



INFLATION LINKED RSA RETAIL SAVINGS BONDS





Department: National Treasury REPUBLIC OF SOUTH AFRICA



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national treasury

Department: National Treasury REPUBLIC OF SOUTH AFRICA **Please note** that this brochure only provides a basic introduction to the Inflation Linked Retail Savings Bond Series. We recommend that you contact the National Treasury should you require more detailed information.

Tel: 012 315 5888 | eMail: queries@rsaretailbonds.gov.za

Inflation Linked RSA Retail Savings Bonds are the safest way to ensure you keep up with the rising cost of living. The capital you invest in Inflation Linked RSA Retail Savings Bonds will be adjusted for inflation every six months over the various terms. Your investment will also earn additional interest at a floating coupon rate.

WHY CHOOSE THIS PRODUCT?

- Inflation protection for investors
- Safe no risk
- Backed by Government
- Affordable
- Convenient

OTHER FEATURES OF INFLATION LINKED RSA RETAIL SAVINGS BONDS

- Non-transferable
- Non-tradable
- No monthly interest payments
- · No capitalisation of interest payments received

WHO CAN INVEST?

Any person with a valid South African identity number and a bank account at a South African bank can invest in the RSA Retail Savings Bonds. If a minor (a person younger than eighteen years of age) applies for an investment, the application form must be countersigned by a parent or legal guardian.

| Minimum purchase | ZAR 1 000.00 (one thousand rand) |
|------------------|--|
| Maximum purchase | ZAR 5 000 000.00 (five million rand) (each deposit constitutes a single investment) |
| Investment terms | 3 years 5 years 10 years |
| Interest dates | 31 May and 30 November of each year |

HOW THIS BOND WORKS

Inflation Linked RSA Retail Savings Bonds give you the peace of mind of knowing that the value of your savings will stay ahead of rising costs.

Your investment in these bonds will increase in value every six months in line with inflation (being the general increase in prices as measured by the Consumer Price Index announced by Statistics South Africa). This process is known as index linking. In addition to this inflation adjustment on the amount invested, you will also earn further interest on your investment, payable on specific interest payment dates. The investment will earn interest at a six-monthly floating real interest rate (this is the difference between the nominal interest rate and CPI rate). This rate is derived from Government's Inflation Linked Bonds Yield Curve, as traded on the JSE (Johannesburg Stock Exchange) and calculated separately by the National Treasury for the various terms.

The combination of index-linking and a floating interest earned on Inflation Linked Retail Savings Bonds means that your savings are guaranteed to grow ahead of the rate of inflation.

HOW ARE INTEREST PAYMENTS CALCULATED?

The Inflation Linked RSA Retail Savings Bonds offer inflation protection (growth) on capital invested until maturity and a real floating interest rate, payable semi-annually, on the inflation adjusted capital.

Once you invest, you will receive your BASE- Consumer Price Index (CPI), this is the reference Consumer Price Index (CPI), as determined by STATSSA and calculated on the day you invest. Your capital will be adjusted upwards by multiplying your capital amount by the reference CPI on calculation date, which is the interest payment date (either May or November) and dividing it by your BASE-CPI. To calculate your interest payable, the inflation adjusted amount/ capital, is then multiplied by the applicable or prevailing floating interest rate, as determined on the last day prior to the next interest payment period. This is then divided by 2 (two) as interest is payable semi-annually. The interest, as calculated, will be paid on the interest payment date directly into your bank account.

Past figures are used for a working explanation of interest calculation and inflation adjustments. In the CPI/Index table below, the interest payment months of May 31 and November 30 are marked in red.

CPI/INDEX TABLE

| | | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------------|------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2009 | Index | 103.1 | 104.3 | 105.7 | 106.2 | 106.6 | 107 | 108.2 | 108.5 | 108.9 | 108.9 | 108.9 | 109.2 |
| CPI % | Rate | 8.10 | 8.60 | 8.50 | 8.40 | 8.00 | 6.90 | 6.70 | 6.40 | 6.10 | 5.90 | 5.80 | 6.30 |
| Floating % | 3 Yr. ILB | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.25 | 2.25 | 2.25 | 2.25 | 2.25 | 2.25 | 2.25 |
| Floating % | 5 Yr. ILB | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 |
| Floating % | 10 Yr. ILB | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 | 3.00 |
| 2010 | Index | 109.5 | 110.2 | 111.1 | 111.3 | 111.5 | 111.5 | 112.2 | 112.3 | 112.4 | 112.6 | 112.8 | 113.0 |
| CPI % | Rate | 6.20 | 5.70 | 5.10 | 4.80 | 4.60 | 4.20 | 3.70 | 3.50 | 3.20 | 3.40 | 3.60 | 3.5 |
| Floating % | 3 Yr. ILB | 2.25 | 2.25 | 2.25 | 2.25 | 2.25 | 2.25 | 2.25 | 2.25 | 2.25 | 2.25 | 2.25 | 2.00 |
| Floating % | 5 Yr. ILB | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.25 |
| Floating % | 10 Yr. ILB | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 2.75 |

