Annual Report

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Message from the Governor

It gives me great pleasure to present the *Annual Report* of the South African Reserve Bank (the Bank) for the financial year ended 31 March 2012 to shareholders and other stakeholders. In addition to presenting the financial statements of the Bank, the *Annual Report* provides an overview of policy interventions, including a detailed analysis of monetary policy, and an outline of the operations and internal workings of the Bank. The report also highlights some of the Bank's broader social responsibility initiatives.

A comprehensive review of global and domestic economic developments is provided in the *Annual Economic Report*, which is published as a separate document.

This past financial year has generated many challenges for the Bank. The global environment continues to provide an uncertain, unstable and risky backdrop against which price and financial stability in the domestic economy have to be maintained. The global financial crisis is now in its fifth year and there seems to be no end in sight. During the past financial year, there have been significant swings in sentiment in financial markets, particularly related to the outlook for the euro area. The sovereign debt crisis in the region was exacerbated by widespread bank deleveraging, which prompted two rounds of significant liquidity injections from the European Central Bank (ECB). While these interventions placated the markets somewhat, the recent Greek elections have also bought some time regarding speculation of a possible Greek exit from the eurozone; an event that could unleash destabilising contagion effects on some of the larger eurozone economies. With hardly a pause for breath, the focus on Spain has intensified with the country's borrowing costs rising to unsustainable levels.

Financial markets remain unconvinced about the adequacy of the firewalls erected to prevent the crisis from spreading and the political will of governments to resolve the crisis. The changing sentiment in this regard has resulted in a high degree of volatility in global financial markets, and this has spilt over to emerging markets, including South Africa, impacting on capital flows, exchange rates and commodity prices.

The global growth environment also deteriorated over this past financial year. Initially, it appeared that the recovery in the advanced economies was gaining momentum but during the second half of 2011, growth slowed down in the euro area with almost half the members experiencing negative growth by the first quarter of 2012. Stronger growth in the United States (US) contributed to the decline in the unemployment rate in that country, but growth has since weakened. Some of the large systemically important emerging markets, including China, India and Brazil, also slowed markedly this year. Commodity prices have declined as a result, reversing the strong upward trend seen in the second half of last year. International oil and food prices have moderated, contributing to a more benign global inflation environment.

Policy responses to these developments have been constrained in many countries by unsustainable sovereign debt positions. The lack of fiscal space to respond to the current phase of the crisis has resulted in increased and, in some instances, unrealistic, expectations being placed on central banks. In many cases implicit mandates, particularly with respect to financial stability, have now been made more explicit. The extension of the Bank's mandate to include responsibility for financial stability should be seen in this context. During the past year, the Bank has remained focused on carrying out its various mandates: to achieve its primary mandate of price stability in support of sustainable growth; to contribute to a stable financial system at a macroprudential level; and to ensure the stability of the banking system.

Monetary policy was faced with the challenge of dealing with increased inflation pressures in a subdued domestic economic growth environment. Headline inflation moved above the 6 per cent upper end of the target range in November 2011, driven by exogenous factors, mainly food, electricity and petrol. International oil prices were impacted by stronger global growth and geopolitical factors, although this trend was reversed in April. Initially, it was anticipated that the rate of inflation would remain outside the target range for the whole of 2012, but it now appears that inflation may have peaked in the first quarter of 2012. Year-on-year inflation measured 5,7 per cent in May and is expected to remain within the target range on a sustained basis over the forecast period ending 2014. Whereas previously oil was seen as the main upside risk to the inflation outlook, more recently the depreciation of the rand in response to global risk aversion became the main upside risk.

The domestic growth outlook has also deteriorated mainly due to the global uncertainties. The Bank's growth forecasts have been revised down, with growth still below potential and downside risks to the outlook. Given the lack of domestic demand pressures on inflation as reflected in well-contained core inflation measures, and the persistently negative output gap, the monetary policy stance has remained accommodative, and the repurchase (repo) rate has been unchanged at 5,5 per cent per annum since November 2010. The view of the Monetary Policy Committee (MPC) has been that this stance is supportive of the domestic economy without undermining the Bank's primary objective of price stability. However, the upside risks to the inflation outlook and the deteriorating economic situation in Europe resulted in the MPC stating after the May 2012 meeting that it remained ready to move in either direction as needed.

Much attention has been given to the Bank's financial stability mandate during the past year. Progress has been made in moving towards a twin peaks model of financial regulation, which will see the consolidation of all prudential regulation of financial institutions within the Bank, while market conduct regulation of the financial sector will be consolidated within the Financial Services Board. A steering committee comprising the Bank, the National Treasury and Financial Services Board has been established to give effect to implementing the new regulatory architecture.

On the microprudential front, the banking system has remained stable and well capitalised, with minimal exposure to peripheral eurozone economies. The Bank has continued its active participation in the deliberations on banking regulatory reform in the Basel Committee on Banking Supervision (BCBS).

Amended regulations relating to Banks were implemented in January and progress has been made with respect to the planned phasing in of the Basel III regulatory framework at the beginning of 2013. This is expected to create some challenges for the banking sector, particularly with respect to liquidity requirements. However, the Bank announced its intention to make available a committed liquidity facility to assist banks in meeting the liquidity coverage ratio (LCR). This facility covers up to 40 per cent of the LCR, which should enable banks to meet their liquidity requirements while at the same time reduce their vulnerability to possible shocks.

The Bank continued with its policy of building its stock of foreign exchange reserves, in an attempt to contribute to greater stability in the foreign exchange market. In the 2011/12 financial year the Bank, in conjunction with the National Treasury, purchased approximately US$4 billion of foreign exchange for this purpose. The process of sterilising the impact of these purchases on domestic liquidity contributed to the Bank reporting an after-tax loss of R490,5 million, compared with a loss of R1,2 billion in the previous financial year. The losses arise due to the extremely low rates

of return available on foreign exchange deposits, while the liquidity is withdrawn by issuing SARB debentures at 5,5 per cent. Some of the costs of sterilisation were delayed by swapping a portion of the purchases into the forward market. However, what also contributed to the losses reported this financial year was the significant actuarial loss incurred in meeting the staff post-employment medical benefit liability as at 31 March 2012.

The current banknotes were designed in 1992 and a decision was taken to introduce a new series of banknotes with upgraded security features, in line with international best practice. The Bank was proud to announce that the notes would continue to depict the "Big Five" theme, but all denominations would depict former President Nelson Mandela on the front of the banknotes. The new banknote series will be launched towards the end of 2012, preceded by an extensive information campaign to ensure that the public is aware of the new notes and what security features to look for. This, together with the upgrading of the South African Bank Note Company (Pty) Limited (SABN), is a major project for the Bank.

All the vacancies on the Bank's Board of Directors (the Board) for non-executive directors elected by shareholders that existed at the time of the previous Ordinary General Meeting (AGM) were filled at that meeting, while all non-executive directors appointed by government joined the Board soon thereafter. At present there is one government-appointed non-executive director vacancy, which arose following the appointment of Francois Groepe as Deputy Governor of the Bank. One shareholder-elected position will be filled at the upcoming AGM.

The past year has been extremely challenging for the Bank and the current year looks no less daunting. This demanding environment has required enormous effort on the part of the staff of the Bank who continued to demonstrate their dedication and commitment to serving the interests of the country as a whole through their execution of the Bank's broad range of responsibilities. The Bank will strive to remain a beacon of stability in these turbulent times in pursuit of its constitutional mandate.

Purpose, functions and vision of the Bank

The year 2011/12 turned out to be an extremely challenging one, with the global economic and financial outlook remaining fragile. The South African Reserve Bank (the Bank) continued to pursue its primary purpose of achieving and maintaining price stability in the interest of balanced and sustainable economic growth in South Africa, being an anchor of stability in these turbulent and unpredictable times.

To this end, the key functions performed by the Bank include

- formulating and implementing monetary policy;
- promoting financial stability;
- issuing banknotes and coin;
- regulating and supervising the banking system;
- ensuring the effective functioning of the national payment system (NPS);
- managing the official gold and foreign-exchange reserves;
- acting as banker to the government;
- administering the country's remaining exchange controls; and
- acting as lender of last resort in exceptional circumstances.

Given its national importance and unique influence on the economic wellbeing of the general public in South Africa, the Bank promotes good corporate governance within a framework of operational independence and accountability to Parliament.

The Bank is a not-for-profit institution, but strives to function efficiently and effectively, and promotes an ethical environment based on a number of common organisational values. These values are currently being determined as part of discussions taking place throughout the Bank, and include accountability, integrity, fairness, open communication and excellence.

The Bank strives to be a respected, independent knowledge institution, and a centre of excellence that protects the value and integrity of the currency. This is done in an agile, responsive and flexible manner.

Strategic progress

During the review period, the Bank focused on the following strategic areas:

Giving effect to the Bank's mandate

The prevailing global financial crisis has seen the mandate of many central banks expanded to include financial stability – whether explicitly or implicitly. There has also been a renewed focus on regulation and supervision, with a trend to move these responsibilities into central banks. The Bank's primary mandate is price stability, but it has also created organisational capacity to give effect to the financial stability mandate that was made explicit in the letter addressed to the Governor by the Minister of Finance, dated 16 February 2010. In addition, the Minister announced a move to the twin peaks model of regulation in 2011. The Financial Regulatory Reform Steering Committee (FRRSC) comprising the Bank, the National Treasury and the Financial Services Board has been established to give effect to this decision.

The FRRSC is co-chaired by Deputy Governor E L (Lesetja) Kganyago and is responsible for overseeing the implementation of this regulatory reform initiative, which will see the consolidation of all prudential regulation of financial institutions within the Bank, while market conduct regulation of the financial sector will be consolidated within the Financial Services Board.

It is envisaged that the implementation of the new regulatory architecture will take place in two phases. The first phase will include the integration of resources and staff from the Financial Services Board who are currently responsible for prudential regulation, into the Bank. The second phase will consist of the broader harmonisation process of regulatory and supervisory systems and frameworks.

The necessary public consultation processes will be followed for both the development of legislation and the accompanying harmonisation of regulatory frameworks as envisaged in the twin peaks approach.

Understanding the external environment and leveraging membership and participation

South Africa is a member of a wide range of international bodies and organisations. The Bank is a key participant in forums such as the Committee of Central Bank Governors (CCBG) in the Southern African Development Community (SADC), the International Monetary Fund (IMF), the Group of Twenty (G-20), the Financial Stability Board (FSB) and the Bank for International Settlements (BIS), as well as a range of working groups and subcommittees of these bodies. Part of the Bank's role is to contribute towards shaping the evolving global financial architecture; contributing towards, evaluating and analysing global economic and financial market developments; and implementing policies and risk mitigation measures that are appropriate for South Africa.

The following trends can be highlighted regarding these global and regional activities:

The global role of the FSB has been expanded, and the Bank is now represented by the Governor on the FSB Steering Committee, while Deputy Governor Kganyago co-chairs the recently created Sub-Saharan Regional Forum of the FSB, and is a member of the FSB Plenary.

Represented by the Governor and Deputy Governor A D (Daniel) Mminele, the Bank has continued its active participation in the G-20 meetings of finance ministers and central bank governors and their deputies, with a number of senior officials in the Bank participating in various G-20 working groups. The G-20 under the presidency of Mexico has put special emphasis on issues such as financial inclusion, green growth and food security.

With the rapid increase in the Bank's participation in various international forums in recent years, the Bank has decided that its internal organisational structure needs to be strengthened to enable it to discharge its role appropriately in this regard. To give effect to this, an International Economic Relations and Policy Department is being established. The department will house all international relations and co-ordinate the Bank's responsibilities in this regard, and will co-operate with the relevant specialist areas in the Bank to support the work of the executive. It will also contribute to the development of policy positions to be adopted and articulated by South Africa in the Bank's International work.

Understanding the domestic environment and enhancing the role of the Bank in society

The Bank continues to be a constructive role-player in society, actively engaging with stakeholders and ensuring a deeper understanding of its role and responsibilities. Through publications such as the *Quarterly Bulletin*, the *Monetary Policy Review* and the *Financial Stability Review*, speeches and wide-ranging meetings, the Bank continued to provide accurate and timely information and data on the economy in the period under review. The outreach initiative, including ongoing interaction with economic and financial analysts, investors and other stakeholders, has resulted in an improved understanding of the domestic economic outlook and the challenges faced by South Africa in the fifth year of the global financial crisis.

Linked to this outreach programme, the Bank commissioned Markinor to conduct a nationwide survey to assess public perceptions of the Bank. Overall, the results conveyed a very positive view of the Bank's reputation among its stakeholders as well as the general public, thereby establishing a useful benchmark against which the Bank can measure progress in terms of its interaction and communication.

Building the institution and investing in people

In order to give impetus to organisational effectiveness and operational efficiency, and to enhance a culture of excellence where people and values matter, a culture study was conducted in the organisation that involved the majority of staff. The Bank is currently integrating the results into various initiatives under way throughout the organisation, including inculcating the values mentioned earlier.

The initiative to determine and embed the values has unfolded into a culture transformation journey. At the same time, the Bank has embarked on an organisational review to optimise efficiencies and effective working. These initiatives are being implemented in an integrated manner. This includes adopting a multiple career path framework so that, in addition to a managerial stream, staff can progress in the organisation through their skill and technical knowledge. In order to maximise the benefits of the organisational review, this will be aligned with the existing structured career ladder framework. This will provide structured career paths for specialists, professionals and managers in order to ensure that the Bank is able to attract and retain suitably competent employees. Structured career ladders will also ensure greater career mobility and growth for staff. The Bank concentrated on enhancing the link between performance and rewards through greater focus on effective performance management. In support of this, various training and development initiatives to enhance Bank staff's knowledge of related policies were undertaken.

Strategic review

During February and March 2012, the Bank reviewed its strategy in the light of the global and domestic environment, which is characterised by

- continued economic and financial uncertainty;
- high levels of sovereign debt in advanced economies;
- risk of sovereign defaults and contagion;
- the changing nature of stakeholder relationships;
- complexity regarding multiple mandates for central banks;
- a systemic banking crisis in some advanced economies;
- high levels of unemployment domestically and internationally;
- regulatory reform, *A Global Regulatory Framework for More Resilient Banks and Banking Systems* (Basel III) and Solvency II;
- possible changing business models for banks and other financial institutions;
- the ongoing challenge of attracting and retaining key talent, and optimally utilising skills and resources; and
- ever-increasing communication, information and technology management challenges and investment costs.

On the basis of these deliberations, it was resolved that the Bank's strategy would be to give effect to its mandate while enhancing its capacity through living its values, maintaining the highest professional standards, and effective engagement with its broad spectrum of stakeholders.

While the strategy of the Bank did not change substantially, the following focus areas were further refined and adapted:

- Effective delivery of the Bank's mandate
- Implementing the twin peaks model in order to streamline the financial regulatory architecture for South Africa
- Contributing to sound central banking
- Enhancing the Bank's reputation as a respected independent partner or institution in the domestic economic environment
- Enhancing organisational efficiency and effectiveness through investment in people
- Greater focus on, and support for, the Bank's currency-producing subsidiaries, by way of adopting a group approach to areas such as risk and compliance
- Ensuring a sound banking system.

Board of Directors

In accordance with the South African Reserve Bank Act, 1989 (Act No. 90 of 1989), as amended (SARB Act), the Board of Directors (the Board) comprises 15 members. The Board is a unitary Board that functions in terms of the SARB Act and a Board Charter that, as with all other Board committees' terms of reference, is reviewed annually by the Board.

The Board's executive members are the Governor and three deputy governors, all of whom are appointed by the President of the Republic of South Africa, after consultation with the Minister of Finance and the Board. Such appointments are for a period of five years for the first term of office. They can be reappointed for further terms not exceeding five years at a time. The Governor serves as Chairperson of the Board with a casting and deliberative vote, as stipulated in the SARB Act, and as Chief Executive Officer (CEO) of the Bank.

E L Kganyago was appointed Deputy Governor with effect from 16 May 2011 for a period of five years. He fills the vacancy arising from the retirement of R D (Renosi) Mokate on 31 July 2010. The term of office of the Senior Deputy Governor, X P (Xolile) Guma, expired on 31 July 2011, at which time he retired from the Bank. The appointment for a five-year term of office of F E (Francois) Groepe, then a serving government-appointed, non-executive director of the Bank, as Deputy Governor with effect from 1 January 2012, was announced on 19 December 2011. He fills the vacancy arising from the retirement of X P Guma. Therefore the SARB has a full complement of four governors.

Four non-executive directors are appointed by the President of the Republic of South Africa and seven non-executive directors are elected by the shareholders of the Bank for three-year terms. Directors are eligible for reappointment or re-election at the end of their terms. The Board has decided to implement the nine-year principle contained in the *King Report on Corporate Governance for South Africa 2009* (*King III*) as the service periods of Board members. F E Groepe and M S V (Mandla) Gantsho were appointed by government as non-executive directors with effect from 15 June 2011 and 11 June 2011 respectively. M (Maureen) Manyama-Matome and T (Tania) Ajam were appointed with effect from 6 October 2011. As at 31 March 2012, one position for a government-appointed non-executive director was vacant.

The following new directors were elected by shareholders with effect from 1 July 2011: R J G (Rob) Barrow with knowledge and skills in commerce or finance, R (Rochelle) le Roux with knowledge and skills in labour, and G M (Gary) Ralfe with knowledge and skills in mining.

S M (Stephen) Goodson resigned from the Board with effect from 3 May 2012 and this position will be filled at the 2012 Ordinary General Meeting (AGM).

The Board usually meets five times a year. The SARB Act stipulates the matters that must be considered by the Board, while the Board Charter indicates the reports that should be submitted for consideration by the Board to ensure proper discharge of its governance functions. The Board, *inter alia*, receives reports from the Governors' Executive Committee (GEC), which is responsible for the day-to-day activities of the Bank, various Board committees chaired by non-executive directors, and management. Non-executive directors do not have service contracts with the Bank. The amendments to the SARB Act in 2010 introduced the concept of "fit and proper", and a Panel to evaluate prospective non-executive directors to help ensure that the Board comprises people with integrity, and a diversity of skills and knowledge to enable effective governance.

An evaluation process is in place to assess the functioning of the Board as a whole, its Board committees and all members individually. Such evaluations are also used to inform recommendations for the renewal or otherwise of a Board member's term of office. Such recommendations are made after an assessment of the needs and skills on the Board, and of each non-executive director's contribution to the work of the Board.

Board of Directors

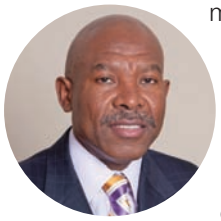
Front row (left to right): S L Reynolds (Secretary of the Bank), J F van der Merwe, T N Mgoduso, A D Mminele (Deputy Governor), G Marcus (Governor), E L Kganyago (Deputy Governor), F E Groepe (Deputy Governor), R J G Barrow, M S V Gantsho

Back row (left to right): G M Ralfe, M Manyama-Matome, B W Smit, R le Roux, S M Goodson, T Ajam, J J de Jager (General Counsel), H H van Gass (Assistant Secretary)

Abridged *curricula vitae* of directors

G (Gill) Marcus (62) was appointed Governor of the Bank with effect from 9 November 2009. She is the ninth Governor, and the first woman to serve as Governor of the Bank. She chairs the Board, the GEC, the Monetary Policy Committee (MPC), the Financial Stability Committee (FSC) and the Risk Management Committee (RMC). She attends the Audit Committee meetings by invitation, and is a member of the Board Risk Committee (BRC) and the Remuneration Committee (Remco). In 1994 she was elected to Parliament and served as the first Chairperson of the Joint Standing Committee on Finance. In 1996 she was appointed as Deputy Minister of Finance and in 1999 as Deputy Governor of the Bank. She took up the position of Professor of Policy, Leadership and Gender Studies at the Gordon Institute of Business Science (GIBS) in 2004. In 2007 she became the non-executive Chairperson of the Absa Group until her appointment as Governor of the Bank. She holds a BCom degree and is currently the Chairperson of the Rhodes Scholarship Fund.

A D (Daniel) Mminele (47) was appointed Deputy Governor of the Bank on 1 July 2009. He serves as a member of the Board, Remco, the GEC, the MPC, the FSC and the RMC, and chairs the Reserves Management Committee, as well as the boards of the Corporation for Public Deposits (CPD) and the South African Mint Company (Pty) Limited (SA Mint). After joining the Bank in September 1999, he has been, among other positions, the Head of the then International Banking Department, Head of the Financial Markets Department (FMD) and an Executive General Manager for the financial markets cluster. He represents the Bank at the G-20 and IMF meetings. He completed his professional training in Germany, qualifying with a Diploma in Banking (Bankkaufmann) and holds certificates from the Chartered Institute of Bankers in London.



E L (Lesetja) Kganyago (47) was appointed Deputy Governor on 16 May 2011. He serves as a member of the Board, the BRC, the GEC, the MPC, the FSC and the RMC. He is the Chairperson of the Standing Committee on the Revision of the Banks Act. He is also Vice-Chair of the FSB Standing Committee on Standard Implementation and chairs the FSB Regional Consultative Group for Sub-Saharan Africa. Before his appointment at the Bank, he was Director-General of the National Treasury. He represented South Africa in international organisations such as the World Bank, the IMF, the G-20 and the African Development Bank. He holds an MSc in Economics from London University (School for Oriental and Asian Studies) and a BCom degree in Economics and Accounting from the University of South Africa (Unisa). He has also received training in Finance, Economics and Management.

F E (Francois) Groepe (42) was appointed Deputy Governor with effect from 1 January 2012. He serves as a member of Board, the BRC, the GEC, the MPC, the FSC and the RMC. He attends the Audit Committee meetings by invitation. He has been involved with the Bank for many years since being appointed in 2004 as a non-executive director of the Board appointed by government. He has been the Group Managing Director and CEO of Media24. Previously, he was the CEO: Newspaper Division and Financial Director of Media24. Before joining Media24, he was Senior Group Controller at Swiss Re, based at its Head Office in Zurich. He holds LLB, MBA and BCom (Hons) degrees, and a postgraduate Diploma in Tax Law. He is a chartered management accountant and an advocate of the High Court of South Africa.

T (Tania) Ajam (40) was appointed in October 2011 as a non-executive director representing government. She has knowledge and skills in public finance, and broad experience in the design, analysis and implementation of fiscal policy, sectoral public budget management, and government-wide monitoring and evaluation systems. She currently serves on the Financial and Fiscal Commission as a part-time Commissioner. Previously, she was the CEO of the Applied Fiscal Research Centre (AFReC), a research-based training and consulting company affiliated to the University of Cape Town. She holds MBusSc and BBusSc degrees from the University of Cape Town, and a BA (Hons) in Economics from Cambridge University. She is a member of the Bank's Risk and Non-Executive Directors' committees.

R J G (Rob) Barrow (65) was elected on 1 July 2011 as a non-executive director with knowledge and skills in commerce or finance. He was the CEO of the Financial Services Board up to his retirement on 30 June 2008. Previously, he was the Deputy Executive Officer of the Financial Services Board responsible for the regulation of the Capital Markets and Collective Investment Schemes industries for 8 years. He was also the Director of Surveillance of the JSE Limited (JSE) for 3 years and a partner in Coopers & Lybrand (now PricewaterhouseCoopers (PwC)) for 16 years. He currently acts as a non-executive director on a limited number of boards. He is a chartered accountant (SA) and has been actively involved in setting accounting standards in South Africa. He chairs the Bank's Audit Committee, and serves on its Risk Committee and Non-Executive Directors' Committee (Nedcom), and on the Board and Audit Committees of both the South African Bank Note Company (Pty) Limited (SABN) and the SA Mint.

M S V (Mandla) Gantsho (49) was appointed in June 2011 as a non-executive director representing government. He has knowledge and skills in strategic management, infrastructure development, accounting and finance. He has been an Executive Director of Africa Rising Capital (Pty) Ltd since 2010, which he represents at various associations and forums, and is a non-executive director of Sasol Limited, Impala Holdings Limited and Chairperson of the Board of Ithala Development Finance Corporation Limited. He is a member of the South African Institute of Chartered Accountants. Previously, he was the Managing Director and CEO of the Development Bank of Southern Africa, and the Vice President of the African Development Bank. He is a chartered accountant (SA) and holds PhD, MPhil, MSc and BCom degrees. He chairs the BRC and serves on the Audit Committee and Nedcom.

S M (Stephen) Goodson (64) was elected in 2003 as a non-executive director with knowledge and skills in commerce or finance. He has held various positions in the private and public sectors, and has owned a private practice investment consultancy since 1993. He holds a BA degree and licentiate in Germanic philology. He served on the Remco and Nedcom, and as employee-appointed trustee of the Bank's Pension Fund, which is being incorporated in the Bank's Retirement Fund. He resigned from the Board with effect from 3 May 2012.

R (Rochelle) le Roux (46) was elected in July 2011 as a non-executive director with knowledge and skills in labour. She is a professor in the Faculty of Law at the University of Cape Town and, since the beginning of 2012, also Director of the Institute of Development and Labour Law, a research institute located in the same faculty. She is a member of the Board of the South African Institute for Drug-free Sport. She holds a number of law degrees and diplomas from local and international universities, including a PhD from the University of Cape Town. She serves on the Bank's Remco and Nedcom.

M (Maureen) Manyama-Matome (35) was appointed in October 2011 as a non-executive director representing government. She has knowledge and skills in strategy, strategy implementation, financial management, business management, financial and business reporting, and performance management. She is currently the Chief Financial Officer (CFO) of the South African Forestry Company Limited, which she represents in various forums. She is a non-executive director of various organisations. She is a member of the South African Institute of Chartered Accountants and the Independent Regulatory Board of Auditors. She is a chartered accountant (SA) and holds MBA, BCompt (Hons), BCom (Hons) (Taxation) and BCom (Accounting) degrees. She serves on the Bank's Audit Committee and Nedcom.

T N (Thandeka) Mgoduso (55) was elected in 2006 as a non-executive director with knowledge and skills in industry. She has served in various executive positions at Transnet Limited, Imperial Logistics, Ayavuna Women's Investments and at the University of Johannesburg. She serves on a number of boards, including Tongaat Hulett, BIOSS SA and Jojose Investments. She holds an MA (Clinical Psychology) degree. She chairs the Bank's Remco and serves on Nedcom

G M (Gary) Ralfe (67) was elected in July 2011 as a non-executive director with knowledge and skills in mining. He worked for 40 years at Anglo American Corporation and De Beers. He retired in 2006 as managing director of De Beers. He is either chairperson or director of six non-governmental organisations involved in education, health, rural community development, promotion of democracy and Business Against Crime. He holds a BA (Hons) in History from Cambridge University and a BProc from Unisa. He serves on the Audit Committee and on Nedcom.

B W (Ben) Smit (61) was elected as a non-executive director with knowledge and skills in industry in December 2010. He is a professor of Economics at Stellenbosch University and also serves as Director of the Bureau for Economic Research (BER) at the same university. He holds DCom and MCom degrees in Economics. He serves on the BRC and Nedcom.

J F (Hans) van der Merwe (61) was elected in 2007 as a non-executive director with knowledge and skills in agriculture. He has been an Executive Director of Agri SA since 2002, which he represents in various associations and forums, including Business Unity South Africa (Busa) and the National Economic Development and Labour Council (Nedlac), and regional and international agricultural bodies. He had direct involvement in the evaluation and development of a wide range of policies relevant to the social and economic wellbeing of the agricultural sector, as well as related legislation and programmes. His earlier career experience includes conducting agricultural marketing research for the Department of Agriculture, lecturing business economics at the University of Pretoria and serving in a management position at the Maize Board. He holds MBA and BCom degrees. He is the Chairperson of the Nedcom and also serves on Remco and the BRC.

Functioning of the Board

The Bank is governed within a framework of effective accountability to all its stakeholders in order to achieve its objectives with the maximum level of effectiveness and efficiency. This framework consists of structures, operations and controls that have been established in the Bank to achieve, among other things, the following:

- Fulfilment of the primary purpose of the Bank
- Effective, accountable and efficient utilisation of powers, decision-making organisational structures, and monitoring and control measures
- Maintenance of sound and transparent relations with the Bank's stakeholders
- Compliance with all applicable legal and regulatory requirements in terms of which the Bank carries out its activities
- Acknowledgement of the needs of the environment and the community, in terms of the physical effects of the Bank's and its subsidiaries' operations on its surroundings, and its economic interaction with the general public.

The Bank has a formal governance framework that deals with four areas, namely (1) the composition and membership of the Board, (2) the Board and organisational matters, (3) Board committees and their terms of reference, and (4) policies and procedures pertaining to corporate governance.

A vacancy has arisen due to the resignation of a non-executive director who would have, in the ordinary course, stood down at the forthcoming AGM after serving three terms on the Board. The Board has considered the guideline set out in *King III* that non-executive directors should not serve for longer than nine years, and formally resolved that nine years would be the maximum term of office for non-executive directors of the Bank. Thus, there will be one vacancy for a person with knowledge and skills in commerce or finance to be filled by shareholder election. Advertisements calling for nominations to fill the vacancy on the Board were placed in newspapers on 15 March 2012 and in the Sunday press on 18 March 2012. The Panel considered these nominations on 18 May 2012 and confirmed three candidates for consideration for election by shareholders at the 2012 AGM.

In keeping with best corporate practice and in its quest to strengthen governance, the Bank conducted an analysis to determine the extent to which it applies the principles contained in *King III*. A tool developed by the Institute of Directors in South Africa (IoDSA) was used for this purpose.

The overall outcome of the analysis indicated that the Bank notably applies the principles where appropriate. The outcome per category varied from highest to moderate to low application, with the last-mentioned two in some instances being the result of the Bank's applicable legislative framework, which takes precedence over the application of recommended principles. Examples of such instances are that Remco does not consider share option schemes, as such schemes do not exist in the Bank; the combined positions of the Governor as CEO and Chairperson of the Board; and the appointment of the Governor and Chairperson of the Board by the President of the Republic of South Africa and not by the Board.

Following recent guidance issued on integrated reporting, the Bank has decided to conduct a comprehensive investigation into the merits and implications of issuing in due course, on a voluntary basis, an integrated report aimed at enabling all stakeholders to assess the Bank's ability to achieve all its objectives on a sustainable basis. It is clear that an extensive process will be needed to develop an appropriate integrated report for the Bank. The Board is of the opinion that this will be a valuable step towards improving transparency for all stakeholders.

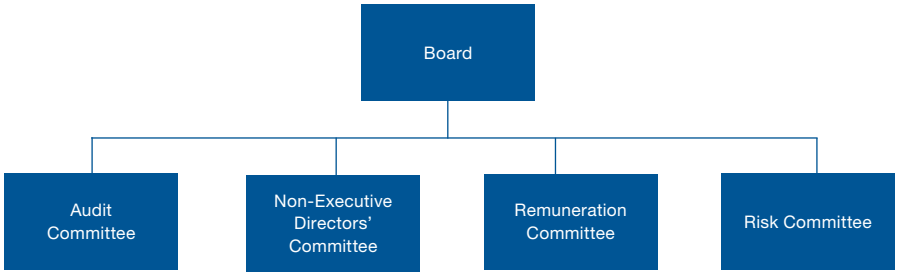
Membership, frequency and attendance of Board meetings from 1 April 2011 to 31 March 2012

Member	Date of appointment/ election	26/05/11	29/06/11	30/06/11	29/09/11	30/11/11	Special 13/02/12	23/02/12
G Marcus (Chairperson)	9/11/2009	√	√	√	√	√	√	√
X P Guma	1/08/2001	√	√	√	Term expired on 31/07/2011			
A D Mminele	1/07/2009	√	√	√	√	√	√	√
L Kganyago	16/05/2011	√	√	√	√	√	√	√
F E Groepe	1/01/2012	Appointed as deputy governor on 1/01/2012					√	√
F E Groepe (non-executive director)	20/07/2004	Reappointed on 15/06/2011			√	√	Appointed as deputy governor on 1/01/2012	
D Konar	28/08/1990	√	*	√	Term expired on 1/07/2011			
Z P Manase	22/02/2002	√	√	X	Term expired on 1/07/2011			
N D Orleyn	31/05/2002	√	√	X	Term expired on 1/07/2011			
S M Goodson	27/08/2003	√	√	√	√	√	√	√
T N Mgoduso	10/07/2006	X	√	√	√	√	*	√
J F van der Merwe	21/09/2007	√	√	√	√	√	√	√
B W Smit	8/12/2010	√	√	√	√	√	*	√
G M Ralfe	1/07/2011	Elected with effect from 1/07/2011			√	X	*	√
R J Barrow	1/07/2011	Elected with effect from 1/07/2011			√	√	√	√
M S V Gantsho	11/06/2011	Appointed on 11/06/2011			√	√	√	√
R le Roux	1/07/2011	Elected with effect from 1/07/2011			√	√	√	√
M Manyama-Matome	6/10/2011	Appointed on 6/10/2011				√	X	√
T Ajam	6/10/2011	Appointed on 6/10/2011				√	*	√

* Participated by means of teleconference
√ Attended
x Apologised for absence

Board committees

Board and Board committees



Audit Committee

During the 2011/12 financial year, the composition of the Audit Committee underwent a number of changes. The membership of F E Groepe lapsed with the expiry of his term as non-executive director representing government on 19 March 2011. He was reappointed by government as a non-executive director on 15 June 2011 and by the Board as Chairperson of the BRC on 14 July 2011. As such, he automatically served as a member of the Audit Committee. With his appointment as Deputy Governor on 1 January 2012, he relinquished the chairpersonship of the BRC. He will continue to attend Audit Committee meetings by invitation in his capacity as Deputy Governor responsible for the Financial Services Department (FSD). A D Mminele, who was responsible for the FSD, which responsibility has been transferred to F E Groepe, relinquished his membership of the Audit Committee on 25 February 2012.

The membership of both D Konar and Z P Manase ended when their terms as non-executive directors expired on 1 July 2011. At its meeting held on 14 July 2011, the Board appointed R J G Barrow as Chairperson, and M S V Gantsho and G M Ralfe as members of the Audit Committee. Following the government's appointment of M Manyama-Matome as a non-executive director, the Board also appointed her as a member of the Audit Committee at its meeting held on 30 November 2011. All four members are independent non-executives, three are chartered accountants and all have financial expertise. The Governor and F E Groepe are not members of the committee but attend meetings by invitation.

The external and internal auditors have unrestricted access to the Chairperson of this committee. The committee meets regularly with the heads of the Business Systems and Technology Department (BSTD), the FSD, and the Risk Management and Compliance Department (RMCD), the Internal Audit Department (IAD) and the external auditors.

The Audit Committee has an objective and independent role in keeping with its terms of reference, in accordance with which the committee assists the Board in fulfilling its oversight responsibilities for financial reporting, the system of internal control, the audit process and, as appropriate, the Bank's compliance with laws and regulations as they relate to financial reporting. The committee also reviews the deliberations and minutes of the Audit Committees of the Bank's subsidiaries. The Chairperson has recently been appointed as a director and member of the Board and Audit Committee of the Bank's currency-producing subsidiaries.

The Audit Committee is an advisory committee and not an executive one. Some of the committee's responsibilities have been transferred to the BRC. The Chairperson of the Audit Committee is a member of the BRC and vice versa.

The terms of reference of the Audit Committee provide, *inter alia*, for the committee to

– review the annual financial statements included in the Bank's *Annual Report* and consider whether they are complete, consistent with information known to committee members and reflect appropriate accounting principles;

- review significant accounting and reporting issues, including complex or unusual transactions, and recent professional and regulatory pronouncements, and assess their impact on the Bank's financial statements;
- review other sections of the Bank's *Annual Report* and related regulatory requirements before release, and consider the accuracy and completeness of the information;
- consider the effectiveness of the Bank's internal control systems;
- review and agree annually with management and the Chief Internal Auditor (CIA) the Charter, plans, activities, staffing and organisational structure of the internal audit function;
- review annually the performance of the CIA, the CFO and the Bank's financial control systems;
- ensure that no restrictions or limitations are placed on the scope and work of the internal audit function;
- ensure reporting of audit and other findings;
- review and concur with the appointment, replacement or dismissal of the CIA;
- ensure proper co-ordination between the internal and external auditors;
- review the external auditors' proposed audit scope, approach and audit fees, including co-ordination of the external and internal audit;
- review the performance of the external auditors and make recommendations to the Board, to be put to shareholders, on the appointment, renewal or discharge of the auditors;
- review and confirm the independence of the external auditors by obtaining annual statements from them on their relationships with the Bank, including the rendering of non-audit services;
- determine the nature and extent of any non-audit services that the external auditors may render to the Bank or any of its subsidiaries, and limit any services that the external auditors may not render to the Bank or any of the subsidiaries; and
- review arrangements by which staff of the Bank may confidentially raise concerns about possible improprieties, including matters of financial reporting, with a view to ensuring that processes are in place for the independent investigation of such matters and for appropriate follow-up action.

Membership, frequency and attendance of Audit Committee meetings from 1 April 2011 to 31 March 2012

Member	Date of appointment	19/05/11	15/06/11	18/10/11	26/01/12
D Konar (Chairperson from 9/12/2010)	28/07/2010	√	√	Term expired on 1/07/2011	
R J G Barrow* (Chairperson)	14/07/2011			√	√
G Marcus#	9/11/2009	√	√	√	√
G M Ralfe	14/07/2011			√	√
M S V Gantsho	14/07/2011			√	√
M Manyame-Matome	30/11/2011				√
A D Mminele°	25/02/2010	√	√	X	
F E Groepe∞	14/07/2011			√	√
Z P Manase	31/05/2002	X	√	Term expired on 1/07/2011	

* Appointed as Chairperson by the Board on 14/07/2011
\# Has attended meetings by invitation in her capacity as Governor since being appointed to this position on 9/11/2009
° Apologised for absence
∞ Attends meeting by invitation since being appointed as Deputy Governor on 1 January 2012

Non-executive Directors' Committee (Nedcom)

Nedcom comprises all the non-executive directors of the Bank. The committee's primary function is to assist the Board in fulfilling its legal and fiduciary obligations and responsibilities, and to enhance corporate governance. The non-executive directors make a recommendation to the

Board for the appointment of the Nedcom Chairperson. The committee is chaired by a non-executive director, Mr J F van der Merwe, and meets at least three times a year.

The terms of reference of Nedcom provide for the committee to consider in its deliberations matters such as

- the effective functioning of the Governor as the Chairperson of the Board and as CEO of the Bank;
- discussions with the Governor on the effective functioning of the Bank and the performance of deputy governors;
- the promotion of the effective working relationship among all Board members, and between the Board and executive of the Bank;
- the review of, and recommendations on, corporate governance issues that may arise from time to time;
- the approval of appropriate orientation, induction and education programmes for new and existing directors;
- assistance with the orientation and training of new directors;
- reviewing and assessing the channels through which the Board receives information, and the quality and timeliness of information received; and
- any other issues of concern to non-executive members that they wish to discuss in the absence of executive directors.

