MOODY'S
RATINGS

Rating Action: Moody's Ratings upgrades Bermuda's ratings to A1, maintains stable outlook

08 May 2026

New York, May 08, 2026 -- Moody's Ratings (Moody's) has today upgraded the Government of Bermuda's domestic- and foreign-currency long-term issuer and foreign-currency senior unsecured bond ratings to A1 from A2 and maintained the stable outlook.

The ratings upgrade to A1 reflects the improvement in fiscal strength that we expect will continue over the coming years following the introduction of the corporate income tax. This reform represents a structural increase in government revenue, which we anticipate will translate into a sustained track record of fiscal surpluses, continued improvement in debt affordability, and a faster and durable reduction in the government's debt burden. In addition, effective implementation and adherence to the authorities' plans to reinforce the fiscal policy framework—including measures to constrain spending growth and build fiscal buffers—would enhance the durability of recent fiscal gains. This strengthening of fiscal policy effectiveness supports governance as a key driver of the rating action.

The stable outlook reflects a balance between improving fiscal strength, strong institutions and external position against structural economic constraints. While Bermuda's small economic scale, limited diversification, and modest trend growth constrain economic strength relative to A rated peers, these challenges are mitigated by high income levels, strong institutional quality, and effective policymaking. Even before the benefits of corporate income tax accrue, fiscal strength had improved steadily in recent years, supported by continued fiscal consolidation, while Bermuda's very strong external position reduces vulnerability to external shocks and supports the credit profile.

Bermuda's country ceilings remain unchanged. The local currency country ceiling is positioned at Aaa, four notches above the sovereign rating, reflecting the economy's economic fundamentals, strong institutions and limited government intervention in economic activity. The foreign currency country ceiling, also at Aaa, reflects strong external position and large stock of foreign assets, indicating that the risk of restrictions on transfer and convertibility at times of stress remains very limited.

RATINGS RATIONALE

RATIONALE FOR THE RATINGS UPGRADE TO A1

FISCAL STRENGTH WILL INCREASE AS REVENUE RISES, IMPROVING DEBT AFFORDABILITY AND SECURING DOWNWARD DEBT TREND

The introduction of the corporate income tax represents a structural shift in Bermuda's fiscal framework that will support a continued strengthening of fiscal strength over the coming years. We expect that higher revenue will translate into sustained fiscal surpluses of around 5% of GDP in the next two to three years and effective debt reduction.

The reform aligns Bermuda's tax framework with evolving international standards, including the OECD-led global minimum tax under Pillar Two, supporting regulatory credibility and preserving the island's competitiveness as an international financial center. With the new tax, government revenue is expected to remain structurally higher than historical levels, at around 18% of GDP by 2027 from around 14% of GDP before the tax was fully implemented in 2026, supporting improved debt affordability and a materially stronger medium-term fiscal position.

Improvements in fiscal outcomes will be reinforced in the next twelve months as the authorities deliver on recently announced plans to prioritize debt repayment and prudent fiscal management. Under our baseline, stronger revenue and planned debt repayment, including the full redemption of the global bond maturing in 2027, are expected to support a continued decline in the debt burden and a convergence of debt affordability metrics toward those of A-rated peers. The debt burden will decline to 27% of GDP in 2026 from a peak of 49% in 2020, almost half the A-rated median. Meanwhile, the interest-to-revenue ratio will fall to less than 6% in 2026, in line with the peer group median, from 10% in 2024 before the corporate income tax became effective and 13% in 2020.

Over the medium term, the extent and durability of further improvements will depend on the government's track record in managing spending pressures, executing its debt management strategy, and maintaining fiscal discipline as we expect corporate income tax receipts to moderate over time.

BOLSTERING OF FISCAL POLICY FRAMEWORK SUPPORTS DEBT REDUCTION AND BUILD UP OF BUFFERS

The authorities' plans to strengthen Bermuda's fiscal policy framework, if effectively operationalized, will support further improvements in fiscal outcomes over the medium term. While fiscal policy effectiveness is already relatively strong, as demonstrated by the post-pandemic fiscal consolidation process, the introduction of formal fiscal rules—building on recent fiscal surpluses and the authorities' commitment not to use additional corporate income tax revenue to fund permanently higher current spending or materially lower other taxes—will help anchor fiscal discipline and support sustained improvements in debt metrics, while balancing ongoing spending pressures related to healthcare, pensions, and exposure to weather-related risks within the new fiscal framework.

The planned fiscal rules and buffer-building measures will further reinforce policy credibility once implemented. In particular, rules that prioritize balanced operating budgets and allocate a substantial share of corporate income tax revenue toward debt reduction and asset accumulation, alongside the establishment of a stabilization fund, a sovereign wealth fund, and continued use of the sinking fund, would support the durability of fiscal surpluses and a more resilient decline in the debt burden.

RATIONALE FOR THE STABLE OUTLOOK

The stable outlook reflects a balance between improving fiscal strength, strong institutions, and a very strong external position, against structural constraints on economic strength.

