GOVERNMENT OF THE REPUBLIC OF TRINIDAD AND TOBAGO

TT$2,500 MILLION

2.80% FIXED RATE BONDS DUE SEPTEMBER 23, 2026

for Auction on September 19, 2014

The Agent - Central Bank of Trinidad and Tobago, Eric Williams Financial Complex, St. Vincent Street, Port of Spain

"The Trinidad and Tobago Securities and Exchange Commission has not in any way evaluated the merits of the securities offered hereunder and any representation to the contrary is an offence."

INFORMATION MEMORANDUM

ABSTRACT

The Government of the Republic of Trinidad and Tobago proposes to raise TT$2,500 million through the issue of a twelve-year Bond with a coupon rate of 2.80% per annum. The Bond will be issued under the authority of the Development Loans Act Chap. 71:04.

This Bond issue is the second Central Government Bond issue for fiscal year 2013/2014 and is intended to assist in financing the fiscal year 2013-2014 Budget.

The Bonds will be issued through the automated auction system operated by the Central Bank. A single price auction system will be used and, as far as possible, applicants will be allotted Bonds to the fullest extent of their applications.

The auction will be opened at 10:00 a.m. on Monday September 8, 2014 and will close at 1:00 p.m. on Friday September 19, 2014.

Bonds will be dated **Tuesday September 23, 2014.**

TERMS OF ISSUE

1. **Authority**
   This Bond will be issued under the Development Loans Act Chap. 71:04.

2. **Purpose of Issue**
   This Bond is intended to assist in financing the fiscal year 2013-2014 Budget. The Government is also mindful of its role in the development of the local capital market and, in particular, the development of the Government Bond market. To this end, it continues to provide securities that will cater to the needs of all investors.

   These Bonds are eligible for inclusion in the Statutory Fund of Insurance Companies and will be considered as assets in and originating in Trinidad and Tobago within the meaning of sections 46 (1) and 186 (1) and 186(3) respectively of the Insurance Act, 1980 Chap. 84:01 and will also be accepted without limit for appropriate deposit purposes in accordance with section 29 of the Insurance Act.

3. **Date of Issue**
   The date of issue of this Bond is September 23, 2014.

4. **Agent**
   The Central Bank of Trinidad and Tobago has been appointed sole and exclusive agent for the raising and management of this Bond issue.

5. **Method of Payment**
   The full purchase price is payable on settlement date. Payment will be made in Trinidad and Tobago dollars.

6. **Security**
   The principal monies and interest represented by the Bonds will be charged upon and are payable out of the Consolidated Fund and are secured on the Revenues and Assets of the Republic of Trinidad and Tobago.

7. **Interest**
   Interest is payable semi-annually on March 23 and September 23. Interest will accrue from September 23, 2014 and the first payment will be made on March 23, 2015. Interest will be calculated on a 365-day basis.

8. **Business Day**
   In the event that a payment date occurs on a day other than a business day, such payment will be made on the business day following that date.

9. **Registrar**
   The Central Bank of Trinidad and Tobago has been appointed the Registrar for this Bond issue.

10. **Trustee**
    Trinidad and Tobago Unit Trust Corporation has been appointed the Trustee for the bondholders of this Bond issue.

11. **Redemption**
    Any Bond forming part of this issue, if not previously cancelled or redeemed by purchase in the open market, will be repaid at par on September 23, 2026.

12. **Applications and General Arrangements**
    Applications can be made through the designated Government Securities Intermediaries listed at the end of this Information Memorandum. Intermediaries must enter bids, based on completed application forms, into the electronic auction system. Applications must be for $1,000.00 face value or multiples thereof. No allotment will be made for any amount less than $1,000.00 face value.

    Government Securities Intermediaries are appointed by the Central Bank to act as counterparties in the auction and, thereafter, to provide a secondary market for the Bonds. Bids can be placed competitively or non-competitively by submitting the relevant application form, along with payment to a Government Securities Intermediary. The maximum allotment that can be obtained through a non-competitive bid is **$100,000.00** face value at a price established in the competitive side of the auction. This price is the minimum price, when the successful bids are ordered from the highest price to the lowest price and may be at par, premium or a discount.

    A register of bondholders will be held in book-entry form at the Central Bank of Trinidad and Tobago.

    An Information Memorandum on this Bond issue is available at www.central-bank.org.tt. Application Forms and Transfer of Ownership Forms may be obtained at the offices of all Government Securities Intermediaries.

