



**REPUBLIC OF SOUTH AFRICA
NATIONAL TREASURY**

TERMS AND CONDITIONS OF ISSUE

**REPUBLIC OF SOUTH AFRICA INTERNAL REGISTERED VARIABLE
RATE BOND, R205 (VARIABLE COUPON)
REDEEMABLE ON 31 MARCH 2012**

Issued by the National Treasury
Private Bag x115
PRETORIA, 0001
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REPUBLIC OF SOUTH AFRICA
GOVERNMENT ISSUE
LOAN NO: R205

Date listed on the Bond Exchange: April 2005
Date of Terms and Conditions of Issue:

TERMS AND CONDITIONS OF ISSUE

The Republic of South Africa intends to issue Bonds as hereinafter defined in the terms and conditions set forth herein.

1. DEFINITIONS AND INTERPRETATION

1.1 In these Terms and Conditions, unless inconsistent with the context, the following expressions shall have the following meanings:

"BESA" means the Bond Exchange of South Africa, an exchange licensed in terms of the Securities Services Act, 2004 (Act No. 36 of 2004) ("the Securities Services Act");

"Bondholder" means a person whose name is entered into the Register as the holder of any Bonds;

"Books Closed Date" means, in relation to an Interest Date, 10 days preceding the Interest Dates (21 March, 20 June, 20 September and 21 December) or such shorter period preceding the Interest Date as determined by the Issuer and published in the Government Gazette;

"Bonds" means the bonds issued pursuant to these conditions;

"Business Day" means Monday through to Saturday (other than a Sunday or official public holiday in the Republic of South Africa) on which banks are generally open for business in the Republic of South Africa;

"Central Securities Depository" means Strate Limited (or its nominees), a public company incorporated in the Republic of South Africa, with registration number 1998/022242/06, licensed as a central securities depository in accordance with section 32 of the Securities Services Act;

"Certificate" means a certificate issued in respect of any Bonds by the Issuer pursuant to clause 8 below;

"Conditions" means the terms and conditions set out herein below;

"Coupon" means Variable Rate;

"Initial Issue" means the initial issue of Republic of South Africa Bonds by auction to primary dealers in government bonds;

"Interest Date" means 31 March, 30 June, 30 September and 31 December each year that the Bonds are in issue;

"Interest Period" means the four month period commencing on and including one Interest Date and ending on, but excluding the next Interest Date, provided that the first Interest Period shall be from and including the Issue Date to, but excluding the first Interest Date thereafter, and the last Interest Period shall end on the day preceding the Redemption Date;

"Issue" means the National Treasury's increase, subject to the provisions of the Public Finance Management Act, 1999 (Act No.1 of 1999) ("the PFMA"), of the amount of a loan at any time prior to the redemption date by creating and issuing additional bonds;

"Issue Date" means the date of the settlement of the first auction;

"Issuer" means the Republic of South Africa acting through the National Treasury;

"The National Treasury" means the National Treasury of the Republic of South Africa as established by section 5 of the PFMA;

"Principal amount" means, in relation to any bonds, the amount owing by the Issuer under such bonds;

"Redemption Date" means 31 March 2012, if such date is not a Business Day, the next Business Day, following such date;

"The Register" means the register of Bondholders to be kept by the Issuer;

"Registered" means to have been entered into the Register;

"Republic of South Africa Internal Registered Bonds" means Republic of South Africa Internal Registered Bond R205 classified as a bond under the definition of "securities" in the Securities Services Act;

"Settlement Agent" means "Settlement Agent" means a Settlement Agent as envisaged in the rules of BESA, who must also be a Participant of the Central Securities Depository;

"Transfer Secretary" means the National Treasury or any other person appointed by the Issuer as its Transfer Secretary in respect of the Bonds, provided that no such appointments shall be effective until the Issuer has notified all Bondholders of the name and address of the person appointed;

1.2 The headings of the clauses in this agreement are for the purpose of convenience and reference only and shall not be used in the interpretation of this document nor any clause thereof.

