



*Government of Bermuda*  
**The Ministry of Finance**

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**Ministry of Finance Headquarters**  
**Ministerial Statement**

To the House of Assembly  
By  
**The Hon. Everard T. Richards, JP, MP**  
Minister of Finance

**BD\$50 million 4.75% Senior Unsecured Notes due 2023**  
Date: February, 14<sup>th</sup> 2014

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**Mr. Speaker,** Honourable Members will recall that on Monday, December 16, 2013, the Government of Bermuda raised BD\$50 million in 10-year bonds. Therefore, in accordance with Section 2 (3) of the Government Loans Act 1978 I rise this morning to inform this Honourable House of the execution of this borrowing transaction pursuant to the requirements of the Act.

**Mr. Speaker,** I can now report on this successful capital markets transaction which raised BD\$50 million in 10-year bonds, at an all-in yield of just 4.75% by the Government of Bermuda.

**Mr. Speaker,** here is a brief synopsis of the process that led to this successful transaction. On Monday December 2nd, 2013, the Bermuda Government launched an offering of BD\$50 million Senior Notes targeted at local investors.

Butterfield Securities (Bermuda) Limited ("Butterfield") was selected as the sole bookrunning manager for the offering. The Ministry of Finance conducted meetings with local investors to provide an update on economic and fiscal developments. More importantly, local investors were also informed of the Government's plan to turn around the economy and reduce deficit levels.

**Mr. Speaker,** this also allowed the Ministry of Finance to evaluate local market conditions and potential funding opportunities to implement our new multi-year borrowing strategy as announced earlier this year. This strategy will give the Government certainty of financing instead of borrowing on a year to year basis in a rising interest rate market, and thereby locking in low rates saving on interest cost.

**Mr. Speaker,** the Ministry of Finance has long discussed using the domestic capital market for some of the Government's financing needs and I indicated earlier in the year that if rates of interest were competitive, Government proposed to finance some of its borrowing requirements with the issue of a local bond. This policy choice was intended to spur more economic activity in Bermuda, to stimulate local capital markets and to provide Bermudian investors with an opportunity to feel that they are being part of the development of our country's affairs. The issue supports the local markets as the Government bonds are listed and traded on the Bermuda Stock Exchange.

Mr. Speaker, highlights of the transaction are as follows:

- On Monday, December 16, 2013, the Government of Bermuda raised BD\$50 million in 10-year bonds at a yield of 4.75% - for a spread to US Treasuries of 191.1 basis points;

- Fully subscribed, broadly distributed across nearly 250 retail, high net worth and local institutional investors (including Butterfield, the underwriting institution);
- All retail and high net worth investors who submitted subscription forms by the deadline received 100% allocations;
- Approximately two-thirds of orders (66%) were for subscriptions of BD\$50,000 or less, 90% of which were from Bermudians (individuals and companies);
- The low pricing and decent order book confirmed that the local market has a very favorable view of the Bermuda credit story despite ongoing economic challenges;
- The rating agencies will look at this local issue positively as they have typically noted in their reports that a relative lack of a domestic government bond market for a country implies less financing flexibility than that enjoyed by countries able to borrow largely from their own residents.

**Mr. Speaker,** I am pleased with the results of this successful bond offering, as it was the first local public bond offering by the Government of Bermuda for many years. I am also particularly delighted with the competitive rate attracted by this issue. This transaction has created a new source of funding for the Government and expanded local capital markets. It has also provided a new investment product and opportunity locally which keeps capital here on the island.

**Mr. Speaker,** while Government was pleased with the level of demand, we acknowledge the offering occurred within a compressed timeframe for the Bermuda marketplace. Potential investors who were not able to participate in the

offering during the marketing period and still have an interest in acquiring local bonds, should contact one of the local brokerage firms for assistance.

**Thank you Mr. Speaker.**