DEBT MANAGEMENT AND ADMINISTRATION

1. Debt Management Objectives
The debt management objectives of the Government of Trinidad and Tobago are:

- To minimize over the long-term the cost of meeting its financing needs, while containing its exposure to risk;
- To facilitate the development of a well-functioning domestic capital market, with the creation and maintenance of a local interest-rate yield curve; and
- To ensure that debt management policy is consistent with the objectives of monetary policy, fiscal policy and other macroeconomic policies.

2. Debt Management Strategy
Government's Debt Management Strategy for the medium term will continue to focus on the establishment of a risk management framework and the development of an efficient market for Government securities. Government will ensure that both the level and the rate of growth of the public debt are fundamentally sustainable and consistent with international standards.

The debt management strategy will involve, inter alia:

- Achievement of an optimal level of debt that offers fiscal sustainability, external sustainability and solvency in the short, medium and long-term; and
- Careful monitoring and management of contingent liabilities.

3. Accountability and Transparency
The Government of Trinidad and Tobago is responsible for ensuring that:

- the legislative authority to borrow is clearly defined and executed within that framework;
- debt data and indicators are accurately recorded and disclosed in accordance with the Freedom of Information Act;
- contingent liabilities are included in debt data; and
- debt management activities are regularly audited externally and reported.

The Auditor General is mandated under the Constitution of the Republic of Trinidad and Tobago paragraph 116 (2) and (3) to audit and report on the public accounts of Trinidad and Tobago annually. Under the Exchequer and Audit Act, Chapter 69:01, the Auditor General is also mandated to audit the accounts of all accounting officers and receivers of revenue and all persons entrusted with the assessment of, collection, receipt, custody, issue or payment of public funds, or with the receipt, custody, issue, sale, transfer or delivery inter alia of securities.

The Annual Reports of the Auditor General are submitted to the Speaker, the President of the Senate and the Minister of Finance and laid in Parliament.

4. Institutional Framework
The debt management activities of the Ministry of Finance are managed by the Debt Management Unit of the Economic Management Division (EMD) in the Ministry of Finance. This Unit is supported by an automated management information system known as the Commonwealth Secretariat Debt Reporting Management System. It enables not only the timely servicing of debt obligations, but also improves the quality of budgetary reporting and the transparency of Government financial accounts.

5. Credit Rating
Standard & Poor's affirmed the Republic of Trinidad and Tobago's long-term foreign currency sovereign credit rating of 'A', its long-term local currency rating of 'A' and its short-term local and foreign currency ratings of 'A-1'. Moody's Investors' Service also maintained Trinidad and Tobago's key foreign currency ratings of 'Baa1'. These ratings are indicative of strong economic growth prospects, the strong internal and external balances and prudent macroeconomic policies (Table II).

ECONOMIC REVIEW

The recovery of the global economy continued to gain traction in the first half of 2014 led by advanced economies such as the United States and the United Kingdom. However, global growth was less robust than projected on account of the extremely cold weather in the United States, geo-political tensions caused by Russia's annexing of Crimea and turbulence in global financial markets. The World Bank in its Global Economic Prospects Report of June 2014 marked down the outlook for global growth in 2014 from 3.2 per cent to 2.8 per cent. Additionally, growth in the larger emerging markets such as China and India has slowed while most of the Caribbean countries, except for Barbados, exhibited some level of recovery. Jamaica was able to meet the International Monetary Fund programme targets, while Guyana's economy continued to grow, despite the gradual rise in debt levels. Suriname also had growth in economic activity; however the current account of the balance of payments has drifted from surplus to deficit.

In Trinidad and Tobago, provisional estimates (year-on-year) from the Central Bank's Quarterly Gross Domestic Product (QGDP) Index suggest that the economy slowed in the first quarter of 2014, following an increase of 2.1 per cent year-on-year in the fourth quarter of 2013. Output in the energy sector was affected by interruptions in drilling operations at bpTT's Savonette Platform – the company's largest production platform. Meanwhile, activity in the non-energy sector was buoyed by the finance, insurance and real estate, distribution and construction sub-sectors.

Available labour market data from the Central Statistical Office (CSO) indicate that the rate of unemployment reached a historic low of 3.5 per cent in the second quarter of 2013 compared with 4.9 per cent in the corresponding quarter of 2012.

