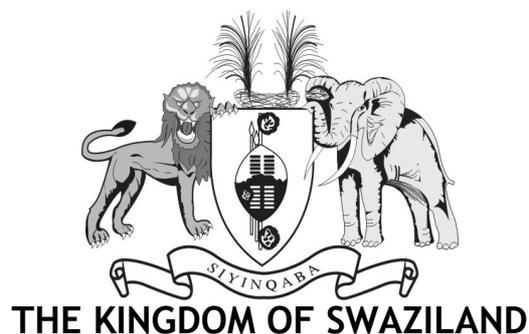


*“The Issuer accepts responsibility for the information contained in this placing document. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this placing document is in accordance with the facts and does not omit anything likely to affect the import of such information”.*



**(“Swaziland” or “the Issuer”)**

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**E2, 000, 000,000  
Note Programme**

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Swaziland has established this E2,000,000,000 Note Programme (the “**Programme**”), which will be issued, listed and traded at the Swaziland Stock Exchange (SSX) using Exempt Dealers.

Notes issued under the Programme will be bonds, as defined in the Swaziland Treasury Bills and Government Stocks Act, 1994 (as amended, 2010).

Notes issued under the Programme will be denominated in Swaziland Emalangeni (“**E**”). The maximum aggregate principal amount of all Notes from time to time outstanding under the Programme will not exceed E2,000,000,000, subject to increases authorised by the Issuer, in accordance with an Act of Parliament of the Issuer.

The offer price, aggregate principal amount, maturity and interest, if any, payable in respect of Notes, and any other terms and conditions not contained herein which are applicable to each Series (as defined under the section entitled “**Terms and Conditions of the Notes**”) of Notes to be issued under the Programme will be determined by the Issuer and the Arranger, at the time of issue, in accordance with prevailing market

conditions and will be set out in a pricing supplement (the “**applicable Pricing Supplement**”).

Notes issued under this Programme will be listed and traded on the Swaziland Stock Exchange (“**SSX**”). The applicable Pricing Supplement will be delivered to the SSX for approval, before the date of issue of the Notes.

Notes issued under this Programme Memorandum shall be sold by way of auction to Exempt Dealers. The rules of auction shall be as set forth in the Rules subject to the agreements entered into between the Arranger and Exempt Dealers.

Notes issued under this Programme will be issued in uncertificated registered form. No Notes will be issued in Bearer form.

The Issuer shall, in the event there have been material changes affecting the information set forth in this Programme Memorandum, issue a Supplementary Programme Memorandum which shall be of relevance and applicable in respect of all issues of Notes after the date of issue of such Supplementary Programme Memorandum (see the section entitled “*Supplemental Programme Memorandum*”).

The Programme has, as at the date of this Programme Memorandum, not been rated by any rating agency. However, the Issuer may at any time obtain a rating from a rating agency for the Programme or any issue of Notes issued pursuant to this Programme. The Issuer may agree with the Arranger that Notes may be issued in a form not contemplated by the Terms and Conditions, in which case a Supplementary Programme Memorandum will be made available which will describe the terms and conditions of such Notes.

This Programme Memorandum is to be read in conjunction with all documents incorporated herein whether by reference or otherwise, and should be read and understood on the basis that such other documents are incorporated in and are deemed to form part of this Programme Memorandum.

## Arranger and Transfer Agent



Programme Memorandum dated July 2014

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### IMPORTANT NOTICE

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Pursuant to the provisions of the Treasury Bills and Government Stocks Act, 1994 (as amended, 2010) (“the Act”), the Central Bank of Swaziland (the “Arranger”) is to arrange issues of the Notes under the Programme and is to circulate this Programme Memorandum and the applicable Pricing Supplement in respect of any such issue.

The Arranger has, and may, pursuant to Exempt Dealer Agreements (“the **Exempt Dealer Agreements**”) appointed or appoint certain banks and Stock Brokers in Swaziland to be Exempt dealers in respect of the Notes (“the **Exempt Dealers**”) to market, subscribe for, purchase and sell the Notes.

The Arranger has, and may; pursuant to Custody, Transfer and Settlement Agreements (“the **CTS Agreements**”) appointed or appoint certain banks and Stock Brokers in Swaziland to act as custodian, transfer and settlement agents in respect of the Notes (“the **Agents**”).

The Notes may be issued on a continuing basis by the Issuer. Management of the issue of Notes will be conducted by the Arranger. Notes may be subscribed for, purchased

and sold by Exempt Dealers appointed under the Exempt Dealer Agreements from time to time, which appointment may be for a specific issue or on an ongoing basis.

Neither this Programme Memorandum nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, the Arranger or the Exempt Dealers, or any of their respective directors, affiliates, advisers or agents, that any recipient of this Programme Memorandum, should subscribe for or purchase any Notes. Each investor contemplating subscribing for or purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer.

None of the Arranger/ s or the Exempt Dealers, or any of their respective directors, affiliates, advisers or agents, have independently verified the information contained herein. Accordingly, no representation or warranty, expressed or implied, is made by the Arranger or the Exempt Dealers, or any of their respective directors, affiliates, advisers or agents, with respect to the accuracy or completeness of such information at any time contained in this Programme Memorandum or any supplement hereto. Nothing contained in this Programme Memorandum is to be construed as, or shall be relied upon as, a promise, warranty or representation, whether to the past or the future, by the Arranger or the Exempt Dealers, or any of their respective directors, affiliates, advisers or agents, in any respect. Furthermore, none of the Arranger, or the Exempt Dealers, makes any representation or warranty or assumes any responsibility, liability or obligation in respect of the legality, validity or enforceability of any Notes, the performance and observance by the Issuer of its obligations in respect of any Notes, or the recoverability of any sums due or to become due from the Issuer under any Notes.

No person is authorised to give or use any information or make any representation not contained in this Programme Memorandum or any supplement hereto in connection with the Programme and any issue, offering or sale of Notes under the Programme and, if given or made, such information or representation must not be relied upon as

having been authorised by any of the Issuer, the Arranger or the Exempt Dealers, or any of their respective directors, affiliates, advisers or agents.

The distribution of this Programme Memorandum and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Neither this Programme Memorandum nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, the Arranger or the Exempt Dealers, or any of their respective directors, affiliates, advisers or agents, to any person to subscribe for or to purchase any Notes in any jurisdiction where such offer or invitation is prohibited. None of the Issuer or the Arranger, and the other professional advisors to the Issuer or the Arranger, represents that this Programme Memorandum may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available there under, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Arranger, or their respective professional advisors which would permit an offering of any Notes or distribution of this Programme Memorandum in any jurisdiction where action for that purpose is required. Persons into whose possession this Programme Memorandum or any Notes may come are required by the Issuer and the Arranger, to inform themselves about and to observe any such restrictions.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) and may not be offered, sold or delivered within the United States or to, or for the account or benefit of US persons (as defined in Regulation S under the Securities Act (“**Regulation S**”)) except in certain circumstances exempt from the requirements of the Securities Act.

Notwithstanding the fact that the Issuer and Arranger consider that any issue of Notes under this Programme constitutes a domestic issue of the Notes within Swaziland only, each of the Exempt Dealers has represented, warranted and undertaken to the Issuer and Arranger that it shall observe all applicable laws and regulations in any jurisdiction in which it may, directly or indirectly, offer, sell, re-sell, re-offer or deliver confirmation of the holding of Notes or distribute the Programme Memorandum

or any advertisement or offering material and not do any of the afore-going in any country or jurisdiction, except under circumstances that will result in compliance with all applicable laws and regulations, and in addition, in respect of any country other than Swaziland, shall not under any circumstances so offer, sell or re-sell, or re-offer or permit to be so offered, sold, re-sold or re-offered, any Notes unless the aggregate principal amount of the Notes sold, offered, re-sold, or re-offered exceeds E1,000,000 (One Million Swaziland Emalangeni).

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**SUPPLEMENTAL PROGRAMME MEMORANDUM**

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The Issuer will, in the event of any significant change, material mistake or inaccuracy relating to the information included in this Programme Memorandum which is not reflected in this Programme Memorandum, prepare a supplement to this Programme Memorandum or publish a new Programme Memorandum.

The Issuer may agree with the Arranger that a Series of Notes may be issued on terms or in a form not contemplated by the Terms and Conditions set out herein, in which event the Issuer will publish a supplement to this Programme Memorandum which will describe the terms and conditions of such Series of Notes.

Any Supplemental Programme Memorandum, issued in terms of this section, shall be of force and effect in respect of any Notes, issued after the date thereof.

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## RESPONSIBILITY STATEMENT

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The Issuer accepts responsibility for the information contained in this Programme Memorandum. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Programme Memorandum is in accordance with the facts and contains no omission likely to affect the import of such information. The delivery of this Programme Memorandum at any time does not imply that the information contained therein is correct at any time subsequent to the date of this Programme Memorandum.

## FORWARD LOOKING STATEMENTS

This Programme Memorandum contains forward looking statements. These forward looking statements can be identified by the use of forward looking terminology, including the terms “believes”, “estimates”, “projects”, “expects”, “intends”, “may”, “will”, “seeks”, or “should” or, in each case, their negative or other variations or comparable terminology or in relation to discussions of strategy, plans, objectives, goals, future events or intentions. Forward-looking statements are statements that are not historical facts, including statements about the Issuer’s beliefs and expectations. These statements are based on current plans, estimates and projections and, therefore, undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made. Although the Issuer believes that beliefs and expectations reflected in such forward looking statements are reasonable, no assurance can be given that such beliefs and expectations will prove to have been correct. Forward-looking statements involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those expressed in any forward-looking statement. The information contained in this Programme Memorandum identifies important factors that could cause such differences, including, but not limited, to the following:

- Adverse external factors, such as:
  - changes in the international commodity prices or prevailing interest rates, which could adversely affect Swaziland's balance of payments and budgetary expenditures; or
  - changes in the monetary policy applicable in CMA countries which could affect inflation and/or growth rates; or
  - recession or low economic growth in Swaziland's trading partners or changes in the terms on which multilateral lending institutions provide financial assistance to Swaziland or fund new or existing projects which could decrease exports, adversely affect Swaziland's economy and indirectly reduce tax and other public sector revenues, so adversely affecting the state budget.
  
- Adverse domestic factors, such as:
  - a decline in foreign direct investment, increases in domestic inflation, high domestic interest rates, exchange rate volatility or an increase in the level of domestic and external debt, which could lead to lower economic growth or a decrease in Swaziland's international reserves; or
  - trade and political disputes between Swaziland and its trading partners and other political factors in Swaziland, which could affect the timing and structure of economic reforms, the climate for foreign direct investment and the pace, scale and timing of privatisations if any.

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### **Introduction**

Swaziland gained its independence from the United Kingdom on the 6<sup>th</sup> September 1968. With a land area measuring 17,363 square kilometers, the country is completely landlocked. It is surrounded by its neighbors, the Republic of South Africa and Mozambique. The capital city of Swaziland is Mbabane. The country has a population of about one million inhabitants.

### **Political Development**

The Kingdom of Swaziland was occupied by the British from 1906, until it gained its independence in 1968. The country has a formal written constitution promulgated in 2005. The Head of state of Swaziland is His Majesty, King Mswati III. Democracy is practiced under the Tinkhundla system of government which permits the election of candidates appointed by the electorate to Parliament.

### **The Legal System**

Swaziland has a dual legal system with Swazi law and custom being of the same force as Roman Dutch law (the common law). This allows for a duality of courts which apply either Swazi law and custom or Roman Dutch law which has a heavy influence of English common law. Matters which are predominantly of a customary nature are brought before the Swazi courts. The common law courts apply both criminal and civil law, with the Supreme Court being the highest court in the Land. The judiciary is created in terms of the constitution which provides for separation of powers and guarantees the rule of law. All courts are guided by the principal of legal precedence (*stare decisis*), with consequences that all lower courts are bound by the decisions of the higher court.

