



FINAL TERMS AND CONDITIONS DATED 31 MAY 2000

REPUBLIC OF SOUTH AFRICA
DEPARTMENT OF FINANCE

TERMS AND CONDITIONS OF ISSUE

REPUBLIC OF SOUTH AFRICA INTERNAL REGISTERED
6,25% CPI BOND R189
REDEEMABLE ON 31 MARCH 2013

Issued by the Department of Finance
Private Bag X115
PRETORIA, 0001

REPUBLIC OF SOUTH AFRICA
GOVERNMENT ISSUE

Loan No: R189

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. **INTERPRETATION**

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

“Additional Amount” means any additional amount to be paid by the Issuer to the Bondholders, as contemplated in clause 5.1 below;

“BESA” means the Bond Exchange of South Africa, a financial exchange licensed in terms of the Financial Markets Control Act, 1989;

“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, the fourteenth calendar day preceding the Interest Date 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 any day (other than a Saturday, 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;

“Calculation Agent” means the Republic of South Africa, acting through the Minister of Finance, whose functions and duties are set forth in clause 9.3 below;

“Capital Value” means the capital value of the Bonds as determined pursuant to clause 4 below;

“Certificate” means a certificate issued in respect of any Bonds by the Issuer pursuant to clause 10 below;

“Conditions” means these terms and conditions;

“Consumer Price Index” or “CPI” means the weighted average of the consumer price index as published by Statistics South Africa, which is referred to as “CPI - All items for metropolitan areas” in Statistical release P0141.1, from time to time, or such substituted index as may be determined by the Calculation Agent in terms of 9 below;

“Coupon” means 6,25%;

“Date” means, where used in connection with any valuation or determination of any amount, the date as of which the amount is to be valued or determined;

“Index Ratio_{Date}” means the Reference CPI on the Date divided by the Reference CPI on the Issue Date;

“Interest Date” means 31 March and 30 September each year that the Bonds are in issue;

“Interest Period” means the 6 (six) 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 Date” means 20 March 2000;

“Issuer” means The Republic of South Africa;

“Principal Amount” means, in relation to any Bonds, the amount owing by the Issuer under such Bonds before interest and adjustment for CPI;

“Redemption Date” means 31 March 2013;

“Reference CPI” or “Ref CPI_{Date}” means, in relation to Date:

- if Date is the first day of a calendar month, Ref CPI_{Date} is the Consumer Price Index for the fourth calendar month preceding the calendar month in which Date occurs (which Consumer Price Index is typically published during the third calendar month preceding the calendar month in which Date occurs¹);
- if Date occurs on any day other than the first day of any calendar month, then Ref CPI_{Date} shall be determined in accordance with the following formula²:

$$Ref\ CPI_{Date} = Ref\ CPI_J + \left(\frac{t - 1}{D} \right) \times (Ref\ CPI_{J+1} - Ref\ CPI_J)$$

Where:

- (i) Ref CPI_J is the Reference CPI for the first day of the calendar month in which Date occurs;
- (ii) Ref CPI_{J+1} is the Reference CPI for the first day of the calendar month immediately following the calendar month in which Date occurs;
- (iii) t is the calendar day corresponding to Date; and
- (iv) D is the number of days in the calendar month in which Date occurs;

“the Register” means the register of Bondholders to be kept by the Issuer;

“Registered” means to have been entered into the Register;

“Settlement Agent” means a Settlement Agent as envisaged in the rules of BESA;

“Transfer Secretary” means the Department of Finance of the Republic of South Africa or any other person appointed by the Issuer as its Transfer Secretary in respect of the

¹As an example, Ref CPI_{1 March 2000} is the CPI for November 1999, which was published in December 1999.

²For example, if Date is 15 March 2000, then Ref CPI_{15 March 2000} will be interpolated between Ref CPI_{1 March 2000} and Ref CPI_{1 April 2000}. In other words, Ref CPI_{15 March 2000} will be determined by interpolating between the CPI for November 1999 (which was published in December 1999) and the CPI for December 1999 (which was published in January 2000).

Bonds, provided no such appointment shall be effective until the Issuer has notified all Bondholders of the name and address of the person appointed;

“/” means divided by; and

“*” means multiplied by.

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 held through any settlement system or from being registered in any depository.