Headline inflation has been relatively subdued in the first half of 2014 measuring 3.0 per cent (year-on-year) in June 2014 compared to 6.8 per cent in June 2013. However, core inflation accelerated to 2.5 per cent in June 2014 from 2.0 per cent in December 2013 and 2.2 per cent one year ago. Meanwhile, softer food inflation was the main factor behind the overall slowdown in headline inflation in the first six months of 2014. By June 2014, food inflation slowed to 3.5 per cent compared to 12.6 per cent in June 2013. A sharp slowdown in the rate of increase in vegetable prices, and declining fruit prices contributed to an easing of food price inflation.

The Central Bank has pursued an accommodative monetary policy stance in a bid to stimulate economic growth. The repo rate was reduced to 2.75 per cent in September 2012 and has remained unchanged to May 2014. In response to the reduction of the repo rate, commercial banks' median prime lending rate was adjusted to 7.50 per cent in December 2012 and has remained unchanged since.

Growth in credit to the private sector was subdued over 2013, but has picked up thus far in 2014. Overall credit granted by the consolidated financial system accelerated on a year-on-year basis to 6.7 per cent in May 2014, up from 3.4 per cent in December 2013. Early information suggests that the growth in private sector credit has become more balanced, as business lending recovered from a year-long decline in the first five months of 2014. Following 13 consecutive months of year-on-year decline, business loans granted by the consolidated financial system grew for the fourth consecutive month – increasing by 6.4 per cent in May 2014. Meanwhile, consumer loans maintained its fairly robust momentum, expanding by 7.6 per cent in May 2014 compared with 6.1 per cent in May 2013. Real estate lending remained resilient increasing by 10.1 per cent (year-on-year) in May 2014.

The financial system remained highly liquid, with commercial banks' excess reserves averaging over $7.1 billion daily in the first six months of 2014. In December 2013, the Central Bank's liquidity management framework was improved by an increase in the borrowing limits under the Treasury Bills and Notes Acts and the subsequent Gazetting of these new limits. To remove some of the excess liquidity, the Bank intensified its open market operations in April 2014, removing roughly $1.3 billion from the banking system. The Bank also rolled over the commercial banks' fixed deposits held by the Central Bank which matured in the twelve months to May 2014. However, with significant net domestic fiscal injections, excess liquidity in the banking system once again accumulated to a daily average of over $7.6 billion in June 2014. Over the period July 1 to July 24 excess liquidity fell to average $4.8 billion daily, partly reflecting the effects of a $1 billion liquidity absorption bond issued on June 27, 2014.

Despite the high liquidity levels, with the expansion in the Central Bank's open market operations in April 2014, short-term treasury rates have picked up since the start of the year. The three-month debt management treasury bill rate rose to 0.13 per cent in July 2014 from 0.06 per cent in December 2013. Similarly, the six-month open market treasury bill rate increased to 0.29 per cent in May 2014, from 0.18 per cent at the end of 2013. Regarding the short-term treasury rate differentials, the TT-US interest rate differential on the 91-day T-bill widened to 9 basis points by July 2014 from -1 basis point at the end of 2013.

The Central Government accounts recorded an overall surplus of just under 0.5 per cent of GDP in the first half of the fiscal year 2013/14 (October 2013 – March 2014), in contrast to a deficit of over 2.0 per cent of GDP in the corresponding period in FY2012/13. Recorded expenditure was 6.5 per cent lower than in the corresponding period one year ago. Meanwhile, thus far in FY2013/14, total Government revenue was up by 15.5 per cent from a year earlier as higher non-energy receipts compensated for a drop in energy revenues. Non-energy revenues were boosted by a large one-off dividend payment by a state enterprise and receipts from the First Citizens Bank Limited initial public offering.

Provisional estimates indicate that public debt[1], (which includes the debt of Central Government, statutory authorities and state-owned enterprises), stood at $71,453.9 million at the end of March 2014 compared to $67,368.4 million at the end of March 2013. Further, Central Government external debt amounted to $12,971.5 million compared with $10,483.8 one year earlier. The increase was mainly due to the issue of a US$550 million Eurobond on the international capital market in December 2013. Central Government domestic debt (excluding all securities issued for sterilization purposes) increased from $27,828 million in March 2013 to $28,330.3 million at the end of March 2014. The increase was due mainly to the issue of a $1,500 million bond in September 2013 for budgetary support. Contingent liabilities (which comprise guaranteed debt of statutory authorities and state-owned enterprises) increased from $29,056.6 million to $30,152.1 million over the period under review due to new borrowings undertaken by State-Owned Enterprises such as NIPDEC. Trinidad and Tobago's debt (excluding all securities issued for sterilization purposes) to GDP ratio stood at 41.1 per cent in March 2014, compared with 41.5 per cent in March 2013.

