GOVERNMENT OF THE REPUBLIC OF TRINIDAD AND TOBAGO

TT$1,000 MILLION

2.20% FIXED RATE BONDS DUE JUNE 27, 2021

for Auction on June 25, 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$1,000 million through the issue of a seven-year Bond with a coupon rate of 2.20% per annum. The Bonds will be issued under the authority of the Treasury Bonds Act, 2008 Chap 71:43.

This Bond issue is the first central Government Bond issue for fiscal year 2013/2014 and is intended to assist in domestic liquidity management through the sterilization of the Bond proceeds at the Central Bank.

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 10:45 a.m. on Wednesday June 11, 2014 and will close at 1:00 p.m. on Wednesday June 25, 2014.

Bonds will be dated **Friday June 27, 2014.**

TERMS OF ISSUE

1. **Authority**
   This Bond will be issued under the Treasury Bonds Act, 2008 Chap 71:43.

2. **Purpose of Issue**
   This Bond is being issued to assist in domestic liquidity management through the sterilization of the Bond proceeds at the Central Bank. The issuance of this Bond will reduce excess liquidity levels in the banking sector in accordance with established monetary policy, while the proceeds of the Bond will be held in a frozen account at the Central Bank on behalf of the Government. 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 June 27, 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 June 27th and December 27th. Interest will accrue from June 27, 2014 and the first payment will be made on December 27, 2014. 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 June 27, 2021.

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

By the end of 2013 and into early 2014, signs that the global economic recovery was gaining traction began to emerge. The global growth momentum was led largely by advanced economies such as the United States and United Kingdom. With economic prospects in the US improving, the Federal Reserve began scaling back its asset purchases programme in January 2014. However, negative monetary spill-over effects from the US monetary tapering and the Russia-Ukraine conflict which emerged in February 2014 have added a new dimension of uncertainty to global economic prospects. Growth in the larger emerging markets such China and India has slowed. Meanwhile, the performance in the Caribbean region has been mixed. Economic activity in Guyana and Suriname remained robust due to buoyant commodity prices and the economic outlook for Jamaica has also improved. However, economic conditions in smaller tourism dependent countries such as Barbados have been more challenging.

Early estimates suggest that the Trinidad and Tobago economy strengthened in the fourth quarter of 2013 as the energy sector rebounded from large scale maintenance-related stoppages in the previous quarter. Provisional estimates from the Central Bank's Quarterly Gross Domestic Product (QGDP) Index showed that the domestic economy grew by 2.1 per cent on a year-on-year basis in the fourth quarter of 2013 up from 0.1 per cent in the previous quarter and 1.1 per cent in the same period a year earlier. In fourth quarter 2013, the energy sector expanded by 2.4 per cent, while the non-energy sector returned a fair performance, increasing by 1.9 per cent.

Available labour market data from the Central Statistical Office (CSO) indicate that the rate of unemployment reached a historic low of 3.7 per cent in the first quarter of 2013 compared with 5.4 per cent in the corresponding quarter of 2012. Headline inflation has remained subdued over the past year, measuring 3.3 per cent (year-on-year) in April 2014 compared to 5.5 per cent in April 2013. However, core inflation accelerated to 2.6 per cent in April 2014 from 2.0 per cent in December 2013 and 2.4 per cent one year ago. Meanwhile, softer food inflation was the main factor behind the overall slowdown in headline inflation in the first four months of 2014. By April 2014, food inflation slowed to 4.1 per cent from 9.4 per cent in April 2013. Favourable domestic weather conditions and higher output from the Caroni Green Initiative 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 5.8 per cent in March 2014, up from 2.4 per cent one year earlier. 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 quarter of 2014. Following 14 consecutive months of year-on-year decline, business loans granted by the consolidated financial system rose by 2.1 per cent (year-on-year) in February 2014 and 3.3 per cent in March 2014. Meanwhile, consumer loans maintained its fairly robust momentum in the first quarter of 2014, expanding by 5.8 per cent in March 2014 compared with 4.1 per cent in March 2013. Real estate lending remained resilient increasing by 11.1 per cent (year-on-year) in March 2014.

