant Basic (2013) Prices.....	5,978,095	5,940,187	6,152,797	6,171,551
Add: Taxes less Subsidies on Products	296,647	293,317	305,825	293,880
GDP at Constant Purchasers' (2013) Prices.....	6,274,742	6,233,504	6,458,622	6,465,431
Percentage change from previous year.....	0.8%	(0.7)%	3.6%	0.1%

Source: Department of Statistics, Bermuda.

(1) The GDP analysis by the Department of Statistics, Bermuda shifted focus from Nominal GDP to Real GDP as of its fiscal year 2016 report.

(2) Financial and insurance activities refers to domestic insurance and financial services.

Under the Bermuda Companies Act 1981, Bermuda-based companies that generally do not operate in competition with local businesses ("exempted companies") may be wholly-owned by non-Bermudians, and are "exempted" from the foreign ownership limitations applicable to local companies. Foreign ownership of local entities operating within Bermuda is limited to 40%, other than with prior approval of the Minister of Finance. Foreign ownership of housing is restricted to houses at the top end of the market and to specified condominiums.

Bermuda Monetary Authority

Bermuda does not have a central bank, and the Bermuda dollar has been pegged at a one-to-one ratio with the U.S. dollar since 1970. The BMA is responsible for the operation of the currency peg under strict rules that ensure the value of the currency. As a result, the Bermuda economy is closely aligned to the U.S. economy, and interest rates in Bermuda historically have closely paralleled those in the United States. This policy has historically promoted stable import prices and relatively moderate domestic inflation.

The BMA is the sole regulator of the financial services sector in Bermuda. Established under the Bermuda Monetary Authority Act 1969, as amended (the "BMA Act"), the BMA supervises, regulates and inspects financial institutions operating within the jurisdiction. It also issues Bermuda's national currency, manages exchange control

transactions, promotes financial stability, assists other authorities in Bermuda with the detection and prevention of financial crime, and advises the Government and public bodies on banking and other financial and monetary matters.

The BMA is operationally independent from the Government. Under the BMA Act, a Board of Directors manages the affairs and business of the BMA and determines the policy objectives and strategy of the BMA. The Board of Directors consists of ten non-executive directors from various industry sectors who are appointed by the Minister of Finance. In addition, the Minister of Finance appoints the Chairman of the Board. The Chief Executive Officer is also a member of the Board of Directors and is appointed by the Minister of Finance on the recommendation of the Board of Directors. To enhance independence, Board members are appointed for terms ranging from three to five years.

The BMA develops risk-based financial regulations that it applies to the supervision of Bermuda's banks, trust companies, investment businesses, investment funds, fund administrators, corporate service providers, digital asset businesses, money service businesses and (re)insurance companies. The BMA also regulates the BSX and the Credit Union.

International and Domestic Affiliations

Over the years, the BMA has entered into a series of Memoranda of Understanding ("MOUs") with foreign regulatory authorities. This includes MOUs with the following:

- US Commodity Future Trading Commission (1997),
- States of Jersey Financial Services Department (1997),
- Isle of Man Financial Supervision Commission (2002),
- United Kingdom Financial Services Authority (2004),
- Luxembourg (*Commission de Surveillance du Secteur Financier*) (2005),
- Cayman Islands Monetary Authority (2005),
- Financial Services Board of the Republic of South Africa (2005),
- International Organization of Securities Commissions (2007),
- Malta Financial Services Authority (2008),
- The Office of the Superintendent of Financial Institutions of Canada (2008),
- New York State Insurance Department (2008),
- Luxembourg (*Commissariat Aux Assurances*) (2009),
- Florida Office of Insurance Regulation (2009),
- Nebraska Department of Insurance (2009),
- Pennsylvania Insurance Department (2009),
- Financial Market Supervisory Authority (2010),
- Regional Regulatory Authorities (2011),

- Financial Supervisory Authority of Norway (2012),
- Ohio Department of Insurance (2013),
- Arizona Department of Insurance (2013),
- Missouri Department of Insurance (2013),
- Illinois Department of Insurance (2013),
- Division of Insurance and Financial Oversight of the Georgia Department of Insurance (2014),
- Texas Department of Insurance (2014),
- National Association of Insurance Commissioners (2015),
- Maryland Insurance Administration (2016),
- European Insurance and Occupational Pensions Authority (2017), and
- North Carolina Department of Insurance (2017).

The BMA has also entered into a Multilateral Memorandum of Understanding (MMoU) with two key standard setting bodies, the International Organization of Securities Commissions (IOSCO) in 2007, and the International Association of Insurance Supervisors (IAIS) in 2009.

The BMA is a member of the following international standard setting bodies:

- the International Association of Insurance Supervisors,
- the International Organization of Securities Commissions,
- the Financial Stability Board, Regional Consultative Group for the Americas,
- the Group of International Insurance Centre Supervisors – GIICS, and
- the Group of International Financial Centre Supervisors.

With respect to domestic affiliations, and largely related to strengthening BMA’s ability to effectively combat money laundering and terrorism financing, the BMA has signed a variety of MMoUs including the following:

- Superintendent of Real Estate (2018),
- Bermuda Police Service (2017),
- Bermuda Gaming Commission (2017),
- Financial Intelligence Agency (2107), and
- Barristers and Accountants AML/ATF Board (2017).

Bank Regulations

Bermuda's licensed banks are supervised by the BMA, under the Banks and Deposit Companies Act 1999. Bermuda's banks are subject to the framework for risk-based capital adequacy established by the Basel Committee on Banking Supervision. The BMA's minimum standard for capital adequacy requires licensed banks to maintain capital ratios calculated on their stand-alone and consolidated risk weighted assets and is set at 250 basis points above the internationally recommended standard of 8.0%. This additional 2.5% represents a capital conservation buffer that was phased in over a five-year period from 2015 to 2019. The aggregate consolidated risk-asset ratio of Bermuda's banks as of December 31, 2019 was 21.5%, significantly above the applicable capital requirements.

The BMA has completed a significant amount of work to enhance Bermuda's robust capital and liquidity standards for the banking sector, in accordance with the Basel II Capital Accord (the "Accord"). The BMA successfully implemented Basel II in Bermuda as of January 1, 2009. This followed a policy development process which resulted in the publication of the handbook "The Revised Framework for Regulatory Capital Assessment," a comprehensive policy document that sets out the final rules for implementation in Bermuda of Pillars 1, 2 and 3 of the Accord. The BMA has since conducted annual Pillar 2 reviews of Bermuda's banks based on the institutions' submission of their respective Capital Assessment and Risk Profile reports. Revised individual capital guidance has been issued to the banks as a result, outlining the minimum regulatory capital they should maintain moving forward. Banks are now also required to make disclosure submissions under Pillar 3 during this period. In 2018, the BMA revised its Pillar 2 review process to be combined with the biennial onsite program, thereby allowing for a more complete Supervisory Review and Evaluation Process that would better inform the setting of individual minimum capital guidance.

In 2010, the BMA issued enhanced principles for liquidity risk management and supervision for Bermuda's banking sector. The BMA has based subsequent assessments of banks' liquidity risk management practices on these principles to determine compliance. In preparation for Basel III, the BMA completed an overall review of its regulatory framework for the banking sector. This work included conducting a quantitative study of the impact of Basel III standards and rules on the Bermuda market. In January 2015, the BMA implemented the Basel III regulatory framework with the issuance of the policy document "Basel III for Bermuda Banks—Final Rule," which included revisions to the definition of capital qualifications for inclusion as regulatory capital, and the introduced of a new liquidity measure in the form of the Liquidity Coverage Ratio. All banks were required to submit parallel reporting under both Basel II and III for 2015, and only under Basel III from January 1, 2016 and onwards. The BMA took a five-year phased approach to the implementation of the new capital and liquidity standards, allowing institutions to meet the full requirements by January 2019.

In 2017, the BMA's Basel III rules were updated to include new regulatory guidance that would bring our supervisory regime in line with the most current international standards. This included the introduction of an additional liquidity measure in the form of the Net Stable Funding Ratio, which differed from previous 30-day liquidity standards, as it assesses and sets minimum requirements over a 12-month period. The update also introduced changes to the minimum requirement for inherent Interest Rate Risk in the Banking Book by increasing the sensitivity to interest rate stress scenarios. Both standards were fully implemented in January 2018 as well as updates to the Pillar 3 reporting templates to allow for additional comparability through standardization. The BMA also included transitional arrangements to allow banks to manage through the impact on general provisions due to the introduction of new accounting rules for expected credit loss models.

Bermuda has also implemented protective policies and enhanced regulatory authority in the event of a bank failure. In 2012, Bermuda established the BDIC, an independent body, to administer and enforce the Deposit Insurance Scheme ("DIS") and to manage the DIS fund. The DIS is designed to protect small depositors by guaranteeing up to a maximum specified amount of their deposits in the event of a bank failure.

Other developments in banking regulation include the enactment of the Banking (Special Resolutions Regime) Act 2016 (the "Special Resolutions Regime"). In February 2016, the Government enacted the Special Resolutions Regime, which designates the Minister of Finance as one of the resolution authorities of the Special Resolutions Regime, the power to temporarily take control of a failing bank, to direct and accelerate the transfer of part or all of a failing bank's business to a willing private sector purchaser and to take other remediation measures.

Insurer Solvency

Bermuda's strict minimum solvency margin requirements, coupled with the BMA's application of the Bermuda Solvency Capital Requirement ("BSCR"), continued to support overall stability of the insurance sector.

In 2016, the BMA instituted a number of changes to the statutory and prudential reporting requirements that apply to commercial insurers. The implementation of the Economic Balance Sheet framework modified commercial insurer reporting requirements and procedures for obtaining exemptions from accounting provisions or filing requirements. These legislative measures are designed to simplify the statutory regulatory reporting regime for commercial insurers, while providing a consistent and reliable valuation basis that is in line with international standards.

Solvency II and NAIC Equivalency

Directive 2009/138/EC (referred to herein as "Solvency II") concerning the capital adequacy, risk management and regulatory reporting for insurers and reinsurers, became effective on January 1, 2016. Solvency II adopts a risk-based approach to insurance regulation. Solvency II is a harmonizing framework that provides a single set of rules for insurers and reinsurers. Its principal goals are to improve the correlation between capital and risk, effect group supervision of insurance and reinsurance affiliates, implement a uniform capital adequacy structure for insurers across the European Economic Area, establish consistent corporate governance standards for insurance and reinsurance companies, and establish transparency through standard reporting of insurance operations. As of January 1, 2016, the Solvency II requirements apply to insurance and reinsurance companies and European Economic Area insurance groups operating in this Area, with the exception of those insurers and reinsurers covered under Article 4 of the Solvency II directive.

Effective January 1, 2016, Bermuda's regulatory regime in respect of commercial insurers, reinsurers and groups has been deemed to be fully "equivalent" with Solvency II for an unlimited period for all three relevant equivalence areas: Articles 172, 227 and 260, with the exception of rules on captives and special purpose insurers, which are subject to a different bifurcated regulatory regime in Bermuda. The BMA's focus for gaining equivalency has been on Bermuda's commercial insurers due to significant business conducted in Europe by these classes and the risk that they could be competitively disadvantaged if Bermuda's enhanced commercial insurance regime was not deemed equivalent to Solvency II. Bermuda and Switzerland are the only non-EU jurisdictions world-wide that have been granted full equivalence under the Solvency II directive.

The determination of Solvency II equivalence results in Bermuda based insurers and reinsurers being exempted from the requirement to post collateral in the European Economic Area and requires reinsurance contracts concluded with undertakings having their head office in Bermuda to be treated in the same manner as reinsurance contracts concluded with undertakings authorized in Europe in accordance with Solvency II (Article 172); European Economic Area insurance groups can use the solvency capital requirements and eligible own funds for a subsidiary in Bermuda under local rules instead of Solvency II in the calculation of the group solvency position if the deduction and aggregation method is used in the determination of the Group solvency position (Article 227); and Bermuda insurance groups which are active in the European Economic Area are exempt from some aspects of group supervision in the European Economic Area as Member States will rely on the equivalent supervision exercised by the BMA (Article 260).

Bermuda is one of only seven total jurisdictions worldwide that has received the US National Association of Insurance Commissioners' ("NAIC") "qualified jurisdiction" status. This designation is given only when a jurisdiction meets the requirements for accreditation under the NAIC financial standards. Qualified jurisdiction status significantly benefits Bermuda-based reinsurers, emphasizing the United States' confidence in the BMA as an insurance supervisor and allowing more efficient (and less costly) operation in the United States. Bermuda-based reinsurers are also eligible for reduced reinsurance collateral requirement in United States jurisdictions under certain circumstances. As a result, reinsurers licensed in Bermuda are eligible to be certified for reduced reinsurance collateral requirements in U.S. jurisdictions that have adopted the revised Credit for Reinsurance Model Law and Regulations (Reinsurance Models).

Additionally, the NAIC confirmed in December 2019 the renewal of Bermuda's qualified jurisdiction status and confirmed Bermuda's new status as a "reciprocal jurisdiction." This designation means that commercial reinsurers operating from Bermuda continue to be eligible for reduced collateral requirements as per the current NAIC qualified jurisdiction status and under the new category as a reciprocal jurisdiction, will work towards elimination of all collateral requirements for commercial reinsurers by September 2022. The reciprocal jurisdiction status, only achieved by two other jurisdictions, will put Bermuda reinsurers in a levelled playing field with European Economic Area and United Kingdom reinsurers operating in the United States and will further enhance the attractiveness and the reputation of the jurisdiction.

Principal Sectors of the Economy

Financial Services and International Business

International Company Business

Bermuda is regarded as a leading international financial center because of the following factors:

- a long-established and highly developed commercial and social infrastructure;
- geographic proximity to the United States and Canada and ease of access to and from major European cities and the United Kingdom;
- recognized by the OECD, the IMF and other multilateral organizations as having internationally acknowledged transparency standards;
- transparent and consistent application of financial services policy towards the financial services sector;
- close international relations in the financial sector, including bilateral relations with the G7 and G20 economies as well as other markets that are of significant economic importance to Bermuda;
- well-established reputation as a domicile of choice for insurance and reinsurance;
- the BSX is one of the world's largest offshore, fully electronic securities markets recognized by the SEC as a "Designated Offshore Securities Market";
- modern business infrastructure and facilities;
- high standards of living;
- well-educated population and world-class labor force;
- absence of direct taxation and exchange controls for international business; and
- stable regulatory framework.

Bermuda also has a long-established and transparent legal system, modelled on United Kingdom common law principles with recourse to the Privy Council, as well as an extensive, well-qualified support system of attorneys, auditors and investment professionals. Equally important are Bermuda's stable economic and political history.

The financial sector in Bermuda remained strong in 2019 against the background of a modest recovery in economic growth.

At constant prices, the international business sector was the single largest contributor to GDP in 2018. This sector provided approximately \$1.73 billion to nominal GDP 2018, which represented 23.8% of total nominal GDP,

a 0.3% increase from 2017. Companies in the insurance and reinsurance industry are the biggest contributors to the international business sector. Contributions to this sector are also derived from the trading operations of security and commodity brokerage, shipping, consultancy and similar international business activity.

The Government actively encourages foreign investment in entities that are based in Bermuda but do not compete with local businesses. Exempted entities may be wholly-owned by non-Bermudians and can obtain exemption up to March 28, 2035 from any future legislation imposing income tax in Bermuda. As a result, foreign-owned companies based in Bermuda can be used for holding, accumulating and transferring capital and income without incurring local tax or exchange control consequences.

As of March 31, 2020, there were 11,842 international companies and partnerships (known as “exempted companies”) registered in Bermuda. The number of companies registered in Bermuda has been relatively stable since 2009. Prior to that, the number had been growing at a compound annual growth rate of 3.0% during the five years from 2004 to 2008. In the first quarter of 2020, there were 163 new international business registrations, which is 14 companies, or 9.4%, more than the corresponding period in 2019.

One of the objectives of the newly formed EDD in the Cabinet Office is to ensure that businesses already located in Bermuda stay and grow, and to simultaneously attract more businesses to organize in Bermuda. The EDD is streamlining the process for reviewing and analyzing proposals so as to ensure a coordinated approach for achieving government consents, with the object of developing an environment and system that is less cumbersome and easier to navigate for companies and entrepreneurs seeking to be established in Bermuda and for those seeking support and direction from the Government. To assist with this, the EDD and BDA have collaborated to create a business concierge service.

The overall purpose of the BDA is to promote Bermuda as a world-leading international financial center, with a pro-business culture and gold standard regulatory regime, to key global markets. The BDA’s continued critical goal is to encourage inward direct investment and growth that positively contributes to Bermuda’s economy and strengthens Bermuda’s image on the world stage.

The BDA pursues targeted business development opportunities in key industries aligned with Bermuda’s value proposition and anticipated future growth potential. These are Risk and Insurance Solutions, High Net Worth Services (private clients and family offices), Asset Management (funds, insurance-linked securities and private equity) and Technology and Infrastructure (hotel investment, subsea cables and space satellites).

Safeguarding and enhancing Bermuda’s outstanding reputation as an exceptional destination in which to live, work and play is part of the BDA’s mandate. We work to identify and address perceived barriers to doing business by advancing relevant legislation and have a focus on increasing the number of business visitors to the island.

In 2020, the BDA will stay focused on key objectives such as promoting Bermuda as a top-tier international finance center, assisting new companies to make Bermuda their jurisdiction of choice and helping existing Bermuda-based global companies to retain or increase jobs, business flows and revenues. Delivering value to both public and private stakeholders is the agency’s overarching mandate and the BDA will continue acting as a critical liaison, connecting Bermuda’s industry, regulator and government on core jurisdictional issues that affect our economy.

The following table sets forth the number of new international business registrations during the years indicated, as well as the total number of international business registrations on register as of December 31 of each indicated year.

International business registrations				
	As of or for the year ended December 31,			
	2016	2017	2018	2019
New registrations during period				
Exempted companies.....	665	626	603	544
Exempted partnerships	109	95	183	125
Non-resident entities ⁽¹⁾	28	44	41	12
Total.....	802	765	827	681
Number on Register at year end				

International business registrations

	As of or for the year ended December 31,			
	2016	2017	2018	2019
Exempted companies.....	10,545	10,672	10,565	10,146
Exempted partnerships	1004	1046	1,191	1,187
Non-resident entities ⁽¹⁾	535	559	530	492
Total ⁽²⁾	12,084	12,277	12,286	11,825
Change from previous year ⁽³⁾	(8.3%)	1.6%	(0.1)%	(3.8)%

Source: Registrar of companies.

- (1) Including overseas partnerships.
(2) Net of companies in liquidation.
(3) Total number on business register.

The insurance and reinsurance sectors are expected to continue to generate tax, licensing and fee revenue to the public and private sectors. The greatest impact to the economy from these activities results from companies that have a physical presence in Bermuda and hire workers who earn income and spend locally.

Insurance Regulation

Bermuda has a multi-license system of regulation that categorizes (re)insurance companies carrying general business into six classes (classes 1, 2, 3, 3A, 3B and 4); long-term life (re)insurance companies into five classes (classes A, B, C, D and E); special purpose insurers (“SPIs”); collateralized insurers (“CIs”); and innovative insurers into their own classes. The classification system is based on type of insurance company (i.e., long term or general insurer), size of the company and both level of risk and types of risks related to the company. The regulation is designed to facilitate the creation of insurance companies and products, while ensuring that companies operate responsibly within specific margins of solvency.

Bermuda’s regulatory legislation for the insurance industry has been in place since 1978. It is continually reviewed and updated, taking into account risks in the market and applicable international standards. The licensing process is detailed and comprehensive. Most recently, from 2008 to 2019, legislative amendments introduced further improvements to the insurance framework, including provisions to establish an enhanced capital and solvency regime for Bermuda’s commercial reinsurers. More specifically, these provisions included the following: the introduction of the Bermuda Solvency Capital Requirement, the BMA’s risk-based capital adequacy model; established frameworks for group supervision; standardized stress testing information on market and underwriting risks; adoption of the Own Risk Solvency Assessment; and requirements for commercial insurers to file audited financial statements (U.S. GAAP or IFRS) and a financial condition report as a further step to increasing financial disclosure within the sector. Additionally, in recognition of the role that innovation plays in promoting efficiency and enhancing competitiveness in the market, Bermuda has two parallel innovation tracks: an Insurance Regulatory Sandbox and an Innovation Hub, both targeted at InsurTech companies.

During the fourth fiscal quarter of 2015, the European Commission recognized Bermuda’s efforts to adjust its regulatory environment to meet the requirements of Solvency II in its publication of the Delegated Act (the “Delegated Act”). The Delegated Act confirmed Bermuda’s prudential framework for commercial insurance, reinsurance and group supervision was in line with the requirements of Solvency II. On March 4, 2016, the Delegated Act was published in the Official Journal of the European Union and on March 24, 2016, the Delegated Act entered into force, with effect from January 1, 2016.

Bermuda is one of only seven total jurisdictions worldwide that has received the U.S. National Association of Insurance Commissioners’ (“NAIC”) “qualified jurisdiction” status. Qualified jurisdiction status significantly benefits Bermuda-based reinsurers, emphasizing the United States’ confidence in the BMA as an insurance regulator and allowing more efficient (and less costly) operation in the United States. Bermuda-based reinsurers are also eligible for reduced reinsurance collateral requirement in United States jurisdictions under certain circumstances. As a result, reinsurers licensed in Bermuda are eligible to be certified for reduced reinsurance collateral requirements in US jurisdictions that have adopted the revised Credit for Reinsurance Model Law and Regulations (Reinsurance Models).

Additionally, the NAIC confirmed in December 2019 the renewal of Bermuda’ Qualified Jurisdiction status and confirmed Bermuda’s new status as a Reciprocal Jurisdiction. The status means that commercial reinsurers

operating from Bermuda continue to be eligible for reduced collateral requirements as per the current NAIC Qualified Jurisdiction status and under the new category as a Reciprocal Jurisdiction, will work towards elimination of all collateral requirements for commercial reinsurers by September 2022. The Reciprocal Jurisdiction status, only achieved by two other jurisdictions, will put Bermuda reinsurers in a levelled playing field with European Economic Area and United Kingdom reinsurers operating in the U.S. and will further enhance the attractiveness and the reputation of the jurisdiction.

Bermuda Insurance Market

The Bermuda insurance market has been growing over the past years in terms of total assets, capital and surplus and premiums. Since 2014, the total asset growth has been 68.0% while the growth in capital and surplus and gross written premium has been 22.8% and 60.4%, respectively. As of December 31, 2018, total assets were \$980.1 billion while capital and surplus was \$263.4 billion. Bermuda has emerged as the global leader in the insurance-linked securities market.

In 2018, Bermuda’s alternative capital insurers reported approximately \$19 billion of increased capacity via existing insurance-linked securities structures and \$12 billion of new capacity to the market. This underscored Bermuda’s reputation as a trusted center for insurance risk securitization and the strength of the alternative capital sector. Total assets held by alternative capital insurers were \$94 billion at December 31, 2018 (\$74 billion as of December 31, 2017). The aggregate exposure of non-life insurers backed by alternative capital was approximately \$71 billion or 73% of global alternative capital at December 31, 2018 (\$51.5 billion as of December 31, 2017). As of that date, gross written premiums (“GWP”) were \$7.4 billion (\$4.8 billion as of December 31, 2017).

The table below shows selected aggregate insurance statistics for the Bermuda insurance market during the following fiscal years:

(in billions of dollars)	As of December 31,			
	2015	2016	2017	2018
Assets	631.7	764.1	837.6	980.1
Capital and Surplus	200.8	297.8	269.4	263.4
Gross Written Premium.....	130.8	170.6	150.5	243.5

Source: Bermuda Monetary Authority.

Bermuda’s insurance market is, for the most part, a reinsurance market, conducted between insurance professionals, not directly with members of the public. It bears little resemblance to the traditional, retail insurance market. Bermuda uses a risk-based approach to regulate insurance.

The effect of the COVID-19 pandemic on the insurance market in Bermuda is a central focus of the BMA’s supervisory efforts. The BMA initiated a proactive assessment of the impact of the COVID-19 pandemic on Bermuda’s insurance sector, including analyzing stress test information from previous filings and increasing the frequency of prudential meetings with the registrants. A market survey was also undertaken to assess the financial and operational impact of the COVID-19 pandemic. Further, among other matters, the BMA has granted a voluntary 30-day extension to statutorily required regulatory submissions and has also issued a policy statement with respect to a temporary relaxation of certain aspects of Head-office requirements in light of the travel disruption and logistical burdens resulting from the pandemic and has also issued instructions to commercial insurers and groups in relation to liquidity, return of capital and dividends.

Overall, the Bermuda insurance market has adapted well to COVID-19-related restrictions and was able to continue to service policyholders in a nearly seamless manner. No major operational or solvency matters were experienced highlighting the resilience of our market. The COVID-19 pandemic has, as of the date of this offering memorandum, only affected the profit and losses of insurance providers and not their solvency and our market should be able to withstand the impact of the pandemic even if an above average ‘catastrophe’ season occurs. Furthermore, we believe the COVID-19 pandemic may have some potentially positive effects with respect to the Bermuda insurance market if new insurance business lines develop and existing insurance business lines grow. The BMA will nevertheless continue to closely monitor the effects of the COVID-19 pandemic and market developments.

Finally, in relation to licensing new entrants and providing authorization for certain matters, the BMA's Assessment and Licensing Committee reviews each application for approval of new insurers in depth before granting approval or declining any application. Despite the continued growth of the Bermuda insurance sector, the incidence of insolvency remains very low. There have not been any significant insolvencies in the insurance sector since the 2009 winding up of a small Bermuda branch of British American Insurance Company, a Bahamian company owned by CL Financial Group of Trinidad and Tobago.