1.3 Words referring to the singular also include the plural and vice versa, where the context requires.

2. FORM OF THE BONDS

The Bonds shall be represented by Certificates and shall be transferable by registration in the Register. However, nothing in these Conditions precludes any Bonds from being dematerialised form.

3. STATUS

The Bonds constitute direct, unconditional and unsecured obligations of the Issuer and will at all times rank *pari passu* amongst themselves and at least *pari passu* with all other present or future unsecured and unsubordinated obligations of the Issuer for monies borrowed and guarantees given by the Issuer in respect of monies borrowed by others.

4. REDEMPTION

4.1 The Issuer shall pay the bondholders the Principal Amount in one, on the Redemption Date.

4.2 Notwithstanding anything contained in these Conditions, no redemption in respect of any Bond shall be made unless, if in a certificated form, the Certificate in respect of the Bond has been surrendered to the Issuer.

5. INTEREST

5.1 The Bond shall bear interest at the Coupon on the Principal Amount of the Bond in accordance with these conditions.

5.2A Variable Coupon per quarter will be paid in arrears on 31 March, 30 June, 30 September and 31 December each year, up to and including the redemption on 31 March 2012.

5.3 The National Treasury pays interest to the registered bondholders on the respective interest dates on the basis of actual days in interest period/365 days

5.4 The Registers will be closed from 21 March to 31 March, 20 June to 30 June, 20 September to 30 September and 21 December to 31 December (all dates inclusive) or such shorter period preceding the Interest Date as determined by the Issuer and published by notice in the Government Gazette.

5.5 Interest in terms of this clause 5 shall cease to accrue on Bonds as from the Redemption Date.

5.6 The Variable Coupon Rate on this bond will be equal to the ruling effective interest rate on the 91-day Treasury Bill which is determined by the last 91-day Treasury Bill tender before the issue date. Subsequent coupon rates will be equal to the effective 91 Treasury Bill interest rate which is determined by the last 91-day Treasury Bill tender on/or before the commencement of the interest period.

6. PAYMENT

6.1. All amounts payable by the Issuer in accordance with these Conditions shall be paid free of set-off or deduction in the Republic of South Africa and in the currency of the Republic of South Africa.

6.2. All amounts payable on, or in respect of, each Bond shall, unless otherwise agreed between a Bondholder and the Transfer Secretary, be paid by electronic funds transferred to the account of the relevant Bondholder as set forth in the Register or in the case of joint Registered holders of a Bond, the account of that one of them who is first named in the Register in respect of that Bond.

6.3. If any day for payment of the Principal amount or interest in respect of any Bond is not the Business Day, the Bondholder shall not be entitled to payment until the next Business Day following such day or to any interest or other sums in respect of postponed payment.

6.4. All payments will be subject to all fiscal or other laws and regulations applicable thereto in the place of payment.

7. STAMP DUTY

In terms of current legislation, as at the date of these terms of issue, South African Government bonds are transferable free of stamp duty and registration charges. Any further statutory charges will be for the cost of Bondholders as recorded in the Register at such time.

8. CERTIFICATES

- 8.1. It is recorded that when the Bonds are initially issued, the Bonds shall be dematerialised in the Central Securities Depository. This will entail that the nominee of the Central Securities Depository will be reflected in the Register as the Bondholder. Holders to whom Bonds are allotted, or who subsequently purchase Bonds thereby become entitled to an interest in Bonds held in the Central Securities Depository.
- 8.2. A holder of an interest in Bonds in the Central Securities Depository who wishes to receive a certificate and be reflected in the Register as a Bondholder may on request in writing to the holder's Central Securities Depository participant withdraw the interest in Bonds from the Central Securities Depository. Joint Bondholders will be entitled to receive only 1(one) Certificate in respect of that joint holding, and delivery to one of those joint Bondholders shall be deemed delivery to all of them.
- 8.3. If a Certificate is worn out or defaced then upon its presentation to the Issuer, the Issuer may cancel that Certificate and issue a new Certificate in its place.
- 8.4. If a Certificate is lost or destroyed then upon proof thereof to the satisfaction of the Transfer Secretary, a new Certificate in lieu thereof may be issued to the person entitled to that lost or destroyed Certificate; Provided that the Bondholder shall provide the Transfer Secretary and the Issuer with an indemnity and pay any out-of-pocket expenses for investigating the loss. The person providing the indemnity and the form of the indemnity shall be to the satisfaction of the Issuer.
- 8.5. An entry as to the issue of a new Certificate shall be made in the Register.