### **Economic highlights**

- The annual consumer inflation increased to 5.5 percent in May 2014 higher than the corresponding annual rate of 5.3 percent observed in April 2014.
- Preliminary estimates reflect that the real economy expanded by 2.8 percent in 2013 compared to a revised estimate of 1.9 percent in 2012.

- Swaziland's balance of payments continued to show an improved overall position for the second year running, posting a surplus of E1.8 billion in 2013 from a lower surplus of E1.3 billion in the previous year.
- Gross official reserves fell by 5.1 percent from May 2014 to E7.5 billion in June 2014, an equivalent to 3.9 months of imports.
- The Bank has pursued an accommodative monetary policy stance, keeping its discount rate at 5 percent since July 2012.
- The budget for 2014/15 indicates a fiscal deficit of 3 percent to GDP, up from an estimated outturn of a deficit of 0.2 percent of GDP in 2013/14.
- Total public debt stock stood at E6.1 billion or 16.5 percent of GDP at the end of June 2014.

### Gross Domestic Product

As a small open economy, Swaziland's economic performance is, to a great extent, influenced by economic developments in the industrialized countries. After growing at rates ranging between 5 percent and 10 percent in the 1980's propelled by an influx of Foreign Direct Investment (FDI) arising from sanctions imposed on South Africa, the performance of the economy over the last decade has been lacklustre. The growth has been sluggish despite the rising revenues, increased consumption and government spending. The government spending did not boost aggregate demand to an extent to which it is translated into vibrant economic activity.

Preliminary estimates reflect that the real economy expanded by 2.8 percent in 2013 compared to a revised estimate of 1.9 percent in 2012. The notable increase in 2013 benefited from improvements in the secondary and tertiary sectors.

The Exempt sector is estimated to have remained muted in 2013 despite continuous resilience of the mining and quarry sector and improvements in the crops produced under Swazi Nation Land (SNL). Production of crops (mainly sugarcane and citrus) in

the Individual Tenure Farms (ITF) was however affected by unfavorable weather conditions characterized by storms and heavy rains which partially affected the quality of the produce.

The secondary sector is estimated to have accelerated by 4.2 percent in 2013 compared to 0.5 percent the previous year. The manufacturing sector grew by 2.5 percent in 2013 compared to 0.2 percent in 2012 mainly driven by increased production of zippers, soft drinks concentrates and beverages, timber products, fruit-cups and increased production lines by manufacturing companies. On the positive side, the heavy rains benefitted the domestic-hydro-power generation resulting in a 12.7 percent increase in the subsector of 'Electricity, gas and Water supply' in 2013 recovering from a 5.8 percent decline the previous year. The construction sector is estimated to have mainly benefited from a notable increase in public sector capital expenditure and improvement in the rate of implementation of construction projects in 2013/14. Most of the capital expenditure was directed towards roads construction and completion of King Mswati 111 International Airport.

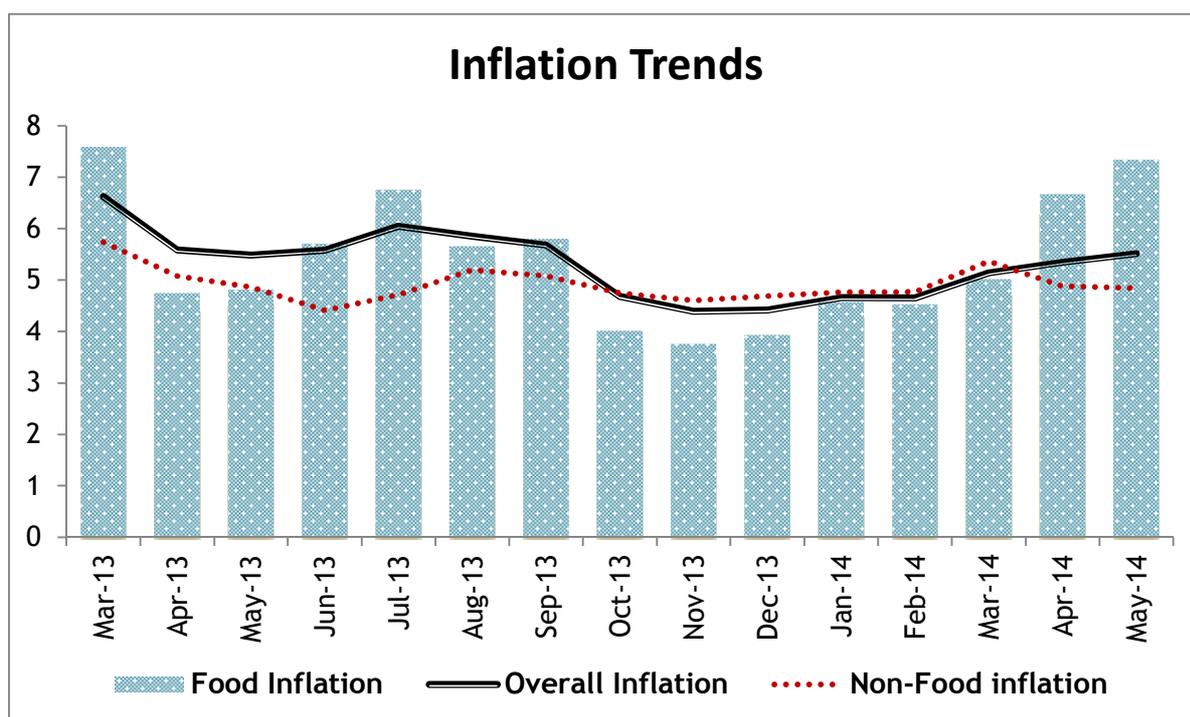
The tertiary sector is estimated to have grown by 3.2 percent in 2013 improving from 2.5 percent in 2012. Growth in the tertiary sector mainly benefited from expansions in the 'wholesale and retail trade', 'transport and communication' and 'government services'. Central government services registered positive growth as a result of the suspension of freezing posts and the hiring freeze in 2013/14 which were implemented for 3 years to 2012/13 fiscal years.

Medium term growth prospects would be mainly reliant on developments in the export sector. Such developments include among others extension of preferential trading agreements such as African Growth Opportunity Act (AGOA) and Economic Partnership Agreement (EPA). The loss of the AGOA market for 2015 would affect the performance of the textile, fruit canning (fruit-cups), curios and other agricultural products that benefited from the access to the USA market through the AGOA arrangement. EPAs on the other hand, support a sizable proportion of total exports which are destined to the EU market including sugar, citrus and forestry products among others. Thus, preserving trading agreements with the EU will be critical for growth. On the other hand, the expansionary fiscal policy in 2013/14 and 2014/15 fiscal years especially

increases in the allocation and implementation of government capital program is expected to feed positively to growth in the medium term.

### Price Developments

The annual consumer inflation rose to 5.5 percent in May 2014 from 5.3 percent recorded in April 2014. This rate resulted from increases in the price indices for ‘food and non-alcoholic beverages’ and ‘transport’. Food inflation surged from 6.7 percent in April 2014 to 7.3 percent in May 2014 mainly driven by increases in the prices of meat products, coffee, tea and cocoa, and other cold beverages such as soft-drinks and fruit juice. The price index for ‘transport’ increased slightly from 3.4 percent observed in the previous month to 3.6 percent in May 2014 mainly due to increases in the prices for spare parts and accessories for personal transport equipment. Further increases came from the price index for ‘restaurants and hotels’ which grew by 4.5 percent in May 2014 from 4.2 percent the previous month.

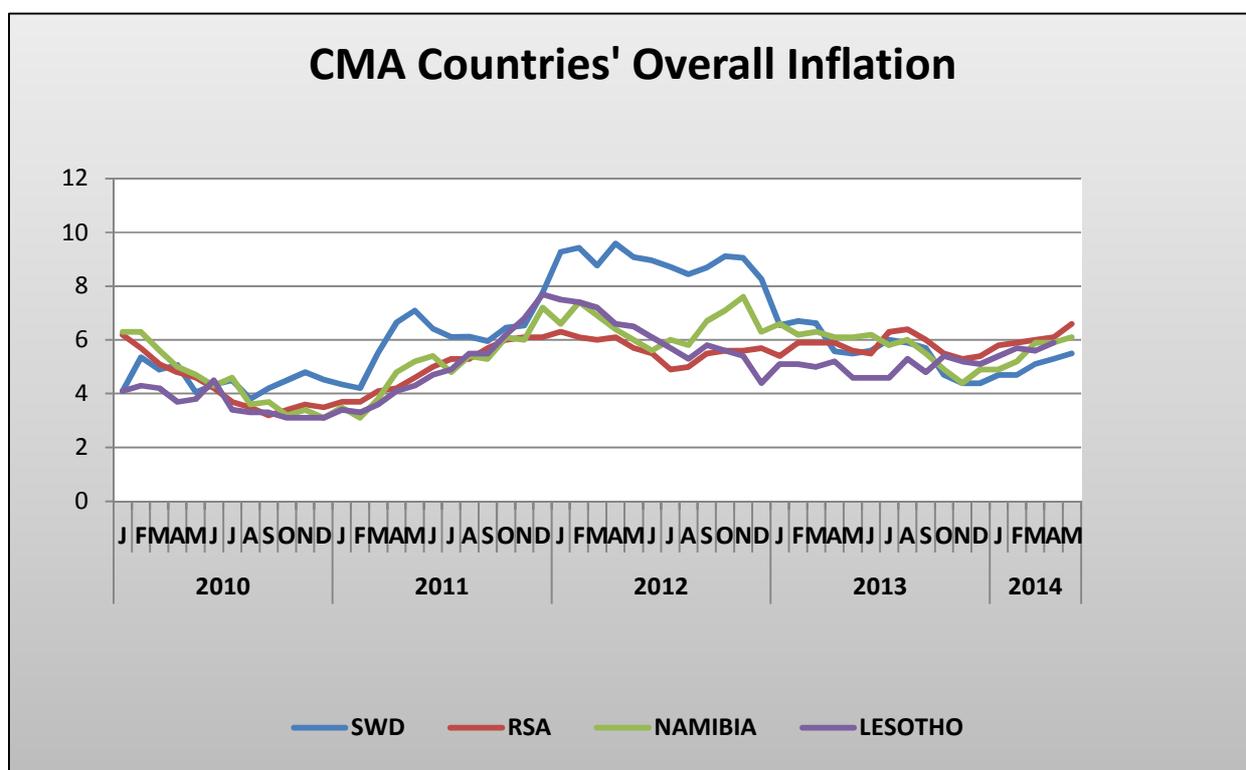


The increases were somewhat counteracted by slower increases in the price indices for ‘clothing and footwear’ and ‘recreation and culture’. The price index for ‘clothing and footwear’ grew by a slower rate of 7.5 percent in May 2014 from 7.9 percent in

April 2014. On the other hand the price index for 'recreation and culture' slowed to 6.2 percent in May 2014 compared to 7.0 percent in the previous month.

On month-on-month basis, inflation grew by a slower rate of 0.3 percent in May 2014 compared to 0.9 percent observed in April 2014. Most components grew by a slower rate in May 2014 compared to the previous month.

Swaziland's inflation continues to move in tandem with inflation in the other CMA member countries.



The consumer price inflation is set to average 5.77 percent in 2014 slightly increasing from the 5.6 percent recorded in 2013. The falling exchange rate, electricity price hike of 9.5 percent, coupled with 25 percent bus fare hike effected in Swaziland beginning July 2014 will exert upward pressure on inflation. Furthermore, the looming pressures on food prices emanating from maize shortages in South Africa and the prevailing strikes over wages in South Africa will have spill-over effects to local inflation. However, irrespective of all these inflationary pressures, the cushioning of local fuel prices, will ameliorate the situation, hence the slight increase. The

exchange rate of the Lilangeni remains an increasingly upside risk to inflation outlook in the medium term.