Banking and Deposit Companies

There are four licensed banks in Bermuda: HSBC Bank of Bermuda Limited, formerly known as The Bank of Bermuda Ltd. (a subsidiary of HSBC Holdings plc); Butterfield Bank; Clarien Bank Ltd., formerly known as Capital G Ltd., majority-owned by NCB Financial Group Limited (a Jamaica-based bank holding company), and the Bermuda Commercial Bank Limited (a wholly-owned subsidiary of Somers Limited formerly known as Bermuda National Limited). Butterfield Bank and Somers Limited are listed on the BSX and, commencing September 16, 2016, Butterfield Bank began trading on the New York Stock Exchange. HSBC Holdings plc has a secondary listing on the BSX. There is also one credit union in Bermuda. Total combined (consolidated) assets of the four banks as of the fourth quarter of the 2018/2019 fiscal year stood at \$24.0 billion, while the assets under their administration were valued at several times this amount. The two largest banks, HSBC Bank of Bermuda Limited and Butterfield Bank, accounted for approximately 93% of the total combined assets of the sector as of December 31, 2019.

The following table shows the aggregate balance sheet of the Bermuda banking system.

Aggregate Balance Sheet of Bermuda Banks

(In billions of dollars)	As of December 31,			
	2016	2017	2018	2019
Assets				
	0.1	0.1	0.1	0.1
	3.6	3.2	3.6	3.8
Cash	9.6	9.3	8.4	10.7
Deposits	8.8	8.5	7.9	8.7
Premises and equipment	0.4	0.3	0.3	0.3
Other assets	0.3	0.3	0.3	0.4
Total assets	22.7	21.8	20.6	24.0
Liabilities				
Demand deposits.....	10.6	9.7	8.8	10.8
Savings deposits.....	6.6	6.4	5.9	5.8
Time deposits.....	3.0	3.0	3.4	4.6
Subtotal - deposits	20.2	19.2	18.0	21.3
Other liabilities	0.6	0.6	0.5	0.6
Subtotal - liabilities.....	20.8	19.8	18.6	21.9
Equity and subordinated debt	1.9	2.0	2.1	2.1
Total liabilities and capital.....	22.7	21.8	20.6	24.0

Source: Bermuda Monetary Authority.

Despite continued challenging economic conditions, banking sector credit portfolios have shown signs of recovery. In 2019, net non-performing loans decreased 2.3% to a year-end total of approximately \$467 million. As banks sought to secure income from products with lower risk, there was an increase in other balance sheet exposures, including investments in sovereign-related debt instruments. Despite balance sheet reallocations during the 2018/2019 fiscal year, capital levels remained high and above international regulatory requirements.

Finally, the BMA has been proactive in monitoring the impact of the COVID-19 pandemic on its four banks, and has been in regular dialogue with the banks, requesting detailed reports when needed (e.g., weekly liquidity and foreign exchange positions) and assessing risk management actions taken by the banks. The BMA has also taken targeted regulatory measures to assist the banks' own efforts, such as providing extensions to the deadlines for certain

filings. As of the end of the second quarter of 2020, the impact of the COVID-19 pandemic on the banks' financial strength has been immaterial.

Assets and Liabilities

Consolidated assets of the banking sector increased by 16.5%, from \$20.6 billion as of December 31, 2018 to \$24.0 billion as of December 31, 2019.

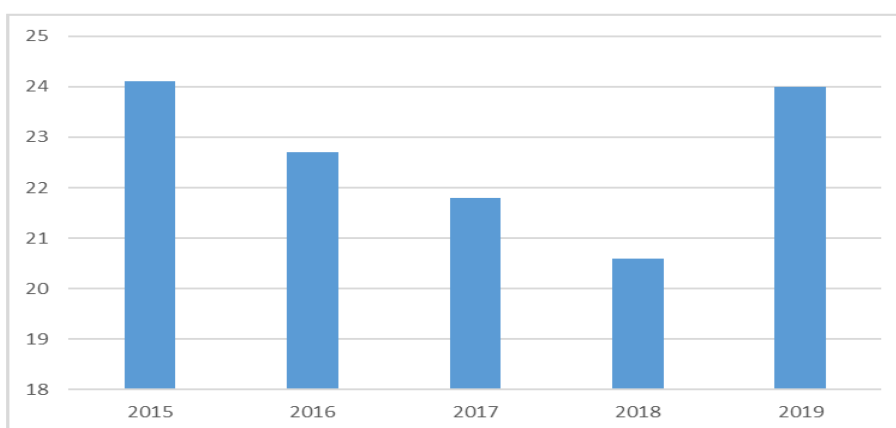
The overall increase in the balance sheet was driven by a 17.9% increase in deposit liabilities, from \$18.0 billion as of December 31, 2018 to \$21.3 billion as of December 31, 2019.

Balance Sheet Structure

Total assets increased by \$3.4 billion as a result of an increase in customer deposits.

The percentage of total assets represented by loans decreased from 38.4% as of December 31, 2018 to 36.3% as of December 31, 2019, while the percentage of total assets represented by investments increased from 40.8% as of December 31, 2018 to 44.6% as of December 31, 2019. During the same period the percentage of total assets represented by cash and deposits decreased from 17.9% to 16.2%.

Bank and Deposit Companies (consolidated) Total Assets (in billions of dollars)



Source: Bermuda Monetary Authority

Earnings and Profitability

For the year ended December 31, 2019, total income for the banking sector amounted to \$896.3 million, representing a \$7.7 million, or 1%, increase from 2018. Net interest income continued to be the largest component of the sector's income streams with a net interest income of \$588 million comprising 66% of total income for 2019, compared to 68% for 2018. Total banking income (net interest income and other banking income) comprised of 85% of total income for 2019, unchanged from 2018, followed by non-banking income of 15% and dividends/other income accounting for less than 1%, both unchanged from 2018. Operating and non-operating expenses rose by 6.0% (or \$31 million) to \$573 million for 2019, as compared to 2018. The higher rate in expenses relative to total income impacted profits as the sector's overall profitability was down \$23.3 million, or 6.7%, to \$323 million for 2019, compared to 2018.

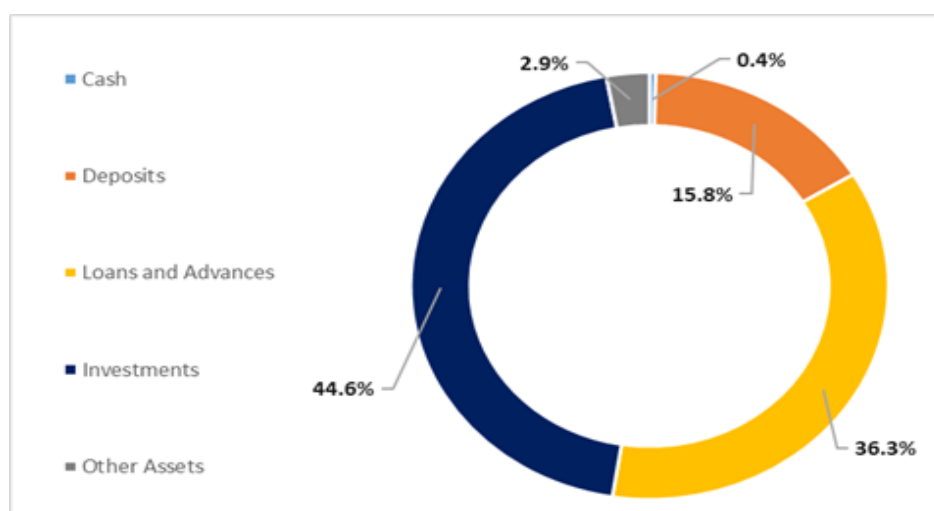
Capital Adequacy

Capital adequacy in the Bermuda banking sector, as measured by the risk asset ratio, consistently exceeded minimum requirements as prescribed by the BMA on an annual basis. Risk asset ratio for the sector was 21.5% at December 31, 2019, as compared to 24.1% at December 31, 2018. The aggregated common equity tier 1 (CET 1) capital ratio was 20.3% at December 31, 2019, as compared to 22.6% at December 31, 2018, which exceeds the current

minimum requirements. For the Basel III leverage ratio, the industry aggregate was 7.4% for 2019 versus the 5% minimum standard.

The following chart shows the composition of assets of deposit institutions.

Banks and Deposit Companies' Total Assets as of December 31, 2019 (in percentages)



Source: Bermuda Monetary Authority.

Investment Sector

The BMA continues to oversee authorized and registered investment funds, pursuant to the legislative framework provided by the Investment Funds Act 2006 (the “IFA”), with the aim of protecting investors. The main focus of the BMA’s supervision is the review of funds’ periodic qualitative returns and statistical reports, along with the content of prospectuses. This process is supplemented by the BMA’s supervision of fund service providers, who have been duly approved by the BMA.

A number of key enhancements were made to Bermuda’s fund regime during 2019, with the passage of the Investment Funds Amendment Act 2019, and the related statutory instruments, including the Investment Funds Definition Order 2019, the Investment Fund Rules 2019 and the Investment Fund Offering Document Rules 2019. The most significant change involved the expansion of the definition of “investment fund” to include closed-ended funds. Other notable changes to the IFA included the creation of a new class of registered fund - “Professional Closed Funds” - and the addition of a requirement for an overseas investment fund that is managed or carrying on promotion in or from within Bermuda to become designated as an “Overseas Fund” by the BMA. The following table shows data on investment funds in Bermuda for 2019 as compared to 2018 and 2017.

As of December 31, 2019, there were 638 funds with a total of \$176.0 billion of net asset value, with approximately two-thirds of clients from Bermuda, the United States and Canada. Full statistics are provided at the table below.

Fund Count Statistics

	As of December 31, 2017	As of December 31, 2018	As of December 31, 2019
Administered Funds	6	6	5
Class A Exempt Funds	61	67	73
Class B Exempt Funds	38	39	36
Exempted Funds	19	5	3

Institutional Funds	270	258	239
Private funds	n/a	n/a	165
Standard Funds	149	138	117
Total Number of Funds	543	513	638
Net Asset Value (in billions of dollars)	161.5	157.2	176.0

Source: Bermuda Monetary Authority.

Bermuda Stock Exchange

The BSX is the national stock exchange of Bermuda. Established in 1971, the BSX is a fully electronic offshore securities market which operates under the supervision and regulation of the BMA.

The market capitalization of the BSX (excluding funds) in the fourth quarter of 2019 grew by \$4.7 billion to \$298.2 billion over the prior quarter. The volume of shares traded during the fourth quarter of 2019 amounted to 3,062,042 shares, up from 2,578,741 shares traded in the third quarter of 2019, but lower than the 3,871,352 shares traded in the fourth quarter of 2018. The value of stocks traded during the fourth quarter of 2019 totaled \$29.1 billion, up 10.8% from \$26.2 billion in the third quarter of 2019, but 41.5% lower than the \$49.7 billion reported in the fourth quarter of 2018. The market share of domestic firms to total market capitalization was up slightly for the fourth quarter of 2019 over the prior quarter, rising to 1.0%, with domestic market capitalization amounting to \$3.0 billion for the fourth quarter of 2019, up 9.5% from \$2.8 billion from the previous quarter, and up 26.6% from \$2.4 billion compared to the fourth quarter of 2018.

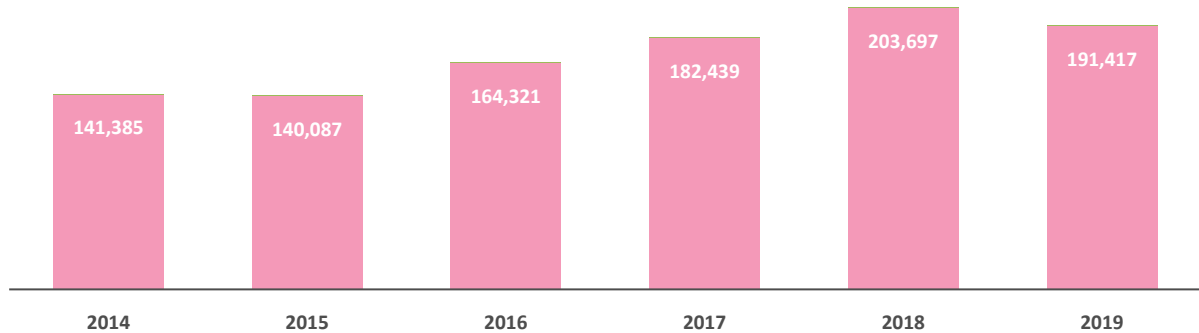
As of December 31, 2019, the market capitalization of BSX listed insurance-linked securities stood at \$34.6 billion. For the fourth quarter of 2019, a total of 340 insurance-linked securities (net of programs) deals were listed on the BSX with a total of \$3.0 billion of new issuances, of which over \$1.3 billion were from international multi-peril risk coverages. During the fourth quarter of 2019, a total of \$76.4 million bonds matured.

Tourism

Tourism is a vital and integral component of the Bermuda economy, accounting for approximately 9.5% of employment in Bermuda in 2018. After sizeable growth in 2017 and 2018, there were less air visitors in 2019 than in prior years. However, according to BTA figures, 2019 was statistically the second-best in the past 13 years, with more than 191,000 leisure air visitors, and with total arrivals at 808,242, 2019 was the third consecutive year of record-breaking total visitors arrivals. Only 2018, with 203,697, had more visitors arriving via air since 2006.

In 2019, approximately 75% of Bermuda's tourists arriving via air were from the United States, 10% from Canada, 8% were from the United Kingdom, with the remaining 7% from Europe and the rest of the world.

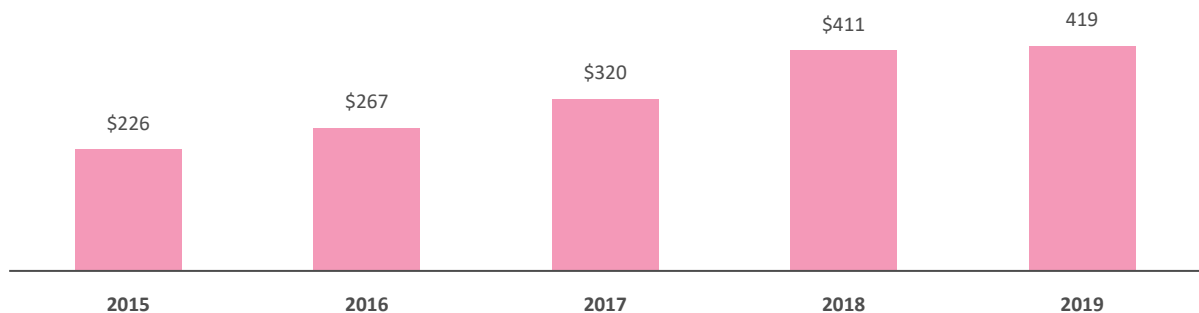
Leisure Air Passengers



Despite fewer year-over-year leisure air arrivals in 2019, visitor spending into the local economy by air and cruise leisure visitors was relatively flat, with \$419.3 million in direct visitor spending, an increase of 2.0% from 2018. Additionally, leisure air arrivals increased by 36.9% from 2015 to 2019, with air and cruise leisure visitor spending growing consecutively year-over-year during that period. During the same period, total air arrivals increased by 22%. In 2015, total cruise arrivals reached 377,000, followed by air arrivals at 220,000 and yacht arrivals at 3,000. In 2019, total cruise arrivals reached 536,000, followed by air arrivals at 269,000 and yacht arrivals remained unchanged at 3,000.

To become a destination better balanced between air and cruise, Bermuda aspires to have 30% of summer visitors be air visitors. There is a multi-agency strategy underway to increase air service routes and expand capacity to facilitate visitor air arrivals growth.

Air & Cruise Leisure Visitor Spending (Millions)



This multi-year trend of growth is ushering in significant infrastructure projects that should bode well for Bermuda's tourism industry over the next decade and longer. Increasingly, foreign and local investment, a new airport terminal, legislation to attract superyachts and high net worth guests, plus brand-boosting global events are sowing seeds for sustainable, long-term success.

Several new hotel properties are coming online in the next 18 months, including two on Warwick's South Shore: Azura Bermuda, a luxury boutique hotel and residential enclave, and Bermudiana Beach.

Hotel occupancy for Bermuda's 11 largest properties (or approximately 72% of the room inventory) increased from 52.6% in 2015 to 61.0% in 2019. Resort, Tapestry Collection by Hilton, are both welcome additions to Bermuda's tourism product in 2020, modestly boosting the island's inventory. St Regis Bermuda Resort will add to that momentum the following year, with plans to open in April 2021. As a result of the foregoing, the number of hotel rooms in Bermuda is expected to rise from current levels of 2,400 to 2,673 by 2021.

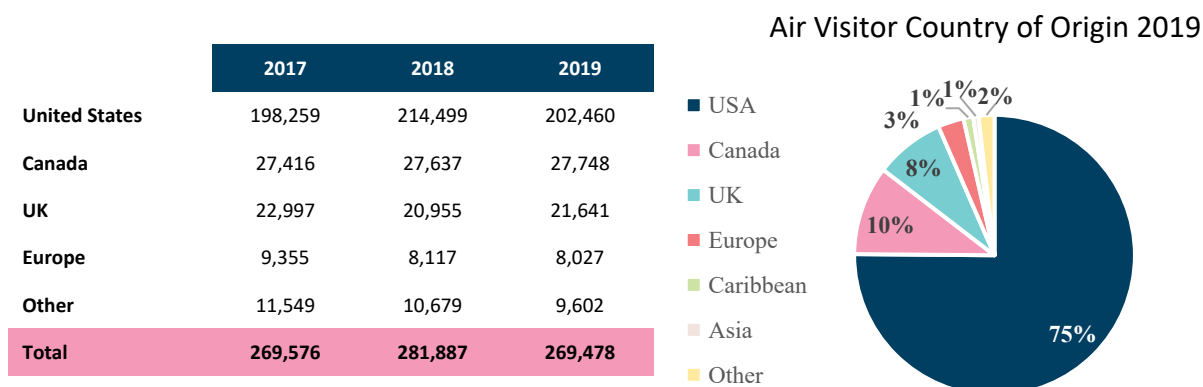
An increase in hotel rooms is critical for tourism industry employment levels. There were currently 3,204 direct tourism jobs in Bermuda in 2018, more than half of which are in the hotel sector.

The December 2019 purchase of the iconic Fairmont Southampton Resort by an affiliate of Gencom, which also owns Rosewood Bermuda, coupled with 2020 plans by St Regis developers HotelCo to acquire the St George's Club, also points to robust investor confidence in the island's tourism industry and signals the start of a new era for both properties. At the Fairmont Southampton, it is expected that resulting enhancements will drive eventual growth in Bermuda's vital group sales sector; however, renovations to substantially upgrade the property are required.

In December 2019, the Government signed a Letter of Intent pursuant to which it confirmed its intent to provide credit support to Gencom in connection with the redevelopment of the Fairmont Southampton. Subject to Gencom meeting certain conditions, such as investing at least \$70 million in redevelopment and renovations of the Fairmont Southampton, the Government will guarantee Gencom's payment obligations under \$50 million of senior secured tax incentive financing entered into as part of the project financing to fund such redevelopment costs. The Government may receive a fee in connection with providing such guarantee.

The BTA, in partnership with the Government of Bermuda, Skyport and the Authority, has taken a proactive approach to closely manage airline relationships, working with experienced air service development consultants to help shape a long-term, sustainable airlift strategy. The increased hotel inventory in Bermuda's future will help in this effort. However, given the COVID-19 pandemic's decimating impact on the airline industry, getting the right airlift for the island destination has never been more difficult. There are strong headwinds from every imaginable direction.

At the start of 2020, \$685 million in tourism receipts were expected for Bermuda's economy by way of direct visitor spending, taxes and fees. A significant portion of that spending and revenue generation will not occur in 2020 due to the ongoing COVID-19 pandemic and consumers' slow return to travel, particularly from the United States, where three-quarters of Bermuda's visitors have historically originated. Canada and United Kingdom represent the next two highest countries of origin.



Through June 30, 2020, the BTA estimates more than 102,000 lost visitor air arrivals. In the cruise sector, it estimates more than 420,000 lost arrivals when all the known cancelled cruise calls for the year are considered for a combined total estimated loss of \$95.2 million in direct spending with taxes and fees included. The adverse economic impact and sudden joblessness across the tourism industry as a result of the COVID-19 pandemic are devastating.

Notwithstanding the foregoing, we believe Bermuda will accelerate its road to recovery in the tourism space given how we have successfully managed the health risk brought on by the COVID-19 pandemic. While Bermuda's tourism industry has suffered a seismic negative impact like all other jurisdictions that rely heavily on travel and tourism, we are able to distinguish ourselves through our reputation of being a safe and clean tourism destination. A

major part of Bermuda's tourism recovery marketing plan will rely on this reputation and we believe it will aid in our recovery strategy because health and safety has never been more important to travelers.

Furthermore, we believe that Bermuda can claim a position at the top of a travel consumer's consideration list because it can inspire confidence in three areas: cleanliness and beauty, safety and openness; and proximity and comfort. The BTA aims to convince travelers that Bermuda is the ideal vacation destination, by assuring visitors that they will be safe because the country has taken every precaution to protect the health of its residents and its visitors.

On July 1, 2020, the day Bermuda's air border reopened to regular commercial flights, the BTA restarted its marketing campaign after stopping such marketing on March 16. The marketing campaign began with search engine marketing and will steadily expand with other digital deployments as August nears and the volume of airlines flying to the island increases and hotels gradually reopen.

Slow to return airlift capacity and skittish travelers mixed with rigors border entry protocols and financial hardship make the recovery effort difficult for marketers, but visitors are arriving again and we believe that's a positive first step in a slow and gradual return. In the meantime, the BTA is working through an inside-out marketing strategy that aspires to stimulate spending from local residents, including a new digital nomads policy that will attract professionals and students to the island to work remotely. We believe this will increase residential consumer volume to replace what is typically a steady influx of travelers.

Special promotions for the restaurant, golf and retail industries have already unfolded. We plan for the spa, tennis and boating industries to follow. Staycations are also in the works.

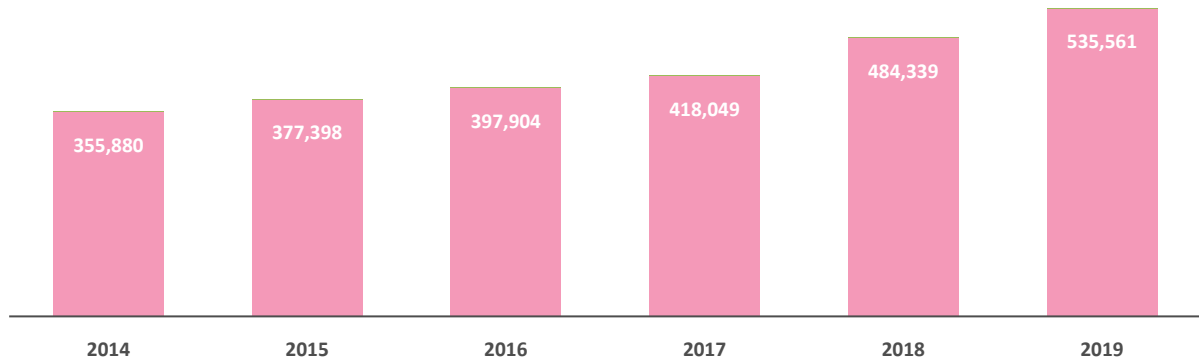
There are also marquee events still on the calendar for 2020 as part of a long-term, committed strategy to Bermuda's sustained tourism growth. The Bermuda Championship is slated to take place in October 2020, the second in a five-year relationship with the PGA Tour. In 2019, KPMG's analysis of the event estimated \$22.6 million in value for the island as a result of hosting the event, with more than 80% of that amount spent on-island. We expect golf tourism to play a major part in the island's tourism recovery, especially with golfers in the northeast United States likely still anxious about golf trips to Florida this winter.

Additionally, the BTA plans to continue with year two in a three-year deal as the destination partner of the US Open Tennis Championship in New York. The brand exposure associated with that event has proved valuable to the island's sports tourism ambitions, including an official United States Tennis Association event in Bermuda scheduled for April 2021. The BTA also plans to be the destination partner for the 2021 ITU World Triathlon Series and 2021 ITU World Triathlon Grand Final.

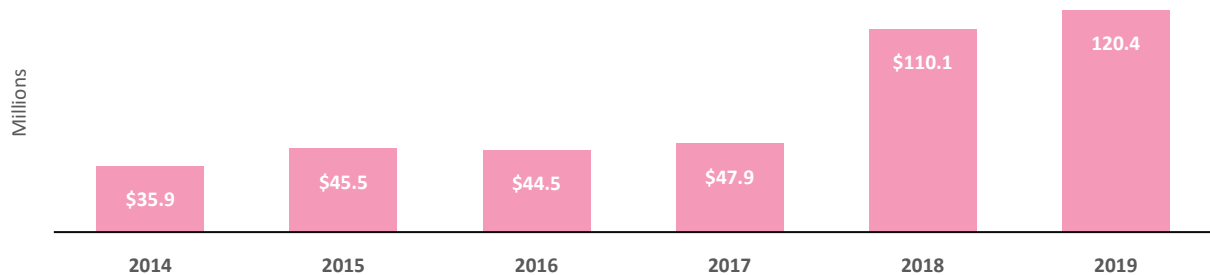
The golf and tennis audiences align well with Bermuda's recently deployed strategy around superyachts, providing a bright opportunity for the tourism industry and other sectors of the island's economy. Enacted in January 2020, the Superyachts and Other Vessels (Miscellaneous) Act 2019 sets new allowances based on size for superyachts (24 meter/78 foot) to acquire cruising and charter permits and stay in Bermuda without onerous regulations. This act should attract more visits during the spring and fall seasons as superyachts transition between the Caribbean and Europe. We believe allowing nautical activity to happen freely in Bermuda going forward will enhance the island's tourism economy through direct spending and tax revenue from high net worth individuals.

In another element of sea travel, the cruise industry, which has suffered significant losses in 2020 as a result of the COVID-19 pandemic, is expected to return in 2021. Bermuda has always been a coveted destination for cruise lines, however, in 2020, we have seen more than 80% of our cruise calls cancelled for the year. We believe the cruise cancellations equate to an estimated 423,317 passengers and \$95 million in direct visitor spending lost. We believe that Bermuda's strong position as a destination of choice will lead to the return of lost cruise travel business, and potentially more quickly than many other travel destinations in the region, particularly given the measures taken by the Government to effectively control the spread of COVID-19.