9. **REGISTER OF BONDHOLDERS**

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9.1 The Issuer shall procure that the Transfer Secretary shall keep a Register of Bondholders in accordance with this clause 9.

9.2 The Register of Bondholders shall:

9.2.1. be kept at the Office of the Transfer Secretary (at the National Treasury);

9.2.2 contain the names, addresses and bank account numbers of the Bondholders;

9.2.3 show the total Principal Amount of the Bonds represented by it;

9.2.4 show dates upon which each of the Bondholders were Registered as such;

9.2.5 show the serial numbers of the Certificates and the date of issue thereof;

9.2.6 be open for inspection at all reasonable times during business hours on Business Days by any Bondholder or any person authorised in writing by a Bondholder;

9.2.7 be closed from each Books Closed Date until the next Interest Date;

9.2.8 will only recognise a Bondholder as the owner of the Bonds Registered in that Bondholder's name as set out in the Register; and

9.2.9 shall not be bound to enter into the Register, the fact that a Bondholder may be holding Bonds in trust or as agent or mandatory for any third party and the Issuer shall have no responsibility whatsoever to such third party.

9.3 The Transfer Secretary shall, upon written notice by a Bondholder, alter the Register in respect of any change of name, address or account number of the Bondholder.

9.4 Except as provided for in these Conditions or as required by law, the Issuer:

9.4.1 will only recognise a Bondholder as the owner of the Bonds registered in that Bondholder's name as set out in the Register; and

9.4.2 shall not be bound to enter into the Register, the fact that a Bondholder may be holding Bonds in trust or as agent or mandatory for any third party and the Issuer shall have no responsibility whatsoever to such third party.

10. **TRANSFER OF BONDS**

10.1. It is recorded that interests in Bonds which are lodged in the Central Securities Depository may, in terms of existing law and facilities, be transferred through the Central Securities Depository by way of a book entry in the central securities accounts of the participants. Such transfers will not be recorded in the Register and the nominee of the Central Securities Depository will continue to be reflected in the Register as the Bondholder notwithstanding such transfers. In order for any transfer of Bonds to be effected through the Register, and for the transfer to be recognised by the Issuer, it is required that each transfer of a Bond must:

10.1.1 be in writing and in the usual form or in such other form approved by the Issuer;

10.1.2 be signed by or on behalf of the relevant Bondholder and the transferee; and

10.1.3 be delivered to the Transfer Secretary together with the Certificate in question for cancellation (if only part of the Bonds represented by a Certificate is transferred, a new Certificate for the balance will be issued to the transferor and the cancelled Certificate will be retained by the Transfer Secretary).

10.2 The Transferor of any Bonds represented by a Certificate will be deemed to remain the owner thereof until the transferee is Registered as the holder thereof.

10.3 No transfer will be Registered whilst the Register is closed.

10.4 If a transfer is Registered, then the transfer form and cancelled Certificate will be retained by the Transfer Secretary.

11. TITLE TO BONDS

The Issuer shall be entitled to assume for all purposes that the person reflected in the Register as the holder of any Bonds is the true owner of those Bonds.

12. REPURCHASE OF BONDS

The Issuer shall have the right to purchase any of the Bonds at any time.