Membership, frequency and attendance of Nedcom meetings from 1 April 2011 to 31 March 2012

Member	Date of appointment	26/05/11	14/07/11	17/11/11	2/02/12
Z P Manase	17/05/2007	√	Term expired on 01/07/2011		
D Konar	17/05/2007	√	Term expired on 01/07/2011		
N D Orleyn	17/05/2007	√	Term expired on 01/07/2011		
S M Goodson	17/05/2007	√	√	√	√
T N Mgoduso	17/05/2007	X	√	√	√
J F van der Merwe	22/11/2007	√	√	√	√
F E Groepe*	22/05/2007	X	X	√	X
B W Smit	9/12/2010	√	√	√	√•
M S V Gantsho	11/06/2011		√	√	√
G Ralfe	1/07/2011		X	√	√
R G J Barrow	1/07/2011		√	√	√
R le Roux	1/07/2011		X	√	√
M Manyama-Matome[Δ]	6/10/2011			√	√
T Ajam[Δ]	6/10/2011			X	√

• Participated by means of teleconference
x Apologised for absence
* Term expired on 19/03/2011; reappointed to the Board on 1/07/2011 and appointed as Deputy Governor with effect from 1/01/2012
Δ Appointed as non-executive directors on 6/10/2011

Remuneration Committee (Remco)

Remco is chaired by a non-executive director appointed by the Board. It meets at least four times a year to review Bank-wide human resources matters, remuneration practices and policies. In keeping with its terms of reference, Remco recommends for consideration by the Board the remuneration packages of the Governor and deputy governors, and the remuneration of, and incentives for, staff members. Executive members are recused during applicable discussions

of executive remuneration or benefits. The executive, rather than Remco, recommends the remuneration of the non-executive directors for consideration by the Board.

During the year under review R le Roux was appointed as a member of Remco.

The terms of reference of Remco also provide for the committee to consider in its deliberations matters such as

- the review of broad human resources strategies to ensure that the Bank has an appropriate reward structure for a knowledge-based institution;
- the review of broad human resources strategies relating to employment equity, transformation and affirmative action;
- ensuring that provisions regarding disclosure of remuneration are fulfilled for annual reporting purposes;
- the composition of the staff complement (i.e., identifying skills, gender, age, seniority and race);
- staff training and development; and
- the human resources philosophy and framework.

Membership, frequency and attendance of Remco meetings from 1 April 2011 to 31 March 2012

Member	Date of appointment	19/05/11	14/07/11	17/11/11	2/02/12
T N Mgoduso	19/07/2006 Appointed Chairperson on 28/07/2010	√	√	√	√
N D Orleyn	27/08/2002	√	Term expired on 1/07/2011		
G Marcus	9/11/2009	√	√	√	√
A D Mminele	1/08/2010	√	√	X	√
S M Goodson	23/11/2007	√	√	√	√
J F van der Merwe	25/07/2008	√	√	√	√
R le Roux *	1/07/2011			√	√

* Appointed on 14 July 2011
x Apologised for absence

Board Risk Committee (BRC)

The BRC comprises five non-executive directors, the Governor and the deputy governor responsible for the RMCD. It is chaired by an independent non-executive director appointed by the Board. The Chairperson of the BRC serves on the Audit Committee. The BRC oversees Bank-wide risk matters (except financial risk reporting, which remains the preserve of the Audit Committee), and assists the Board with reviewing the status of risk management, the effectiveness of risk management activities and the mitigating measures that address key risks faced by the Bank. The committee further monitors the implementation of the risk management policy and the timely, appropriate and relevant disclosure of risk. The committee met three times during the year under review.

During the year F E Groepe was appointed as the Chairperson of the BRC. However, he relinquished this position when he was appointed Deputy Governor with effect from 1 January 2012, but remained as a member. M S V Gantsho was appointed as Chairperson and member of the BRC with effect from 16 February 2012. B W Smit and R J G Barrow were appointed as members with effect from 14 July 2011, and T Ajam with effect from 30 November 2011.

The terms of reference of the BRC provide for the committee to consider matters such as

- reports on risk management in the Bank;
- the implementation of the risk management policy;

- ensuring that risk assessments are performed and reviewed on an ongoing basis;
- the adequacy and effectiveness of the risk management processes and reporting systems;
- the risk profile of the Bank and key risks it faces;
- the consideration and implementation of appropriate risk-mitigating measures implemented by the executive;
- the implementation by the executive of processes to identify and, as appropriate, respond to exogenous risks;
- continual risk monitoring by the executive;
- the effectiveness of the system for monitoring compliance with legislation and the policies of the Bank;
- the status of the Bank's disaster recovery and business continuity plans;
- liaison with the Audit Committee to exchange information; and
- reporting to the Board on the effectiveness of the system and process of risk management.

Based on the reviews completed by the BRC, the Board is satisfied that the Bank has an effective risk management process in place.

Membership, frequency and attendance of BRC meetings from 1 April 2011 to 31 March 2012

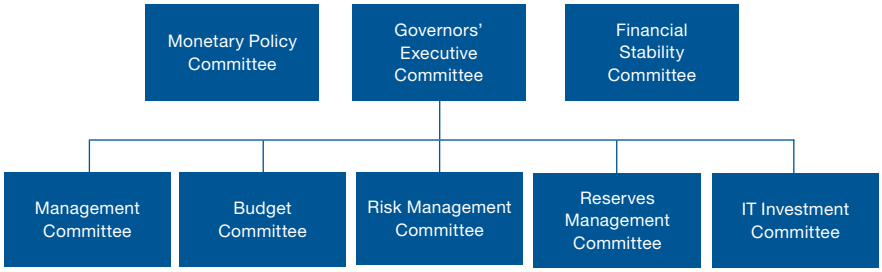
Member	Date of appointment	16/02/2011	5/10/2011	16/02/2012
M S V Gantsho*	16/02/2012			√
G Marcus	25/02/2010	√	√	√
F E Groepe**	25/02/2010	√	√	√
E L Kganyago	05/10/2011		√	
J F van der Merwe	25/02/2010	√	√	√
B W Smit	14/07/2011		√	√+
R G J Barrow	14/07/2011		√	√
T Ajam$^{\Delta}$	30/11/2011			√

X Apologised for absence
** Chairperson as non-executive director and relinquished this position after being appointed as Deputy Governor on 1 January 2012
* Chairperson with effect from 16 February 2012
+ Participated via teleconference
Δ Appointed on 30 November 2011

Governors' Executive Committee (GEC)

The Governor and deputy governors, in their capacities as executive directors of the Bank, are responsible for the day-to-day management and policy decisions of the Bank, except those responsibilities entrusted to the Board, the MPC and the FSC. The GEC generally meets fortnightly to consider policy issues and other executive management matters. The GEC comprises the Governor as Chairperson and the deputy governors. The General Counsel and the Head: Strategy and Communications Department (SCD) attend by invitation, and the Secretary of the Bank keeps records of the meetings.

Governors' Executive Committee and its subcommittees



Governors' Executive Commitee

Front row (left to right): F E Groepe (Deputy Governor), A D Mminele (Deputy Governor), G Marcus (Governor), E L Kganyago (Deputy Governor)

Back row (left to right): S L Reynolds (Secretary of the Bank), H Mathebula (Head: Strategy and Communications Department), J J de Jager (General Counsel and Head of Legal Services)

Governor's Co-ordinating Committee (GCC)

The Governor chaired the Governor's Co-ordinating Committee (GCC), and the deputy governors, the advisers to the Governor, the Head: Special Projects and all heads of department served as members of the committee. The GCC served as a direct channel of communication between the heads of department and the executive of the Bank. However, all members felt that the forum duplicated other interaction and did not really serve the purpose envisaged. Consequently, on 23 January 2012 the GEC passed a resolution to discontinue the GCC meetings. Meetings with the executive and heads of department are scheduled as and when the need arises.

Monetary Policy Committee (MPC)

The MPC, which operates within a flexible inflation-targeting framework, takes decisions on the monetary policy stance through changes in the repurchase rate in pursuit of achieving the Bank's primary objective of price stability. MPC members consider a wide range of data and information on recent global and domestic economic, financial market and banking-sector developments. The MPC decision on the monetary policy stance is announced at a media conference at the end of each bi-monthly meeting where a comprehensive statement outlining its assessment of prevailing conditions is released. The MPC comprises the Governor as Chairperson, the deputy governors and three other senior employees of the Bank; namely S B (Brian) Kahn, M (Monde) Mnyande and R (Rashad) Cassim. L (Bertus) van Zyl was a member of the MPC until March 2012 when, given his pending retirement, he was seconded to the SA Mint. He had served on the MPC since its formation in 1999. The *Monetary Policy Review* is published bi-annually.

Monetary Policy Commitee

Front row (left to right): F E Groepe (Deputy Governor), A D Mminele (Deputy Governor), G Marcus (Governor), E L Kganyago (Deputy Governor)

Back row (left to right): S B Kahn (Adviser to the Governor), R Cassim (Head: Research Department), M Mnyande (Chief Economist and Adviser to the Governor)

Financial Stability Committee (FSC)

The FSC was established in 2000 and following the global financial crisis and the formalisation of the Bank's financial stability mandate, the committee was restructured and elevated to the same level as the MPC in August 2010. The ultimate objective of the FSC is to support the price stability objective of the Bank by enhancing financial stability. The FSC assesses risks to the broad financial system, and considers and monitors developments, including possible steps to mitigate such risks. The FSC comprises the Governor as Chairperson, the deputy governors, all other members of the MPC and a maximum of seven additional members from different disciplines across the Bank. The committee meets bi-monthly on alternate months to the MPC. An updated presentation of financial stability issues is presented at each meeting of the MPC. The *Financial Stability Review* is published bi-annually.

Management Committee (Manco)

The Management Committee (Manco) is chaired by a deputy governor (Mr F E Groepe assumed the chair from Mr A D Mminele in February 2012), and all heads of department serve as members of the committee. Manco is responsibilities for the day-to-day management of the Bank, including

- approval of cross-cutting procedures pertaining to the internal administration of the Bank;
- approval of organisational objectives regarding the internal administration of the Bank;
- the development and amendment of administrative policies of the Bank; and
- assurance that the policies and administrative systems of the Bank are aligned with the best local and international practices.

Budget Committee (BC)

The Budget Committee, chaired by the deputy governor responsible for the FSD (Mr F E Groepe assumed the chair from Mr A D Mminele in February 2012), meets monthly and develops the Bank's budget guidelines and procedures; monitors monthly budget variances, and provides quarterly reviews to the GEC for submission to the Board; supervises, controls and monitors the process and compilation of annual departmental budgets and the Bank's consolidated budget; and facilitates the annual presentation by heads of department of their respective budgets to

the GEC. Once GEC approval is obtained, the budget – comprising an operational budget, a remuneration budget and a capital budget – is tabled at the following Board meeting for approval. The Budget Committee also considers and approves requests for additional budget allocations to departments for unforeseen and unavoidable expenditure. The Procurement Committee is a subcommittee of the Budget Committee and fulfils an important oversight role in the governance of the procurement process.

Budget of the Bank

Table A: Operational budget and capital expenditure

	Budget 2012/13 R'000	Actual 2011/12 R'000	Budget 2011/12 R'000
Personnel costs	1 593 186	1 563 692	1 365 096
Operational costs	452 621	400 578	404 987
Capital expenditure	457 555	220 741	539 143

Risk Management Committee (RMC)

The primary purpose of the Risk Management Committee is to oversee risk management in the Bank, and to report thereon to the GEC and the BRC. The committee is chaired by the Governor, and comprises the deputy governors and senior employees of the Bank. The main objectives of the committee are to monitor the implementation of the risk management strategy, policy and structure, and to assess and review the adequacy and effectiveness of the risk management processes in the Bank. The committee meets four times a year.

Reserves Management Committee (Resmanco)

The primary responsibility of the Resmanco, which is chaired by the deputy governor responsible for the FMD (Mr A D Mminele) and comprises seven senior officials of the Bank, is to oversee the implementation of the Gold and Foreign Exchange Reserves Investment Policy, and to facilitate the prudent investment of the country's reserves. Resmanco, *inter alia*, determines the tranche sizes and currency composition of tranches, approves the strategic asset allocation (SAA), the allocation of the risk budget, investment guidelines, asset classes for tranches and portfolios, and recommends the appointment of external fund managers and custodians of reserves for approval by the GEC. Resmanco meets at least every second month and reports quarterly to the GEC. Two representatives of the National Treasury attend Resmanco meetings as observers.

Information Technology Investment Committee (ITIC)

The primary role of the Information Technology Investment Committee (ITIC) is to ensure that the Bank realises optimal value from its information technology (IT) investments, and that they are procured at an affordable cost within an acceptable level of risk. The committee is chaired by the deputy governor responsible for the BSTD (Mr E L Kganyago) and comprises eight senior officials of the Bank. The main objectives of the committee are to formulate the overall IT investment policies of the Bank, evaluate and approve conceptual investment proposals, evaluate and approve business cases for project investments based on the Bank's strategic imperatives, and compile and update the IT investment portfolio through the prioritisation of initiatives.

Report on monetary policy

Introduction

The primary objective of monetary policy is to achieve and maintain price stability in the interest of sustainable and balanced economic development and growth. Price stability reduces uncertainty in the economy and therefore provides a favourable environment for growth and employment creation. Furthermore, low inflation contributes to the protection of the purchasing power of all South Africans, particularly the poor who have no means of defending themselves against continually rising prices.

Since the introduction of a flexible inflation-targeting framework in 2000, the specification of the target has been reviewed on a number of occasions. In January 2009 the Statistics South Africa (Stats SA) newly reweighted, rebased and reconstituted consumer price index for all urban areas (CPI) was adopted as the new inflation target measure. The current target is for the Bank to keep the year-on-year rate of change in CPI within a range of 3 to 6 per cent on a continuous basis.

While the inflation target is set by government after consultation with the Bank, the Bank has full operational autonomy in the conduct of monetary policy to achieve and maintain the target. The Bank, therefore, has independence as to the choice and setting of monetary policy instruments. In practice, the repurchase (repo) rate is the Bank's most important policy instrument. The MPC is responsible for monetary policy decisions, which are taken on the basis of consensus. Monetary policy decisions are taken with due regard to growth and employment, financial stability and exchange rate considerations as part of a flexible approach to inflation targeting.

Overview of monetary policy

Global economic developments had a major impact on the conduct of monetary policy across the world in 2011 and so too in South Africa. The trajectory of the global recovery switched direction quite dramatically during the year as a series of negative shocks hit major economies and key international prices moved in directions which suggested worse economic outcomes. Global inflation trends deteriorated sharply. Slower economic growth and higher inflation outcomes, particularly when the latter are caused by external price shocks, complicate monetary policy-making considerably.

Shifting global economic conditions also contributed to sharp swings in risk aversion and investor sentiment. As volatility in global asset prices increased, capital flows into emerging-market economies also became more volatile and led to unexpected reversals in exchange rate trends. For most of the first half of 2011, the South African rand was relatively strong, and helped contain negative international oil and food price trends. The second half of the year was dominated by the sovereign debt and banking crises in the eurozone, which threatened the existence of the fixed exchange rate system with potentially disastrous consequences for the global economy. Heightened risk aversion resulted in a depreciation of the rand, which exacerbated the impact of higher international oil prices and posed an increased risk to the domestic inflation outlook in general.

The year 2011 concluded with somewhat better-than-expected global economic outcomes, however, and some of these brighter spots continued into 2012. In particular, international food prices began to moderate and the United States (US) economy exhibited signs of greater economic vigour – importantly in key labour market indicators and in gross domestic product (GDP) growth outcomes, and the long-term refinancing operations of the European Central Bank (ECB) helped avert a credit crunch. While economic growth rates in a number of emerging-market economies slowed, the outcomes were often somewhat better than had been expected.

The backdrop for these improvements remained a fragile global financial system and persistent concerns about sovereign defaults, the descent into recession for much of Europe, and high and volatile oil prices. Each of these factors contributed to rising uncertainty and risk aversion among investors, firms and households. Uncertainty around policy direction and the lack of clear

and credible policy implementation masked volatile political discourse in many countries that suggested, and have eventually resulted in, changes in governments.

Monetary policy in South Africa was significantly influenced by this global backdrop, alongside a range of key domestic factors. The statements of the MPC, which meets every other month, reflected the changes in the global economy and in the trajectory of the domestic economy.

At the time of the March 2011 MPC meeting, the global recovery appeared to be sustained, even as the global inflation outlook had deteriorated in the face of higher oil and food prices. Although remaining below potential, the domestic growth prognosis had improved and the Bank's forecast of GDP was raised. Underlying inflation pressures were mainly of a cost–push nature with no discernible demand-side pressures, reflected in low capacity utilisation rates, relatively moderate GDP growth and a sustained negative output gap. Nonetheless, upside risks to the inflation forecast were identified and the forecast was revised upwards. Headline inflation was, however, expected to remain within the target range over the entire forecast period.

The May 2011 MPC meeting noted the sustained domestic economic recovery, which remained relatively moderate and without signs of a significant increase in employment. The international outlook remained clouded however. Concerns about peripheral Europe had increased. Oil prices had risen sharply in the wake of the conflict in Libya. Furthermore, the earthquake in Japan seriously inhibited various global manufacturing supply chains, in addition to causing significant economic and human losses in Japan. As a result of these factors, the Bank's forecast for domestic economic growth was reduced slightly to 3,6 per cent (previously 3,7 per cent) and 3,9 per cent for 2011 and 2012 respectively.

Underlying demand conditions remained relatively restrained and posed little risk to the inflation outlook. However, food price inflation was increasing strongly in South Africa, and alongside rising electricity prices and higher oil prices presented a risk to more generalised inflation pressures. The Bank's inflation forecast was again revised upwards. Headline CPI inflation was expected to reach the upper limit of the inflation target range during the final quarter of 2011, and temporarily to exceed the upper limit, peaking at 6,3 per cent in the first quarter of 2012 before returning to within the target range by the second quarter of 2012.

Monetary policy remained unchanged, with the repo rate held at 5,5 per cent per annum. The MPC noted the potential for a policy response in the event of a sustained move of the target out of the range.

By mid-2011, global developments had deteriorated considerably with a significant weakening of economic prospects, diverging inflation paths and heightened uncertainty. Assumptions made for forecast purposes were revised down, primarily of international commodity prices and global growth. The crisis in Europe worsened, in part because of a lack of progress in resolving the peripheral countries' sovereign debt crises. Monetary policy focused on dampening uncertainty by indicating preparedness to address potential adverse effects on the South African economy despite the upward trend in inflation.

The South African economy also decelerated rapidly in this period. The healthy growth rates in the first quarter of 2011 were not sustained into the second or third quarters. The impact of Japan on the motorcar industry, industrial action in various manufacturing and mining firms, and safety-related stoppages, among other factors, contributed to sharp drops in output, especially in the secondary sector. GDP growth remained positive, however, due to better outcomes in the services sectors. Spending in the economy continued to tick up as household consumption, investment and government spending were sustained or accelerated moderately. Nevertheless, by November the Bank had revised down its outlook for GDP growth for South Africa to 3,0 per cent in 2011 and 3,2 per cent in 2012.

Expectations about global growth continued to worsen through the fourth quarter of 2011 despite, as it turned out later, somewhat better realised outcomes. In large part, the deteriorating expectations were influenced heavily by concern over whether policy moves in Europe would dampen financial turbulence. In particular, the impact of the ECB's Long-Term Refinancing Operation (LTRO) procedure, which gave loans to European banks at favourable rates and long maturities, was unknown. The IMF and World Bank issued pessimistic economic forecasts in

December and January. There was a general expectation of even weaker outcomes in the near term, although it was still unclear how deep the coming recession would turn out to be.

By January the domestic growth outlook for 2012 and 2013 had deteriorated relative to the previous forecast, mainly due to a downward revision of the global growth assumption. Growth in 2012 was expected to average 2,8 per cent compared with 3,2 per cent in the previous forecast, while the forecast for growth in 2013 had been revised down from 4,2 per cent to 3,8 per cent.

In line with the two-speed global economic recovery – healthy growth in much of the emerging and developing world, and slow growth in advanced regions – inflation trends remained higher in the emerging economies, driven mainly by food and energy prices. In advanced economies, inflation appeared to have peaked and there were some signs of disinflation. This was due in part to slower economic growth and, in part to declining international food and commodity prices, and greater stability in oil prices.

For South Africa, currency volatility and some depreciation continued to put upward pressure on import price inflation and key domestic prices for food. The overall inflation risks were delicately poised between ongoing cost–push and exogenous factors and the impact of weaker growth on the output gap. Exogenous pressures, however, were strong enough to push the inflation forecast higher, with inflation expected to breach slightly the upper end of the target range in the final quarter of 2011 and to peak in the first quarter of 2012 at around 6,3 per cent.

This forecast was revised up again in January 2012, with headline CPI expected to be out of the target range for the whole of 2012, and to peak in the second quarter of 2012 at around 6,6 per cent before declining gradually and returning to within the target range in the first quarter of 2013. Inflation was expected to measure 5,5 per cent in the final quarter of 2013. Deterioration in the exchange rate outlook played a role in the worsening inflation outlook.

The risk of rising inflation expectations was identified and highlighted as a serious concern. Even after revising up the duration and size of the breach of the upper limit of the target band, it was still expected to be small in absolute terms and driven by exogenous factors. These factors, and the deteriorating growth outlook with no demand pressures evident, suggested that monetary tightening at that stage would not be appropriate. At the same time, the nominal policy rate was at a long-term low and the real policy rate was slightly negative, indicating a monetary policy stance that was accommodative and supportive of the real economy. A stable interest rate environment was preferred given the conflicting pressures on monetary policy at that stage.

In key respects, the primary concerns of market participants and policy-makers were unrealised in the final quarter of 2011 and the first quarter of 2012. The ECB's LTRO operation, repeated in March/April of 2012, proved quite effective in moderating financial risks and the threat of contagion, even as Greece moved to sovereign default. Although these efforts have not permanently reduced market fears of further default – with Portugal, Italy and Spain all experiencing debt repayment pressure – they did calm markets and sent a stronger signal than hitherto that the ECB would move to address critical financing pressures as they arose.

The other critical economic risks of much slower and more negative growth in China, the US, and Europe also did not materialise as some had expected. South Africa's fourth quarter annualised growth rate of 3,2 per cent was somewhat better than had been expected and, more importantly, suggested a more sustained improvement in investment and output.

These better-than-expected outcomes have supported marginal improvements in forecasts for inflation and economic growth globally, notwithstanding ongoing volatility in some key areas. The impact of political factors on oil prices, for example, continues to drive up prices and raise serious concerns for both growth and inflation.

For South Africa, the somewhat better global environment translated into small improvements to both the growth and inflation outlooks by the March 2012 meeting of the MPC. The global context, however, remained fragile (if somewhat less precarious), with high levels of uncertainty surrounding the financial situation in Europe, pressures building on Spain, the extent of a slowdown in China and higher international oil prices.

South Africa's growth rate for 2011 had come out at 3,1 per cent, with rebounds in manufacturing and mining in the fourth quarter. In March the Bank's GDP growth forecast was revised marginally

upwards to 3,0 per cent for 2012, compared with 2,8 per cent in the previous forecast. The growth forecast for 2013 was increased slightly from 3,8 per cent to 3,9 per cent.

These growth rates remained subdued, however, and implied a persistent negative output gap. Employment gains in the economy were generally positive and broad-based, but not robust.

Global inflation appeared to be broadly contained amid slowing growth and declining food price trends. International oil price developments, driven mainly by geopolitical factors, posed an increasing risk not only to inflation, but also to the growth outlook.

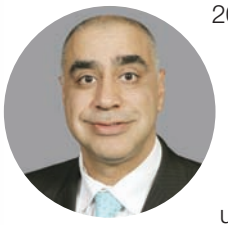
The deceleration in food prices, a decline in the electricity price assumption (due to a ruling by the National Energy Regulator of South Africa (NERSA)) and greater stability in the currency, resulted in a small improvement in the headline inflation forecast. At the same time, however, inflation expectations continued to be anchored around the upper band of the inflation target range and inflation outcomes appeared to be somewhat more broad-based.

The forecast showed that headline CPI was expected to peak in the second quarter of 2012 but at a slightly lower rate of 6,5 per cent, and to average 6,1 per cent in the final quarter of 2012 and 5,6 per cent in the subsequent quarter. Inflation was expected to measure 5,2 per cent by the end of the forecast period (end of 2013).

In summary, during the entire period under review, the repurchase rate remained unchanged at 5,5 per cent. The period was generally characterised by a volatile and fragile global backdrop, a persistently negative domestic output gap, economic growth below potential, and no material signs of demand-side pressures. At the same time, inflation was on an upward trajectory, but the peak was not expected to be significantly above the upper end of the target range, and inflation expectations remained relatively anchored. Furthermore, most of the pressures on inflation were judged to emanate from exogenous sources, as reflected in relatively well-contained core inflation. Despite the temporary breach of the target, the MPC judged the monetary policy stance to be appropriate: monetary policy was assessed to be accommodative and consistent with the Bank's flexible inflation-targeting mandate to support the real economy while at the same time maintaining its commitment to achieving the inflation target over the medium term.

Abridged *curricula vitae* of senior management

A (André) Bezuidenhout (57) was appointed as Head of the RMCD on 1 December 2010. This department is responsible for co-ordinating integrated risk management throughout the Bank and its subsidiaries, and certain related functions. He is a member of the FSC. Since his appointment to the Bank in June 1991, he has served as CIA, Deputy Registrar of Banks and Head of the former Financial Stability Department. He holds BCompt (Hons) and BSc (Hons) degrees, an advanced Diploma in Treasury Management, and is a chartered accountant.



R (Rashad) Cassim (46) joined the Bank as Head of the Research Department (RSH) on 1 March 2011. He was previously Deputy Director-General: Economic Statistics at Stats SA. Before joining the statistical agency, he headed the School of Economics and Business Sciences at the University of the Witwatersrand. His expertise lies in both economic statistics and economic policy. He is part of a board of governors of an international think-tank initiative that provides research funds for research institutes in developing countries under the auspices of the International Development Research Centre, based in Canada. He holds a PhD degree in Economics. He is a member of the MPC and FSC.

J J (Johann) de Jager (57) took up his position as General Counsel and Head of the Legal Services Department in February 1998. He is responsible for providing in-house legal services to the Bank, its staff and subsidiaries. He oversees the Monetary and Financial Law, Corporate Law, and Contracts Management and Administration divisions. He attends meetings of the Board and the GEC in an advisory capacity. Following his appointment to the Bank on 1 April 1991, he served as Head: Legal Administration Division of the Bank Supervision Department (BSD). He holds the following qualifications: LLD, LLM, LLB, Bluris and Dip Iuris, and is an advocate of the High Court of South Africa. He has also passed the Attorney of the High Court Admission Examination and completed a senior executive programme.

N (Naidene) Ford-Hoon (44) is Head of the FSD. She joined the Bank on 19 July 2010 and assumed duty as Head of Department and CFO of the Bank on 1 August 2010. She is responsible for the centralised financial administration, which includes the Bank's budget; the group insurance portfolio; the Bank's procurement function; payroll; banking services; and retirement fund administration. After the year under review, and given the move to a greater Group approach, in May 2012, Naidene was appointed to the Board and Audit Committees of both the SABN and SA Mint. After completing her articles of clerkship, she has held positions, mainly in financial management and has acquired experience in structured trade and commodity finance. She holds BCompt (Hons) and BCom degrees and is a chartered accountant.

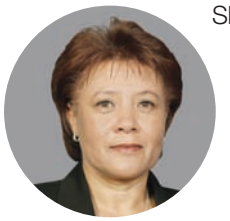
J N L (Johan) Fourie[1] (47) has been the Executive Assistant in the Office of the Governor with responsibility as the Administrative Head of the Executive Management Department since 2002. He joined the Bank in 1999 after a career in the public service. He holds a BA (Hons) degree in Political Science.

1 With effect from 1 April 2012, J N L (Johan) Fourie joined the Bank's Secretarial Support Services Unit and Mr B (Brian) Hoga was appointed as Chief of Staff in the Office of the Governor with effect from 1 May 2012.

A (Aboobaker) Ismail (57) has headed the Currency and Protection Services Department (CPSD) since his appointment to the Bank in February 2000. He is responsible for currency management and for the overall security of the Bank. He holds MBA and BSc degrees.

M S (Saleem) Ismail (51) assumed duty as Head of the BSTD in April 2004, and is responsible for the provision of information and communications technology (ICT) solutions and services, and the maintenance and support of the ICT environment within the Bank. He joined the Bank in September 1997 as Head of Payment Systems Support. He has 30 years' experience in the ICT field, 17 of which have been in management. He holds a Diploma in Datametrics and has completed a Senior Executive Programme.

J D (Jenny) Jeftha (51) joined the Bank as Head of the Human Resources Department in August 2008. She practised social work in the Western Cape for 10 years and has more than 20 years' experience as a human resources generalist. She is responsible for providing strategic direction and management of the entire value chain of human resources functions in the Bank. She holds an MA degree in Sociology, and Diplomas in Labour Law and Social Work.



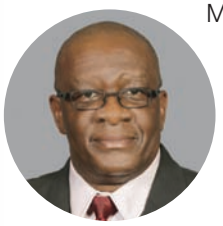
S B (Brian) Kahn (58) was appointed in December 2009 as Adviser to the Governor. Following his appointment to the Bank in September 1999, he first served as Head of the Monetary Policy Research Unit in the Research Department (RSH) and in April 2003 he was appointed as Senior Deputy Head of the department. He is a member of the MPC and the FSC. He holds MA and BA (Hons) degrees in Economics.

H (Hlengani) Mathebula (45) was appointed as Head: SCD in April 2010. He is a member of the FSC and attends the GEC in his capacity as head of strategy and communication. He has extensive experience in financial services, banking and fast-moving consumer goods. He was the Managing Executive of Absa Private Bank and CEO of First National Bank Personal Banking, and previously worked for AM International, Nestlé and Nedbank. He is a Chairperson of the Black Business Executive Circle, non-executive director of Vuma Reputation Management, and Chairperson of the Eskom Pension and Provident Fund. He holds BTh (Hons) and BA degrees, and has completed Senior Executive and Management Development programmes.

S E (Elijah) Mazibuko (48) joined the Bank on 1 January 2000 and was appointed the Head of the Financial Surveillance Department (FinSurv), formerly Exchange Control Department, on 1 August 2009. He is a member of the FSC. Before joining the Bank he had 12 years' banking experience in retail, risk management, credit and corporate banking. He is responsible for compliance with exchange control regulations and the application of the exchange control system. He holds MBA and BCom (Accounting) degrees, a Diploma in Business Management, and an Advanced Diploma in Treasury and International Trade Finance. He is an associate member of the Institute of Bankers in South Africa.

D C (Dave) Mitchell[2] (59) assumed duty as the Head of the National Payment System Department (NPSD) in June 1999. His areas of responsibility include the operation and oversight of payment and settlement systems, and he is the Project Leader of the SADC Payment Systems Project. He is a member of the FSC and represents the Bank at the BIS Committee on Payment and Settlement Systems (CPSS) and the Continuous Linked Settlement (CLS) Oversight Committee chaired by the Federal Reserve Bank of New York. He started his career in the Bank in January 1972 in the Gold and Foreign Exchange Department but soon transferred to the IT field where he spent most of his career before his current appointment. He holds a BCom degree, and a certificate and a diploma from the Institute of Bankers.

M (Monde) Mnyande (54) is Chief Economist and Adviser to the Governor. He is a member of the MPC and the FSC, and chairs the Board of the South African Reserve Bank Captive Insurance Company Limited (SARBCIC). He formerly served as the Executive General Manager responsible for the Financial Stability, Currency and Protection Services, and Research departments. Following his appointment to the Bank in 1995, he held a number of positions in the RSH before becoming Head of Department and Chief Economist of the Bank. He holds PhD (Economics), MA (Economics), MA (Finance), MBA and BA degrees. He currently serves as a Vice-President of the Economics Society of South Africa.



M D (Molefi) Nkhabu (47) is the Chief Internal Auditor (CIA) and the Head of the IAD of the Bank, which is primarily responsible for providing independent assurance and consulting services across the Group on controls, risk and governance matters. He rejoined the Bank as CIA in May 2008 after serving as an Assistant General Manager in the IAD from 1 January 2001 to 31 January 2005. He is a chartered accountant and holds an MA degree in Financial Management. He is a member of both the Audit Committee Working Group and the Corporate Governance Network of the IoDSA.

R Z (Zingisa) Nkwali (57) joined the Bank in 1995 and became Head of the Corporate Services Department (CSD) in January 2006. He is responsible for the provision of support services, including management and maintenance of the Bank's buildings, physical assets, equipment, catering and central stores. He holds a BCompt degree and served articles of clerkship with Ernst & Young.

S L (Sheenagh) Reynolds (45) was appointed Secretary of the Bank in April 2011. Before her appointment to the Bank, she held the position of Group Company Secretary at both AFGRI Limited and Allied Technologies Limited. In 2009 she joined Routledge Modise Inc., trading as Eversheds, as Director: Corporate Governance and Company Secretarial Department. She holds LLB and BA degrees from the University of the Witwatersrand, has completed an Advanced Programme in Risk Management from Unisa, and is an admitted attorney of the High Court of South Africa.

2 D C (Dave) Mitchell will retire from the Bank with effect from 1 October 2012 and P M T (Tim) Masela will replace him as the new Head of the NPSD.

L (Bertus) van Zyl (59), Head of Special Projects since February 2010, was a member of the MPC and the FSC. Previously he served as Executive General Manager responsible for central services. Since joining the Bank in 1985, he has served in various positions related to financial markets and was Head of the former International Banking Department. He served as Adviser to the previous Governor. He holds MCom (Economics) and MSc (International Banking and Finance) degrees. Given his impending retirement, he stepped down from his positions as a member of the MPC and FSC in March 2012. He is currently on secondment to the SA Mint.

R (René) van Wyk (56) joined the Bank as the Registrar of Banks and the Head: Bank Supervision Department (BSD) on 1 November 2011. He previously held the position of Executive Head of Risk at Nedbank Capital. Prior to that, he had held various senior positions in the Nedbank Group since 1993, including CEO of Imperial Bank, a subsidiary of Nedbank, and was a partner in KPMG before joining Nedbank. He holds BCompt and BCompt (Honours) degrees, and is a chartered accountant.

G R (Gilbert) Wesso (51) assumed duty as Principal of the South African Reserve Bank College (the College) in May 2003. He is responsible for managing the central bank learning and development programmes of the College. He also promotes and contributes to capacity-building initiatives for learning and development in SADC central banks, financial institutions, tertiary education institutions and government departments. He started his central banking career in the Bank's RSH on 1 April 1998. Before joining the Bank, he was Professor of Statistics, Econometrics and Time-Series Analysis at various local and international universities. He recently served as a director on the Boards of the National Research Foundation and the Institute of Bankers in South Africa. He holds a PhD (Econometrics), MCom (Business Statistics), BCom (Hons) and a Senior Teacher's Diploma.

Deputy Governor Mminele has acted as Head of the FMD since August 2011, pending the recruitment of a suitable candidate.

Branch managers as at 31 March 2012

The Bank has seven branches. Their location and the names of the respective branch managers are as follows:

- Bloemfontein — M (Madeleine) Hellerle
- Cape Town — A R (Tony) Chamberlain
- Durban — C S P (Zama) Hadebe
- East London — E H (Edmund) Jacob
- Johannesburg — B P (Pat) Loving
- Port Elizabeth — A (Alicia) Maharaj
- Pretoria North — V B M (Vusi) Dhlamini.

Operational review

Introduction

As the central bank of the Republic of South Africa, the Bank has diverse responsibilities. The Bank's overriding objective is to achieve and maintain price stability. In pursuit of this objective the Bank conducts monetary policy within a flexible inflation-targeting framework. In addition to the formulation and implementation of monetary policy and contributing to financial stability, the Bank is responsible for domestic money-market liquidity management, the production, issuing and destruction of notes and coin, management of gold and foreign-exchange reserves, oversight of the NPS, bank regulation and supervision, administration of exchange control measures, and is banker to government. To ensure its smooth functioning, the Bank also has a number of internal duties and responsibilities, such as internal audit, human resource management and managing the Bank's own budget. The operations related to these activities are outlined in this section of the *Annual Report*.

Market operations

Liquidity management

Over the past financial year the Bank did not experience difficulties with liquidity management operations in the domestic money market.

As at 31 March 2012 the outstanding main refinancing operations of the Bank stood at R20,2 billion compared with R16,2 billion on 31 March 2011, while the commercial banks' actual liquidity requirement amounted to R21,2 billion at the end of the 2011/12 financial year, compared with R12,4 billion on 31 March 2011.

In the course of the financial year money-market liquidity expanded, mainly due to foreign exchange purchases amounting to R59,7 billion and R13,6 billion, and a decline in the outstanding amount of SARB debentures. The foreign-exchange purchases were predominantly sterilised through the transfer of government funds from the market to the Bank, and the conduct of longer-term foreign-exchange swaps amounting to R32,0 billion and R25,2 billion respectively.

Other major factors that contributed to the contraction of money-market liquidity were the increase in notes and coin in circulation in the market amounting to R11,9 billion, a transfer of R5,3 billion in CPD funds from the market to the Bank, a marginal increase in outstanding longer-term reverse repos of R0,4 billion and an increase in the commercial banks' cash reserve balances maintained with the Bank amounting to R6,8 billion.

Following the enhancements to the Bank's monetary policy operational procedures in August 2010 and March 2011, the Bank introduced further changes in March 2012. This should contribute to the more effective management of money-market liquidity. The more recent enhancements were aimed at providing the Bank with greater flexibility in its operations and specifically to enhance the spectrum of participation in the SARB debenture and longer-term reverse purchase auctions, and in the Bank's refinancing operations. These enhancements to the operational procedures generally contributed to the Bank's endeavours to maintain the money-market shortage at a slightly higher level. The most recent changes entailed, firstly, the issuance of SARB debentures and reverse repos with 7- and 14-day maturities in addition to the existing 28- and 56-day maturities. Secondly, the Bank conducts 2- and 5-day main refinancing transactions during the week of the MPC meetings to eliminate the lack of synchronisation between the Bank's main repo auctions and the MPC interest rate announcements. This lack of synchronisation had previously led to discrepancies in the market, as interest rates in the interbank market changed when the repo rate was changed, while the interest rate for the main repo remained unchanged for the rest of the week. Lastly, the amounts tendered by the banks in the weekly main repo auctions are allocated on a pro rata basis, up to the announced average daily liquidity requirement, for the week in instances where the auction is over-subscribed.