Cruise Passengers



Cruise Passenger Spending



Furthermore, through implementation of the National Tourism Plan for Bermuda 2019-2025 (“NTP”), we expect tourism to contribute \$1.2 billion to GDP with an expected average of 4.5% leisure visitor growth over the NTP period, 30% of summer visitors to arrive by plane (an increase from 25% in 2016 and 2017), 56% of leisure arrivals to be from September to May (an increase from 52% in 2017) and 8% of leisure air arrivals to be African Americans (an increase from 4% in 2017 and 2018).

Ultimately, a faster return to normalcy than others in the region is the goal of Bermuda’s tourism industry. With a strong track record of protecting the island community from COVID-19 contagion and a good opportunity to leverage that story in the recovery, we believe we are in a position to deftly navigate the uncertainty that still lies ahead.

Retail Sales

Total gross turnover, defined as total dollar value of retail store sales, was \$1,125.1 million in 2019, which represents a 2.3% decline compared to 2018. Although retail sales declined, the unemployment rate in 2019 (November rate) fell from 4.5% to 3.8% and employment income grew by 2.2%.

Every sector in the retail sales index (the “RSI”) recorded sales declines in 2019, with the exception of food and liquor stores. Apparel stores experienced the greatest fall in sales of all sectors, with a decrease of 12.3% as compared to the prior year. Eight of the 11 months in 2019 recorded double-digit sales declines, with the largest monthly decrease being over 20% in January. The average reduction in sales of 12% has been attributed by retailers to lower demand for the products being sold.

Motor vehicle stores recorded the next largest reduction in sales of all sectors. The sales level recorded in this sector was led by an average decline of 22.9% during the three months of August, September and November. The average monthly decrease in this sector was 11.3%. Sales declined due to demand for vehicles.

Monthly receipts in the building material sector dipped by an average of 9.5%, due in large part to fewer purchases related to both general sales and contract sales of building-related materials.

The only sectors to record an increase in sales were food and liquor stores. The 2.0% average growth in sales for these sectors for 2019 was mainly the result of marginal changes in the demand for various different types of food throughout the year. Liquor store sales increased marginally by 0.1% as consumer spending patterns were almost identical to the previous year.

The latest available data for the RSI is through April 2020. For the four-month period ended April 30, 2020, local retail sales declined to \$327.2 million from \$348.4 million in the comparable period of 2019. Combined local and overseas retail sales declined to \$390.5 million for this period from \$414.9 million for the comparable period of 2019, due in large part to the reduced economic activity resulting from measures taken by the Government in response to the COVID-19 pandemic.

For the four-month period ended April 30, 2020, all sectors in the RSI recorded decreased sales activity, with the exception of food and liquor stores. Apparel stores experienced the largest decline in sales of all sectors, falling by 46.8% from the comparable period of 2019. Monthly sales in motor vehicle stores declined by 33.4% from the comparable period of 2019. The losses in both sectors were the result of temporary store closures as a result of COVID-19.

Construction

During 2019, the value of new projects started decreased by 9.7% from \$105.3 million in 2018 to \$95.1 million in 2019. However, the estimated value of work put in place during the same time period increased by 15.1%, from \$209.5 million in 2018 to \$241.2 million in 2019. In 2018, work began on the Bermudiana Beach Resort, which was the largest new project begun during the year, along with various other smaller projects including quite significant residential projects. In 2019, although the development at Albuoy's Point was started, there were not enough other projects to surpass the previous year's figures.

During the first calendar quarter of 2020, the value of the work performed in the construction industry decreased by 64.6%, from \$75.8 million in the first calendar quarter of 2019 to \$26.8 million in the first calendar quarter of 2020. Of the work performed in the construction industry in the first quarter of 2020, an estimated 11.6% represents residential construction. The value of new projects started in the first calendar quarter of 2020 was \$4.4 million, as compared to \$15.3 million in the first calendar quarter of 2019. Work on roads, bridges and airports contributed 44.4% to the total amount of activity in the industry.

During the first calendar quarter of 2020, residential construction created 18 new units, which is the same number of units created in the first quarter of 2019. During the same period, two studio apartments were constructed compared to one in 2019. Nine one-bedroom apartments were constructed, three less than the same period in 2019. Two-bedroom construction fell from four units in the first quarter of 2019 to two units in the first quarter of 2020. Three bedrooms and over increased by four units from one to five units during that period.

Additionally, the Riddell's Bay (Warwick Parish) Special Development Order (the "SDO") 2020 was debated and approved by the House of Assembly on July 17, 2020 and by the Senate on July 20, 2020. Ratification of the SDO will result in a new multi-million dollar development led by Bermudians, as well as the creation of one of the largest privately held and publicly accessible conservation areas. Specifically, the SDO will grant subdivision approval for the purposes of residential development and also create new conservation lands. A total of 18 vacant lots will be approved, with each lot developed with a detached house. Additionally, two significantly sized vacant conservation lots will be approved, with each lot comprehensively planted and restored to provide a number of environmental and public benefits. Such benefits are to include the re-establishment of diverse native and endemic ecosystems, opportunities for passive recreational use and public access to 64 acres of conservation land.

We believe the SDO has the potential to inject an estimated \$75 million of capital investment into the Bermuda economy, provide stimulus to various business sectors including construction and landscaping, real estate and other retail and service industries and, most importantly, provide jobs for Bermudians. Lastly, we believe the SDO is an example of a successful partnership between the developer, environmental groups and the Government to achieve a balanced development in the public interest.

Major construction projects (2016-2019)

	For the calendar year ended December 31,			
	2016	2017	2018	2019
	(dollars in millions)			
Value of new projects started	\$ 96.3	\$ 596.1	\$ 105.3	\$ 95.1
Type of Project:				
Residential	33.2	61.7	41.8	40.3
Commercial.....	29.5	23.3	21.6	26.7
Tourism.....	9.5	36.5	31.8	42.7
Social ⁽¹⁾	4.4	5.0	8.6	11.6
Infrastructure ⁽²⁾	5.6	51.1	100.6	107.1
Industrial	11.9	6.6	5.1	12.8
Total	\$ 94.2	\$ 184.3	\$ 209.5	\$ 241.2
Sector:				
Public.....	29.9	37.2	37.1	40.0
Private	64.3	147.1	172.3	201.1

Source: Department of Statistics, Bermuda.

(1) Schools, hospitals and community centers.

(2) Roads, bridges and airports.

The Government's planned capital expenditure program for the 2020/2021 fiscal year budget is \$85.0 million. Along with private sector projects, the Government will continue to provide stimulus to the construction sector with its capital expenditure program. The Government anticipates upgrading the parliament building, purchasing new busses and ferries and continuing its road work improvements.

Manufacturing and Agriculture

Manufacturing

Bermuda has limited manufacturing activity. Bermuda's manufacturing sector accounted for 0.6% of GDP in 2018 and approximately 1.5% of total employment in 2019. Primary activities include ship repairs, boat-building and the manufacture of paint. Bakeries, bottlers and other food processors operate for local consumption. Given Bermuda's high wage rates and lack of natural resources, little growth is expected in this area.

Agriculture

Once largely an agricultural island with fertile land that supplied vegetables and other crops to the United States, Bermuda currently has limited agriculture because of escalating property values. Acreage under cultivation has declined from 3,000 acres in 1920 to less than 400 acres currently. As such, Bermuda is highly dependent upon food imports. Cattle and goats are raised primarily for dairy purposes, and pigs and poultry are raised for domestic consumption. There is a small fishing industry, primarily for domestic consumption.

Government

In comparison with developed countries, the public sector in Bermuda remains small relative to the size of Bermuda's economy, reflecting primarily the absence of significant defense and overseas representation costs which are provided by Great Britain. Total government expenditure in 2018 was 15.5% of total GDP, with government expenditure in 2019 projected to be approximately 15.7% of total GDP.

The following table shows historical government revenues and expenditures as a percentage of GDP for the calendar years indicated:

Central government revenue and expenditure (expressed as a percentage of nominal GDP)

For calendar year ended December 31,	Revenue	Current account expenditure	Capital expenditure	Total expenditure
2015	13.2%	16.5%	0.7%	17.2%
2016	13.8%	15.5%	0.6%	16.1%
2017	13.8%	15.3%	1.1%	16.4%
2018	14.6%	14.8%	0.8%	15.5%
2019 ⁽¹⁾	14.8%	14.9%	0.8%	15.7%

Source: Department of Statistics, Bermuda, and the Accountant General.

(1) Estimated.

Employment, Union Representation and Salaries

Employment

Based on preliminary 2019 employment data, the total number of jobs in Bermuda increased by 1.3% from 33,862 in 2018 to 34,303 in 2019. The unemployment rate was 3.8% in the Labor Force Survey (based on the reference week of November 13 to May 19, 2019), down from 4.5% for 2018. Unemployment declined from 1,642 people in 2018 to 1,394 by 2019. Furthermore, Bermuda's employment is expected to benefit from initiatives such as development in FinTech and numerous hotel and airport redevelopment projects.

Approximately 69.3% of the jobs in Bermuda in 2019 were held by Bermudians, 22.9% by non-Bermudians, and 5.6% by non-Bermudian spouses of Bermudians. The employment survey is conducted in August of each year.

The following table sets forth certain summary employment statistics for the years indicated:

	As of December 31,			
	2016	2017	2018	2019
Bermudians	23,494	23,667	23,620	23,774
Non-Bermudians	8,085	8,124	7,570	7,869
Non-Bermudian spouses of Bermudians	1,902	1,862	1,877	1,925
Total	33,481	33,653	33,862	34,303
Percentage of jobs held by Non-Bermudians .	24.1%	24.1%	27.9%	28.6%

Source: Department of Statistics Employment Survey.

The following table sets forth the number of jobs by economic sector for the years indicated:

	As of December 31, ⁽¹⁾			
	2016	2017	2018	2019
Agriculture, forestry and fishing	592	598	571	555
Manufacturing	575	568	537	521
Electricity, gas and water	322	323	314	294
Construction	1,954	1,994	2,136	2,224
Wholesale trade and motor vehicles	1,386	1,446	1,439	1,442
Retail trade and motor vehicles	2,757	2,754	2,797	2,716
Hotels	2,104	2,197	2,383	2,552
Restaurants, cafes and bars	2,023	2,174	2,164	2,129
Transport and communications	2,009	1,988	1,889	1,918
Financial intermediation	2,332	2,409	2,267	2,218

	As of December 31, ⁽¹⁾			
	2016	2017	2018	2019
Real estate and rental	448	468	469	484
Business services	3,602	3,644	3,579	3,630
Public administration	3,767	3,684	3,766	3,916
Education, health and social work	3,722	3,711	3,725	3,830
Other community, social and personal services.....	2,056	1,896	1,841	1,879
International business activity	3,832	3,799	3,985	3,995
Total	33,481	33,653	33,862	34,303

Source: Department of Statistics Employment Survey.

(1) As of or for the year ended December 31 of the year indicated, using employment figures based on preliminary data produced by the Department of Statistics.

Union Representation

Employees in certain industries, such as hotels, restaurants and public utilities and airport employees, are represented by unions. The majority of Bermuda's employees currently are represented by labor unions. Relations between employers and organized labor have been generally stable.

The Government has seven agreements with six union partners. Most of the collective bargaining agreements between the Government and its union partners have expired or will expire during the course of 2020, with the renewal of the Bermuda Police Association and the Prison Officer's Association agreements yet to be finalized, and the agreement with the Bermuda Industrial Union having expired in December 2019. Notably, only one open item remains to be agreed for the renewals of both the Bermuda Police Association and the Prison Officers' Association agreements, that of contributory health insurance benefits. All other provisions have been agreed.

Currently, the Government is in the process of negotiating a one-year austerity measures agreement with all of its union partners, which will expire in July 2021.

Talks will commence with respect to new negotiations for all unions following the conclusion of the austerity measures agreement negotiations.

Salaries

With real GDP for the 2019 calendar year estimated at \$6.6 billion, Bermuda maintained a high per capita nominal GDP of approximately \$114,914, with Bermuda jobs paying relatively high annual salaries. The following table shows a breakdown of income by employment for economic sector for the 2017 and 2018:

Occupational distribution of employment and average income by job, 2017 and 2018

	As of December 31,			
	2017		2018	
	Number	Median Income	Number	Median Income
Agriculture, forestry, fisheries, mining and quarrying ...	598	\$ 42,964	571	\$ 43,132
Manufacturing	568	\$ 55,169	537	\$ 57,882
Electricity, gas and water.....	323	\$ 85,482	314	\$ 84,825
Construction.....	1,994	\$ 57,668	2,136	\$ 58,262
Wholesale trade and motor vehicles	1,446	\$ 49,992	1,439	\$ 51,000
Retail trade and repair services.....	2,754	\$ 47,301	2,797	\$ 47,089
Hotels.....	2,197	\$ 37,728	2,383	\$ 37,988
Rest., cafes and bars	2,174	\$ 38,158	2,164	\$ 40,800
Transport and communications	1,988	\$ 56,121	1,889	\$ 57,708
Financial intermediation	2,409	\$ 82,442	2,267	\$ 84,110
Real estate and rentals	468	\$ 63,522	469	\$ 65,676
Business service.....	3,644	\$ 74,411	3,579	\$ 74,727

	As of December 31,			
	2017		2018	
	Number	Median Income	Number	Median Income
Public administration.....	3,684	\$ 75,956	3,766	\$ 76,680
Education, health and social work.....	3,711	\$ 73,635	3,725	\$ 74,294
Other community, social and personal services	1,896	\$ 47,153	1,841	\$ 49,563
International business activity	3,799	\$138,337	3,985	\$139,200

Source: Department of Statistics, Bermuda.

Balance of Payments and Foreign Trade

Bermuda is almost entirely dependent on imports, given the nature of its economy. Since Bermuda has few commodity exports, it consistently records a large merchandise trade deficit. However, revenues from the service industries and factor income from international business (invisible exports) normally ensure a surplus in the current account of the balance of payments.

The following table sets forth the compared of the balance of payments on a historical basis for the years indicated:

Balance of payments

	Year ended December 31,				
	2015	2016	2017	2018	2019
	(dollars in millions)				
Exports	\$ 21	\$ 19	\$ 19	\$ 17	\$ 16
Imports	940	980	1,094	1,100	1,152
Merchandise trade balance (deficit)	(918)	(961)	(1,077)	(1,084)	(1,136)
Services and primary income - receipts	3,174	3,235	3,378	3,510	3,567
Services and primary income - payments ..	1,125	1,234	1,229	1,359	1,487
Secondary income (net).....	(166)	(177)	(200)	(173)	(182)
Current account balance.....	964	863	872	894	763
Capital and financial account					
Net financial account balances:					
Direct investment	(59)	(169)	(247)	131	42
Portfolio investments	(1,483)	401	(698)	917	(568)
Other investment (including derivatives)					
.....	789	(1,053)	153	(1,958)	(304)
Reserve assets	(7)	(10)	(21)	10	(10)
Total net financial account	(760)	(831)	(813)	(901)	(840)
Total net capital account.....	-	-	-	-	-
Total net lending	760	831	813	901	840
Balancing item	\$(205)	\$(33)	\$(59)	\$ 6	\$ 78

Source: Department of Statistics, Bermuda.

Balance of Payments Developments

Bermuda's balance of payments has displayed a persistent current account surplus over a number of years. This is mainly due to the contributions of employee compensation from the international business sector. The balance of goods is negative due to the fact that most goods are imported, while there is a surplus in services and travel. The current account is currently estimated to account for 13.8% of 2018 Real GDP, similar to the figures of oil exporting countries. This indicates the significance of the international business sector, and Bermuda's ability to retain and expand the sector. Since receiving Solvency II equivalence in 2016 Bermuda's commercial (re)insurers and insurance

groups have certainty that they would not be disadvantaged when competing for, and writing, business in the EU. This has encouraged (re)insurers to domicile in Bermuda, further improving its balance of payments position.

Employee compensation from the international business sector, which is an indicator of foreign exchange exports, increased from \$1.39 billion in 2018 to \$1.43 billion in 2019. Air arrivals have decreased from 281,887 in 2018 to 269,478 in 2019, which has negatively affected Bermuda's balance of payments position due to the corresponding reduction of foreign currency spent in the Bermuda economy. Imports of goods grew from \$1,072 million in 2018 to an estimated \$1,123 million in 2019, which has negatively affected Bermuda's balance of payments position.

The financial account of Bermuda shows significant variation from year to year with large increases and decreases in both acquisition of foreign assets and incurrence of liabilities. Banks perform transactions with entities outside of Bermuda relating to international business services and consequentially large fluctuations occur in the financial account. Bermuda's net international investment position was positive at \$3.3 billion at December 31, 2019. All sectors, with the exception of non-financial corporations are net creditors with non-financial corporations being net debtors with the rest of the world at \$2.1 billion at December 31, 2019. However, this amount stems from direct investment which is less likely to move outside of Bermuda. Financial corporations are net creditors at \$5.2 billion at December 31, 2019, with this position stemming from non-resident deposits invested in overseas portfolio investment.

Foreign liabilities are mostly comprised of debt and equity securities, with financial derivatives amounting to \$32 million as of December 31, 2019.

Current account surpluses are required to maintain the currency board, while Bermuda insulates itself from being a debtor country vis-à-vis the rest of the world. The BMA has sufficient reserves to cover its M0 monetary base, thus satisfying its role as an authority of an orthodox currency board. The M0 money supply stands at \$142 million while the BMA reserves of external assets stand at \$152.0 million as of December 31, 2018 indicating that adequate reserves are available to cover all notes and coins in circulation in Bermuda dollars. The coverage ratio was 106.6%.

Overall, the balance of payments reflects a reliance on employee compensation and service exports. To the extent that Bermuda remains a competitive jurisdiction for international business, foreign exchange receipts will support both the currency board and also improve Bermuda's ability to generate income for its residents.

Current Account

The balance of payments continues to record relatively large current account surpluses, an indicator of strength in the Bermuda economy. The net balance in the current account fell by \$131 million, or 14.7 %, from \$894 million in 2018 to \$763 million in 2019.

The trade deficit on goods was estimated at \$1,136 million for 2019, which represents an increase in the deficit of \$52 million compared to 2018. The trade deficit on goods is primarily explained by three factors:

- The inherent need to import products due to Bermuda's lack of natural resources;
- The weakness of Bermuda's capacity to export products and the strength of the consumer's spending power in Bermuda; and
- High demand for imported products.

International business, business services and tourism are Bermuda's primary sources of foreign exchange earnings. The Department of Statistics estimates that during 2019 tourism and international business combined to provide \$2.7 billion in foreign currency receipts, with international business providing an estimated \$2.1 billion and tourism providing an estimated \$6.0 billion in foreign currency receipts. The amount of foreign currency received from these two sectors of the economy represented 69.9% of the total balance of payments current account receipts.

In the first quarter of 2020, imports totaled \$261 million, which represented a 5.0% increase when compared with the corresponding quarter of 2019. The majority of the imports are sourced from the United States (approximately 66.1% of total imports), while Canada provides 14.0%, the Caribbean 3.7%, the United Kingdom 3.8%, and the remaining 12.3% are from other countries.

Capital and Financial Account

For 2019, the total net financial accounts recorded a net lending to foreigners of \$840 million and total net lending to foreigners was \$840 million.

Money Supply and Foreign Currency Position

Bermuda Dollar Money Supply and Foreign Currency Position

The movement in the money supply (Bermuda dollar only) reflects the broad economic climate in Bermuda and the overall level of financial intermediation by local banks. The money supply shrunk by 0.4% in the fourth quarter of the 2018/2019 fiscal year on a year-over-year basis to \$3.5 billion. The following table shows historical money supply figures at year-end for the years indicated:

	Money supply			
	2016	2017	2018	2019
		(In US\$ millions)		
Notes and coins in circulation ⁽¹⁾	137	141	142	152
Deposits.....	3,448	3,441	3,451	3,427
Banks and deposit companies	3,585	3,582	3,593	3,579
Less: Cash at banks and deposit company	(46)	(43)	(43)	(43)
Bermuda money supply	3,540	3,538	3,550	3,536
% growth (year-over-year).....	(0.01)	(0.04)	0.4	(0.4)

Source: Bermuda Monetary Authority.

(1) Notes and coins in circulation include the supply of Bermuda dollars only.

In relation to base rate, Butterfield Bank's Bermuda dollar base rate is 4.75% for Consumer Loans (from September 23, 2019) and Residential Mortgages (from December 6, 2019). On the other hand, HSBC Bank of Bermuda Limited's Bermuda dollar base rate for personal banking customers as of May 1, 2020 was 3.5%.

Foreign Currency Position

The net foreign currency position of the banking and deposit-taking sector had a surplus in the fourth quarter of the 2018/2019 fiscal year, with net foreign currency assets exceeding net foreign currency liabilities by \$256 million. The net position declined by \$191 million on year-over-year basis from a surplus of \$448 million in fourth quarter of the 2017/2018 fiscal year, as a result of an increase in net foreign currency liabilities by 22.2% as compared to a slower increase in net foreign currency assets of 20.3%.

The following table shows Bermuda's foreign currency positions for the time periods indicated:

	Foreign currency position			
	2016	2017	2018	2019
		(In millions of U.S. dollars)		
Total foreign currency assets	18,582	17,855	16,847	20,345
Less: Other assets.....	(300)	(246)	(234)	(346)

Less: Foreign currency loans to residents.....	(887)	(1,118)	(1,215)	(1,477)
Net foreign currency assets	17,395	16,492	15,398	18,522
Foreign currency liabilities	(17,017)	(16,031)	(14,861)	(18,172)
BD\$ deposits of non-residents ...	(162)	(169)	(89)	(93)
Net foreign currency liabilities ..	(17,179)*	(16,201)	(14,950)	(18,265)
Net foreign currency position (consolidated)	215*	291	448	257

* Balance shows the most conservative net holding of foreign currency in the Bermuda banking system by deducting (i) all foreign currency liabilities, (ii) foreign currency loans to Bermuda residents, (iii) other nominal assets held in foreign currency and (iv) Bermuda dollar deposits by non-residents.

Source: Bermuda Monetary Authority.

Inflation

Bermuda's inflation rate closely tracks the rate in the United States, because Bermuda's exchange rate is pegged to the U.S. dollar and the Government bears an open capital account. The slight divergence in Bermuda's inflation rate reflects its high retail prices due to duty rates on imports and the current law (which is in the process of being amended) requiring most local companies to be at least 60% Bermudian-owned (locally-owned stores lack economies of scale). However, the dominance of U.S. dollar transactions in the international financial services and tourism sectors and Bermuda's dependence on imports (principally from the United States) means that Bermuda's inflation rate has generally mirrored U.S. trends.

As of April 2020, Bermuda's change in headline rate of inflation was 0.0% when compared to April 2019. As of the same month, the average inflation rate was 0.6%, with health and personal care and food showing the highest rates of inflation in 2020, at 3.9% and 2.6% respectively, and rent experiencing the lowest rate of inflation at negative 0.7%. As of April 2020, the 12-month average rate of inflation was also 0.6%. The CPI increased at an average annual rate of 1.0% in 2019. In 2019, the largest price increases were recorded in the health and personal care, food, rent and tobacco and liquor sectors.

The increases in price levels of the health and personal care sector were the most significant contributor to the level of inflation in 2019. The average rate of price increases for this sector was 3.4%, which can primarily be attributed to the average cost of health insurance premiums increasing by 3.1% in April 2019.

During 2019, the monthly increases in price level for the food sector ranged from 1.7% to 3.3%, with the average rate being 2.7%. The 3.3% price increase recorded in February was the largest increase, with the next highest figure of 3.0% recorded in August and December. Eight of the 11 months recorded year-over-year price increases of 2.5% or higher.

The rent sector experienced moderate cost increases at an average rate of 1.0% in 2019. Costs in this sector rose in large part as a result of increases in the cost of rental properties not subject to rent control. Also, on average, the land tax bill for residential properties rose after adjustments to the tax rates in July.

The prices in the tobacco and liquor sector climbed at an average rate of 3.8% in 2019, which was the result of increases in the average costs of beer, wines and spirits throughout the year.

The following table shows comparative inflation rates for Bermuda and key trading partners for the years indicated:

Comparison of Inflation Rates (%)

	For the year ended December 31,			
	2016	2017	2018	2019
Bermuda ⁽¹⁾	1.5	1.9	1.4	1.0
United States ⁽²⁾	1.3	2.1	2.4	1.8
Canada ⁽³⁾	1.4	1.6	2.3	1.9

United Kingdom ⁽⁴⁾	1.8	3.6	3.3	2.6
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Sources:

- (1) Department of Statistics, Bermuda.
- (2) U.S. Bureau of Labor.
- (3) Statistics Canada.
- (4) United Kingdom Office of National Statistics.

PUBLIC FINANCE

Overview

Bermuda's public sector represents a relatively small percentage of GDP compared to the major developed economies.

Total current account spending, including debt service as a proportion of nominal GDP in 2018 was 14.8%, with capital expenditure of \$56.6 million, or 0.8% of nominal GDP. Before the global economic and financial crisis in 2008 and 2009, the Government's economic planning and budgetary measures helped the economy grow at an acceptable rate. Public debt was kept within the limits set by law and the Government's stated policy. Subsequent to the financial crisis, net Government debt increased and was \$2.397 billion at the end of the 2016/2017 fiscal year when the current government came into office. Bermuda was not unique in facing the economic challenges resulting from the global crisis. The administration's policy response during this difficult and challenging period was to protect vital sectors of the economy through tax concessions and relief, which was financed by borrowing. The administration during this time also tried to maintain the focus on sound social policy and programs and strived to preserve key delivery of Government services. The current administration considers the rise in debt as unsustainable and recognizes that it will take time to bring the fiscal position in line with the debt targets set. Meanwhile, the Government will focus on targeted investment in growth, while maintaining fiscal discipline to reduce the debt to more manageable levels.

When the current Government took office in July 2017, net debt stood at \$2.397 billion and the debt ceiling at \$2.5 billion. The Government came in with a focus on prudently managing the country's finances on behalf of the people of Bermuda and committed to a strategy of not increasing the debt ceiling. The Government was successful in honoring that commitment in the 2017/18 and 2018/19 fiscal years and was on track to do so again in fiscal 2019/2020.