May 2010, when the reference CPI of the day (reference CPI data of 4-months and 3-months back is used to interpolate the reference CPI as on 31 May 2010. Refer to the Terms Based on the above table, if you had invested R10 00000 in December 2009 in a 5-year Inflation Linked R5A Retail Savings Bond, your BASE-CPI would have been 109.2. On 31 and Condition for the formula) was 110.2, your inflation capital adjustment will be:

110.2/109.2 x R10 000.00 = R1 0 091.58* [Adjusted inflation capital amount]

R10091.58 x 2.5%/2 = R126.14 [The prevailing floating interest rate was determined on the last date prior to the next interest payment period, which was 31 October 2009.

*(the inflation capital adjustment will always be calculated on the original capital amount – in this example R1000000 – as the reference CPI in future dates will already incorporate the capitalisation of all inflation adjustments]

After each capital adjustment (adjustment for inflation) a floating rate is calculated. A different floating interest rate may apply to each maturity period – i.e. the three, five and ten year bonds will have a different floating interest rate.

Please note that both the CPI rate and the floating interest rates could and may change every six months. The most recent floating interest rates will be available on the RSA Retail Savings Bond website (www.rsaretailbonds.gov.za).

- The important thing to remember with the Inflation Linked RSA Retail Savings Bonds, is that your investment is protected against inflation and will always outperform inflation by the floating interest rate. Investors consider investing in inflationlinked bonds when the expectation for rising inflation is high. However, if inflation is decreasing, it is better to fix your rate (see brochure on Fixed Rate RSA Retail Savings Bonds for more information on this series of bonds).
- Tax will be paid for the tax year, as and when interest is payable, to the capital investment. Capital gains tax is not applicable to the Inflation Linked RSA Retail Savings Bonds. For the Inflation Linked Bonds, all interest earned (the capital adjustment and interest payable) will be treated as normal interest for South Africa tax purposes.
- Inflation Linked Bonds are well suited for saving over longer terms such as saving for retirement, saving for a child's education, or similar.

EARLY WITHDRAWALS

Withdrawal of your investment before the end of the full maturity period will only be allowed one year after the date that your payment is received. However, note that a penalty is payable on the early withdrawal amount.

The penalty is calculated as follows:

a/1 X 1/b

where –

"a" is the total amount of interest received on the early withdrawal amount, including the interest payable at the early withdrawal date; and

"b" is the total number of times that interest was received on the

4

early withdrawal amount, including the interest payable at the early withdrawal date.

The penalty is effectively equal to one interest payment on the early withdrawal amount.

The National Treasury reserves the right, within its sole and absolute discretion, but only under extraordinary circumstances, to allow early withdrawals prior to one year. However, all interest received on the early withdrawal amount will be **forfeited if such early withdrawal request is approved**.

RESTART OPTION

There is no Restart option with the Inflation Linked RSA Retail Savings Bonds. This is only applicable to the Fixed Rate RSA Retail Savings Bonds. See the relevant brochure for further details.

HOW DO I GET STARTED?

You will need:

- A valid South African identity book (driver's licence or passport will not be accepted)
- Your personal banking details
- A complete application form (except if applications are done by telephone)
- An amount of not less than R1 000

If you are under 18 years of age, you will also need:

- Your parent or legal guardian's signature on the application form, or
- Your marriage certificate, or
- Proof that you have been granted majority status in terms of the Children's Act (Act No 38 of 2005).

HOW DO I INVEST?

Step 1 - Register (provide your personal details)

Where?

- Any branch of the South African Post Office
- RSA Retail Savings Bond website www.rsaretailbonds.gov.za
- Directly at the National Treasury 240 Vermeulen Street, Cnr. Andries and Vermeulen Streets, Pretoria, 0002
- Telephonically 012 315 5888

Step 2 - Apply (select bond and maturity)

Where?

- Any branch of Pick 'n Pay
- Any branch of the South African Post Office
- RSA Retail Savings Bond website www.rsaretailbonds.gov.za
- Directly at the National Treasury 240 Vermeulen Street, Cnr. Andries and Vermeulen Streets, Pretoria, 0002
- Telephonically 012 315 5888

Step 3 - Pay

How?

