

## **OFFERING CIRCULAR FOR REPUBLIC OF SOUTH AFRICA GOVERNMENT BONDS**

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### **INTRODUCTION**

This offering circular should be read together with the definitions contained in the Terms and Conditions relevant to each bond. The Terms and Conditions contain the definitions and features of bonds. This Offering Circular together with the Terms and Conditions will be made available, upon request, during normal working hours, at the registered office of the Issuer as set out in the Terms and Conditions. The Offering Circular with the Terms and Conditions will be published on the website of the National Treasury and that of the JSE.

### **THE ISSUER**

The South African government through the National Treasury herein refer to as the Issuer has been an established constitutional democracy since 1994, when it held its first democratic national elections. South Africa has the most developed economy in Sub-Saharan Africa and accounts for one-third of the aggregate GDP of Sub-Saharan Africa. The South African economy is diverse and is supported by a well-developed legal system and a sophisticated financial system. The major strengths of the South African economy are its services and manufacturing sectors, its strong physical and economic infrastructure and its abundant natural resources, including gold, platinum metals and coal.

### **TOTAL DOMESTIC DEBT OF NATIONAL GOVERNMENT**

The total local currency denominated debt portfolio of national government comprises short term and long term loans. Table 1 below shows the composition of the portfolio with the projected totals estimated over the medium-term up to the financial year 2014/15.

**Table 1: Domestic Debt****Composition of domestic debt by instrument, 2008/09 – 2014/15**

End of period	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
R billion		Outcome		Estimate	Medium-term estimates		
<b>Short-term loans</b>	<b>65.0</b>	<b>114.8</b>	<b>149.6</b>	<b>170.4</b>	<b>192.4</b>	<b>214.4</b>	<b>234.4</b>
Shorter than 91-days <sup>1</sup>	–	0.3	13.5	13.5	13.5	13.5	13.5
91-days	37.7	48.2	49.7	48.7	49.7	49.7	49.7
182-days	13.8	24.3	28.0	35.9	39.4	43.2	46.2
273-days	12.9	27.8	34.1	38.2	44.0	50.1	55.6
364-days	0.6	14.2	24.3	34.1	45.8	57.9	69.4
<b>Long-term loans</b>	<b>464.7</b>	<b>590.7</b>	<b>743.1</b>	<b>902.5</b>	<b>1 055.0</b>	<b>1 216.2</b>	<b>1 361.2</b>
Fixed-income	369.0	445.7	553.9	670.3	798.6	907.7	998.9
Inflation-linked <sup>2</sup>	83.9	130.4	170.8	219.0	242.4	293.2	343.2
Retail	1.7	4.6	9.5	12.1	12.9	14.2	18.0
Floating rate	7.8	7.8	7.8	–	–	–	–
Zero coupon	2.1	2.1	1.0	1.0	1.0	1.0	1.0
Other <sup>3</sup>	0.2	0.1	0.1	0.1	0.1	0.1	0.1
<b>Total</b>	<b>529.7</b>	<b>705.5</b>	<b>892.7</b>	<b>1 072.9</b>	<b>1 247.4</b>	<b>1 430.6</b>	<b>1 595.6</b>
<i>As percentage of total domestic debt:</i>							
Short-term loans	12.3	16.3	16.8	15.9	15.4	15.0	14.7
Non-fixed rate debt	29.6	35.9	36.8	36.3	34.9	35.5	36.2

1. Mainly borrowing from the Corporation for Public Deposits

2. Includes revaluation as a result of changes in inflation rates

3. Loan levies, former regional authorities and Namibian debt

## DEBT SPONSOR

The National Treasury appointed the Deputy Director-General of the Asset and Liability Management division, supported by the executives within the National Treasury as the debt sponsor. This is approved by the JSE Limited in terms of Section 2 of the Debt Listing Requirements.

The details of the debt sponsor are as follows:

- Deputy Director General: Mr Thuto Shomang
- Telephone number: 012 315 5486
- Fax number: 012 323 1783
- Email address: [thuto.shomang@treasury.gov.za](mailto:thuto.shomang@treasury.gov.za)

## RESPONSIBILITY AND LIMITED LIABILITY

National Treasury certifies that to the best of its knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made as well as that of the Offering Circular and the Terms and Conditions contain all information required by law and the JSE Listings Requirements.

National Treasury accepts full responsibility for the accuracy of the information contained in this Offering circular and the Terms and Conditions of the bonds. The JSE takes no responsibility for the contents of the Offering Circular and the Terms and Conditions or amendments thereof to these documents and makes no representation as to the accuracy or completeness of any of the foregoing documents and expressly disclaims any liability for any loss arising from or in reliance upon the whole or any part

of these Placing Documents.

## **BESA GUARANTEE FUND**

The Guarantee Fund Trust was established and operated by the Bond Exchange of South Africa Limited prior to its merger with the JSE on 22 June 2009 and as at the date of this offering circular, operated by the JSE as a separate guarantee fund in terms of the rules of the JSE, as required by section 9 (1)(e) and 18(2)(n) of the Securities Act or any successor fund.

Claims against the BESA Guarantee Fund Trust may only be made in respect of the trading of notes listed on the Interest Rate Market of the JSE in accordance with the rules of the BESA Guarantee Fund Trust. The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE or the BESA Guarantee Fund Trust. Unlisted Notes are not regulated by the JSE.

## **DOCUMENTS AVAILABLE FOR INSPECTION**

National Treasury will make the following documents available for inspection:

- Placing Document;
- Terms and Conditions of bonds;
- National Government Budget Review, and
- Any other relevant document, as required

## **FORMS OF BONDS**

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

## **METHOD OF ISSUE**

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

## **PURPOSE OF ISSUE**

Over the past three years, public debt has risen to support infrastructure investment, and to fund economic and social priorities. Over the medium term, the fiscal stance will

stabilise the growth of debt and maintain long-term sustainability, ensuring that debt and debt-service costs do not crowd out productive expenditure.