Accumulation of reserves

In line with stated policy, the Bank continued to accumulate foreign-exchange reserves over the past financial year when market conditions were conducive. The official gross gold and foreign-exchange reserves increased from US$49,3 billion on 31 March 2011 to US$50,7 billion on 31 March 2012. The change in gross reserves of US$1,4 billion reflected a combination of valuation adjustments, maturing forward transactions, and proceeds of a government foreign bond issue. The international liquidity position improved from US$44,7 billion to US$48,9 billion during this period.

The reserves accumulation strategy continued to be implemented in close consultation with the National Treasury. During the 2011/12 financial year, the Bank purchased approximately US$4,0 billion for purposes of foreign-exchange reserves accumulation. In order to manage the liquidity impact, these purchases were swapped into the forward market for settlement in the future.

Reserves management

The management of gold and foreign-exchange reserves remains guided by three main objectives, namely (1) capital preservation, (2) liquidity and (3) the enhancement of returns. The Bank aims to achieve a market-related rate of return on the reserves within the constraints of an approved risk management framework. The gold and Special Drawing Right (SDR) holdings are managed passively, while the foreign-exchange reserves are managed actively by the Bank, six private-sector fund managers, the BIS and the World Bank. The biggest proportion of the foreign-exchange reserves are managed internally, and have a tighter risk management framework than the investment guidelines provided to the external fund managers.

Owing to the nature of the Bank's functions and its global investment portfolio, it is continuously exposed to market and operational risks. Prudent risk management is therefore one of the Bank's key focus areas. The Reserves Management Unit of the FMD identifies, profiles, measures and monitors the market risk at portfolio level, while the Risk Unit independently analyses and reports on the risks at the SAA level. The SAA is reviewed regularly, compiled in accordance with the Bank's investment objectives and determines the structure of the foreign-exchange reserves in terms of currency composition, asset allocation and market risk exposure.

Resmanco approved and implemented the revised SAA in June 2011, which resulted in changes to the asset allocation of the internally managed and the private-sector fund manager portfolios, while the asset allocation of the portfolios of the BIS and the World Bank remained unchanged.

In December 2011 the Bank conducted a mid-term review of its external private-sector fund manager programme, with a comprehensive review scheduled for December 2012 before the expiry of the current mandates in March 2013. Given the turmoil in the global financial markets environment over the past few years, and in line with good corporate governance, the Bank updated the Reserves Management Investment Policy and reviewed the Resmanco terms of reference. A comprehensive review of the investment policy will be undertaken in the course of 2012. This process will encompass wide-ranging issues such as the SAA, currency composition and foreign reserves-adequacy levels.

The Bank continued to support efforts undertaken to enhance African central banks' reserves management capacity by participating in the World Bank's Reserves Advisory Management Programme missions. To this end, together with the World Bank, the Bank regularly assists with providing reserves management technical input and expertise to mainly southern African central banks. This also enhances the skill and experience of the Bank's staff.

Administration of exchange controls

Policy decisions on exchange controls vest with the Minister of Finance, while the Bank is responsible for the administration of exchange controls in terms of authority delegated by the Minister. This responsibility entails

– implementing exchange control policy and administering exchange control regulations;

- gathering, analysing and disseminating information on cross-border flows;
- appointing Authorised Dealers in foreign exchange (ADs) with Limited Authority (ADLAs); and
- ensuring compliance by ADLAs with anti-money laundering (AML) control measures in terms of the Financial Intelligence Centre Act, 2001 (Act No. 38 of 2001) (FICA).

The Voluntary Disclosure Programme (VDP), which was implemented on 1 November 2010, for the regularisation of exchange control contraventions, terminated at midnight on 31 October 2011.

As part of the approach to gradually liberalise exchange controls, the Minister announced a range of reforms in the 2011 *Medium Term Budget Policy Statement*, which included:

- the reclassification of inward-listed shares on the JSE as domestic for the purposes of trading on the exchange and to be included on the JSE's indices;
- in order to improve access and competition in cross-border money remittances, the ownership restrictions on foreign participation in ADLAs were abolished. Furthermore, money-transfer operators will, in future, be regulated independently and the requirement for money-transfer operators to partner with existing ADs and ADLAs will not be obligatory;
- South African companies were permitted to make bona fide new outward foreign direct investments, outside their current line of business, allowing South African companies to diversify their offshore operations from a domestic base;
- the prohibition on the transfer of additional working capital funding (top-ups), in respect of investments below R500 million per applicant company, per calendar year, was withdrawn;
- the amendment of the policy regarding loop structures into the Common Monetary Area (CMA) by South African companies, in terms of which South African companies are permitted to acquire from 10 to 20 per cent equity and/or voting rights, whichever is the higher, in a foreign target entity, which may hold investments and/or make loans into any CMA country;
- ADs may allow residents (natural persons) to transfer up to R1 million abroad, as part of the single discretionary allowance, for investment purposes, without the requirement to obtain a tax clearance certificate. This allowance is in addition to the R4 million foreign capital allowance, per calendar year, per private individual, subject to the production of a tax clearance certificate;
- foreign exchange may be provided for advance payments not exceeding 50 per cent of the ex-factory cost of capital goods to be imported; and
- an increase in the limit in respect of the importation or exportation of rand notes of up to R25 000.

During December 2011, ADs were advised that the modernisation programme announced by the South African Revenue Service (SARS) involved the use of an electronic and integrated technology platform, together with a redesign of basic processes, to bring about several benefits for importers, exporters and for SARS. FinSurv developed the Import Verification System, which was implemented on 15 August 2011, to enable ADs to authenticate electronic SARS customs declaration forms and to view payments already effected for specific SARS customs declaration forms.

Maintaining a stable banking system

In a world where the banking system in advanced economies, particularly the eurozone, remains a cause for concern, global regulators have continued to drive regulatory reform of financial institutions. Promoting the soundness of the banking system remains a prime responsibility, and the Bank continued to influence and appropriately implement international regulatory and supervisory standards during the period under review.

Although global conditions have been uncertain for some time and several challenges remain, the South African banking sector is generally sound. Banks remain well capitalised, and profitability in the sector increased gradually in 2011 and early 2012. Liquidity comfortably exceeded the current regulatory requirements and the credit risk of banks improved consistently as impaired advances in the sector declined. Banks also have limited exposure to financial institutions and products in countries that are a source of high levels of risk.

In its efforts to comply with relevant internationally agreed regulatory and supervisory standards, the Bank is represented on various international forums, in particular the Basel Committee on Banking Supervision (BCBS) and its subgroups. The BCBS is the body responsible for global banking standard setting and policy formulation, and is chaired by Stefan Ingves, the Governor of the Central Bank of Sweden. During the period under review, the Bank expanded its representation in these forums to include representation in the following subgroups and working groups of the BCBS:

- The Policy Development Group
- The Auditing Sub Group
- The Standards Implementation Group (SIG) – Banking Book
- The SIG – Trading Book.

Through its involvement in the aforementioned forums, the Bank is able to participate effectively and influence policy development processes at an international level, particularly with regard to the different issues affecting many emerging market economies as distinct from advanced economies.

With regard to the banking regulatory and supervisory framework in South Africa, the Bank finalised amendments to the Regulations relating to Banks to incorporate various revisions by the BCBS to the *International Convergence of Capital Measurement and Capital Standards: A Revised Framework* (Basel II), commonly referred to as 'Basel II.5'. The amended Regulations relating to Banks were approved on 31 October 2011, published in *Government Gazette* No. 34838 on 15 December 2011 and were implemented with effect from 1 January 2012.

Extensive consultation has already commenced between the Bank, the National Treasury, industry and other stakeholders on the required amendments for the phased-in implementation of *A Global Regulatory Framework for More Resilient Banks and Banking Systems* (Basel III). The implementation of this framework will commence on 1 January 2013. In this regard, the Bank also participated in the BCBS Quantitative Impact Study (QIS) to determine the impact of the new requirements set out in terms of Basel III on banks in South Africa.

In addition to the above, and in its efforts to ensure that the legal framework for the regulation and supervision of banks and banking groups in South Africa remains relevant and reflects international supervisory standards, the Bank continued to monitor developments related to, among other things, the ongoing revision of the *Core Principles for Effective Banking Supervision* (Core Principles), systemically important bank supervision and shadow banking oversight.

The expansion of the responsibilities of the Bank in terms of legislation, such as the Financial Intelligence Centre Act No. 11 of 2008 (FICA), also necessitated ongoing development and refinement of existing supervisory processes. Therefore, in addition to its normal focus on compliance of the banking industry with AML and the combating of the financing of terrorism (CFT) legislation, the Bank also commenced with the establishment of a dedicated AML Review Team and a FICA inspection framework.

In terms of the existing supervisory framework, the Bank performed, on an ongoing basis, compliance-based and prudential supervision of banks. The Bank also continued to monitor the impact of market conditions on domestic banks' risk profiles and their asset portfolios. Supervisory initiatives during the period under review included the following:

- Analysis of statutory forms submitted by banks in terms of the Banks Act, 1990 (Act No. 94 of 1990) (the Banks Act) and the Regulations relating to Banks, and ongoing interaction with banks' management with regard to key issues identified
- On-site reviews to determine banks' adherence to regulatory requirements in respect of the standardised and all model-based approaches to calculating capital requirements in respect of credit risk, market risk and operational risk exposures
- Ongoing reviews of the internal capital-adequacy assessment processes of banks and the economic capital frameworks implemented by them
- Processing of applications by banks to implement new or revised models and rating systems
- Thematic reviews at banks focusing on, *inter alia*, equity risk in the banking book
- An analysis of the level of adherence by banks to regulatory requirements relating to disclosure.

The Bank initiated new, and continued with existing inspections and investigations in respect of various illegal deposit-taking schemes (schemes), that is, schemes where persons and/or institutions are suspected of taking deposits from the public in contravention of the provisions of the Banks Act.

The BSD completed a five-year review of schemes investigated from January 2007 to December 2011 (refer to Table B). During this period it received 83 new complaints relating to illegal deposit-taking schemes. A total of 139 schemes were carried over from previous years and 73 schemes were finalised in this five-year period. In total, 222 schemes were investigated during the five years under review.

During 2011, 15 new investigations, together with 26 investigations carried over from previous years, were undertaken. Of the total 41 investigations, 13 had been completed and 28 still remained under investigation as at 31 December 2011.

Table B: Inspections relating to illegal deposit-taking schemes

Year	Total number of schemes in year under review	Schemes still under investigation in year under review	Schemes brought forward from previous years	New schemes	Schemes finalised in year under review
2007.....	39	32	20	19	7
2008.....	44	26	32	12	18
2009.....	47	35	26	21	12
2010.....	51	26	35	16	25
2011.....	41	28	26	15	13

It is evident from Table B above that only 13 schemes were finalised in 2011, compared to 25 in 2010. The reason for this is that many of the schemes carried over from previous years were either more complex, conducted on a larger scale than previously encountered, or operated nationally, which meant that they required more time to investigate.

Experience has shown that such schemes only benefit a few individuals. Such persons are usually the operators of the scheme, their agents (who earn commission from attracting investments) and a few individuals who either invested with the scheme during the initial stages and who actually received the promised returns, or who were fortunate enough to have had their investments repaid with interest.

In most instances schemes do not generate real income since money collected from investors is merely 'rolled', meaning that new investors' funds are used to pay the returns of the initial investors. The main pitfall of this type of scheme, however, is that it is impossible to maintain the scheme due to the fact that when the scheme becomes larger in size, an ever-increasing number of new investors are required to enable operators to maintain repayments to the initial investors.

The fact that the promised returns are usually absurdly high and utterly unattainable means that the repayments thereof become impossible to maintain as the number of investors increases. Furthermore, funds collected from investors are not actually invested but are instead used to finance the living costs of the scheme's operators. For example, in one inspection over which the BSD presided, over R5 million was used to purchase luxury cars for the operator of the scheme, while in another scheme approximately R14 million was spent on gambling. Inevitably, the schemes fail and investors lose their funds.

As at 31 March 2012, the value of the 28 schemes currently under investigation by the BSD amounted to approximately R1,62 billion.

Financial stability

The Bank continued to actively pursue its role and mandate to promote financial stability. In pursuit of this objective and to contribute towards the stability of the South African financial system, the Bank endeavours to identify and analyse potential risks to financial system stability, communicate such assessments and stimulate debate on pertinent issues. In this regard, the Bank publishes the *Financial Stability Review* twice annually. The Bank also conducted macroprudential analysis, *inter alia*, assessing the vulnerability of the financial system to unanticipated shocks and its resilience to such shocks should they materialise. Analyses of this kind also serve as the basis for input to the MPC and FSC of the Bank.

The Bank participates in global initiatives aimed at promoting financial stability. Meetings and seminars attended included the IMF Financial Soundness Indicators workshop in Zambia, the Financial Soundness Indicators Reference Group meeting in Washington and the FSB Analytical Group on Vulnerabilities meetings in Basel, Switzerland. In the course of 2011 the Bank commenced reporting financial soundness indicators to the IMF on a monthly basis. These indicators allow for cross-country comparisons and are included in the assessment of global financial stability by the IMF.

The Bank is also strengthening the resolution framework of the financial sector. During 2011 the Bank, working with the National Treasury, initiated a comprehensive review of South Africa's capacity to resolve a financial crisis. The review was conducted under the auspices of the World Bank/First Initiative Programme. The experts conducting the review assessed the effectiveness of South Africa's existing resolution powers and mandates, co-ordination among regulators and legislative frameworks, institutional frameworks and funding arrangements, drawing on lessons learnt from the global financial crisis. A number of shortcomings in the crisis resolution framework were identified, such as inadequate formal co-ordination arrangements among different regulators and insufficient powers to address systemic disruptions. Some of these issues would require legislative changes. Subsequently, the FSB also released its *Key Attributes of Effective Resolution Regimes*, which is setting a new international standard with which South Africa will comply. Work is under way to address the shortcomings in the South African resolution framework, and these efforts also form part of the agenda of the twin peaks approach to financial regulation and supervision.

Financial regulatory reform

The Minister of Finance announced the move towards a twin peaks model of financial regulation for South Africa in February 2011 at the same time as the policy publication entitled "A Safer Financial Sector to Serve South Africa Better" was released. The policy document noted that due to the country's sound macroeconomic fundamentals and a robust financial regulatory framework, the domestic financial sector had weathered the global financial crisis relatively well. However, South African authorities recognised that there was no room for complacency, and have proposed the adoption of a twin peaks model of financial regulatory architecture, where prudential regulation will form one peak under the Bank and market conduct regulation will form the other peak within the Financial Services Board. The proposed regulatory reforms are aimed at the attainment of the following objectives:

- Enhancing systemic stability
- Improving market conduct regulation
- Making a meaningful contribution to sound micro- and macroprudential regulation
- Strengthening the operational capacity, independence, governance and accountability of regulators.

Following the publication of the policy document, the Minister of Finance and the Governor of the Bank established a joint committee comprising the National Treasury, the Bank and the Financial Services Board. This committee, known as the FRRSC, is responsible for overseeing the implementation of the process and is supported by six technical working groups. A roadmap for implementation that will provide a concise outline for the implementation of the key twin peaks architecture proposals is being prepared. It will describe the envisaged steps and timelines for the establishment of the architecture and the necessary organisational, co-ordination, legal and accountability arrangements.

Another key proposal is the establishment of the Financial Stability Oversight Committee (FSOC), currently jointly chaired by the Minister of Finance and the Governor of the Bank. The purpose of the FSOC is to enable consideration of systemic risk, and ensure that there is a flow of information between the Bank and the National Treasury in this regard.

The Bank continues to focus on its responsibility to promote the soundness of the domestic banking system, and to minimise systemic risk through the effective and efficient application of best practice and international regulatory and supervisory standards. In this regard, the Bank ensures that the legal framework for the regulation and supervision of banks and banking groups in South Africa remains relevant, reflects local and international market developments, and complies with the applicable international regulatory and supervisory standards and best practice. The Bank therefore reviews banking legislation, namely the Banks Act, the Mutual Banks Act, 1993 (Act No. 124 of 1993), the Regulations issued in respect thereof and other pieces of related banking legislation on an ongoing basis. The Co-operative Banks Act, 2007 (Act No. 40 of 2007) also entrusts to the Bank certain responsibility in respect of the supervision and regulation of co-operative banks.

Basel II, implemented with effect from 1 January 2008, and the continued application of the Core Principles, issued by the BCBS were supplemented by Basel III, issued by the BCBS in December 2010.

Basel III incorporates the details of global regulatory standards on bank capital-adequacy and liquidity agreed by the governors and heads of supervision, and endorsed by the G-20 leaders at their November 2010 Seoul summit. The BCBS has put in place processes to ensure the rigorous and consistent global implementation of the updated Basel III framework. The standards will be phased in to ensure that the banking sector can gradually move to the higher capital and liquidity standards. The Bank, as a member of the BCBS, has been, and will continue to be, actively involved in developing reforms that not only promote the safety and soundness of the banking system, but also support long-term economic growth.

The Bank has commenced a formal process to refine and, where necessary, amend the regulatory framework in accordance with the latest internationally agreed regulatory and supervisory best practice and standards.

Notwithstanding the above-mentioned refinement and amendment process, the Bank continues to fulfil its obligations in terms of the existing supervisory framework by focusing on, *inter alia*, the Internal Capital Adequacy Assessment Processes implemented by banks; thematic reviews performed in respect of disclosure, remuneration standards, liquidity risk, credit risk, market risk and operational risk. It also assesses the applications by banks to use the advanced approaches to calculate their minimum capital requirements in respect of credit risk, market risk and operational risk. During the annual meetings held with the boards of directors, board subcommittees and senior management of banks, the discussions included overviews of the functioning of audit, risk and capital management committees, and of board and senior management oversight of group activities.

In line with international developments, the Bank assessed the stress-testing frameworks implemented by banks and further refined its in-house stress-testing methodology to enable an effective challenge to the banking industry's stress-testing frameworks. Furthermore, the Bank performed compliance-based and prudential supervision in respect of the banking sector, which included detailed analysis of statutory financial data submitted by banks, as part of business-as-usual processes.

The IMF conducted a detailed assessment of the Bank's compliance with the Basel Core Principles. The reports based on the review, namely the *Detailed Assessment of South Africa's Compliance with the Basel Core Principles for Effective Banking Supervision* (Country Report No. 10/353) *and the Report on the Observance of Standards and Codes on Banking Supervision, Insurance Supervision and Securities Regulation* (Country Report No. 10/352), were issued on 8 December 2010. These reports were largely positive, and issues that were identified were not material in nature, but will be used by the Bank in its ongoing enhancement of the regulatory and supervisory framework in South Africa.

The Bank, in co-operation with the Financial Action Task Force (FATF), the Financial Intelligence Centre (FIC) and the banking industry, focuses on compliance by the industry with AML/CFT legislation, and initiated and/or continued investigations in respect of various alleged illegal deposit-taking schemes.

The Bank participates in, and provides input on, various international regulatory and supervisory subcommittees of the BCBS such as the SIG on Validation, the SIG on Operational Risk, the Trading Book Group, the Capital Monitoring Group and the QIS Working Group. On the domestic front, the Bank was also represented in and contributed to various forums and working groups such as the Structural Funding Working Group, the Solvency II Insurance Task Group and the Financial Sector Contingency Forum.

Developing and maintaining the payment system

A high level of availability has been maintained in the provision of interbank settlement services in the South African Multiple Option Settlement (SAMOS) system. A process to enhance the settlement system and related infrastructure to ensure continued application of best practice standards was implemented during this financial year.

The Bank contributed to finalising the BIS CPSS – *International Organization of Securities Commissions (IOSCO) Review of Standards for Financial Market Infrastructure*. These standards set a benchmark that should be met by all systemically important market infrastructure. The Bank also participated in the activities of the foreign-exchange CLS system oversight group headed by the Federal Reserve Bank of New York. During the period, the oversight group focused on the CLS's business model evolution and its self-assessment of compliance with current international principles.

As part of the Bank's duty to participate actively in the work of the BIS CPSS, the IMF and the World Bank, contributions were made to the various working groups' publications, which will be published during 2012. The Bank's membership of the BIS CPSS also required that information relating to the South African NPS be submitted for inclusion in the BIS publication *Statistics on Payment and Settlement Systems in Selected Countries* and will be included in the 2011 BIS Redbook to be published in 2012. In addition, statistical information relating to the NPS was submitted for publication in the BIS Redbook Statistics.

The Bank published two documents that are important for the work of the payment system. The *National Payment System Framework and Strategy Document* (Vision 2015) was published in September 2011. Before its publication, the NPSD embarked on a road show to inform stakeholders of the Bank's vision and strategy for the payment system up to 2015. June 2011 saw the publication of the NPSD's position paper on access to the NPS. The paper outlines access arrangements in the NPS and the way in which it has evolved over the past few years. It also provides insight into the Bank's approach to oversight of the payment system and the re-evaluation of existing structures.

The Bank appointed an independent facilitator to conduct the first phase of a review of interchange rates in the various payment streams in South Africa. This was one of the issues raised in the *Banking Enquiry Report* of 2008. A final report on this phase of the project was delivered to the Bank for consideration. The report has indicated that over a period of time the original intent of interchange, namely interoperability and efficiency in the payment system, and the balancing of the two-sided market has, to an extent, taken a back seat in certain payment streams. Other elements have also crept into interchange determination that do not relate to this original intent. During the 2012/13 financial year, the Bank will continue with the next phase of this project, which entails the validation of the cost elements that make up interchange determination, the collection of data related to these cost elements and the calculation of benchmark interchange rates for the affected payment streams.

In its role as the leader of the SADC payment system initiative, the Bank co-ordinates a project focused on reducing costs of remittances while ensuring the safety of these transfers in the region. Furthermore, the Bank facilitated a project to design a proof of concept for the integration of payment clearing and settlement systems in the region. The envisaged integrated system will

initially be tested in the CMA before being rolled out to the broader region. Testing is planned to take place during 2012/13.

Maintaining the integrity and supply of currency

The average value of banknotes in circulation for the review period increased by 15,13 per cent to R83,7 billion from R72,7 billion in the 2010/11 financial year. The maximum value of banknotes in circulation of R99,2 billion was reached on 28 December 2011, compared with a maximum value of R82,5 billion on 20 December 2010.

The average percentage increase in the value of banknotes in circulation has been higher than nominal GDP growth and the average annual growth rate of 10,40 per cent per annum since 2002. The increase in the 2011/12 financial year could relate to an increase in circulation of the South African currency in the CMA and other SADC countries (especially in Zimbabwe, where it is used as official legal tender alongside the US dollar).

The average value of coin in circulation increased from R4,1 billion in 2010/11 to R4,3 billion in 2011/12.

Currency counterfeiting

In order to counter growing concerns about the counterfeiting of the pre-2005 R200 banknotes, the Bank embarked on a public campaign to withdraw these banknotes from circulation. This, coupled with the communication campaign to reiterate the security features of the banknotes, was successful in restoring public confidence in the R200 denomination. It is well recognised that rapid technological advances that have been made in recent years means that globally there has been an increase in counterfeiting. The responsibility to combat counterfeiting and act against perpetrators is the domain of the South African Police Service (SAPS), with whom the Bank co-operates, as required.

Cash management strategy

During the year under review the Bank, in consultation with the cash industry, evaluated the cash management strategy.

The main objectives of this strategy are to

- maintain public confidence in South Africa's currency by ensuring its integrity and security;
- improve efficiency and effectiveness in the distribution and processing of cash; and
- reduce the growing demand for increased vault capacity, cash processing and other infrastructure at the Bank's branches, by allowing the industry to process cash closer to the point of use.

One of the focus areas of this revised strategy is the fitness of banknotes in circulation. To this end, the Bank has established a banknote fitness inspectorate whose function is to monitor the fitness of notes placed into circulation by the cash industry. In respect of progress made with some of the other focus areas:

- The Cash Advisory Board has been established.
- There are no significant problems with counterfeiting to report with regard to the financial year under review.
- A conference on currency and security matters was held with the CMA and other SADC countries.
- A review of the functions and controls in the branch environment in view of the revised cash management strategy is ongoing.
- The risks with regard to the incidents of violent crime and aggravated robberies affecting the cash environment have reduced significantly. However, the revised regulations for cash security management must still be promulgated by the Minister of Police.

New banknote series

The current banknotes were designed in 1992, while the current series was issued in February 2005. In terms of international best practice for central banks, the security features of banknotes should be updated every six to eight years in order to incorporate enhanced security features and to combat counterfeiting. The Bank will launch a new banknote series towards the end of 2012.

All denominations will depict former President Nelson Mandela on the front of the banknote, while the reverse side will depict the Big Five theme, with the rhinoceros on the R10, the elephant on the R20, the lion on the R50, the buffalo on the R100 and the leopard on the R200. There will be no demonetisation of the current banknotes, and for a period both the current and new series will co-circulate. Thus all denominations of both series will be legal tender, and of equal value.

An extensive information campaign will be conducted to familiarise all South Africans with the new notes and their security features.

Developments in the research environment

The Bank continues to produce publications that play a central role in shaping monetary policy. The regular publication of the *Quarterly Bulletin*, along with the *Monetary Policy Review* and the *Annual Economic Report*, collectively provides the Bank's assessment of short- and medium-term economic developments in the country. In addition, the Bank produces a series of working papers which include topical policy issues on the exchange rate, the nature of credit in the economy and the monetary transmission mechanism.

The Bank maintains its presence in the field of macroeconomic policy and economic statistics through several presentations at local and international conferences. This includes delivering papers at premier international and domestic conferences such as the prestigious Statistical Institute Conference, which took place in Ireland, and the Economic Society of South Africa's conference held in Stellenbosch during 2011.

Several important initiatives were carried out on the statistics front. First, important areas such as the National Accounts Division which, together with Stats SA, is responsible for the GDP compilation and the Balance of Payments Division have embarked on initiatives to improve data collection, and to keep abreast of international obligations that require adopting measures that lead to improvements and changes in the way data are measured. In the interest of systematically ensuring that the RSH has the most reliable data, the Bank has increased its co-ordination with Stats SA and other agencies to assess the accuracy and timeliness of data. This will continue in a variety of areas and will go a long way towards improving data quality.

Economic forecasting remains a central activity of the RSH and several initiatives were taken in 2011 to keep up with the latest techniques. The economic forecasting team has incorporated financial and real linkages into the model in order to assist in gearing up for the growing importance of financial stability as an overriding policy concern.

The Balance of Payments Division has embarked on the first phase of conducting the Seventh Census of Foreign Transactions, Liabilities and Assets – information required to compile South Africa's international investment position. The outcome of the census will be used, among other things, to amend existing sample surveys in order to ensure that these samples remain representative of the collection of information in interim years.

Regional co-operation

The Bank's active involvement in international and regional activities places large demands on the institution. The Bank hosts the Secretariat of the CCBG, chaired by the Governor. The CCBG Secretariat provides secretarial services to the CCBG and its various subcommittees, and plays a co-ordinating role in CCBG activities.

The CCBG was established by SADC in 1995 to fulfil the mandate set by SADC of reforming the financial sector. In addition to this, it has as its responsibility the task of fostering co-operation and harmonisation among central banks to ensure that a conducive environment is created in which SADC member states can attract investments and ease of intra-regional trade. The work of the Governors is co-ordinated through the CCBG Secretariat hosted and supported by the Bank via subcommittees.

As part of ongoing work to achieve the objectives set by SADC, the CCBG created seven subcommittees to assist in the implementation of the Finance and Investment Protocol (FIP) and the Regional Indicative Strategic Development Plan (RISDP). The subcommittees, which are made up of teams from various specialised disciplines of central banking in SADC, are chaired and hosted by various countries to champion the course of harmonisation and standardisation of processes and systems within SADC.

The central bank disciplines include the macroeconomy, where the subcommittee focuses on research and working with countries on the convergence of economic targets, of which inflation is one such indicator. While at present not all the SADC countries meet all the macroeconomic convergence targets, there is discussion taking place for central banks to consider adopting a targeted inflation range of 3 to 7 per cent for SADC countries in recognition of the diverse size of their economies.

Table C: Primary macroeconomic convergence indicators

Regional Indicative Strategic Development Plan (RISDP) targets			
Target	2008	2012	2018
Inflation rate.....	Single digit	5 per cent	3 per cent
Ratio of budget deficit to GDP	Not exceeding 5 per cent	3 per cent as an anchor within a band of 1 per cent	3 per cent as an anchor within a band of 1 per cent
Nominal value of public and publicly guaranteed debt	Less than 60 per cent of GDP	Less than 60 per cent of GDP	Less than 60 per cent of GDP

The Bank is represented at the global meetings of the BIS, which are held every second month and are attended by central bank governors from across the world. There are a number of subcommittees of the BIS, on some of which the Bank serves. The BIS feeds its views and decisions into the FSB, and the Governor serves on its Steering Committee.

Global developments have resulted in an increasing number of international meetings, seminars and conferences. Where it was deemed appropriate and likely to enhance the Bank's understanding of events, the Bank participated at a high level. The Bank, represented by either the Governor or one of the deputy governors, also participated in, and provided input at, various IMF/World Bank meetings, and BIS and G-20 meetings and workshops, and the FSB in its various structures.

The Bank hosted senior officials from the Central Banks of Kenya, Uganda, Rwanda and Zimbabwe to facilitate regional co-operation. In addition, the Bank, in conjunction with the Financial Stability Institute of the BIS, hosted a high-level meeting of banking supervisors of the African region to discuss global banking, supervision and regulatory developments.

Outreach Programme

The Outreach Programme was launched in 2009 to facilitate the Bank's active engagement with society in South Africa. The main focus is to broaden the Bank's communication strategy through debates on monetary policy and other socioeconomic issues. The goal is to create greater awareness and understanding of the Bank's monetary policy and financial stability mandates and its contribution to the national economic agenda.

The Outreach Programme has been implemented through two parallel approaches. Firstly, the Bank hosts economic roundtable meetings that are mainly targeted at market economists and analysts who, together with the Bank, share and debate views on topical economic and financial issues. The central banks of the CMA are also invited to these meetings.

Secondly, meetings are held with other stakeholders that are sector-specific and who range from political parties, trade unions, business chambers, real economy sector organisations and other professional groupings. These meetings focus on issues as they affect the overall South African macroeconomic environment.

Chatham House rules apply at all meetings, which means that participants are at liberty to use the information received, but the identity and affiliation of the speaker, and that of any other participant, may not be disclosed.

During 2011, six economic roundtable meetings and fifteen other stakeholder meetings were held. At these meetings, short- to medium- and long-term macro- and microeconomic issues were discussed.

Information and communications technology support

During the year under review, the Bank maintained and supported the implementation of ICT systems and infrastructure. The demand to deliver strategic business solutions intensified during 2011/12. The following solutions enhanced knowledge sharing and optimised business processes in the Bank:

- A review of the SAMOS system identified the need to enhance the routing of payment settlement messages. Following the review, the SAMOS version 7 project was initiated to facilitate straight-through processing by routing messages from the payer to SAMOS and for the payment messages to reach the beneficiary for application of funds to the relevant account. In addition, the SAMOS network infrastructure was upgraded to reduce complexity, to phase out the Bank's proprietary network and to make greater use of SWIFT, the international standard for financial message transmission. This contributed to a reduction in costs and less dependence on scarce resources. The SAMOS version 7 project was successfully completed and the solution implemented in October 2011.
- The implementation of an enterprise resource planning (ERP) solution in the Bank has been concluded. A number of enhancements and amendments were made, including the various components such as the automation of the core-banking end-of-day process, enhanced performance reporting and the development of business intelligence layers for the various business entities. The benefits realisation programme is under way. An independent analyst will assess the implemented solution against return on investment and business process improvements. An ERP Support Centre has been established to ensure ongoing maintenance, support and upgrades to the ERP solution.
- The Bank's Retirement Fund system was redeveloped on a client-server platform to accommodate additional business requirements and to address audit findings.
- The Financial Regulatory Reform portal was developed to enable secure information sharing and collaboration among the Bank, Financial Services Board, the National Treasury and SARS.

Several new projects were initiated during the year under review:

- The analysis and design of a business solution that will support the effective and efficient execution of the research function of the Bank was successfully completed.
- The National Cash Management Solution project was launched to automate the cash management value chain through an IT-enabled business solution.
- The Unified Communications and Collaboration Programme set out to improve the Bank's internal and external communications, and improve productivity through enhanced collaboration. The first operational priority is to renew the Bank's messaging and calendaring platform.

Several technology improvements were also completed in the year under review. The implementation of further server virtualisation and storage optimisation will reduce costs and align the Bank with environmental requirements.

There has been a major increase in the use of the secure electronic mail (email) solution to meet new business requirements and to reduce the risk of communicating over unsecured channels. The short message service (SMS) alerting facility has been expanded to cater for bulk SMS requirements. Communication can now be sent to all stakeholders regarding critical issues in a matter of minutes.

Infrastructural support

As a result of dedicated service and maintenance teams in the Corporate Services Department (CSD) adopting a proactive strategy, the Head Office building has served the Bank well over the past 25 years.

During the year under review, the Bank implemented various interventions to keep up with the latest technology, changes in legislation and environmentally friendly and energy-saving initiatives.

Of paramount importance were the upgrading of the water reticulation system, additional emergency escape routes, replacement of waterproofing, and the upgrading of the plumbing system and lifts at Head Office. All these projects were completed successfully during 2011.

The Bank is implementing appropriate measures to comply with the National Archives and Records Services of South Africa Act, 1996 (Act No. 43 of 1996) and related regulations.

The Conference Centre ceased operations as an external conference facility for hire on 1 April 2011 and is now used solely for Bank functions, conferences, offices and training facility, while the College has been relocated and now operates from these premises.

The Bank has embarked on various single- and multi-year projects, such as the replacement of the air-conditioning system, cooling and refrigeration appliances in the kitchens, and the upgrading of the hot water reticulation system in the Bank.

The infrastructure in the branches was reviewed, resulting in the replacement of emergency backup power. Projects to improve the fire-detection and evacuation systems are in progress. This will ensure that the buildings will be self-sufficient in the event of a power failure.

Following approval of the preliminary budget and design concept late in 2010, the appropriate tender processes for building of the new Bloemfontein Branch are in progress.

Business continuity management

The disciplines of business continuity management, and occupational health and safety compliance management have both matured to the levels of continued process improvement and enhancement. Business continuity preparations are assessed by means of scheduled and unannounced Bank-wide tests, thereby contributing towards the robustness of measures to ensure seamless continuity of the Bank's operations.

Organisational effectiveness

The Bank recognises that the environment in which it operates has changed radically. This has necessitated a consideration of whether the organisation is optimally designed to meet the changing challenges that it faces, resulting in a comprehensive review of its structure. A consultative process is under way, with a view to enhancing efficiencies and organisational effectiveness in support of the Bank's strategy and responsibilities.

Risk management

Risk management philosophy

Owing to the unique role and functions of the Bank, risk management is not based simply on institutional risk and return considerations, but also takes into account national interest, in line with its statutory and constitutional responsibilities. The Bank functions in an environment characterised by continual change and uncertainty, which requires constant monitoring and analysis of, and appropriate response to, potential and actual risks emanating from the global and domestic political and economic environment.

In common with most central banks, the Bank is a risk-averse institution, which reflects the view that satisfactory fulfilment of its role and responsibilities could be seriously jeopardised if there were to be significant disruptions to its operations and/or damage to its reputation.

The Bank views risk management as an integral part and an essential element of good corporate governance.

Risk management policy

The Bank has established a risk management policy to ensure that risks are managed in a co-ordinated, comprehensive and systematic manner that is consistent with internationally accepted standards and guidelines. The principles contained in Chapter 4 of *King III* (the governance of risk) were taken into account and, where appropriate, incorporated into the policy.

This policy regulates all risk management initiatives and activities, and facilitates their alignment with the Bank's strategic and operational objectives to ensure that any risks threatening the achievement of these objectives are adequately and effectively managed at acceptable levels.

The policy governs the full spectrum of strategic, financial (including credit, market and liquidity), reputational and operational risk management in the Group. Furthermore, it specifies the risk management governance structures, framework, processes and principles, risk appetite and tolerance, and the roles and responsibilities of all stakeholders.

Risk management governance structure

The Board is responsible for the oversight of risk management. The BRC, a Board committee, ensures a dedicated focus on the oversight of risk management in the Group.

The GEC has overall executive responsibility for risk management in the Group and is accountable to the Board for ensuring adequate risk management structures and processes. The RMC assists the GEC in discharging its executive responsibility for risk management in the Group. It meets four times a year, and all governors are members.

Risk management approach and processes

The Bank's risk management approach is largely based on the principles contained in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Enterprise Risk Management (ERM) Framework, and is consistent with widely accepted standards, guidelines and best practice.

The Bank uses different processes to manage strategic, financial, reputational and operational risk.

Strategic risk

The management of strategic risks is the responsibility of the executive of the Bank, particularly at Group-wide level, and at departmental and subsidiary level, heads of department, CEOs of subsidiaries and their management teams. Formal annual strategic risk assessments are conducted at both levels.

An annual Group-wide strategic risk assessment is conducted by the executive of the Bank, facilitated by the RMCD. The Group-wide strategic risk assessment represents the highest level of risk assessment in the Group, and comprises an assessment of the structures and functions at a level higher than the departmental level, including the committee structures and functions, and overarching functions that span the entire Group. It also includes a consolidation of departmental strategic risk assessments.

Heads of department and CEOs of subsidiaries and their management teams conduct annual departmental strategic risk assessments with the assistance of the RMCD as facilitators.

The Bank-wide and departmental strategic risk management processes are integrated with the strategic planning processes of the Bank and departments respectively.

Financial risk

The FMD is responsible for the financial risk management process relating to domestic and foreign market operations in accordance with established policies and processes. The Financial Risk Management Policy underpins the management of financial risk.

Operational risk

Operational risk emanating from all the operational activities of the Bank is managed by the heads of department and their management teams.

Reputational risk

Reputational risk is managed by the Bank's executive management and heads of department, and managing directors of the Bank's subsidiaries, while the Head of the SCD has a specific responsibilityin this regard, from a communications perspective. Reputational risk is also included

as a separate risk cause and risk impact category in the formal strategic and operational risk assessment processes.

Specialised cross-cutting strategic and operational risks

The management of certain specialised types of strategic and operational risk with a cross-cutting, Bank-wide impact is facilitated and co-ordinated through centralised risk management functions. These include business continuity management, occupational health and safety, and information security risks. Most of these functions are underpinned by relevant policies and overseen by the respective oversight committees. The day-to-day management of these risks remains the primary responsibility of management of departments and subsidiaries.

Risk Management and Compliance Department

A centralised risk management co-ordination function is performed by the RMCD. The role of the RMCD is to develop, maintain and promote an appropriate risk management policy, framework, approach and culture, and methodologies, processes and support systems; facilitate and co-ordinate risk management processes in the Bank in accordance with the Risk Management Framework; evaluate and give input to the policies and methodology for financial risk management, and the format and content of reports from all role-players on specialised strategic and operational risk; and co-ordinate standardised and integrated reporting on risk management activities and exposures to the RMC and the BRC.