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. **CAPITAL VALUE**

The Issuer’s indebtedness in respect of the Bonds shall be the Capital Value plus accrued interest thereon as determined pursuant to these Conditions. The Capital Value of the Bonds is the adjusted Principal Amount thereof, where the Principal Amount is adjusted with reference to any increase or decrease in the Consumer Price Index. The Capital Value of the Bonds as at any Date shall be as determined in accordance with the following formula:

$$\text{Capital Value} = P * \text{Index Ratio}_{\text{Date}}$$

where “P” means Principal Amount.

5. **REDEMPTION**

5.1. On the Redemption Date, the Issuer shall pay the Bondholders the Capital Value of the Bonds on that Date; provided that, if the Capital Value of the Bonds on the Redemption Date is less than the Principal Amount, then the Issuer shall pay the Bondholders an additional amount equal to the shortfall.

5.2. The Issuer shall not be entitled to redeem the Bonds otherwise than as provided for in 5.1 above.

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

6. **INTEREST**

6.1. The Bonds shall bear interest at the Coupon on the Capital Value of the Bonds from time to time in accordance with these Conditions.

- 6.2. The interest in respect of each Interest Period shall be determined as at the Interest Date following that Interest Period (i.e. first day after the Interest Period) in accordance with the following formula:

$$(c/2) * e$$

where:

6.3.1. "c" is the Coupon; and

6.3.2. "e" is the Capital Value of the Bonds on the Interest Date following the Interest Period.

- 6.3. On the Redemption Date, the final coupon payment for a Bond shall be calculated solely with respect to the Capital Value of such Bond, without regard to any Additional Amounts.
- 6.4. The interest in respect of each Interest Period shall be payable on the Interest Date following that Interest Period or, if that date is not a Business Day, then on the next Business Day.
- 6.5. Interest in terms of this clause 6 shall cease to accrue on the Bonds as from the Redemption Date.

7. **PAYMENT**

- 7.1. 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.
- 7.2. 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.
- 7.3. If any day for payment of principal or interest in respect of any Bond is not a 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.
- 7.4. All payments will be subject to all fiscal or other laws and regulations applicable thereto in the place of payment.

8. **ROUNDING**

For calculation purposes, in terms of these Conditions, any cashflow resulting from a Bond shall be rounded to the nearest one cent.

9. **ADJUSTMENTS TO CONSUMER PRICE INDEX**

- 9.1. In the event that the CPI is reset, then a new Reference CPI that is applicable for the Issue Date will (if necessary) be calculated in such a way that the Capital Value of a Bond is the same immediately before and after the reset.
- 9.2. If, as a result of a delay in the publication of the CPI, the CPI is not available in order to make a determination in accordance with these Conditions, then, subject to 9.3 below, a substitute CPI value, calculated as follows, will be used:

Let the CPI value for the month m that is required be denoted by CPI_m .

Then, in the event of a one month delay, CPI_m shall be determined in accordance with the following formula:

$$CPI_m = CPI_{m-1} * (CPI_{m-1} / CPI_{m-13})^{1/12}$$

And, in the event of a delay of more than one month (the number of months being denoted by "n"), CPI_m shall be determined in accordance with the following formula:

$$CPI_m = CPI_{m-n} * (CPI_{m-n} / CPI_{m-n-12})^{n/12}$$

If it is necessary to use these formulas to calculate a substitute CPI value, then it will be used for all subsequent calculations that rely on that month's Index Ratio, and will not be replaced by the actual CPI when it is reported, except for use in the above formulas. When it becomes necessary to use the above formulas to calculate a substitute CPI value, the last CPI that has been reported will be used to calculate substitute CPI values for months for which the CPI has not been reported timeously.

9.3. If, while a Bond is still outstanding, the Consumer Price Index is:

9.3.1. discontinued; or

9.3.2. in the reasonable judgement of the Calculation Agent, fundamentally altered in a manner that is materially adverse to the interests of the Bondholders; or

9.3.3. in the reasonable judgement of the Calculation Agent, altered by law in a manner that is materially adverse to the interests of Bondholders,

then the Calculation Agent will, after consultation with Statistics South Africa or any successor entity, substitute an appropriate alternative index.

A change to the CPI will be considered fundamental if it affects the character of the CPI. Technical changes made by Statistics South Africa to the CPI to improve its accuracy as a measure of consumer price changes will not be considered fundamental changes. Technical changes include, but are not limited to, changes in: (1) the specific items (for example, shoes or television sets) to be priced for the index; (2) the way individual price quotations are aggregated to construct component price indices for these items (aggregation of item sub-strata); (3) the method for combining these component price indices to obtain the comprehensive, all items CPI (aggregation of item strata); and (4) the procedure for incorporating new goods into the index and making adjustments for quality changes to existing goods.

