



Office of the Governor

30 September 2011

Dear Shareholder

South African Reserve Bank (SARB or the Bank) Shareholder: Letter from the Governor

I am writing to you as part of an endeavour to communicate more regularly with shareholders between annual general meetings.

As shareholders of the SARB, no doubt you have been watching the developments in the advanced economies with keen interest.

The downside risks to the global and domestic growth prospects have increased. Growth in some of the advanced economies has weakened against the backdrop of financial market turbulence, generated in large part by the unresolved European sovereign debt crisis. Although economic growth in emerging markets is expected to continue to outperform that of the advanced economies, these economies are unlikely to emerge unscathed from the challenging environment. Heightened risk aversion has resulted in increased volatility of capital flows globally and a flight from what are perceived to be more risky emerging market assets. These developments have impacted on the domestic capital and foreign exchange markets.

Recent data has confirmed the fragile and uneven nature of the domestic economic recovery, and unfavourable forward-looking indicators are consistent with a downward revision of the Bank's economic growth forecast from 3,7 percent to 3,2 percent. At the same time a number of exogenous factors have continued to put upward pressure on domestic inflation, which came in at 5,3 percent in August, unchanged from July. This combination of declining growth and rising inflation poses a challenge to monetary policy going forward, and is a feature being experienced in a number of emerging markets.

It is clear that very difficult times lie ahead, as the global financial crisis enters its fifth year with no end in sight.

It was in this context that the SARB held its 91st annual general meeting, and marked its 90th anniversary on 30 June 2011. I am pleased to confirm that all of the resolutions put to the shareholders, were approved by the requisite majority of votes and three new non-executive directors were elected by the shareholders. Professor Rochelle le Roux was elected as a non-executive director with knowledge and skills in labour, Mr Rob Barrow was elected as a non-executive director with knowledge and skills in commerce or finance and Mr Gary Ralfe was elected as a non-executive director with knowledge and skills in mining.

I am pleased to report that the President, in consultation with the Minister of Finance, has made two appointments to the SARB Board of directors, namely; Dr Mandla Gantsho and reappointed Mr Francois Groepe, who had served on the Board previously. I welcome all the new directors to the SARB Board and look forward to working with them.

A number of matters were raised both at the shareholder road show meetings and at the AGM, and can be found in the Governor's Address to the AGM published on the Bank's website at www.resbank.co.za . The website has been completely revamped and is much more user friendly. I do hope you are making use of it, as this will give you immediate access to speeches, statements such as that of the MPC, and a wealth of other information.

I would like to expand upon some of the matters highlighted at the AGM.

1. Mr M Duerr, a shareholder, raised an objection to the adoption of the minutes of the 2010 AGM, by stating that the meeting had been convened in contravention of the legislation. This is incorrect and the Bank is satisfied that it met all of the legislative and regulatory requirements when convening the meeting held on 8 December 2010.
2. Mr Duerr further raised an objection to the adoption of the minutes of the 2010 AGM by concluding that they appeared to be incomplete. I confirm that the minutes are a correct reflection of the proceedings at the 2010 AGM, and that after the voting procedures had been completed, I had decided it was no

longer necessary to expand on further specific questions that had been raised by certain shareholders, and as indicated earlier in the meeting.