13. LISTING

The Issuer will apply to have the Bonds listed on BESA.

14. GOVERNING LAW

The Bonds and all rights and obligations relating thereto are governed by the laws of the Republic of South Africa.

GENERAL

1. AUTHORISATION

The authorisation to issue was given by the Minister of Finance on 14 February 2005 in terms of Section 66 (2)(a) of the PFMA. In terms of Section 73 of the PFMA the repayment of the Principal Amount and the Interest thereon shall be a direct charge against the National Revenue Fund.

2. PURPOSE OF THE ISSUE

The purpose of the issue is to raise funds to be used for the general purposes of the Government of the Republic of South Africa.

3. LISTING

The Bonds will be listed on BESA under Bond code R205 (Variable Rate).

4. METHOD OF ISSUE

4.1 Variable rate bonds will be made available to the market by means of auctions. Participation in the auctions will be open to all market participants. Bids at the auctions should be submitted based on price and should be for the minimum amount of R10 million and multiples of R5 million. Provision should be made for cum or ex interest in the price. Bonds will be allotted on the basis of highest price bid until the auctioned amount is fully subscribed. The auction price will be converted to a bond yield for purposes of recording by the National Treasury and for reporting to the Bond Exchange.

4.2 In the unlikely event of any circumstances that might, in the discretion of the National Treasury, be considered to adversely impact on the fairness of a particular auction, the National Treasury retains the sole right in the allotment of auctioned bonds to individual bidders.

5. INITIAL PRICING

Upon initial sale, given the yield, the consideration for the Bonds shall be determined in accordance with the BESA bond pricing formula.

6. TRADING AND REGISTRATION

Bonds may be traded on BESA or its successor, or any other alternative exchange authorised by the Issuer. Transactions on BESA will normally be

effected for settlement in terms of their rules thereof from time to time (unless otherwise stipulated).

7. SETTLEMENT, CLEARING AND TRANSFERS

- 7.1 When the Bonds are initially issued, a single Certificate or Uncertificated security in respect of all the Bonds will be lodged in the Central Securities Depository.
- 7.2 Bonds held in the Central Securities Depository are registered in the name of the nominee of the Central Securities Depository. In terms of the conditions relating to the Bonds, all amounts to be paid and all rights to be exercised in respect of the Bonds held through the Central Securities Depository, will be paid to and may be exercised only by the Central Securities Depository for the beneficial owners of the Bonds.
- 7.3 The Central Securities Depository holds Bonds subject to the Securities Services Act and the Rules of the Central Securities Depository. The Rules of the Central Depository as at the date of this Offering Circular are as published by the Registrar of Financial Markets in Government Gazette No. 17637 of 6 December 1996.
- 7.4 The Central Securities Depository maintains accounts only for the participants in the Central Securities Depository. The participants are also Settlement Agents of BESA. As at the date of this Offering Circular, the settlements agents are ABSA Bank Limited, First Rand Bank Limited, Nedcor Bank Limited, The Standard Bank of South Africa Limited and the South African Reserve Bank. The clients of participants, as beneficial owners of the Bonds or as custodians for the beneficial owners, may exercise their rights in respect of the Bonds held by them in the Central Securities Depository only through the participants. Euroclear and Cedelbank may hold Bonds through their participant.
- 7.5 Transfers of interest in Bonds in the Central Securities Depository to and from clients of Central Securities Depository participants occur by book entry in the securities accounts of the clients with settlement agents (transfers amongst settlement agents of Bonds held in the Central Securities Depository occur through book entry in the participants' central securities accounts with the Central Securities Depository). The standard settlement period on BESA is "T+3". Transactions in Bonds concluded on BESA are settled by the settlement agents by book entry as described above.

- 7.6 The client of the Central Securities Depository participant may at any time require the participant to withdraw any Bonds held for that client in the Central Securities Depository. In that event the transfer is registered in the Register and the Issuer is required to issue Certificates in respect of the withdrawn Bonds to the Transferee in accordance with the Conditions.
- 7.7 Transfer of Bonds that are not held in the Central Securities Depository may be effected only in terms of the conditions relating to the Bonds.