### **Monetary Policy Stance**

The Central Bank, in consultation with the Monetary Policy Consultative Committee in its meeting held in May 2014, kept the discount rate unchanged at 5 percent. This was after taking into consideration both the international, regional and domestic economic conditions in a bid to stimulate sluggish economic activity through increased lending to the private sector by the commercial banks. Consequently, the commercial banks also kept the prime lending rate at 8.5 percent.

### **Gross Official Reserves**

The country's gross official reserves fell by 5.1 percent from the previous month to E7.5 billion in June 2014, an equivalent to 3.9 months of imports, lower than 4.1 months covered in May 2014. Year-on-year, gross official reserves grew by 7.1 percent when valued in Emalangeni terms. Reserves to GDP ratio was at 20.3 percent which was above the 17 percent recommended by the IMF.

### **Balance of Payments**

Swaziland's balance of payments recorded an overall surplus of E638.4 million during the period ending December 2013, a remarkable improvement from the surplus of E82.3 million posted in September 2013. The main contributors to the overall surplus were the persistent surplus recorded in the merchandise trade account and current transfers of the current account as well as direct investment.

### **Foreign Direct Investment in Swaziland**

Preliminary data for 2013 indicate that the total stock of FDI increased to E8.1 billion in 2013 from a revised stock of E7.8 billion in 2012. The key drivers of this movement in the stock of FDI were surges in reinvested earnings and short term capital which recorded increases of 6.3 percent and 8.7 percent respectively.

The equity component of FDI fell from E472.2 million recorded in 2012 to E455.8 million in 2013, reflecting a 3.5 percent decline, mainly on account of the merger of some establishments within the insurance industry thereby resulting in other entities

being wholly owned locally. The stiff competition for FDI in the region also puts a strain in the country's ability to attract fresh investments for purposes of boosting the economy's stock of FDI liabilities.

Reinvested earnings component of FDI increased from E3.9 billion during 2012 to register a stock of E4.2 billion in 2013. The results show that more dividends were declared for foreign shareholders. Nevertheless, a handful of the declared dividends were reinvested for expansion as reflected by the 6.3 percent rise in stock which is evidence enough that foreign investors have confidence in the economy.

FDI analysis in intercompany capital, comprising loans and trade credits, revealed that borrowing from affiliates predominated stocks with a maturity structure that was more inclined towards long-term capital for the last two years. The long-term component of FDI decreased from E2.4 billion in 2012 to register E2.3 billion by year end 2013. Though there was a slight decline in this category reflecting ability of resident companies to repay their liabilities, however, intercompany financial support from parent companies abroad leveraging their local investments is still available judging from the stock of capital that is held by the direct investment enterprises.

The short-term capital component of FDI, on the other hand, was up by 8.7 percent to settle at E1.1 billion in 2013, reflective of the fact that most foreign owned enterprises during the year under review engaged in intercompany funding to minimize on operational costs. Although this component is often volatile in its nature, the stock depicted in the last two years has somehow been stable. It is worth noting that the volatility in this component would sometimes cause a substantial shift in debt-financed FDI from long-term financing to short-term financing.

### **Prospects for FDI in Swaziland**

The current global environment is characterised by a general slowdown in FDI inflows to developing economies, on the one hand, and the existence of a large number of investment alternatives, on the other. Specifically, there have been growing fears that FDI is being diverted from developing countries to China. In addition, the increased uncertainty and heightened African political climate may preclude global FDI from growing nearly as rapidly as it did in the 1990s.

Doing business is greatly affected by the economic and financial performance of a country. For some time, Swaziland has been shouldering a heavy burden of economic underperformance (low level of economic growth, shortage of greenfield investments and fiscal crisis) and the effects are trickling down to business operations. Over and above the creation of a business-friendly environment, it may be important for Swaziland to actively undertake investment-promotion policies to fill in information gaps or correct perception gaps that may hinder FDI inflows.

Though Swaziland has made considerable strides in retaining already available foreign investors, challenges of competition for FDI in the region are still impeding the country's inability in attracting fresh FDI. However, there is room for expansion especially in the mining sector. It is therefore imperative that Swaziland expedites the issuance of mining licenses in order to attract FDI in this sector as the country is well endowed with vast deposits of minerals that are lying idle or under exploited.

### Fiscal Sector

The actual outturn for 2012/13 shows a budget surplus of E1.6 billion, an equivalent of 4.3 percent of GDP. The surplus realised was mainly used to repay domestic arrears accumulated in previous fiscal years.

<b>Budget Summary (E' Million)</b>					
	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14*</b>	<b>2014/15**</b>
Total Revenue & Grants	6,830.6	7,184.2	12,035.6	12,850.2	14,258.1
Total Expenditure	10,338.3	9,132.3	10,423.0	12,909.2	15,306.8
<i>o/w Current Expenditure</i>	8,465.1	8,113.7	9,075.6	10,300.3	11,550.8
<i>o/w Capital Expenditure</i>	1,873.2	1,018.6	1,347.4	2,608.9	3,756.0
Overall Fiscal Balance	-3,507.7	-1,948.2	1,612.6	-58.9	-1,048.7
Overall Balance (% of GDP)	-9.5	-5.4	4.3	-0.2	-3.0

Source:- Ministry of Finance  
    \*Estimated Outturn  
    \*\* Budget

Estimated outturn for 2013/14 indicates a budget deficit of E58.9 million, approximately 0.2 percent of GDP. Even though a supplementary budget of E318 million for 2013/14 was passed by the legislature after the budget speech had been delivered, preliminary estimates indicate that the actual outturn for 2013/14 will be a marginal surplus following higher revenue collection than originally anticipated.

Estimates for 2014/15 indicate that Government will run a deficit of E1.05 billion, corresponding to 3 percent of GDP. Again, preliminary estimates indicate that the outturn for 2014/15 will be a marginal deficit of 1 percent of GDP following higher revenue collection than originally anticipated.

### **Government Revenue**

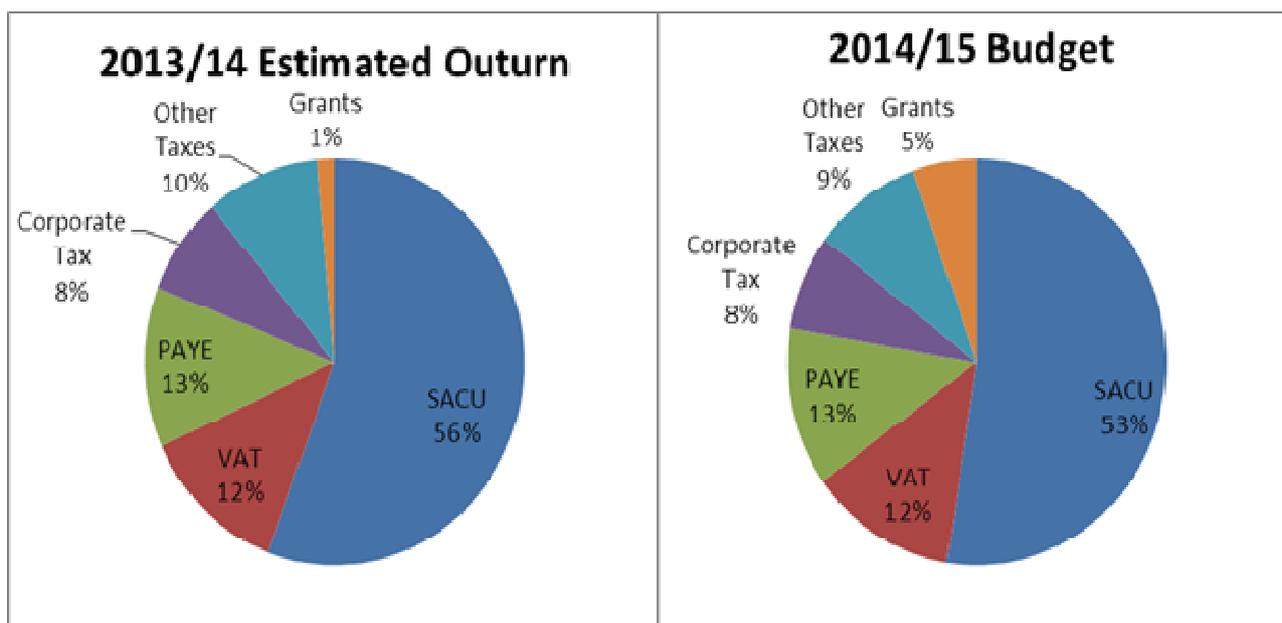
Total Government revenue to be collected in 2014/15 will increase by nearly 11 percent from the previous fiscal year to reach E14.3 billion. This represents about 35 percent of GDP; SACU revenue, which is estimated at E7.5 billion will account for about 18.4 percent of GDP.

There has been an improvement in domestic revenue collection especially in VAT, Corporate Tax and Personal Income Tax (PAYE); courtesy of the Swaziland Revenue Authority's efficiency in tax collection and administration.

There were no tax reforms mentioned in the 2014/15 budget as Government was still assessing if the reforms implemented in 2013/14 were yielding the desired results. Government should continue to explore means of enhancing revenue collection in a bid to mitigate overreliance on SACU revenue. Efforts made by the Swaziland Revenue Authority to intensify domestic revenue collections are commendable.

In the 2014/15 budget, indications are that Swaziland is relatively not reliant on grants, as they account for about 5 percent of total revenue. SACU receipts continue to hold a dominant share as they will finance about 53 percent of the budget. However, the trend observed over the last 10 years where SACU receipts financed on average around 56 percent of the budget has been reversed in the 2014/15 budget in line with Government efforts to reduce dependency on SACU revenue.

## Government Revenue Major Components



Central Government Revenue (E' Million)						
ITEM	2010/11	2011/12	2012/13	2013/14*	2014/15**	% Share
Taxes on Net Income and Profit	2,577.2	2,713.5	2,363.3	2,930.3	3,195.6	22.41
Company Tax	779.4	834.5	743.1	1,009.2	1,086.9	7.62
Individuals	1,455.3	1,511.8	1,349.0	1,633.6	1,800.3	12.63
Other	342.5	367.2	271.2	287.5	308.5	2.16
Taxes on Property	28.4	22.5	27.4	28.6	30.8	0.22
Consumption, Excise and Tax	3,979.1	4,309.5	9,324.1	9,441.1	9,978.0	69.98
Customs Union Receipts	2,630.8	2,883.6	7,065.8	7,156.6	7,491.4	52.54
VAT	-	-	1,623.3	1,612.1	1,782.9	12.50
Sales Tax	1,187.7	1,103.8	162.4	-	-	-
Other	160.7	322.1	472.6	672.3	703.7	4.94
Total Taxes	6,584.7	7,045.4	11,714.9	12,400.0	13,204.4	92.61
Non-Tax Revenue	186.5	104.2	278.0	261.7	275.5	1.93
Fees, Services and Fines	68.8	61.5	104.4	110.8	117.1	0.82
Property Income	117.7	42.8	173.6	150.9	158.5	1.11
Other	-	-	-	-	-	-
Total Revenue	6,771.2	7,149.7	11,992.8	12,661.7	13,479.9	94.54
Grants	59.4	34.5	42.7	188.6	778.2	5.46
<b>GRAND TOTAL</b>	<b>6,830.6</b>	<b>7,184.2</b>	<b>12,035.6</b>	<b>12,850.2</b>	<b>14,258.1</b>	<b>100</b>

Source:- Ministry of Finance

\* Estimated Outturn

\*\* Budget

### **Recurrent Expenditure**

Government total expenditure is estimated to increase to E15.3 billion in 2014/15 from E12.9 billion the previous fiscal year. Recurrent expenditure will account for E11.6 billion (including statutory expenditure). The Government wage bill is estimated to account for about 41 percent or E4.7 billion of recurrent expenditure.