The RMCD is also responsible for advancing and facilitating specialised operational risk management processes, including business continuity and occupational health and safety. In addition, the RMCD is responsible for facilitating and co-ordinating compliance management in the Bank, and for developing and providing appropriate governance, risk management and control-related advisory services to management of the Group.

Internal control

Internal control structures

Internal control is a priority focus area, and is an integral part of the Bank's management and accountability function. The Board and management of the Bank take ultimate responsibility for establishing and maintaining a sound system of internal controls. The Audit Committee, acting on behalf of the Board, considers the adequacy and effectiveness of the Bank's internal control system by providing oversight of the internal audit function. The system is designed to provide reasonable assurance about the integrity and reliability of financial and management information, and is based on the established written policies and procedures of the Bank.

Policies and procedures are regularly reviewed and approved to ensure that they continue to address identified business risks and changes to operational procedures. Responsibilities are segregated appropriately. All staff members are required to maintain the highest level of ethical behaviour in ensuring that Bank practices are conducted in a manner that is above reproach.

Systems are designed to ensure the safeguarding of, and control over, assets, the economical and efficient use of allocated resources, and the effective performance of all functions. The Bank subscribes to the principles embodied in the control framework developed by the COSO Integrated Control Model.

Internal Financial Controls

Internal financial controls (IFCs) constitute an important component of the overall internal control structure in the Bank, and are designed and implemented to enhance the probability of providing assurance on the integrity of the Bank's financial information. The IAD is charged with responsibility for conducting a formal, documented review of the design, implementation and effectiveness of the Bank's IFCs system once a year through suitable testing and report-back to the Audit Committee. This enables the Audit Committee to fulfil its responsibilities of monitoring the integrity of the Bank's financial information and comment on the effectiveness of the IFCs.

Internal audit

The primary purpose of the IAD is to evaluate and contribute independently to the improvement of control processes, governance and risk management of the Group. The IAD achieves its purpose by providing independent and objective assurance and consulting services regarding the adequacy and effectiveness of these processes. The full mandate and authority of the IAD are contained in an Internal Audit Charter approved by the Board. The charter is revised and updated annually to ensure that the internal audit function remains relevant, current and in line with changes to the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (the Standards), codes of ethics, governance and legislation.

Acting on a direct mandate from the Governor and the Board, the IAD is accountable to the Audit Committee and has direct access to the Chairperson of the Audit Committee. The IAD meets regularly with, and reports directly to, the Governor.

The Internal Audit Charter approved by the Board provides for independent external quality assurance reviews of the internal audit function every five years or less frequently as determined by the Governor and the Audit Committee. The most recent external quality assurance review was performed in November 2009 and the results were positive.

Strategic alliances are formed, where necessary, with other members of the profession in various industries in order to share matters of common interest. Moreover, staff members of the IAD participate in various international and national seminars to remain abreast of developments in the audit profession.

Code of Ethics and Business Conduct

The Bank has an Ethical Code of Conduct for staff members which is available on the Bank's Intranet website. The Ethical Code of Conduct is signed by staff members annually. Work is under way to finalise and implement a value statement for the Bank.

Legal and regulatory requirements

The Bank complies with the legal and regulatory requirements under which it operates. Due compliance was enhanced by means of legal research, analysis of legal updates from the legal fraternity and the attendance of legal seminars, conferences and workshops. The GEC receives a quarterly report of all litigation matters affecting the Bank.

Human resources

The Bank recognises that it fulfils its objectives through its employees. It is therefore critical to ensure that the Bank attracts, develops and retains the requisite skills and competencies, and that it remains an employer of choice for current and future employees. The Bank's talent management strategy needs to be a dynamic one, meeting the skills required to be effective and perform its role efficiently.

The Bank provides a wide range of ongoing appropriate training and skills development interventions, learnerships, internships and a very successful cadet graduate programme which, together, reinforce a culture of learning, professionalism and continual growth. The Bank's career management structure is changing from that of a traditional managerial one to a multiple career approach, which will provide career opportunities for specialists, managers and professionals in their respective fields. Coupled with a vibrant performance management process, and appropriate recognition and rewards, the Bank strives to create an environment that ensures that all employees have a clear understanding of the link between their development, performance, reward and career progression.

The Bank values its relationship with SASBO (the Finance Union) and the Employment Equity Consultative Body, and engages constructively by consulting on relevant human resources policies and practices. The Bank ensures that consultation on employment equity matters is aimed at bringing about meaningful organisational transformation.

Appointments and termination of service

At the start of the 2011/12 financial year, the Bank had a total permanent staff complement of 2 101, which increased to 2 163 by 31 March 2012, excluding the Governor and deputy governors. The Bank comprises 15 departments and the College. The staff turnover is set out in Table 1.

Table 1: Total staff turnover (excluding contract workers) from 1 April 2011 to 31 March 2012

Staff turnover	Number
Staff complement on 1 April 2011	2 101
Employees placed on medical disability	15
New appointments	134
Subtotal	**2 250**
Terminations	87
Staff complement on 31 March 2012	**2 163**

The overall staff turnover rate for the period was 4,08 per cent, compared with a turnover rate of 4,67 percent in the previous financial year. Exit interviews are conducted with staff members who leave the Bank to establish any need for corrective action in its practices. Almost 50 per cent of terminations during the review period were as a result of retirement, voluntary early retirement, dismissal and death. Approximately 30 per cent of staff leaving the service of the Bank cited better prospects and remuneration, with around 10 per cent leaving for personal reasons or to start their own businesses.

Tables 2 to 6 below show details of the overall staff composition and reflect race, gender and disability.

Staffing

Table 2: Staff complement by department as at 31 March 2012

Department	Permanent staff	Contract workers	Total
Executive Management	37	2	39
Bank Supervision	128	0	128
Business Systems and Technology	181	23	204
Corporate Services	201	3	204
Currency and Protection Services (including branches)	867	2	869
Disability*	15	0	15
Financial Markets	113	1	114
Financial Services	85	2	87
Financial Surveillance	158	0	158
Human Resources	65	6	71
Internal Audit	50	0	50
Legal Services	28	0	28
National Payment System	29	0	29
Research	152	2	154
Risk Management and Compliance	14	0	14
Strategy and Communications	28	0	28
SARB College	12	14	26
Total staff complement	**2 163**	**55**	**2 218**

* Disability reflects staff members who are medically incapacitated and who are receiving disability benefits up to the age of 55

Table 3: Breakdown per broad band: Profile of staff with disabilities as at 31 March 2012

	Male				Female				
Department	African	Coloured	Indian	White	African	Coloured	Indian	White	Total
General Management (GM)	0	0	0	0	0	0	0	0	0
Senior Professional and Management (SPM)	0	0	0	2	0	0	0	1	3
Professional and Vocational Management (PVM)	0	0	0	4	0	0	0	1	5
Junior Professional and Supervisory (JPS)	0	0	0	2	0	0	0	3	5
Trainee Professional and Clerical (TPC)	7	0	1	1	2	0	1	7	19
General Worker (GW)	1	0	0	0	0	0	0	0	1
Total permanent	**8**	**0**	**1**	**9**	**2**	**0**	**1**	**12**	**33**
Contract workers	0	0	0	0	0	0	0	0	0
Total	**8**	**0**	**1**	**9**	**2**	**0**	**1**	**12**	**33**

Employment equity

Table 4: Breakdown per broad band: Employment equity representation by race

Broad band	Actual 31/03/2011	Actual 31/03/2012	2012 Bank target
	Per cent	Per cent	Per cent
General Management (GM)	51	50	53,4
Senior Professional and Management (SPM)	45	46	45,6
Professional and Vocational Management (PVM)	49	49	50,4
Junior Professional and Supervisory (JPS)	57	59	59,8
Trainee Professional and Clerical (TPC)	77	78	78,4
General Worker (GW)	92	91	90,9
Total	63	64	64,6

Table 5: Breakdown per broad band: Female representation

Broad band	Actual 31/03/2011	Actual 31/03/2012	2012 Bank target
	Per cent	Per cent	Per cent
General Management (GM)	28	26	27,8
Senior Professional and Management (SPM)	37	38	37,8
Professional and Vocational Management (PVM)	50	52	51,1
Junior Professional and Supervisory (JPS)	61	60	59,3
Trainee Professional and Clerical (TPC)	47	46	45,1
General Worker (GW)	40	41	40,6
Total	49	48	47,9

Table 6: Breakdown per broad band: Gender and race profile as at 31 March 2012

	Male				Female				
Broad band	African	Coloured	Indian	White	African	Coloured	Indian	White	Total
General Management (GM)	33	5	8	53	15	5	1	14	134
Senior Professional and Management (SPM)	40	7	11	75	32	2	7	40	214
Professional and Vocational Management (PVM)	67	16	12	103	69	18	17	106	408
Junior Professional and Supervisory (JPS)	119	27	13	64	121	34	15	168	561
Trainee Professional and Clerical (TPC)	247	48	12	57	166	38	14	89	671
General worker (GW)	81	8	2	12	62	7	0	3	175
Total permanent	587	111	58	364	465	104	54	420	2 163
Contract workers	26	0	2	7	15	1	1	3	55
Total	613	111	60	371	480	105	55	423	2 218

In October 2011 the Bank submitted its *Eleventh Annual Report on Employment Equity* to the Department of Labour (DoL), covering the period 1 April 2010 to 31 March 2011. The report reflects the Bank's achievements over a period of ten years. One barrier to employment equity was identified during the reporting year, namely a perception that the allocation of performance ratings appeared to exhibit a racial bias. This matter has been investigated and work is under way to ensure that any incorrect perceptions are addressed and actual problems corrected. The report shows that overall progress had been made with racial employment equity, with black employees accounting for 64 per cent of the Bank's total workforce (Table 4).

The Bank is in the process of giving effect to its third Employment Equity (EE) Plan, which became effective on 1 April 2011 and covers the period until 31 March 2014. It remains a key area of focus for the Bank to steadily increase the number of designated groups at senior levels. Tables 7 and 8 highlight the targets set for the designated group.

A summary of planned numerical diversity improvements is reflected in the table below.

Table 7: Summary of numerical goals

Occupational level	Measures	Current Per cent	2012 Per cent	2013 Per cent	2014 Per cent
Top management (20–24)	Black	50,8	53,4	54,2	55,6
	Female	26,3	27,8	28,2	27,8
	Black female	17,8	18,8	19,1	19,0
Senior management (18–19)	Black	43,7	45,6	45,8	46,3
	Female	36,4	37,8	37,5	37,9
	Black female	19,4	21,2	21,3	21,5
Professionally qualified (15–17)	Black	48,5	50,4	50,6	50,8
	Female	50,3	51,1	51,3	51,1
	Black female	25,5	26,5	26,8	27,0
Skilled technical (12–14)	Black	57,0	59,8	59,9	60,6
	Female	60,8	59,3	59,6	59,4
	Black female	29,6	30,3	30,6	30,9
Semi-skilled (8–11)	Black	78,0	78,4	78,4	78,6
	Female	45,0	45,1	45,1	45,1
	Black female	31,3	31,6	31,6	31,7
Unskilled (6–7)	Black	91,4	90,9	91,1	91,2
	Female	39,6	40,6	40,8	40,9
	Black female	36,9	37,4	37,7	37,8
Total	**Black**	**63,6**	**64,6**	**64,9**	**65,4**
	Female	**47,7**	**47,9**	**48,0**	**48,0**
	Black female	**28,4**	**29,0**	**29,2**	**29,5**

Table 8: People with disabilities

	Measures	Current Per cent	2012 Per cent	2013 Per cent	2014 Per cent
People with disabilities	Black	34,3	43,9	51,1	56,6
	Female	45,7	46,3	46,8	47,2
	Black female	8,6	14,6	19,1	22,6
	All employees	**1,6**	**1,8**	**2,0**	**2,3**

Staff education, training, support and development

Promoting and accelerating quality training for all in the workplace

The Bank remains committed to providing quality training and development opportunities for all staff through various initiatives. During the 2011/12 financial year, 2 008 employees attended various training and experiential interventions. The total amount spent on training and development during the period under review was R22 307 864 (local: R16 688 450 and foreign: R5 619 414).

Recognition of prior learning

The Group is firmly committed to providing artisan training through the Recognition of Prior Learning (RPL) and apprenticeship programmes where possible, in order to address the high shortage of skills in this area. A number of employees from the Group were identified for the RPL programme to be assessed against various trades. A total of 12 employees passed their trade tests and qualified as artisans during the reporting year.

The Group also runs an apprenticeship programme where unemployed youth from various learning institutions are given an opportunity to complete a practical component of their qualifications in the subsidiaries. During the current reporting period, a total of 16 learners in various trades such as printers, engineers, electricians, fitters and turners, millwrights, and tool, jig and die makers participated in the apprenticeship programmes and will be sitting for their trade tests during the 2012/13 financial year.

Adult Basic Education and Training

Thirty-five employees were registered on the Adult Basic Education and Training (ABET) programme during 2011/12 and are progressing well through the four ABET levels in either Communications or Numeracy or both. Five of the learners progressed to Business Administration National Qualifications Framework (NQF) level 3 qualifications.

Business administration qualification

The Bank has introduced a business administration qualification on NQF levels 3 and 4. The aim is to assist employees who do not have a Grade 12 qualification to acquire an occupational-related qualification that is on the same level as the Grade 12 qualification. The programme started at Head Office in January 2012 with approximately 40 learners and will be rolled out in the branches during the 2012/13 financial year.

Ensuring compliance with learning and development legislation

The 2011/12 Workplace Skills Plan and the 2010/11 *Annual Training Report* were compiled and submitted to the Banking Sector Education and Training Authority (BANKSETA) by the legislated due date of 30 June 2011. This resulted in the Bank receiving a grant of R5 515 151.

Prioritising and communicating scarce and critical skills

During May/June 2011, various occupations in the Bank were identified as scarce and critical. From these occupations, the following were identified as critical: accountants, financial market dealers, IT software developers and system analysts, IT infrastructure security specialists, enterprise architecture specialists, artisans (e.g., electrical, plumbing, air-conditioning and refrigeration), and engineers (e.g., building, mechanical and electrical). The Bank finds it difficult to source suitably skilled people in these areas and it is challenging to retain them.

Based on the above and other information from the various departments, a career guide has been developed. The aim is to document all the careers in the Bank, and share the information

with learners to enable them to make informed and appropriate career choices. During 2011/12, the information in the career guide was shared with a total of some 6 000 students from more than 300 schools.

Assisting unemployed youth

During 2011/12 the Bank hosted 14 learners on the Letsema learnership and on completion of their year-long programme seven were appointed to permanent positions, while one was appointed on a contract basis. Of those placed, 7 are black females and 1 is a black male.

A new group of eight learners on the Letsema learnership has been placed in the Bank for 12 months with effect from 1 February 2012. Of this total, 7 are black, 5 are female and 1 is a person with a disability.

Techno-girl job shadowing programme

The Bank participated in the Techno-girl job shadowing programme. Ten girls from high schools in Hammanskraal and Soshanguve were placed in various departments for a period of five days to get practical exposure to the careers that are available in the Bank. The programme runs for three years and the girls visit the Bank for five days during their school holidays.

Chartered Accounting Training Programme

The Bank has introduced the Chartered Accounting Training Programme. During 2011, the Bank was accredited as a Chartered Accounting Training Office by the South African Institute of Chartered Accountants (SAICA). This enables the Bank to provide trainees with an opportunity to develop integrated technical and professional skills to meet the required standard as prescribed by SAICA, and to qualify as chartered accountants. The first two trainees, one black female and one black male, started in the Bank on 1 January 2012.

Educational support for the dependants of staff members

The Bank provides bursaries for higher education for dependants of all staff and pensioners. Bursaries were provided to 265 dependants at a cost of R4 143 771 during the review period (393 dependants at a cost of R9,0 million in the previous review period). In the main, dependants are enrolled for BA, BCom, BEd and BSc degrees, and various certificate courses and national diplomas. In the 2011/12 financial year, 36 students completed their studies, compared with 31 in the previous financial year.

Wellness management

The SARB Wellness Management Unit (WMU) aims to enhance the Bank's ability to deliver on its mandate through the provision of targeted integrated occupational health and wellness services. These services aim to eliminate or minimise occupational health and safety, as well as psychosocial risks that might interfere with optimal occupational functioning and work performance of Bank employees.

The key components of the Bank's health and wellness programme include occupational health services, psychosocial services, physical health and fitness services, and a comprehensive HIV/AIDS programme.

The WMU, in collaboration with its partners, arranges wellness-promoting initiatives that are closely aligned with the organisational health needs of the Bank, with health problems primarily identified through the Bankmed and ICAS employee wellness programme reports, and the national and international health calendar(s). The initiatives are structured and packaged in the form of an annual Wellness Calendar that includes an HIV/AIDS programme, and a bimonthly blood donation day.

South African Reserve Bank College

During the year under review, a total of 581 Bank staff members and 154 external clients from various financial institutions, government departments and central banks of SADC countries attended training and development events organised by the College.

The College hosted a number of high-level seminars for specific niche markets. These included the Eighth Annual Exchange Control Seminar for Authorised Foreign Exchange Dealers in South Africa, the Central Bank Corporate Governance and Ethics Seminar, the Senior Management Development Seminar, the Bayesian Econometrics Seminar presented by the Bank of England, the Financial Stability Seminar presented by the IMF and the Risk Management Seminar presented by the World Bank. The College also organised a series of discussion forums at the Bank with prominent speakers from the private sector and leading academic institutions.

International training providers regard the College as a key partner in the offering of capacity-building interventions on the African continent. For example, the College co-hosted a course on changing capital flows: policy implications for central banks with the SADC Training and Development Forum, which was presented by the BIS, a board-level governance course presented by the Centre for Central Banking Studies of the Bank of England and a Financial Markets Analysis course presented by the IMF Institute. In addition, the College, with the assistance of the Bank's Human Resources Department, presented a highly successful seminar on financial and retirement planning to staff members of the Bank.

Once again, the Cadet Graduate Programme produced graduates of a high calibre, who were appointed either in the Bank or in other financial institutions. In this way the Bank has contributed to the development of young graduates in the country who receive the Programme in Advanced International and Central Banking qualification, awarded by Unisa and a certificate of workplace competence presented by the Governor.

The College has developed a module on central banking to be offered as one of the electives for the GIBS MBA programme and the College is also working with other business schools to offer a similar elective on their MBA programmes.

The College contributed to academic literature by authoring chapters in the textbook, *Understanding South African Financial Markets*, currently used by various academic institutions in South Africa.

Retirement provision

The Bank provides for the retirement of its staff at the standard retirement age of 60 years, and has a defined contribution retirement fund to which both the employer and current staff members contribute.

Retirement Fund

The Retirement Fund is classified as a pension fund in terms of section 1 of the Income Tax, 1962 (Act No. 58 of 1962) and is a defined contribution fund.

The Board of Trustees of the Bank's Retirement Fund comprises four trustees appointed by the Board of the Bank (i.e., one independent trustee, previously a non-executive director, and three senior staff members) and four trustees elected by members of the Retirement Fund, who are employees of the Bank. The Retirement Fund held elections in 2011 and the current Board of Trustees' term of office runs from 1 August 2011 to 21 July 2014. The fund is assisted by a Principal Officer, who is also a Board-appointed trustee. The Board of Trustees elects a chairperson from the trustees and meets on a quarterly basis. The Retirement Fund is incorporated in terms of the Pension Funds Act, 1956 (Act No. 24 of 1956) (Pension Funds Act) and is a separate entity from the Bank. Statutory actuarial valuations are performed triennially and the next valuation will be done in respect of the period ended 31 March 2012.

As at 31 March 2012 the Fund had 2165 contributing members, 25 deferred pensioners, 512 life annuitants (Retirement Fund), 337 life annuitants (formerly the Pension Fund), 11 living annuitants and 3 suspended members. The total liability towards all of the above categories of members amounted to R3 083 million as at 31 March 2012. The assets representing the different categories of members were invested in terms of the Investment Policy of the Fund.

Pension Fund

The Pension Fund was incorporated in terms of the Pension Funds Act and, as such, was a separate entity from the Bank. Owing to the diminishing number of members, the Pension Fund was incorporated as a ring-fenced entity into the Retirement Fund. The incorporation was completed on 31 March 2011. The Financial Services Board's approval of the liquidator is still outstanding.

Corporate social responsibility

The Bank recognises that it has both an obligation and an opportunity to make additional contributions to society. This is notwithstanding the fact that the Bank is not driven by a profit motive and exists to serve the citizens of South Africa.

The Bank has traditionally made additional contributions through various corporate social investment (CSI) activities. These initiatives, which were undertaken throughout the Bank, encompassed a number of activities. However, they were not centrally co-ordinated or strategically driven. Consequently, a cross-functional team within the Bank, led by the Bank's SCD, was tasked to review the organisation's CSI philosophy, strategy and activities.

The team's recommendations were accepted both by the Bank's Manco and the GEC, and are currently being implemented.

Corporate social investment focus area and philosophy

The Bank's focus area for CSI will be education and skills development at the secondary and tertiary levels. This was informed by the four main principles underpinning the Bank's CSI policy, namely that the strategic direction and daily activities should be

- *informed*, that is, grounded in research, benchmarking and an understanding of the legislative and other imperatives that underpin the South African CSI environment;
- *meaningful*, that is, undertaken in such way that there is a real investment of effort and commitment in order to maximise benefit for the Bank, for partner organisations and, indirectly, for society in general;
- *partner-orientated*, that is, the Bank should not seek to 'reinvent the wheel'. Instead, it should focus on finding examples of best-practice organisations and initiatives, and partner with them. As and when the Bank embarks on its own initiative, this will be the exception rather than the rule and only when a unique opportunity, one that can only be filled by the Bank, presents itself; and
- *aligned*, that is, congruent with the Bank's role as the central bank of South Africa, its strategy and its values. A focus on education is not only aligned with the Bank's culture but also with its strategy, which sees the Bank increasingly positioning itself as a knowledge institution with domestic and international stakeholders.

Existing corporate social investment activities

Partnerships with universities

The Bank currently has three main partnerships with universities, which have been extended for the next two years. These are the following:

- *University of Pretoria Chair of Monetary Economics*: This is a funding partnership that was initiated between the Bank and the university in 2005. The aim is to develop human capacity in the field of monetary policy, economic research and tuition to the benefit of both the university and the Bank. This relationship is stewarded by the Bank's Research Department.
- *Partnerships with both the Rhodes Centre for Economics Journalism and the University of Witwatersrand's Journalism Department*: The former relationship was initiated in 2005 and the latter in 2009. Both aim to ensure that the Bank and these partners work together to improve the level of financial journalism in South Africa. To this end, scholarships are made available through Bank funding, tuition is given, research is fostered and a number of public engagement events are held. This relationship is overseen by the Bank's SCD.

External bursary programme

The Bank's external bursary scheme is now in its third year. In the year under review, a total of 47 students at 15 universities and 1 college in all nine provinces, received bursaries totalling R1 739 865. Twenty-one (21) students will be graduating in 2012 across a range of disciplines.

Having reviewed the lessons learnt since the inception of the programme, the Bank has amended its external bursary policy. The aim is to ensure that it is better able to strike a balance between supporting deserving students who would otherwise not be eligible for assistance and actively taking steps to meet its own employee and skills requirements. The aim is also to ensure that those students funded by Bank bursaries can, in fact, be employed by the Bank on completion of their studies. Finally, the Bank will be playing a more active role in recruiting and supporting exceptional students while such students are still enrolled at school. To this end, the Bank is actively developing a number of networks.

Information Technology Business Learnership Programme

The Bank continued with its participation in the Information Technology Business Learnership Programme (ITBLP). This programme was started by the Bank and Business Connexion in 1998. All the major commercial banks in the country participated in the first programme and still form part of it today.

The ITBLP is aimed at equipping young people with entry-level ICT skills. In 2011 the Bank sponsored five learners to do the one-year academic component at a university and a further five were given six months of work-based training in various areas of the Bank's BSTD. On completion of the workplace training the learners were all offered one-year contracts with the Bank.

Newly launched corporate social investment activities

Monetary Policy Committee Challenge

The MPC Challenge was initiated during the year under review and is being run as a pilot project with the Gauteng Department of Education.

Modelled on initiatives run by the Bank of England and the Reserve Bank of New Zealand, the challenge gives Matric Economics learners from selected Gauteng schools a unique opportunity to become central bankers for a few weeks and "step into the shoes" of the Governor and the members of the MPC.

The aims of the MPC challenge are to

- increase understanding of the role of monetary policy and of economics in South African schools;
- build relationships between the Bank, schools and learners; and
- make learners and schools excited about the subject Economics.

As part of the pilot, 83 schools from across the Gauteng Province were selected to participate in the inaugural challenge. Based on the results of this pilot, a decision will be taken as to whether to continue with the challenge and, if so, in what form.

South African Institute of Chartered Accountants partnership

During the year under review, the Bank signed funding and partnership agreements with the SAICA Thuthuka programme, which works in collaboration with the Department of Education to target the most promising mathematics and science students in disadvantaged schools across the country to become chartered accountants. The model is one that is unique and which, on a number of metrics, including the pass rates of students and the marks being attained by students, has been very successful.

In terms of the agreement, the Bank will have the opportunity to use the national Thuthuka school camps as a platform for Bank employees to engage with the pupils about the role of the Bank and their career options in economics. The Bank will also fund the studies of five Thuthuka students, who, subject to eligibility, will then serve their articles at the Bank.

Employee community involvement

Considerably more attention is being given to projects through which Bank employees can be enabled, supported and encouraged to undertake acts of community service, both during Bank time and in their own time.

Art and culture

The Reserve Bank's art collection has been in existence since 1954, when three artworks from the South African Transport collection were purchased at an auction in Johannesburg. These first purchases of landscape paintings set the tone for the Bank's collection for the next 50 years, creating a collection with a special emphasis on landscapes from the period 1900–1980. While the collection contains some important works of a range of artists, it is not fully representative of South Africa's creative and cultural diversity.

A new strategic plan for the art collection, implemented in 2010, has seen the collection becoming increasingly diverse and representative through the acquisition of artworks by artists such as Kenneth Baker, Gerard Bhengu, Peter Clarke, Dumile Feni-Mhlaba, Phillemon Hlungwani, David Koloane, Sydney Kumalo, Simon Lekgetho, Senzeni Marasela, Leonard Matsoso, Gladys Mgudlandlu, John Mohl, Andrew Motjuoadi, Ephraim Ngatane, George Pemba, Winston Saoli, Cyprian Shilakoe, Lucky Sibiya, Durant Sihlali, Alfred Thoba, Jan Gerard Sekoto and Nhlanhla Xaba. This strategy will result in the Bank having a more representative corporate art collection.

The Bank has recently engaged the services of expert restorers of both paintings and works on paper and embarked on a restoration exercise. Artworks are being restored to their former glory in addition to the ongoing conservation of the collection.

Overview of subsidiaries

Introduction

The Bank has four subsidiaries. The members of the Boards of the subsidiaries are appointed by the Board of the Bank, with the exception of the CPD, where the Minister of Finance appoints the Board members. The audited financial results of the subsidiaries are consolidated with that of the Bank in the financial statements included in this *Annual Report*.

The Bank has taken a decision to align the currency-producing subsidiaries with the Bank's policies and procedures, where appropriate, and to develop a Group structure. To this end, various departments in the Bank will be co-ordinating and assuming overall oversight for their respective functional areas in the currency-producing subsidiaries, for example, IT, risk, security, financial management and company secretariat.

Corporation for Public Deposits (CPD)

The CPD is governed by the Corporation for Public Deposits Act, 1984 (Act No. 46 of 1984). The CPD is accommodated in the Bank's Head Office building, and uses the Bank's accounting systems and other infrastructure. It accepts call deposits from the public sector and invests these funds in short-term money-market instruments and Treasury bills. With the approval of the Minister, it may also accept call deposits from other depositors. All funds invested with the CPD and the interest earned thereon are repayable on demand.

The CPD has a Board that assumes ultimate management responsibility for the Corporation and is chaired by a deputy governor of the Bank. The Board is appointed by the Minister of Finance, and comprises officials from the Bank and the National Treasury. Owing to the scope and risk profile of the CPD, its Board is of the view that it is not necessary to appoint any Board committees to support it in the discharge of its responsibilities. In accordance with best practice, the Board meets four times a year.

The administration and accounting of the funds under the control of the CPD are performed by the FSD of the Bank.

As at 31 March 2012 the Board comprised the following members:

- A D (Daniel) Mminele (Chairperson) — Director (Deputy Governor of the Bank)
- L (Lungisa) Fuzile — Director (the National Treasury).

B (Bulelwa) Boqwana from National Treasury and Z G G (Zanele) MavusoMbatha resigned as directors of the CPD on 21 and 30 November 2011 respectively.

Subsequent to the year-end, M (Monale) Ratsoma and M (Mkhulu) Maseko of the National Treasury were appointed to the Board of Directors of the CPD on 4 April 2012 replacing L (Lungisa) Fuzile and B (Bulelwa) Boqwana respectively.

As at 31 March 2012 the Company Secretary was M (Mhitlhiemang) Masibi-Malotle, who is an employee in the Bank's Secretarial Support Services Unit.

South African Bank Note Company (Pty) Limited (SABN)

The SABN is a private company registered in terms of the Companies Act. The SABN functions as an independent subsidiary with its own premises, infrastructure and accounting systems. The SABN is a wholly owned subsidiary of the Bank.

In 2011 the SABN, with the assistance of the SARB, embarked on a factory modernisation project. The objectives of the modernisation project include, but are not limited to, increasing the capacity at the SABN; re-engineering of processes to improve productivity and efficiencies; improving quality and reducing waste, and providing the machinery and equipment to enable it to print the

new banknote series. A major part of the modernisation is the re-skilling of staff to enable them to operate and maintain the new machines. In this regard, the SABN will contribute to job and skills creation in South Africa. To achieve this, the SARB and the SABN entered into a three-year turnkey contract with KBA, the premier global manufacturer of banknote printing equipment. The project is funded by the SARB through a loan to the SABN.

The problems experienced in 2010 are being addressed as part of the modernisation of the plant and re-skilling of staff. The SABN is fully operational and able to meet its obligations. The challenge by the former Managing Director, Mr M Mbhele, against his dismissal in December 2010, remains a matter that is before the labour court.

The SABN has a Board that assumes ultimate oversight responsibility for the company. In the discharge of its responsibilities the Board is supported by an Audit and Risk Committee, a Human Resources Committee, and a Safety, Health and Environment (SHE) Committee as subcommittees. The Board is chaired by an independent non-executive director.

K P (Koosum) Kalyan was appointed as Chairperson of the SABN on 1 August 2011, after X P Guma had retired as Senior Deputy Governor and stepped down as Chairperson of the SABN. A (Aboobaker) Ismail resigned from the Board on 18 November 2011. J (Joyce) Kumbirai was appointed as Managing Director with effect from 1 May 2011. As part of the ongoing restructuring at the SABN, the establishment of the position of chief operating officer (COO) and CFO was approved by the Board at its meeting on 18 November 2011. With effect from 1 January 2012 T I (Tom) Coetzee was appointed as the COO and G J (Gerrie) Terblanche was appointed as the acting CFO.

As at 31 March 2012 the Board comprised the following members:

– K P (Koosum) Kalyan (Chairperson)	Independent, non-executive director
– N (Nomkhita) Nqweni	Independent, non-executive director
– N (Nkuli) Swana	Independent, non-executive director
– L (Bertus) van Zyl	Non-executive director
– J (Joyce) Kumbirai	Managing Director

R J G (Rob) Barrow and N (Naidene) Ford-Hoon were appointed to the Board and the Audit and Risk Committee of the SABN on 16 February 2012 and 23 April 2012 respectively.

As at 31 March 2012 the Company Secretary was J N L (Johan) Fourie, who is an employee of the Bank's Secretarial Support Services Unit.

South African Mint Company (Pty) Limited (S A Mint)

The SA Mint is a private company registered in terms of the Companies Act. The SA Mint functions as an independent subsidiary with its own premises, infrastructure and accounting systems. The SA Mint is a wholly owned subsidiary of the Bank.

The SA Mint has a Board that assumes ultimate oversight responsibility for the company. In the discharge of its responsibilities the Board is supported by an Audit and Risk Committee, a Human Resources Committee, and a SHE Committee as subcommittees. The Board is chaired by a non-executive director, who is a deputy governor of the Bank.

As at 31 March 2012 the Board comprised the following members:

– A D (Daniel) Mminele (Chairperson)	Non-executive director (Deputy Governor of the Bank)
– K P (Koosum) Kalyan	Independent non-executive director
– S J (Joe) Tau	Independent non-executive director
– N (Nkuli) Swana	Independent non-executive director
– R W K (Raymond) Parsons	Independent non-executive director
– N (Nomkhita) Nqweni	Independent non-executive director
– L (Leanne) Pillay	Non-executive director
– R J G (Rob) Barrow	Non-executive director
– A M (Andile) Mvinjelwa	Managing Director

N Swana was reappointed as independent non-executive director for a second term of three years with effect from 17 September 2011.

R J G Barrow was appointed a non-executive director for a first term of three years with effect from 15 March 2012 and was appointed a member of the Audit Committee. Subsequent to the year-end, N (Naidene) Ford-Hoon was appointed to the Board as a non-executive director and as a member of the Audit Committee.

A M Mvinjelwa was suspended and M T (Tumi) Tsehlo was appointed Acting Managing Director with effect from 8 December 2012.

During the reporting period, the Board of the SA Mint became aware of problems and conducted internal investigations relating to product and quality control, alleged theft, and other operational issues. The investigation in the Circulation Coins Division involved the theft of R5 circulation coins. The estimated value of the theft was R500 000. The matter was subsequently handed over to the SAPS for criminal investigation. The Numismatics Division investigation revealed that some of the proof Krugerrand coins minted from the batch cast between April 2011 and May 2011 did not meet all the required quality specifications. The necessary reorganisation and security measures are being implemented to address the weaknesses that have been identified.

The Board suspended both the Managing Director and Numismatics General Manager, pending the outcome of the investigation. The Board appointed the General Manager of Circulation Coins and the Deputy General Manager in Numismatics to these positions, respectively, to act in these capacities.

The S A Mint subsequently reached an agreement with Managing Director Mr A M (Andile) Mvinjelwa and General Manager Numismatics Mr T (Thomas) Davel to terminate their respective terms of service, by means of a mutual separation, with effect from 31 May 2012.

As at 31 March 2012 the Acting Company Secretary was T P (Tiyani) Mongwe.

South African Reserve Bank Captive Insurance Company Limited (SARBCIC)

The SARBCIC is a wholly owned subsidiary of the Bank, registered in terms of the Companies Act as a public company to comply with the provisions of section 9(3)(a)(i) of the Short-term Insurance Act, 1998 (Act No. 53 of 1998). SARBCIC conducts its operations from the Bank's Head Office building, and uses the Bank's accounting systems and other infrastructure.

SARBCIC carries out short-term insurance business for, and on behalf of, the Group. There were no significant transactions and arrangements outside of the normal course of business of SARBCIC during the year ended 31 March 2012. No material deficiency findings were noted by the independent assurance providers or regulatory authorities. SARBCIC furthermore satisfies the Interim Solvency Capital Requirements (SCR) under the Financial Services Board's Solvency Assessment and Management regime, due for implementation in 2015.

SARBCIC's Board is ultimately accountable and responsible for the performance and affairs of the company. The Board has established an Audit, Risk and Compliance Committee to assist it in the discharge of its responsibilities.

As at 31 March 2012, the Board comprised the following members:

– M (Monde) Mnyande	Non-executive director and Chairperson (Adviser to the Governor and Chief Economist)
– M (Mahomed) Akoob	Independent, non-executive director
– M (Melanie) Bosman	Independent, non-executive director
– P N (Precious) Sibiya	Independent, non-executive director
– G H (Gert) Engelbrecht	Executive director
– F G (Gerhard) Wiehman	Executive director and CEO

G H Engelbrecht and F G Wiehman are both employees of the Bank's FSD.

As at 31 March 2012, the Company Secretary was S W (Sandile) Soga, who is also an employee of the Bank's FSD.

Shareholding and dividends

The Bank is a statutory body governed by the SARB Act. Unlike a company with a profit motive, the SARB constitutes a public interest, non-profit maximising, non-competitive statutory corporation.

Owing to its public-sector role, the Legislature evidently regarded it as efficacious to provide for the control of the Bank to be shared between government and the private sector. For this purpose, the system of private shareholding in the Bank was introduced, not with a profit-sharing motive in mind, but primarily with a corporate governance objective.

This non-profit maximisation public interest role of the Bank necessitated a realignment of the rights, powers and status of shareholders in an ordinary company to suit those of shareholders in a central bank.

By virtue of the fact that the Bank is a creature of statute, shareholders of the Bank are unable, by means of a resolution or otherwise, to order its affairs by amending or deviating from the prescriptions of the SARB Act.

Shareholders also receive a fixed dividend at a rate of 10 per cent per annum on the nominal value of their shares. The maximum number of shares an individual shareholder and his/her/its associates can hold is 10 000. Voting is restricted to one vote for every two hundred shares held, with a maximum of fifty votes per individual shareholder together with his/her/its associates, which votes may be exercised at meetings of shareholders of the Bank.

The Bank continued to facilitate an over-the-counter market for the trading of its shares. During the financial year under review 25 transactions (49 transactions in the previous year) were concluded in respect of 21 275 shares (75 313 shares in the previous financial year).

As at the financial year-end, the Bank had 668 shareholders of which 67 are not ordinarily resident in the Republic of South Africa, compared to 663 shareholders on 31 March 2011 of which 64 were not ordinarily resident in the Republic at that time.

Annual financial statements for the year ended 31 March 2012

Contents

Financial framework

Reporting framework

These consolidated financial statements have been prepared in accordance with the South African Reserve Bank Act, 1989 (Act No. 90 of 1989), as amended (SARB Act) and the accounting policies set out in Note 1 to the financial statements.

The SARB Act is not prescriptive regarding the accounting framework that the South African Reserve Bank (the Bank) should adopt, except for sections 25 to 28, which deal with the accounting treatment of gold and foreign-exchange transactions. These sections are not aligned with International Financial Reporting Standards (IFRSs). The Bank has chosen to use IFRSs as a guide in deciding on the most appropriate accounting policies to adopt, and as a model for the presentation and disclosure framework followed in its financial statements.