9.4. As soon as practicable after effecting any substitution of an alternative index, the Issuer shall give notice of the substitution and the effective date thereof in the Government Gazette.

10. **CERTIFICATES**

- 10.1. It is recorded that when the Bonds are initially issued, a single Certificate in respect thereof will be lodged and immobilised in the settlement system of BESA. This will entail that the nominee of The Central Depository Limited, a central securities depository in terms of the Custody and Administration of Securities Act, 1992, will be reflected in the Register as a Bondholder.
- 10.2. Subject to 10.1, Certificates in respect of Bonds will only be provided to a Bondholder on written application to the Transfer Secretary, in which event the Bondholder shall be entitled:
- 10.2.1. without any payment therefor to receive a Certificate for the Bonds originally allotted to the Bondholder within 7 (seven) days after payment in full has been made therefor, provided that 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; and
- 10.2.2. to receive a Certificate for the Bond(s) transferred to that Bondholder within 7 (seven) days after registration of that transfer subject to the provisions of clause 11 (and which will apply *mutatis mutandis* to such Certificate).
- 10.3. 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.
- 10.4. 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.
- 10.5. An entry as to the issue of a new Certificate shall be made in the Register.

11. **REGISTER OF BONDHOLDERS**

- 11.1. The Issuer shall procure that the Transfer Secretary shall keep a register of Bondholders in accordance with this clause 11.
- 11.2. The Register of Bondholders:
- 11.2.1. shall be kept at the office of the Transfer Secretary;
- 11.2.2. shall contain the names, addresses and bank account numbers of the Bondholders;
- 11.2.3. shall show the total Principal Amount of the Bonds represented by it;

- 11.2.4. shall show the dates upon which each of the Bondholders were Registered as such;
 - 11.2.5. shall show the serial numbers of the Certificates and the date of issue thereof;
 - 11.2.6. shall 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; and
 - 11.2.7. shall be closed from each Books Closed Date until the next Interest Date.
- 11.3. 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.
- 11.4. Except as provided for in these Conditions or as required by law, the Issuer:
- 11.4.1. will only recognise a Bondholder as the owner of the Bonds Registered in that Bondholder's name as per the Register; and
 - 11.4.2. 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.

12. **TRANSFER OF BONDS**

It is recorded that interests in Bonds which are lodged in the BESA settlement system may, in terms of existing law and facilities, be transferred through the BESA settlement system by way of book entry in the securities accounts of the BESA settlement agents. Such transfers will not be recorded in the Register and the nominee of The Central Depository Limited 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, the following provisions shall apply:

- 12.1. Each transfer of a Bond:
- 12.1.1. must be in writing and in the usual form or in such other form approved by the Issuer;
 - 12.1.2. must be signed by or on behalf of the relevant Bondholder and the transferee; and
 - 12.1.3. must 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).

12.2. 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.

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

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

13. **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.

14. **REPURCHASE OF BONDS**

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

15. **LISTING**

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

16. **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 8 December 1999 in terms of Section 19(b) of the Exchequer Act, 1975, (Act 66 of 1975). In terms of Section 214(2)(b) of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) and Section 20 of the Exchequer Act the repayment of the capital amount and the interest thereon shall be a direct charge against the National Revenue Fund and is deemed to have been appropriated by Law.

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 stock code R189.

4. **METHOD OF ISSUE**

4.1. The Bonds will be made available to the market by means of auctions in the manner determined by the Issuer.

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

5. **INITIAL PRICING**

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

If for any reason the BESA CPI bond pricing formula is not available then the existing BESA bond pricing formula will be used. The BESA bond pricing formula ("the Formula") for the All-In Price is defined in Equation 6 of the document "Bond Pricing Formula Specifications", dated 20 August 1997, at the Internet location <http://www.bondex.co.za/bondex/new/trading/index.html>. The inputs to the Formula, as defined in Section 1 of the Bond Pricing Formula Specifications, are as follows:

- ◆ The Yield-to-maturity Y shall be the Real Yield of the Bond determined with reference to the agreement between the buyer and seller of the Bond;
- ◆ The Settlement date S shall be the initial settlement date of the issue;
- ◆ The Maturity Date M_B shall be the Redemption Date;
- ◆ The Coupon C_B shall be as defined earlier;

- ◆ The Redemption Amount R_B shall be the Principal Amount;
- ◆ The Books Closed Dates, BcDates, shall be as defined earlier;
- ◆ The nominal amount of the bond, NOM shall be the Principal Amount, and
- ◆ PROUND shall be 5.