### **Capital Expenditure**

Government capital expenditure is expected to reach E3.8 billion in 2014/15, an increase of 44 percent from the E2.6 billion recorded in 2013/14. The capital expenditure is intended to support economic growth, of which 81 percent of the budget for capital expenditure will be directed to completion of existing projects whilst 19 percent will be absorbed by new projects. Existing key projects include; Sicunusa-Nhlangano Road, Sikhuphe-Mbadlane Road and King Mswati III International Airport.

New projects include the construction of a Hotel & International Convention Centre, Manzana-Dvokolwako Road, Mananga-Sihhoye Road and the Tinkhundla Infrastructure and Micro projects.

### **Budget Deficit Financing**

Estimates for 2014/15 indicate that Government will run a budget deficit of E1.05 billion, approximately 3 percent to GDP. To finance the deficit, the Minister of Finance indicated that about E800 million will be sourced from the domestic debt market. To support that, the Ministry of Finance in consultation with the Bank has worked out an auction calendar for Government securities' issuance that can best support Government financing needs and at the same time address investors' diverse needs. The calendar has been published to enable investors plan for their investments and thereby invest more efficiently.

The full E800 million will be raised through domestic, fixed-interest rate bonds. Reasons for raising the funds through bonds issuances are mainly to lengthen the yield curve and reduce roll-over risk considering that as at end of June 2014, 60 percent of the outstanding government securities were held in T-bills with the remaining 40 percent held in Bonds.

<b>Auction Calendar For the Remainder of the 2014/15 Financial Year</b>				
<b>Issue Date</b>	<b>Original Tenor</b>	<b>Coupon Rate (%)</b>	<b>Amount E' Million</b>	<b>Maturity Date</b>
26-August-2014	5-Years (New Issuance)	To be announced	300	30-August-2019
November-2014	7-Years (Re-opening)	8.50%	200	31-October-2020
January-2015	10-Years (Re-opening)	9.25%	100	31-January-2024

To ensure that public debt remains sustainable in the medium to long-term, the Minister of Finance, in his budget speech, reaffirmed previous policy stance articulated in previous years that Government will ensure that total public debt remains below the 35 percent to GDP threshold.

### **Public Debt**

Total public debt stock decreased to E6.1 billion or 16.5 percent of GDP at the end of June 2014. This reflects a decline of 3.2 percent compared to the E6.3 billion recorded in March 2014. The decrease was mainly attributed to the low uptake of the 273 and 364-days papers during the period.

<b>Public Debt Indicators - E' Million and Percentages</b>					
	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>June 2014</b>
Total Debt (E' Million)	4,251	4,480	5,304	6,271	6,119
Total Debt as % of GDP	14.8	14.9	16.0	17.1	16.5
Domestic Debt (E' Million)	1,698	1,921	2,461	2,811	2,783
Domestic Debt (% of GDP)	5.9	6.4	7.4	7.7	7.6
External Debt (E' Million)	2,553	2,559	2,843	3,460	3,336
External Debt (% of GDP)	8.9	8.5	8.6	9.4	8.9
Domestic debt (% of total debt)	39.9	42.9	46.4	44.8	45.5
External debt (% of total debt)	60.1	57.1	53.6	55.2	54.5

*Source: Central Bank of Swaziland and Ministry of Finance*

At the end of June 2014, domestic debt accounted for 45.5 percent of the total public debt portfolio with external debt accounting for 54.5 percent.

### Public Domestic Debt

At the end of June 2014, total public domestic debt stood at E2.78 billion from E2.81 billion recorded in March 2014. The decrease was a result of low uptake of 273 and 364-days treasury bills (T-bills) during the period. The decrease happened despite the allotment of E70 million in a 3-year bond issued in June 2014. Of the E2.78 billion outstanding domestic debt; E1.67 billion accounted for T-bills while E1.11 billion accounted for government bonds.

Government will continue to maintain the weekly issuance of T-bills as a way of financing its cash flow requirements during the 2014/2015 financial year. The 91-days paper is offered weekly. Alongside the 91-days paper, the 182 and 273-days papers are offered every second week whilst the 364-days paper is offered once a month.

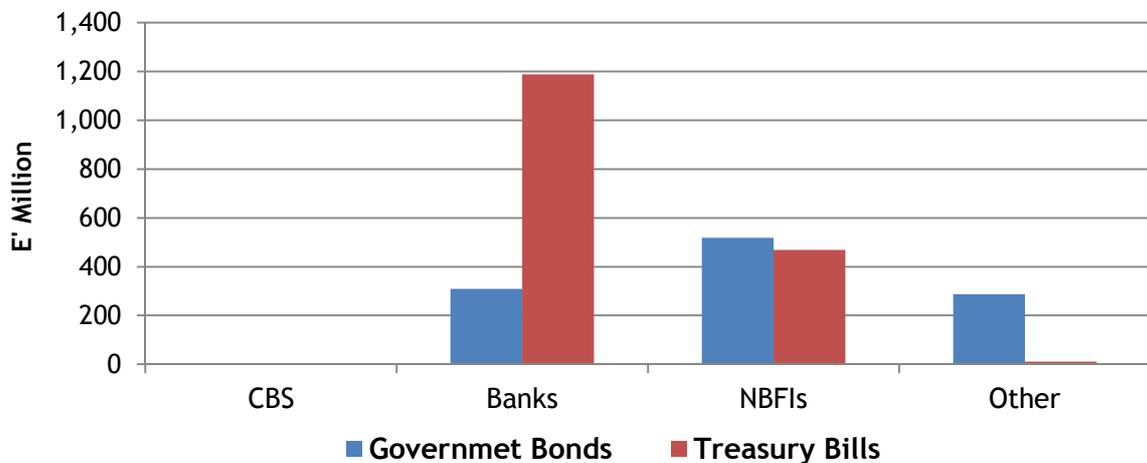
Holdings of Outstanding Government Securities, E' Million					
Holder	2011/12	2012/13	2013/14	June 2014	Share of Holdings (%)
CBS	58.1	58.5	1.0	1.7	0.1
Banks	1,298.9	1,754.6	1,524.9	1,496.4	53.8
NBFIs	496.5	462.9	953.1	987.6	35.5
Other	67.8	184.8	331.9	297.3	10.6
<b>Total</b>	<b>1,921.3</b>	<b>2,460.8</b>	<b>2,810.9</b>	<b>2,783.0</b>	<b>100</b>

*Source: Central Bank of Swaziland*

Commercial banks continue to dominate participation in government securities accounting for 54 percent of holdings as at June 2014 followed by Non-bank financial institutions (NBFIs) at 36 percent.

As expected, commercial banks participate more aggressive in short-term papers (T-Bills) considering that most of their liabilities are short-term (demand deposits) and they want to match that by investing on the shorter end of the yield curve. Likewise, NBFIs prefer long-term securities as their liabilities are mostly long-term and they want to align that by investing in long-term assets hence their interest in Bonds is witnessed.

## Government Securities Outstanding By Holder Category - June 30, 2014



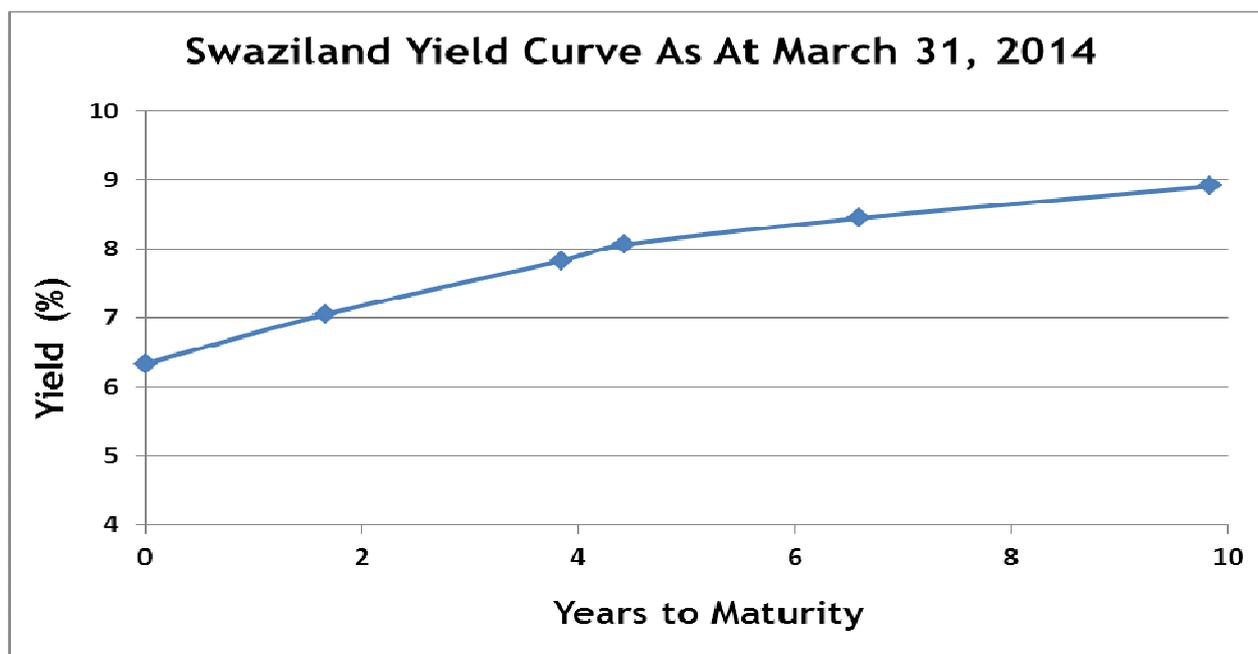
### Summary of Outstanding Government Bonds As At June 30, 2014

Stock	Settlement Date	Maturity Date	Prevailing Coupon (%)	Nominal Amount (E' Million)
<b><u>Fixed Coupon Bonds</u></b>				
SG009	30-11-2010	30-11-2015	7.00	219.4
SG011	31-01-2011	31-01-2018	8.25	146.3
SG014	25-11-2011	25-11-2014	8.50	50.0
SG016	30-08-2013	31-08-2018	8.25	150.0
SG017	31-10-2013	31-10-2020	8.50	200.0
SG018	31-01-2014	31-01-2024	9.25	200.0
SG019	30-06-2014	30-06-2017	7.75	70.1
<b><u>Floating Coupon Bond</u></b>				
SG013	20-06-2011	20-06-2016	8.00	78.9
<b><u>TOTAL</u></b>				<b><u>1,114.7</u></b>

Source: Central Bank of Swaziland

Given the limited availability of local instruments, government bonds are an attractive investment for local fund managers. The Government Bond Issuance Programme is

aimed at building the domestic debt market and assisting the country to establish a yield curve by issuing benchmark bonds. The benchmark bonds have been set at 3, 5 and 10 year tenures. These objectives are in line with the regional objectives of SADC, which would aid in establishing a regional benchmark index for Southern Africa. The establishment of the yield curve will also provide a benchmark for the private sector to price its securities.



It is expected that the E2 billion programme will run for the next 3-5 years. However, taking a conservative approach (i.e. assuming that the full E2 billion is raised now) it would mean that domestic debt will increase from the current E2.78 billion or 7.6 percent of GDP to a potential E4.78 billion, approximately 13.1 percent of GDP. Public domestic debt is expected to increase further in 2014/15 following government's decision to issue a loan guarantee to the Swaziland National Housing Board (SNHB) for an amount not exceeding E1 billion. The guarantee is in respect of the financing of the Institutional Housing Project to be undertaken by SNHB on behalf of government. This will take public domestic debt to E5.78 billion, an equivalent of 15.8 percent to GDP. At this level, domestic debt will still be within the threshold of 25 percent of GDP.