- Any branch of Pick 'n Pay
- Any branch of the South African Post Office
- Internet banking
- Direct deposit at the bank

CONFIRMATION OF INVESTMENT, PROOF OF OWNERSHIP AND REGISTRATION OF BONDHOLDERS

An official letter will confirm your investment(s). If a confirmation letter is not received within one week, please call the helpline on 012 315 5888.

DEATH OF A BONDHOLDER

Nomination of beneficiary

You can nominate one or more beneficiary(s) (a maximum of 10 natural persons) for your RSA Retail Savings Bond portfolio. Your investments cannot be separated per beneficiary; all investments shall be divided and paid equally where there is more than one beneficiary.

The nominated beneficiary(s) or executor shall receive payment within 20 days of receipt by the National Treasury of the required documents (i.e. death certificate, letter of executorship etc.).

a) Where there is no will

 Using a duly hand-signed Beneficiary Nomination Form, the nominated beneficiary(s) shall have the funds invested by the deceased paid in full to the said beneficiary(s) equally. Full receipt of certified copies of the deceased's death certificate, the beneficiary(s) identity document(s) and personal bank statement(s) and proof of address(s) are required.

b) In terms of a will

- (i) In the event of a beneficiary not having been nominated, the invested funds will be paid in full at the instruction of the executor and paid into an account as determined by the executor. However, a letter of executorship issued by a Master of the High Court of the Republic is required before the National Treasury can register the RSA Retail Savings Bond(s) in the name of the deceased estate and pay the invested funds.
- Where a beneficiary has been nominated, paragraph a) (i) above will apply.

c) Validity

 A beneficiary shall be considered valid on receipt of the duly hand-signed Beneficiary Nomination Form and is recorded electronically by the RSA Retail Savings Bonds office.

d) Estate Duty

It is the responsibility of the person administrating the estate to ascertain the rights they have and establish the implications of estate duty as prescribed by the South African Revenue Service and comply with any other legal requirements of the Republic.

CONTACT DETAILS

| Phone: | 012 315 5888 Fax: 012 315 5675 / 5314 |
|-------------------|--|
| Website: | www.rsaretailbonds.gov.za |
| Email address: | queries@rsaretailbonds.gov.za |
| Physical address: | 240 Vermeulen Street, Cnr Andries and |
| | Vermeulen Streets, Pretoria, 0002 |

The helpline is available from 08h00 to 18h00 on weekdays and from 08h00 to 13h00 on Saturdays.

TERMS AND CONDITIONS OF PURCHASE OF THE RSA RETAIL SAVINGS BOND

By completing the Application Form you will be agreeing with the National Treasury as set out in these Terms and Conditions of Purchase:

- Save where the context requires otherwise, the terms used in these Terms and Conditions of Purchase bear the same meaning when used in the Republic of South Africa RSA Retail Savings Bond User Manual and the Terms and Conditions of Issue.
- 2. By completing and signing an Application Form, you:
 - 2.1 are purchasing from the National Treasury, the RSA Retail Savings Bond to the value of the amount that you have specified on your Application Form, being the amount which you wish to invest in the RSA Retail Savings Bond, provided that your purchase must be for a minimum of R1,000.00 (one thousand Rand) for each RSA Retail Savings Bond;
 - 2.2 agree that your application may not be revoked by you once it has been submitted to the National Treasury;
 - 2.3 undertake, after receipt of Notice to effect payment of the relevant Capital Amount for the RSA Retail Savings Bond in respect of which your application is lodged;
 - 2.4 warrant that:
 - 2.4.1 when depositing a cheque into the Designated Bank Account, it will be a Bank Guaranteed Cheque. You agree that, if your cheque is not a Bank Guaranteed Cheque, you will not be entitled to be registered as a Registered Holder in respect of the RSA Retail Savings Bond applied for, or to enjoy or receive any rights or interest in respect of the RSA Retail Savings Bond, unless and until you make payment in cleared funds and such payment is received by the National Treasury. You indemnify the National Treasury against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation;
 - 2.4.2 you are in possession of a valid South African identity number;
 - 2.4.3 if you sign an Application Form on behalf of somebody else, you have the authority to do so and that such other person will be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these Terms and Conditions of Purchase, and you undertake to enclose your power of attorney or any other authority or a duly certified copy thereof; and
 - 2.4.4 you are not engaged in, or utilizing funds from a person engaged in money laundering and that all information and particulars provided by you on the Application Form concerned is true and correct.
 - 2.5 agree that:
 - 2.5.1 at any time prior to unconditional acceptance by the National Treasury of payment, the National Treasury may without prejudice to any other rights it may have in law, terminate the issuance of any or all of the RSA Retail Bond Series without any liability of the National Treasury to you or any other person(s), in which case you or any third party will have no claim for any loss or damage of whatsoever nature, however arising against the National Treasury as a result of such non-issuance;

