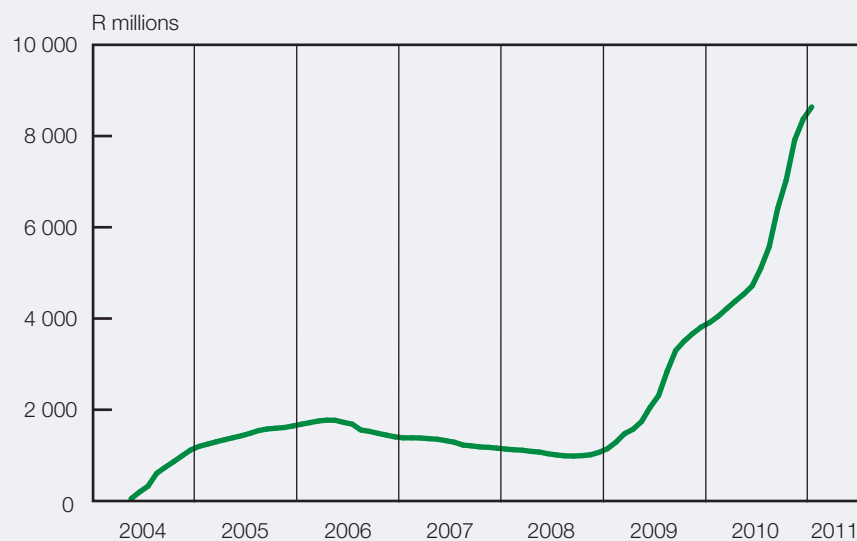


Box 2: Rising popularity of RSA retail bonds

Government unveiled RSA retail bonds in May 2004 to encourage South African citizens to save. These government bonds are easily accessible through various distribution channels, including certain retail shops, the Post Office and over the Internet. Offering competitive interest rates, RSA retail bonds have proven to be quite successful, particularly in the past two years, with an amount of R3,2 billion being raised in the 2009 calendar year, followed by R4,9 billion in 2010.

Outstanding amount of South African retail bonds



The retail bonds are offered in two different types, (i) nominal fixed-rate and (ii) inflation-linked bonds; each type is available with three initial maturities. The yields on these retail bonds are shown in the accompanying table.

Yields on South African retail bonds

March 2011

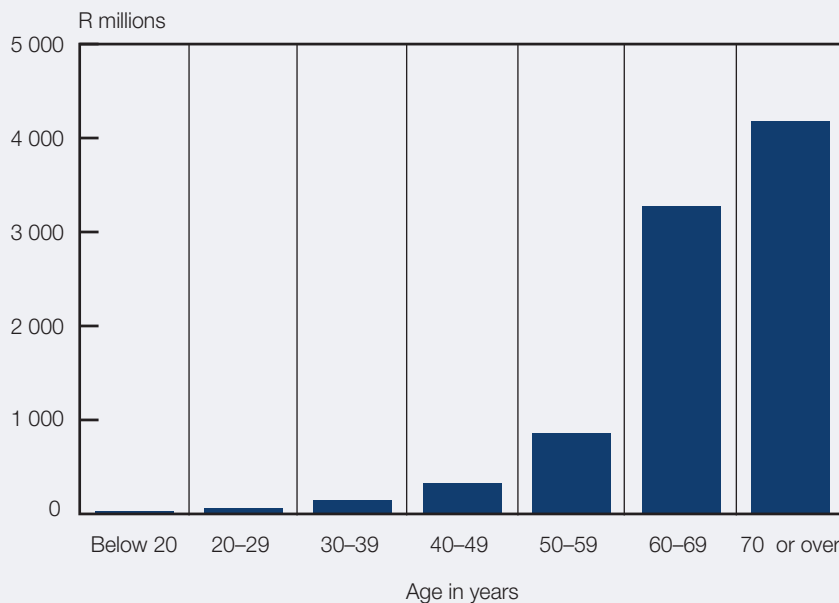
Initial maturity	Yield* (per cent)
Nominal fixed-rate bonds	
2-year.....	7,25
3-year.....	7,50
5-year.....	8,00
Inflation-linked bonds	
3-year.....	2,00
5-year.....	2,25
10-year.....	2,75

Source: National Treasury

* Yield on new issues

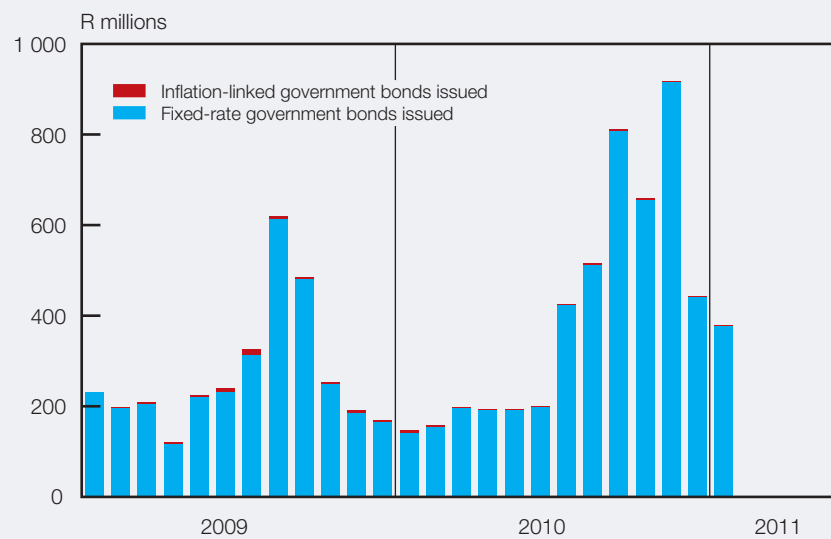
Fixed-rate retail bonds earn a market-related fixed coupon rate, which is priced off the current government bond yield curve. Inflation-linked retail bonds are adjusted for inflation, resetting nominal values semi-annually over the term of the bond.

Amount invested in South African retail bonds by age of investor, February 2011



The accompanying graph shows how holdings of RSA retail bonds are distributed according to the age group of investors. People of pensionable age form the largest investor category in RSA retail bonds. People older than 70 years hold almost half of the overall amount of RSA retail bonds in issue, with people aged from 60 to 69 not far behind them. Together these senior citizens held R7,4 billion in such bonds in February 2011, while persons in their fifties held R0,9 billion. Adults below the age of 50 held R526 million while the youth (aged below 20 years) held R27 million worth of retail bonds. Conservative elderly people interested in a low-risk instrument offering fair returns, form the core market for RSA retail bonds.

Monthly investment in South African retail bonds



The issuance ratio between fixed-rate and inflation-linked bonds in 2010 was around 32:1. After increasing from R165 million in January 2010, the issuance of RSA retail bonds peaked at R914 million in November 2010 – the highest ever in a single month – before receding to R379 million in January 2011. The recent issuance was mainly in the 2-year fixed-rate bond.