The financial system remained highly liquid, with commercial banks' excess reserves averaging over $6 billion daily in the ten months to May 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 $1.2 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 $8 billion in May 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 treasury bill rate rose to 0.14 per cent in May 2014 from 0.06 per cent in December 2013. Similarly, the six-month treasury bill rate increased to 0.19 per cent in May 2014, from 0.15 per cent at the end of 2013. With regards to short-term treasury rate differentials, the TT-US interest rate differential on the 91-day T-bill widened to 11 basis points at the end of May 2014 from -0.01 per cent 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 6.9 per cent lower than in the corresponding period one year ago. Meanwhile, thus far in FY2013/14, total Government revenue was up marginally 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 gross public debt, (which includes the debt of Central Government, statutory authorities and state enterprises), stood at $97,028.2 million at the end of December 2013 compared to $89,764.8 million at the end of December 2012. Further, Central Government external debt amounted to $12,839.6 million compared with $10,469.2 one year earlier. Central Government domestic debt increased from $52,056.8 million in December 2012 to $54,556.2 million at the end of December 2013. The increase in outstanding debt was due mainly to the issue of zero coupon Bonds to finance pay-outs to CLICO policy-holders, a US$550 million Eurobond issued by the Central Government in December 2013 and 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 rose from 42.9 per cent in December 2012 to 43.2 per cent in December 2013.

Preliminary estimates for 2013 indicate that the external accounts registered an overall surplus of US$786.4 million compared to a deficit of US$622.0 million in the corresponding period in 2012. The improvement in the balance of payments was partly due to inflows from an external Bond issued by the Government in December 2013. The level of gross official reserves climbed to $9,987.1 million or 12 months of prospective imports of goods and non-factor services at the end of 2013.

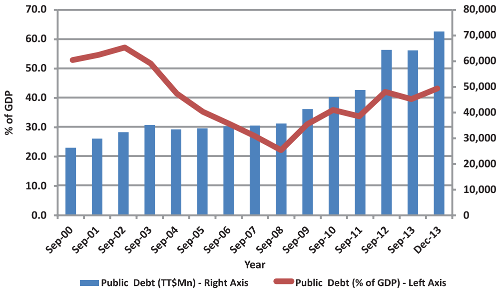
At the end of 2013, the overall current account recorded an estimated surplus of US$2.6 billion, an improvement from the US$939.7 million a year earlier. Meanwhile, the capital account recorded a deficit of US$1.8 billion. Net foreign direct investment increased by 25.7 per cent to $970.7 million largely due to an increase in inter-company borrowing. Portfolio investment recorded a net outflow of $76.8 million, significantly lower than the net outflow of $445.8 million in 2012. This arose in large measure from lower transactions by energy and insurance companies. Meanwhile, 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 was due mainly to net errors and omissions that were partly offset by net inflows from loans and currency and deposits.

Based on the change in international reserves, the external account is expected to realize a surplus of US$26.2 million in the first quarter of 2014, due to higher foreign exchange inflows from Oil and Gas Receipts. At the end of March 2014, gross official reserves stood at US$10,013.2 million.

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

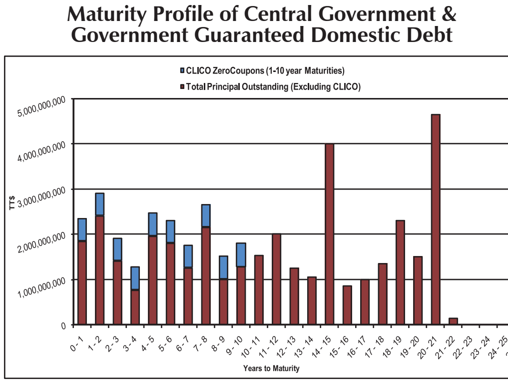


Table I
Central Government Domestic Bond Issues
(2003-2013)

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	6-Nov-03	640,000,000	2018	15	6.20%	6.20%
3	3-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	9-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	2-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	1-Jul-09	141,310,000	2034	25	8.50%	8.50%
16	1-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	9-Feb-10	600,000,000	2025	15	6.50%	6.00%
19	4-Feb-10	1,399,800,000	2027	17	6.60%	6.60%
20	4-Feb-10	1,000,000,000	2029	19	6.70%	6.70%
21	4-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	4-Aug-13	599,000,000	2023	10	2.50%	2.50%

† - 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 **Tuesday June 24, 2014.**