8. TRANSFER SECRETARY

The name and address of the Transfer Secretary are as follows:

National Treasury or Private Bag x 115 Pretoria 0001	National Treasury 240 Vermeulen Street Pretoria 0002
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9. PUBLIC FINANCE MANAGEMENT ACT, 1999

- 9.1 In terms of Section 75 of the PFMA, the Issuer shall not be responsible for the fulfillment of any obligation resulting from any lien, whether expressed, implied or construed, which is held over a Certificate, notwithstanding whether the Issuer was notified or such lien or not.

10. NON-SOUTH AFRICAN RESIDENT BONDHOLDERS AND EMIGRANTS FROM THE COMMON MONEY AREA

- 10.1 The following guidelines are not a comprehensive statement of the South African Exchange Control Regulations ("the Regulations") and reflect only the Issuer's understanding of the Regulations. Bondholders who have any doubt as to the action they should take should consult their South African Authorised Dealers in foreign exchange and/or professional advisers.

- 10.2 The Regulations affecting non-residents of the Common Monetary Area are as follows:

10.2.1 All Non-Residents of the Common Monetary Area

Any Certificates issued to Bondholders who are not resident in the Common Monetary Area will be endorsed "non-resident". In the case where non-residents hold bonds

through the Central Securities Depository, the securities accounts maintained for such non-residents by BESA settlement agents will be designated "non-resident".

It will be incumbent on any such non-resident to instruct the non-resident's nominated Authorised Dealer in foreign exchange as to how any funds due to such non-resident in respect of Bonds are to be dealt with. Such funds may, in terms of the Regulations, be remitted abroad only if the relevant Bonds are acquired with foreign currency introduced into South Africa and provided that the relevant Certificates or securities account, as the case may be, is designated "non-resident".

10.3 Emigrants from the Common Monetary Area

In the case where Certificates are issued to emigrant Bondholders, the Certificates will be deposited with the Authorised Dealer in foreign exchange controlling such emigrants' blocked assets. Where emigrants hold Bonds through the Central Securities Depository, the securities accounts maintained for emigrants by Central Securities Depository participants will be restrictively designated.

A system of exchange control allowances for the export of funds when persons emigrate has been in place in South Africa for a number of decades. Emigrants' funds in excess of the emigration allowance were placed in "emigrants' blocked accounts" in order to preserve foreign reserves.

Reflecting the improved strength and resilience of the South African economy, these blocked assets will now be unwound. As such, the following new dispensation will apply with immediate effect:

- The distinction between the settling-in allowance for emigrants and the private individual foreign investment allowance for residents is to fall away and there will now be a common foreign allowance for both residents and emigrants of R750, 000 per individual (or R1,5 million in respect of family units)
- Emigrants' blocked assets are to be unwound. Amounts up to R 750, 000 (inclusive of amounts already exited) will be eligible for exiting without charge. Holders of blocked assets wishing to exit more than R750, 000 (inclusive of amounts already exited) must apply to the Exchange Control Department of the South African Reserve Bank to do so. Approval will be subject to an exiting schedule and an exit charge of 10 per cent of the amount.

- New emigrants wishing to exit more than R750, 000 (inclusive of amounts already exited) can similarly apply to the Exchange Control Department of South African Reserve Bank to do so, with approval subject to an exiting schedule and an exit charge of 10 per cent of the amount.

Details on all exchange control reforms will be provided by the South African Reserve Bank.

10.3 For the purposes of clause 10, the Common Monetary Area includes the Republic of South Africa, Lesotho, Namibia and Swaziland.

Signed at PRETORIA on behalf of the Issuer on 19th day of April 2005.

Phakamani Hadebe

Head: Asset and Liability Management

Lesetja Kganyago

Director-General:

National

Treasury