However, the SARB Act takes precedence over IFRSs in the areas noted above and, as a result, the recognition and measurement criteria as set out in IFRSs have not been followed in these circumstances. In addition, the Bank considers certain disclosures inappropriate to its functions. Therefore, the Bank's financial statements disclose less detail than would be required under IFRSs. The significant departures from IFRSs as a consequence of the above are summarised as follows:

Recognition and measurement

According to the SARB Act,

1 realised and unrealised valuation gains and losses on gold and realised and unrealised foreign-exchange gains and losses on foreign-denominated assets and liabilities are for the account of government, and have, therefore, not been accounted for in profit or loss, as required by International Accounting Standard (IAS) 21, *The Effects of Changes in Foreign Exchange Rates;* and

2 gold is valued in terms of section 25 of the SARB Act at the statutory gold price as published in the *Government Gazette*. Gold has been recognised as a financial asset of the Bank.

Presentation

In the financial statements

1 not all information as required by IFRS 7, *Financial Instruments Disclosures,* is disclosed. This relates specifically to a sensitivity analysis for each type of market risk to which the Bank is exposed at the reporting date, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date. In addition the credit quality of financial assets is not disclosed; and

2 assets and liabilities relating to securities lending activities have been disclosed, but offset in Note 6 to the financial statements because it is considered inappropriate to gross up the foreign reserves of the Bank.

Report of the Audit Committee

The Audit Committee is a subcommittee of the Board of Directors (the Board). The responsibilities of the committee are detailed in its terms of reference as approved by the Board and are reviewed annually. The committee comprises at least three non-executive members of the Board who form the majority of the members.

The Audit Committee invites management, internal auditors, external auditors and others to attend meetings and provide pertinent information, as necessary. Such attendees do not vote on any matters at Audit Committee meetings. The members of the committee collectively possess the necessary skills and experience for the proper execution of their responsibilities.

These responsibilities include providing oversight on financial reporting and other matters such as the monitoring of controls, governance processes and financial risk management in the Bank. The committee also ensures effective communication between the internal auditors, external auditors, the Board and management. The Bank's subsidiaries (with the exception of the Corporation for Public Deposits) have their own audit committees, which subscribe to the same philosophy as the Bank's Audit Committee. The minutes of audit committee meetings of the subsidiaries are tabled at meetings of the Bank's Audit Committee.

The committee is responsible for recommending the appointment of external auditors by shareholders, for overseeing their work and for maintaining a professional relationship with them. The external auditors have unrestricted access to the committee and the Board. The committee annually assesses non-audit work done by external auditors to ensure that their independence is maintained. In assessing the independence of the external auditors, the committee reviews independence letters submitted by the external auditors. These letters include non-audit services provided by the external auditors for the period under review. The Bank has a formal external audit partner rotation process in accordance with relevant legal and regulatory requirements.

The Internal Audit Charter, which lays down the purpose, authority and responsibility of the internal audit function, is reviewed and approved by the Governors' Executive Committee (GEC), the committee and the Board annually. The committee concurs with the appointment, replacement or dismissal of the Chief Internal Auditor. It also reviews the scope and coverage of the internal audit function, and approves its coverage and work plan for the period under review. The internal auditors have unrestricted access to all functions, records, property and personnel of the Bank. To enhance their independence, the internal auditors have unrestricted access to the Governor, committees and the Board of the Bank.

Management is focused on continuous improvements to the system of internal control including internal financial controls (IFCs) and the internal audit function reviews the adequacy and effectiveness of such controls. The IFC review is aimed at providing comfort on the completeness, accuracy and validity of financial records which are relied upon for the preparation and presentation of the annual financial statements. The Audit Committee is satisfied that there was no breakdown in the IFCs during the financial year that caused material loss to the South African Reserve Bank and its subsidiaries (the Group). Certain control breakdowns in the currency-producing subsidiaries did not cause material losses to the Group and remedial actions are being taken to rectify the deficiencies. This assessment is based on the results of the documented review noted above, information and explanations given by management and the group internal audit function, as well as discussion with independent external auditors on the results of their audits.

The committee reviews internal audit reports, and assesses the role, independence and effectiveness of the internal audit function on an ongoing basis.

The committee is satisfied with the expertise and adequacy of resources within the Financial Services Department. The committee relies on feedback obtained from both external and internal audit to make these assessments.

A subcommittee of newly elected non-executive directors on the Audit Committee reviewed various documentation and considered allegations of poor governance in the Bank. Their conclusion was that the allegations are without substance and that the governance of the Bank meets acceptable standards of integrity and transparency.

The committee confirms that it carried out its functions responsibly and has satisfactorily complied with its mandate for the period under review. The committee has also satisfied itself that the external auditors are independent and are able to conduct their audit functions without any undue influence from the Bank.

R J G Barrow
Chairperson of the Audit Committee

Independent auditors' report to the shareholders of the South African Reserve Bank

We have audited the group financial statements and financial statements of the South African Reserve Bank (the Bank), which comprise the consolidated and separate statements of financial position as at 31 March 2012, and the consolidated and separate statements of comprehensive income, and the consolidated and separate statements of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies, other explanatory information, and the directors' report, as set out on pages 71 to 122. The financial statements have been prepared by management of the Bank in accordance with the accounting policies described in Note 1 to the financial statements and the requirements of the South African Reserve Bank Act, 1989 (Act No. 90 of 1989), as amended (the South African Reserve Bank Act).

Directors' responsibility for the financial statements

The Bank's directors are responsible for the preparation and presentation of these consolidated and separate financial statements in accordance with the accounting policies described in Note 1 to the financial statements and the requirements of the South African Reserve Bank Act. The Bank's directors are further responsible for determining that the basis of preparation is acceptable in the circumstances, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate financial statements of the Bank for the year ended 31 March 2012 have been prepared, in all material respects, in accordance with the accounting policies described in Note 1 to the financial statements and the requirements of the South African Reserve Bank Act.

Basis of accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared for the purpose as described therein. As a result, the financial statements may not be suitable for any other purpose.

PricewaterhouseCoopers Inc.
Director: Thomas Magill
Registered Auditor

SizweNtsalubaGobodo Inc.
Director: Pravesh Hiralall
Registered Auditor

Johannesburg
14 June 2012

PricewaterhouseCoopers Inc, 2 Eglin Road, Sunninghill 2157, Private Bag X36, Sunninghill 2157, South Africa. Tel: +27 (11) 797 4000, Fax: +27 (11) 797 5800, www.pwc.co.za
Executive: S P Kana (Chief Executive Officer) T P Blandin de Chalain D J Fölscher P J Mothibe S Subramoney F Tonelli.
Resident Director in Charge: E R Mackeown. The Company's principal place of business is at 2 Eglin Road, Sunninghill where a list of directors' names is available for inspection. Reg. no. 1998/012055/21, VAT reg.no. 4950174682.

SizweNtsalubaGobodo Inc. Reg. no. M2005/034639/21 20 Morris Street East Woodmead 2191 P.O. Box 2939 Saxonwold 2132 Tel: (011) 231 0600 Fax: (011) 234 0933
Executive: Nonkululeko Gobodo (Chairman) Victor Sekese (CEO) Natalie Arendse Rakesh Bhika Vonani Chauke Aaron Mthimunye Donovan Simpson Mike Terheyden Hale Qangule. A comprehensive list of all Partners, Directors, and Associate Directors is available at the company offices or registered office.

Directors' report for the year ended 31 March 2012

Introduction

The directors are pleased to report on the activities of the Group and its financial results for the period under review.

This report, issued in terms of the SARB Act and the Regulations framed in terms of the aforesaid Act, addresses the performance of the Group and relevant statutory information requirements.

It is the directors' responsibility to prepare annual financial statements and related financial information that present the state of affairs of the Group and its financial results. These financial statements have been prepared on a going-concern basis, taking cognisance of certain unique aspects relating to the Bank's ability to create and withdraw domestic currency, its role as lender of last resort, its responsibilities in the area of financial stability, and in its relationship with government concerning foreign-exchange and gold transactions.

Management prepared the annual financial statements set out in the annual report. The statements include appropriate and responsible disclosure, and are based on accounting policies that have been applied consistently, and that are supported by reasonable and prudent judgements and estimates.

The financial statements have been audited by the Group's independent external auditors, who were given unrestricted access to all financial records and related data, including minutes of all meetings of the Board, committees of the Board and management.

The directors have responsibility for governance in the Bank, which is monitored on an ongoing basis. The Bank applies the *King Report on Corporate Governance for South Africa 2009 (*King III) principles and guidelines where appropriate, and where they are not in contravention of the SARB Act.

Nature of business

The Bank is the central bank of the Republic of South Africa and is regulated in terms of the SARB Act. Its primary objective is to achieve and maintain price stability within a framework of financial stability in the interest of sustainable and balanced economic growth. In pursuance of this objective, the Bank assumes responsibility for the functions as set out on page 5 of this report.

Subsidiaries

The wholly owned subsidiaries of the Bank are involved in the following activities:

- Corporation for Public Deposits (CPD) receives and invests call deposits from government and public entities;
- South African Bank Note Company (Pty) Limited (SABN) produces banknotes;
- South African Mint Company (Pty) Limited (SA Mint) produces coin; and
- South African Reserve Bank Captive Insurance Company (Pty) Limited (SARBCIC) manages certain short-term insurable risks of the Bank and its subsidiaries

Information regarding the Bank's financial interest in its subsidiaries is reflected in Note 30 on page 111 of this report.

No special resolutions have been passed by the Bank's subsidiaries during the year under review, which may be significant in respect of the state of affairs of the Bank.

Achievement of objectives

The Bank's achievements in respect of its objectives, including the achievement of its main objective, namely the maintenance of price stability, will be addressed by the Governor at the Ordinary General Meeting (AGM).

Financial results

The statement of comprehensive income appears on page 76 of the annual financial statements.

All remaining profits of the Bank and the CPD, after provisions normally provided for by bankers and payment of dividends, are paid to government in terms of the SARB Act and the Corporation for Public Deposits Act, 1984 (Act No. 46 of 1984) (CPD Act). Amounts paid and due in terms of the said Acts over the past two years were as follows:

	Group	Bank
	R'000	R'000
31 March 2012	50 120	0
31 March 2011	52 870	0

The Bank incurred a loss after taxation of R490,5 million (R679,1 million before taxation) for the year ended 31 March 2012 due to the high costs associated with holding the country's gold and foreign reserves. Owing to continued adverse developments in global economic and financial markets, the returns earned on foreign investments have continued to be low, while the funding costs of these investments approximate the repo rate.

The amount of R50,1 million paid by the Group to government for the year ended 31 March 2012 emanated from the CPD. Given the loss incurred in the 2011/12 financial year, no profits were transferred from the Bank to government.

Financial position

The statement of financial position appears on page 75 of the annual financial statements.

The Bank's total assets increased by R60,0 billion during the year under review: an increase of R54,2 billion in gross gold and foreign assets, while domestic assets increased by R5,8 billion. Owing to the depreciation of the rand and an increase in the gold price, the balance on the Gold and Foreign Exchange Contingency Reserve Account (GFECRA) (used for currency revaluation of the gross gold and foreign assets and liabilities which is for the account of government) increased by R39,4 billion.

Dividends

The final dividend of 5 cents per share for the 2010/11 financial year was paid on 13 May 2011 and an interim dividend of 5 cents per share for the 2011/12 financial year was paid to shareholders on 28 October 2011. A final dividend of 5 cents per share, bringing total dividends paid to R200 000 for the 2011/12 financial year, was declared on 2 April 2012 and paid on 11 May 2012.

Directors

The composition of the Board appears on page 8 of this report.

The terms of office of D Konar (commerce or finance), Z P Manase (commerce or finance) and N D Orleyn (mining) expired at the previous AGM, and they were not available for re-election, having each served in excess of nine years on the Board.

The following new directors joined the Board during the period under review:

- R J G Barrow was elected by shareholders with effect from 1 July 2011, having knowledge and skills in commerce or finance;
- R le Roux was elected by shareholders with effect from 1 July 2011, having knowledge and skills in labour;
- G M Ralfe was elected by shareholders with effect from 1 July 2011, having knowledge and skills in mining;
- M S V Gantsho was appointed by government with effect from 11 June 2011;
- M M Manyama-Matome was appointed by government with effect from 6 October 2011; and
- T Ajam was appointed by government with effect from 6 October 2011.

The term of office of S M Goodson (commerce or finance) would have expired at the time of the 2012 AGM. However, he resigned from the Board on 3 May 2012. Shareholders will be asked at the 2012 AGM to elect one non-executive director with knowledge and skills in commerce or finance to replace him.

F E Groepe was reappointed by government as a non-executive director with effect from 15 June 2011. With effect from 1 January 2012, he was appointed as Deputy Governor for a period of five years and accordingly relinquished his position as non-executive director. He filled the vacancy arising from the retirement of Senior Deputy Governor X P Guma on 31 July 2011. A vacancy remains for a government-appointed non-executive director on the Board.

None of the directors in office as at the date hereof held any direct or indirect shareholding in the Bank as at 31 March 2012. S M Goodson, who resigned on 3 May 2012, holds 10 000 shares in the Bank.

The total directors' fees paid for services rendered as directors during the past financial year are reflected in Note 30.4 on pages 113 and 114 of the annual financial statements.

Secretary of the Bank

S L Reynolds

Business address:
370 Helen Joseph (previously Church) Street
Pretoria
0002

Postal address:
P O Box 427
Pretoria
0001

The financial statements were approved by the Board on 14 June 2012 and signed on its behalf by:

.....
G Marcus
Governor

.....
F E Groepe
Deputy Governor

.....
R J G Barrow
Non-executive Director and
Chairperson: Audit Committee

.....
J F van der Merwe
Non-executive Director and
Chairperson: Non-executive
Directors' Committee

N Ford-Hoon
Chief Financial Officer

S L Reynolds
Secretary of the Bank

Statement by the Secretary of the Bank

In my capacity as Secretary of the Bank, I certify that all the returns required to be submitted in terms of the SARB Act, for the year ended 31 March 2012, have been completed and are up to date.

S L Reynolds
Secretary of the Bank

14 June 2012

Statement of financial position
at 31 March 2012

		Group		Bank	
		2012	2011	2012	2011
	Notes	R'000	R'000	R'000	R'000
Assets					
Cash and cash equivalents	2	76 217	95 282	0	0
Accommodation to banks	3	20 583 405	16 416 205	20 583 405	16 416 205
South African Government bonds	4	8 386 405	8 253 367	8 386 405	8 253 367
Loans and advances	5	67 923	69 380	67 923	69 380
Current taxation prepaid		2 350	6 131	0	0
Amount due by subsidiaries	30.2	0	0	335 332	194 567
Gold and foreign exchange	6	388 565 754	334 337 660	388 565 754	334 337 660
Inventories	7	327 799	353 236	6 992	8 338
Investments	8	13 645 662	8 132 369	0	0
Amount due by the South African Government	9	0	794 162	0	794 162
Property, plant and equipment	10	2 398 623	1 685 843	924 279	815 249
Investment in subsidiaries	30.1	0	0	859 000	279 000
Equity investment in Bank for International Settlements	11	310 628	281 432	310 628	281 432
Deferred taxation assets	12	1 390 471	1 191 158	1 258 434	1 131 751
Forward exchange contract assets	13	1 406 009	45 147	1 406 009	40 830
Other assets	14	378 391	400 437	320 952	371 197
Total assets		437 539 637	372 061 809	423 025 113	362 993 138
Liabilities					
Deposit accounts	15	178 607 620	159 644 741	157 554 895	149 229 509
Amounts due to subsidiaries	30.2	0	0	8 279 960	3 001 008
South African Reserve Bank debentures	16	21 027 791	34 708 311	21 027 791	34 708 311
Foreign loans and deposits	17	67 563 850	58 610 330	67 563 850	58 610 330
Notes and coin in circulation	18	90 164 553	78 252 581	90 164 553	78 252 581
Gold and Foreign Exchange Contingency Reserve Account	19	67 654 647	28 282 942	67 654 647	28 282 942
Deferred taxation liabilities	12	184 039	161 194	62 157	53 215
Forward exchange contract liabilities	13	751 284	876 958	749 702	876 958
Other liabilities	20	661 063	431 362	246 395	226 230
Post-employment benefits	21.2	1 445 515	1 153 987	1 316 555	1 038 932
Total liabilities		428 060 362	362 122 406	414 620 505	354 280 016
Capital and reserves					
Share capital	22	2 000	2 000	2 000	2 000
Accumulated profit		995 625	1 146 800	0	0
Statutory reserve		395 164	395 164	395 164	395 164
Contingency reserve		7 529 364	8 020 506	7 450 322	7 941 025
Bond revaluation reserve		557 122	374 933	557 122	374 933
Total capital and reserves		9 479 275	9 939 403	8 404 608	8 713 122
Total liabilities, capital and reserves		437 539 637	372 061 809	423 025 113	362 993 138

Statement of comprehensive income

for the year ended 31 March 2012

		Group		Bank	
		2012	2011	2012	2011
	Notes	R'000	R'000	R'000	R'000
Interest income		6 460 523	4 560 244	4 694 009	3 303 119
Interest expense		(5 109 408)	(4 695 795)	(3 413 790)	(3 523 387)
Net interest income/(expense)		1 351 115	(135 551)	1 280 219	(220 268)
Dividend income		27 285	67 279	27 207	67 227
Operating income		999 572	1 266 986	798 137	1 035 749
Total income	23.1	2 377 972	1 198 714	2 105 563	882 708
Operating costs	23.2	(3 215 430)	(2 736 318)	(2 784 658)	(2 499 867)
Loss before taxation	23	(837 458)	(1 537 604)	(679 095)	(1 617 159)
Taxation	24	245 461	444 688	188 592	450 964
Loss for the year		(591 997)	(1 092 916)	(490 503)	(1 166 195)
Other comprehensive income (net of taxation)					
Fair value adjustments on available-for-sale financial assets		182 189	2 298	182 189	2 298
Total comprehensive loss for the year (net of taxation)		(409 808)	(1 090 618)	(308 314)	(1 163 897)

Statement of cash flows

for the year ended 31 March 2012

		Group		Bank	
		2012	2011	2012	2011
	Notes	R'000	R'000	R'000	R'000
Cash flows from operating activities					
Cash generated from operating activities	26	6 434 536	3 093 334	772 203	68 865
Taxation received		3 781	94 760	0	101 006
Dividends paid		(200)	(200)	(200)	(200)
Transfer to government		(52 870)	(37 463)	0	0
Net cash flows generated from operating activities		6 385 247	3 150 431	772 003	169 671
Cash flows utilised by investing activities		(6 404 312)	(3 150 473)	(772 003)	(169 671)
Purchase of property, plant and equipment		(900 562)	(423 368)	(201 475)	(170 122)
Disposal of property, plant and equipment		9 543	50 340	9 472	451
Acquisition of investments		(5 513 293)	(2 777 445)	(580 000)	0
Net decrease in cash and cash equivalents		(19 065)	(42)	0	0
Cash and cash equivalents at the beginning of the year		95 282	95 324	0	0
Cash and cash equivalents at the end of the year	2	76 217	95 282	0	0

Statement of changes in equity: Group

for the year ended 31 March 2012

	Share capital	Accumulated profit	Statutory reserve	Contingency reserve	Bond revaluation reserve	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Balance at 31 March 2010	2 000	1 126 412	395 164	9 186 880	372 635	11 083 091
Total comprehensive loss for the year	0	(1 092 916)	0	0	2 298	(1 090 618)
Fair value adjustments on available-for-sale financial assets	0	0	0	0	2 298	2 298
Loss for the year	0	(1 092 916)	0	0	0	(1 092 916)
Transfer to government	0	(52 870)	0	0	0	(52 870)
Transfer from reserves	0	1 166 374	0	(1 166 374)	0	0
Dividends paid (Note 25)	0	(200)	0	0	0	(200)
Balance at 31 March 2011	2 000	1 146 800	395 164	8 020 506	374 933	9 939 403
Total comprehensive loss for the year	0	(591 997)	0	0	182 189	(409 808)
Fair value adjustments on available-for-sale financial assets	0	0	0	0	182 189	182 189
Loss for the year	0	(591 997)	0	0	0	(591 997)
Transfer to government	0	(50 120)	0	0	0	(50 120)
Transfer from reserves	0	491 142	0	(491 142)	0	0
Dividends paid (Note 25)	0	(200)	0	0	0	(200)
Balance at 31 March 2012	2 000	995 625	395 164	7 529 364	557 122	9 479 275

Explanatory notes

Statutory reserve

The statutory reserve is maintained in terms of section 24 of the SARB Act, which stipulates that one-tenth of the surplus of the Bank, after provisions normally provided for by bankers and payment of dividends, has to be credited to the statutory reserve.

Contingency reserve

Contingency reserves are maintained to provide against risks to which the Bank, the CPD and the SARBCIC are exposed.

Bond revaluation reserve

Gains and losses arising from a change in fair value of available-for-sale financial assets are recognised in other comprehensive income. When these financial assets are sold, collected or otherwise disposed of, the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss.

Transfer to government

In terms of the SARB Act, nine-tenths of any surplus of the Bank, after provisions normally provided for by bankers and payment of dividends, has to be paid to government. In terms of section 15 of the CPD Act, the balance of net profits after transfers to reserves and payment of dividends has to be paid to government. For the year ended 31 March 2012 an amount of R50,1 million (2011: R52,9 million) was transferred to government by the CPD.

Statement of changes in equity: Bank

for the year ended 31 March 2012

	Share capital	Accumulated profit	Statutory reserve	Contingency reserve	Bond revaluation reserve	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Balance at 31 March 2010	2 000	0	395 164	9 107 420	372 635	9 877 219
Total comprehensive loss for the year	0	(1 166 195)	0	0	2 298	(1 163 897)
Fair value adjustments on available-for-sale financial assets	0	0	0	0	2 298	2 298
Loss for the year	0	(1 166 195)	0	0	0	(1 166 195)
Transfer to government	0	0	0	0	0	0
Transfer from reserves	0	1 166 395	0	(1 166 395)	0	0
Dividends paid (Note 25)	0	(200)	0	0	0	(200)
Balance at 31 March 2011	2 000	0	395 164	7 941 025	374 933	8 713 122
Total comprehensive loss for the year	0	(490 503)	0	0	182 189	(308 314)
Fair value adjustments on available-for-sale financial assets	0	0	0	0	182 189	182 189
Loss for the year	0	(490 503)	0	0	0	(490 503)
Transfer to government	0	0	0	0	0	0
Transfer from reserves	0	490 703	0	(490 703)	0	0
Dividends paid (Note 25)	0	(200)	0	0	0	(200)
Balance at 31 March 2012	2 000	0	395 164	7 450 322	557 122	8 404 608

Explanatory notes

Statutory reserve

The statutory reserve is maintained in terms of the SARB Act, which stipulates that one-tenth of the surplus of the Bank, after provisions normally provided for by bankers and payment of dividends, has to be credited to the statutory reserve.

Contingency reserve

A contingency reserve is maintained to provide against risks to which the Bank is exposed.

Bond revaluation reserve

Gains and losses arising from a change in fair value of available-for-sale financial assets are recognised in other comprehensive income. When these financial assets are sold, collected or otherwise disposed of, the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss.

Transfer to government

In terms of section 24 of the SARB Act, nine-tenths of the surplus of the Bank, after provisions normally provided for by bankers and payment of dividends, has to be paid to government. Since the Bank incurred a loss for the year (2011: loss), no amount was transferred to government.

Notes to the financial statements

1. Accounting policies

The principal accounting policies adopted in the preparation of these consolidated annual financial statements are set out below. The accounting policies have been applied consistently to all years presented, unless otherwise stated.

1.1 Basis of presentation

These consolidated annual financial statements have been prepared in accordance with the SARB Act and the accounting policies set out in this note.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies of the Bank. The areas of a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in the relevant notes.

1.1.2 Changes in accounting policy and disclosure

New and amended standards adopted by the Group

There are no IFRSs or International Financial Reporting Interpretations Committee (IFRIC) interpretations that have been applied in the current year, which would have affected amounts reported in these financial statements.

New standards, amendments and interpretations issued, but not effective, for the financial year beginning 1 April 2011, and not adopted early

The Group is currently assessing the impact of the new standards and amendments listed below on the consolidated financial statements and will not be adopting any of the anticipated changes prior to the effective date stipulated by the International Accounting Standards Board (IASB).

– The amendments to IFRS 7, *Financial Instruments Disclosures*, increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

  It is not anticipated that these amendments to IFRS 7 will have a significant effect on the Group's disclosures. However, if the Group enters into any types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

– IFRS 9, *Financial Instruments*, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces those parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: (1) those measured at fair value; and (2) those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash-flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, this was allowed.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The Group has yet to assess the full impact of IFRS 9 on the consolidated financial statements until the standard is finalised in its entirety.

– IFRS 10, *Consolidated Financial Statements*, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard is effective for annual periods beginning on or after 1 January 2013. It provides additional guidance to assist in the determination of control where this is difficult to assess.

– IFRS 12, *Disclosures of Interests in Other Entities,* includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance-sheet vehicles. The standard is effective for annual periods beginning on or after 1 January 2013.

– IFRS 13, *Fair Value Measurement*, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and the United States Generally Accepted Accounting Principles (US GAAP), do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The standard is effective for annual periods beginning on or after 1 January 2013.

– The amendments to IAS 1, *Presentation of Financial Statements*, retain the option to present profit or loss and other comprehensive income either in a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (1) items that will not be reclassified subsequently to profit or loss; and (2) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

  The changes to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

– The amendments to IAS 19, *Employee Benefits*, change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets and requires all actuarial gains and losses to be recognised through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

  The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

1.2 Consolidation

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries. The results of subsidiaries are included from the effective dates on which control is transferred to the Bank until the effective dates of disposal. Control is achieved where the Bank has the power to govern the financial and operational policies of an investee

enterprise to obtain benefits from its activities. All inter-company balances, transactions and unrealised gains and losses on transactions within the Group have been eliminated.

Subsidiaries are all entities (including special purpose entities) over which the Bank has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50 per cent of the voting power but is able to govern the financial and operating policies by virtue of de facto control. De facto control may arise in circumstances where the size of the Group's voting rights, relative to the size and dispersion of holdings of other shareholders, give the Group the power to govern the financial and operating policies.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Investment in subsidiaries

The Bank uses the purchase method of accounting for its investments in subsidiaries as the basis for recording an acquisition. Investments in subsidiaries are stated at cost less allowance for impairment losses where appropriate. No goodwill has arisen on acquisition of subsidiaries.

1.3 Financial instruments

Classification

Financial instruments include all financial assets and financial liabilities, including derivative instruments, but exclude investments in subsidiaries, employee benefit plans, provisions, property, plant and equipment, deferred taxation, inventories and taxation payable or prepaid. Financial instruments are classified as follows:

Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss (including held-for-trading); loans and receivables; and available-for-sale financial assets.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition and re-evaluates this classification at each reporting date.

All financial assets are initially recognised at fair value plus transaction costs, except those carried at fair value through profit or loss. The best evidence of fair value on initial recognition is the transaction price, unless fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on discounted cash-flow models and option-pricing valuation techniques whose variables include only data from observable markets.

Purchases and sales of financial assets that require delivery are recognised on trade date, being the date on which the Group commits itself to purchasing or selling the asset. Financial assets are derecognised when the rights to receive cash flows from the assets have expired, or where the Group has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, the fair values of financial assets are based on quoted bid prices, excluding transaction costs. If the market for a financial asset is not active or an instrument is an unlisted instrument, the fair value is estimated using valuation techniques. These include the use of recent arm's-length transactions, reference to other instruments that are substantially the same, discounted cash-flow analysis and option-pricing models.

When a discounted cash-flow analysis is used to determine the value of financial assets, estimated future cash flows are based on management's best estimates, and the discount rate at the reporting date is a market-related rate for a financial asset with similar terms and conditions. Where option-pricing models are used, inputs based on observable market indicators at the reporting date are only recognised to the extent that they relate to changes in factors that market participants will consider in setting a price.

(a) Financial assets at fair value through profit or loss

This category comprises two subcategories: (1) financial assets held-for-trading and (2) those designated at fair value through profit or loss at inception.

A financial asset is classified as 'held-for-trading' if it is acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit taking or if it is so designated by management. Derivatives are also classified as held-for-trading, unless they are designated as hedges at inception.

A financial asset is designated as 'fair value through profit or loss' when either it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the asset, or recognising the gains or losses on it on different bases; or it forms part of a portfolio of financial assets which is managed and its performance is evaluated on a fair-value basis, in accordance with a documented risk management or investment strategy and information about the portfolio is provided internally on that basis to key management personnel. The main classes of financial assets designated by the Group are debt securities.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. This category does not include those loans and receivables that the Group intends to sell in the short term or that it has designated at fair value through profit or loss or available-for-sale.

Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any provision for impairment. The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured on initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reductions for impairment of financial assets. The carrying amount represents its fair value.

An allowance for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Objective evidence that receivables are impaired includes observable data that comes to the attention of the Group about the following events:

– Significant financial difficulty of the debtor
– A breach of contract, such as default or delinquency in payments
– It becomes probable that the debtor will enter bankruptcy or other financial reorganisation.

The allowance for impairment is the difference between the carrying amount and the recoverable amount of the assets being the present value of expected cash flows discounted at the original rate of interest for similar borrowers. The amount of the allowance is recognised as a charge in profit or loss.

(c) Held-to-maturity financial assets

No financial assets have been designated as 'held-to-maturity'.

(d) Available-for-sale financial assets

Available-for-sale financial assets are those intended to be held for an indefinite period and may be sold in response to liquidity needs or changes in interest rates, exchange rates or equity prices. Financial assets that are either designated in this category or not classified in any of the other categories are classified as 'available-for-sale' financial assets. The main classes of financial assets classified as available-for-sale are South African Government bonds and the equity investment in the Bank for International Settlements (BIS).

Subsequent to initial recognition, available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from changes in fair value are recognised in other comprehensive income until the financial asset is derecognised or impaired. Interest income and dividend income received on available-for-sale financial assets are both recognised in profit or loss.

Impairment of financial assets

An asset is impaired if its carrying amount is greater than its estimated recoverable amount.

(a) Financial assets carried at amortised cost

The Group assesses whether financial assets need to be impaired at each reporting date. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a loss event) and that loss event has an impact on the estimated future cash flows of the financial asset, that can be estimated reliably.

If there is objective evidence that an impairment loss has been incurred on loans and receivables the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate of the financial asset. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, such as improved credit rating, the previously recognised impairment loss is reversed and is recognised in profit or loss.

(b) Financial assets carried at fair value

The Group assesses whether there is objective evidence that a financial asset carried at fair value is impaired at each reporting date. In the case of investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not subsequently reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Financial liabilities

The Group classifies its financial liabilities into the following categories: financial liabilities at fair value through profit or loss; and financial liabilities at amortised cost. The classification depends on the purpose for which the financial liabilities were acquired. Management determines the classification of financial liabilities at initial recognition and re-evaluates this classification at each reporting date.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognised at fair value, generally being their issue proceeds net of transaction costs incurred, except for financial liabilities at fair value through profit or loss.

The best evidence of fair value on initial recognition is the transaction price, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on discounted cash-flow models and option-pricing valuation techniques whose variables include only data from observable markets.

(a) Financial liabilities at fair value through profit or loss

Derivatives with negative fair values have been classified as financial liabilities at fair value through profit or loss.

(b) Other financial liabilities at amortised cost

The following liabilities have been classified as other liabilities: notes and coin issued; South African Reserve Bank debentures (SARB debentures); deposit accounts; amounts due to subsidiaries; foreign loans and deposits; GFECRA; and other creditors. Other liabilities are measured at amortised cost.

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes party to the contractual provisions of the instrument. Trade date accounting is applied for 'regular way' purchases and sales. From this date, any gains or losses arising from changes in the fair value of the assets and liabilities are recognised. Loans and receivables, and other financial liabilities are recognised on the day on which they are transferred to the Group or the day the funds are advanced or received.

Measurement

(a) Initial measurement

A financial asset or financial liability is initially measured at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs directly attributed to the acquisition of the financial asset or liability.

(b) Subsequent measurement

Subsequent to initial recognition, these assets are measured at fair value. All related, realised and unrealised gains and losses arising from changes in fair value, excluding changes in fair value due to foreign exchange movements as explained in Note 1.4, are recognised as interest income in profit or loss. The fair value of all derivatives is recognised in the statement of financial position and is only netted to the extent that a legal right of set-off exists and there is an intention to settle on a net basis.

Fair value through profit or loss financial assets and liabilities, and available-for-sale financial assets are carried at fair value.

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Fair values are determined according to the fair value hierarchy based on the requirements in IFRS 7, *Financial Instruments: Disclosures*. Refer to Note 34, Fair value hierarchy disclosure, for further details.

(i) Derivatives

A derivative is a financial instrument whose value changes in response to an underlying variable that requires little or no initial investment and is settled at a future date. Fair values are obtained from quoted market prices (excluding transaction costs), dealer price quotations, discounted cash-flow models and option-pricing models, which consider current market and contractual prices for the underlying instruments as well as the time value of money.

(ii) Foreign marketable money-market investments

The fair value of foreign marketable money-market investments is based on quoted bid rates, excluding transaction costs.

(iii) Local and foreign portfolio investments including securities lending portfolio investments

The fair values of portfolio investments are valued using the quoted fair values as obtained from portfolio managers. Where these instruments are bank deposits, they are valued at nominal values plus accrued interest based on market rates. These values approximate fair values.

(iv) South African Government bonds

Listed bonds are valued using quoted fair values at year-end as supplied by the JSE Limited.

Loans and receivables, and other liabilities

Loans and receivables, and other liabilities are measured at amortised cost, which approximates fair value, and are remeasured for impairment losses, except as set out below:

- Non-interest-bearing deposit accounts, the GFECRA and amounts due to subsidiaries are accounted for at cost, as these do not have fixed maturity dates and are repayable on demand.
- Notes and coin issued are measured at cost as this liability does not have a fixed maturity date. The banknotes and coin in circulation represent the nominal value of all banknotes held by the public and banks, including recalled, still exchangeable banknotes from previous series.
- Accounts payable are stated at cost, which approximates fair value due to their short-term nature. Amortised cost is calculated on the effective interest method that discounts the estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument or (where appropriate) a shorter period to the net carrying amount on initial recognition.

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of available-for-sale assets are recognised in other comprehensive income. When the financial assets are sold, collected or otherwise disposed of, the cumulative gain or loss recognised in other comprehensive income is transferred to profit or loss in the period in which it arises.

Gains and losses arising from a change in the fair value of financial assets and liabilities designated at fair value through profit or loss are recognised in profit or loss in the period in which they arise, except for gold and foreign-exchange activities, as explained in Note 1.4.

Hedge accounting

Hedge accounting has not been applied to any transactions for the year under review.

Set-off

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position where there is a legally enforceable right to set off the recognised amount and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In addition, as set out in Note 6 to the financial statements, financial assets and liabilities arising from securities lending activities have been offset.

Minimum reserve balances of banks

Where the balances of cash reserve accounts maintained by banks with the Bank, as defined by the Banks Act, 1990 (Act No. 94 of 1990), are less than the minimum reserve balances required by this Act, the shortfalls are recorded in Note 3 to the financial statements as Application of cash reserve balances.

1.4 Foreign currency activities

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements of the Group are presented in South African rand, which is the functional currency of the Group.

(b) Foreign-exchange gains and losses arising in entity accounts

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions.

Gains and losses of subsidiaries arising on conversion to the functional currency are recognised in profit or loss. Foreign-exchange profits or losses of the Bank, insofar as they arise from changes in the value of the rand compared to other currencies, are for the account of government and consequently all these profits or losses are transferred to the GFECRA in terms of sections 25 to 28 of the SARB Act. Investment returns on foreign-exchange reserves and interest paid on foreign loans are for the account of the Bank and are accounted for in profit or loss.

1.5 Property, plant and equipment

Freehold land is carried at cost less accumulated impairment losses. Other items of property, plant and equipment are carried at cost less accumulated depreciation and accumulated

impairment losses. Depreciation is determined separately for each significant part of an item of property, plant and equipment, and is charged so as to write off the cost of the assets (other than land and items under construction) to their residual value over their estimated useful life, using the straight-line method. The estimated useful life of assets has been disclosed in Note 10.

Subsequent costs are included in the carrying amount of the asset only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance costs are charged to profit or loss when incurred.

The residual values and useful life of assets are reviewed at each reporting date and adjusted if appropriate. If the carrying amount of the asset is greater than its estimated recoverable amount, the carrying amount is written down to its recoverable amount.

1.6 Impairment of other assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment, in which case their recoverable amount is estimated.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that suffered an impairment loss are reviewed for possible reversal of the impairment at each reporting date.

A previously expensed impairment loss will be reversed if the recoverable amount increases as a result of a change in the estimates used previously to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised.

1.7 Gold

Gold is held by the Bank as part of its foreign reserves. In terms of section 25 of the SARB Act, gold is initially recorded at the prevailing rates at initial recognition, including transaction costs. Subsequent to initial measurement, it is measured as follows: gold, held by the Bank, is valued at the statutory price. The statutory price is the quoted price at the reporting date. Gold loans are measured at the quoted price at the reporting date.

In terms of section 25 of the SARB Act, all gains and losses on gold held by the Bank are for the account of the South African Government and, consequently, all profits or losses are transferred to the GFECRA.

1.8 Taxation

The tax expense for the period comprises current and deferred tax. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

The charge for current taxation is based on the results for the year as adjusted for items that are non-assessable or disallowed for taxation purposes. It is calculated using taxation rates that have been enacted or substantially enacted by the reporting date, and any adjustment of taxation payable for previous years.

Deferred taxation is provided using the liability method, based on temporary differences. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of

an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Temporary differences are differences between the carrying amount of assets and liabilities for financial reporting purposes and their taxation base. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using taxation laws enacted or substantively enacted at the reporting date. Deferred taxation is charged to profit or loss, except to the extent that it relates to a transaction that is recognised in other comprehensive income or in equity. In this case, the tax is also recognised in other comprehensive income or in equity. The effect on deferred taxation of any changes in taxation rates is recognised in profit or loss, except to the extent that it relates to items previously charged or credited to equity or other comprehensive income.

A deferred taxation asset is recognised to the extent that it is probable that future taxable profit will be available, against which the unutilised taxation losses and deductible temporary differences can be used. Deferred taxation assets are reduced to the extent that it is no longer probable that the related taxation benefits will be realised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries except for deferred taxation liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred taxation assets and liabilities relate to income taxation levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.9 Employee benefits

(a) Pension and retirement funds

The expected costs of post-employment defined benefits are charged to profit or loss over the expected service life of the employees entitled to these benefits according to the projected unit credit method. Costs are actuarially assessed, and expense adjustments and past-service costs resulting from plan amendments are amortised over the expected average remaining service life of the employees.