Further, total public debt will increase from the current E6.1 billion or 16.5 percent of GDP to approximately 24.7 percent of GDP. This will still be below the 35 percent to GDP threshold reaffirmed by the Minister of Finance, in his 2014/15 budget speech,

that Government will ensure that total public debt, in order to remain sustainable in the medium to long-term, will be kept below 35 percent of GDP.

### **Public External Debt**

Public external debt stock decreased in the period ending June 2014. The decrease was primarily due to the appreciation of the local currency against the US Dollar and other major currencies in which most of the external liabilities are denominated as well as principal repayments which occurred during the period.

Total public external debt stock including publicly guaranteed debt stood at E3.3 billion at the end of June 2014. This reflects a decrease of 5.7 percent from E3.5 billion recorded in March 2014.

With regards to the prevailing debt ratios at the end of June 2014, total public external debt to GDP stood at 8.9 percent in June 2014 compared to 9.4 percent recorded in March 2014. Public external debt stock to exports of goods and services decreased to 17.5 percent from 17.7 percent and; public external debt service to exports of goods and services also decreased slightly to 1.9 percent from 1.8 percent during the period. All these ratios reflect that Swaziland is still within acceptable levels of indebtedness although close monitoring and management of public debt remain of paramount importance to ensure that the country remains within sustainable levels given the many economic challenges still facing the country.

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## GENERAL DESCRIPTION OF THE PROGRAMME

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This Programme Memorandum, and any supplements hereto, will only be valid for Notes issued under the Programme in an aggregate principal amount which, when added to the aggregate principal amount of all then outstanding Notes issued under the Programme, does not exceed E2,000,000,000 (Two Billion Swaziland Emalangi Only). This aggregate amount can be increased, by means of a Supplementary Programme Memorandum being prepared, subject to an Act of Parliament amending the Act. For the purpose of calculating the aggregate principal amount of Notes issued under the Programme from time to time, reference shall be made to the original principal amount of such Notes; and Notes issued at a discount or premium shall be calculated by reference to the aggregate principal amount thereof. Any Notes or Treasury Bills previously issued and outstanding, shall be taken into account in calculating the maximum amount available to be issued under the Programme.

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## INCOPORATION BY REFERENCE

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The following documents are incorporated by reference in and are deemed to form part of the Programme Memorandum:

- All Supplements to the Programme Memorandum circulated by the Issuer from time to time.
- Each applicable Pricing Supplement relating to any Series of Notes issued under this Programme Memorandum.
- All references made to websites as at the date of this Programme Memorandum.

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## SUMMARY OF THE PROGRAMME

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*The following summary does not purport to be complete and is taken from, and is qualified by, the remainder of this Programme Memorandum and, in relation to the terms and conditions of any particular Series of Notes, the applicable Pricing Supplement.*

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**FORM OF THE NOTES**

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Arranger	Central Bank of Swaziland.
Books Closed Period	The Register will be closed 10 days prior to each Interest Payment Date each year until the Redemption Date, or for such other periods as the Issuer may determine, and set forth in an applicable Pricing Supplement. The dates of commencement and termination of the periods will be specified in the applicable Pricing Supplement.
Calculation Agent	The Central Bank of Swaziland, unless otherwise stated in the applicable Pricing Supplement.
CTS Agreements	The agreements entered into in October, 2010 by the Arranger and the Exempt Dealers whereby the Exempt Dealers agree to provide custody, transfer and settlement agent services.
Currency of Notes	Swaziland Emalangení (E), or any successor currency.
Denominations	Notes may be issued in such denominations as set forth in the Applicable Pricing Supplement.
Description	Kingdom of Swaziland Registered Notes, issued subject to the provisions of the Treasury Bills and Government Stocks Act, 1994 (as amended, 2010)
Events of Default	The Conditions will permit the acceleration of the Notes following the occurrence of certain events of default.
Fixed Rate Notes	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the Arranger , and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the Arranger and set forth in the applicable Pricing Supplement.
Floating Rate Notes	Notes in respect of which interest is to be calculated and paid on a floating rate basis as provided in Condition 4.4 and the applicable Pricing Supplement;
Form of Notes	Notes may be debt instruments, bonds, or Treasury Bills, as contemplated in the Treasury Bills and Government Stocks Act, 1994 (as amended) and shall be issued in uncertificated registered form. The Notes shall not be issued in Bearer form.
Global Register	The register of Notes in issue to be operated and updated by the Transfer Agent, who shall cause a record in the Global Register of each Series of Notes, the Series

	number thereof, the number of Notes in each Series, and the number of Notes in each Series held by each Exempt Dealer, for its own account and/or on behalf of third parties.
Governing Law	The Notes will be governed by, and construed in accordance with, Swaziland law;
Index Linked Notes	Index Linked Notes will bear interest by reference to an Index Link as indicated in the applicable Pricing Supplement.
Interest Periods and Interest Rates	The length of the interest periods for the Notes and the applicable interest rate may differ from time to time between Series or be constant. Notes may be issued with a fixed or variable rate of interest. The use of different interest accrual periods may permit the Notes to bear interest at different rates in the same interest period. Detailed information in this respect for the Notes in a particular Series will be set out in the applicable Pricing Supplement.
Issuer	The Government of the Kingdom of Swaziland.
Issue of Notes	The Notes will be issued on the Issue and Settlement Date as indicated by the applicable Pricing Supplement, against payment of cleared funds.
Issue Price	Notes may be issued at their principal amount or at a discount or premium to their principal amount.
Last Day to Register	16h00 on the last Business Day before the first day of a Books Closed Period.
Liquid Assets	Notes issued in terms of the Programme Memorandum shall qualify as Liquid Assets for purposes of the FIA Section 23 (23) C and are therefore capable of being held as Liquid assets by financial institutions for a period in excess of 370 days.
Listing	Notes will be listed on the SSX.
Maturities	Such maturities as may be agreed between the Issuer and the Arranger, subject to such minimum or maximum maturities as may be allowed or required from time to time by the laws or regulations applicable to the Issuer, as set forth in the applicable Pricing Supplement.
Method of Issue	The Issuer may, from time to time, issue Series of Notes. Notes will be issued in

	Series (each, a "Series") or in Tranches, with all Notes in a Series or Tranche having the same maturity date and identical terms (except that the issue dates, interest commencement dates, amounts of the first interest payment and related matters may be different and except that a Series may comprise Notes in different denominations). Details applicable to each Series will be specified in the applicable Pricing Supplement).
Note-holders	The holder of a Note or Notes or interests therein from time to time and recorded as such in the Register.
Other Notes	The Issuer may, subject to compliance with the applicable regulation, issue under the Programme Floating Interest Rate, Index Linked Interest Notes or as the Issuer and Arranger may agree, full details of which shall be specified in an applicable Pricing Supplement in respect thereof.
Paying Agent	The Central Bank of Swaziland, unless otherwise stated in the applicable Pricing Supplement.
Primary (Exempt) Dealer Agreements	The agreements entered into in October, 2010 between the Arranger and banks and Stock Brokers in Swaziland, whereby such banks and Stock Brokers undertake and agree to act as Exempt Dealers in respect of the Notes issued out under the Programme.
Primary (Exempt) Dealers	Those institutions appointed as Exempt Dealers under the terms of the Exempt Dealer Agreements entered into between certain banks and Stock Brokers, operating in Swaziland, and the Arranger in October, 2010. The Arranger may, from time to time terminate the appointment of any Exempt Dealer or appoint additional Exempt Dealers either in respect of one or more Series of Notes or in respect of the whole Programme.
Register	The Global Register and the Sub-registers, together.
Issue	Notes shall be issued by way of auction under the Rules which form the subject of the Exempt Dealer Agreements as may be amended from time to time or as set forth in the applicable Pricing Supplement.
Size	Up to 25% of GDP, aggregate principal amount of Notes, including any Notes or

	<p>Treasury Bills issued and still outstanding at any one time.</p> <p>The Issuer may increase the amount of the Programme subject to an amendment through an Act of Parliament of the maximum amount that can be issued under the Treasury and Bills and Government Stocks (Amendment) Act, 2010. For the purposes of calculating the aggregate principal amount of Notes outstanding, Notes issued at a premium or discount shall be treated as having been issued at the aggregate principal amount thereof.</p>
Stamp Duty	The Notes shall be exempt from payment of stamp duty.
Status of Notes	Notes issued under the Programme will constitute direct, general, unconditional and unsecured obligations of the Issuer ranking at least <i>pari passu</i> with all other present or future unsecured, unsubordinated obligations of the Issuer.
Sub-register	The register of participating interests in Notes in issue, to be opened, operated and updated by an Agent, which shall record, in respect of all Notes other than those held by another Exempt Dealer or Agent, held by a person who acquired an interest in Notes from a Exempt Dealer or who acquired interests in Notes from such person, or who acquired Notes from a person to whom another Exempt Dealer sold or transferred Notes, the name, address and bank account of such person and the Series, and number of Notes, or percentage of participation of Notes in each Series held by that person;
Taxation	All payments of principal and interest in respect of the Notes will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or Governmental charges (“taxes”) of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Swaziland or any political subdivision thereof or any authority or agency therein having the power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law in Swaziland.
Transfer Agent	The Central Bank of Swaziland, unless otherwise stated in the applicable Pricing Supplement;
Treasury Bills	A Treasury Bill is a short term instrument with a maturity of not longer than 12 months from the date of issue. A Treasury Bill is issued at a discount to its

	aggregate principal amount. On redemption the Issuer shall pay to the holder of the Treasury Bill the aggregate principal amount thereof.
Zero Coupon Notes	Zero Coupon Notes may be issued at their principal amount or at a discount

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## FORM OF THE NOTES

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The Notes shall be issued in uncertificated registered form:

- (i) certificates will not be printed nor issued;
- (ii) the issue or transfer of a Note to a Exempt Dealer shall be recorded in the Global Register with the name, address and bank account of the Dealer, Series name and number of Notes held by the Exempt Dealer;
- (iii) the issue or transfer of participatory interests of persons other than Exempt Dealers in a Note shall be recorded by a Exempt Dealer in the Sub-registers;
- (iv) entry in the Register shall be proof of ownership of the rights and/or interests in a Note;
- (v) if Notes are traded amongst Exempt Dealers subsequent to issue, the rights of ownership will be transferred via entries in the Register;
- (vi) if the participatory interests in Notes are traded by persons who acquired the interests from Exempt Dealers, the rights of ownership in the interest shall be transferred via entries in Sub-registers.

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## RISK FACTORS

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*Prior to making an investment decision, prospective subscribers for or purchasers of the Notes should carefully consider, along with the other matters referred to in this Programme Memorandum, the following risk factors associated with an investment in Swaziland, and the Notes. The list of risks is not exhaustive, there may be others. Prospective investors should pay particular attention to the fact that the Issuer is governed by a legal and regulatory environment in the Kingdom of Swaziland which in some respects may differ from that prevailing in other countries.*

*Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, only sophisticated investors who fully appreciate the nature of the instrument and the significance of the risks involved should invest in the Notes. Investors are urged to consult with their own legal and financial advisors before making an investment in the Notes.*

### **Risk Factors Relating to the Kingdom of Swaziland**

#### **The Common Monetary Area**

Under the CMA agreement the Emalangeni Currency is pegged to the South African rand at par (1:1). The ZAR is legal tender in Swaziland (but not *vice versa*). There are no exchange controls between CMA members. Residents in the CMA have free right of access to South Africa's money and capital markets under the CMA agreement. In the event of Swaziland ceasing to be a member of the CMA it is likely that there would be a destabilization of prices in goods and services, due to the close trading ties within the CMA.