However, in July 2019, in anticipation of borrowings to fund the purchase of indebtedness related to the guarantees associated with the stalled Caroline Bay project, the debt ceiling was increased by \$250 million to \$2.75 billion. The Government subsequently entered into a \$200 million short-term credit facility with local financial institutions to (i) purchase the project's Tranche B and Tranche C loans, (ii) acquire the claims of the project's general contractor and local subcontractors, (iii) fund expenses associated with implementing a remediation plan to protect the physical assets on the site and (iv) fund expenses associated with professional advisers.

At the end of March 2020, net debt stood at \$2.68 billion, an increase of approximately \$280.0 million over the July 2017 balance. The primary components of this increase were as follows:

- Approximately \$187.0 million related to payment of obligations under the Caroline Bay project guarantees and related costs; and
- the remainder to finance capital expenditures in the 2017/2018, 2018/2019 and 2019/2020 fiscal years.

Bermuda prepares the annual financial statements of the Consolidated Fund in accordance with public sector accounting standards generally accepted in Bermuda and Canada. Bermuda does not prepare interim financial reports at this time.

Bermuda maintains its accounts on an accrual basis with a fiscal year-end of March 31. The financial statements are prepared in accordance with Sections 5 and 32A of the Public Treasury (Administration and Payments) Act 1969. The Consolidated Fund financial statements present the financial position, results of its operations and changes in net debt and cash flows resulting from the Consolidated Fund only. These financial statements are not summary consolidated financial statements of the Government. Separate financial statements are prepared for most other Government organizations, which includes the Government's pension funds, and all Government-controlled entities.

The Office of the Auditor General is the auditor of all public funds and Government-controlled entities. The Auditor General is appointed by the Governor. Each year the Auditor General makes an annual report to the House of Assembly. The report is issued pursuant to section 101 of the Bermuda Constitution Order 1968 and the Audit Act 1990 (the “Audit Act”). As required by the Constitution and legislation, the report is addressed to the Speaker of the House of Assembly. The Audit Act prescribes the content of the Auditor General’s annual reports. Generally, it allows the Auditor General to report any matter that merits the attention of the House of Assembly. Specifically, it permits the Auditor General to comment on the accounting policies employed in preparing the accounts and any other matters the Auditor General considers appropriate.

The latest report of the Auditor General was released in June 2019 on the Consolidated Fund for the 2017/2018 fiscal year. The report noted, among other items, borrowing and the plan to reduce the deficit and public debt, pension and employee benefits, public authority financial statements in arrears, the consolidated financial statements, and taxpayer indebtedness to the Government.

The Office of the Auditor General audited the historical financial statements of the Consolidated Fund for the 2018/2019 fiscal year, which is not included or incorporated by reference in this offering memorandum. See “Presentation of Economic, Financial and Statistical Information.” It was the independent opinion of the Auditor General that the annual accounts of the Consolidated Fund are presented fairly, in all material respects, and in accordance with Bermuda GAAP. This unqualified opinion is consistent with the March 31, 2013 through 2017 audit reports. The March 31, 2018 accounts were qualified, however the items that precipitated the 2018 qualified opinion were rectified, resulting in a return to a clean opinion for the 2019 audit. As mentioned above, under the Audit Act 1990, section 6(1)(b), the Auditor General is able to include in her report, any other comments she considers appropriate. In the March 31, 2019 report, the Auditor General has, for the eighth consecutive year, included an additional explanatory paragraph as ‘other information,’ which discusses the increased level of net debt and guarantees and the need for the Government to take action to reduce the total amount of debt outstanding and explains that the usefulness of the financial statements is limited because they are not “Summary Financial Statements.” That is they do not represent the combined financial position and activities of all Government entities, only the Consolidated Fund. These explanatory paragraphs do not alter the Auditor General’s unqualified opinion but are rather highlighted matters.

The statutory independence of the Auditor General is established in the Constitution of Bermuda and the Audit Act 1990, which enables the Auditor General to carry out their mandate independent of the Government and its administration.

The Government has been allocating additional resources to improve overall financial reporting in the public sector, and, pursuant to the Internal Audit Act 2010, established a separate internal audit department as an independent governmental department to further this goal. Also, the Office of Project Management and Procurement (the “OPMP”) was established in 2011 to act as the Government’s center of excellence for procurement and project management related matters. To ensure transparency, consistency and objectivity in the tendering process, most contract awards must be vetted and signed-off by the OPMP before proceeding to the Cabinet.

When the Auditor General presents a report in the House of Assembly, it is automatically referred to the Public Accounts Committee, a Parliamentary standing committee. The Public Accounts Committee then selects the portions of the report it wants to scrutinize and calls public servants from audited organizations to appear before it to respond to the Auditor General’s findings. The Public Accounts Committee also reviews any other special audit reports presented and examines and comments on issues raised in the Auditor General’s reports. The committee then presents its report and makes recommendations to the Government for improvements in spending practices and requests that the Minister of Finance formally reply to the points raised in the report, and it is debated including input from the relevant and accountable Ministries and Ministers.

Bermuda also produces an annual budget in February of each year, which contains a forecast of revenue and expenditure for the upcoming year.

Public Finance Policy

As part of both the OBA’s and PLP’s focus on improving management of the Bermuda economy, the Government has taken measures to impose discipline on the management of public finances in order to reduce deficits.

Accordingly, the Government will continue with its fiscal consolidation strategy of controlling primary current account spending over the next several years and enhancing revenue by broadening the tax base and implementing policies that generate income from economic growth.

In early 2013, the former Minister of Finance introduced the Sage Commission Bill, which was officially published on April 1, 2013. The new law established the Spending and Government Efficiency Commission (the “Sage Commission”), which was tasked with the responsibility of streamlining government processes, improving delivery of public services and making the Government more efficient, cost-effective, transparent and user-friendly. The Sage Commission sought to determine the best means of structuring Government, streamlining Government processes, improving delivery of services and introducing cost-saving measures coupled with greater transparency. The Sage Commission Report, dated October 31, 2013, identified a number of challenges relating to Government operations and recommended several transformative measures. The former Government used the SAGE Report and the recommendations contained therein combined with the many reviews and reports conducted by internal resources, as well as external consultants, as the foundation for formation of the Public Service Reform Initiative (“PSRI”).

The former Government established a Public Service Reform Strategic Framework which was completed and adopted by the PSRI. To this end, several working groups were established. These included:

- The Human Resources Working Group,
- The Asset Rationalization Working Group,
- The Digital Services Working Group, and
- The Pension and Benefits Working Group.

The current Government has conducted an in-depth review of all of the work undertaken under the public service reform initiative and the output of the former working groups has been considered. Initiatives that are consistent with the new government’s vision have continued, some of which have been implemented, and new work that represents new innovative thinking has also commenced.

The current Government’s goal is to enact substantive and meaningful changes for the betterment of Bermuda. To this end the former Ministry for the Cabinet Office with Responsibility for Government Reform partnered with a local accounting firm to deliver a strategic plan that, over time, will change the way that Government delivers its services. Following extensive research, a Government Reform Strategic Plan was written and submitted to the Government and subsequently approved by the Cabinet. The Government Reform Strategic Plan highlighted the current state of the country and anticipates a vision of “*A future-forward Government for the people of Bermuda*” with the purpose of “*enhancing the lives of the people of Bermuda.*”

In March 2019, Premier, David Burt, JP, MP announced the Plan in the House of Assembly. The Cabinet Office has developed a strategic planning framework that will be used to move this initiative forward. This planning framework served as the starting point towards the building of a comprehensive roadmap to realize Government reform in the areas of administrative process and policies, workplace and information technology infrastructure, human resources, customer service and business development. Additionally, innovation and technology will be a key driver of change as the Government works to achieve one hundred percent paperless processing by 2023.

In 2015, the Ministry of Finance and the BMA established a Financial Stability Framework for Bermuda. To meet the objectives in relation to financial stability a Financial Policy Council (the “Council”), a Financial Stability Committee (“FSC”) and a Fiscal Responsibility Panel (“FRP”) have been established.

The role of the Council is to ensure the overall coherence of financial policy in Bermuda and to provide a channel through which, as necessary, financial policy issues can be exposed to and assessed by the Cabinet. In this respect it takes account of the findings of the FRP. The Council will also be responsible for ensuring that agreed actions are carried through effectively and in a timely manner.

The role of the FSC is to support the Council in discharging of its responsibilities, including particularly the provision of appropriate data and background information and the associated analysis.

The FRP consists of three international experts in public policy finance. The FRP was created to provide an independent, external report of the Government's actual fiscal conduct, as compared to the established fiscal rules. The FRP provides Bermuda's Parliament, Minister of Finance and the Council with an annual published assessment of Bermuda's fiscal strategy, focusing on progress in meeting the Government's medium term objectives for public spending, taxation, borrowing and debt reduction. The FRP has published three reports since its establishment and have made various recommendations. The Government has considered these recommendations and implemented those that it deems appropriate.

Annual Budget

The Annual Budget is the Government's estimates of revenues and expenditures for the upcoming year. In accordance with Section 96 of the Constitution, the Minister of Finance is required to prepare and submit to the House of Assembly as soon as practicable before the beginning of each fiscal year, estimates of revenues and expenditures for the upcoming year. The estimates of expenditure are debated and approved in the House of Assembly. After the estimates are approved, an appropriation law is introduced in the House, which provides for the initial authority to pay funds from the Consolidated Fund.

If in respect of any fiscal year it is found that (a) the amount appropriated for any purpose is insufficient or that a need has arisen for expenditure for a purpose for which no amount has been appropriated or (b) moneys have been expended for any purpose in excess of the amount appropriated for that purpose or for a purpose to which no amount has been appropriated, then the Minister of Finance may designate funds in excess of the amounts appropriated or for a purpose for which no amount has been appropriated and subsequently prepare a supplementary estimate showing the amount of additional expenditure required or spent. Supplementary estimates require a similar approval or ratification process as expenditures approved in the Annual Budget.

The following table compares yearly forecasted revenues used in the budget process and the actual revenues collected:

Bermuda: Track record of Revenue Forecast (Fiscal Years 2015-2019)

	Fiscal years ended March 31,			
	2016	2017	2018	2019
	(dollars in millions, except percentages)			
Total revenue				
Forecast - beginning of year.....	932.3	996.9	1,042	1,090
Actual collections.....	953.6	988.0	1,059	1,090
Forecast error	21.3	(8.9)	17	-
Forecast error (%)	2.3	(0.9)	1.6	-

Source: Ministry of Finance, Bermuda.

Medium-Term Expenditure Framework

In 2014/15, the Ministry of Finance introduced the Medium Term Expenditure Framework ("MTEF") strategy, which established multi-year budget ceilings for the Government. This strategy supports the Government's commitment to eliminate the deficit and ultimately reduce the debt over the medium term. The 2020/2021 fiscal year represents the seventh year of the MTEF. A MTEF program also allows flexibility in the allocation of resources across a series of annual budgets to meet objectives related to debt service and other Government commitments that cannot be achieved in a single budget cycle.

Pre-Budget Report

To increase transparency in the budgeting process, over the last three budget cycles the Government has released a Pre-Budget Report (“PBR”) in advance of the annual budget.

The objective of the PBR is to increase public awareness of the Government’s fiscal and budget policy objectives, and to establish a benchmark for evaluating the conduct of fiscal and budget policy.

The PBR also serves to educate the public and encourage debate on the budget strategy and how effectively it copes with current economic and social priorities. The PBR is intended to provide an opportunity for stakeholders such as business and social groups to understand and comment on options for the next budget. This can give stakeholders confidence that the administration’s budget policies are grounded in longer-term fiscal and budget strategies.

Government Revenue Sources and Tax Policy

Government Revenue Sources

Bermuda has a consumption-based tax system, which has been in place since the 1800s. One of the first legislated taxes, the Revenue Act 1898 made provision for the collection of customs duty and remains in effect today. For the greater part of the 1900s, customs duty accounted for more than 50% of Government revenue. Stamp duties accounted for the next largest share of tax revenue. In the latter part of the 1900s, other forms of indirect taxes were introduced, including payroll tax, passenger taxes, and land tax. The two most important revenue sources are taxes on payrolls and customs duties levied on merchandise imports, which, in the 2018/2019 fiscal year, accounted for 42.5% and 20.5% of Government revenue, respectively. Most other revenue derives from transfer taxes and fees levied on certain transactions, such as the sale or transfer of land or properties; annual fees levied on financial and non-financial companies registered in Bermuda; fees levied on motor vehicles; and fees levied on work permits issued to foreigners.

The Government is projecting budgeting revenue of \$1.12 billion in the 2020/2021 fiscal year, \$3.7 million, or 0.3% higher than the original estimate for the 2019/2020 fiscal year. These estimates were made before the impacts of the COVID-19 pandemic were known.

As a result of the impacts of COVID-19, the combination of lower fiscal revenues and higher public spending, is expected to cause the projected budget deficit of \$19.8 million to increase. Furthermore, the Ministry of Finance estimates that revenue yields for 2020/2021 fiscal year could contract in the range of \$200 million to \$225 million. After factoring in the impact of lost revenue and additional expenses relating to the COVID-19 pandemic and the Government’s responses thereto, the revised deficit for 2020/2021 fiscal year was estimated to be in the range of \$275 million to \$315 million, assuming no cost-saving measures are taken to reduce spending. However, after accounting for the cost-saving measures that the Government has been implementing, the Ministry of Finance is targeting a deficit level for the 2020/2021 fiscal year between \$200 million and \$225 million. Such cost-saving measures include delaying the start of any capital projects that have not commenced (resulting in potential savings between \$20 million and \$24 million), freezing the funding of vacant Government posts that are not required to address COVID-19-related matters or to protect Bermuda’s national interests (resulting in potential savings between \$20 million and \$25 million), banning non-essential government travel (resulting in potential savings between \$1 million and \$2 million) and reducing all discretionary spending, including training, materials and supplies, clothing and uniforms (resulting in potential savings between \$5 million and \$7 million). However, such estimates regarding anticipated cost savings and target deficit levels are based on current projections and assumptions derived from information available to the Government at this time and, accordingly, are subject to change. There can be no assurance as to how much, if any, of such anticipated cost savings from the measures described above will be realized, or as to the deficit level that the Government will achieve.

The most significant increases were in relation to taxes on cruise ship passengers and immigration fees. Other than these adjustments, there were no new or increased taxes contained in the budget for the 2020/2021 fiscal year. Rather, the Government provided payroll tax relief to workers and to small and medium-sized businesses. Also, the payroll tax relief to employers with payrolls of \$500,000 and above for the creation of new jobs in Bermuda was extended.

The total fiscal impact of the payroll tax relief to workers and small- and medium-sized businesses was projected to be a reduction in the Government's payroll tax yield of approximately \$6.4 million.

The following table shows annual revenue by source for the Government since the 2016/2017 fiscal year:

Central Government Revenue by Source

					Estimate 2020/2021		
	2016/2017	2017/2018	2018/2019	Revised Estimate 2019/2020	2020/2021	Percentage of Revenue	2020/2021 as % of 2009/2010
			(dollars in millions, except ratios and other data)				
Customs duties	211.1	223	226	233.5	235	20.9	130
Payroll tax	401.8	456.8	467.5	472.3	467	41.6	135
International companies taxes and insurance	62.6	63.4	64.4	66.3	66.5	5.93	110
Local companies fee	2.7	2.7	2.7	2.8	2.8	0.25	99
Foreign currency purchase tax	20.3	20.9	21.9	25.9	26.2	2.34	114
Land tax	62.4	62.8	79.7	85.4	85.5	7.62	163
Hotel occupancy tax ⁽¹⁾	8	12	9.1	9.6	10	0.89	92
Vehicle licenses and registration fees	29.4	29.3	31	30.9	31	2.77	116
Passenger tax	41	22.2	24.1	31.9	25.2	2.25	72
Transportation and Infrastructure tax	-	-	-	-	11	0.99	-
Stamp duty	23.1	26.7	25.7	22.2	24.6	2.19	98
All other receipts ⁽²⁾	125.6	139.2	137.8	130.2	137.3	12.23	90
Total	988	1059	1090	1111	1122	100	123
% Increase (year-over-year)	3.61	7.17	2.97	1.89	1.01	N.A.	N.A.

Source: 2020/2021 fiscal year National Budget.

(1) Hotel occupancy tax does not include tax collected by the BTA on vacation rentals.

(2) Includes, among others, receipts from postal services, immigration, ferry and bus fares, shipping and air terminal fees, sale of land to foreigners and all other fees and charges.

Tax Policy

The scale of taxes imposed by the Government is broadly in line with those prevailing in the countries with which it conducts the bulk of its foreign trade. In Bermuda, the estimated ratio of total Government receipts in relation to GDP was approximately 16.6% of GDP in 2019. By contrast, for the federal government of the United States, the same ratio was approximately 16.3% of GDP in 2019, according to the Congressional Budget Office Fiscal Year 2019 report. In making the comparison, it is important to note that, as a British Overseas Territory, Bermuda does not bear the costs of an external affairs department, external defense, foreign embassies and membership in international organizations, all of which are provided by the British government. In 2005 (the most recent year for which data are available), such costs were estimated in the range of \$10 million to \$15 million, equivalent to approximately 0.3% of GDP.

Bermuda does not have, nor has it ever had, any form of direct tax on income, although it does levy a payroll tax on businesses. The tax is assessed as a percentage of payroll, with the employer required to remit the tax and permitted to deduct a percentage of the remittance from the employee based on the employee's level of compensation. There is a tiered rate structure for employers that provides generally for lower rates for small- and medium-sized businesses and a special concessionary rate for new businesses that create jobs in Bermuda and are established in certain areas of Bermuda which the Government wishes to develop.

The Government believes that the absence of direct taxation does not justify labeling a jurisdiction a "tax haven." In this regard, Bermuda's consumption-based tax system has been targeted by the OECD Digital Tax initiative known as the GloBE Proposal (also referred to as the BEPS Pillar Two) as an unfair tax system or designed for the purpose of attracting mobile capital. The European Union economic substance criteria labeled Bermuda as a 2.2 jurisdiction for the same reason.

With regard to tax policy, Bermuda is committed to international cooperation and global responsibility. In this regard, Bermuda was the first jurisdiction to ascend from the OECD “Grey List” to the OECD “White List” after its publication on April 2, 2009, and has to date signed 41 TIEAs on a bilateral basis with various countries, and implemented the U.S. FATCA Intergovernmental Agreement. The multilateral tax convention has overtaken bilateral TIEAs whereby the multilateral tax convention has over 130 participating countries constituting Bermuda’s tax treaty network that includes all European Union, G20 and OECD countries. Bermuda’s tax regime applies equally to local and international companies and other entities.

The tax system was designed over 100 years ago for efficiency and fairness to Bermudian taxpayers. It was not designed to attract mobile capital from onshore jurisdictions. Bermuda authorities fight tax evasion through Bermuda’s affiliation with the FATF and the OECD. The recent departure by the OECD from recognizing compliance with international standards on transparency and exchange of information as curing their presumption of harm caused by so called tax havens, in essence saying exchange of information under TIEAs and automatic exchange of CRS and country by country information (“CbCR”) are no longer enough and that low or no tax jurisdictions should be forced to change their tax regimes from consumption based to income based represents an affront to sovereign right over taxation, a right always upheld by the United Nations and World Trade Organization (the “WTO”). Bermuda has raised this matter with the United Kingdom and OECD, since Bermuda is not a member of the United Nations and WTO.

The comparative tax differences that exist in the international arena are due to the nature of the tax model that is adopted by different jurisdictions. In Bermuda’s case, the consumption-based model has proven to be compatible with the operation of an economy based primarily on the provision of financial services activities. Further, the Government believes the scale of taxes levied in Bermuda is comparable to that of developed countries.

As there are no taxes on capital, firms domiciled in Bermuda are able to allocate capital without tax distortions. Subsidiaries or branches that operate in various other countries pay all taxes that are applicable in the country where the business activity occurs. The remaining profits can be reinvested in that country or distributed to the company’s head office.

Tax Reform

Bermuda’s tax system has historically been based on three kinds of taxes: taxes on remuneration such as the payroll tax, taxes on consumption such as customs duties and taxes on property such as the land tax. In the 2015/2016 Budget Statement, the Minister of Finance announced the Government’s intention to commission a review of Bermuda’s tax system. To this end, the Government engaged CARTAC to conduct an analysis of Bermuda’s tax system and make recommendations for tax reform while adhering to certain guidelines by the Government, including:

- No income tax,
- No value-added tax (VAT), and
- The need to raise revenue to help reduce the deficit.

The tax economists from CARTAC consulted widely before providing their report. CARTAC recommended many widespread changes to Bermuda’s tax system and many of their recommendations form the basis for the tax reform measures announced in the 2016/2017 Budget. These measures also took into account consultations with major stakeholders and modifications by the Government.

Payroll Tax

The Government introduced changes to the payroll tax system through the Payroll Tax Amendment Act 2017, enacted in March 2017. This new payroll tax system added a progressive element to the tax rates paid by employees, while raising rates for employers.

Notional Taxable Payroll

The payroll tax system has remained virtually unchanged for the last 20 years. An integral part of this system has included notional salaries for payroll tax purposes (“notionals”). Such notionals are applied to people who are self-employed or principals in small businesses or professional practices, such as health care and professional advisory services in a business or legal context, and who earn income partly or wholly through sharing the profits of the business instead of only through salaried remuneration. A review of these notionals has indicated potential abuse. The Office of the Tax Commissioner has taken steps to tackle systemic abuses of the declaration and payment of tax based on notional income levels, and the Government amended the Payroll Tax Act 1995 to provide that the notional salaries will be replaced with a requirement to declare all income received, on a cash basis.

Consumption Taxes

Consumption tax refers primarily to customs duties on goods. Goods form a diminishing proportion of Bermuda’s services-based economy. The Government, as part of its tax reform plan, altered the structure of customs duties by harmonizing the multiple rates into fewer rates while increasing the customs duty revenues. Also, duties on alcohol and tobacco have been increased over the last few years generating additional revenues. Finally, to encourage healthier choices in the 2019/2020 Budget, the Government introduced a Sugar Tax on certain sugary items through the Customs Tariff.

General Services Tax and Financial Service Tax

In order to broaden the tax base, the Government was considering a new services sales tax, to be called the General Services Tax (“GST”), which would be levied on turnover from the provision of most services by service providers to the public. Given that GST implementation would require significant adjustments in operations, billing, and reporting on the part of service providers and collecting, tracking and enforcement on behalf of the Government, this tax was never implemented. However, pursuant to the Government’s objective of diversifying its tax base, in the 2017/2018 Budget, the Government introduced a new tax called the Financial Services Tax which is for banks, local insurance companies and Money Service Businesses.

Land Tax

In 2015, the Government announced new land tax rates, which were increased to keep land tax revenue intake the same as it was in 2014 year despite lowering annual rental values. The rate on commercial properties was increased from 5.5% to 7.0% in 2016. In the 2018/19 Budget the Land Tax Temporary Amendment Act 2018 increased the land tax rate on commercial properties by 5.0% to an aggregate of 12.0% as a temporary revenue measure.

Tax Reform Commission

In October 2017, the Government established the Tax Reform Commission (the “TRC”) by way of the Tax Reform Commission Act 2017. The mission of the TRC was to examine Bermuda’s tax system for the purpose of determining any measures that may be taken to best enable a system of taxation and revenue collection that is equitable, effective, efficient, competitive and transparent; and to prepare and submit its report and recommendations to the Minister of Finance. The TRC report was made available to the Government in October 2018 and included the following recommendations:

Proposed New Taxes

Description of Tax	Intent of Measure	Impact	Revenue Projection 2020/21 (millions of \$)	Time Frame
Commercial and Residential Rental Tax	Progressive tax based on Annual Rental Value (ARV)	Property owners	41	Within 12 months
General Services Tax	Flat tax based on value of local services	Final user	27.5	Within 24 months
Withholding Tax – Managed Services	Flat tax based on overseas services provided locally	Companies	27.5	Within 12 months
Withholding Tax – Dividend & Interest	Flat tax on value of dividends/interest	Recipient	2.5	Within 24 months

Proposed Reforms to Existing Taxes

Description of Tax	Intent of Measure	Impact	Revenue Change by 2020/21 (millions of \$)	Time Frame
Payroll Tax	Eliminate rate for \$48,000 and under	Employee earnings	(38)	Within 12 months
	Provide relief by lowering rates	Reduction in payroll cost		
Tax on Owner-Manager Declared Dividend	Dividends for owner-managers in scope of payroll tax	Owner-managers	15	Within 12 months
Customs Duty	Reduce cost of staple items and clothing	Final users	(2.1)	Within 12 months
Excise Tax	Increase excise tax on wine			
Land Tax	Restructure land tax	Property owners	(10.1)	Within 12 months
Financial Services Banks and Insurers	Generate additional revenue from bank and insurance fees	Financial services firms and customers	6.1	Within 12 months
Foreign Currency Purchase Tax	Increase rate to 1.75%	Individuals and companies	16.5	Within 12 months
International Company Fees	Align fees with a company's assessed capital by increasing the number of bands	Companies	25.5	Within 12 months
Immigration Fees	Generate more revenue	Companies	3.5	

The Government considered all of the recommendations in the Tax Reform Commission report and introduced the following measures in the 2019/2020 Budget.

Financial Services Tax

Increase the tax on insurance premiums by 1% and increase the tax on bank assets from 0.005% to 0.0075% of its consolidated gross assets as at the end of a tax period. This is expected to yield an additional \$3.4 million in revenue.

Foreign Currency Purchase Tax (FCPT)

Increased the FCPT from 1.0% to 1.25%, which is expected to generate additional revenue of \$4.1 million.

Land Tax

In the 2018/2019 Budget Statement, as a temporary measure, land tax rates on commercial properties were increased by 5.0%, raising an additional \$15.0 million in land tax revenues. This provision expired on June 30, 2019, and the legislation provided for the rates to revert back to 7.0%.

In the 2019/2020 Budget, the land tax rate on commercial properties was increased from 7% to 9.5% and land taxes on tourist properties from 7.0% to 8.0%.