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past-service costs. The defined benefit obligation is calculated triennially by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial losses arising from experience adjustments and changes in actuarial assumptions are charged to profit or loss when they arise. Past-service costs are recognised in administrative expenses, unless the changes to the pension plan are conditional on the

employees remaining in service for a specified period (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity or fund. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods with respect to life annuitants.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expenses when they are due.

(b) Post-employment benefits

The Bank provides post-employment medical and group life benefits to qualifying employees and retired personnel by subsidising a portion of their medical aid and group life contributions.

Entitlement to these benefits is based on employment prior to a certain date and is conditional on employees remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans.

Past-service costs, and actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised as income or expenses in the current year to the extent that they relate to retired employees or past service.

For active employees, actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised as income or expenses in the current year.

The liability is provided for in an actuarially determined provision.

1.10 Sale and repurchase agreements

The Bank has entered into repurchase agreements as part of its monetary policy activities. Securities purchased under agreements to resell are recorded under accommodation to banks as loans and receivables. Securities sold under agreement to repurchase are disclosed as reverse repurchase agreements included in deposit accounts.

The underlying securities purchased under repurchase agreements are not recorded by the Bank. Likewise, underlying securities sold under repurchase agreements are not derecognised by the Bank.

The differences between the purchase and sale prices are treated as interest and accrued using the effective interest method.

1.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Redundant and slow-moving stocks are identified and written down to their estimated economic or realisable values. Raw materials are valued at cost according to the first-in, first-out basis by subsidiaries. Some raw material is valued at standard cost, which closely approximates actual cost on a first-in, first-out basis.

Consumable stores are valued at the weighted-average cost price.

Maintenance spares are valued at average cost.

Finished goods and work in progress are valued at direct costs of conversion and production overheads on a first-in, first-out basis. Production overheads are included in the cost of manufactured goods, based on normal operating capacity.

Note-printing and coin-minting expenses include ordering, printing, minting, freight, insurance and handling costs. These costs are recorded as part of work-in-progress for the SABN and the SA Mint, and are released to profit or loss when the currency is sold to the Bank.

1.12 Cash flow

For the purpose of the cash flow statement, cash and cash equivalents include cash on hand and bank overdrafts of subsidiaries. As far as the Bank is concerned, no cash and cash equivalents are shown because of the Bank's role as central bank in the creation of money.

1.13 Provisions

Provisions are liabilities of uncertain timing or amount and are recognised when the Group has a present legal or constructive obligation as a result of past events for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the directors' estimate of the expenditure required to settle that obligation at the end of each reporting period, and are discounted (at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability) to present value where the effect is material.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

1.14 Leave pay accrual

Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees.

The leave pay accrual at the reporting date presents the present obligation to employees as a result of employees' services provided up to the reporting date. The accrual is measured as the amount that is expected to be paid as a result of the unutilised leave entitlement that has accumulated at the reporting date.

1.15 Revenue recognition

Interest income and expense are recognised on a time-proportion basis, taking account of the principal outstanding and the effective interest rate over the period to maturity. Interest income and expense are recognised in profit or loss for all interest-bearing instruments on an accrual basis using the effective interest method. Interest income includes changes in the fair value of the Bank's financial assets. Where financial assets have been impaired, interest income continues to be recognised on the impaired value, based on the original effective interest rate. Interest income and expense include the amortisation of any discount or premium, or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest basis.

Dividends are recognised when the right to receive payment is established.

Other revenue arising from the provision of services to clients is recognised on the accrual basis in accordance with the substance of the relevant transaction.

1.16 Use of estimates

The preparation of financial statements requires the use of certain critical accounting estimates. These estimates are based on assumptions and judgements which depend on available information.

Estimates have been made primarily in the following areas: residual values and the useful lives of property, plant and equipment; provisions; and post-employment benefits.

1.17 Changes in accounting policies and accounting estimates

Changes in accounting policies

Changes in accounting policies are accounted for retrospectively by applying the new policies to transactions, other events and conditions as if the new accounting policies had always been applied.

Changes in accounting estimates

Changes in accounting estimates are accounted for prospectively by recognising the effect of the change in accounting estimates in the current and future periods affected by the change.

1.18 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of taxation, from the proceeds.

2. Cash and cash equivalents

	Group		Bank	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
Bank and cash balances	76 217	95 282	0	0

Owing to its role in the creation and withdrawal of money, the Bank has no cash and cash equivalent balances in its statement of financial position. All other financial instruments maturing in less than three months are shown in the statement of financial position under appropriate headings.

3. Accommodation to banks

Repurchase agreements	20 200 000	16 200 000	20 200 000	16 200 000
Application of cash reserve balances	377 317	211 323	377 317	211 323
Accrued interest	6 088	4 882	6 088	4 882
	20 583 405	16 416 205	20 583 405	16 416 205

The repurchase agreements yield interest at the repurchase rate of the Bank.

The following table presents details of collateral received:

Fair value of collateral received (Note 29)	20 331 505	16 939 130	20 331 505	16 939 130
Fair value of collateral permitted to sell or repledge at the reporting date	20 331 505	16 939 130	20 331 505	16 939 130
Collateral cover	100,62%	104,53%	100,62%	104,53%
Maturity date	4 April 2012	6 April 2011	4 April 2012	6 April 2011

At the reporting date, none of the collateralised advances were past due or impaired.

The counterparties are exposed to interest rate risk on the various securities pledged as collateral for repurchase agreements. The Bank has the ability to sell or repledge these securities in the event of default.

4. South African Government bonds

	Group		Bank	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
Listed bonds: Interest bearing	8 290 064	8 157 741	8 290 064	8 157 741
Accrued interest	96 341	95 626	96 341	95 626
	8 386 405	8 253 367	8 386 405	8 253 367
Effective interest rate	8,42%	8,54%	8,42%	8,54%
South African Government bonds that do not qualify for derecognition:				
Listed bonds pledged	5 982 547	5 802 274	5 982 547	5 802 274
Associated liability	6 156 780	5 757 891	6 156 780	5 757 891

The Bank is exposed to interest rate risk on the listed South African Government bonds pledged as security. Government bonds are pledged as collateral for reverse repurchase agreements. The counterparty has the ability to sell or repledge these bonds in the event of default.

5. Loans and advances

Secured foreign loans	67 923	69 380	67 923	69 380

This loan facility of R75 million expires on 31 December 2012 if not renegotiated. The following table presents details of collateral held:

Fair value of collateral received	82 020	81 772	82 020	81 772
Collateral cover	120,75%	117,86%	120,75%	117,86%
Maturity date	9 May 2012	2 June 2011	9 May 2012	2 June 2011

Land Bank bills have been pledged as collateral against the foreign loans. Legal ownership of these Land Bank bills has not transferred to the Bank. As a result, the Bank does not have the ability to sell or repledge these Land Bank bills, except in the event of default. As the bills mature, they are replaced with new bills.

At the reporting date, none of the collateralised advances were past due or impaired.

6. Gold and foreign exchange

Gold and foreign-exchange holdings				
Gold coin and bullion	51 420 493	39 098 131	51 420 493	39 098 131
Money- and capital-market instruments and deposits	107 017 342	110 662 166	107 017 342	110 662 166
Medium-term instruments	172 978 467	143 545 380	172 978 467	143 545 380
Portfolio investments	57 145 434	41 024 614	57 145 434	41 024 614
Accrued interest	4 018	7 369	4 018	7 369
	388 565 754	334 337 660	388 565 754	334 337 660

Gold coin and bullion consists of 4 019 568 fine ounces of gold at the statutory price of R12 792,54 per ounce (2011: 4 017 530 fine ounces at R9 731,88 per ounce).

The foreign-exchange balances yield investment returns achievable in the various currencies in which they are invested. It is not practicable to calculate effective yields on the portfolios due to the volatility caused by exchange rate fluctuations.

Included in the gold and foreign-exchange holdings are the following:

6.1 Derivatives held-for-trading

The Bank, through its approved external fund managers, utilises financial derivative products for portfolio management purposes, and seeks to minimise the effects of currency and interest rate risks by using such instruments to economically hedge the related risk exposures. The use of financial derivatives is governed by the Bank's policies approved by the GEC, which provides written principles on the use of derivative financial instruments. Compliance with policies and exposure limits is reviewed by management on a continuous basis. Risk management practices also include regular reporting to the Board Risk Committee (BRC). The Bank does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

	Net fair value	Fair value of assets	Fair value of liabilities	Contract/ Notional[1] amount
	R'000	R'000	R'000	R'000
Group and Bank 2012				
Forward exchange contracts	(5 409)	4 388	9 797	2 564 686
Futures contracts	9 879	20 115	10 236	7 736 830
Interest rate swaps	(103 253)	23 918	127 171	9 120 926
Total derivatives held-for-trading	(98 783)	48 421	147 204	19 422 442
Group and Bank 2011				
Forward exchange contracts	(135 371)	126 885	262 256	13 141 535
Futures contracts	13 984	31 493	17 509	8 685 989
Interest rate swaps	23 120	23 120	0	12 455 314
Total derivatives held-for-trading	(98 267)	181 498	279 765	34 282 838

[1] The notional amount of a financial instrument is the nominal or face value that is used to calculate payments made on that instrument.

6.2 Securities lending activities

	Group		Bank	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
Liability in respect of collateral received	(44 050 226)	(42 819 458)	(44 050 226)	(42 819 458)
Fair value of underlying investments	43 895 527	42 684 648	43 895 527	42 684 648
Net fair value adjustment included above	(154 699)	(134 810)	(154 699)	(134 810)

7. Inventories

Raw materials	128 799	119 644	0	0
Work in progress	126 696	144 986	0	0
Consumable stores	27 432	28 045	6 992	8 338
Maintenance spares	12 415	9 460	0	0
Finished goods	32 457	51 101	0	0
	327 799	353 236	6 992	8 338

8. Investments

	Group		Bank	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
Local registered bonds	0	6 924	0	0
Short-term South African money-market investments	13 645 662	8 111 519	0	0
Local equities	0	13 926	0	0
	13 645 662	8 132 369	0	0
Maturity structure				
Repayable on demand	2 076 000	5 000	0	0
Repayable within 30 days	6 568 951	3 144 282	0	0
Repayable between 1 and 12 months	5 000 711	4 969 161	0	0
Repayable in more than 12 months	0	0	0	0
	13 645 662	8 118 443	0	0

For investments that meet the definition of financial assets designated at fair value:

Maximum exposure to credit risk	13 645 662	8 118 443	0	0

In terms of investment guidelines, approved by the Boards of Directors of the respective subsidiaries, all investments are placed with reputable financial institutions. The Fitch short-term national credit ratings for institutions primarily utilised by the CPD are all F1+, which is the highest rating in the short term. SARBCIC utilises banking institutions with a Fitch long-term credit rating of no less than AA-. The change in fair value due to changes in credit quality or spreads is not material and has, therefore, not been disclosed separately.

Changes in fair value due to credit risk are regarded as immaterial for investments that have remaining maturities of less than one month.

Included in short-term South African money-market investments are repurchase agreements, the following table presents details thereof:

Fair value of repurchase agreements	5 276 349	1 293 210	0	0
Fair value of collateral received	5 302 009	1 384 000	0	0
Fair value of collateral permitted to sell or repledge at the reporting date	5 302 009	1 384 000	0	0
Collateral cover	100,49%	107,02%	0	0
Maturity date	5 April 2012	7 April 2011	0	0

At the reporting date, none of the collateralised advances were past due or impaired.

The counterparties are exposed to interest rate risk on the various securities pledged as collateral for repurchase agreements. The Group has the ability to sell or repledge these securities in the event of default.

9. Amount due by the South African Government

International Monetary Fund accounts administered on behalf of the South African Government	0	794 162	0	794 162

During the year under review, the South African Government settled the balance on the International Monetary Fund (IMF) accounts administered on its behalf.

10. Property, plant and equipment

10.1 Group: 2012

	Land	Buildings	Plant, vehicles, furniture and equipment	Work in progress	Total
	R'000	R'000	R'000	R'000	R'000
Cost					
Cost at 31 March 2011	39 895	536 447	2 167 229	328 846	3 072 417
Additions	4 560	4 551	16 414	875 037	900 562
Transfers in/(out)	0	10	269 743	(269 753)	0
Disposals	(18)	(3 094)	(119 743)	0	(122 855)
Cost at 31 March 2012	44 437	537 914	2 333 643	934 130	3 850 124
Accumulated depreciation					
Accumulated depreciation at 31 March 2011	0	219 943	1 166 631	0	1 386 574
Charge for the year	0	11 297	171 066	0	182 363
Disposals	0	(3 072)	(114 364)	0	(117 436)
Accumulated depreciation at 31 March 2012	0	228 168	1 223 333	0	1 451 501
Net book value at 31 March 2012	44 437	309 746	1 110 310	934 130	2 398 623
Estimated useful life (years)		50	2 to 28		

Group: 2011

	Land	Buildings	Plant, vehicles, furniture and equipment	Work in progress	Total
	R'000	R'000	R'000	R'000	R'000
Cost					
Cost at 31 March 2010	39 895	535 489	1 999 854	136 989	2 712 227
Additions	0	966	205 257	217 145	423 368
Transfers in/(out)	0	(8)	25 296	(25 288)	0
Disposals	0	0	(63 178)	0	(63 178)
Cost at 31 March 2011	39 895	536 447	2 167 229	328 846	3 072 417
Accumulated depreciation					
Accumulated depreciation at 31 March 2010	0	208 557	1 030 017	0	1 238 574
Charge for the year	0	11 386	149 453	0	160 839
Disposals	0	0	(12 839)	0	(12 839)
Accumulated depreciation at 31 March 2011	0	219 943	1 166 631	0	1 386 574
Net book value at 31 March 2011	39 895	316 504	1 000 598	328 846	1 685 843
Estimated useful life (years)		50	2 to 28		

10.2 Bank: 2012

	Land	Buildings	Plant, vehicles, furniture and equipment	Work in progress	Total
	R'000	R'000	R'000	R'000	R'000
Cost					
Cost at 31 March 2011	30 200	379 456	1 100 058	165 154	1 674 868
Additions	4 560	1 833	237	194 845	201 475
Transfers in/(out)	0	0	107 474	(107 474)	0
Disposals	(18)	(3 094)	(92 031)	0	(95 143)
Cost at 31 March 2012	34 742	378 195	1 115 738	252 525	1 781 200
Accumulated depreciation					
Accumulated depreciation at 31 March 2011	0	160 956	698 663	0	859 619
Charge for the year	0	7 774	81 902	0	89 676
Disposals	0	(3 072)	(89 302)	0	(92 374)
Accumulated depreciation at 31 March 2012	0	165 658	691 263	0	856 921
Net book value at 31 March 2012	34 742	212 537	424 475	252 525	924 279
Estimated useful life (years)		50	5 to 15		

Bank: 2011

	Land	Buildings	Plant, vehicles, furniture and equipment	Work in progress	Total
	R'000	R'000	R'000	R'000	R'000
Cost					
Cost at 31 March 2010	30 200	379 326	1 032 683	74 938	1 517 147
Additions	0	130	65 223	104 769	170 122
Transfers in/(out)	0	0	14 553	(14 553)	0
Disposals	0	0	(12 401)	0	(12 401)
Cost at 31 March 2011	30 200	379 456	1 100 058	165 154	1 674 868
Accumulated depreciation					
Accumulated depreciation at 31 March 2010	0	153 442	633 288	0	786 730
Charge for the year	0	7 514	77 300	0	84 814
Disposals	0	0	(11 925)	0	(11 925)
Accumulated depreciation at 31 March 2011	0	160 956	698 663	0	859 619
Net book value at 31 March 2011	30 200	218 500	401 395	165 154	815 249
Estimated useful life (years)		50	5 to 15		

11. Equity investment in Bank for International Settlements

	Group		Bank	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
Unlisted shares at cost	310 628	281 432	310 628	281 432

The shares held in the BIS are held as part of the Bank's function as a central bank and are thus long-standing in nature. Shares are only transferable with the prior consent of the BIS. The Bank has no intention of selling the shares.

The Bank's investment in the BIS consists of 8 612 shares. Under IAS 39 the Bank's shareholding in the BIS is classified as 'available-for-sale'. The shareholding is valued at cost as no active market exists for these shares. The net asset value of the shares is based on Special Drawing Rights (SDR)[1] of SDR32 930 (2011: SDR21 243) amounting to R2,4 billion (2011: R2,0 billion). Changes in value due to foreign-exchange movements are transferred to the GFECRA. For the year ended 31 March 2012 a movement of R29,2 million (2011: negative movement of R9,8 million) was transferred to the GFECRA.

[1] The SDR is a monetary unit of international reserve assets defined and maintained by the IMF. The SDR also serves as the unit of account of the BIS, among other international organisations. The unit does not represent a currency, but represents a potential claim on the currencies of the IMF members for which it may be exchanged. It is based on a basket of international currencies comprising the United States dollar, euro, Japanese yen and pound sterling.

12. Deferred taxation assets and liabilities

Balance at the beginning of the year	1 029 964	569 218	1 078 536	628 811
Movements during the year (Note 24)	176 468	460 746	117 741	449 725
Balance at the end of the year	1 206 432	1 029 964	1 196 277	1 078 536
Comprising:				
Deferred taxation assets	1 390 471	1 191 158	1 258 434	1 131 751
Deferred taxation liabilities	(184 039)	(161 194)	(62 157)	(53 215)
Net deferred taxation assets	1 206 432	1 029 964	1 196 277	1 078 536

Deferred taxation assets are recognised for tax losses to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Deferred taxation assets and liabilities are attributed as set out in Notes 12.1 and 12.2.

12.1 Group

	2012	Amounts charged to statement of comprehensive income	2011
	R'000	R'000	R'000
Deferred retirement fund contributions	4 214	1 532	2 682
Post-employment benefits	403 817	80 701	323 116
Prepaid expenditure and other items	27 744	27 297	447
Property, plant and equipment	(184 039)	(23 076)	(160 963)
Leave pay accrual	42 473	(392)	42 865
Tax loss	912 223	90 406	821 817
Total	1 206 432	176 468	1 029 964

12.2 Bank

	2012 R'000	Amounts charged to statement of comprehensive income R'000	2011 R'000
Deferred retirement fund contributions	1 356	77	1 279
Post-employment benefits	368 635	77 734	290 901
Prepaid expenditure and other items	826	498	328
Property, plant and equipment	(62 157)	(8 942)	(53 215)
Leave pay accrual	38 324	3 325	34 999
Tax loss	849 293	45 049	804 244
Total	1 196 277	117 741	1 078 536

13. Forward exchange contract assets and liabilities

	Group		Bank	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
Unrealised gain on forward exchange contracts	1 406 009	45 147	1 406 009	40 830
Unrealised loss on forward exchange contracts	(751 284)	(876 958)	(749 702)	(876 958)
Forward exchange contract: South African Bank Note Company (Pty) Limited (Note 30.2)	0	0	52 059	0
Net gain/(loss)	654 725	(831 811)	708 366	(836 128)
Net gain credited/(loss) debited to Gold and Foreign Exchange Contingency Reserve Account (Note 19)*	708 366	(836 128)	708 366	(836 128)
Net (loss) debited/gain credited to profit or loss (Note 23.2)	(53 641)	4 317	0	0

* These amounts represent unrealised gains and losses on forward exchange contracts, which will be for the account of government as and when they are realised. The notional amount of the forward exchange contracts amounts to R48,0 billion (2011: R28,1 billion).

14. Other assets

Financial assets	350 952	363 707	303 825	339 681
Non-financial assets	27 439	36 730	17 127	31 516
	378 391	400 437	320 952	371 197
Maturity structure of financial assets				
Receivable within 30 days	350 952	363 707	303 825	339 681

15. Deposit accounts

Non-interest bearing	84 288 071	76 361 570	84 240 711	76 314 214
Banks' reserve accounts	62 884 772	56 976 764	62 884 772	56 976 764
Government accounts	21 335 860	19 317 500	21 288 500	19 270 144
Other current accounts	67 439	67 306	67 439	67 306
Interest bearing	94 319 549	83 283 171	73 314 184	72 915 295
Reverse repurchase agreements	6 156 780	5 757 891	6 156 780	5 757 891
Government special deposit	67 157 404	67 157 404	67 157 404	67 157 404
Call deposits	21 005 365	10 367 876	0	0
	178 607 620	159 644 741	157 554 895	149 229 509

	Group		Bank	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
Maturity structure of deposit accounts				
Repayable on demand	42 408 664	29 752 682	21 355 939	19 337 450
Repayment terms subject to negotiation with National Treasury	67 157 404	67 157 404	67 157 404	67 157 404
Repayable within 30 days	69 041 552	62 734 655	69 041 552	62 734 655
	178 607 620	159 644 741	157 554 895	149 229 509

The reverse repurchase agreements are secured by South African Government bonds as follows:

Market value	5 982 547	5 802 274	5 982 547	5 802 274
Collateral cover	97,17%	100,77%	97,17%	100,77%

The reverse repurchase agreements bear interest at market-related rates at or below the repurchase rate of the Bank.

Government's special deposit bears interest at a rate equivalent to the return earned on foreign-exchange investments made by the Bank. The interest earned on the deposit was settled during the year under review.

16. South African Reserve Bank debentures

Capital	20 981 000	34 624 000	20 981 000	34 624 000
Accrued interest	46 791	84 311	46 791	84 311
	21 027 791	34 708 311	21 027 791	34 708 311

The SARB debentures are issued to the market on tender normally on a 7-, 14-, 28- or 56-day term. The debentures are unsecured. Details of the debentures in issue at 31 March 2012 are as follows:

Maturity date	Interest rate	Capital
	Per cent	R'000
4 April 2012	5,40	16 000
4 April 2012	5,50	4 782 000
4 April 2012	5,48	1 505 000
4 April 2012	5,49	370 000
11 April 2012	5,40	10 000
11 April 2012	5,50	7 095 000
11 April 2012	5,48	1 560 000
18 April 2012	5,40	112 000
18 April 2012	5,50	2 000 000
25 April 2012	5,35	15 000
25 April 2012	5,50	3 457 000
2 May 2012	5,30	18 000
9 May 2012	5,25	15 000
16 May 2012	5,15	12 000
23 May 2012	5,00	14 000
		20 981 000

17. Foreign loans and deposits

	Group		Bank	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
	67 563 850	58 610 330	67 563 850	58 610 330

Foreign loans represent unsecured credit lines utilised and bear interest at market-related rates. Foreign deposits are overnight deposits placed by customers at market-related rates.

Analyses of the currency composition and maturity structure of these loans are set out in Note 29.

18. Notes and coin in circulation

Notes	85 701 605	74 101 363	85 701 605	74 101 363
Coin	4 462 948	4 151 218	4 462 948	4 151 218
	90 164 553	78 252 581	90 164 553	78 252 581

The liability for notes and coin issued is the net liability after offsetting notes and coin held by the Bank as cash on hand because cash held by the central bank does not represent currency in circulation.

19. Gold and Foreign Exchange Contingency Reserve Account

Opening balance	28 282 942	35 617 810	28 282 942	35 617 810
Profit on gold price adjustment account	12 339 898	6 320 058	12 339 898	6 320 058
(Loss)/Profit on forward exchange contract adjustment account	(7 535 188)	3 733 581	(7 535 188)	3 733 581
Profit/(Loss) on foreign-exchange adjustment account	33 672 944	(16 718 659)	33 672 944	(16 718 659)
Movement in unrealised gains/(losses) on forward exchange contracts	1 544 494	(837 967)	1 544 494	(837 967)
	68 305 090	28 114 823	68 305 090	28 114 823
Net payments	(650 443)	168 119	(650 443)	168 119
Amount due to government	67 654 647	28 282 942	67 654 647	28 282 942
Balance composition				
Balance currently due to government	66 946 281	29 119 070	66 946 281	29 119 070
Unrealised gains/(losses) on forward exchange contracts (Note 13)	708 366	(836 128)	708 366	(836 128)
	67 654 647	28 282 942	67 654 647	28 282 942

The GFECRA, which is operated in terms of section 28 of the SARB Act, represents net revaluation profits and losses incurred on gold and foreign exchange transactions, which are for the account of the South African Government. Settlement of this account is subject to agreement, from time to time, between the Bank and government. During the reporting period under review, a net amount of R650,4 million was paid to government (2011: R168,1 million settled by government).

20. Other liabilities

	Group		Bank	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
Accruals	167 119	174 142	158 645	145 299
Accounts payable	392 271	147 879	39 294	26 683
Financial liabilities	30 177	31 393	30 177	31 393
Non-financial liabilities	71 496	77 948	18 279	22 855
	661 063	431 362	246 395	226 230
Maturity structure of financial liabilities				
Repayable within 30 days	589 567	353 414	228 116	203 375

21. Retirement benefit information

21.1 Retirement funds

The Group has made provision for pension and provident plans substantially covering all employees. All employees are members of the defined contribution plans administered by the Group or are members of funds within the various industries in which they are employed. The assets of these plans are held in administered trust funds separate from the Group's assets and the funds are governed by the Pension Funds Act, 1956 (Act No. 24 of 1956).

The assets and liabilities of the defined benefit fund, which has been closed to new members since 1 July 1995, were transferred to the defined contribution fund on 31 March 2011. At present 336 pensioners qualify for the defined benefits. The benefits provided are based on the years of membership and salary levels. These benefits were provided from contributions made by employees and the employer, and income derived from the assets of the plan. The actuarial risk in respect of current pension commitments has mainly been transferred to Sanlam through an insurance policy. In view of the transfer of the pension liability to Sanlam, no further financial disclosures are deemed necessary in respect of the defined benefit, as required by IAS 19.

21.2 Post-employment benefits

The Bank and a subsidiary (the SABN) provide the following post-employment benefits to its employees:

Amounts recognised in the statement of financial position:				
Post-employment medical benefits (refer (a) below)	1 401 406	1 153 987	1 275 758	1 038 932
Post-employment group life benefits (refer (b) below)	44 109	0	40 797	0
	1 445 515	1 153 987	1 316 555	1 038 932

(a) Post-employment medical benefits

Post-employment medical benefits are provided to retired staff in the form of subsidised medical aid premiums. This benefit has been closed to all new employees at the Bank since 1 September 2011 and at the subsidiary since 2003. A provision for the liability has been raised. This covers the total liability, that is, the accumulated post-employment medical benefit liability at 31 March 2012.

	Group		Bank	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
Net liability at the beginning of the year	1 153 987	1 059 941	1 038 932	963 665
Annual cost				
Interest cost	99 424	95 454	89 145	86 364
Service cost	38 988	32 749	35 794	29 894
Actuarial losses[1]	152 161	28 626	152 140	19 014
Net cost	290 573	156 829	277 079	135 272
Total benefit payments	(43 154)	(62 783)	(40 253)	(60 005)
Net liability at the end of the year	1 401 406	1 153 987	1 275 758	1 038 932

[1] The increase in actuarial losses from the prior year can be attributed to the real discount rate used in the prior-year valuation (2,11 per cent) decreasing to 1,40 per cent at 31 March 2012, resulting in an increase in the liability of R136 million. Similarly, the actual medical inflation average of 7,25 per cent during the period under review was higher than the assumed medical inflation of 6,5 per cent in the prior year, which resulted in an increase in the liability of R17 million. These rates are set by reference to prevailing market rates as required by IAS 19, *Employee Benefits*.

	2012	2011	2010
Key assumptions	Per cent	Per cent	Per cent
Discount rate[2]	8,75	8,75	9,25
Medical inflation	7,25	6,50	7,00
Net discount rate	1,40	2,11	2,10
Valuation date	31 March 2012	31 March 2011	31 March 2010

[2] The discount rate is based on the composite government All-Bond Index of bond durations 12 years and longer. The CPI assumption is derived from the differential in the R186 nominal bond and the R197 inflation-linked bond yield. Medical inflation is assumed to exceed the long-term CPI assumption by 1,25 per cent per annum. This assumption is unchanged from the previous valuation. It is the relative levels of the discount rate and medical inflation to one another that are important, rather than the nominal values of the bond yields.

The effect of a 1 per cent increase and decrease in the medical inflation rate is as follows:

	1% decrease	Valuation basis	1% increase
	R'000	R'000	R'000
Group			
Employers' accrued liability	1 205 419	1 401 406	1 646 756
Employers' service and interest cost[3]	143 059	169 909	205 130
Bank			
Employer's accrued liability	1 096 802	1 275 758	1 500 074
Employer's service and interest cost[3]	131 233	156 436	188 707

[3] Forecast service and interest costs for the year ending 31 March 2013.

(b) Post-employment group life benefits

Post-employment group life benefits are provided to retired staff in the form of subsidised group life premiums. A provision for the liability has been raised during the current financial year. This covers the total liability, that is, the accumulated post-employment group life benefit liability at 31 March 2012.

	Group		Bank	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
Net liability at the end of the year	44 109	0	40 797	0

Key assumptions	2012 Per cent
Discount rate	8,75
Salary inflation	4,50
Net discount rate	4,25
Valuation date	31 March 2012

The effect of a 1 per cent increase and decrease in the salary inflation rate is as follows:

	1% decrease	Valuation basis	1% increase
	R'000	R'000	R'000
Group			
Employers' accrued liability	39 279	44 109	58 734
Bank			
Employer's accrued liability	35 737	40 797	54 814

22. Share capital

Authorised and issued				
2 000 000 shares (2011: 2 000 000 shares) of R1 each	2 000	2 000	2 000	2 000

These shares qualify for a maximum dividend of 10 cents per share per annum.

23. Loss before taxation

23.1 Total income is stated after crediting

	Group		Bank	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
Income from investments	26 168	68 925	27 007	67 027
Dividends	27 285	67 279	27 007	67 027
Realised and unrealised (loss)/profit on investments	(1 117)	1 646	0	0
Income from subsidiaries			10 786	11 478
Dividends			200	200
Interest			9 600	10 319
Management fees			986	959
Commission on banking services	731 977	1 015 505	731 977	1 015 505

Realised and unrealised profits and losses on the Bank's investments are included in interest income in terms of the Bank's accounting policies.

23.2 Operating costs include

Directors' remuneration (Note 30.4)	19 345	20 397	19 162	20 125
For services as non-executive directors	3 279	3 845	3 096	3 573
For services as executive directors	16 066	16 552	16 066	16 552
Depreciation	182 363	160 839	89 676	84 814
Buildings	11 297	11 386	7 774	7 514
Plant, vehicles, furniture and equipment	171 066	149 453	81 902	77 300
Net (profit)/loss on disposal of:				
Plant, vehicles, furniture and equipment	(4 124)	(1)	(6 703)	25
Auditors' remuneration	12 326	11 228	7 135	6 476
Audit fees	10 828	9 312	6 963	6 421
Fees for other services	1 498	1 916	172	55
Consulting fees	87 117	82 032	74 889	70 375
Retirement benefit costs	482 749	268 078	432 422	216 036
Normal contributions to funds	124 882	115 198	107 444	100 324
Additional contributions to funds	3 974	681	3 974	681
Post-employment medical benefits	247 419	94 046	236 826	75 267
Medical aid premiums paid	59 573	55 430	42 367	38 775
Post-employment group life benefits	44 109	0	40 797	0
Group life premiums paid	2 792	2 723	1 014	989
Remuneration and recurring staff costs	1 338 507	1 178 425	1 115 204	972 819
Cost of new currency	172 026	123 423	737 534	825 417
Loss/(Profit) on forward exchange contracts[1]	53 641	(4 317)	0	0
Other operating costs	871 480	896 214	315 339	303 780

[1] The forward exchange contracts include a contract entered into on behalf of the SABN (see Note 30.2 and Note 13). This represents the outside exposure for the Group. This contract amounts to R52,0 million.

24. Taxation

	Group		Bank	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
South African normal taxation				
Current taxation	68 993	(17 048)	70 851	894
Adjustment in respect of prior year	0	990	0	345
Deferred taxation	176 468	460 746	117 741	449 725
Current year timing differences	176 468	460 667	117 741	449 725
Adjustment in respect of prior year	0	79	0	0
Secondary taxation on companies	0	0	0	0
	245 461	444 688	188 592	450 964
Reconciliation of taxation rate				
South African normal taxation rate	28,00%	28,00%	28,00%	28,00%
Adjusted for:				
Disallowable expenses	(0,39%)	(0,13%)	(0,24%)	(0,14%)
Exempt income and special deductions	1,71%	1,03%	0,01%	0,00%
Adjustment in respect of prior years	0,00%	0,02%	0,00%	0,02%
Secondary taxation on companies	0,00%	0,00%	0,00%	0,00%
Effective taxation rate	29,32%	28,92%	27,77%	27,88%

No secondary tax on companies is payable as the net amount of dividends is equal to zero. The current taxation for the Bank represents the tax charge on the revaluation of available-for-sale financial assets.

25. Dividend per share (cents)

	10	10	10	10
Dividends were paid as follows:				
Final dividend of 5 cents per share for the 2011 financial year	100	100	100	100
Interim dividend of 5 cents per share for the 2012 financial year	100	100	100	100
	200	200	200	200

Earnings per share has not been calculated because the shares qualify for a maximum dividend of 10 cents per share per annum in terms of the SARB Act.

26. Cash generated from operating activities

	Group		Bank	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
Reconciliation of loss before taxation to cash generated from operating activities:				
Loss before taxation for the year	(837 458)	(1 537 604)	(679 095)	(1 617 159)
Adjustments for:				
Depreciation	182 363	160 839	89 676	84 814
Net (profit)/loss on disposal of fixed assets	(4 124)	(1)	(6 703)	25
Unrealised foreign-exchange loss/(profit)	429	(15 276)	0	0
Notional interest on interest-free loan	0	(765)	0	(765)
Fair value adjustments to financial instruments	5 555	1 153	0	0
Post-employment benefits	291 528	94 046	277 623	75 267
Amortisation of coupon interest	120 002	111 394	120 002	111 394
Net cash utilised by operating activities	(241 705)	(1 186 214)	(198 497)	(1 346 424)
Changes in working capital				
Accommodation to banks	(4 167 200)	(4 998 412)	(4 167 200)	(4 998 412)
Loans and advances	1 457	4 825	1 457	4 825
Amounts due by subsidiaries	0	0	(140 765)	4 728
Gold and foreign exchange	(54 228 094)	(26 831 273)	(54 228 094)	(26 831 273)
Inventories	25 437	70 973	1 346	2 387
Amount due by the South African Government	794 162	63 106	794 162	63 106
Equity investment in Bank for International Settlements	(29 196)	9 837	(29 196)	9 837
Other assets	21 619	(4 547)	50 245	(37 662)
Deposit accounts	18 962 879	(4 007 585)	8 325 386	1 017 693
Amounts due to subsidiaries	0	0	5 278 952	(7 816 455)
South African Reserve Bank debentures	(13 680 520)	12 541 004	(13 680 520)	12 541 004
Foreign loans and deposits	8 953 520	31 286 149	8 953 520	31 286 149
Notes and coin in circulation	11 911 972	2 664 342	11 911 972	2 664 342
Gold and Foreign Exchange Contingency Reserve Account	37 879 270	(6 496 901)	37 879 270	(6 496 901)
Other liabilities	230 935	(21 970)	20 165	1 921
Cash generated from changes in working capital	6 676 241	4 279 548	970 700	1 415 289
Cash generated from operating activities	6 434 536	3 093 334	772 203	68 865

27. Capital commitments

	Group		Bank	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
Contracted	654 821	93 618	44 054	71 562
Not contracted	460 940	698 652	350 236	639 098
Total	1 115 761	792 270	394 290	710 660

These capital commitments are in respect of property, plant and equipment, and will be funded from internal resources.

28. Events after the reporting date

Investment in the International Monetary Fund

As part of the investment diversification strategy of the Bank, on 12 April 2012 the Bank made an investment of R423,3 million (SDR34,7 million) in the IMF with the latter collateralising the investment through the issue of promissory notes to the Bank. The investment is part of an arrangement with the IMF referred to as the New Arrangement for Borrowing (NAB). The NAB aims at stabilising funding for the IMF to meet its commitments to member countries to ensure international financial and economic stability. This investment has been funded out of the Bank's foreign currency reserves.

29. Risk management in respect of financial instruments

The policies and procedures of the Bank regarding risk management are dealt with in the section on risk management, which appears on pages 43 to 45. Certain aspects of risk management specific to financial instruments are described in more detail below.

Interest rate risk

With the exception of South African Government bonds and the amount due by the South African Government (settled by the reporting date), the rand-denominated financial assets and liabilities of the Bank respectively earn and bear interest at rates linked to South African money-market rates. The level of these rates is closely linked to the Bank's repurchase (repo) rate, which is set by the Monetary Policy Committee (MPC). The repricing of these assets and liabilities therefore occurs at approximately the same time as changes to the repo rate are announced by the MPC.

The Bank is exposed to interest rate risk in respect of its foreign investments. The risk tolerance and return expectations in respect of these financial instruments are embodied in the strategic asset allocation approved by the Reserves Management Committee (Resmanco) and the risk budget approved by the GEC.

Market risk

Market risk is the risk of loss resulting from changes in market prices of securities. The Bank manages its market risks responsibly, utilising modern technology, and appropriate organisational structures and procedures. Exposures and limits are measured continually and are routinely reviewed by management.

Assets used as collateral are subject to a daily mark-to-market valuation. In order to protect the Bank against credit and market risks, participants in the repurchase transactions have to provide securities representing market values in excess of the exposures ('haircut valuations'). This means that the value of the securities divided by an appropriate ratio, as set out by the Bank, must at least be equal to the total repurchase price. Treasury bills and SARB debentures are valued at the most recent auction's discount rates.

Currency risk

The Bank's exposure to currency risk from holding gold and foreign exchange reserves is limited by the fact that movements in gold and foreign exchange rates against the rand are for the account of the South African Government in terms of the SARB Act. The Bank has currency risk limits and monitors them actively to ensure that they are contained within the overall risk budget of the Bank.

Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations. Credit risk arises from activities of the Bank such as investment in financial instruments, deposits placed with counterparties and the settlement of financial market transactions.

Credit risk with respect to monetary policy operations is sufficiently mitigated, since all repurchase transactions are fully collateralised. Furthermore, in terms of the SARB Act, no unsecured lending is allowed. The list of eligible securities consists of rand-denominated South African Government bonds, Treasury bills, SARB debentures and Land Bank bills. Furthermore, operations in the foreign-exchange market can only be conducted with Authorised Dealers.

The minimum counterparty credit rating for placing deposits and investing in government bonds is 'A' by Standard & Poor's or its Moody's or Fitch rating equivalents, while the minimum rating for investments in corporate bonds is 'AA-'.

The rating of certain investment securities were below 'A' at year-end due to downgrading of instruments or institutions by the rating agencies and due to the tightening of investment guidelines by the Bank, which resulted in passive breaches on some of the financial assets in the Bank's portfolios. Such securities have been retained in the portfolio because they are relatively close to maturity and the risk of default is deemed low.