Developments in the exchange rate are dependent on the underlying factors affecting the South African economy and the ZAR's performance against the major currencies. Economic factors in Swaziland do not affect the value of the exchange rate. The ZAR is a free floating currency.

The Central Bank of Swaziland's main monetary policy objective is to support the currency peg with the ZAR by maintaining adequate foreign exchange reserves. Swaziland holds more than adequate reserves for this purpose; and it is reviewed monthly by Swaziland's main monetary policy committee. The Central Bank of Swaziland holds monthly monetary policy meetings and publishes its policy stance along with any interest rate changes. However, monetary policy options are generally limited by the CMA membership.

### **The Southern African Customs Union (SACU)**

The SACU maintains a common external tariff with non-SACU trading partners, but trade is free within the union. SACU receipts, the calculation of which is based on intra-SACU imports, are collected and distributed by South Africa to other Union members according to a revenue-sharing formula. The revenue - sharing formula is based on three factors: customs revenues, excise revenues and a development component.

Membership of the SACU is important for Swaziland, as its SACU receipts account for large inflows into the current account and the fiscal budget. Swaziland is very reliant on the SACU receipts in terms of its capital account, and a reduction in such receipts would negatively affect Swaziland's balance of payments.

### **Exchange rate policies**

The CMA agreement governs Swaziland's exchange rate policy. It is unlikely, but not impossible, that Swaziland will terminate its membership of the CMA. If it were to do so, there would at least for a period thereafter be uncertainty as regards the underlying value of the Swazi currency (Emalangenzi), particularly in the international and regional contexts.

### **The Arranger and the Issuer are subject to operational risks**

Operational risks that the Arranger is subject to include the risk of loss resulting from inadequate or failed internal and external processes documentation, people and systems or from external events. The Arranger's systems and processes are designed to ensure that the operational risks associated with its activities are appropriately

controlled, but any weakness in these systems could result in a negative impact on the Issuer's Credit condition, results of operations and prospects.

**The Issuer is subject to credit risks**

Credit risk may arise from changes in credit quality and the recoverability of the Issuer's loans and other exposures to borrowers and counterparties. Deterioration in the credit quality of the Issuer's borrowers and counterparties could have a material adverse effect on its financial condition. Adverse changes in the credit quality of the Issuer's borrowers and counterparties could reduce the value of the Issuer's assets, and require increased provisions for bad and doubtful debts. In addition, changes in economic conditions may result in deterioration in the value of security held against lending exposures and increase the risk of loss in the event of borrower default.

The Issuer will pay principal and interest on the Notes in Emalangeneni. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit other than Emalangeneni. These include the risk that exchange rates may change and the risk that the authorities with jurisdiction over the Issuer's currency may impose or modify exchange controls.

Risk Factors Relating to the Notes:

**The trading price of the Notes may be volatile:**

The market value for securities may be volatile as they are influenced by yields and interest rates for Emalangeneni denominated instruments.

**Legal investment considerations may restrict certain investments:**

The investment activities of certain investors may be subject to law or review or regulation by certain authorities. Each potential investor should determine for itself, on the basis of professional advice where appropriate, whether and to what extent (i) Notes are lawful investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to subscribe for, purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk based capital or similar rules.

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## EXCHANGE CONTROLS

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The Exchange Control Regulations” of 1975, put in place exchange control regulations in Swaziland. Foreign investors can freely subscribe for or purchase Notes subject to compliance with exchange control regulations. Interest payable on Notes held by foreign investors is freely remittable outside the Common Monetary Area (CMA) of which Swaziland is a member. The proceeds of redemption or the sale of Notes due to a foreign investor within the Common Monetary Area may be freely remitted out of Swaziland. The proceeds of redemption or the sale of Notes due to a foreign investor outside the CMA require exchange control approval from the Central Bank of Swaziland.

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## USE OF PROCEEDS

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The proceeds of the issue of the Notes are intended to be used by the Issuer for its general budgetary purposes.

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## TERMS AND CONDITIONS OF THE NOTES

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*The following is the text of the Terms and Conditions of the Notes, (subject to amendment in accordance with the provisions of the applicable Pricing Supplement). All capitalised terms that are not defined in these Conditions will have the meanings given to them in the applicable Pricing Supplement.*

the Act	means the Treasury Bills and Government Stocks Act, 1994 (as amended, 2010);
Applicable Laws	means the laws of the Kingdom of Swaziland;
Applicable Pricing Supplement	means the Applicable Pricing Supplement relating to each Tranche of Notes;
Arranger	means the Central Bank of Swaziland;
Business Day	means a day (other than a Saturday or Sunday or Public holiday) which is a day on which the Central Bank of Swaziland is open for general business;
Books Closed Period	the Register will be closed 10 days prior to each Interest Payment Date each year until the Redemption Date, or for such other periods as the Issuer may determine, and set forth in an applicable Pricing Supplement. The dates of commencement and termination of the periods will be specified in the applicable Pricing Supplement;
Calculation Agent	means the Central Bank of Swaziland, unless otherwise stated in the applicable Pricing Supplement;
Central Bank of Swaziland	means the Central Bank of Swaziland established in terms of the Kings - Order - In - Council of 1974;
CTS	means the agreements entered into in October 2010 by the Arranger

Agreements	and certain banks and Stock Brokers in Swaziland whereby such banks and Stock Brokers agree to provide custody, transfer and settlement agent services;
Day Count Fraction	means in respect of the calculation of an amount of interest for any Interest Period; if “Actual/365” is specified in the applicable Pricing Supplement, the actual number of elapsed days in the Interest Period divided by 365 (irrespective of whether it is a leap year); or such other calculation method as is specified in the applicable Pricing Supplement;
Emalangeni	currency of the Kingdom of Swaziland, or “E”;
Events of Default	means any of the circumstances described in Condition 11 ( <i>Events of Default</i> );
FIA	means the Financial Institutions Act No. 6 of 2005;
Fixed Rate Notes	means Notes in respect of which interest to be calculated and paid on a fixed rate basis, as provided in Condition 4.3 and the applicable Pricing Supplement;
Floating Rate Notes	means Notes in respect of which interest is to be calculated and paid on a floating rate basis as provided in Condition 4.4 and the applicable Pricing Supplement;
Floating Interest Rate	Will be the applicable reference rate for Floating Rates Notes plus a Floating Rate Notes Margin;
Global Register	means the register of Notes in issue to be operated and updated by the Transfer Agent;
Income Tax Order/Order	means the Income Tax Order No. 21 of 1975 as amended;
Index Linked Notes	means Notes in respect of which the Interest Amount is calculated by reference to such index and/or formula as indicated in the applicable Pricing Supplement;
Interest Commencement Date	means the first date from which interest on the Notes, will accrue, as specified in the applicable Pricing Supplement;
Interest Payment	means the dates on which interest on the Notes will be paid as set forth in the applicable Pricing Supplement;

Dates	
Interest Period	means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date;
Interest Rate or Rate of Interest	means either the Floating Rate Notes Rate of Interest or the Fixed Rate Notes Rate of Interest or the Index Linked Notes Rate of Interest;
Issue Date	means the date upon which the relevant Tranche of the Notes is issued;
Issuer	means the Government of the Kingdom of Swaziland;
Last Day to Register	means with respect to a particular Series of Notes (as reflected in the applicable Pricing Supplement), that last date or dates preceding a Payment Day on which the Transfer Secretary will accept and record the transfer of Notes in the Register for that particular Series of Notes and where after the Register is closed for further transfers or entries;
Liquid Assets	means Debt Securities issued by the Issuer in terms of the Act and held by Financial Institutions in Swaziland in excess of 370 days;
Maturity Date	means the date as specified in each Applicable Pricing Supplement on which the Principal Amount is due;
Maturities	means such maturities as may be agreed between the Issuer and the Arranger, subject to such minimum or maximum maturities as may be allowed or required from time to time by the laws or regulations applicable to the Issuer, as set forth in the applicable Pricing Supplement.
Notes	the Notes issued or to be issued by the Issuer under the Programme and to be in uncertificated form and deemed to include further Notes issued pursuant to Condition 11;
Note-holder	Note or Notes or interests therein from time to time and recorded as Such in the Register;
Paying Agent	The Central Bank of Swaziland, unless otherwise stated in the applicable Pricing Supplement;
Primary	the agreements entered into in October 2010 between the Arranger

(Exempt) Dealer Agreements	and certain banks and Stock Brokers in Swaziland, whereby such banks and Stock Brokers undertake and agree to act as Exempt Dealers in respect of the Notes issued out under the Programme;
Primary (Exempt) Dealers	means those institutions appointed as Exempt Dealers under the terms of the Exempt Dealer Agreements;
Principal Amount	means the nominal amount of each Note;
Programme	means this E2,000,000,000 Note Programme, under which the Issuer may from time to time issue Notes in terms of the Act;
Redemption Date	means the date on which the principal amount due on the Notes is repaid;
Register	means the Global Register and the Sub-registers, together;
Rules	set out in the Exempt Dealer Agreement;
Series of Notes	means a Tranche of Notes together with any further Tranche or Tranches of Notes which are: (i) expressed to be consolidated and form a single series; and (ii) identical in all respects (including as to listing) except for their respective issue dates, interest commencement dates and/or issue prices, and Series shall be construed accordingly;
Special Resolution	means a resolution passed by a clear majority of Note-holders at a duly convened meeting of the Note-holders who are present and voting;
SSX	means the Swaziland Stock Exchange, or any exchange which operates as a successor exchange to the SSX;
Sub-register	means the register of participating interests in Notes in issue, to be opened, operated and updated by an Agent, which shall record, in respect of all Notes other than those held by another Exempt Dealer or Agent, held by a person who acquired an interest in Notes from a Exempt Dealer or who acquired interests in Notes from such person, or who acquired Notes from a person to whom another Exempt Dealer sold or transferred Notes, the name, address and bank account of such person and the Series, and number of Notes, or percentage of

	participation of Notes in each Series held by that person;
Supplementary Programme Memorandum	means any supplementary programme memorandum that is issued by the Issuer as a supplement to this Programme Memorandum in order to update the information provided to Note-holders in respect of the Programme;
Swaziland	means the Kingdom of Swaziland;
Tranche	means Notes in a Series that (except for the issue date, first payment of interest and their issue price) have identical terms of issue in all respects and “Tranches” shall be construed accordingly;
Transfer Agent	the Central Bank of Swaziland, unless otherwise stated in the applicable Pricing Supplement;
Transfer Form	means the written form for the transfer of a registered Note, in the form approved by the Transfer Secretary;
Treasury Bills	means a Treasury Bill that is a short term instrument with a maturity of not longer than 12 months from the date of issue issued in terms of the Act;

The “Notes”, (which expression shall, unless the context otherwise so requires, be deemed to include a reference to any further notes issued pursuant to Condition 11) shall be issued in one or more Series by the Kingdom of Swaziland under the Emalangeni 2,000,000,000 Note Programme (the “Programme”) established by the Kingdom of Swaziland pursuant to the provisions of the Treasury Bills and Government Stocks Act, 1994 (as amended, 2010).

Notes will be issued under the Programme in series (each, a “Series”), with all Notes in a Series having the same maturity date and identical terms (except that the issue dates, interest commencement dates, amounts of the first interest payment and related matters may be different). Details applicable to each Series will be specified in the applicable Pricing Supplement to this Programme Memorandum with respect to the Notes in a particular Series, (the “applicable Pricing Supplement”).

The holders of the Notes (the “Note-holders”) are bound by, subject to, and are deemed to have notice of, all the Terms and Conditions of the Notes.

References to “Conditions” are, unless the context otherwise requires, to the numbered paragraphs of these Terms and Conditions.