The Land Tax rate structure for residential properties was also amended to increase the yield. These changes are expected to increase land tax collection by \$7 million per annum.

Government Expenditures

The Government utilizes its revenue through distributions to a variety of ministries for wages, goods and services, grants, debt payments and other expenditures. As announced in the 2020/2021 Budget, against the background of moderately improving economic conditions, the Government set the overall budget expenditure including current account and capital account outlays, debt service and the Sinking Fund contributions at \$1.141 billion, \$30.9 million, or 2.8%, higher than in the 2019/2020 Budget. The primary reason for this increase related to proposed increases in capital spending of \$20.3 million to strengthen our infrastructure after periods of underinvestment. This level of spending will enable the Government to service its debt, strengthen infrastructure, provide required education, provide healthcare and security for its citizens, and assist the lower income population.

The following table shows annual expenditure by ministries since the 2016/2017 fiscal year:

Ministry	Estimate 2020/2021						
	2016/2017	2017/2018	2018/2019	Revised Estimates 2019/2020	2020/2021 Estimates	Percentage of Expenditure	2020/2021 as % of 2009/2010
(dollars in millions, except percentages)							
Current Account:							
Non-Ministry Departments	15.1	15.2	15.6	17.8	18.3	1.96	112
Cabinet Office	31.4	31.3	40.7	46	48.2	5.16	176
Legal Affairs	24.3	42.5	45.9	49.1	50.1	5.36	200
Finance (excluding interest on debt and Sinking Fund)	99.1	97.8	101.7	104.2	105.1	11.23	98
Education & Workforce Development	133.2	132.1	135.4	136.9	137.5	14.69	97
Health	185.7	212.5	241.2	249.3	243.2	26.00	124
Transport & Regulatory Affairs	100.6	93.0	61.3	91.5	88.3	9.44	79
Public Works	79.6	72.6	77.2	73.2	73.3	7.83	87
Social Development & Sports	84.7	17.8	17.3	18.9	18.7	2.00	25
National Security	127.8	132.5	136.5	135.1	134.8	14.41	93
Home Affairs	19.3	15.7	15.8	18.1	17.9	1.92	67
Economic Development & Tourism	13.5	30.0	32.5	0	0	0.00	0
Subtotal	914.3	892.9	921.2	940.2	935.6	100	94
% Increase (year-over-year)	1.36	(2.35)	3.17	2.06	(0.49)	N.A.	N.A.
Current account expenditure	914.3	892.9	921.2	940.2	935.6	N.A.	94
Capital expenditure	76.7	56.6	58.6	66.1	85.0	N.A.	143
Interest on debt	120.6	117.8	124.0	119.2	121.4	N.A.	180
Sinking Fund contribution	58.4	62.1	64.2	0	0	N.A.	N.A.

Total	1170.0	1129.3	1168.0	1125.5	1141.9	N.A.	100
.....							

Source: 2020/2021 fiscal year National Budget.

Note: In the case ministerial portfolios have been reallocated and changed over the period of this schedule, all prior years' figures have been restated to maintain comparability.

The following table sets forth the budget deficit since the 2015/2016 fiscal year (based upon Government revenues and expenditures presented in the above tables):

	2015/2016	2016/2017	Revised 2017/2018 (dollars in millions)	2018/2019	Estimate 2019/2020
Deficit	<u>\$ (160.6)</u>	<u>\$ (182)</u>	<u>\$ (70.4)</u>	<u>\$ (77.7)</u>	<u>\$ (14.6)</u>

Source: 2019/2020 fiscal year National Budget. In 2019, the Government Loans Act was amended to provide the Minister of Finance with discretion with respect to making the Sinking Fund contribution. In previous years, it was mandatory.

Total expenditure for the 2018/2019 fiscal year, excluding the Sinking Fund Contribution, was \$1.10 billion with total anticipated 2019/2020 fiscal year expenditure of \$1.12 billion. Projected expenditures for the 2020/2021 fiscal year are \$1.14 billion, not including those COVID-19 related expenditures discussed elsewhere in this offering memorandum.

The Government remains steadfast in prudently managing expenditures and from March 31, 2013 to March 31, 2019, current account spending levels excluding debt service, on a like-for-like basis, were reduced by \$77.6 million, or 7.8%. It has become increasingly difficult to implement further reductions under the current Government structure and the formulaic approach to expenditure cuts in previous budgets. In the future, the Government intends to revise its approach in order to implement further savings, either by way of increased efficiencies or through reforms in the way services are delivered and departments are structured.

To assist with managing this expenditure and in order to determine high-priority policy programs, the Budget Office re-introduced zero-based budgeting ("ZBB") for the 2020/2021 fiscal year. Policy prioritization at the start of the budget process will facilitate a better alignment of the allocation of limited resources with the Government's overall policy initiatives and objectives.

ZBB is a method of budgeting in which all expenditures must be justified, starting from zero. ZBB involves a fundamental re-examination of all department business units and services and justification of funding and performance. This method requires that each department analyze its entire budget request in detail, both current and proposed new services, in order to identify the most effective and efficient methods for service delivery and resource allocation. This analysis includes examination of the services purpose and objectives, alternative service delivery models, proposed service levels and resource requirements, consequences and risks of not providing the service and the benefits and outcomes of each service level. Once the analysis has been completed, all service levels for each department are ranked and a consolidation and final ranking of all the departments within a Ministry is composed.

The following table shows a breakdown of estimated expenditure by department:

Estimated expenditure for the 2019/2020 fiscal year (revised) (dollars in millions)

Non-ministry	17.9
Cabinet office departments	45.9
Legal affairs	49.1
Finance (excluding interest on debt and Sinking Fund)	104.2
Education and workforce development	136.9
Health.....	249.3
Tourism and Transport.....	91.5
Public works	73.2
Labor, Community Affairs and sports	18.9
National security	135.1
Home affairs	18.2

Economic development and tourism.....	0
Interest payments on debt	119.2
Sinking Fund contribution	0

Source: 2019/2020 fiscal year National Budget.

Public Debt

On July 17, 2020, the Government tabled an amendment to the Government Loans Act 1978 to increase the legal limit on government debt (net of the Sinking Fund balance) from \$2.75 billion to \$3.5 billion. The Bill should be passed in the Legislature on July 29, 2020. Any legislative amendment to increase the debt ceiling under the Government Loans Act is similar to any other legislative change and involves the introduction of the amendment into the House of Assembly where it is debated before approval. After this process, the amendment must be debated and approved in the Senate and finally signed into law by the Governor. The decision to increase the debt ceiling was taken to assist the Government to navigate through the COVID-19 pandemic and beyond. The proposed statutory debt ceiling of \$3.5 billion is set at a level to enable funding of the Government and its economic recovery over the next two to three years.

In conjunction with the amendment to the debt ceiling, in 2013 the Government set up debt-related targets, or rules, that were appropriate for an economy the size of Bermuda's. These rules committed the Government to keep public debt at such levels that the net debt/GDP ratio would not exceed 38%. Additionally, Government recognized the desirability of achieving a net debt/revenue ratio that would not exceed 80% and a debt service cost/revenue ratio that would be below 10%. It was stated these were targets the Government would work toward over the medium term. The debt and debt service to revenue targets are the important ones for Bermuda. The Government reaffirms these limits, except for the net debt/GDP ratio which is less relevant for an economy of the size of Bermuda. The Government plans to work towards reducing these ratios to such levels over the medium term.

Guarantees are contingent liabilities to the Government and are not included on the Government's balance sheet, or counted against the debt ceiling, unless the guarantee becomes due and payable by the Government. All guarantees are disclosed in notes to the financial statements of the Consolidated Fund, and are as follows:

- a guarantee by the Government of the Bermuda Hospital Board's annual service payment obligations related to the financing for the new acute care wing at the King Edward Memorial Hospital, over a term of 30 years consisting of principal, interest, construction, lifecycle and hard facilities maintenance. The design and construction related costs of the new facility are approximately \$280.6 million;
- a guarantee by the Government of the West End Development Corporation payment obligations related to: (i) the repayment of construction financing for the construction of affordable housing; and (ii) the repayment of financing to facilitate the completion of the Land Reclamation Project in Dockyard for the America's Cup, in total estimated at \$71.8 million;
- a \$25.0 million guarantee by the Government to Hotelco Bermuda Holding Ltd, part of the Hotelco International group of companies, in relation to loans to finance the development costs and related expenses associated with the construction of the proposed St. Regis Bermuda Hotel in St. George's;
- a guarantee by the Government of the Bermuda Housing Corporation ("BHC") payment obligations related to the repayment of construction financing for the construction of affordable housing, estimated at \$29.3 million;
- a guarantee by the Government to the Bermuda Casino Gaming Commission to support an overdraft facility with a local financial institution of \$1.2 million;
- a guarantee by the Government to the BTA to support a term loan with a local financial institution of \$10.0 million; and

- a limited support guarantee by the Government to meet any shortfall in aeronautical revenues collected by Skyport from airlines if they fall below a certain pre-determined quarterly threshold, and if certain other conditions set out in the Skyport Project Agreement are met, estimated at approximately \$5.8 million as of the date of this offering memorandum.

In addition, in December 2019, the Government signed a Letter of Intent pursuant to which it has a potential commitment to guarantee \$50 million of payment obligations incurred by the purchaser of the Fairmont Southampton Resort, subject to such purchaser meeting certain conditions, such as investing at least \$70 million in redevelopment and renovations of the property. The Government may receive a fee in connection with providing such guarantee. The Government also has a \$165 million guarantee of various loans to Morgan's Point Limited, the Caroline Bay hotel developer. These loans have now been purchased by the Government.

Bermuda has never defaulted on any of its debt or guarantee obligations.

The following tables show key statistics for Bermuda compared to G7 member and selected Caribbean nations:

Bermuda compared to selected G7 member nations^(*)							
	2018 GDP growth	2019 GDP growth	2019 inflation	2018 unemployment rate	2018 unemployment rate	Central – bank rate ⁽¹⁾	2019 government net debt ⁽²⁾/GDP
Bermuda ⁽³⁾	1.7%	2.8%	1.0%	4.5%	3.8%	N.A.	33.0%
United States..	3.2%	2.30%	1.8%	3.9%	3.7%	0.3%	84.1%
Japan	0.3%	0.7%	0.5%	2.4%	2.3%	-0.1%	154.3%
United Kingdom	1.3%	1.4%	2.6%	4.4%	3.9%	0.1%	75.5%
Germany	1.5%	0.6%	1.4%	3.7%	3.0%	0.0%	41.3%
Canada	2.0%	1.7%	1.9%	6.3%	5.6%	0.3%	25.9%
France	1.8%	1.5%	1.1%	9.4%	8.4%	0.0%	89.79%

Sources: IMF, World Bank, Economist Intelligence Unit ("EIU"), Bloomberg (bank rates) and Countries' Central Bank websites (bank rates). Certain figures are estimates. Ministry of Finance, Bermuda, for debt and debt related numbers, and Department of Statistics, Bermuda, for all other information.

(1) As of August 1, 2020.

(2) Net debt is total debt excluding guarantees. For Bermuda, net debt is total debt (excluding guarantees) net of the Sinking Fund.

(3) Source: Ministry of Finance, Bermuda, for debt and debt related numbers, and Department of Statistics, Bermuda, for all other information.

Bermuda compared to selected Caribbean nations

	2018 nominal GDP growth	2019 nominal GDP growth	2019 inflation	2018 unemployment rate	2019 unemployment rate	Central – bank rate⁽¹⁾	2019 government net debt⁽²⁾/ nominal GDP
Bermuda ⁽³⁾	1.7%	2.8%	1.0%	4.5%	3.8%	N.A.	33.0%
Aruba	13.3%	4.1%	5.2%	7.3%	7.5%	1.0%	43.3%
The Bahamas	2.2%	3.8%	2.5%	10.4%	13.4%	4.0%	75.2%
Barbados	2.2%	2.3%	4.1%	10.1%	10.4%	2.0%	112.2%
Trinidad and Tobago	0.7%	1.0%	1.0%	4.9%	5.0%	3.5%	65.3%
Cayman Islands .	6.7%	8.3%	5.6%	2.8%	3.5%	3.7%	5.4%

Sources: IMF, EIU (Aruba and Cayman Island Macroeconomic information), Bloomberg (bank rates) and Countries' Central Bank websites (bank rates). Certain figures are estimates.

(1) As of August 1, 2020.

(2) Net debt is total debt excluding guarantees. For Bermuda, net debt is total debt (excluding guarantees) net of the Sinking Fund.

(3) 2019 GDP related percentages are estimates. Source: Ministry of Finance, Bermuda, for debt and debt related numbers, and Department of Statistics, Bermuda, for all other information.

At March 31, 2020, the Government's total debt, excluding guarantees, was approximately \$2,722 million (and net of the Sinking Fund (as discussed below), was approximately \$2,680 million). This amount includes:

- \$140 million aggregate principal amount of Senior Notes due 2022 with a 5.73% interest rate payable semiannually on June 4 and December 4 of each year;
- \$475 million aggregate principal amount of Senior Notes due 2023 with a 4.138% interest rate payable semiannually on January 3 and July 3 of each year;
- \$50 million aggregate principal amount of Senior Notes due 2023 with a 4.75% interest rate payable semiannually on December 16 and June 16 of each year;
- \$550 million aggregate principal amount of Senior Notes due 2024 with a 4.854% interest rate payable semiannually on February 6 and August 6 of each year;
- \$665 million aggregate principal amount of Senior Notes due 2027 with a 3.717% interest rate payable semiannually on January 25 and July 25 of each year;
- \$620 million aggregate principal amount of Senior Notes due 2029 with a 4.75% interest rate payable semiannually on February 15 and August 15 of each year;
- \$200 million credit facility due September 17, 2020 with a 4.25% interest rate payable monthly, with \$187.4 million of this facility drawn as of March 31, 2020; and
- Fully drawn \$35 million credit facility due March 15, 2021 with a 4.0% interest rate payable monthly.

The instruments governing the Government's existing indebtedness include customary covenants, including a limitation on the Government's ability to secure certain assets without equally and ratably securing such existing indebtedness (subject to certain exceptions and qualifications), and customary events of default.

Actual Capitalization

The following table sets forth the Government's debt, excluding guarantees, on an actual basis as of March 31, 2020.

	Amount (dollars in millions)
Existing borrowings	
5.73% Senior Notes due 2022	140.0
4.138% Senior Notes due 2023	475.0
4.75% Senior Notes due 2023	50.0
4.854% Senior Notes due 2024	550.0
3.717% Senior Notes due 2027	665.0
4.74% Senior Notes due 2029	620.0
Indebtedness with local banks	222.1
Total debt ⁽¹⁾	2,722.1
Less: Sinking Fund ⁽¹⁾	41.7
Net debt ⁽¹⁾	2,680.4
Hospital Board guarantee	276.8
WEDCO housing development guarantee	71.8
Bermuda Housing Corporation housing development guarantee	29.3
Skyport limited support guarantee	5.8

	Amount (dollars in millions)
Bermuda Economic Development Corporation	1.2
Bermuda Tourism Authority	10.0
Bermuda Casino Gaming Commission	1.2
Hotel Bermuda Holdings Ltd	25.0
Balance to Debt Ceiling	79.9

(1) Based on estimates. Source: Ministry of Finance, Bermuda.

The following table shows the public sector external debt of Bermuda on an actual basis as of March 31, 2020. This table does not reflect the national education, Hospital Board, WEDCO and BHC guarantees set forth in the table above.

Government's Public Debt

	Issue Date (mm/dd/yy)	Interest Rate (as %)	Maturity Date(mm/dd/yy)	Amount (dollars in millions)
Senior Notes due 2022	12/04/07	5.73	12/04/22	140.0
Senior Notes due 2023	07/03/12	4.138	01/03/23	475.0
Senior Notes due 2023	12/16/13	4.75	12/16/23	50.0 ⁽²⁾
Senior Notes due 2024	08/06/13	4.854	02/06/24	550.0
Senior Notes due 2027	10/19/16	3.717	01/25/27	665.0
Senior Notes due 2029	11/15/18	4.75	02/15/29	620.0
Total debt ⁽¹⁾				2,499.9

(1) Based on estimates. Excluding indebtedness with local banks. Source: Ministry of Finance, Bermuda.

The Government is the guarantor with respect to the following obligations:

- The Government provides funding to the BEDC to facilitate the function of the Quasi National Government Organization as a guarantor on business loans for locally owned businesses in Bermuda. The Government provides funding to fulfill the payment obligations of the BEDC for defaulted loans. As of March 31, 2020, \$1.2 million was deemed to be contingent liabilities of the Government.
- The Government has also provided a "letter of comfort" to Butterfield Bank on behalf of BHC dated July 12, 2011 which states that "to the extent that BHC operates programs which do not break-even, the Government will appropriate annual grants to enable BHC to comply with its legislation." Butterfield Bank has indicated that the letter of comfort does not constitute a guarantee by the Government to make payments on behalf of BHC in the event of default. The annual grant awarded for the fiscal year ended March 31, 2020 was \$6,050,000.
- On December 1, 2010, the Minister of Finance provided an irrevocable Guarantee Agreement to Paget Health Services Limited to facilitate the completion of the redevelopment of the King Edward Memorial Hospital in Paget. The Guarantee Agreement guarantees payment by the Government of all amounts due and payable to Paget Health Services Limited by the Bermuda Hospitals Board in connection with the completion of the redevelopment and ongoing maintenance of the hospital. The principal balance of the Bermuda Hospitals Board's remaining obligation to Paget Health Services Limited at March 31, 2019 was \$273.9 million.
- On April 24, 2012, the Minister of Finance provided an unconditional guarantee to Butterfield Bank in consideration of the bank granting a \$36 million credit facility to the West End Development Corporation to construct a 100 unit residential housing development in the western-end of Bermuda and to upgrade the sewage system in this area. On June 18, 2015, the Minister of Finance consented to the

borrowing of \$39 million by WEDCO from BNTB to facilitate the completion of the Land Reclamation Project in Dockyard. This loan facility is for a term of six years. The Ministry of Finance further guarantees and will make good any default on the part of WEDCO in the payment of the loan to BNTB and all related interest fees and charges due as a result of default by WEDCO until all indebtedness to BNTB has been fully discharged. These two loans were consolidated with another WEDCO loan in 2020 and the current balance outstanding is \$67.0 million.

- On October 30, 2012, the Minister of Finance granted approval to the borrowing of \$36.7 million by BHC from Butterfield Bank to finance the purchase of the units of phase three of the Grand Atlantic Housing Development (“Grand Atlantic”) and to repay the loans advanced by the bank for Grand Atlantic phases one and two. The balance outstanding as at March 31, 2020 was \$29,300,000. This loan facility was originally for a two year duration but has been extended for another five years. The Ministry of Finance has provided a guarantee in respect thereof to Butterfield Bank. The Ministry of Finance guaranteed to make good any default on the part of BHC in the payment of the loan to BNTB and all related interest fees and charges due as a result of default by BHC until all indebtedness to Butterfield Bank has been fully discharged.
- The Government is required to meet any shortfall in aeronautical revenues collected by Skyport from airlines if they fall below a certain pre-determined quarterly threshold, and if certain other conditions set out in the Project Agreement are met. This contractual regime is intended primarily to protect the financing cash flows required by Skyport for its senior debt service payments. As of the date of this offering memorandum, the Government is required to pay approximately \$5.8 million to Skyport for the shortfall in revenues collected arising from reduced air traffic during the second quarter of 2020. While there is some uncertainty with respect to passenger numbers and the related revenues for the remainder of 2020, it is expected that there will be a further shortfall and the Government will be required to make additional payments to Skyport at the end of the third and fourth quarters of 2020.

Sinking Fund

Effective March 31, 1993, the Government Borrowing Sinking Fund (the “Sinking Fund”) was established as a separate legal entity for the repayment of Government borrowings under the provisions of the Government Loans Act 1978. During each fiscal year, the Consolidated Fund must pay into the Sinking Fund an amount equal to 2.5% of the public debt outstanding in the Consolidated Fund at the end of the preceding fiscal year. As of March 31, 2020, the fund balance was approximately \$41.8 million. Until the Government Loans Act 1978 was amended in 2009, the Sinking Fund was only to be applied to reduce or cancel public debt. The assets are invested in three- and five-year fixed rate certificates of deposits with local financial institutions and high quality money market funds in accordance with the Public Funds Act 1954 and are shown as a reduction of debt issued on the Consolidated Fund Statement of Financial Position.

Due to the recent global economic and financial crisis, in 2009 the Government amended the Government Loans Act 1978 to provide the Minister of Finance with additional capacity to respond to economic conditions that impair the Government’s tax receipts. One of the changes made enabled the Minister of Finance to postpone the annual contribution into the Sinking Fund while another amendment authorized the Minister to determine that the interest charge on long-term public debt be paid from the Sinking Fund if necessary. Accordingly, in the 2012/2013 fiscal year, as a temporary measure, the Sinking Fund was used to pay a portion of the interest due on the Government’s long-term debt. Since that period, the Government has steadily increased its contributions to the Sinking Fund.

The Government Loans Act 1978, as currently drafted, did not anticipate multi-year budgeting and financing. In order to address this restriction, the Government has amended such Act to allow excess funds borrowed to be paid into the Sinking Fund and applied to future year deficits.

In 2019, the Government amended the Government Loans Act 1978 to provide the Minister of Finance with discretion with respect to making the Sinking Fund contribution. This decision was made in light of the following factors:

- apart from the private placement notes referenced above, the next maturity of Government debt will occur in 2022;
- interest expense associated with borrowing to fund the mandatory Sinking Fund contributions will be greater than the investment return generated on those funds, a concept known as “negative carry”; and
- at the time in 2019, the Government forecasted operating surpluses in the 2019/2020 fiscal year and 2020/2021 fiscal year as had been set out in the 2019/2020 Budget Statement, which it intended to contribute to the Sinking Fund or use to make open market purchases of its existing indebtedness (however, currently, the Government is not forecasting operating surpluses for such fiscal years).

The following table shows Bermuda’s debt on a historical basis as of March 31 for the years indicated:

Bermuda’s debt							
As of March 31,	Total debt	Sinking Fund balance	Net debt⁽¹⁾	Guarantees	Debt Ceiling⁽⁴⁾	Debt service ratio⁽²⁾	Net debt⁽¹⁾ / Nominal GDP⁽³⁾
(dollars in millions, except ratios)							
2013.....	1,574.0	(97.1)	1,476.9	278.6	2,500	13.0	26.2
2014.....	2,305.0	(536.6)	1,768.4	515.4	2,500	16.6	31.2
2015.....	2,185.0	(135.8)	2,049.2	519.1	2,500	18.3	34.8
2016.....	2,335.0	(117.3)	2,217.7	698.5	2,500	17.7	36.4
2017.....	2,484.0	(86.0)	2,397.0	541.4	2,500	18.1	38.2
2018.....	2,568.9	(150.2)	2,418.7	533.5	2,500	16.9	33.3
2019.....	2,680.0	(219.2)	2,460.8	567.5	2,500	17.3	33.4
2020 ⁽⁵⁾	2,722.1	(41.7)	2,680.4	421.1	2,750	10.4	38.8

Source: Government.

(1) Net debt: Total debt, excluding guarantees, and net of the Sinking Fund.

(2) Debt service ratio: interest expense plus annual Sinking Fund payment divided by revenue.

(3) As of or for the year ended December 31 of the year indicated, using population figures based on mid-year population projections produced by the Department of Statistics.

(4) The Government raised the debt ceiling (net of the Sinking Fund balance) to \$3.5 billion in August 2020.

(5) Based on preliminary estimates. Official data not yet available as of the date of this offering memorandum.

Credit Ratings

As of the date of this offering memorandum, the Government currently holds long-term foreign currency credit ratings of “A+” (stable outlook) from S&P and “A2” from Moody’s (stable outlook). See “Risk Factors—Risks Related to the Notes—There can be no assurance that Bermuda’s credit ratings will improve or remain stable, or that they will not be downgraded, suspended or cancelled by the rating agencies.”

DESCRIPTION OF THE NOTES

Each of the 2030 notes and 2050 notes will be issued by the Government under an indenture dated as of November 20, 2018 (the “Indenture”) among the Government, The Bank of New York Mellon, as trustee (the “Trustee,” which term includes any successor as Trustee under the Indenture), registrar (the “Registrar”), paying agent (the “Paying Agent”) and transfer agent.

The following is a description of the material terms of the notes of either series and the Indenture and does not purport to be a complete description of all of the terms therein. The following is subject to, and qualified in its entirety by reference to, the provisions of the notes of either series and the Indenture. Capitalized terms not otherwise defined herein have the meanings given to them in the Indenture. We urge you to read the Indenture because it, and not this description, defines your rights as holders of the notes of either series. A copy of the Indenture will be available for inspection at the corporate trust office of the Trustee in New York City and at the office of the Accountant General in Bermuda.

General

2030 notes Basic Terms

The 2030 notes will:

- be general, direct, unconditional, unsubordinated and unsecured obligations of the Government and will be backed by the full faith and credit of the Government;
- be initially issued in an aggregate principal amount of \$675,000,000;
- mature on August 20, 2030;
- be redeemable at 100% of the issue price on the maturity date;
- be issued in denominations of \$200,000 and integral multiples of \$1,000 in excess thereof; and
- be represented by one or more registered notes in global form, but in certain limited circumstances may be represented by notes in certificated form. See “Book-entry, Delivery and Form.”

Interest on the 2030 notes will:

- accrue at the rate of 2.375% per annum;
- accrue from August 20, 2020 (the original date of issuance) or the most recent interest payment date on which interest was paid;
- be payable semi-annually in arrears on August 20 and February 20 of each year, commencing on February 20, 2021.
- be payable to the holders of record on August 15 and February 15 immediately preceding the related interest payment date, whether or not such day is a Business Day (as defined below); and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

2050 notes Basic Terms

The 2050 notes will:

- be general, direct, unconditional, unsubordinated and unsecured obligations of the Government and will be backed by the full faith and credit of the Government;
- be initially issued in an aggregate principal amount of \$675,000,000;
- mature on August 20, 2050;
- be redeemable at 100% of the issue price on the maturity date;
- be issued in denominations of \$200,000 and integral multiples of \$1,000 in excess thereof; and
- be represented by one or more registered notes in global form, but in certain limited circumstances may be represented by notes in certificated form. See “Book-entry, Delivery and Form.”