Concentration analysis

	Group		Bank	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
Assets				
South African rand	48 619 523	37 434 996	34 148 730	28 381 414
Gold	51 420 493	39 098 131	51 420 493	39 098 131
United States dollar	219 635 976	189 993 908	219 594 044	189 978 819
Euro	60 244 740	54 334 570	60 242 941	54 334 570
Pound sterling	35 961 914	31 621 482	35 961 914	31 621 482
Other	21 656 991	19 578 722	21 656 991	19 578 722
	437 539 637	372 061 809	423 025 113	362 993 138
Liabilities				
South African rand	360 327 924	303 504 626	347 056 655	295 669 686
United States dollar	67 565 019	58 611 662	67 563 850	58 610 330
Euro	590	57	0	0
Other	166 829	6 061	0	0
	428 060 362	362 122 406	414 620 505	354 280 016

Concentration risk

Concentration risk is the risk of significant exposure to a single counterparty or geographic region. Concentration risk is calculated on the basis of a percentage of the exposure to the counterparty of the Bank as a percentage of total exposures to all counterparties. This is actively monitored by the risk unit within the Financial Markets Department of the Bank.

Liquidity risk

Liquidity risk is the risk that an entity may not be able to accommodate decreases in liabilities or fund increases in assets in full at the time that a commitment or transaction is due for settlement. In the case of the Bank, this risk is not relevant to domestic assets and liabilities because of the Bank's ability to create rands when required. However, the Bank does face liquidity risk in respect of foreign assets and liabilities. The Bank manages its foreign liquidity risks through appropriate structuring of its foreign investment portfolios to ensure that the maturity profiles of foreign assets adequately match those of foreign commitments. This is monitored and managed on a daily basis. In addition, the Bank's foreign investment portfolio comprises mainly short-term, highly liquid instruments.

The table on page 110 analyses the financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity date.

Liabilities (R'000)	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	More than 1 year	Total
Group: 31 March 2012						
Deposit accounts	178 607 620	0	0	0	0	178 607 620
South African Reserve Bank debentures	20 968 791	59 000	0	0	0	21 027 791
Foreign loans and deposits[1]	67 563 850	0	0	0	0	67 563 850
Notes and coin in circulation	90 164 553	0	0	0	0	90 164 553
Gold and Foreign Exchange Contingency Reserve Account	67 654 647	0	0	0	0	67 654 647
Forward exchange contract liabilities	120 006	547 150	84 074	54	0	751 284
Other financial liabilities	589 567	0	0	0	0	589 567
Total financial liabilities	425 669 034	606 150	84 074	54	0	426 359 312
Group: 31 March 2011						
Deposit accounts	159 644 741	0	0	0	0	159 644 741
South African Reserve Bank debentures	31 861 311	2 847 000	0	0	0	34 708 311
Foreign loans and deposits[1]	58 610 330	0	0	0	0	58 610 330
Notes and coin in circulation	78 252 581	0	0	0	0	78 252 581
Gold and Foreign Exchange Contingency Reserve Account	28 282 942	0	0	0	0	28 282 942
Forward exchange contract liabilities	246 212	546 983	83 763	0	0	876 958
Other financial liabilities	353 414	0	0	0	0	353 414
Total financial liabilities	357 251 531	3 393 983	83 763	0	0	360 729 277
Bank: 31 March 2012						
Deposit accounts	157 554 895	0	0	0	0	157 554 895
Amounts due to subsidiaries	8 279 960	0	0	0	0	8 279 960
South African Reserve Bank debentures	20 968 791	59 000	0	0	0	21 027 791
Foreign loans and deposits[1]	67 563 850	0	0	0	0	67 563 850
Notes and coin in circulation	90 164 553	0	0	0	0	90 164 553
Gold and Foreign Exchange Contingency Reserve Account	67 654 647	0	0	0	0	67 654 647
Forward exchange contract liabilities	118 956	546 983	83 763	0	0	749 702
Other financial liabilities	228 116	0	0	0	0	228 116
Total financial liabilities	412 533 768	605 983	83 763	0	0	413 223 514
Bank: 31 March 2011						
Deposit accounts	149 229 509	0	0	0	0	149 229 509
Amounts due to subsidiaries	3 001 008	0	0	0	0	3 001 008
South African Reserve Bank debentures	31 861 311	2 847 000	0	0	0	34 708 311
Foreign loans and deposits[1]	58 610 330	0	0	0	0	58 610 330
Notes and coin in circulation	78 252 581	0	0	0	0	78 252 581
Gold and Foreign Exchange Contingency Reserve Account	28 282 942	0	0	0	0	28 282 942
Forward exchange contract liabilities	246 212	546 983	83 763	0	0	876 958
Other financial liabilities	203 375	0	0	0	0	203 375
Total financial liabilities	349 687 268	3 393 983	83 763	0	0	353 165 014

[1] Amounts reflected at fair value. Undiscounted cash flows approximate fair value due to the short-term nature of instruments.

Foreign-exchange operations

The framework of control regarding market operations in foreign exchange, that is, in spot and forward foreign-exchange transactions, is rigorous. Trading limits exist for these instruments and compliance is monitored and reported daily. In terms of the SARB Act, all profits or losses on the gold price, foreign-exchange adjustments on assets and liabilities and on any current or future forward exchange contract shall be for the account of the South African Government.

Settlement risk

Settlement risk (i.e., the risk that the counterparty may not be able to complete a transaction) is mitigated in a number of ways. The Bank will only transfer funds after sufficient collateral has been secured.

For outright transactions in securities, settlement risk is eliminated through the use of systems that are based on delivery versus payment, that is, the simultaneous exchange of securities and cash. In addition to restricting foreign-exchange transactions to highly rated counterparties, a transaction limit is imposed on the total value of foreign currency transactions settling with a counterparty on a given day. Furthermore, the Bank is a participant in Continuous Linked Settlement (CLS), a clearing house that eliminates settlement risk in foreign exchange, allowing payment versus delivery in a number of major currencies. It eliminates 'temporal' settlement risk, making same-day settlement both possible and final.

Financial risk reporting in the Bank

Risk reporting is a formalised and clearly defined process within the Bank. A monthly risk report is compiled and distributed to senior management of the Bank, (e.g., deputy governors, Chief Internal Auditor, Chief Financial Officer). A quarterly risk management report, which focuses on the management of risks relating to foreign exchange reserves, is distributed to the Resmanco and the GEC. Moreover, a quarterly financial risk report is compiled and distributed to members of the Bank's Risk Management Committee and the BRC. The objective of these risk reports is to inform management of financial risks to which the Bank may be exposed, their possible impact on the key functions of the Bank, and how such risks are managed. The report, furthermore, attempts to highlight future risks that might adversely impact on the activities of the Bank. In line with international best practice, key risk types discussed in the reports are market, credit and operational risk in relation to market, monetary policy implementation and reserves management investment operations.

30. Related party information

30.1 Investment in subsidiaries

The following information relates to the Bank's financial interest in its subsidiaries:

	Authorised and issued share capital		Bank	
	Number of shares	Percentage held	2012	2011
	R'000	Per cent	R'000	R'000
Corporation for Public Deposits	2 000	100	2 000	2 000
South African Mint Company (Pty) Limited	60 000	100	206 000	206 000
South African Bank Note Company (Pty) Limited	61 000	100	641 000	61 000
Share capital	61 000	100	61 000	61 000
Subordinated loan			580 000	0
South African Reserve Bank Captive Insurance Company Limited	10 000	100	10 000	10 000
Total			859 000	279 000

The subordinated loan to the SABN of R1,1 billion bears no interest and has no fixed terms of repayment. During the forthcoming financial year, further tranches of drawdowns will be made to the subsidiary. The purpose of the loan is to assist the SABN with financing its factory modernisation programme.

The Bank may demand repayment of the loan provided the subsidiary's assets exceed its liabilities. When recalled, the subsidiary has the option to convert the loan to share capital.

The loan is included in the books of the subsidiary as a separate category of equity and is thus treated as an addition to the Bank's investment in subsidiary.

The contribution to the Group profit and loss by subsidiaries is as follows:

	2012 R'000	2011 R'000
Corporation for Public Deposits	50 320	53 070
South African Mint Company (Pty) Limited	(10 581)	37 467
South African Bank Note Company (Pty) Limited	(145 661)	(23 088)
South African Reserve Bank Captive Insurance Company Limited	4 628	6 030
Total	(101 294)	73 479

30.2 Amounts due by/to subsidiaries

Amounts due by subsidiaries	335 332	194 567
South African Bank Note Company (Pty) Limited: Loan	33 257	32 229
South African Bank Note Company (Pty) Limited: Forward exchange contract	52 059	0
South African Mint Company (Pty) Limited: Trading account	0	12 486
Corporation for Public Deposits: Current account	250 016	149 852
Amounts due to subsidiaries		
Corporation for Public Deposits: Call deposit	8 279 960	3 001 008

The loan to the SABN bears interest at the repo rate and is unsecured with no fixed repayment term. The forward exchange contract with the SABN converts South African rands into Swiss francs in order to cover the foreign exchange exposure on payments made to the supplier of the new plant acquired as part of the subsidiary's factory modernisation programme. The external forward exchange contract for the Group is included in Note 13.

The call deposit placed with the Bank by the CPD earns interest at South African money-market rates.

Amounts due by or to subsidiaries are repayable on demand. The subsidiaries are all wholly owned and incorporated in the Republic of South Africa.

30.3 Transactions between the Bank and its subsidiaries

The following transactions took place between the Bank and its related parties:

	2012	2011
	R'000	R'000
Interest received	9 600	10 319
South African Bank Note Company (Pty) Limited	1 862	2 001
Corporation for Public Deposits	7 738	8 318
Interest paid		
Corporation for Public Deposits	423 621	796 555
Insurance premiums paid		
South African Reserve Bank Captive Insurance Company Limited	11 278	10 885
Rent paid		
South African Bank Note Company (Pty) Limited	2 400	2 263
Coin management fees paid		
South African Mint Company (Pty) Limited	1 981	1 884
Management fees received	986	959
Corporation for Public Deposits	582	581
South African Reserve Bank Captive Insurance Company Limited	404	378
Cost of currency	565 508	701 994
South African Bank Note Company (Pty) Limited	285 004	427 798
South African Mint Company (Pty) Limited	280 504	274 196
Proceeds from insurance claims		
South African Reserve Bank Captive Insurance Company Limited	1 669	3 495
Forward exchange contract (recognised in GFECRA)		
South African Bank Note Company (Pty) Limited (Note 23.2 and Note 13)	52 059	0
Pension fund contributions		
South African Reserve Bank Retirement Fund	111 418	101 005

All other significant balances are shown in the statement of financial position under the appropriate headings.

30.4 Directors' remuneration

The executive directors of the Bank are regarded as being key management personnel, because they are involved in all key management decisions. Remuneration of the directors was as follows:

Executive directors: Remuneration		
G Marcus		
Remuneration and recurring fringe benefits	4 776	4 665
Other fringe benefits[1]	0	0
	4 776	4 665
X P Guma (term ended 31 July 2011)[2]		
Remuneration and recurring fringe benefits	1 268	3 651
Other fringe benefits	1 306	40
Payments during cooling-off period up to 31 October 2011	952	0
	3 526	3 691
A D Mminele		
Remuneration and recurring fringe benefits	3 518	3 407
Other fringe benefits	54	59
	3 572	3 466

	2012	2011
	R'000	R'000
E L Kganyago (appointed 16 May 2011)[3]		
Remuneration and recurring fringe benefits	3 101	0
Other fringe benefits	37	0
	3 138	0
F E Groepe (appointed 1 January 2012)[4]		
Remuneration and recurring fringe benefits	1 052	0
Other fringe benefits, including study aid for dependants	2	0
	1 054	0
T T Mboweni (term ended 8 November 2009)[5]		
Remuneration and recurring fringe benefits	0	121
Other fringe benefits, which included encashment of leave	0	1 346
Payments during cooling-off period up to 8 May 2010	0	550
	0	2 017
R D Mokate (term ended 31 July 2010)[6]		
Remuneration and recurring fringe benefits	0	1 213
Other fringe benefits, including study aid for dependants	0	639
Payments during cooling-off period up to 31 October 2010	0	861
	0	2 713
Total remuneration of executive directors	16 066	16 552
Non-executive directors: Remuneration for services		
D Konar (term ended 30 June 2011)	142	466
N D Orleyn (term ended 30 June 2011)	96	359
F Jakoet	0	269
Z P Manase (term ended 30 June 2011)	94	360
S M Goodson (resigned 3 May 2012)	345	358
R W K Parsons	0	336
F E Groepe (15 June 2011 – 31 December 2011)[4]	166	377
T N Mgoduso	337	328
J F van der Merwe	390	373
E Masilela	0	261
B W Smit	300	86
R le Roux (elected 1 July 2011)	221	0
T Ajam (appointed 6 October 2011)	146	0
M Manyama-Matome (appointed 6 October 2011)	138	0
G M Ralfe (elected 1 July 2011)	212	0
R J G Barrow (elected 1 July 2011)	266	0
M S V Gantsho (appointed 11 June 2011)	243	0
	3 096	3 573
Paid by subsidiaries		
Non-executive directors: Remuneration for services		
F Jakoet	0	4
E Masilela	0	116
R W K Parsons	183	152
	183	272

(1) The Bank provides accommodation to the Office of the Governor at the official residence. The deemed tax value of the benefit was R775 000 for the current year (2011: R712 000).
(2) The current year's amounts are for a period of 4 months (2011: 12 months).
(3) The current year's amounts are for a period of 10,5 months (2011: 0 months).
(4) The current year's amounts are for a period of 3 months (2011: 0 months). Mr Groepe became an executive director on 1 January 2012; he was previously a non-executive director.
(5) The comparative amounts are for a cooling-off period (current year: 0 months).
(6) The comparative amounts are for a period of 4 months (current year: 0 months).

31. Segment reporting

Owing to the integrated nature of the activities of the Bank and its subsidiaries, the presentation of segmental information is not considered informative.

32. Gains and losses per category of financial assets and financial liabilities

	Total	Held-for-trading	Designated at fair value	Loans and receivables	Available-for-sale	Other liabilities
	R'000	R'000	R'000	R'000	R'000	R'000
Group 31 March 2012						
Interest income	6 460 523	(8 319)	4 899 791	876 529	692 521	
Interest expense	(5 109 408)					(5 109 408)
Dividend income	27 285		278		27 007	
Bond revaluation reserve	253 040				253 040	
Group 31 March 2011						
Interest income	4 560 244	439 343	2 577 645	842 126	701 130	
Interest expense	(4 695 795)					(4 695 795)
Dividend income	67 279		252		67 027	
Bond revaluation reserve	3 192				3 192	
Bank 31 March 2012						
Interest income	4 694 009	(8 319)	3 120 872	888 935	692 521	
Interest expense	(3 413 790)					(3 413 790)
Dividend income	27 007				27 007	
Bond revaluation reserve	253 040				253 040	
Bank 31 March 2011						
Interest income	3 303 119	439 343	1 316 147	846 499	701 130	
Interest expense	(3 523 387)					(3 523 387)
Dividend income	67 027				67 027	
Bond revaluation reserve	3 192				3 192	

33. Classification of financial assets and liabilities

Group 31 March 2012	Total	Held-for-trading	Designated at fair value	Loans and receivables	Available-for-sale	Other liabilities	Fair value[1]
		R'000	R'000	R'000	R'000	R'000	R'000
Financial assets							
Cash and cash equivalents	76 217			76 217			76 217
Accommodation to banks	20 583 405			20 583 405			20 583 405
South African Government bonds	8 386 405				8 386 405		
Loans and advances	67 923			67 923			67 923
Gold and foreign exchange	388 565 754	(98 783)	388 664 537				
Investments	13 645 662		13 645 662				
Equity investment in Bank for International Settlements	310 628				310 628		
Forward exchange contract assets	1 406 009	1 406 009					
Other financial assets	350 952			350 952			350 952
Financial liabilities							
Deposit accounts[2]	178 607 620					178 607 620	178 607 620
South African Reserve Bank debentures	21 027 791					21 027 791	21 027 791
Foreign loans and deposits	67 563 850					67 563 850	67 563 850
Notes and coin in circulation	90 164 553					90 164 553	90 164 553
Gold and Foreign Exchange Contingency Reserve Account	67 654 647					67 654 647	67 654 647
Forward exchange contract liabilities	751 284	751 284					
Other financial liabilities	589 567					589 567	589 567

[1] Fair values have been disclosed only for instruments carried at amortised cost. Carrying value has been used where it closely approximates fair value.
[2] Included in deposit accounts are amounts that do not bear interest. These deposit accounts do not have fixed maturity dates.

33. Classification of financial assets and liabilities (continued)

	Total	Held-for-trading	Designated at fair value	Loans and receivables	Available-for-sale	Other liabilities	Fair value[1]
		R'000	R'000	R'000	R'000	R'000	R'000
Group 31 March 2011							
Financial assets							
Cash and cash equivalents	95 282			95 282			95 282
Accommodation to banks	16 416 205			16 416 205			16 416 205
South African Government bonds	8 253 367				8 253 367		
Loans and advances	69 380			69 380			69 380
Gold and foreign exchange	334 337 660	(98 267)	334 435 927				
Investments	8 132 369		8 132 369				
Amount due by the South African Government[2]	794 162			794 162			794 162
Equity investment in Bank for International Settlements	281 432				281 432		
Forward exchange contract assets	45 147	45 147					
Other financial assets	363 707			363 707			363 707
Financial liabilities							
Deposit accounts[3]	159 644 741					159 644 741	159 644 741
South African Reserve Bank debentures	34 708 311					34 708 311	34 708 311
Foreign loans and deposits	58 610 330					58 610 330	58 610 330
Notes and coin in circulation	78 252 581					78 252 581	78 252 581
Gold and Foreign Exchange Contingency Reserve Account	28 282 942					28 282 942	28 282 942
Forward exchange contract liabilities	876 958	876 958					
Other financial liabilities	353 414					353 414	353 414

(1) Fair values have been disclosed only for instruments carried at amortised cost. Carrying value has been used where it closely approximates fair value.
(2) Included in the amounts above are IMF accounts administered on behalf of the South African Government. The amounts are interest-free and no settlement terms have been agreed.
(3) Included in deposit accounts are amounts that do not bear interest. These deposit accounts do not have fixed maturity dates.

33. Classification of financial assets and liabilities (continued)

Bank 31 March 2012	Total	Held-for-trading	Designated at fair value	Loans and receivables	Available-for-sale	Other liabilities	Fair value[1]
		R'000	R'000	R'000	R'000	R'000	R'000
Financial assets							
Accommodation to banks	20 583 405			20 583 405			20 583 405
South African Government bonds	8 386 405				8 386 405		
Loans and advances	67 923			67 923			67 923
Amounts due by subsidiaries	335 332			335 332			335 332
Gold and foreign exchange	388 565 754	(98 783)	388 664 537				
Equity investment in Bank for International Settlements	310 628				310 628		
Forward exchange contract assets	1 406 009	1 406 009					
Other financial assets	303 825			303 825			303 825
Financial liabilities							
Deposit accounts[2]	157 554 895					157 554 895	157 554 895
Amounts due to subsidiaries	8 279 960					8 279 960	8 279 960
South African Reserve Bank debentures	21 027 791					21 027 791	21 027 791
Foreign loans and deposits	67 563 850					67 563 850	67 563 850
Notes and coin in circulation	90 164 553					90 164 553	90 164 553
Gold and Foreign Exchange Contingency Reserve Account	67 654 647					67 654 647	67 654 647
Forward exchange contract liabilities	749 702	749 702					
Other financial liabilities	228 116					228 116	228 116

[1] Fair values have been disclosed only for instruments carried at amortised cost. Carrying value has been used where it closely approximates fair value.
[2] Included in deposit accounts are amounts that do not bear interest. These deposit accounts do not have fixed maturity dates.

33. Classification of financial assets and liabilities (continued)

	Total	Held-for-trading	Designated at fair value	Loans and receivables	Available-for-sale	Other liabilities	Fair value[1]
		R'000	R'000	R'000	R'000	R'000	R'000
Bank 31 March 2011							
Financial assets							
Accommodation to banks	16 416 205			16 416 205			16 416 205
South African Government bonds	8 253 367				8 253 367		
Loans and advances	69 380			69 380			69 380
Amounts due by subsidiaries	194 567			194 567			194 567
Gold and foreign exchange	334 337 660	(98 267)	334 435 927				
Amount due by the South African Government[2]	794 162			794 162			794 162
Equity investment in Bank for International Settlements	281 432				281 432		
Forward exchange contract assets	40 830	40 830					
Other financial assets	339 681			339 681			339 681
Financial liabilities							
Deposit accounts[3]	149 229 509					149 229 509	149 229 509
Amounts due to subsidiaries	3 001 008					3 001 008	3 001 008
South African Reserve Bank debentures	34 708 311					34 708 311	34 708 311
Foreign loans and deposits	58 610 330					58 610 330	58 610 330
Notes and coin in circulation	78 252 581					78 252 581	78 252 581
Gold and Foreign Exchange Contingency Reserve Account	28 282 942					28 282 942	28 282 942
Forward exchange contract liabilities	876 958	876 958					
Other financial liabilities	203 375					203 375	203 375

(1) Fair values have been disclosed only for instruments carried at amortised cost. Carrying value has been used where it closely approximates fair value.
(2) Included in the amounts above are IMF accounts administered on behalf of the South African Government. The amounts are interest-free and no settlement terms have been agreed.
(3) Included in deposit accounts are amounts that do not bear interest. These deposit accounts do not have fixed maturity dates.

34. Fair value hierarchy disclosures

The table below analyses financial instruments carried at fair value by the level of fair value hierarchy. The fair value hierarchy depends on the extent to which quoted prices are used in determining the fair value of the specific instruments. The different levels are defined as follows:

Level 1: Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities. These are readily available in the market and are normally obtainable from multiple sources.

Level 2: Fair value is based on input other than quoted prices included within Level 1 that is observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Fair value is based on input for the asset or liability that is not based on observable market data (i.e., unobservable inputs).

	Level 1	Level 2	Level 3	Total
	R'000	R'000	R'000	R'000
Group 31 March 2012				
Financial instruments				
South African Government bonds	8 386 405	0	0	8 386 405
Forward exchange contract assets	0	1 406 009	0	1 406 009
Investments	13 645 662	0	0	13 645 662
Gold and foreign exchange	278 359 798	110 205 956	0	388 565 754
Gold coin and bullion	51 420 493	0	0	51 420 493
Money- and capital-market instruments and deposits	107 021 360	0	0	107 021 360
Medium-term instruments	96 969 452	76 009 015	0	172 978 467
Portfolio investments	22 948 493	34 196 941	0	57 145 434
Forward exchange contract liabilities	0	(751 284)	0	(751 284)
Total financial instruments	300 391 865	110 860 681	0	411 252 546

Securities lending activities

The net effect of securities lending in which the Bank was engaged at the reporting date is included in the gold and foreign-exchange holdings above. The gross position is as follows:

Liability in respect of collateral received	(44 050 226)	0	0	(44 050 226)
Fair value of underlying investments	24 472 261	19 423 266	0	43 895 527
Net fair value adjustment included above	(19 577 965)	19 423 266	0	(154 699)

	Level 1	Level 2	Level 3	Total
	R'000	R'000	R'000	R'000
Group 31 March 2011				
Financial instruments				
South African Government bonds	8 253 367	0	0	8 253 367
Forward exchange contract assets	0	45 147	0	45 147
Investments	8 132 369	0	0	8 132 369
Gold and foreign exchange	253 975 606	80 362 054	0	334 337 660
Gold coin and bullion	39 098 131	0	0	39 098 131
Money- and capital-market instruments and deposits	110 662 166	0	0	110 662 166
Medium-term instruments	77 660 443	65 884 937	0	143 545 380
Portfolio investments	26 554 866	14 477 117	0	41 031 983
Forward exchange contract liabilities	0	(876 958)	0	(876 958)
Total financial instruments	270 361 342	79 530 243	0	349 891 585

Securities lending activities

The net effect of securities lending in which the Bank was engaged at the reporting date is included in the gold and foreign-exchange holdings above. The gross position is as follows:

Liability in respect of collateral received	(42 819 458)	0	0	(42 819 458)
Fair value of underlying investments	31 181 121	11 503 527	0	42 684 648
Net fair value adjustment included above	(11 638 337)	11 503 527	0	(134 810)

Bank 31 March 2012				
Financial instruments				
South African Government bonds	8 386 405	0	0	8 386 405
Forward exchange contract assets	0	1 406 009	0	1 406 009
Gold and foreign exchange	278 359 798	110 205 956	0	388 565 754
Gold coin and bullion	51 420 493	0	0	51 420 493
Money- and capital-market instruments and deposits	107 021 360	0	0	107 021 360
Medium-term instruments	96 969 452	76 009 015	0	172 978 467
Portfolio investments	22 948 493	34 196 941	0	57 145 434
Forward exchange contract liabilities	0	(749 702)	0	(749 702)
Total financial instruments	286 746 203	110 862 263	0	397 608 466

Securities lending activities

The net effect of securities lending in which the Bank was engaged at the reporting date is included in the gold and foreign-exchange holdings above. The gross position is as follows:

Liability in respect of collateral received	(44 050 226)	0	0	(44 050 226)
Fair value of underlying investments	24 472 261	19 423 266	0	43 895 527
Net fair value adjustment included above	(19 577 965)	19 423 266	0	(154 699)

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Bank 31 March 2011				
Financial instruments				
South African Government bonds	8 253 367	0	0	8 253 367
Forward exchange contract assets	0	40 830	0	40 830
Gold and foreign exchange	253 975 606	80 362 054	0	334 337 660
Gold coin and bullion	39 098 131	0	0	39 098 131
Money- and capital-market instruments and deposits	110 662 166	0	0	110 662 166
Medium-term instruments	77 660 443	65 884 937	0	143 545 380
Portfolio investments	26 554 866	14 477 117	0	41 031 983
Forward exchange contract liabilities	0	(876 958)	0	(876 958)
Total financial instruments	262 228 973	79 525 926	0	341 754 899

Securities lending activities

The net effect of securities lending in which the Bank was engaged at the reporting date is included in the gold and foreign-exchange holdings above. The gross position is as follows:

Liability in respect of collateral received	(42 819 458)	0	0	(42 819 458)
Fair value of underlying investments	31 181 121	11 503 527	0	42 684 648
Net fair value adjustment included above	(11 638 337)	11 503 527	0	(134 810)

Minutes of the Ninety-First Ordinary General Meeting of shareholders of the South African Reserve Bank

The Ninety-First Ordinary General Meeting (OGM) of shareholders was held at the Head Office of the South African Reserve Bank (the Bank) in Pretoria on Thursday, 30 June 2011 at 10:00.

The Chairperson, Ms G Marcus, welcomed attendees and introduced Senior Deputy Governor Guma, Deputy Governor Mminele, the newly appointed Deputy Governor Kganyago, Chairperson of the Audit Committee, Dr Len Konar, Chairperson of the Remuneration Committee, Ms Thandeka Mgoduso, General Counsel Dr Johann de Jager, and Secretary of the Bank, Ms Sheenagh Reynolds, who shared the podium with her.

The meeting was informed that Ms Reynolds had been appointed as the Secretary of the Bank with effect from 1 April 2011.

The Chairperson declared the meeting duly constituted in terms of the regulations framed under the South African Reserve Bank Act, 1989 (Act No. 90 of 1989), as amended (SARB Act). Attendees were requested to ensure that they had all signed the attendance register. All shareholders present holding two hundred or more shares in the Bank, and who were entitled to vote in accordance with the provisions of the SARB Act and the Regulations, were requested to be in possession of an electronic voting device.

The Chairperson then addressed the meeting, and her full address is attached as Annexure A for record purposes.

Having given a brief outline of the global and economic outlook, the Chairperson addressed a number of questions raised by various shareholders during the three shareholder road shows that had been held in Pretoria, Durban and Cape Town in the run up to the OGM.

The Chairperson thanked all shareholders who had attended the aforementioned road shows, and encouraged other shareholders to take advantage of this opportunity for more in-depth interaction next year.

In response to a question on the losses incurred by the Bank and a request for an explanation of the Gold and Foreign Exchange Contingency Reserve Account (GFECRA), the Chairperson responded as follows:

"The Bank acquires foreign exchange reserves for accumulation purposes, and in the process injects rand liquidity into the domestic money market. In order for domestic money-market conditions to reflect the prevailing monetary policy stance as determined by the Monetary Policy Committee (MPC), such liquidity needs to be sterilised (or drained) from the system. This is done, *inter alia*, by open-market operations conducted by the Bank by way of issuing SARB debentures, and conducting reverse repurchase transactions. These transactions, which effectively amount to a borrowing of rands, are undertaken, in terms of cost, at or around the repo rate which is currently 5,5 per cent per annum.

The foreign currency that is purchased consists of different currencies, that is, in US dollars, euros and pound sterling, which is invested. In the current difficult economic climate, these investments generally earn low rates of return, currently below 1 per cent per annum.

This negative interest rate differential has resulted in the R1,16 billion loss reported in the *Annual Report 2010/11*. Unrealised and realised fair value gains and losses on financial assets and financial liabilities are also included in the interest income line item and are for the account of the Bank.

The losses incurred, as in 2009/10, were covered by drawing down on the Bank's contingency reserve, which declined from R9,1 billion to R7,94 billion. Once the Bank returns to profitability,

there will be a need to rebuild the contingency reserve, and a reconsideration of the level that this should stand at taking account of recent experience.

It is important to point out that the losses were incurred in the execution of the Bank's public duties and do not in any way relate to operational deficiencies or undue risks being taken. The Bank has a sound risk management framework, a disciplined budgeting process and prudent expenditure management."

As an explanation of the GFECRA, the Chairperson responded as follows:

"The GFECRA account originates from sections 25 to 28 of the SARB Act. The GFECRA consists of three sub-accounts, which reflect the following transactions:

a. Gold price adjustment account

   All profits and losses on gold holdings arising from price fluctuations and revaluation movements are recorded in this account.

b. Foreign exchange adjustment account

   All revaluation profits and losses on foreign assets arising from exchange rate movements against the rand are recorded in this account.

c. Forward exchange contracts adjustment account

   All revaluation profits and losses arising from exchange rate movements against the rand on outstanding commitments in the forward foreign exchange market, as well as foreign currency denominated liabilities of the Bank, are recorded in this account.

All the above amounts are for the account of government in terms of the SARB Act. Settlement of this account is subject to agreement between the Bank and Government. The current arrangement is that only transactions that have affected liquidity in the South African money market will be settled."

In response to a question on Reserves Management and the holding of reserves, including the issue of US dollar versus gold, the Chairperson responded as follows:

"While South Africa follows the international convention of reporting official reserves in US dollars, the portfolios of reserves are diversified in approved currencies, which predominantly comprise US dollars, euros and pound sterling. The notes to the financial statements (note 29 on page 98 of the *Annual Report 2010/11*) give an indication of the extent of currency diversification.

Gold reserves constituted approximately 12 per cent of total official reserves at the end of March 2011.

The Bank has held around 4 million fine ounces of gold for some time, and when such holdings are reviewed account is taken of both the cost of acquiring further gold reserves as well as any returns that could be earned from owning more gold.

The Bank has adopted a conservative and prudent approach to investing the reserves, guided by a clear governance framework and investment policy. The investment policy captures the objectives, rationale and the risk tolerance of the Bank for holding these reserves. The inherent risks in reserves management are mitigated by well-defined investment guidelines."

In response to a request for clarification of certain aspects of the remuneration of directors (note 30 on page 102 of the *Annual Report*), the Chairperson responded as follows:

"The remuneration of directors for the year ended March 2011 reflects a general adjustment of 6 per cent over the amounts paid for 2010. In addition, the amounts paid in 2011 also include:

- an 'arrears adjustment' of 3,1 per cent in respect of the 2009/10 financial year. In keeping with a decision taken at the start of the 2009/10 financial year that the increase be inflation-outcome linked, Board members were paid only an interim adjustment of 3,4 per cent, on the understanding that the balance would be paid once the inflation outcome for that year

was known. Consequently, the 'arrears adjustment' was paid in the 2010/11 financial year, with the resultant percentage increase distortion;

- payment for service as chairpersons and/or members of Board committees, and changes in the composition and chairpersons of the Board committees between the 2009/10 and 2010/11 financial years. This implies increases in retainers and attendance fees;
- the establishment of the Board Risk Committee on 25 February 2010, which resulted in payments to the Chairperson and members of this committee during the 2010/11 financial year, compared to the previous financial year where the committee had been in existence for only one month, and hardly any payments had been made;
- an above-average increase in Dr X P Guma's remuneration with effect from 29 May 2010 owing to his appointment as Senior Deputy Governor from that date; and
- an above-average increase in the remuneration of Prof. R W K Parsons for services as non-executive director of a subsidiary owing to the fact that he served for a longer period than before in such capacity during the 2010/11 financial year. He also served on one additional Board committee of a subsidiary during the 2010/11 financial year."

In response to a question on the Code of Ethics, the Chairperson responded that the Code of Ethics was adopted by the SARB Board in February 2010, and has been discussed within the Bank. It will be published on the Internet in due course, together with a comprehensive value statement that is being developed throughout the Bank.

In response to a question with regard to the additions in plant, vehicles, furniture and equipment (Note 10.1 on page 85 of the *Annual Report 2010/11*), which has increased from R52 million in the prior year to R205 million, the Chairperson confirmed that it had been necessary to invest in machinery and equipment at the branches and manufacturing subsidiaries. Going forward, the Bank expected more such investment to take place to ensure optimal functioning and best use of new technology to maintain the high standards on both quality and performance in the Bank and its subsidiaries.

A question was raised regarding the Panel process and whether the Bank remained satisfied with the quality of candidates nominated and available to serve as non-executive directors on the Board. It was also alleged that the Panel process was not transparent as to who nominated the candidates, what the quality of candidates were and shareholders had not been given the opportunity to meet and interview the candidates for election.

In response, the Chairperson confirmed that the Panel was established in terms of section 4(1C) of the SARB Act, which Act further stipulates the process of nominating the candidates and the review process. She confirmed that nominations were received during March 2011 from the general public and were collated by the Secretariat for circulation to the Panel members.

The Panel met on 16 April 2011 to assess the nominations and to confirm the selected candidates for consideration by the shareholders. In total, eighty four nominations were received. The experience and qualifications of the candidates were varied, and included business people, academics, accountants, lawyers and other professional persons. The Panel was satisfied with the level of qualifications, skills and business acumen of the majority of the candidates, as could be determined from the *curricula vitae* (CVs) presented. Three candidates had been identified and confirmed in each of the categories where vacancies would arise on 1 July 2011, and the Panel was satisfied that these were persons of good standing and had the requisite knowledge and skills to fulfil the roles and responsibilities of a non-executive director.

From reading the CVs of the nine possible candidates circulated to shareholders, the Chairperson had no doubt that the shareholders would concur that all the nominees were well known in their fields of expertise and reflected the highest standards of integrity and professionalism. Moreover, it was the responsibility of the Panel to assess the candidates, not that of shareholders. The Chairperson was not aware of any precedent in the Bank where shareholders interviewed prospective nominees. It was also important to point out that this process allowed the public at large to make nominations, and therefore the pool of participants, both proposers and nominees,

had been broadened. This was important as, given the small number of shareholders of the Bank, nominations limited to them could be construed as being contrary to sound principles of central bank governance.

In response to a question on King III compliance, the Chairperson confirmed that the Bank had considered its compliance with the King III Code of Governance (King III) compliance and had explained where it did not apply the recommendations as set out in King III, in more detail. As discussed at the 2010 OGM, the Bank had conducted a Bank-wide gap analysis, and steps were being taken to address those areas the Bank regarded as needing improvement. It was necessary to emphasise that King III is a voluntary code and a tool for enhancing governance, which is the approach that the Bank has taken.

In response to a question on the definition of the Bank as a corporate body and its status with regard to profitability, the Chairperson responded as follows:

"The SARB Act clearly stipulates that the Bank is a juristic person, with its primary objective being to protect the value of the currency of the Republic in the interest of balanced and sustainable economic growth. There should be no ambiguity about this matter. The Bank does not perform its duties with a profit motive. On the contrary, in the exercise of its responsibilities, it may well take actions that were in the national interest, but that would result in the Bank recording losses.

It is the obligation of the Bank to act in the best interests of the country, and not in the narrow interests of the profitability of the Bank or its shareholders. There were legal limits placed on the rights of the shareholders of the Bank – for instance a limit of 10 000 shares, a fixed dividend, the election of only some of the non-executive Board members and no role in the appointment of the Governor and deputy governors, among others."

In response to a question on the amendments to the SARB Act, the Chairperson confirmed that the amendments to the SARB Act were promulgated in September 2010. In terms of these amendments, membership of the Board of the Bank was expanded from 14 to 15. The Board has agreed to use as a guideline the nine-year rule contained in King III for the service periods of executive Board members. As a result, three new non-executive directors would be elected by shareholders at this OGM. There were currently four vacancies for non-executive directors appointed by Government. Once all these appointments had been made, the Board would comprise a significant proportion of new members. While this may raise challenges for continuity, the Chairperson was confident that the new-look Board would continue to maintain effective corporate governance oversight of the Bank.

Other changes to the Board had come about as a result of the appointment of Mr Lesetja Kganyago as Deputy Governor, who assumed office on 16 May 2011. The Chairperson took the opportunity to welcome him back to the Bank. She said he brought a wealth of knowledge and experience, and his positive impact was already being felt. She also took the opportunity to bid farewell to the Senior Deputy Governor, Dr X P Guma, who had indicated to the President of the Republic that he was not available for reappointment when his contract expired at the end of July 2011, after 10 years as Deputy Governor. She thanked him for his service to the Bank. It was also fitting to pay tribute on this occasion to Mr Errol Kruger, the Registrar of Banks, whose career in the Bank spanned 34 years. As Registrar he played a critical role in ensuring the soundness of the South African banking system. The Bank wished them both well in their new undertakings.

The Chairperson then turned to the formal business of the day and confirmed the agenda of the meeting as follows:

To consider the minutes of the OGM of shareholders held on 8 December 2010.

To present and discuss the annual financial statements and the reports of the Board of Directors and the auditors of the Bank for the financial year ended 31 March 2011.

To request shareholders to elect non-executive directors to fill the three vacancies on the Board for persons with knowledge and skills in commence or finance, labour, and mining.

To approve the remuneration of the auditors of the Bank for the past audit.

To appoint auditors for the 2011/2012 financial year.

To consider any further business duly placed on the agenda and to be transacted at an OGM.

The Chairperson invited Mr Nazeer Essop from the scrutineers, Deloitte & Touche (Deloitte), to confirm the shareholder representation at this meeting.