In 2012/13, government's net borrowing requirement is expected to reach R168.8 billion, up from R152.7 billion in 2011/12. After increasing in line with budget deficits, government's net debt stock is expected to peak at 38.5 per cent of GDP in 2014/15. As the fiscal position improves over time, debt and debt-service costs will stabilise.

Owing to prudent macroeconomic policies, and deep and liquid capital markets, the state is able to finance its borrowing requirement mainly in the domestic market.

## **USE OF PROCEEDS**

Unless otherwise specified in an applicable offering circular, the net proceeds from the sale of these debt securities will be used for general purposes for South African government, in terms of Section 71 of the ('PFMA'). The South African government may also issue securities in exchange of any outstanding securities.

## **PRICING**

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

## **REDEMPTION**

Subject to the Terms and Conditions, the Issuer shall pay the Bondholders the principal amount together with the interest accrued on the redemption date. If such redemption date falls on a day which is not considered a business day, payment shall be made on the first following business day.

## **DISCRIPTION OF THE BONDS**

- **Fixed Income Bonds**
  - R2023 (7.75%:2023); maturing on 28 February 2023
  - R2048 (8.75%:2048); maturing over three years on 28 February 2047, 2048 and 2049
- **Inflation Linked Bonds**
  - I2025 (2.00%:2025); maturing 31 January 2025
  - I2038 (2.25%:2038); maturing 31 January 2038
  - I2050 (2.50%:2050), maturing over three year on 31 December 2049, 2050 and 2051.

## **ISSUE DATES**

The issue date will be the first settlement date for each respective bond.

## **INTEREST PAYMENTS**

Interest will be paid every 6 (six) months commencing on and including one interest date and ending on the day preceding the next interest date, provided that the first interest period shall be from and include the issue date to the day preceding the first interest date thereafter, and the last interest period shall end on the day preceding the redemption date.

## **BOOKS CLOSE DATES**

In relation to an interest date, the book close date will be 10 (ten) days preceding the interest dates or such shorter period preceding the interest date as determined by the Issuer.

## **TRADING AND REGISTRATION**

Bonds may be traded on the JSE or its successor, or any other alternative exchange authorised by the Financial Services Board. Transactions on the JSE will normally be effected for settlement in terms of their rules unless otherwise stipulated. The bonds are expected to begin trading as soon as they are listed on the JSE. Trading of bonds will be on a yield basis.

## **LISTING**

National Treasury will apply to have the bonds listed with the JSE before they can be offered to the market. The bonds will be listed under different codes on the JSE.

## **STRIPPABILITY**

Stripping involves separating a standard coupon-bearing bond into its constituent interest and principal payments, so that they can be separately held and traded. Only fixed income bonds will be considered strippable.

## **REGISTER**

The register shall be kept at the offices of the Transfer Secretary.

**National Treasury  
Private Bag X115  
Pretoria  
0001**

**or**

**National Treasury  
240 Vermeulen Street  
Pretoria  
0002**

The register shall contain the name, address and bank account details of the

registered bondholder. The register shall set out the principal amount of the Bonds issued to any bondholder and shall show date of such issue and the date upon which the bondholder become registered as such. The register shall show the numbers of the individual Certificates and the date of issue thereof.

## **SETTLEMENT, CLEARING AND TRANSFER OF BONDS**

When the Bonds are initially issued, a single Certificate or Un-certificated security in respect of all the Bonds will be lodged in the Central Securities Depository. 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's Nominee for the beneficial owners of the Bonds.

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 Securities Depository as at the date of this Offering Circular are as published by the Registrar of Securities Services in Government Gazette No. 27758 of 8 July 2005.

The Central Securities Depository maintains accounts only for the participants in the Central Securities Depository. As at the date of this Offering Circular, the participants who are Settlement Agents of the JSE are ABSA Bank Limited, First Rand Bank Limited, Nedbank Limited, Citi Bank NA, 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 above participants.

Transfers of interest in Bonds in the Central Securities Depository to and from clients of Central Securities Depository participants occur by electronic book entry in the securities accounts of the clients with participants (transfers amongst participants of Bonds held in the Central Securities Depository occur through electronic book entry in the participants' central securities accounts with the Central Securities Depository). The standard settlement period on JSE is "T+3". Transactions in Bonds concluded on JSE are settled by the settlement agents by electronic book entry as described above.

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.

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.

## **NATURE OF THE OBLIGATIONS OF THE SOUTH AFRICAN GOVERNMENT**

The Bonds will constitute the direct, unconditional, general unsecured and unsubordinated obligations of the South African government and will rank equally, without any preference among themselves, with all present and future unsecured and unsubordinated general obligations of the South African government for money borrowed.

## **RISK RELATING TO THE BONDS**

The South African economy remains vulnerable to external shocks, including global economic crises and those that could be caused by future significant economic difficulties of its major regional trading partners, which could have an adverse impact on the country's economic growth and its ability to service its public debt.

## **SOUTH AFRICA'S SOVEREIGN CREDIT RATINGS**

The current (2012) credit ratings for the National government are as follows:

<b>Rating agency</b>	<b>Term</b>	<b>Domestic currency</b>	<b>Foreign currency</b>	<b>Outlook</b>
Moody's	Long-term	A3	A3	Negative
Fitch	Long-term	A	BBB+	Negative
Standard & Poor's	Long-term	A	BBB+	Negative
Rating and Investment Information Inc.	Long-term	A	A-	Stable