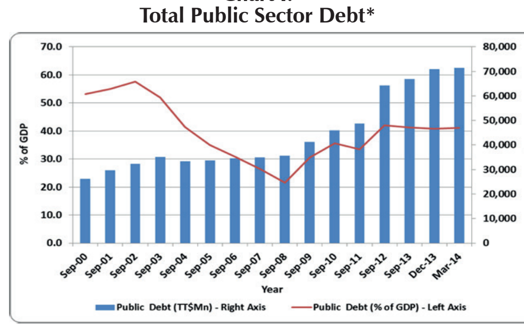
During the first quarter of 2014, the balance of payments registered an overall surplus of $26.2 million, an improvement compared to the deficit of $14.8 million in the same period of 2013. The level of gross official reserves climbed to $10,013.2 million or 11.9 months of prospective imports of goods and non-factor services at the end of the first quarter of 2014. Meanwhile, the external current account was estimated to have posted a deficit of $150.4 million, compared to a surplus of $45.8 million in the corresponding period one year ago. The decline in the current account mainly reflected the lower merchandise trade balance as energy and non-energy exports declined in the first quarter of 2014.

The capital and financial account recorded a surplus of $176.6 million in the first quarter of 2014. Net foreign direct investment increased sharply to $538.8 million due to higher reinvestments by foreign owned energy companies and an increase in inter-company debt transactions[2] Portfolio investment recorded a net outflow of $57.9 million, slightly above the net outflow of $44.0 million in the corresponding period of 2013. This primarily arose from increased purchases of long-term debt securities by the financial sector. In addition, commercial banks reduced their net foreign balances abroad leading to net inflows. This was mainly due to a deposit of funds from a matured investment of a non-bank financial institution. The deficit on the other private sector account declined to $60.9 million in the first quarter of 2014 from $172.1 million in the identical period of 2013. This increase in liabilities partly offset the increase in foreign investments of the Heritage and Stabilization Fund.

KEY STATISTICS FOR THE GOVERNMENT DOMESTIC BOND MARKET

The following charts and statistics show key aspects of the Government's fiscal performance:

Chart I.
Total Public Sector Debt*



Source: Central Bank of Trinidad and Tobago

* Total Public Sector Debt excludes all securities issued for sterilization purposes.

Chart II
Maturity Profile of Central Government & Government Guaranteed Domestic Debt

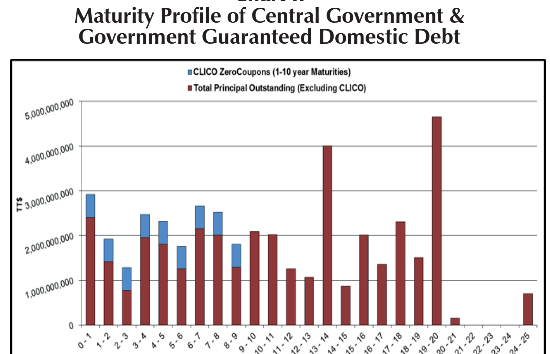


Table I
Central Government Domestic Bond Issues
(2003-2014)