Mr Essop, on behalf of the scrutineers, confirmed that

1. the total number of shares in the issued share capital of the Bank held by its shareholders was 2 000 000 (two million);
2. 32 shareholders were present in person;
3. 18 shareholders were represented by proxy; and
4. 965 votes are exercisable by shareholders present, or holding duly certified proxy forms for this purpose.

The Chairperson confirmed that the Bank had advised its shareholders at its 2010 OGM that it would be investigating the use of an electronic voting facility at this OGM. This was in line with best practice followed by the larger JSE-listed entities. After due consideration, the Bank had decided to make use of electronic voting facilities at this OGM and the shareholders were advised of this change in the Notice of the OGM dated 27 May 2011. The electronic voting was conducted by external parties, being IML Interactive (Pty) Limited, and was a more efficient and transparent voting process, with votes computed instantaneously.

There were no objections to the use of the electronic voting facility.

The Chairperson called for a poll on each of the items to be voted on at the OGM and confirmed that Deloitte had been appointed as independent scrutineers.

The Chairperson proposed that the minutes of the ninetieth OGM held on 8 December 2010, which were distributed with the *Annual Report 2010/11*, be taken as read and adopted.

A shareholder, Mr M Duerr, lodged three objections to the minutes, namely that the meeting had been convened in contravention of the legislation, the incorrect use of SAAPS 2 as the accounting method referred to on page 114 of the *Annual Report 2010/11* and the apparent incompleteness of the minutes.

The Chairperson noted the objections and confirmed the adoption of the minutes.

At this time, the meeting was interrupted by an attendee, Mr Arthur John Boettcher, who throughout the meeting disrupted proceedings to demand a transfer of 8 million shares to himself and payment of 1 billion British pound sterling into his bank account, in terms of an apparent judgment obtained by him against the Bank in the High Court of South Africa, North Gauteng Division under case number 25694/04. In addition, Mr Boettcher demanded that he be appointed as the Governor of the Bank and that the current Governor become a Deputy Governor. The Governor stated that the Bank was not aware of the judgment and urged Mr Boettcher to refer the matter to the Bank's General Counsel after the meeting.

Adoption of the *Annual Report 2010/11*

The Chairperson presented the *Annual Report* of the Bank for the year ended 31 March 2011 and called for any questions on the report. The *Annual Report 2010/11* had been distributed to shareholders on 14 June 2011 and had been published on the Bank's website.
The Chairperson responded to questions from Mr R Weisenberg, acting as proxy for various shareholders, as follows:

- The minutes of the December 2010 road shows had not been distributed as the Bank had dealt with the majority of the issues raised at the road shows during the 2010 OGM as

information for all shareholders. However, the Bank would review the possibility of making the minutes available.

- The subsidiary accounts had been consolidated into the Bank's financial statements and were reflected in the Group accounts. The SA Bank Note Company (Pty) Limited (SABN) and the SA Mint Company (Pty) Limited's (SA Mint) annual financial statements had been finalised and were available to shareholders, on request. The Corporation for Public Deposits' (CPD) financial statements must first be placed before Parliament before being made available to the public.
- The Chairperson requested Deputy Governor Mminele to report on the physical audit of the Bank's gold holdings. Deputy Governor Mminele confirmed that the Bank's gold holdings were subject to regular inspections, the last of which had been in March 2011.

Mr M Duerr read the following statement and handed a copy to the Secretary of the Bank for record-keeping:

"I, Michael Duerr, oppose the resolution to adopt the accounts in the form presented to this meeting – I do so for 4 reasons.

1. The accounts, as drawn, do not comply with relevant codes of practice, in particular King III.
2. In material respects the same lack proper disclosure and audit certification, with a failure to reflect past and recent losses of a major dimension.
3. The adoption of these accounts would cause this Bank to be in breach of its mandatory obligation to behave at all times in a fit and proper manner.
4. Viewed in context the Bank is failing in its duty to defend the legal tender of the South African currency by subrogating its autonomy under the contract which it has entered into with the CLS, an organisation owned and controlled by banks in the private sector who determine the relationship of the Rand with other currencies.

Despite assertions by certain Board members to the contrary, this Bank continues to be owned by its private shareholders and notwithstanding creeping expropriation, it remains the duty of those shareholders to challenge attempts to stifle their rights and to undermine their independent voice as sensibly prescribed in the legislation under which this Bank was established in 1921.

I move therefore that the resolution to adopt the accounts as laid before this meeting be resisted and that a committee comprising 3 members of the Board and 3 shareholders be established to investigate and report upon the defects referred to in the 4 points which I have made.

In handing a copy of my address to the Board I ask that the same be appended to the minutes of this meeting as an accurate record of the same."

Mr Scheepers, a shareholder, raised for consideration the possibility of listing the Bank's shares on the JSE, to improve transparency and liquidity and requested that the shareholders and attendees allow the meeting to proceed without any further interruptions. The Governor noted the suggestion.

Mr N Lang, a shareholder, raised a concern that a number of proxy forms representing 122 proxies in his favour had not been allowed by the Bank and the scrutineers. Mr Essop from the scrutineers confirmed that the Bank had not received the proxy forms in question and that the faxed copies he had been shown prior to the meeting did not reflect a facsimile number that he could verify and, accordingly, he could not confirm receipt by the Bank. Consequently, the proxies had been disallowed. Mr Weisenberg seconded a motion from Mr Lang to accept the proxies in his possession. The Chairperson noted that she did not wish to set a precedent in this regard, but agreed that the matter could be put to a vote. The majority of the shareholders voted against the proposal to accept the missing proxies and they remained excluded. The Chairperson undertook to review the proxy procedures going forward.

Mr Duerr objected to the wording on pages 63 and 100 of the *Annual Report 2010/11*, which stated that the remaining profits of the Bank and the CPD were transferred to Government, which was in contradiction of the SARB Act. The SARB Act stipulates that 90 per cent of the

remaining profits shall be paid to Government and the balance remains in the Bank's reserves. The objection was noted.

The Chairperson then formally moved that the annual financial statements for the year ended 31 March 2011 be adopted. The motion was seconded by Dr A Colburn.

On the basis of the voting results, the Chairperson declared that the *Annual Report* for the year ended 31 March 2011 had been adopted.

Mr D Lawrence, speaking on behalf of a major shareholder as well as a shareholder in his own right, thanked the Governor for allowing debate and special business at the meeting, but confirmed that he would like the meeting to continue with the business of the OGM, without further unnecessary interruptions from some of the shareholders and attendees.

Election of non-executive directors

The Chairperson then turned to the election of three non-executive directors to the Board of the Bank to fill positions that would fall vacant on 1 July 2011.

The candidates to be considered were confirmed by the Panel appointed in terms of section 4(1C) of the SARB Act. This Panel comprised retired former Constitutional Court Judge Ms Yvonne Mokgoro, Mr Abel Sithole (both nominated by the Minister of Finance) and Dr Laurain Lotter, Ms Lulama Nare and Mr Bheki Ntshalintshali (all nominated by Nedlac). The Panel had been appointed until September 2013.

There were vacancies for three shareholder-elected non-executive directors with knowledge and skills in commerce or finance, labour, and mining respectively. One person would be elected in respect of each of these three areas.

The term of office of Dr Deenadayalen (Len) Konar with knowledge and skills in commerce or finance would expire on 1 July 2011 and Dr Konar was not available for re-election.

Messrs R Barrow, S S Gouden and D C Powells were nominated for this position in terms of section 4(1C) of the SARB Act, and had been confirmed as candidates by the Panel in terms of section 4(1G) of the said Act.

The Chairperson requested the shareholders to exercise their votes by using the voting device to elect only one person with knowledge and skills in commerce or finance from the relevant group of three nominees.

On the basis of the voting results, the Chairperson declared that Mr Barrow had received the highest number of votes and was elected as a non-executive director with knowledge and skills in commerce or finance.

Mr Barrow was congratulated on his election and his three-year term would be effective from 1 July 2011 to the day after the OGM in 2014.

The Chairperson extended a special word of thanks to Dr Konar for the dedicated and valuable service he had rendered to the Board of Directors of the Bank over his 21-year term of office, and as Chairperson of the Audit Committee since 2010 and on previous occasions.

The Chairperson informed the shareholders that the term of office of Ms Zodwa Manase would expire on 1 July 2011. Ms Manase was not available for re-election.

Owing to amendments to the SARB Act, the position vacated by Ms Manase no longer needed be filled by a person with knowledge and skills in commerce or finance, but with a person with knowledge and skills in labour.

Professor R le Roux, Dr M A Altman, and Dr S P Makhesha were nominated for this position in terms of section 4(1A) of the SARB Act and had been confirmed as candidates by the Panel in terms of section 4(1C) of the said Act.

The Chairperson advised the shareholders to exercise their vote by using the voting device to elect only one person with knowledge and skills in labour from the relevant group of nominees.

On the basis of the voting results, the Chairperson declared that Professor Le Roux had received the highest number of votes and was elected as a non-executive director with knowledge and skills in labour.

Professor le Roux was congratulated on her election and her three-year term would be effective from 1 July 2011 to the day after the OGM in 2014.

The Chairperson extended a special word of thanks to Ms Manase for the dedicated and valuable service she rendered to the Board of Directors of the Bank over her 9-year term of office, and also as Chairperson of the Non-executive Directors' Committee since 2008 and wished her well for the future.

The Chairperson informed the shareholders that Ms Thandi Orleyn's term of office representing mining would expire on 1 July 2011. Ms Orleyn was not available for re-election.

Messrs C T Loock and G Ralfe and Ms M Feinstein were nominated for this position in terms of section 4(1C) of the SARB Act and had been confirmed as candidates by the Panel in terms of section 4(1G) of the said Act.

The Chairperson advised the shareholders to exercise their votes by using the voting device to elect only one person with knowledge and skills in mining from the relevant group of nominees.

On the basis of the voting results, the Chairperson declared that Mr Ralfe had received the highest number of votes and had been elected as a non-executive director with knowledge and skills in mining.

Mr Ralfe was congratulated on his election and his three-year term would be effective from 1 July 2011 to the day after the OGM in 2014.

The Chairperson extended a special word of thanks to Ms Orleyn for the dedicated and valuable service she had rendered to the Board of Directors of the Bank over her nine-year term of office, including presiding over the Remuneration Committee for many years. She thanked Ms Orleyn and wished her well for the future.

Auditors' remuneration

The Chairperson moved that the Board's recommendation that the remuneration for the independent auditors of the Bank, in the amount of R6 160 408,00 in respect of the general audit of the Bank for the financial year ended 31 March 2011, be confirmed and accepted.

The motion was seconded by Dr Konar, a shareholder and a non-executive director.

Mr Duerr, raised a concern about the order of the items under discussion, which appeared to be different from the order in the Notice of OGM. It was confirmed that the Board report formed part of the *Annual Report 2010/11* and should have been addressed during that discussion.

On the basis of the voting results, the Chairperson confirmed that the remuneration of the auditors amounting to R6 160 408,00 for the financial year ended 31 March 2011 had been approved with 68 per cent of the votes in favour of the motion.

Appointment of external auditors

The Chairperson turned to the appointment of the independent auditors of the Bank for the financial year 2011/12. In terms of section 30 of the SARB Act, the independent auditors of the Bank should be appointed by shareholders at this meeting.

The Board of Directors had recommended that PricewaterhouseCoopers Incorporated and SizweNtsaluba VSP be appointed as auditors of the Bank for the 2011/12 financial year.

The Chairperson took the opportunity to advise the shareholders that in keeping with best practice, a regular rotation of audit partners is followed, and Mr Johannes Grosskopf of PricewaterhouseCoopers Inc. had stepped down as audit partner after five years. He had been replaced by Mr Thomas Magill, who would be the audit partner responsible for the 2011/12 audit.

The Chairperson gave the shareholders an opportunity to raise questions in this regard.

In response to a question from Mr A Fondse, a shareholder, the external auditors confirmed that they did not have any judgments against them, nor had they been sanctioned by a court of law or entered into any plea bargains.

In response to a question from Mr Weisenberg, it was confirmed that the Bank was required to appoint two firms of auditors in terms of regulation 22(1a). Dr Konar noted that the auditors both had access to the Bank records and performed joint and several reviews thereof.

Mr A Noordman, a shareholder, enquired whether the accounts were fairly represented, as this had not been stipulated in the audit opinion. Dr Konar confirmed that the *Annual Report* and auditors' opinion stated the accounting framework within which the Bank operated.

Mr Boettcher noted that the audit report should be qualified and refer to the judgment against the Bank for 1 billion British pound sterling.

Mr Duerr recorded that in his opinion the notes to the financial statements were incorrect and that the audit report should have been qualified.

The Governor noted the comments and questions from the shareholders and formally moved to appoint PricewaterhouseCoopers Inc. and SizweNtsaluba VSP as the Bank's external auditors for the 2011/12 financial year. The motion was seconded by Mr Lawrence.

On the basis of the results, the Chairperson declared that PricewaterhouseCoopers Inc. and SizweNtsaluba VSP had been appointed as auditors of the Bank for the 2011/12 financial year, with 78 per cent of the votes in favour of the motion.

The Chairperson recorded that the formalities of the meeting had now been completed and thanked the scrutineers and IML for their assistance with the electronic voting process.

The Governor then went on to address the meeting as follows:

"The Office of the Secretary had not received any requests for special business to be placed on the agenda of this meeting from any shareholders other than from Mr Duerr. Mr Duerr had attempted to place some 15 items of purported special business on the agenda of this meeting, including 5 items which he attempted to place on the agenda of last year's OGM. None of the items qualified as special business as contemplated in regulation 7.3(d) read with regulation 12.3 of the Regulations, and Mr Duerr was informed of this position in writing, together with reasons. The matters addressed above during my speech do, however, cover many of the items raised by Mr Duerr as they formed part of the ordinary business of the meeting.

Notwithstanding the above, I would like to deal with some matters relating to Mr Michael Duerr. It is unusual to single out one shareholder, but given the extent to which Mr Duerr claims to speak on behalf of all shareholders, and his consistent communication of all issues raised with the Bank to a wide range of media, we feel it is necessary to put the record straight.

Mr Michael Duerr has been a shareholder of the Bank since about March 2006. Mr Duerr is a shareholder who does not normally reside in South Africa, and is therefore subject to the legal provisions applicable to shareholders who are not ordinarily resident in South Africa. In the main the legal implication is that Mr Duerr (as is the case with all other non-resident shareholders) cannot vote at any general meeting of shareholders of the Bank. Non-resident shareholders, of whatever nationality, even if South African nationals, were not permitted to vote virtually since the inception of the Bank, and this is clearly spelt out in the SARB Act. Mr Duerr should have been aware of this and other limitations on shareholders at the time he bought the Bank's

shares. However, Mr Duerr refuses to accept that the SARB Act lawfully prohibits persons who do not ordinarily reside in South Africa from voting, and he has raised issues with regard to the enforceability of this measure with the Bank on numerous occasions.

We have spent literally hundreds of management hours responding to often spurious, slanderous and sometimes downright bizarre interventions by Mr Duerr. The Bank's Legal Counsel and his team have spent some 385 hours since the middle of last year just responding to his queries. We have received more than 60 e-mails and other correspondence, running to more than 160 pages. Apart from the tone, language, unfounded allegations and abuse contained in this correspondence, there have been no less than 61 demands, often stipulating responses expected within hours. By any standards, this is not in the interest of good governance or efficient or effective operations.

We have reflected the hours spent by the Legal Counsel, but the interaction also takes up the time of the Governors, the Secretary of the Bank as well as the Head of Strategy and Communications. We can only conclude that harassment appears to be the actual intention, which is most unfortunate and hardly a good reflection on Mr Duerr, who claims that in these actions he is the 'caretaker shareholder' acting for all shareholders. In this way he ostensibly abrogates to himself powers which can never be his, and seeks in the process to disempower the vast majority of shareholders by evidently suggesting that he speaks in your name.

Allow me to quote from some of the public statements that have been made by Mr Duerr.

On 2 March 2009 Mr Duerr forwarded an article titled 'The Central Bank Hunter', which had been published in an overseas publication styled 'Börse Online', to the Bank. It consisted of an interview with Mr Duerr in which he, among others, made the following statements:

a. he had stumbled upon the astonishing fact that the Bank (being a central bank) was 100 per cent privately owned, and started buying himself into the organisation;
b. in order to side-step/circumvent the limitation of half a percent of the issued shares that may be owned by a single shareholder, he ordered shares in the name of family members to their personal limit, resulting in his wife, children, parents and parents-in-law becoming part of the deal;
c. his family held about five percent, his personal friends an estimated five percent and partners who had joined the business owned an estimated five to ten percent of the Bank's shares;
d. this business was not expensive for him, measured against the two million issued shares and their value expressed in euros;
e. his initial purpose for buying the shares, namely to prevent the erection of a nuclear power plant near his property, had been superseded by an approach of achieving the maximum possible return on capital from his investment;
f. in his opinion it would amount to R4 206 per share and this would be most easily achieved through nationalisation of the Bank as in such an event shareholders would be entitled to 40 per cent of the reserves of the Bank;
g. he was persisting in his attempts to acquire more Bank shares; and
h. from his side he wanted to increase the pressure on the central bank and threatened to pass on shares under his influence to the Chinese or the Indians. In this vein he pointed out that there were many investors who would be prepared to pay millions in order to have access to a political lever.

In various correspondence Mr Duerr has behaved in a threatening manner, including laying criminal charges against the Bank's Legal Counsel, which have been dismissed as without foundation by the National Prosecuting Authority. To give a sense of the tone he tends to adopt, I quote from his letter to Dr Johann de Jager of 19 November 2010: "Dear 'old foe' Johann, this is the only nickname you can expect from me after your seriously bad behavior, stupidity and arrogance over the last few years. Just delay the AGM otherwise you ask for the next fracas, with all the media bells and whistles attached. I hope this finds you well and you have your blood pressure tablets handy. Do you choose the carrot or the stick?"

Correspondence from Mr Duerr is regularly copied to the media and other parties. As an example, in submitting questions to me on 17 November 2010, over 80 people from national and international media, the Government, Parliament and members of the legal fraternity were included in the mailing list. This is no doubt part of his efforts to question the integrity of the Chairperson and the governance of the Bank.

Profit maximisation has never been a motive for holding shares in the Bank. The limits set out in law of a fixed dividend and the limited holding of shares and voting rights available to private shareholders underline the fact that the Bank – like its counterparts in other countries – is a national asset that acts in the public interest. Shareholding in the Reserve Bank is not the same concept as shareholding in a JSE-listed commercial enterprise.

It is a simple but incontrovertible fact that shareholders have an interest in, but do not own the Reserve Bank. Parliament has reconfirmed this in the most-recent amendments to the SARB Act, and every shareholder is aware of the numerous legal limitations when he or she purchases his or her shares. That is a pretty clear state of affairs. It is accepted and embraced by the vast majority of the Bank's shareholders, from the large commercial banks to individuals from many walks of life for whom a shareholding is a contribution to the entrenchment and enhancement of the Bank's independence.

Given the claims made for a distribution of the profits and reserves of the Bank, I take this opportunity to refer to the judgment of the Court of Appeal in Brussels regarding the claims against the National Bank of Belgium by a group of its shareholders.

The Court of Appeal in Brussels on 1 June 2011 delivered judgement in the final pending legal dispute between a group of shareholders and the National Bank of Belgium. The Court confirmed, in a clear and convincingly motivated judgement, an earlier judgment delivered on 30 September 2010 in which it was held that shareholders had no right whatsoever to the gold reserves and the profits realised thereon. The appeal was dismissed as unsubstantiated and a cost order was granted against the appellants of twice 30 000 euro (or twice 207 euro per share) which was payable to the National Bank and the Belgium Government respectively.

The judgment concluded a series of legal disputes instituted against the National Bank/Belgium Government by two groups of shareholders, representing a small minority of shareholders in the National Bank.

Ladies and gentlemen,

Responsible shareholders help entrench and enhance the Bank's independence. They support its public interest mission. They see in a private shareholding in the Bank first and foremost an opportunity to interact with the Bank and gain a deeper insight into the economy. They recognise this is not a get-rich-quick scheme.

Diversity of stakeholders remains a key intention of the Reserve Bank, of the Government, and of all serious shareholders. In fact, the most-recent amendments to the SARB Act have significantly broadened and strengthened our diversity and our ability to act without fear, favour, or undue influence from any quarter, whether at home or abroad.

Your responsible exercise of your rights and duties as shareholders make a significant contribution to the diversity and independence necessary for us to fulfil our mandate. With this contribution you help build the enormous goodwill and trust the Bank enjoys from across a wide spectrum of communities in the country.

In so doing, you help build the South African economy and you contribute to nation building. Allow me to express my appreciation for your contribution and to ask that you continue to support the very important work of the South African Reserve Bank, particularly at this very crucial time in history."

Mr Duerr responded to the Chairperson's statement by confirming that he would be making use of the Bilateral Investment Treaty provisions to regain his voting rights taken away from him

through the Amendment to the SARB Act. Mr Duerr further stated that he spoke only for his direct family and had not tried to avoid the restrictions on the number of shares a shareholder may own. He further had no influence over what journalists may write, such as in the publication quoted by the Chairperson. Mr Duerr stated that he was not motivated solely for financial reward, and that he was acting in the interests of the public and that he had pledged his shareholding to a hospital in Marian Hill. Mr Duerr recorded his objection to the Chairperson's personal attack on him and that in his opinion it amounted to slander.

The Chairperson noted Mr Duerr's comments.

The Chairperson went on to thank President Zuma and the Presidency, the Government and Parliament for their continued support. The sound working relationship between the Bank and the National Treasury had continued, and she thanked Finance Minister Pravin Gordhan, Deputy Minister Nhlanhla Nene and the staff of the National Treasury for their ongoing support. The Bank also thanked Mr Lesetja Kganyago as the former Director General of the National Treasury, and was confident that the strong ties between the Bank and the National Treasury would continue to bear fruit as it built on the firm foundations already in place. The Bank looked forward to a continued sound working relationship with the new Director General, Mr Lungisa Fuzile, and wished him well.

Sincere thanks were also due to the members of the Board for ensuring appropriate corporate governance in the Bank. The Chairperson paid particular tribute to the three Board members whose terms of office would end on 1 July 2011, namely Ms Thandi Orleyn, Dr Len Konar and Ms Zodwa Manase for their years of service and support. Sincere appreciation was also due to Senior Deputy Governor Guma and Deputy Governor Mminele, as well as the entire management and staff of the Bank for their dedication and commitment in dealing with the issues the Bank had to face in these very challenging times.

As was the case at the time of the establishment of the Bank, it would face a challenging global and domestic environment. In the 90 years of its existence, the Bank had been able to navigate successfully through many turbulent periods. Over the years, economic theory and policies had also evolved in response to changing circumstances. The Bank was fortunate to have skilled and professional staff who would enable it to continue to keep abreast of the latest developments in the policy environment, and remain focused on the implementation of appropriate and sustainable policies in the interests of all South Africans.

Mr Jacko Maree, the Chief Executive Officer of Standard Bank South Africa Limited, a shareholder of the Bank, proposed a vote of thanks on behalf of the shareholders and the commercial banks. Mr Maree noted that central banks were unique institutions that were national assets and should not have a profit motive. Mr Maree stated that he hoped to return to an OGM in future where the issues of the day were the focus and wished the Governor strength in dealing with the many matters raised during the meeting. Mr Maree then recognised Mr Kruger's role as Registrar of Banks and thanked him for his commitment and efforts within the banking industry over the many years he had been with the Bank and wished him well in his new ventures.

The Chairperson thanked attendees for their presence and invited them to take the opportunity to look at the 90th Anniversary exhibition that had been set up in the foyer. A special limited circulation R5 coin commemorating the 90th Anniversary had been minted and would be in circulation from 1 July 2011, as legal tender.

The Chairperson then declared the proceedings closed.

G Marcus
Chairperson

Annexure A: Governor's Address

Dear Shareholders,

Members of the Board,

Deputy Governors,

Ladies and Gentlemen

The business of an ordinary general meeting of the Bank is to receive and discuss the minutes of the previous meeting, the financial statements for the preceding financial year, the report of the Board on the state of affairs and business of the Bank and the auditors report, and to attend to the election of directors and the appointment of auditors and the approval of their remuneration (this being referred to as the ordinary business of a general meeting).

In addition, special business of which proper notice was given may be transacted at the general meeting. This special business would be resolutions proposed by shareholders and which relates to the ordinary business of a general meeting.

As in recent times the conduct of special business has been an issue at general meetings, it is necessary to record that special business is not any business that shareholders wish to raise relating to the Bank and/or a criticism of reports or documents presented at the general meeting. It must clearly relate to the ordinary business of a general meeting referred to above and must, more particularly, be framed as a resolution that is capable of being implemented, if adopted.

Business framed as criticisms or demanding action from the Bank and which does not relate to the ordinary business of a general meeting, as referred to above, does not constitute special business.

In addition, matters relating to the legislation under which the Bank operates and the requirements thereof are matters which do not constitute special business and are incapable of being implemented by the adoption of a resolution. These are matters which ought to be raised with the National Treasury and Parliament.

Criticisms of the reports and documents presented at the general meeting do not in the normal course of business qualify as special business, unless properly framed as a resolution that is capable of being adopted. Any criticism, or for that matter queries, relating to reports and documents presented at the general meeting are properly dealt with and addressed at the general meeting as part of a discussion around these reports and documents, and this is the basis on which we intend to conduct the business of this meeting.

The Bank was founded at a time of great turmoil in the international monetary system and amid vigorous debates about the appropriateness of a return to the gold standard. In that context the Bank was established to ensure that the banknote issue was in line with the gold stock; in other words, the Bank had to ensure the convertibility of the currency or the maintenance of the value of the currency.

The early 1920s were also characterised by a high degree of capital flows and exchange rate volatility and, ultimately, the 1929 collapse of Wall Street ushered in the worldwide Great Depression of the 1930s.

Today, we unfortunately find ourselves in a very similar context. The global financial crisis, which is now in its fourth year, and persistent global imbalances and volatile capital flows have again put the nature of the international monetary system and the international adjustment mechanism at the centre of the debate on global reform. Such turmoil and periodic systemic crises – in this instance the most devastating since the great depression – underline the need for strong central banks to be beacons of stability.

Our focus therefore continues to be on stability, which includes price stability, financial stability and the stability of the banking system. Such stability is essential to providing an environment conducive to economic growth and employment creation.

Global developments have continued to impact on our domestic economic conditions and policy environment. The recovery in the advanced economies, which had appeared to be more sustained, has become increasingly uncertain in recent months. While some view this as a 'soft patch' from which countries will emerge fairly soon, there are still significant risks emanating from some peripheral countries in Europe in particular. These risks have the potential to derail the already slow recovery in the advanced economies, and to have serious negative global repercussions.

Although countries such as Greece, Ireland and Portugal are relatively small in the European context, the exposure of the banking systems of the rest of Europe to these countries' debt means that in the event of even a partial default, a systemic banking crisis could ensue. And notwithstanding the measures taken through initiatives such as Basel III, and an increased focus worldwide explicitly on financial stability, the possibility of a systemic banking crisis emanating from Europe cannot be dismissed.

While I do not want to over-burden you with numbers, it is important to use some examples for illustrative purposes. According to the European Commission, the debt to GDP ratio of Greece is expected to increase to 166 per cent in 2012, from 142 per cent in 2010. Its fiscal deficit is expected to decline from 10,5 per cent to 9,3 per cent. In Ireland, the debt to GDP ratio is expected to increase from 96 per cent in 2010 to 118 per cent in 2012. It is argued by some that in the case of Ireland it is more useful to look at the debt to GNP ratio, which stands at around 150 per cent. The fiscal deficit of 30,3 per cent in 2010 is expected to decline to 8,5 per cent in 2012.

Portugal's debt to GDP ratio is expected to increase from 93 per cent in 2010 to 107 per cent in 2012, while austerity measures envisaged are expected to reduce its fiscal deficit from 9,1 per cent to 4,5 per cent next year – that is, to be cut in half in two years.

According to Bank for International Settlement (BIS) data, the total exposure of foreign banks to Spain, Greece, Portugal and Ireland was around US$2,3 trillion at the end of 2010, with a significant portion of the exposure being to German and French banks. There is also a difference in exposure to the different countries, for instance the UK banks have an exposure of US$190 billion to Ireland.

The IMF estimates that the European banks have an exposure to the periphery of around 10 per cent of Europe's GDP, and about 80 per cent of the capital of European banks.

These growing uncertainties have resulted in periodic changes in risk perceptions in the international financial markets, resulting in continued volatility of exchange rates and capital flows. The tragic events in Japan earlier in the year also underlined the fragility of the recovery in the advanced economies.

At the same time, the strong recovery in most of the emerging markets, and Asia in particular, coupled with unfavourable weather conditions and political developments in the Middle East and North Africa, has put upward pressure on commodity prices, in particular oil and food. This has led to an end of the benign global inflation environment which had prevailed since the onset of the financial crisis.

At the risk of over-emphasising the deteriorating situation in Europe and United States, it must be cause for concern when, within the space of a week, three of the world's leading central bankers – Ben Bernanke of the Federal Reserve, Jean-Claude Trichet of the ECB, and Mervyn King of the Bank of England – all explicitly stated their concerns that the recovery from the financial crisis will be very slow, that there are real risks to the European banking system, and that this situation poses a great threat to financial stability.

It is within this fragile global outlook that the domestic economic outlook should be considered. Since March 2010, domestic inflation has remained within the target range of 3–6 per cent. CPI inflation reached a recent low of 3,2 per cent in September 2010, but has since increased to 4,6 per cent in May. This benign inflation environment enabled the Bank to reduce the repurchase rate to 5,5 per cent, which is the lowest nominal level of the policy rate in over 30 years. Real rates are also significantly below their long-run averages.

The accommodative stance of monetary policy has been maintained, given the relatively hesitant nature of the domestic recovery. There are signs that this recovery is becoming more self-sustained, following the 4,8 per cent annualised growth rate recorded in the first quarter of 2011, driven mainly by a strong performance in the manufacturing sector.

However, the fragility of this recovery is illustrated by the contraction in the manufacturing sector recorded in April 2011 and the continued slow pace of growth in the construction sector and in private sector fixed capital formation. Employment growth has also remained subdued.

Although there are no signs of pressures on domestic inflation generated from the demand side of the economy, the inflation outlook is being adversely affected by global commodity prices. As a result of these developments, inflation is expected to breach temporarily the upper limit of the inflation target range in the first quarter of next year, and then remain close to the upper end of the target range for the rest of the year.

The Monetary Policy Committee (MPC) will continue to monitor closely any indications of second-round effects on inflation emanating from these cost pressures. We will continue to give primacy to our objective of price stability, and implement monetary policy within a flexible inflation-targeting framework.

The policy challenges we face are complex. While data at one level may suggest an upside risk to the inflation outlook and a possible change in the interest rate stance, other data may well indicate a need for the opposite policy approach. In times of such great uncertainty it is important for a central bank to remain focused on its primary responsibilities, but vigilant and aware of what is happening in the global and domestic economic environment.

The financial crisis has focused attention on financial stability issues. In the past most central banks had implicit financial stability mandates and the conventional wisdom was that price stability would ensure financial stability. The crisis has shown that financial stability should be seen as a separate objective, and a number of central banks have been given explicit financial stability mandates.

The Bank has also been given a mandate to take a leading role in maintaining financial stability. To this end, the Bank's Financial Stability Committee (FSC) has been reconstituted and given responsibility for macroprudential oversight and policy implementation. This is unchartered territory, and work is being undertaken both globally and domestically to determine the exact nature of such oversight as well as what appropriate policy instruments could be.

Without being complacent, our view is that at this stage there are no obvious threats to domestic financial stability: credit extension by banks is subdued and there is no evidence of incipient asset market bubbles. However, we remain vigilant as to the possible impact of any global financial stability or systemic banking matters that might arise.

The Bank's microprudential responsibilities have also been impacted by global developments with respect to the regulatory and supervisory environment. The Bank, as a member of the Basel Committee on Banking Supervision (Basel Committee), has been an active participant in the deliberations on banking regulatory reform. Meetings of the committee have culminated in the publication of the global regulatory framework for more resilient banks and banking systems, known as Basel III, which incorporates the details of global regulatory standards on bank capital adequacy and liquidity.

The changes should not have a material impact on South African banks which remain well capitalised and characterised by low leverage ratios. The proposals regarding liquidity are likely to pose a greater challenge, and it is important to recognise that it is not only South Africa that faces this hurdle. Given the relatively long phasing-in period allowed for, these challenges are not viewed as being insurmountable.

Capital flows to a number of emerging markets moderated in the final quarter of 2010 and early 2011. A similar pattern was observed in South Africa, and between November 2010 and March 2011 there were cumulative net sales of bonds and equities by non-residents. More

recently, renewed net purchases have been experienced and year to date the net purchase of bonds and equities stands at approximately R27 billion.

Despite this relatively volatile pattern of capital flows the Bank, with the assistance of National Treasury, has continued with its policy of foreign exchange reserve accumulation. In the 2010/11 financial year the Bank purchased approximately US$10,3 billion for this purpose. The need to sterilise the impact of these purchases of foreign exchange on domestic liquidity resulted in the Bank reporting an after-tax loss for the second consecutive financial year, amounting to a little under R1,2 billion.

Gill Marcus
Chairperson

Abbreviations

ABET	Adult Basic Education and Training
AD	Authorised Dealer
ADLA	Authorised Dealer [in foreign exchange] with Limited Authority
AFReC	Applied Fiscal Research Centre
AGM	Ordinary General Meeting
AML	anti-money laundering
BANKSETA	Banking Sector Education and Training Authority
BCBS	Basel Committee on Banking Supervision
BER	Bureau for Economic Research [at Stellenbosch University]
BIS	Bank for International Settlements
BRC	Board Risk Committee
BSD	Bank Supervision Department [of the South African Reserve Bank]
BSTD	Business Systems and Technology Department [of the South African Reserve Bank]
Busa	Business Unity South Africa
CCBG	Committee of Central Bank Governors [in the Southern African Development Community]
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CFT	the combating of the financing of terrorism
CIA	Chief Internal Auditor
CLS	Continuous Linked Settlement
CMA	Common Monetary Area
COO	Chief Operating Officer
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CPD	Corporation for Public Deposits
CPI	consumer price index for all urban areas
CPSD	Currency and Protection Services
CPSS	Committee on Payment and Settlement Systems
CSD	Corporate Services Department
CSI	corporate social investment
DoL	Department of Labour
ECB	European Central Bank
EE	Employment Equity
EECB	Employment Equity Consultative Body
EME	emerging-market economies
ER	employee relations
ERM	Enterprise Risk Management
ERP	enterprise resource planning
FATF	Financial Action Task Force
FICA	Financial Intelligence Centre Act, 2001 (Act No. 38 of 2001)
FIP	Finance and Investment Protocol
FMD	Financial Markets Department
FRRSC	Financial Regulatory Reform Steering Committee
FSB	Financial Stability Board
FSC	Financial Stability Committee
FSD	Financial Services Department
FSOC	Financial Stability Oversight Committee
G-20	Group of Twenty
GCC	Governor's Co-ordinating Committee
GDP	gross domestic product
GEC	Governors' Executive Committee
GFECRA	Gold and Foreign Exchange Contingency Reserve Account
GIBS	Gordon Institute of Business Science [at Pretoria University]
GM	General Management
GW	General Worker
IAD	Internal Audit Department [of the South African Reserve Bank]
IAS	International Accounting Standard
IASB	International Accounting Standards Board
ICT	information and communications technology
IFC	internal financial control
IFRIC	International Financial Reporting Interpretations Committee

IFRSs	International Financial Reporting Standards
IMF	International Monetary Fund
IoDSA	Institute of Directors in South Africa
IOSCO	International Organization of Securities Commissions
ISA	International Standards on Auditing
IT	information technology
ITBLP	Information Technology Business Learnership Programme
ITIC	Information Technology Investment Committee
JPS	Junior Professional and Supervisory
JSE	JSE Limited
LTRO	Long-Term Refinancing Operation
Manco	Management Committee
MPC	Monetary Policy Committee
NAB	New arrangement for borrowing
Nedcom	Non-executive Directors' Committee
Nedlac	National Economic Development and Labour Council
NERSA	National Energy Regulator of South Africa
NPS	national payment system
NPSD	National Payment System Department [of the South African Reserve Bank]
NQF	National Qualifications Framework
PVM	Professional and Vocational Management
PwC	PricewaterhouseCoopers
QIS	Quantitative Impact Study
Remco	Remuneration Committee
Resmanco	Reserves Management Committee
RISDP	Regional Indicative Strategic Development Plan
RMC	Risk Management Committee
RMCD	Risk Management and Compliance Department [of the South African Reserve Bank]
RPL	Recognition of Prior Learning
RSH	Research Department [of the South African Reserve Bank]
SAA	strategic asset allocation
SABN	South African Bank Note Company (Pty) Limited
SADC	Southern African Development Community
SAICA	South African Institute of Chartered Accountants
SAMOS	South African Multiple Option Settlement
SAPS	South African Police Service
SARB	South African Reserve Bank
SARBCIC	South African Reserve Bank Captive Insurance Company Limited
SARS	South African Revenue Service
SCD	Strategy and Communications Department
SCR	Interim Solvency Capital Requirements
SDR	Special Drawing Right
SHE	safety, health and environment
SIG	Standards Implementation Group
SMS	short message service
SPM	Senior Professional and Management
TPC	Trainee Professional and Clerical
Unisa	University of South Africa
US	United States
US GAAP	United States Generally Accepted Accounting Principles
VDP	Voluntary Disclosure Programme
WMU	Wellness Management Unit

Glossary

Banks Act	Banks Act, 1990 (Act No. 94 of 1990)
Basel II	*International Convergence of Capital Measurement and Capital Standards: A Revised Framework*
Basel III	*A Global Regulatory Framework for More Resilient Banks and Banking Systems*
Companies Act	Companies Act, 2008 (Act No. 71 of 2008)
Core Principles	Core Principles for Effective Supervision

CPD Act	Corporation for Public Deposits Act, 1984 (Act No. 46 of 1984)
EE Plan	Employment Equity Plan
email	electronic mail
FinSurv	Financial Surveillance Department [of the South African Reserve Bank]
King III	*King Report on Corporate Governance for South Africa 2009*
Pension Funds Act	Pension Funds Act, 1956 (Act No. 24 of 1956)
repo	repurchase
SA Mint	South African Mint Company (Pty) Limited
SARB Act	South African Reserve Bank Act, 1989 (Act No. 90 of 1989), as amended
SARB debentures	South African Reserve Bank debentures
Stats SA	Statistics South Africa
the Bank	South African Reserve Bank
the Board	Board of Directors [of the South African Reserve Bank]
the College	South African Reserve Bank College
the Group	South African Reserve Bank and its subsidiaries
the Standards	the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors
Vision 2015	*South African Reserve Bank National Payment System Framework and Strategy Document*

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