3. I turn then to the spurious allegations made by Mr Arthur John Boettcher, with regard to an alleged judgement taken against the Bank in his favour. I confirm that the Bank has no knowledge of this legal action and that judgement has not been taken against the Bank. It should be noted that Mr Boettcher is not a shareholder of the Bank. In keeping with appropriate legal principles, only registered shareholders will in future be permitted to address the AGM regarding the business of the meeting.
4. Mr R Weisenberg, acting as proxy for various shareholders, made enquiries with regard to the distribution of the minutes of the 2010 shareholder road show meetings. I must highlight that the shareholder road show meetings are unofficial discussion forums and are not in the ordinary course formally minuted. However, at the Pretoria road show held on 23 November 2010, the Bank had agreed to provide Mr M Pretorius, a shareholder present at that meeting, with a record of the proceedings. While the issues raised at that road show were extensively addressed during the December 2010 AGM, the record of proceedings was forwarded to Mr Pretorius and a copy of the record is available on request.
5. Mr Duerr presented a resolution to oppose the adoption of the 2010/11 annual financial statements on a number of grounds at the AGM held on 30 June 2011. The Bank and its auditors are satisfied that the financial statements have been drafted in accordance with the appropriate and relevant accounting standards and that the necessary disclosures have been made. Mr Duerr's allegation that by being a member of the Continuous Linked Settlement System (CLS), the Bank "is failing in its duty to defend the legal tender of the South African currency by subrogating its autonomy under the contract", is factually incorrect. The CLS system forms part of the international payment system worldwide and was established to reduce the risks associated with international payments across various timelines. The effectiveness of the CLS has been demonstrated during the ongoing global financial crisis where the payment systems have been fully functional.
6. Mr G Scheepers, a shareholder, proposed that the Bank consider listing its shares on the JSE to improve transparency and liquidity. Shareholders will remember that the Bank's shares were listed on the JSE previously, but due to revised JSE listings requirements, it was decided in 2002 that the Bank would delist its shares from the JSE. The Bank cannot meet the Main Board listing requirements, trade volumes do not merit listing and in terms of the South African Reserve Bank Act (SARB Act) and Regulations, the shares

cannot be dematerialised. Accordingly, listing the Bank's shares on the JSE is not an option at this time.

7. Mr N Lang, a shareholder, raised an objection that certain of the proxies he had received from shareholders had not been accepted by the Bank and the Scrutineers. Mr Essop, representing Deloitte who had been appointed as the Scrutineers, confirmed at the meeting that he could not verify and confirm that the proxies had in fact been received by the Bank and had accordingly disallowed the proxies. I have asked the Secretary of the Bank to review the notes to the Proxy Form and the procedures for receiving proxies going forward to ensure that the rules are clearly set out and that there are procedures to confirm receipt of proxies. These changes will be implemented for the 2012 AGM.
8. Mr Duerr alleged that the Bank was contravening the SARB Act with regard to the payment of dividends to shareholders. The Bank is satisfied that it acts in accordance with the SARB Act, when dealing, inter alia, with the payment of dividends to shareholders.
9. Mr Duerr highlighted that the agenda items reflected in the Notice of Meeting appeared to differ from the order of agenda items at the meeting. The misunderstanding arose from the fact that the Notice of Meeting had reflected the Directors' report as being separate from the financial statements for the 2010/11 financial year, whereas the Directors' Report forms part of the annual financial statements as one item. I have requested the Secretary of the Bank to review the Notice of Meeting and to rectify this matter going forward.
10. I would like to reiterate certain matters that were highlighted at the AGM with regard to the external auditors. Both PricewaterhouseCoopers Inc and SizweNtsaluba VSP have confirmed that they do not have any judgements recorded against them, nor have they been sanctioned by a court of law or entered into any plea bargains. The Bank is required in terms of Regulation 22(1a) to appoint two external audit firms, which have joint and several responsibility for the audit and have access to all Bank records.

I wish to draw your attention to the fact that the Bank will again hold road shows in Pretoria, Durban and Cape Town during 2012 to enable shareholders to interact with the Bank's management and to raise issues that they would like to discuss. I encourage you to take advantage of these interactions. Shareholders will be advised of the dates in 2012 and my Deputy Governors and I look forward to entering into constructive discussions at those meetings.

I would like to advise shareholders that next year there will be one vacancy for election by shareholders to the Board. After nine years of service, Mr Stephen Goodson's term of office as a shareholder-elected non-executive director will expire at the AGM in 2012. The public will be asked to nominate possible candidates with knowledge and experience in commerce or finance for consideration by the Panel, and the subsequent election of a director at the 2012 AGM. Please look out for the notice calling for nominations early in 2012.

I trust that this note provides additional information to shareholders who were unable to attend the ordinary general meeting in June of this year. Please also provide the Bank with your cell phone number or email address, so that we are better able to interact with you in the future.

Yours sincerely

A handwritten signature in cursive script, appearing to read "Gill Marcus".

Gill Marcus

Governor