No.	Issue / Reopening Date	Face Value of Issue (TT$)	Year of Maturity	Tenor (Years)	Coupon Rate (% per Annum)†	Yield at issue / reopening (% per Annum)
	30-Sep-03	200,000,000	2013	10	6.08%	6.08%
1	30-Sep-03	200,000,000	2018	15	6.40%	6.40%
2	06-Nov-03	640,000,000	2018	15	6.20%	6.20%
3	03-Aug-04	300,000,000	2019	15	6.15%	6.15%
4	15-Sep-04	516,000,000	2014	10	6.00%	6.00%
5	22-Sep-04	300,000,000	2019	15	6.10%	6.14%
6	16-Mar-05	400,000,000	2015	10	6.00%	6.05%
7	24-Mar-05	400,000,000	2015	10	6.10%	6.11%
8	30-Nov-06	700,000,000	2014	8	8.00%	8.15%
9	09-Feb-07	674,301,000	2012	5.5	7.80%	7.80%
10	27-Apr-07	1,017,978,000	2014	7	8.00%	8.00%
11	02-Jul-08	1,200,000,000	2017	9	8.25%	8.25%
12	23-Apr-09	1,500,000,000	2024	15	7.75%	7.75%
13	30-Jun-09	280,000,000	2016	7	6.20%	5.85%
14	30-Jun-09	368,504,000	2020	11	6.40%	6.40%
15	01-Jul-09	141,310,000	2034	25	8.50%	8.50%
16	01-Jul-09	227,332,000	2034	25	8.50%	8.50%
17*	16-Oct-09	231,496,000	2020	11	6.40%	6.35%
18	09-Feb-10	600,000,000	2025	15	6.50%	6.00%
19	04-Feb-10	1,399,800,000	2027	17	6.60%	6.60%
20	04-Feb-10	1,000,000,000	2029	19	6.70%	6.70%
21	04-Feb-10	1,000,000,000	2031	21	6.80%	6.80%
22	20-Apr-10	794,000,000	2023	13	5.95%	5.50%
23	22-Nov-11	1,500,000,000	2031	20	6.00%	5.40%
24	27-Sep-12	2,500,000,000	2027	15	5.20%	4.00%
25	21-May-13	1,000,000,000	2020	7	2.60%	1.95%
26	06-Aug-13	599,271,000	2023	10	2.50%	2.50%
27	27-Jun-14	1,000,000,000	2021	7	2.20%	2.00%

† - All coupons are fixed

* -Reopening of $600m Bond #14

Table II
Trinidad and Tobago's Credit Ratings

Moody's	Current	Standard and Poor's	Current
Foreign Currency Government Bonds	Baa1-Stable	Local Currency – Short Term	A-1
Local Currency Government Bonds	Baa1-Stable	Local Currency – Long Term	A
Foreign Currency Ceilings for Long-term Bonds and Notes	A1-Stable	Foreign Currency – Short Term	A-1
Foreign Currency Ceilings on Short-term Bonds and Notes	P-1-Stable	Foreign Currency – Long Term	A
Foreign Currency Ceilings for Long-term Bank Deposits	Baa1-Stable		
Foreign Currency Ceiling for Short-term Bank Deposits	P-2-Stable		

Source: (I) Moody's Investors Services
Moody's Global Sovereign: Credit Analysis
April 2014
www.moodys.com

(II) Standard and Poor's
December 2013

LIST OF GOVERNMENT SECURITIES INTERMEDIARIES

Institution	Contact Addresses
ANSA Merchant Bank Limited	11c Maraval Road Port of Spain Tel: 623-8672 Fax: 624-8763
Bourse Securities Limited *	96 Maraval Road Port of Spain Tel: 628-9100 Fax: 624-1603
First Citizens Investment Services Limited*	17 Wainwright St St Clair Port of Spain Tel: 622-3247 Fax:623-2167
Citicorp Merchant Bank Limited	12 Queen's Park East Port of Spain Tel. 625-1046; 623-3344 Fax: 624-1719
First Citizens Bank Limited	Corporate Centre 9 Queen's Park East Port of Spain Tel: 624-3178 Fax: 627-4548
Intercommercial Bank Limited	DSM Plaza Chaguanas Tel: 665-4425 Fax: 665-6663
Republic Bank Limited	9-17 Park Street Port of Spain Tel: 625-4411 Fax: 624-1296
RBC Merchant Bank Limited	Corner Broadway and Independence Square Port of Spain Tel: 625-3511 Fax: 624-5212
Scotiatrust and Merchant Bank (Trinidad and Tobago) Limited	Scotia Centre 56-58 Richmond Street Port of Spain Tel: 625-3566 Fax: 623-4405
FirstCaribbean International Bank (Trinidad and Tobago) Limited	74 Long Circular Road Maraval Port of Spain Tel: 628-4685 Fax: 625-8906
Trinidad and Tobago Unit Trust Corporation *	Corner Richmond Street and Independence Square Port of Spain Tel: 624-8648 Fax: 624-4729

Note: * Intermediaries designated to accept non-competitive bids from the public. Applications will be accepted by these institutions up to **12:00 noon** on **Thursday September 18, 2014.**

1 Excludes debt issued for sterilization purposes such as Treasury Bills, Treasury Notes and Liquidity absorption bonds.

2 This represents borrowing between a Direct Investment Enterprise resident in Trinidad and Tobago and their head offices abroad.