Bermuda's small economic scale and modest trend growth limit diversification away from finance and tourism and increase sensitivity to sector specific and external shocks, constraining the rating despite very high income levels relative to peers.

These constraints are mitigated by strong institutional quality and effective policymaking, which have supported the resilience of Bermuda's economic model. The authorities' track record of adapting regulatory and legal frameworks to evolving global standards has helped preserve Bermuda's role as a leading insurance and reinsurance hub, underpinning policy credibility. Recent fiscal policy actions, alongside a very strong external position characterized by persistent current account surpluses and a large positive net international investment position, support the stability of the credit profile and resilience to external shocks despite structural economic limitations.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) CONSIDERATIONS

Bermuda's CIS-2 Credit Impact Score reflects moderate exposure to environmental and social risks, balanced by very strong governance and institutional strength. Environmental risks stem primarily from rising sea levels and related physical climate risks, which could affect the tourism sector, while social risks are driven by unfavorable demographic trends that weigh on potential growth. These exposures are partly mitigated by Bermuda's high income levels, strong institutions, and policy capacity, which limit the overall credit impact of ESG factors.

The E-3 environmental issuer profile score reflects the vulnerability of the tourism sector to climate-related risks, including rising sea levels and potential erosion of natural capital over time. The authorities' climate adaptation and mitigation efforts, such as initiatives to promote clean transportation, expand renewable energy capacity, and develop strategies for the sustainable use of marine resources, help to manage these risks and limit their potential impact on economic activity.

Social risks identified with a S-3 social issuer profile score reflect demographic pressures associated with an aging population, which constrain labor supply and medium-term growth, but are mitigated by very high wealth levels, strong education and health outcomes, and a comprehensive social safety net.

The G-2 governance issuer profile score reflects how governance and institutional strength remains a key credit strength, pointing to Bermuda's robust institutional framework, effective macroeconomic policymaking, active civil society, and strong rule of law, partially offset by capacity constraints associated with the country's small size.

GDP per capita (PPP basis, US$): 124,253 (2024) (also known as Per Capita Income)

Real GDP growth (% change): 1.9% (2024) (also known as GDP Growth)

Inflation Rate (CPI, % change Dec/Dec): 2.1% (2024)

Gen. Gov. Financial Balance/GDP: 0.4% (2024) (also known as Fiscal Balance)

Current Account Balance/GDP: 18.4% (2024) (also known as External Balance)

External debt/GDP: 419% (2024)

Economic resiliency: a3

Default history: No default events (on bonds or loans) have been recorded since 1983.

On 05 May 2026, a rating committee was called to discuss the rating of the Bermuda, Government of. The main points raised during the discussion were: The issuer's institutions and governance strength, have materially increased. The issuer's fiscal or financial strength, including its debt profile, has materially increased.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Upward pressure on Bermuda's rating could emerge if fiscal outcomes continue to outperform current baseline expectations, particularly through a faster-than-anticipated decline in gross and net debt and a more rapid improvement in debt affordability metrics relative to similarly rated peers. In addition, evidence that economic performance strengthens and becomes more stable over time, including through policies that support higher and less volatile growth, would further support upward rating momentum. Further economic diversification would add upward rating pressure.

Negative credit pressures would emerge if recent fiscal improvements prove less durable than expected, resulting in weaker fiscal balances and a slower improvement in debt affordability. This could stem from weaker than anticipated revenue, slippage in expenditure control, and from delays in implementing the strengthened fiscal policy framework. A reversal in the declining debt trajectory and a sustained rise in the interest-to-revenue ratio would also weaken fiscal strength. In addition, a material slowdown in the international business sector that undermines growth and government revenue could weigh on the credit profile.

The principal methodology used in these ratings was Sovereigns published in November 2022 and available at https://ratings.moodys.com/rmc-documents/395819. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

The weighting of all rating factors is described in the methodology used in this credit rating action, if applicable.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

For any affected securities or rated entities receiving direct credit support/credit substitution from another entity or entities subject to a credit rating action (the supporting entity), and whose ratings may change as a result of a credit rating action as to the supporting entity, the associated regulatory disclosures will relate to the supporting entity. Exceptions to this approach may be applicable in certain jurisdictions.

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For provisional ratings, the Credit Rating Announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating.

Moody's does not always publish a separate Credit Rating Announcement for each Credit Rating assigned in the Anticipated Ratings Process or Subsequent Ratings Process.

These ratings are solicited. Please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website https://ratings.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

At least one ESG consideration was material to the credit rating action(s) announced and described above. Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moodys.com/documents/PBC_1462204.

The Global Scale Credit Rating(s) discussed in this Credit Rating Announcement was(were) issued by one of Moody's affiliates outside the EU and UK and is(are) endorsed for use in the EU and UK in accordance with the EU and UK CRA Regulation.

Please see https://ratings.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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