Interest on the 2050 notes will:

- accrue at the rate of 3.375% per annum;
- accrue from August 20, 2020 (the original date of issuance) or the most recent interest payment date on which interest was paid;
- be payable semi-annually in arrears on August 20 and February 20 of each year, commencing on February 20, 2021.
- be payable to the holders of record on August 15 and February 15 immediately preceding the related interest payment date, whether or not such day is a Business Day (as defined below); and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

Payment and Paying Agents

Principal of the notes will be payable against surrender of such notes (which initially will be at the offices of the Paying Agents specified on the inside back cover page of this offering memorandum) by U.S. transfer to a U.S. dollar account maintained by the holder with a bank located in New York City. Payments of interest will be made to persons in whose name the notes are registered on the record date, notwithstanding the cancellation of such notes upon any transfer or exchange thereof subsequent to the record date and prior to such interest payment date; *provided* that, if and to the extent the Government defaults in the payment of the interest due on such interest payment date, such defaulted interest will be paid to the persons in whose names such notes are registered at the end of a subsequent record date established by the Government by notice given by mail by or on behalf of the Government to the holders of the notes not less than 15 days preceding such subsequent record date, such record date to be not less than 10 days preceding the date of payment of such defaulted interest. Payments of interest and principal on the notes will be made in accordance with the applicable procedures of the Depository, otherwise, payments of interest on the notes will be made (1) by a U.S. dollar check drawn on a bank in New York City mailed to the holder at such holder’s registered address or (2) upon application by the holder of at least \$1,000,000 in principal amount of notes to the Trustee not later than the relevant record date, by wire transfer in immediately available funds to a U.S. dollar account maintained by the holder with a bank in New York City.

In any case where the date of payment of the principal of or interest (including Additional Amounts) on the notes is not a Business Day, then payment of principal of or interest (including Additional Amounts) on any note need not be made on such date but may be made on the next succeeding Business Day. Any such payment made on a date other than the date on which such payment is due as set forth in the notes will have the same force and effect as if made on the date on which such payment is due, and no interest on such payment will accrue for the period after such date.

Any monies deposited with or paid by or on behalf of the Government to the Trustee or to any Paying Agent for payment of the principal of or interest (including Additional Amounts) on any note and not applied but remaining unclaimed for two years after the date upon which such amount becomes due and payable will be repaid to or for the account of the Government by the Trustee or such Paying Agent and, to the extent permitted by law, the holder of such note will thereafter look only to the Government for any payment which such holder may be entitled to collect, and all liability of the Trustee or such Paying Agent with respect to such monies will thereupon cease.

“Business Day” means any day except a Saturday, Sunday or other day on which commercial banks in New York City (or in the city where the relevant paying or transfer agent is located) are authorized by law to close.

Transfer, Exchange and Replacement of Notes

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

No service charge will be made for any registration of transfer or exchange of notes, but the Trustee may require payment of an amount sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith (other than any such tax or charge imposed by the Government (including, without limitation, any of its political subdivisions or taxing authorities)).

If a note becomes mutilated, defaced, destroyed, lost or stolen, the Government may issue, and the Trustee 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 Trustee (or to any Paying Agent at whose offices the applicant present the notes for exchange) a reasonable indemnity under which it will agree to pay the Government, the Trustee 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 Trustee 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.

Status; Ranking

The notes will be general, direct, unconditional, unsubordinated and unsecured obligations of the Government. The notes will rank *pari passu* among themselves and with all other existing and future unsubordinated and unsecured debt of the Government. It is understood that this provision will not be construed to as to require the Government to make payments under the notes ratably with payments being made under any other external indebtedness. The notes will be backed by the full faith and credit of the Government.

Optional Redemption

The Government may, at its option, redeem the 2030 notes, in whole or in part, at any time prior to May 20, 2030 (three months prior to the maturity date of the 2030 notes) (the “2030 notes Par Call Date”) at a redemption price calculated by a calculation agent appointed by the Government equal to the greater of (1) 100% of the principal amount of such 2030 notes and (2) the sum of the present value of each remaining scheduled payment of principal and interest thereon (exclusive of interest accrued to the redemption date) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the treasury rate plus 30 basis points, plus, in each case, any accrued and unpaid interest on the principal amount of the 2030 notes up to, but excluding, the redemption date.

The Government may, at its option, redeem the 2050 notes, in whole or in part, at any time prior to February 20, 2050 (six months prior to the maturity date of the 2050 notes) (the “2050 notes Par Call Date”) at a redemption price calculated by a calculation agent appointed by the Government equal to the greater of (1) 100% of the principal amount of such 2050 notes and (2) the sum of the present value of each remaining scheduled payment of principal and interest thereon (exclusive of interest accrued to the redemption date) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the treasury rate plus 30 basis points,

plus, in each case, any accrued and unpaid interest on the principal amount of the 2050 notes up to, but excluding, the redemption date.

“Treasury rate” means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated yield to maturity of the comparable treasury issue. In determining the treasury rate, the price for the comparable treasury issue (expressed as a percentage of its principal amount) will be assumed to be equal to the comparable treasury price for such redemption date.

“Comparable treasury issue” means the United States Treasury security selected by an independent investment banker as having an actual or interpolated maturity comparable to the 2030 notes Par Call Date or 2050 notes Par Call Date of the 2030 notes or 2050 notes, as applicable, to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of debt securities of a comparable maturity to the 2030 notes Par Call Date or 2050 notes Par Call Date of such 2030 notes or 2050 notes, as applicable.

“Independent investment banker” means one of the reference treasury dealers appointed by the Government.

“Comparable treasury price” means (1) the arithmetic average of the reference treasury dealer quotations for such redemption date after excluding the highest and lowest reference treasury dealer quotations, or (2) if we obtain fewer than four reference treasury dealer quotations, the arithmetic average of all reference treasury dealer quotations for such redemption date.

“Reference treasury dealer quotation” means, with respect to each reference treasury dealer and any redemption date, the arithmetic average, as determined by us, 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 us 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 dealer” means Goldman Sachs & Co. LLC and HSBC Securities (USA) Inc. or their respective affiliates, each of which is a primary U.S. government dealer, plus two other leading primary United States government securities dealers in New York City reasonably designated by the Government not later than five Business Days preceding such redemption date; *provided* that, if any of the foregoing ceases to be a primary United States government securities dealer in New York City, the Government will substitute therefor another primary government securities dealer.

In addition, we may redeem either series of the notes, in whole or in part, at any time on or after the 2030 notes Par Call Date or 2050 notes Par Call Date, as applicable, at a redemption price equal to 100% of the principal amount of such 2030 notes or 2050 notes, as applicable, to be redeemed plus accrued and unpaid interest.

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/or on the BSX and the rules of such exchange require, the Government will also cause notices of redemption to be published as described under “— Notices” below. Either series of 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 either series of the notes, as applicable, together with accrued and unpaid interest thereon through the redemption date. On and after the redemption date, interest will cease to accrue on either series of the notes, as applicable, as long as the Government has deposited with the Trustee or appropriate Paying Agent funds in satisfaction of the applicable redemption price pursuant to the Indenture. Upon redemption of either series of the notes by the Government, such series of notes will be cancelled.

Additional Amounts

All payments by the Government in respect of the notes will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or other governmental charges of whatsoever nature imposed or levied by or on behalf of the Government or any political subdivision or taxing authority thereof or therein

having power to tax (collectively, “Taxes”), unless the Government is compelled by law to deduct or withhold such taxes, duties, assessments or governmental charges. In such event, the Government will pay such additional amounts (“Additional Amounts”) as may be necessary to ensure that the amounts received by the holders of the notes after such withholding or deduction will equal the respective amounts of principal and interest which would have been receivable in respect of the notes in the absence of such withholding or deduction; *provided, however*, that no such Additional Amounts will be payable in respect of the following:

(1) any note held by or on behalf of a holder or a beneficial owner of such note who is liable for such taxes, duties, assessments or governmental charges by reason of such holder or beneficial owner having some connection with Bermuda other than merely by the holding of such note or by receipt of income, principal or any payments, or enforcement of rights, in respect thereof; or

(2) any note held by or on behalf of a holder or a beneficial owner of such note that is liable for such taxes, duties, assessments or governmental charges by reason of the failure of such holder or beneficial owner to comply with any certification, identification, information or other reporting requirement concerning the nationality, residence, identity or connection with Bermuda, or any political subdivision or taxing authority thereof or therein, of such holder or beneficial owner, if (a) compliance is required by the Government, or any political subdivision or taxing authority of or in Bermuda, as a precondition to exemption from all or any portion of such withholding or deduction and (b) at least 60 days prior to the first scheduled payment date for which compliance will be required, the Government has notified the Trustee in writing that holders or beneficial owners of notes must comply with such certification, identification, information or other reporting requirement in order to receive Additional Amounts; or

(3) any note presented for payment more than 30 days after the date payment thereon was due or, if later, the date on which payment thereon is duly provided for, except to the extent that the holder thereof would have been entitled to Additional Amounts on presenting the same for payment on the last day of such period of 30 days.

Any reference to “principal” and/or “interest” in this “Description of the Notes” section will be deemed to include any Additional Amounts which may be payable under the notes.

The Government will furnish to the Trustee documentation reasonably satisfactory to the Trustee evidencing the payment of any Taxes. Copies of such receipts will be made available to the holders of the notes or beneficial owners of the notes upon written request.

The Government will pay any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies which arise in the Government or any political subdivision thereof or taxing authority thereof or therein in respect of the creation, issue, execution, delivery or registration of 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 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).

Covenants

The Government has agreed that, so long as any note remains outstanding or any amount payable by the Government under the Indenture remains unpaid:

(1) The Government will duly obtain and maintain in full force and effect all approvals, authorizations, permits, consents, exemptions and licenses and other actions of or by, and notices to or filings or registrations with, the Government, any agency, department, ministry, authority, state, municipality, statutory corporation or other statutory body or juridical entity of Bermuda or any other governmental authority or agency or regulatory or administrative body of Bermuda or any political subdivision thereof or therein (including, without limitation, any thereof relating to exchange controls) which may be necessary

under the laws of Bermuda for the execution, delivery and performance of the notes and the Indenture by the Government or for the validity or enforceability thereof, and duly take all necessary and appropriate governmental and administrative action in Bermuda in order for the Government to be able to make all payments to be made by it and to perform its obligations under the notes and the Indenture.

(2) The Government will ensure that its obligations under the notes will at all times constitute general, direct, unconditional, unsubordinated and unsecured obligations of the Government ranking *pari passu* in priority of payment, in right of security and in all other respects with all other present and future unsecured and unsubordinated indebtedness.

(3) The Government will not create, incur, assume or suffer to exist any Lien (other than a Permitted Lien (as defined below)) on the assets or revenues of the Government to secure External Indebtedness (as defined below), unless the notes are equally and ratably secured.

“External Indebtedness” means any Indebtedness denominated in a currency other than Bermuda dollars.

“Indebtedness” means obligations (other than the notes) of, or guaranteed (whether by contract, statute or otherwise) by, the Government for borrowed money or evidenced by bonds, debentures, notes or similar instruments, regardless of whether that obligation is incurred or entered into within or outside Bermuda.

“Lien” means any lien, pledge, mortgage, security interest, deed of trust, charge or other encumbrance or preferential arrangement which has the practical effect of constituting a security interest with respect to the payment of any obligations with or from the proceeds of any asset or revenues of any kind whether in effect on the date the Indenture becomes effective or at any time thereafter (including, without limitation, any equivalent created or arising under the laws of Bermuda).

“Permitted Lien” means:

(4) any Lien on property to secure External Indebtedness arising in the ordinary course of business of the Government or to finance export, import or other trade transactions, which External Indebtedness matures (after giving effect to all renewals and refinancings thereof) not more than one year after the date on which such External Indebtedness was originally incurred;

(5) any Lien on property to secure External Indebtedness at the time of its acquisition or incurred solely for the purpose of financing any acquisition by the Government of such property, and any renewal, extension or refinancing of any such Lien which is limited to the original property covered thereby and which secures any renewal or extension of the original financing without any increase in the amount thereof;

(6) any Lien on property arising by operation of law (or pursuant to any agreement establishing a Lien equivalent to one which would otherwise exist under relevant local law) in connection with External Indebtedness;

(7) any Lien existing on property at the time of acquisition by the Government of such property and any renewal or extension of any such Lien which is limited to the original property covered thereby and which secures any renewal or extension of the financing secured by such Lien at the time of such acquisition without any increase in the amount thereof;

(8) any Lien securing External Indebtedness incurred for the purposes of financing all or part of the costs of the acquisition, construction or development of a project, provided that (a) the holders of such External Indebtedness agree to limit their recourse to the assets and revenues of such project as the principal source of repayment of such External Indebtedness and (b) the property over which such Lien is granted consists solely of such assets and revenues; and

(9) any Lien in existence as of the date of the Indenture.

Provision of Financial Information

To the extent such information is not publicly available on the Government's website, the Government will deliver to the Trustee for distribution to the holders of the notes, as soon as practicable and in any event within 10 days after the publication thereof by the Government (including, without limitation, the posting on the Government's official gazette), copies of: (1) all public sector budgeting and reporting documents published and released to the public in compliance with the Bermuda Constitutional Order 1968 (as amended) and any such other documentation required to be published or released pursuant to any other relevant statute, order or regulation (including, without limitation, the Government's Budget Statement and any supplements thereto for the succeeding fiscal year, annual reports, operating statements, balance sheet statements and cash flow statements); and (2) any economic and financial updates of the Government. The Government will be required to so deliver only such reports, statements and other documents as it reasonably deems to be material to holders of the notes.

Events of Default

An "Event of Default" will exist if any of the following conditions or events shall occur and be continuing:

- (1) default in the payment of principal of any of the notes as and when the same will become due and payable, whether at maturity, by declaration or otherwise; or
- (2) default in the payment of any interest or Additional Amounts upon any of the notes as and when the same will become due and payable, and continuance of such default for 30 Business Days; or
- (3) failure on the part of the Government duly to observe or perform any of the covenants, undertakings, representations, warranties or agreements provided in the notes (other than those referred to in clauses (1) and (2) above and (4) below) or in the Indenture for a period of 45 days after the date on which written notice thereof requiring the Government to remedy the same will have been given to the Government by the Trustee or the holders representing at least 25% in aggregate principal amount of the notes then outstanding; or
- (4) any representation, warranty or certification made by or on behalf of the Government or any of its respective authorized officers or officials in or pursuant to the notes, the Indenture or any of the other documents or instruments delivered pursuant thereto proves to have been incorrect in any material respect when made and such error is not cured within 45 days after written notice thereof has been given to the Government by the Trustee or the holders representing at least 25% in aggregate principal amount of the notes then outstanding; or
- (5) the Government is in default in the performance of or compliance with any term of any evidence of any Indebtedness in an aggregate outstanding principal amount of at least \$20,000,000 (or the equivalent thereof, as of any date of determination, in any other currency) or of any mortgage, indenture or other agreement relating thereto or any other condition exists, and as a consequence of such default or condition such Indebtedness has become, or has been declared, due and payable before its stated maturity or before its regularly scheduled dates of payment; or
- (6) a final judgment or judgments for the payment of money in an aggregate amount of at least \$20,000,000 (or the equivalent thereof, as of any date of determination, in any other currency) are rendered against the Government and which judgments are not, within 60 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 60 days after the expiration of such stay; or
- (7) the validity of the notes or the Indenture is contested in a formal administrative, legislative or judicial proceeding by the Government or any legislative, executive or judicial body or official of the Government which is authorized in each case by law to do so and, acting alone or together with another such body or official, has the legal power and authority to declare the notes or the Indenture invalid or unenforceable; or

(8) the Government denies any of its obligations thereunder to any of the holders of the notes (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise); or

(9) any constitutional provision, treaty, convention, law, regulation, official communiqué, decree, ordinance or policy of the Government, or any final decision by any court in Bermuda having jurisdiction, purports to render any material provision of the notes or the Indenture invalid or unenforceable or to prevent or delay the performance or observance by the Government of any of its payment or other material obligations thereunder to any of the holders of the notes; or

(10) any constitutional provision, treaty, convention, law, regulation, ordinance, decree, consent, approval, license or other official pronouncement of the Government or other authority necessary to enable the Government to make or perform its material obligations under the notes or the Indenture, or the validity or enforceability thereof, expires, is withheld, revoked or terminated, or otherwise ceases to remain in full force and effect, or is modified in a manner which materially and adversely affects any rights or claims of any of the holders of the notes;

then, in each and every such case (except to the extent described in the subsequent paragraph), the Trustee at its discretion may (but is not required to), or at the direction or request of the holders representing 25% or more in aggregate principal amount of the notes then outstanding will, by notice in writing to the Government with a copy to the Trustee, declare the principal amount of all the notes then outstanding to be due and payable immediately, and upon any such declaration the same will become and will be immediately due and payable upon the date that such written notice is received by or on behalf of the Government, unless prior to such date all Events of Default in respect of all the notes has been cured; *provided* that if, at any time after the principal of the notes will have been so declared due and payable, and before any sale of property under any judgment or decree for the payment of the monies due will has been obtained or entered as hereinafter provided, the Government pays or deposits with the Trustee a sum sufficient to pay all matured installments of interest, principal and Additional Amounts in respect of the notes which have become due otherwise than solely by acceleration (with interest on overdue installments of interest and Additional Amounts, to the extent permitted by law, and on such principal of each note at the rate of interest specified therein, to the date of such payment or deposit) and such amount as is sufficient to cover reasonable fees and compensation to the Trustee and each predecessor Trustee, their respective agents, attorneys and counsel, and all other documented expenses and liabilities reasonably incurred, and all advances made for documented expenses and legal fees reasonably incurred by the Trustee and each predecessor Trustee, and if any and all Events of Default, other than the non-payment of the principal of the notes which have become due solely by acceleration, have been cured, waived or otherwise remedied as provided in the notes, then, and in every such case, the holders representing more than 50% in aggregate principal amount of the notes then outstanding by written notice to the Government and to the Trustee may, on behalf of all of the holders of the notes, waive all defaults and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment will extend to or will affect any subsequent default, or will impair any right consequent thereon. Actions by holders of the notes pursuant to this provision need not be taken at a meeting pursuant to the provisions below regarding meetings of the holders of the notes.

In the event of a declaration of acceleration because the Government is in default pursuant to clauses (5) and (6) above, the declaration of acceleration will be automatically annulled if the default triggering such Event of Default is remedied or cured by the Government or waived by the holders of the relevant Indebtedness within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the declaration of acceleration would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of amounts that have become due solely by acceleration, have been cured or waived.

The Government will notify the Trustee within three days after the occurrence of any Event of Default.

Meetings, Amendments and Waivers

The Government may call a meeting of the holders of the notes at any time regarding the notes or the Indenture. The Government will determine the time and place of the meeting and will notify the holders of the time, place and purpose of the meeting not less than 30 and not more than 60 days before the meeting.

In addition, the Government or the Trustee will call a meeting of the holders of the notes if holders of at least 10% in principal amount of all the notes then outstanding have delivered a written request to the Government or the Trustee (with a copy to the Government) setting out the purpose of the meeting. Within 10 days of receipt of such written request or copy thereof, the Government will notify the Trustee and the Trustee will notify the holders of the time, place and purpose of the meeting called by the holders, to take place not less than 30 and not more than 60 days after the date on which such notification is given.

Only holders of debt securities and their proxies are entitled to vote at a meeting of holders. The Government will set the procedures governing the conduct of the meeting and if additional procedures are required, the Government will consult with the Trustee to establish such procedures as are customary in the market.

If a modification only affects a series of debt securities issued under the Indenture, it may also be approved by the holders of such series of debt securities pursuant to written action with the consent of the requisite percentage of such series. The Government will solicit the consent of the relevant holders to the modification not less than 10 and not more than 30 days before the expiration date for the receipt of such consents as specified by the Government.

The holders of any series of debt securities may generally approve any proposal by the Government to modify the Indenture or the terms of such series with the affirmative vote (if approved at a meeting of the holders) or consent (if approved by written action) of holders of more than 50% of the outstanding principal amount of such series.

However, holders of any series of debt securities (including the notes) may approve, by vote or consent through one of three modification methods, any modification, amendment, supplement or waiver proposed by the Government that would do any of the following (such subjects referred to as “reserve matters”):

- change the date on which any amount is payable on the debt securities;
- reduce the principal amount (other than in accordance with the express terms of a series of debt securities and the Indenture) of the debt securities;
- reduce the interest rate on the debt securities;
- change the method used to calculate any amount payable on the debt securities (other than in accordance with the express terms of a series of debt securities and the Indenture);
- change the currency or place of payment of any amount payable on the debt securities;
- modify the Government’s obligation to make any payments on the debt securities (including any redemption price therefor);
- change the identity of the obligor under the notes;
- change the definition of “outstanding debt securities” or the percentage of affirmative votes or written consents, as the case may be, required to make a “reserve matter modification”;
- change the definition of “uniformly applicable” or “reserve matter modification”;
- authorize the Trustee, on behalf of all holders of the debt securities, to exchange or substitute all the debt securities for, or convert all the debt securities into, other obligations or securities of the Government or any other person; or
- change the legal ranking, governing law, submission to jurisdiction or waiver of immunities provisions of the terms of the debt securities.

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

- 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 issued under the Indenture);
- where such proposed modification would affect the outstanding notes and at least one other series of debt securities issued under the Indenture, the holders of more than 75% of the aggregate principal amount of the then outstanding debt securities of all of the series affected by the proposed modification, taken in the aggregate, if certain “uniformly applicable” requirements are met (defined in the Indenture as “cross-series modification with single aggregated voting”); or
- where such proposed modification would affect the outstanding notes and at least one other series of debt securities issued under the Indenture, the holders of more than 66⅔% of the aggregate principal amount of the then outstanding debt securities of all 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 the then outstanding debt securities of each series affected by the modification, taken individually.

“Uniformly applicable,” as referred to above, means a modification by which holders of debt securities of any series affected by that modification (including the notes, if so affected) are invited to exchange, convert or substitute their debt securities 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.

The Government may select, in its discretion, any modification method for a reserve matter modification in accordance with the Indenture and to 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.

Before soliciting any consent or vote of any holder of the debt securities (including the notes) for any change to a reserve matter, the Government will provide the following information to the Trustee for distribution to the holders of debt securities of any series that would be affected by the proposed modification:

- a description of the Government’s economic and financial circumstances that are in the Government’s opinion relevant to the request for the proposed modification, a description of the Government’s existing debts and description of its broad policy reform program and provisional macroeconomic outlook;
- 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.

For purposes of determining whether the required percentage of holders of the notes or any series of debt securities has approved any amendment, modification or change to, or waiver of, the notes, such other series of debt securities or the Indenture, or whether the required percentage of holders has delivered a notice of acceleration of the debt securities of that series, debt securities will be disregarded and deemed not to be outstanding and may not be counted in a vote or consent solicitation for or against a proposed modification if on the record date for the proposed

modification or other action or instruction hereunder, the debt security is held by the Government or by a public sector instrumentality, or by a corporation, trust or other legal entity that is controlled by the Government or a public sector instrumentality, except that (x) debt securities held by the Government or any public sector instrumentality of the Government or by a corporation, trust or other legal entity that is controlled by the Government or a public sector instrumentality which have been pledged in good faith may be regarded as outstanding if the pledgee establishes, to the satisfaction of the Trustee, the pledgee's right so to act with respect to such debt securities and that the pledgee is not the Government or a public sector instrumentality, and in case of a dispute concerning such right, the advice of counsel shall be full protection in respect of any decision made by the Trustee in accordance with such advice and any certificate, statement or opinion of counsel may be based, insofar as it relates to factual matters or information which is in the possession of the Trustee, upon the certificate, statement or opinion of or representations by the pledgee; and (y) in determining whether the Trustee will be protected in relying upon any such action or instructions hereunder, or any notice from holders, only debt securities that a responsible officer of the Trustee knows to be so owned or controlled will be so disregarded.

As used in the preceding paragraph, "public sector instrumentality" means any department, secretary, ministry or agency of the Government, 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 that legal entity.

Other Amendments

The Government and the Trustee may, without the vote or consent of any holder of debt securities of a series, amend the Indenture or the debt securities of that series for the purpose of:

- adding to the Government's covenants for the benefit of the holders;
- surrendering any of the Government's rights or powers with respect to the debt securities of that series;
- securing the debt securities of that series;
- curing any ambiguity or curing, correcting or supplementing any defective provision in the debt securities of that series or the Indenture;
- amending the debt securities of that series or the Indenture in any manner that the Government and the Trustee may determine and that does not materially adversely affect the interests of any holders of the debt securities of that series; or
- correcting a manifest error of a formal, minor or technical nature.

Further Issues

The Government may from time to time, without the consent of the holders, create and issue additional notes having the same terms and conditions as the notes in all respects, except for the issue date, issue price and first payment of interest on the notes; *provided, however*, that any additional notes subsequently issued that are not fungible with the previously outstanding notes for U.S. federal income tax purposes shall have a separate CUSIP, ISIN or other identifying number from the previously outstanding notes. Additional notes issued in this manner will be consolidated with and will form a single series with the previously outstanding notes.

Notices

Notices will be delivered to the holders of the notes at their registered addresses. Notice sent by registered or certified mail, postage prepaid, will be deemed to have been given, made or served three Business Days after it has been sent.

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.

Effective from the date on which the notes are listed on the official list of the Luxembourg Stock Exchange for trading on the Euro MTF Market and/or on the BSX, and for as long as the notes are so listed on such exchanges, each notice or communication provided to the holders of the notes will be published in a newspaper having general circulation in Luxembourg and Bermuda, respectively, or on the website of the respective exchanges at www.bourse.lu and www.bsx.com.

Trustee

The Indenture contains provisions relating to the obligations and duties of the Trustee, to the indemnification of the Trustee and to the Trustee's relief from responsibility for actions that it takes. The Trustee is entitled to enter into business transactions with the Government or any of its affiliates without accounting for any profit resulting from such transactions.