## 1. Form, Denomination, Title and Transfer

### *Form and Denominations*

- 1.1 The Notes will be issued in such denominations and aggregate principal amount as shall be set forth in the applicable Pricing Supplement.
- 1.2 Each Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or a Treasury Bill or any other kind of Note, as indicated in the applicable Pricing Supplement and subject to the Treasury Bills and Government Stocks Act, 1994 (as amended, 2010). Each Series of Notes shall be numbered and interests therein recorded in the Register and/or Sub-register.

### *Title*

- 1.3 The title of an Exempt Dealer to a Note shall pass by registration of transfer in the Global Register which shall be kept by the Transfer Agent. Title of a holder of a Note, other than an Exempt Dealer, shall pass by registration of transfer in the Sub-registers which shall be kept by the Agents in accordance with the provisions of the CTS Agreements. Registration of the transfer by the Transfer Agent or an Agent shall constitute evidence of ownership in a Note. Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or interest in it, and no person shall be liable for so treating the holder.
- 1.4 In these Conditions, “Note-holder” and “holder” (in relation to a Note) shall mean the person in whose name a Note is registered in the Register, (as the case may be) and capitalised terms have the meanings given to them herein.
- 1.5 In these Conditions, “Person” means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or

other judicial entity, including, without limitation, any state or agency of a state or other entity, whether or not having separate legal personality.

## **2. Transfers of Registered Notes**

### *2.1 Transfer of Notes*

Transfer of Notes shall take place electronically in terms of the CTS Agreements.

### *2.2 Closed Periods*

No Note-holder may require the transfer of a Note to be registered during a Books Closed Period ending on the due date for redemption of, or payment of any principal amount in respect of that Note.

## **3. Status of Notes**

The Notes constitute direct, general, unconditional and unsecured obligations of the Issuer. Notes rank, and will at all times rank, *pari passu* among themselves and at least *pari passu* in right of payment with all other present and 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. Interest**

4.1 A Note shall bear interest at the Interest Rate from and including the Issue Date up to and excluding the Redemption Date.

4.2 Each Note will cease to bear interest from the Redemption Date unless, upon due presentation thereof, the redemption payment due in respect thereof is improperly withheld or refused, in which event interest will accrue from and including the Redemption Date.

4.3 Fixed Rate Notes

4.3.1 Interest in respect of each Interest Period shall be payable in arrears on the Interest Payment Date immediately after the last day of such Interest Period. If any Interest Payment Date falls upon a day which is not a Business Day, the interest payable upon such Interest Payment Date shall be payable upon the first following day that is a Business Day,

provided that for purposes of determining an Interest Period, or Interest, no adjustment shall be made to such Interest Payment Date.

4.3.2 The amount of interest payable on a Note in respect of each Interest Period shall be determined by reference to the applicable Pricing Supplement.

4.3.3 If interest is required to be calculated for a period other than a full Interest Period it will be calculated on the basis of the actual number of days (first day included last day excluded) in such Interest Period, divided by 365.

#### 4.4 Floating Rate Notes

4.4.1 Each Floating Rate Note bears interest on its outstanding Principal Amount from (and including) the Interest Commencement Date specified in the applicable Pricing Supplement up to (but excluding) the Maturity Date and such interest will be payable in arrear on the Interest Payment Date(s) in each year specified in the applicable Pricing Supplement. Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

4.4.2 The Interest Rate payable from time to time in respect of the Floating Rate Notes will be determined in the manner specified in the applicable Pricing Supplement.

#### 4.5 Index - Linked Notes

4.5.1 In the case of Index Linked Notes, if the Interest Rate or Final Redemption Amount falls to be determined by reference to an index and/or a formula, such rate or amount payable shall be determined in the manner specified in the applicable Pricing Supplement. Any interest payable shall fall due for payment on the Interest Payment Date(s).

- 4.5.2 If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the applicable Pricing Supplement, then the Index Linked Notes Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

## **5. Redemption, Purchase and Cancellation**

### *5.1 Redemption*

Unless previously purchased and cancelled as provided below each Note shall be finally redeemed on the Maturity Date specified in the applicable Pricing Supplement at its [Final Redemption Amount (which, unless otherwise provided, is its nominal amount)].

### *5.2 Purchase*

The Issuer may at any time purchase for its own account any of the Notes, in the open market. Notes so purchased shall be cancelled. The Arranger may at any time purchase for its account any of the Notes, in the open market. Notes so purchased may be held or resold.

### *5.3 Cancellation*

All Notes that are redeemed by the Issuer in terms of Condition 5.1 shall forthwith be cancelled. All Notes so cancelled shall not be re - issued or resold.

## **6. Payments**

- 6.1 Interest and Principal Amounts due on redemption shall only be payable by the Paying Agent, in respect of interest, to Exempt Dealers registered as such in the Global Register at 16h00 on the Last Day to Register immediately preceding the Interest Payment Date in question, and in respect of redemption, to Exempt Dealers registered as such in the Global Register at 16h00 on the Last Day to Register prior to the Redemption Date in question, provided that if the Transfer Agent receives a Transfer Form by post after the Last Day to Register which was post marked prior to the Last Day to Register, it shall give effect to such transfer even though the Transfer Form was received after the Last Day to Register,

provided that it is received within 3 Business Days after the Last Day to Register.

- 6.2 Subject to Condition 6.1, payment of interest and redemption monies shall be made by the Paying Agent via electronic funds transfer to the account designated for the purpose by the Exempt Dealer.
- 6.3 The Exempt Dealers shall be obliged to effect payment of Interest due on relevant Payment Dates and principal amounts due on redemption to Note-holders other than Exempt Dealers on the same day the Exempt Dealers receive payment of Interest or principal amounts from the Paying Agent, via electronic funds transfer to an account designated for the purpose by such Note-holder.
- 6.4 Interest and principal amounts due on redemption shall be payable by the Exempt Dealers, in respect of interest, to Note-holders registered as such in the Sub-register at 16h00 on the Last Day to Register immediately preceding the Interest Payment Date in question, and in respect of redemption, to Note-holders registered as such in the Sub-register at 16h00 on the Last Day to Register prior to the Redemption Date in question, provided that if the Exempt Dealer receives a Transfer Form by post after the Last Day to Register which was post marked prior to the Last Day to Register, it shall give effect to such transfer by making payment to the transferee Note-holder even though the Transfer Form was received after the Last Day to Register, provided that it is received within 3 Business Days after the Last Day to Register.
- 6.5 All payments of principal and interest in respect of the Notes are subject, in all cases, to any applicable fiscal or other laws and regulations in Swaziland. No commissions or expenses shall be charged to the Note-holders in respect of such payments.
- 6.6 Where payment is to be made by transfer to a registered account, payment instructions (for value will be effected on the due date or, if that

is not a Business Day, for value the first following day which is a Business Day) will be initiated (i) on the due date for payment (in the case of principal and interest due on redemption) and (ii) on the due date for payment (in the case of interest due other than on redemption).

- 6.7 If at any time a partial payment of principal and/or interest is made in respect of any Note, the Transfer Agent shall endorse the Global Register and the Agents shall endorse the Sub-register with a statement indicating the amount and date of such partial payment.

## **7. Agents**

- 7.1 The Arranger, Paying Agent, Transfer Agent and Calculation Agent acts solely as agent of the Issuer and does not assume any obligation or relationship of agency or trust for or with any Note-holder. Subject to compliance with law, the Issuer may (a) vary or terminate the appointment of the Arranger as Agent at any time and/or (b) appoint one or more new Agents by giving not less than 30 days' written notice to that effect which notice shall expire not less than 10 days before or after any due date for payment of any principal or interest in respect of the Notes, to the Arranger and to the Agent or Agents whose appointment is/are concerned; provided, however, that so long as any of the Notes are outstanding: (i) in the case of termination of the appointment of the Paying Agent or the Transfer Agent, no such notice shall take effect until a new Paying Agent or Transfer Agent, as the case may be, has been appointed and notice of such appointment has been given to the Note-holders in accordance with Condition [10]; (ii) there shall never be more than one Transfer Agent at any time; and (iii) so long as the Notes are listed on the SSX, and so require, a Paying Agent and a Transfer Agent shall have a specified office, as may be required by the rules of the SSX. Notice of any such termination or appointment and of any change in the specified offices of the Agents will be published in accordance with Condition 10 below.

7.2 The Exempt Dealers, in receiving any payment of principal and/or interest in respect of the Notes, do so as agent for the Issuer, with the obligation to transmit the amount of principal or interest to the holders of Notes reflected in the Sub-register of the Exempt Dealer (as Agent).

## **8. Warranties**

The Issuer hereby certifies and warrants that all acts, conditions and things required to be done and performed and to have happened precedent to the creation and issuance of each Note and to constitute the same the legal, valid and binding obligations of the Issuer enforceable in accordance with their terms, if any, have been done and performed and have happened in due compliance with all applicable laws.

## **9. Prescription**

In terms of the “Limitation of Legal Proceedings against the Government Act No. 21, of 1972”, claims against the Issuer for payment of principal and/or interest in respect of the Notes, may in certain circumstances be prescribed and become void unless made within two years from the date on which such payment first becomes due.

## **10. Notices**

### *10.1 To Exempt Dealers*

Notices to a Exempt Dealer will be deemed to be validly given if sent by the Issuer, through the office of the Arranger, by message through the Arranger’s “Reuters system”, to and quoting the code of the Exempt Dealer in that system. In the event that Notes are listed on the SSX and the rules of the SSX so require, a notice shall also be published in a daily newspaper of general circulation in Swaziland. Each such notice shall be deemed to have been validly given on the Business Day following the date of the mailing through the dealing system and, in the case of Notes listed on the SSX, where publication in a newspaper has been required, be deemed to have been given on the day of publication.

### *10.2 To the Issuer*

Notices to the Issuer will be deemed to be validly given if such notices are delivered to the offices of the Arranger and clearly marked on their

exterior “Urgent - Attention: General Manager Finance & Financial Markets” (or at such other address and for such other attention as may have been notified to the Exempt Dealers in accordance with Condition 10.1). Such notices will be deemed to have been validly given on the Business Day following the date upon which delivery was made.

### 10.3 *To the Arranger and Transfer Agent*

Notices to the Arranger and Transfer Agent will be deemed to have been validly given if delivered to the office of the Arranger and marked for the attention of General Manager Finance & Financial Markets (or at such other address and for such other attention as may have been notified to the Exempt Dealers in accordance with Condition 10.1). Such notices will be deemed to have been validly given on the business day following the day on which delivery was made.

### 10.4 *To holders of Notes which are not Exempt Dealers*

The Exempt Dealers and Agents shall transmit any notice received from the Issuer, Arranger, Transfer Agent or Paying Agent to a Note-holder who is not an Exempt Dealer within 24 hours of receipt of same by the Exempt Dealer or Agent to the address of the Note-holder in the Sub-register.

## 11. **Events of Default**

11.1 If any of the following events (each an “**Event of Default**”) occurs and is continuing:

(a) **Non-Payment**

the Issuer fails to pay principal, premium, if any, any additional amounts due in respect thereof or interest in respect of any of the Notes when due and payable, and such failure continues for a period of 30 days; or

(b) **Breach of Other Obligations**

The Issuer fails to perform any other obligations in respect of the Notes, and such failure continues for 30 days after any Note-holder has given written notice thereof to the Issuer to remedy the failure; or

(c) **Unenforceability**

for any reason whatsoever, (i) it shall become unlawful for the Issuer to

perform or comply with all or any of its obligations set out in the Notes, including, without limitation, the payment of interest on the Notes, as a result of any change in law or regulation in Swaziland or (ii) the Issuer's obligations under the Notes are declared by a court of competent jurisdiction to be no longer enforceable against the Issuer;

**(d) Validity**

If the Issuer or any of its political sub-division on behalf of the Issuer contests the validity of the Notes; or

**(e) Consents**

if any authorization, consent of, or filing or registration with, any governmental authority necessary for the performance of any payment obligation of the Issuer under the Notes, when due, ceases to be in full force and effect or remaining valid and subsisting;

then the Note-holders will call a meeting in accordance with Condition 12 and may, by Special Resolution, declare the Notes to be immediately due and payable. The Note-holders shall notify the Issuer in writing of the passing of such Special Resolution by written notice to the Issuer at the specified office of the Transfer Secretary. Notice of any such Special Resolution shall promptly be given to all other Note-holders by the Issuer. The principal, interest and all additional amounts payable on the Notes will become immediately due and payable on the date the Issuer receives written notice of the Special Resolution. No delay or omission of any Note-holder to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or any other breach of the Issuer's obligations under the Programme Memorandum.