The result obtained from the Formula is multiplied with the unrounded Index Ratio as applicable to the Settlement date, to obtain an unrounded result.

The rounding shall be performed as follows:

- ◆ All intermediate calculations are done to the Institute for Electronic and Electrical Engineers' double precision (15 significant digits) standard.
- ◆ The all-in price of the inflation indexed bond is obtained by multiplying the rounded all-in price from the BESA bond formula by the unrounded Index Ratio, and the result is rounded to 5 decimal places.
- ◆ The accrued interest is calculated by multiplying the rounded accrued interest obtained from the BESA bond pricing formula by the unrounded Index Ratio. The result is rounded to 5 decimal places.
- ◆ The (rounded) clean price is obtained by subtracting the rounded accrued interest from the rounded all-in price.

6. **TRADING AND REGISTRATION**

Bonds may be traded on BESA. Transactions on BESA will normally be effected for settlement on the third Business Day after the transaction.

7. **SETTLEMENT, CLEARING AND TRANSFERS**

When the Bonds are initially issued, a single Certificate in respect of all the Bonds will be lodged and immobilised in the settlement system of BESA.

Bonds held in the BESA settlement system are registered in the name of the nominee of The Central Depository Limited, a central securities depository established in terms of the Custody and Administration of Securities Act, 1992 (the "Central 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 BESA settlement system, will be paid to and may be exercised only by the Central Depository for the beneficial owners of the Bonds.

The Central Depository holds Bonds subject to the Custody and Administration of Securities Act, 1992 and the Rules of the Central 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.

The Central Depository maintains accounts only for the participants in the Central Depository. The participants are also settlement agents of BESA. As at the date of this Offering Circular, the settlement agents are ABSA Bank Limited, First Rand Bank Limited, Nedcor Bank Limited and The Standard Bank of South Africa Limited. The participants are in turn required to maintain securities accounts for their clients. The clients of participants may include beneficial owners of the Bonds or their custodians. The clients of participants, as beneficial owners of the Bonds or as custodians for beneficial owners, may exercise their rights in respect of the Bonds held by them in the BESA settlement system only through the participants. Euroclear and Cedelbank may hold Bonds through their BESA settlement agent.

Transfers of interests in Bonds in the BESA settlement system to and from clients of Central 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 BESA settlement system occur through book entry in the participants' central securities accounts with the Central Depository). The standard settlement period on BESA is "T+3".

The client of a Central Depository participant may at any time require any Bonds held by that client in the BESA settlement system to be transferred out of the settlement system. In that event the transfer is registered in the Register and the Issuer is required to issue Certificates in respect of the transferred Bonds to the transferee in accordance with the Conditions.

Transfers of Bonds that are not held in the BESA settlement system may be effected only in terms of the conditions relating to the Bonds.

8. **TRANSFER SECRETARY**

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

Department of Finance
50 Hamilton Street
Arcadia, Pretoria

9. **EXCHEQUER ACT, 1975**

In terms of Section 23 of the Exchequer Act, 1975 (Act no. 66 of 1975), the Issuer shall not be responsible for the fulfilment of any obligation resulting from any lien, whether expressed, implied or construed, which is held over a Certificate, notwithstanding whether the Issuer was notified of such lien or not.

The Conditions relating to the Bonds should be read in conjunction with Financial Regulations 11 to 18 (inclusive) made under Section 38(1) of the Exchequer Act.

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

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.

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

10.1. 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 BESA settlement system, 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."

10.2. Emigrants from the Common Monetary Area

In the case where Certificates are issued to emigrant Bondholders, or where emigrants hold Bonds through the BESA settlement system, the securities accounts maintained for emigrants by BESA settlement agents will be restrictively endorsed and the Certificates will be deposited with the Authorised Dealer in foreign exchange controlling such emigrants' blocked assets.

Any monies due in respect of Bonds to an emigrant holder will be deposited in the emigrant's Blocked Rand account with the Authorised Dealer in foreign exchange controlling his blocked assets. The amounts are not freely transferable from the Common Monetary Area and may only be dealt with in terms of the Regulations.

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

Signed at Pretoria on behalf of the Issuer on 31 May 2000.

C C W Kruger
DEPUTY DIRECTOR-GENERAL:
ASSET AND LIABILITY MANAGEMENT

M Ramos
DIRECTOR-GENERAL:
FINANCE