Paying Agents; Transfer Agent; Registrar

Under the Government Loans Act 1978 of Bermuda (the "Government Loans Act"), the registrar in respect of any securities issued by the Government is the Accountant General of Bermuda or in his or her absence the Acting Accountant General (the "Statutory Registrar"). As such, the Statutory Registrar performs the functions of a paying agent and transfer agent in respect of any such issue. The Government Loans Act, however, authorizes the Statutory Registrar to make arrangements whereby it may be assisted in the performance of its functions by such persons on such terms and conditions as it thinks fit. Any such arrangements require the prior approval of the Minister of Finance. In the exercise of that authority, the Statutory Registrar has initially appointed the Registrar, Paying Agents and Transfer Agent as provided in the Indenture. The Statutory Registrar and the Registrar so appointed will maintain a register which satisfies the requirements of the Government Loans Act and the Indenture, and the Paying Agents and Transfer Agent so appointed will, on behalf of the Statutory Registrar, perform their respective functions in accordance with the provisions of the Government Loans Act and the Indenture. The Government may at any time appoint additional or other Paying Agents, transfer agent and registrars or terminate the appointment of any such agent; *provided* that, while any note is outstanding the Government will maintain (1) a Paying Agent in a city in the United States or Western Europe and (2) a Registrar in New York City. Notice of any such termination or appointment and of any change in the office through which any Paying Agent, Transfer Agent or Registrar will act will be promptly given in the manner described in the Indenture and the notes.

Enforcement

Except as provided in the Indenture, no holder of any note will have any right by virtue of or by availing itself of any provision of the Indenture or the terms and conditions of the notes to institute any suit, action or proceedings in equity or at law upon or under or with respect to the Indenture or the notes or for the appointment of a receiver or trustee, or for any other remedy thereunder, unless (1) such holder previously has given to the Trustee written notice of a default and of the continuance thereof with respect to the notes, (2) the holders representing 25% or more in aggregate principal amount of the notes then outstanding has made written request upon the Trustee to institute such action, suit or proceeding in its own name as Trustee under the Indenture and has offered to the Trustee such indemnity satisfactory to the Trustee as it may require against the costs, expenses and liabilities to be incurred therein or thereby and (3) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such action, suit or proceeding and no direction inconsistent with such written request will have been given to the Trustee pursuant to the Indenture.

Prescription

All claims against the Government for payment of principal of or interest (including Additional Amounts) on or in respect of the notes will be prescribed unless made within five years from the date on which such payments first became due.

Listing

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. Application will also be made to list the notes on the BSX. This offering memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectuses for securities dated July 16, 2019.

Governing Law

The notes will be, and the Indenture is, governed by, and construed in accordance with, the laws of the State of New York.

Submission to Jurisdiction

Bermuda is an Overseas Territory of the United Kingdom. Consequently, it may be difficult for investors in the notes to obtain or realize in the United States or elsewhere judgments obtained against Bermuda. See “Enforceability of Civil Liabilities under U.S. Federal Securities Laws and Other Matters” for further information.

Proceedings against the Government in respect of the notes are governed by the Crown Proceedings Act 1966, as amended (the “Crown Proceedings Act”). The Crown Proceedings Act permits proceedings against the Government and such proceedings shall be enforced in the same manner in all respects as in like proceedings between individuals. Proceedings against the Government shall be instituted against the appropriate minister, in this case, the Minister of Finance.

The Government will irrevocably submit to the non-exclusive jurisdiction of any New York state or U.S. federal court sitting in the Borough of Manhattan, The City of New York, and any court exercising appellate jurisdiction therefrom, in any action or proceeding arising out of or relating to the notes, and the Government will irrevocably agree that all claims in respect of such action or proceeding may be heard and determined in any such New York state or U.S. federal court. The Government will irrevocably waive, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding and any right of jurisdiction in such action or proceeding on account of the place of residence or domicile of the Government. The Government will irrevocably appoint CT Corporation System (the “Process Agent”), with an office on the date hereof at 28 Liberty Street, New York, New York 10005, United States of America, as its agent to receive on behalf of itself and its property service of copies of summons and complaints and any other process which may be served in any such action or proceeding brought in any such New York state or U.S. federal court. Such service may be made by mailing or delivering a copy of such process to the Government, in the case of the Process Agent at the address specified above for the Process Agent, and the Government will irrevocably authorize and direct the Process Agent to accept such service on its behalf. As an alternative method of service, the Government will irrevocably consent to the service of any and all process in any such action or proceeding in such New York state or U.S. federal court sitting in the Borough of Manhattan, The City of New York, by the mailing of copies of such process to itself at its address specified in the Indenture.

The Crown Proceedings Act provides that documents required to be served on the Government shall be served on the Attorney General. We have been advised by the Attorney General’s Chambers that the Attorney General is permitted to appoint a New York agent to accept service of process on behalf of the Minister of Finance as further described below.

A final judgment in any of the above legal actions or proceedings will be conclusive and may be enforced in other jurisdictions.

The Government will irrevocably waive and agree, to the fullest extent permitted by applicable law, not to plead any sovereign or other immunity from the jurisdiction of such courts in connection with any action arising out of or in connection with the notes or the Indenture. Without limiting the generality of the foregoing, the Government agrees that the waivers set forth in this provision will be to the fullest extent permitted under the U.S. Foreign Sovereign Immunities Act of 1976 (the “Immunities Act”) and are intended to be irrevocable for purposes of such

Act; *provided, however*, the Government reserves the right to plead sovereign immunity under any applicable law, including, without limitation, the Immunities Act, with respect to actions brought against it under the U.S. federal securities laws or any state or local securities laws. In the absence of a waiver of sovereign immunity by the Government in such a securities law-based action, it would not be possible to obtain a U.S. judgment in such an action unless a court were to determine that we are not entitled to sovereign immunity under the Immunities Act with respect to such action.

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.

While the Government's submission to jurisdiction described above is limited to any New York state or U.S. federal court sitting in the Borough of Manhattan, The City of New York, and any court exercising appellate jurisdiction therefrom, nothing in this provision will affect the right of any holder of the notes to serve legal process in any other manner permitted by law or affect the right of any holder of the notes to bring any action or proceeding against the Government or its property in the courts of other jurisdictions.

The United States and Bermuda do not have a treaty in force providing for reciprocal recognition and enforcement of judgments in civil and commercial matters, so it is not certain as to whether remedies available under U.S. laws, including U.S. securities laws, will be allowed or recognized in Bermuda courts. Therefore, any judgments obtained against the Government under U.S. law may not be honored or enforced in Bermuda. As a result, whether a U.S. judgment would be enforceable in Bermuda against the Government or its officials depends on whether the U.S. court that entered the judgment is recognized by the Bermuda court as having jurisdiction over the Government or its officials, as determined by reference to Bermuda conflicts of law rules. A judgment debt from a U.S. court that is final and for a sum certain based on U.S. federal securities laws will not be enforceable in Bermuda unless the judgment debtor had submitted to the jurisdiction of the U.S. court in connection with such an action and the issue of submission and jurisdiction is a matter of Bermuda - as opposed to U.S. - law.

In addition, and irrespective of jurisdictional issues, Bermuda courts will not enforce a U.S. federal securities law that is either penal or contrary to public policy. Certain remedies available under the laws of U.S. jurisdictions, including certain remedies under U.S. federal securities laws, would not be available under Bermuda law or enforceable in a Bermuda court, as they would be contrary to Bermuda public policy. Moreover, no claim may be brought in Bermuda against the Government or its officials in the first instance for violation of U.S. federal securities law because these laws have no extraterritorial jurisdiction under Bermuda law and do not have force in Bermuda. A Bermuda court may, however, impose civil liability on the Government if the facts alleged in a complaint constitute or give rise to a cause of action under Bermuda law.

BOOK-ENTRY, DELIVERY AND FORM

The 2030 notes are being offered and sold to “qualified institutional buyers” in reliance on Rule 144A (“2030 Rule 144A Notes”). The 2030 notes also will be offered and sold in offshore transactions in reliance on Regulation S under the Securities Act (“2030 Regulation S Notes”).

2030 Rule 144A Notes initially will be represented in global form without interest coupons (collectively, the “2030 Rule 144A Global Notes”). 2030 Regulation S Notes initially will be represented in global form without interest coupons (collectively, the “2030 Regulation S Global Notes” and, together with the 2030 Rule 144A Global Notes, the “2030 Global Notes”).

The 2050 notes are being offered and sold to “qualified institutional buyers” in reliance on Rule 144A (“2050 Rule 144A Notes” and, together with the 2030 Rule 144A Notes, the “Rule 144A Notes”). The 2050 notes also will be offered and sold in offshore transactions in reliance on Regulation S under the Securities Act (“2050 Regulation S Notes” and, together with the 2030 Regulation S Notes, the “Regulation S Notes”).

2050 Rule 144A Notes initially will be represented in global form without interest coupons (collectively, the “2050 Rule 144A Global Notes” and, together with the 2030 Rule 144A Global Notes, the “Rule 144A Global Notes”). 2050 Regulation S Notes initially will be represented in global form without interest coupons (collectively, the “2050 Regulation S Global Notes” and, together with the 2030 Regulation S Global Notes, the “Regulation S Global Notes” and, the Rule 144A Global Notes together with the Regulation S Global Notes, the “Global Notes”).

The Global Notes will be registered in book-entry either in the name of DTC or its nominee, in each case for credit to an account of a direct or indirect participant in DTC as described below. Beneficial interests in the Rule 144A Global Notes may not be exchanged for beneficial interests in the Regulation S Global Notes at any time except in the limited circumstances described below. See “—Exchanges between Regulation S Notes and Rule 144A Notes” below.

Except as set forth below, the Global Notes may be transferred only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be exchanged for definitive global securities in registered certificated form (“Certificated Notes”) except in the limited circumstances described below. See “—Exchange of Global Notes for Certificated Notes” below. Except in the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive physical delivery of global securities in certificated form.

Rule 144A Notes (including beneficial interests in the Rule 144A Global Notes) will be subject to certain restrictions on transfer and will be subject to a restrictive legend as described under “Transfer Restrictions.” Regulation S Notes will also be subject to the legend as described under “Transfer Restrictions.” In addition, transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream), which may change from time to time.

Depository Procedures

The following description of the operations and procedures of DTC, Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. We take no responsibility for these operations and procedures and urge investors to contact the system or their participants directly to discuss these matters.

DTC

DTC has advised us that DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the U.S. Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”). DTC was created to hold securities

for its participating organizations (collectively, the “Participants”) and to facilitate the clearance and settlement of transactions in those securities between Participants through electronic book-entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. The Participants include securities brokers and dealers (including the initial purchasers), banks, trust companies and clearing corporations and may in the future include certain other organizations. Indirect access to DTC’s system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, the “Indirect Participants”). Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through the Participants or the Indirect Participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the Participants and Indirect Participants. More information about DTC can be found at www.dtcc.com and www.dtc.org.

DTC has also advised us that, pursuant to procedures established by it:

- (1) upon deposit of the Global Notes, DTC will credit the accounts of Participants designated by the initial purchasers with the portions of the amount of the Global Notes; and
- (2) ownership of these interests in the Global Notes will be shown on, and the transfer of ownership of these interests will be effected only through, records maintained by DTC (with respect to the Participants) or by the Participants and the Indirect Participants (with respect to other owners of beneficial interests in the Global Notes).

Investors in the Regulation S Global Notes who are Participants in DTC’s system may hold their interests therein directly through DTC. Investors in the Regulation S Global Notes who are not Participants may hold their interests therein indirectly through organizations (including Euroclear and Clearstream) which are Participants in such system. Investors in the Rule 144A Global Notes must initially hold their interests therein through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations that are participants in such systems. Euroclear and Clearstream will hold interests in the Rule 144A Global Notes on behalf of their participants through clients’ securities accounts in their respective names on the books of their respective depositories, which are Euroclear Bank S.A./N.V., as operator of Euroclear, and Citibank, N.A., as operator of Clearstream. All interests in a Global Note, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems.

Euroclear

Euroclear has advised us as follows: Euroclear was created in 1968 to hold securities for its participants and to clear and settle transactions between its participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing, and interfaces with domestic markets in several countries. Euroclear is operated by the Euroclear Operator, under contract with Euroclear Clearance Systems, S.C., a Belgian cooperative corporation (which we refer to as the Cooperative). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for Euroclear on behalf of Euroclear participants. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the initial purchasers. Indirect access to Euroclear is also available to others that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

The Euroclear Operator was granted a banking license by the Belgian Banking and Finance Commission in 2000, authorizing it to carry out banking activities on a global basis. It took over operation of Euroclear from the Brussels, Belgium office of Morgan Guaranty Trust Bank of New York on December 31, 2000.

Distributions received by Euroclear with respect to Rule 144A Global Notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the terms and conditions of Euroclear participation.

Clearstream

Clearstream has advised us as follows: Clearstream is incorporated under the laws of The Grand Duchy of Luxembourg as a professional depository. Clearstream holds securities for its participants and facilitates the clearance and settlement of securities transactions between its participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. As a professional depository, Clearstream is subject to regulation by the Luxembourg Monetary Institute. Clearstream participants are financial institutions around the world, including securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the initial purchasers. Indirect access to Clearstream is also available to others that clear through or maintain a custodial relationship with a Clearstream participant either directly or indirectly.

Distributions with respect to Rule 144A Global Notes held beneficially through Clearstream will be credited to cash accounts of Clearstream participants in accordance with its rules and procedures, to the extent received by Clearstream.

Delivery

The laws of some 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 Notes to such persons will be limited to that extent. Because DTC can act only on behalf of Participants, which in turn act on behalf of Indirect Participants, the ability of a person having beneficial interests in a Global Notes to pledge such interests to persons 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.

Except as described below, owners of interests in the Global Notes will not have global securities registered in their names, will not receive physical delivery of global securities in certificated form and will not be considered the registered owners or “holders” thereof under the Indenture for any purpose.

Payments in respect of interest on a Global Note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered holder under the Indenture. Under the terms of the Indenture, we and the Trustee will treat the persons in whose names the global securities, including the Global Notes, are registered as the owners of the global securities for the purpose of receiving payments and for all other purposes. Consequently, neither we, the Trustee nor any agent of ours, or the Trustee has or will have any responsibility or liability for:

- (1) any aspect of DTC’s records or any Participant’s or Indirect Participant’s records relating to or payments made on account of beneficial ownership interest in the Global Notes or for maintaining, supervising or reviewing any of DTC’s records or any Participant’s or Indirect Participant’s records relating to the beneficial ownership interests in the Global Notes; or
- (2) any other matter relating to the actions and practices of DTC or any of its Participants or Indirect Participants.

DTC has advised us that its current practice, upon receipt of any payment in respect of securities such as the global securities (including principal and interest), is to credit the accounts of the relevant Participants with the payment on the payment date unless DTC has reason to believe that it will not receive payment on such payment date. Each relevant DTC Participant is credited with an amount proportionate to its respective holding in the principal amount of the relevant security as shown on the records of DTC. Payments by the DTC Participants and Indirect Participants to the beneficial owners of global securities will be governed by standing instructions and customary practices and will be the responsibility of the Participants or Indirect Participants and will not be the responsibility of DTC, the Trustee or us. Neither we nor the Trustee will be liable for any delay by DTC or any of the DTC Participants or Indirect Participants in identifying the beneficial owners of the global securities, and we and the Trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Subject to the transfer restrictions set forth under “Transfer Restrictions,” transfers between Participants will be effected in accordance with DTC’s procedures, and will be settled in same-day funds, and transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the global securities described herein, cross-market transfers between the DTC Participants or Euroclear or Clearstream participants, will be effected through DTC in accordance with DTC’s rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depository; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant Global Notes in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream. Cross-market transfers between DTC (or its Participants or Euroclear or Clearstream) will be effected in accordance with the rules of DTC.

DTC has advised us that it will take any action permitted to be taken by a holder of global securities only at the direction of one or more participants to whose account DTC has credited the interests in the Global Notes and only in respect of such portion of the aggregate principal amount of the notes as to which such participant or participants has or have given such direction.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the Regulation S Global Notes and the Rule 144A Global Notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and may discontinue such procedures at any time. None of the Government, the Trustee nor or any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Exchange of Global Notes for Certificated Notes

A Global Note is exchangeable for Certificated Note only if:

- (1) DTC (a) notifies us that it is unwilling or unable to continue as depository for the Global Notes or (b) has ceased to be a clearing agency registered under the Exchange Act, or if at any time it is no longer eligible to act as such, and, in either case, we fail to appoint a successor depository; or
- (2) we, at our option, notify the Trustee in writing that we elect to cause the issuance of the Certificated Notes.

Exchanges of Global Notes for Certificated Notes will trigger stamp duty under the Stamp Duties Act 1976 of Bermuda which is payable by the noteholder. In each case, Certificated Notes delivered in exchange for any Global Notes or beneficial interests in Global Notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depository (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in “Transfer Restrictions,” unless that legend is not required by applicable law.

Exchange of Certificated Notes for Global Notes

Certificated Notes may not be exchanged for beneficial interests in any Global Note unless the transferor first delivers to us and the Trustee a written certificate to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such global security. See “Transfer Restrictions.”

Exchanges Between Regulation S Notes and Rule 144A Notes

Beneficial interests in the Regulation S Global Note may be exchanged for beneficial interests in the Rule 144A Global Note only if:

- (1) such exchange occurs in connection with a transfer of the global securities pursuant to Rule 144A; and
- (2) the transferor first delivers to us and the Trustee a written certificate to the effect that the global securities are being transferred to a person or entity:
 - (a) who the transferor reasonably believes to be a qualified institutional buyer within the meaning of Rule 144A;
 - (b) purchasing for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; and
 - (c) in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note only if the transferor first delivers to us and the Trustee a written certificate to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S or Rule 144 (if available) and that the interest transferred will be held immediately thereafter through Euroclear or Clearstream.

Transfers of beneficial interests within a Global Note may be made without delivery of any written certification or other documentation from the transferor or the transferee.

Transfers involving exchanges of beneficial interests between the Regulation S Global Notes and the Rule 144A Global Notes will be effected by DTC by means of an instruction originated by the DTC participant through the DTC Deposit/Withdraw at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note or vice versa, as applicable. Any beneficial interest in one of the Global Notes that is transferred to a person or entity 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.

Settlement and Payment

We will make payments in respect of the principal of and premium, if any, and interest on Global Notes by wire transfer of immediately available funds to the accounts specified by DTC or its nominee. We will make all payments of interest with respect to Certificated Notes by wire transfer of immediately available funds to the accounts specified by the holders of the Certificated Notes, if any, or, if no such account is specified, by mailing a check to each such holder's registered address.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Notes from a Participant will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a Business Day for Euroclear and Clearstream) immediately following the settlement date of DTC. DTC has advised us that cash received in Euroclear or Clearstream as a result of sales of interests in a Global Note by or through a Euroclear or Clearstream participant to a Participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the Business Day for Euroclear or Clearstream following DTC's settlement date.

Bermuda Securities Depository

Once the notes are listed on the BSX, and for as long as they remain listed on the BSX, they will be eligible for deposit into the Bermuda Securities Depository (“BSD”). There is currently no plan to deposit any of the notes into the BSD, however the following description of the operations and procedures of BSD are provided as a matter of convenience.

Any notes are deposited into the BSD, may be traded through the settlement and trading facilities of the BSD pursuant to the BSX’s Trading Regulations.

The operations and procedures of the BSD are solely within the control of the BSX (with the relevant oversight by the BMA) and are subject to changes. The Government takes no responsibility for these operations and procedures and urges investors to contact their BSD participants directly to discuss these matters.

The BSD is the clearing, settlement and depository service operated by the BSX. The BSD is powered by NASDAQ OMX’s X-stream trading platform providing world class trading technology and enabling the seamless trading and settlement of dematerialized securities. The BSX trading members, custodians, institutions and foreign depositories may become BSD participants. These participants act on their own behalf and on behalf of investors. Investors hold their securities in the BSD through a participant. Participants may open as many accounts as they wish. This enables participants to operate an exclusive account for an individual person or institution.

Alternatively, participants may operate omnibus accounts on behalf of a wide range of investors. However, participants must segregate securities held on their own behalf from securities held for their customers and must also separate securities held for Bermudian investors from those held for non-Bermudians.

To move securities into dematerialized form in the BSD system, the legal owner (the investor or his agent) needs to sign a transfer form and transfer the legal ownership to the BSD nominee. Although legal ownership changes when the Issuer updates the register, there is no change of beneficial ownership, as the BSD will create a book entry holding in the name of the investor (or his agent). The BSD will provide each participant with on line access to details of the accounts under Its control.

Holdings within the BSD nominee are “dematerialized” as issuing entities generally are not required to issue certificates in respect of this holding. However, the BSD will reconcile on a regular basis with the applicable registrar and will take steps to ensure that account holders enjoy the rights (e.g., receipt of interest, attendance at meetings, etc.) of ownership even though their securities are dematerialized. In addition the BSD will provide registrars with on-line access to the system. This will enable them to view accounts and transactions on a real-time basis. All trades executed on the BSX in BSD eligible securities are settled by transfers from and to BSD accounts. The value of trades due for settlement on a specified day is netted to give a single pay or receive figure for each participant. Participants, who are due to pay, settle the net figure by wire (or intra bank) transfer on the settlement day. Conversely, BSD will make payment to receiving participants in the same way.

Where an investor holds the securities, through a participant, in the BSD, then no further documentation is required from the seller and securities will be taken from the seller’s account and added to the buyer’s account immediately when the trade is executed. Investors may therefore buy and sell on the same day.

In addition, the broker must arrange for the dematerialization of the securities before the trade can take place. Securities in the BSD system can be transferred from account to account by book-entry movement. Such transfers may arise from trades on the BSX, voluntary conveyances or changes in the relationship between an investor and the participant. In addition, securities can be “frozen” as a result of a pledge instruction. In this case the securities will not be released until the BSD receives a release request from the pledgee. Securities within the system can also be borrowed and returned by an automated book-entry transfer procedure.

On the securities side, the BSX, through its link with the BSD, checks that securities are available to satisfy all sold orders before they are accepted into the system.

Immediately when a trade is settled, securities are transferred to the buyer's account and may then be used for sale within the system. As all securities within the system are good stock, no trade can be the subject of a bad delivery. In terms of funds, BSD participants are required to support their net trading levels with either cash deposits or acceptable financial guarantees. This ensures that funds are available for participants to settle their net liabilities with the BSD on settlement due date.

The BSD service operates within the existing Bermuda legal structure. The BSD is operated as a facility of the BSX. The operation and rules of the BSD are therefore regulated by the BMA in the same way as all other BSX activities. The BSD service has its own rules and regulations governing the actions and responsibilities of the BSD and its participants. The BMA has approved the BSD rules and associated changes to the BSX rules.

The BSX listing rules require listed issuers to comply with the section of the BSX Regulations that relates to issuers of eligible securities.

The BSD nominee's shareholdings will be held in "book form" as the rules require that issuers do not issue certificates in respect of the holding of the BSD nominee. Eligible securities held through the BSD will thus have been "dematerialized."

BSD participants are responsible for opening accounts. These accounts may relate to a single investor or may be an omnibus nominee. However, the BSD rules require the BSD to provide the issuer, on a regular basis, with details of the account holders and their balances in the security concerned. This service ensures that investors and the issuer can enjoy an acceptable level of contact.

Transfers within the BSD as a result of market trades are free of stamp duty under the auspices of the BSX Private Act that exempts transfers of listed securities from stamp duty. Transfers of legal ownership of notes to and from the BSD nominee will not be subject to stamp duty.

TRANSFER RESTRICTIONS

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

Each purchaser of the notes offered hereby will be deemed to have represented, warranted and agreed as follows (terms used herein that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein):

(1) You (A) (i) are a qualified institutional buyer, (ii) are aware that the sale of the notes to you is being made in reliance on Rule 144A and (iii) are acquiring such notes for your own account or for the account of a qualified institutional buyer, as the case may be (a “Rule 144A Holder”) or (B) are not a U.S. person, as such term is defined in Rule 902 under the Securities Act, and are purchasing the notes in accordance with Regulation S (a “Regulation S Holder”).

(2) As a Rule 144A Holder, you represent that you are purchasing the notes offered hereby for your own account, or for the account of one or more investors for which you are acting as fiduciary or agent with a view to not offer or distribute the notes other than in compliance with the Securities Act and understand that the notes have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except (A) (i) to a person who the purchaser reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S, (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) or (iv) pursuant to an effective registration statement under the Securities Act, (B) in accordance with all applicable securities laws of the states of the United States, or (C) to Bermuda.

(3) The notes offered pursuant to Regulation S will be subject to a legend to the following effect, unless we determine otherwise in compliance with applicable law:

“THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE OR OTHER SECURITIES LAWS. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THIS LEGEND MAY BE REMOVED SOLELY IN THE DISCRETION AND AT THE DIRECTION OF THE GOVERNMENT”

(4) The notes offered pursuant to Rule 144A will be subject to a legend to the following effect, unless we determine otherwise in compliance with applicable law:

“THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES THAT IT WILL NOT, PRIOR TO THE DATE WHICH IS ONE YEAR (OR SUCH SHORTER PERIOD OF TIME AS MAY BE PERMITTED BY RULE 144 UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR ANY SUCCESSOR PROVISION THEREUNDER) AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF (OR OF ANY ADDITIONAL ISSUANCE OF SECURITIES OF THE SAME SERIES AS THIS SECURITY) OR THE LAST DAY ON WHICH THE GOVERNMENT OR ANY AFFILIATE OF THE GOVERNMENT WAS THE OWNER OF THIS SECURITY, OFFER, SELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT (A) TO THE GOVERNMENT, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO

WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATIONS UNDER THE SECURITIES ACT, OR (E) PURSUANT TO ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (IF ANY), AND IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER APPLICABLE JURISDICTION. THIS LEGEND MAY BE REMOVED SOLELY IN THE DISCRETION AND AT THE DIRECTION OF THE GOVERNMENT.”