11.2 If the Issuer receives notice in writing from holders of at least 50% in aggregate principal amount of the outstanding Notes to the effect that the Event of Default giving rise to any above-mentioned Special Resolution for acceleration is or are cured following the passing of any such Special Resolution and that such holders wish the relevant Special Resolution to be withdrawn, the Issuer shall give notice thereof to the Noteholders, whereupon the relevant Special Resolution shall be withdrawn and shall have no further

effect but without prejudice to any rights or obligations which may have arisen before the Issuer gives such notice (whether pursuant to these Conditions or otherwise). No such withdrawal shall affect any other or any subsequent Event of Default or any right of any Note-holder in relation thereto.

## **12. Meetings of Note-holders**

- 12.1 Note-holders may convene meetings to consider any matter affecting their interests, including the sanctioning by Special Resolution of the Note-holders of a modification of the Notes (including these Terms and Conditions). Such meetings may be convened by the Issuer, if requested by Note-holders holding not less than 10 percent in nominal amount of the Notes for the time being outstanding.
- 12.2 The quorum at any such meeting for passing a Special Resolution of the Note-holders shall be one or more persons being or representing the holder(s) of not less than two thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting, one or more persons being or representing Note-holders, whatever the nominal amount of the Notes so held or represented.
- 12.3 A Special Resolution of the Note-holders passed at any meeting of the Note-holders shall be binding on all the Note-holders, whether or not they are present at the meeting.

## **13. Modification**

- 13.1 No modification of these Terms and Conditions may be effected without the written agreement of the Issuer. The Issuer may effect, and the a representative of the Note-holders may agree, without the consent of the Note-holders, any modification of the Notes and these Terms and Conditions which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law of the jurisdiction of the Issuer and the governing law in accordance with which Notes are issued. Any such modification shall be binding on the Note-holders

and any such modification shall be notified to the Note-holders in accordance with Condition 10 as soon as practicable thereafter.

13.2 Save as provided in Condition 13.1, no modification of these Terms and Conditions may be effected unless:

- (a) in writing and signed by or on behalf of the Issuer; and
- (b) sanctioned by a Special Resolution of the Note-holders, if, in the reasonable opinion of the Transfer Secretary, such amendment or modification of the Terms and Conditions would be prejudicial to the rights of the Note-holders.

#### **14. Further Issues**

The Issuer may from time to time, without the consent of the Exempt Dealers or Note-holders, create and issue further securities having the same terms and conditions as any Notes outstanding in all respects (except for the issue price, issue date and the first payment of interest thereon) and so that such further issues shall be consolidated and form a single Series with outstanding Notes. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition 14.

#### **15. Governing Law and Jurisdiction**

##### *15.1 Governing Law*

The Notes are governed by, and shall be construed in accordance with, the laws of the Kingdom of Swaziland.

##### *15.2 Jurisdiction*

The courts of Swaziland with competent jurisdiction shall have , exclusive jurisdiction to hear and determine any suit, action or proceedings, which may arise out of or in connection with the Notes (respectively, “**Proceedings**”) and, for such purposes, the Issuer irrevocably submits to the jurisdiction of such courts.

### *15.3 Consent to enforcement, etc.*

The Issuer has consented generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which may be given in such Proceedings.

### *15.4 Waiver of immunity*

To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgement or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer has agreed not to claim and has irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction.

## **16. Taxation generally**

### *16.1 Persons liable for tax in Swaziland*

The Swaziland income tax system is primarily a source - based system. Any interest in respect of the Notes will be liable to taxes imposed or assessed by the Commissioner of Taxes (“the Commissioner”) if such interest is received by or accrues to any person who is a Resident (as defined below) irrespective of his domicile. In addition, a person other than a Resident is taxed on income from a source within or deemed to be within Swaziland unless that person is exempt from tax in Swaziland.

### *16.2 Residents of Swaziland*

While payments in respect of interest on the Notes made to Residents of Swaziland who are individuals (i.e. natural persons) are not subject to a withholding tax on interest/coupon, they are however subject to the payment of normal income tax. Interest, from all sources not exceeding E20 000 per annum and derived from a Building Society, or Co-operative society, or from a financial institution or unit trust in Swaziland are exempt from taxation. Interest from all sources, save for exemptions mentioned in

the Order is taxable at normal tax rates applicable to individuals. An individual is a Resident of Swaziland if that person is ordinarily resident in Swaziland. A juristic person, other than an individual (i.e. a legal person other than a natural person) is a Resident of Swaziland if it is incorporated, established or formed in Swaziland or has its place of effective management in Swaziland.

### *16.3 Non - Residents of Swaziland*

Payments in respect of debt securities, i.e. stocks, bonds and Notes issued by the Swaziland Government to Non - Residents of Swaziland are exempt from taxation in Swaziland in terms of Section 12 (1) h of the Income Tax Order.

The Issuer and Arranger, when making payments of interest on Notes to Exempt Dealers shall make no deduction whatsoever for withholding tax.

Exempt Dealers, when making payment of interest to any Note-holder which is not an Exempt Dealer, shall be obliged to effect withholding of the tax as specified in the tax laws of Swaziland.

## **17. Liquid Assets**

In establishing the Programme, the Minister of Finance has determined that the Notes issued pursuant to the Programme, shall constitute Liquid Assets as stipulated in the Financial Institutions Act 2005. The Central Bank of Swaziland is empowered by the Minister of Finance in terms of its mandate to establish this Note Programme, to issue a notice to this effect in a Government Gazette confirming the status of the Notes issued as constituting Liquid Assets.

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## GENERAL INFORMATION

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### Documents available for inspection

So long as any Notes are in issue under the Programme, copies of the following documents will, when published, be available on business days from offices of the Arranger;

- 1) this Programme Memorandum;
- 2) the schedule of rules in respect of the appointment and role of a Exempt Dealer;
- 3) the CTS agreements;
- 4) any future supplements to this Programme Memorandum and any other documents incorporated herein or therein by reference, including the Applicable Pricing Supplements;
- 5) the Arranger's mandate letter from Minister of Finance authorising the Programme.

### Authorisation

All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer under the laws of the Kingdom of Swaziland have been given for the establishment of the Programme and the issue of Notes and for the Issuer, the Arranger, Transfer Calculation and Paying Agent to undertake and perform their respective obligations under the Programme. The Minister of Finance has in terms of the authority and powers vested in him by the Act consented to the establishment of the Programme and the Issue of the Notes.

### Listing

Once the Programme has been approved by the SSX, it is the intention of the Issuer to list Notes issued under the Programme on the SSX, from time to time.

### Programme Memorandum and Pricing Supplements

A signed copy of the Programme Memorandum and Pricing Supplements in respect of the Notes on offer as at the date hereof, are available for inspection, upon request, at the offices of the Arranger, during normal business hours, on Business Days.

## **Notice to Investors**

This Programme Memorandum does not purport to be all-inclusive or to contain all the information that a prospective investor may desire in evaluating the Issuer. Each investor must conduct and rely on their own evaluation of the Issuer and the terms of the offering including the merits and risks involved in making an investment decision with respect to the Notes.

The Notes may not be offered or sold, directly or indirectly, and neither this document nor any Supplemental Programme Memorandum or any prospectus, form of application, advertisement, other offering material or other information relating to the Issuer or the Notes may be issued, distributed or published in any jurisdiction, other than in the Kingdom of Swaziland. The distribution of this Programme Memorandum and the offer or sale and delivery of the Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Programme Memorandum or any Notes may come must first inform themselves about and observe any such restrictions. Neither this Programme Memorandum nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, the Issue Agents, or any of their respective directors, affiliates, advisors or agents, to any person to subscribe for or to purchase any Notes in any jurisdiction where such offer or invitations is prohibited.

None of the Issuer, the Arranger, and the other professional advisors to the Issuer or the Arranger, represents that this Programme Memorandum may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements of the Kingdom of Swaziland or any other jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Issuer's respective professional advisors which would permit an offering (including a public offering) of any of the Notes or distribution of this Programme Memorandum in the Kingdom of Swaziland or any other jurisdiction where action for that purpose is required.

Each of the advisors to the Issuer, the Arranger, and the other professional advisors to the Issuer, has agreed that it has not and will not offer for sale or subscription or sell

any Notes, directly or indirectly, within the Republic of South Africa or to any person or corporate or other entity resident in the Republic of South Africa except (a) in accordance with the exchange control regulations of the Republic of South Africa and (b) to any entity resident or within the Republic of South Africa in accordance with the Securities Services Act, 2004, the Commercial Paper regulations promulgated in terms of the Banks Act, 1990, the Companies Act 1973 and the Financial Advisory and Intermediary Services Act 2002.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”). The Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of US persons (as defined in Regulation S under the Securities Act (“**Regulation S**”)).

The Issuer considers that Notes issued under this Programme Memorandum will constitute domestic issues of the Notes within the Kingdom of Swaziland. The Issuer, Arranger, or any of their respective directors, affiliates, advisers or agents have represented, warranted and undertaken that they will (i) observe all Applicable Laws and regulations within Swaziland; (ii) will not make any offer or sales of Notes under this Programme in any jurisdiction other than Swaziland; (iii) will distribute the Programme Memorandum and/or any advertisement or offering material within Swaziland only under circumstances that will result in compliance with all Applicable Laws and regulations and; (iv) will not distribute the Programme Memorandum and/or any advertisement or offering material in any other jurisdiction.

It is intended by the Issuer and the Arranger that the Notes will initially only be sold pursuant to a domestic offer to investors in Swaziland, and that any investor or potential investor who purchases the Notes shall inform themselves of the risks involved in investing in the Notes and has understood that the information contained in this Programme Memorandum is consistent with information that would be required in connection with a domestic offer of securities in Swaziland which differs substantially from international markets.

The Programme has, as at the date of this Programme Memorandum, not been rated by any rating agency. However the Issuer may at any time obtain a rating from a

rating agency for the Programme or the issue of Notes issued pursuant to this Programme.

This Programme Memorandum is to be read in conjunction with all documents specifically stated to be incorporated herein or referred to herein and should be read and understood on the basis that such other documents are incorporated in and form part of this Programme Memorandum.

Signed on behalf of the Government of the Kingdom of Swaziland:

By: .....

**Martin G. Dlamini**  
**MINISTER OF FINANCE**

**ISSUER**

**THE GOVERNMENT OF THE KINGDOM OF SWAZILAND**

c/o Ministry of Finance  
Inter-Ministerial Complex  
Mbabane  
Swaziland

**ARRANGER, CALCULATING AGENT, PAYING AGENT AND TRANSFER  
SECRETARY**

**THE CENTRAL BANK OF SWAZILAND**

Central Bank Building  
Mahlokohla Street  
Mbabane  
Swaziland

**LEGAL ADVISOR**

To the Arranger  
Mhlabuhlangene Dlamini  
c/o The Central Bank of Swaziland  
Mahlokohla Street  
Mbabane  
Swaziland

**DEBT SPONSOR**

Central Bank of Swaziland  
Mahlokohla Street  
Mbabane  
Swaziland