- 2.5.2 on request by the National Treasury, you shall disclose promptly in writing to the National Treasury such information as the National Treasury may request in connection with your application, and authorize the National Treasury to disclose any information relating to your application which it may consider appropriate to any authority entitled in law to such information;
- 2.5.3 if at any time you are found to have made application with an incorrect or invalid identity number and evidence of identity satisfactory to the National Treasury is not provided to the National Treasury on request, including the provision of a valid identity number, or your Application Form is not completed correctly or is incomplete, or you do not provide a Designated Bank Account or if the accompanying deposit is for the wrong amount or where you are under the age of 18 (eighteen) and your application is not signed by your parent or guardian, the National Treasury may decline your application and return your application monies by direct deposit into the bank account set out in your Application Form. You agree that, in such event, you will have no claim against the National Treasury, or any of its officers, agents or employees in respect of your application or for any loss arising there from;
- 2.5.4 having had the opportunity to obtain and read the Manual, you shall be deemed to have noted all information and representations concerning the Retail Bonds contained in the Manual; and
- 2.5.5 any returned monies will be electronically credited to the account reflected on your Application Form without any interest accruing thereto.
- 3. If you have signed the Application Form on behalf of anyone else, then it is your principal who is party to these terms and conditions, and all references to you must be read as being references to your principal. In this event you undertake to enclose with your application the original or a certified copy of the relevant power of attorney, failing which your application may be rejected.
- 4. If your application is not acceptable, the amount deposited will be deposited into your account as set out in the Application Form. In the meantime, all monies will be retained by the National Treasury and any interest accrued on such funds will be retained by, and for the benefit of the National Treasury. Should your bank account details not be correct, monies will be retained by the National Treasury until claimed by you. No interest will be payable on such retained monies.
- 5. By completing an Application Form, you
 - 5.1 confirm that, in making an application, neither you nor any person on whose behalf you are applying is relying on any other information or representation in relation to the National Treasury except such as is contained in the Manual and the Terms and Conditions of Issue, and you agree that neither the Government, the National Treasury, any member of the National Treasury, or any person acting on its behalf or any person responsible for the Manual or the Terms and Conditions of Issue, or any part of them, shall have any liability for any such information or representation not contained in the Manual or the Terms and Conditions of Issue; and

- 5.2 acknowledge that no person is authorized in connection with the Retail Bond to give any information or to make any representation, other than as contained in the Manual and, if given or made, any information or representation must not be relied upon as having been authorized by the National Treasury.
- 6. By completing and signing the Application Form you will be deemed to have agreed to be bound by the Terms and Conditions of Issue.
- 7. You agree that, the National Treasury may in its absolute discretion require verification of identity from any person lodging an Application Form who appears to the National Treasury to be acting on behalf of some other person. In all cases, verification of the identity of the applicant may be required. In addition, in the second case, verification of the identity of any persons on whose behalf the applicant appears to be acting may be required. Failure to provide the necessary evidence of identity may result in your application being rejected or in delays in the processing of the application.
- Application Forms must be completed in accordance with the provisions of these Terms and Conditions of Purchase and the instructions set out in the relevant Application Form.
- 9. Each application will be regarded as a single application.
- 10. To the extent permitted by law, all representations, warranties and conditions, express or implied, and whether statutory or otherwise (including, without limitation, but excluding any fraudulent representations) are expressly excluded in relation to the RSA Retail Savings Bond by the National Treasury.
- 11. The rights and remedies of the National Treasury under these Terms and Conditions of Purchase are in addition to any rights and remedies which would otherwise be available to the National Treasury in law.
- 12. You agree that all applications shall be governed by and construed in accordance with South African law, and that you submit to the non-exclusive jurisdiction of the South African courts, and agree that nothing shall limit the right of the National Treasury to bring any action, suit or proceedings arising out of or in connection with any such application in any other manner permitted by law or in any court of competent jurisdiction.
- 13. You authorize the National Treasury and its agents to do all such things necessary to effect entry of your name onto the Register.
- 14. Your application constitutes your offer to purchase from the National Treasury the RSA Retail Savings Bond selected on your Application Form.

Lungisa Fuzile DIRECTOR-GENERAL National Treasury 2011

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www.rsaretailbonds.gov.za | Helpline: +27 12 315 5888





National Treasury REPUBLIC OF SOUTH AFRICA

