“A long way to go…”
2015 Bermuda Budget Highlights

“There are clear signs that the two track strategy is bearing fruit…but there is a long way to go before we get to solid ground.” - The Minister of Finance, The Hon. E.T. Richards, JP, MP

Summary
• Some progress toward deficit reduction but cost reductions are constrained resulting in significant tax increases

Revenue
• Increase of $29.6M or 3.3% from last year
• Significant tax increases including:
  - Payroll tax increase to 14.5%, employees portion increased to 5.5%
  - Fuel duty up 5 cents per litre
  - Departure tax up from $35 to $50
  - Payroll tax concessions partially rolled back (5.5%)
  - Marine and Ports fees raised

Debt
• Gross public debt at $2,310M and debt, net of sinking fund, will stand at $2,192M
• No new borrowing in 2014/15
• $125M new borrowing required in 2015/16
• Debt service estimated at $170M up from $162M

Budget highlights:

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</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>884</td>
<td>902</td>
<td>876</td>
<td>931</td>
</tr>
<tr>
<td>Current account expenditure</td>
<td>971</td>
<td>946</td>
<td>955</td>
<td>913</td>
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<tr>
<td>Interest on debt</td>
<td>109</td>
<td>114</td>
<td>114</td>
<td>118</td>
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<tr>
<td>Sinking fund contribution</td>
<td>38</td>
<td>48</td>
<td>48</td>
<td>52</td>
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<tr>
<td>Capital expenditure</td>
<td>65</td>
<td>62</td>
<td>59</td>
<td>68</td>
</tr>
<tr>
<td>Budget deficit</td>
<td>299</td>
<td>268</td>
<td>300</td>
<td>220</td>
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Growth
• Increase in new company applications, work permits, planning applications, building permits and retail sales drive the first positive GDP growth since 2007/8
• $930M to be injected into the economy over the next 3 years. Hotel development, new airport and America’s Cup

Expenditure
• Reduction of $33.1M or 3.5% from last year
• Interest on debt to increase to $169.1M – 5.4% higher
• Capital expenditures of $68.8M with most of planned expenditure being on construction related projects already underway
• Without furloughs, civil service layoffs may be necessary

Financial position summary:

<table>
<thead>
<tr>
<th></th>
<th>2012/13 $M</th>
<th>2013/14 $M</th>
<th>Revised estimate 2014/15 $M</th>
<th>Estimate 2015/16 $M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget deficit</td>
<td>(226)</td>
<td>(299)</td>
<td>(300)</td>
<td>(220)</td>
</tr>
<tr>
<td>Government debt outstanding</td>
<td>(1,574)</td>
<td>(2,305)</td>
<td>(2,185)</td>
<td>(2,310)</td>
</tr>
<tr>
<td>Guarantees outstanding</td>
<td>(200)</td>
<td>(521)</td>
<td>(527)</td>
<td>(527)</td>
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<tr>
<td>Sinking fund</td>
<td>97</td>
<td>533</td>
<td>160</td>
<td>118</td>
</tr>
<tr>
<td>Statutory debt limit</td>
<td>1,250</td>
<td>2,500</td>
<td>2,500</td>
<td>2,500</td>
</tr>
</tbody>
</table>

“...and are not going to be sufficient on their own.” - Tom Miller, Managing Director, PwC

Let’s talk
Growth and change are two realities that no business can afford to ignore. PwC Bermuda’s Advisory & Private Company Services teams can help you take a more strategic approach to both. We provide a broad range of audit and advisory services and our PCS team understands private businesses and invests in building strong relationships.

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