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 of Notes.” The above legend (including the restrictions on resale specified thereon) may be removed solely in our discretion and at our direction.

(5) You acknowledge that we, the initial purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations, warranties and agreements. You agree that if any of the acknowledgments, representations, warranties or agreements you are deemed to have been made by your purchase of the notes is no longer accurate, you will promptly notify us and the initial purchasers. If you are purchasing any notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

ENFORCEABILITY OF CIVIL LIABILITIES UNDER U.S. FEDERAL SECURITIES LAWS AND OTHER MATTERS

Bermuda is a sovereign state. We have been advised by the Attorney General's Chambers that there is no treaty in force between the United States and Bermuda providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. As a result, whether a U.S. judgment would be enforceable in Bermuda against the Government or its officials depends on whether the U.S. court that entered the judgment is recognized by the Bermuda court as having jurisdiction over the Government or its officials, as determined by reference to Bermuda conflicts of law rules. A judgment debt from a U.S. court that is final and for a sum certain based on U.S. federal securities laws will not be enforceable in Bermuda unless the judgment debtor had submitted to the jurisdiction of the U.S. court in connection with such an action and the issue of submission and jurisdiction is a matter of Bermuda, as opposed to U.S., law.

In addition, and irrespective of jurisdictional issues, Bermuda courts will not enforce a U.S. federal securities law that is either penal or contrary to public policy. Certain remedies available under the laws of U.S. jurisdictions, including certain remedies under U.S. federal securities laws, would not be available under Bermuda law or enforceable in a Bermuda court, as they would be contrary to Bermuda public policy. Further, no claim may be brought in Bermuda against the Government or its officials in the first instance for violation of U.S. federal securities laws because these laws have no extraterritorial jurisdiction under Bermuda law and do not have force of law in Bermuda. A Bermuda court may, however, impose civil liability on the Government if the facts alleged in a complaint constitute or give rise to a cause of action under Bermuda law.

All of the Government's officials and all or a substantial portion of the Government's assets are located outside of the United States. Accordingly, the enforceability in Bermuda of a judgment based on U.S. federal securities laws against the Government or its officials may be limited. The Government is a sovereign government and agencies and instrumentalities thereof are generally immune from lawsuits and from the enforcement of judgments under U.S. law. With respect to the contractual liability of the Government to perform its respective obligations under the indenture, with respect to itself or its property, the Government: (1) has agreed that the execution, delivery and performance by it of the indenture constitute private and commercial acts done for private and commercial purposes; (2) has agreed, to the extent it or any of its revenues, assets or properties shall be entitled, with respect to any claim, counterclaim or dispute of any kind or nature whatsoever arising out of or in any way relating to the indenture at any time brought against it or any of its revenues, assets or properties, or with respect to any suit, action or proceeding at any time brought solely for the purpose of enforcing or executing any judgment in any state or U.S. federal court in the State of New York or in any jurisdiction in which any other court is located, to any immunity from suit, from the jurisdiction of any such court, from attachment prior to judgment, from attachment in aid of execution of judgment, from execution of a judgment or from any other legal or judicial process or remedy, and to the extent that in any such jurisdiction there shall be attributed such an immunity, not to claim and irrevocably waive such immunity to the fullest extent permitted by the laws of such jurisdiction (including, without limitation, the Immunities Act); and (3) to the extent it or any of its revenues, assets or properties shall be entitled, in any jurisdiction, to any immunity from setoff, banker's lien or any similar right or remedy, and to the extent that there shall be attributed, in any jurisdiction, such an immunity, has irrevocably agreed not to claim and has irrevocably waived such immunity to the fullest extent permitted by the laws of such jurisdiction with respect to any claim, suit, action, proceeding, right or remedy arising out of or in connection with the Indenture.

Securities may be offered or sold in Bermuda only in compliance with the provisions of the Investment Business Act 2003, Exchange Control Act 1972 and related regulations of Bermuda which regulate the sale of securities in Bermuda.

TAXATION

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. Prospective purchasers should consult their tax advisors as to the tax laws of applicable jurisdictions and the specific tax consequences of acquiring, holding and disposing of the notes.

Certain Bermuda Tax Considerations

At the date of this offering memorandum, there is no Bermuda income tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by holders of the notes (other than holders of the notes ordinarily resident in Bermuda) in respect of their investment in the notes.

Stamp Duty

Under Bermuda law, there are no stamp or documentary taxes, duties or similar taxes or charges in connection with the delivery of the notes other than those payable under the Stamp Duties Act 1976 of Bermuda (“Stamp Duties Act”).

Under various circumstances, the provisions of the Stamp Duties Act may subject transfers of marketable securities to stamp duty at ad valorem stamp duty rates on a progressive scale. At present, the Stamp Duties Act provides that no stamp duty shall be payable by the Crown or any agency thereof or chargeable in respect of any instrument for the transfer on sale of any share or marketable security issued by or on behalf of the Government. Further, the provisions of the Bermuda Stock Exchange Act 1992 of Bermuda, as amended, provide that the provisions of the Stamp Duties Act shall not apply to any instrument which relates to a conveyance or transfer on sale or conveyance or transfer to effect or having the effect of a voluntary disposition *inter vivos* of securities which are listed on the BSX. Accordingly, if the notes are listed on the BSX and for so long as they remain listed on the BSX, the provisions of the Stamp Duties Act shall not apply to the notes.

Foreign Exchange Transactions

Pursuant to the Exchange Control Act 1972 of Bermuda and the Exchange Control Regulations 1973 adopted thereunder (“Exchange Control Regulations”), persons “resident” in Bermuda for exchange control purposes are subject to certain limitations on their ability to convert Bermuda dollars into a foreign currency, including into U.S. dollars, in order to purchase notes and/or to make payments to noteholders who are considered “non-resident” in Bermuda for exchange control purposes.

Pursuant to the Foreign Currency Purchase Tax Act 1975 of Bermuda, and save for certain exempted transactions, foreign currency purchase tax (“FCPT”) is charged at the applicable rate whenever foreign currency is purchased by a person who is deemed to be resident in Bermuda under the Exchange Control Regulations from any institution licensed as a bank under the Banks and Deposit Companies Act 1999 (the “1999 Act”). The FCPT is charged at the relevant rate (currently 1.25%) on every dollar of currency of Bermuda paid for the purchase of foreign currency and is payable by or on behalf of the person purchasing the foreign currency and collected and remitted to the Tax Commissioner in the currency of Bermuda by the bank from which the foreign currency is purchased. Purchasers who are resident under the Exchange Control Regulations and acquire foreign currency to purchase the notes from a bank licensed under the 1999 Act will be liable for the FCPT and foreign exchange at the applicable rate.

Certain U.S. Federal Income Tax Considerations

The following is a summary under current law of certain material U.S. federal income tax considerations relating to the purchase, ownership and disposition of the notes, but does not purport to be a complete analysis of all of the potential tax considerations. Except as otherwise indicated below, this summary deals only with U.S. Holders (as defined below) that will purchase the notes in the original offering at the original issue price and hold the notes as “capital assets.” In addition, this summary does not address tax considerations applicable to you if you are subject to special tax rules including those applicable to banks, tax-exempt organizations, insurance companies, dealers, traders in securities or other persons who are required or who elect to mark to market, persons liable for the alternative

minimum tax, certain former citizens or long-term residents of the United States, persons that will hold notes as a position in a hedging, straddle, conversion or integrated transaction, persons who file applicable financial statements (and who are required to recognize income when the associated revenue is reflected on such financial statements) or U.S. Holders that have a functional currency other than the U.S. dollar. If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holds a note, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partnership or a partner of a partnership holding a note, you should consult your own tax advisor.

This summary does not cover any state or local or foreign tax implications of the acquisition, ownership, or disposition of the notes. This summary does not address all aspects of U.S. federal income taxes and does not address other U.S. federal tax laws (such as the estate and gift tax or the Medicare tax on net investment income). The discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended, U.S. Treasury regulations, rulings and other pronouncements of the U.S. Internal Revenue Service (the “IRS”) and judicial decisions as of the date hereof. Such authorities may be repealed, revoked or modified (with possible retroactive effect) so as to result in U.S. federal income tax consequences different from those discussed below.

As used herein, “U.S. Holder” means the beneficial owner of a note that for U.S. federal income tax purposes is (i) an individual citizen or resident of the United States, (ii) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in the United States or under the laws of the United States or of 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 source, or (iv) a trust if a court within the United States is able to exercise primary supervision over the trust’s administration and one or more U.S. persons have authority to control all of the trust’s substantial decisions (or for certain trusts formed prior to August 20, 1996, if such trust has a valid election in effect under U.S. law to be treated as a U.S. person).

Interest Payments

Interest payable on a note will be taxable to you as ordinary interest income at the time it is accrued or paid, in accordance with your method of accounting for U.S. federal income tax purposes. Interest received or accrued by you on a note generally will be income from sources outside the United States for purposes of computing the foreign tax credit limitation. You should discuss the foreign tax credit rules with your own tax advisor.

Dispositions

Upon the sale, exchange, redemption or other disposition of a note, you generally will recognize gain or loss equal to the difference between the amount realized on the sale, exchange, redemption or other disposition (other than any amount attributable to accrued but unpaid interest, which will be taxed as ordinary interest income to the extent not previously included in income) and your tax basis in such note. Your tax basis in a note generally will be the purchase price of such note. Gain or loss so recognized will generally be capital gain or loss. You should consult your tax advisor regarding the treatment of capital gains (which may be taxed at lower rates than ordinary income for certain non-corporate taxpayers if the notes are held for more than one year) or losses (the deductibility of which is subject to limitations). Such gain or loss generally will be U.S. source gain or loss.

Non-U.S. Holders

Subject to the discussion of backup withholding below, interest on a note paid to a person that is neither a U.S. Holder nor a partnership or other entity treated as a partnership for U.S. federal income tax purposes (a “Non-U.S. Holder”) will not be subject to U.S. federal withholding tax and will not be subject to U.S. federal income tax unless the interest is effectively connected with such Non-U.S. Holder’s conduct of a trade or business (and, where a treaty applies, attributable to a permanent establishment) in the United States. In such event, the interest will be subject to U.S. federal income tax on a net basis and, if the Non-U.S. Holder is a foreign corporation, it may also be subject to a 30% (or lower applicable treaty rate) branch profits tax.

Gain on the disposition of a note will not be includible in the income of the Non-U.S. Holder unless (i) if the gain is effectively connected with the Non-U.S. Holder’s conduct of a trade or business (and, where a treaty applies,

attributable to a permanent establishment) in the United States (in which case such gain will be subject to tax in the same manner as effectively connected interest income as described above) or (ii) in the case of capital gains of an individual, if the Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met.

The notes generally will not be includible for purposes of U.S. federal estate tax in the gross estate of a non-resident of the United States who was not a citizen of the United States at the time of death.

Information Reporting and Backup Withholding

Backup withholding of U.S. federal income tax and certain information reporting requirements may apply to certain payments made on notes and to the proceeds from the disposition of a note if the holder is not entitled to an exemption. U.S. Holders that provide a correct taxpayer identification number and otherwise comply with applicable requirements of the backup withholding rules and other holders that properly certify that they are not U.S. Holders are generally exempt from backup withholding. Non-U.S. Holders should consult their own tax advisors about the specific application of and the availability of exemption from the backup withholding and information reporting rules.

Any amounts withheld under the backup withholding rules can be claimed as a credit against the holder's U.S. federal income tax liability, and may entitle a holder to refund, provided the required information is timely provided to the IRS.

Certain U.S. Holders are required to report to the IRS information with respect to their investment in notes unless certain requirements are met. Investors who fail to report required information could become subject to substantial penalties. Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of this requirement on their investment in the notes.

THE ABOVE DISCUSSION IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO YOU. EACH PROSPECTIVE INVESTOR IS STRONGLY URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE NOTES.

PLAN OF DISTRIBUTION

We and Goldman Sachs & Co. LLC and HSBC Securities (USA) Inc., as initial purchasers, have entered into a purchase agreement with respect to the notes. Subject to the terms and conditions stated in the purchase agreement, each initial purchaser has severally and not jointly agreed to purchase, and we have agreed to sell to that initial purchaser, the principal amount of notes set forth opposite the corresponding initial purchaser's name below. The initial purchasers may offer and sell the notes through certain of their respective affiliates.

Initial Purchasers	Principal Amount of 2030 Notes	Principal Amount of 2050 Notes
Goldman Sachs & Co. LLC.....	\$337,500,000	\$337,500,000
HSBC Securities (USA) Inc.	\$337,500,000	\$337,500,000
 Total.....	 \$675,000,000	 \$675,000,000

The initial offering price is set forth on the cover page of this offering memorandum. The initial purchasers 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 purchasers may change the offering price and other selling terms.

In the purchase agreement, the Government has agreed that:

- the Government will not offer or sell any debt securities having a tenor of more than one year (other than the notes) for a period of 30 days after the date of this offering memorandum without the prior written consent of the initial purchasers; and
- the Government will indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, or contribute to payments that the initial purchasers 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 "Transfer Restrictions."

In the purchase agreement, the initial purchasers have represented (severally and not jointly), warranted and agreed that:

- the notes may not be offered or sold within the United States or to, or to the account or benefit of, U.S. persons except pursuant to an exemption from the registration requirements of the Securities Act or in transactions not subject to those registration requirements; and
- as a part of their initial distribution of the notes at any time and otherwise until 40 days after the later of the commencement of the offering and the closing of the 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
 - in accordance with any other available exemption from registration under the Securities Act.

The notes will constitute a new class of securities with no established trading market. 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. Application will also be made to list the notes on the BSX. This offering memorandum constitutes a prospectus for

purposes of Part IV of the Luxembourg law on prospectuses for securities dated July 16, 2019. However, we cannot assure you that the listing applications will be approved. We 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 purchasers have advised us that they may make a market in the notes. However, the initial purchasers are not obligated to do so and may discontinue any market making activities with respect to the notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of or the trading market for the notes.

In connection with the offering, the initial purchasers may engage in overallotment, stabilizing transactions and covering transactions. Overallotment involves sales in excess of the offering size, which creates a short position for such 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 purchasers may conduct these transactions in the over-the-counter market or otherwise. If the initial purchasers commence any of these transactions, they may discontinue them at any time in their sole discretion.

The initial purchasers and certain of their respective 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 purchasers, either directly or through their respective affiliates, have provided from time to time and, in the future, may provide, certain investment banking, financial advisory services and commercial banking to us or our affiliates from which they have received and in the future may receive customary fees.

We expect that delivery of the notes will be made against payment therefor on or about the settlement date specified on the cover page of this offering memorandum, which is the third Business Day following the date of pricing of the notes (this settlement cycle being referred to as “T+3”). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market in the United States generally settle in two Business Days, purchaser who wish to trade notes before settlement will be required, by virtue of the fact that the notes initially will settle in T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement and should consult their own advisor.

Selling Restrictions

Neither we nor the initial purchasers are 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 purchasers will have any responsibility therefor.

Bermuda

The notes may be offered or sold in Bermuda only in compliance with the provisions of the Companies Act 1981 of Bermuda, the Investment Business Act 2003 of Bermuda and any other relevant legislation of Bermuda with respect to the notes. Additionally, non-Bermudian persons may not carry on or engage in any trade or business in Bermuda unless such persons are authorized to do so under applicable Bermuda legislation. Engaging in the activity of offering or marketing the notes in Bermuda to persons in Bermuda may be deemed to be carrying on business in Bermuda.

Prohibition of Sales to European Economic Area and United Kingdom Retail Investors

The notes may not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “EEA”) or in the United Kingdom (the “UK”). For these purposes, a “retail investor” means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, 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; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the “Prospectus Regulation”). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

United Kingdom

In the UK, this offering memorandum is being distributed only to, and is directed only at, qualified investors (as defined in the Prospectus Regulation) who are (i) persons having 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”), or (ii) high net worth entities and other persons to whom it may be lawfully be communicated falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). The notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire the notes in the UK will be engaged in only with, relevant persons. Any person in the UK who is not a relevant person should not act or rely on this offering memorandum or any of its contents.

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.4 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding initial purchaser conflicts of interest in connection with this offering.

Chile

The offer of the notes is subject to General Rule No. 336 of the Chilean Securities Commission (*Comisión para el Mercado Financiero*, or CMF). The notes being offered will not be registered under the Chilean Securities Market Law (*Ley de Mercado de Valores*) in the Securities Registry (*Registro de Valores*) or in the Foreign Securities Registry (*Registro de Valores Extranjeros*) both kept by the CMF and, therefore, the notes are not subject to the oversight of the CMF. As unregistered securities in Chile, we are not required to disclose public information about the notes in Chile. Accordingly, the notes cannot and will not be publicly offered to persons in Chile unless they are registered in the corresponding Securities Registry. The notes may only be offered in Chile in circumstances that do not constitute a public offering under Chilean law or in compliance with General Rule No. 336 of the CMF. Pursuant to the Chilean Securities Market Law, a public offering of securities is an offering that is addressed to the general public or to certain specific categories or groups thereof. Considering that the definition of public offering is quite broad, even an offering addressed to a small group of investors may be considered to be addressed to a certain specific category or group of the public and therefore be considered public under applicable law and, as such, subject to registration in Chile. However, pursuant to General Rule No.336 of the CMF, the notes may be privately offered in

Chile to certain “qualified investors” identified as such therein (which in turn are further described in General Rule No. 216, dated June 12, 2008, of the CMF).

CMF Rule 336 requires the following information to be provided to prospective investors in Chile:

1. Date of commencement of the offer: _____, 2020. The offer of the notes is subject to Rule (*Norma de Carácter General*) No. 336, dated June 27, 2012, issued by the CMF.
2. The subject matter of this offer are securities not registered with the Securities Registry (*Registro de Valores*), nor with the Foreign Securities Registry (*Registro de Valores Extranjeros*) both kept by CMF. As a consequence, the notes are not subject to the oversight of the CMF.
3. Since the notes are not registered in Chile, the issuer is not obliged to provide publicly available information about the notes in Chile.
4. The notes shall not be subject to public offering in Chile unless registered with the relevant Securities Registry kept by the CMF.

CMF Rule 336 further requires the following information to be included in the Spanish language:

Aviso a los Inversionistas Chilenos

La oferta de los bonos se acoge a la Norma de Carácter General N°336 de la Comisión para el Mercado Financiero. Los bonos que se ofrecen no están inscritos bajo la Ley de Mercado de Valores en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la Comisión para el Mercado Financiero, por lo que tales valores no están sujetos a la fiscalización de ésta. Por tratarse de valores no inscritos en Chile, no existe obligación por parte del emisor de entregar en Chile información pública respecto de estos valores. Los bonos no podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el Registro de Valores correspondiente. Los bonos solo podrán ser ofrecidos en Chile en circunstancias que no constituyan una oferta pública o cumpliendo con lo dispuesto en la Norma de Carácter General N° 336 de la Comisión para el Mercado Financiero. De conformidad con la Ley de Mercado de Valores Chilena, se entiende por oferta pública de valores la dirigida al público en general o a ciertos sectores o a grupos específicos de éste. Considerando lo amplio de dicha definición, incluso una oferta dirigida a un pequeño grupo de inversionistas puede ser considerada como una oferta dirigida a ciertos sectores o a grupos específicos del público y por lo tanto considerada como pública y sujeta a inscripción en Chile bajo la ley aplicable. Sin embargo, en conformidad con lo dispuesto por la Norma de Carácter General N°336, los bonos podrán ser ofrecidos privadamente a ciertos “inversionistas calificados,” identificados como tal en dicha norma (y que a su vez están descritos en la Norma de Carácter General N° 216 de la Comisión para el Mercado Financiero de fecha 12 de junio de 2008).

La siguiente información se proporciona a potenciales inversionistas de conformidad con la NCG 336:

1. *La oferta de los bonos comienza el _____ de 2020, y se encuentra acogida a la Norma de Carácter General N° 336, de fecha 27 de junio de 2012, de la CMF.*
2. *La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la CMF, por lo tanto, tales valores no están sujetos a la fiscalización de esa Comisión.*
3. *Por tratarse de valores no inscritos en Chile, no existe la obligación por parte del emisor de entregar en Chile información pública respecto de los mismos.*
4. *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. The notes will not be offered or sold in Hong Kong other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong and any rules made under that Ordinance or (b) 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 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) has been issued or will be issued in Hong Kong or elsewhere other than with respect to securities which are or are intended to be disposed of only to persons outside of Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Japan

The notes have not been and will not be registered pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act. Accordingly, none of the notes nor any interest therein may be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any “resident” of Japan (which term, as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to or for the benefit of a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan in effect at the relevant time.

Panama

The notes and the information contained in this offering memorandum have not been and will not be registered with or approved by the *Comisión Nacional de Valores de Panamá* (Panamanian National Securities Commission) or the *Bolsa de Valores de Panamá, S.A.* (Panamanian Stock Exchange). Accordingly, the notes cannot be offered or sold in Panama, except in transactions exempted from the registration requirements of the securities laws and regulations of Panama.

Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the notes may not be offered or sold or made the subject of an invitation for subscription or purchase, and this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, whether directly or indirectly, to any person in Singapore other than:

- (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA;
- (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA 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 or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) 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 of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Switzerland

The notes may not be and will not be publicly offered, distributed or redistributed on a professional basis in or from Switzerland, and neither this offering memorandum nor any other solicitation for investments in the notes may be communicated or distributed in Switzerland in any way that could constitute a public offering within the meaning of Articles 1156 or 652a of the Swiss Code of Obligations or of Article 2 of the Federal Act on Investment Funds of March 18, 1994. This offering memorandum may not be copied, reproduced, distributed or passed on to others without the initial purchaser's prior written consent. This offering memorandum is not a prospectus within the meaning of Articles 1156 and 652a of the Swiss Code of Obligations or a listing prospectus according to article 32 of the Listing Rules of the Swiss exchange and may not comply with the information standards required thereunder. We will not apply for a listing of our notes on any Swiss stock exchange or other Swiss regulated market, and this offering circular may not comply with the information required under the relevant listing rules. The notes have not been and will not be registered with the Swiss Federal Banking Commission and have not been and will not be authorized under the Federal Act on Investment Funds of March 18, 1994. The investor protection afforded to acquirers of investment fund certificates by the Federal Act on Investment Funds of March 18, 1994 does not extend to acquirers of the notes.

OFFICIAL STATEMENTS

Certain information included herein which is identified as being provided by the Ministry of Finance, the Bermuda Monetary Authority or H.M. Customs has been derived from the Bermuda 2016 Census, Bermuda's Population Projections 2016-2026, and the Bermuda Digest of Statistics 2019, all published by the Statistical Department of the Cabinet Office, the Bermuda 2019 Economic Review, published by the Ministry of Finance, the Bermuda Approved Estimates of Revenue and Expenditure, published by the Ministry of Finance, the Bermuda Government Financial Statements of the Consolidated Fund, published by the Ministry of Finance, and certain other publications of the Government or one of its agencies or instrumentalities. This information is included herein on the authority of such publications or updates thereof as public official documents of the Government. All other information herein under "Summary—Bermuda" and "Bermuda" is included as a public official statement.

LEGAL MATTERS

The validity of the notes will be passed upon on behalf of the Government by the Attorney General's Chambers, and Milbank LLP, U.S. counsel to the Government, and on behalf of the initial purchasers by Simpson Thacher & Bartlett LLP, U.S. counsel to the initial purchasers, and Appleby (Bermuda) Limited, Bermuda counsel to the initial purchasers. All statements in this offering memorandum with respect to matters of Bermuda law have been passed upon by the Attorney General's Chambers of Bermuda.

GENERAL INFORMATION

1. The 2030 notes, which include the 2030 Rule 144A Notes and 2030 Regulation S Notes, have been accepted for clearance through Euroclear and Clearstream. For the 2030 Rule 144A Notes, the CUSIP number is 085209 AG9, the ISIN number is US085209AG93 and the common code is 222194652. For the 2030 Regulation S Notes, the CUSIP number is G10367 AE3, the ISIN number is USG10367AE36 and the common code is 222194709.

2. The 2050 notes, which include the 2050 Rule 144A Notes and 2050 Regulation S Notes, have been accepted for clearance through Euroclear and Clearstream. For the 2050 Rule 144A Notes, the CUSIP number is 085209 AH7, the ISIN number is US085209AH76 and the common code is 222194768. For the 2050 Regulation S Notes, the CUSIP number is G10367 AG8, the ISIN number is USG10367AG83 and the common code is 222194741.

3. The issuance of the notes by the Government was done in accordance with the Government Loans Act 1978 and was authorized by the Minister of Finance on June 16, 2020. All consents, approvals, authorizations and other orders of all regulatory authorities under the laws of Bermuda have been given for the issuance of the notes and the execution and issue of the Indenture, and are in full force and effect.

4. Except as disclosed in this offering memorandum, there has been no change in the last audited historical financial statements of the Consolidated Fund of the Government.

5. Neither the Government nor any Ministry of the Government is involved in litigation or arbitration proceedings which are material in the context of the issue of the notes nor, so far as the Government is aware, are any such litigation or arbitration proceedings pending or threatened.

6. Copies of documents referred to in this offering memorandum, including the Indenture and the Government's annual financial statements, are available at your request, without charge, by writing to the Ministry of Finance at 30 Parliament Street, Hamilton HM 12, Bermuda, Attention: Financial Secretary. The Ministry of Finance's telephone number at that address is (441) 295-5151 (ext. 1496); facsimile: (441) 295-5727.

7. 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. We will also apply to list the notes on the BSX. This offering memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectuses for securities dated July 16, 2019. The following documents are available for inspection at the address for the Government listed above, at the offices of the Trustee, at the offices of the Bermuda Stock Exchange, 30 Victoria Street, 3rd Floor, Hamilton, HM12 Bermuda for a period of ten Business Days during each year:

- The audited historical financial statements of the Consolidated Fund of the Government;
- Copy of the Indenture; and
- This offering memorandum.

THE GOVERNMENT OF BERMUDA

Ministry of Finance
30 Parliament Street
Hamilton HM 12, Bermuda

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AND PAYING AGENT**

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240 Greenwich Street, 7th Floor East
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