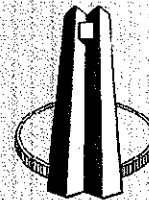
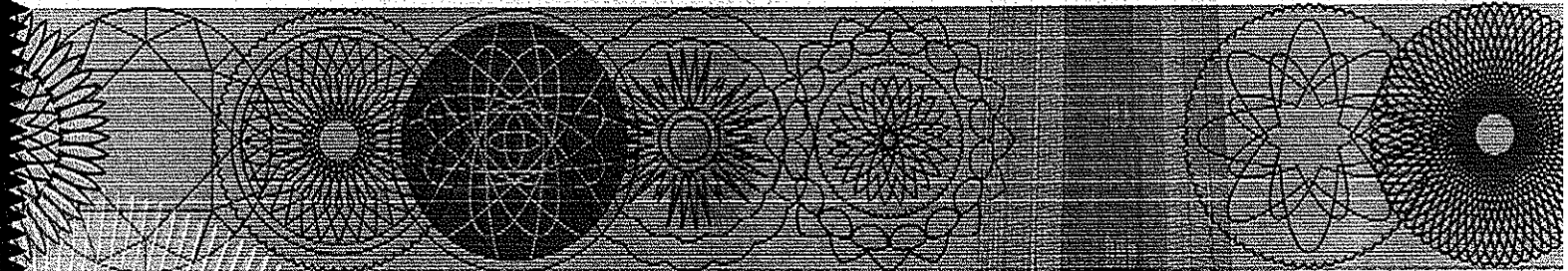


*ODS12 SC Finance*

# **Corporation for Public Deposits**

## **Presentation of Annual Financial Statements to the Select Committee on Finance for the year ended 31 March 2011**

2 May 2012



**South African Reserve Bank**

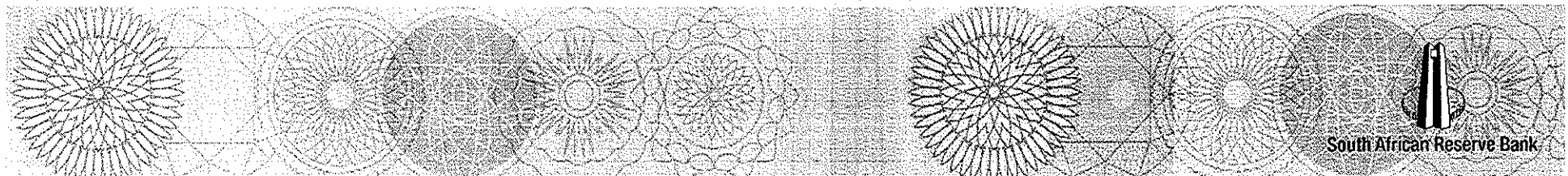
## Background

The Corporation for Public Deposits' (CPD) is a juristic person established by the CPD Act, No.46 of 1984 and a wholly owned subsidiary of the South African Reserve Bank (SARB).

Its main purpose is to accept public deposits, invest the funds in short-term money market instruments, special Treasury bills, and with the SARB.

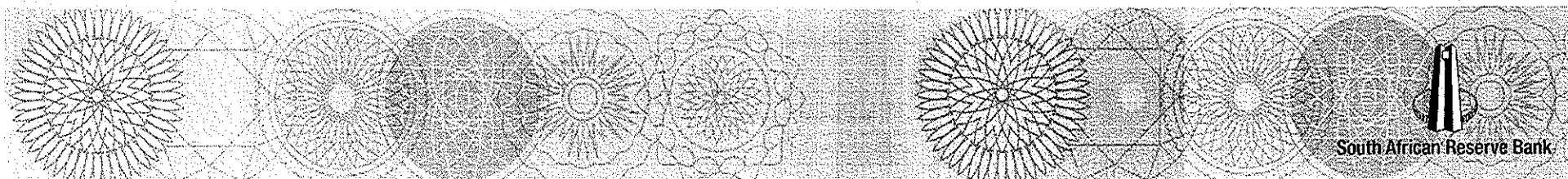
The affairs of the CPD are managed by the Board of Directors (Board) appointed by the Minister and the following persons served as directors in office for the year under review:

- Aaron Daniel Mminele - Chairperson and SARB Deputy Governor.
- Roelof Michiel du Plooy - SARB
- Lungisa Fuzile - National Treasury
- Bulelwa Boqwana – National Treasury



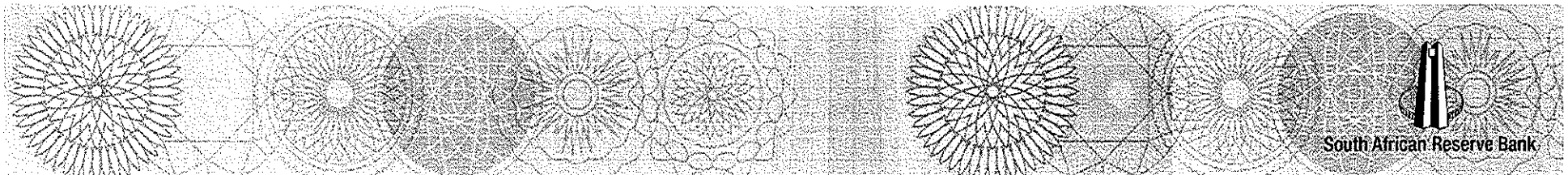
## Administration and accounting

- The CPD's administration and accounting is performed by the Financial Services Department (FSD) of the Bank, sharing accounting systems and other infrastructure.
- The FSD Head of Department serves as an alternate member to the Chairperson and attends meetings as an executive officer of the corporation.
- The investment of funds is managed by the Financial Markets Department (FMD) of the Bank whose Head of Department is also a director.
- Profits are transferred to government after accounting for dividends and allocation to reserves as the Board deems necessary.
- As a subsidiary of the Bank, its financial results are consolidated into the group annual financial statements of the Bank.



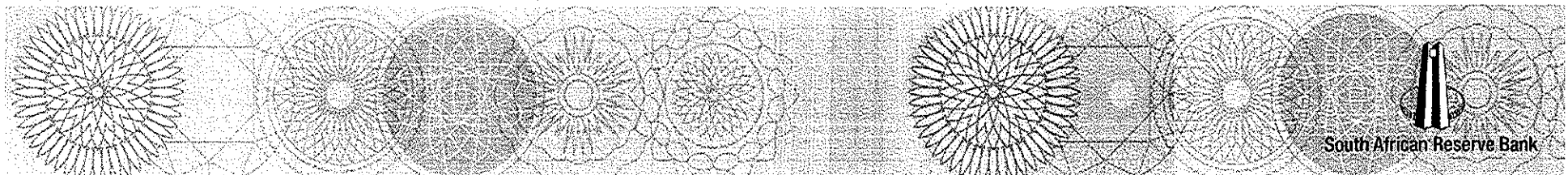
# Corporate governance

- The Board meets at least four times a year.
- The Board elected not to appoint any board committees but rather utilise the risk management unit, internal audit and audit committee of the Bank as well as external auditors for the respective functions.
- The internal auditors evaluated and monitored the internal controls for the corporation. The external auditors have expressed an unqualified opinion on the financial statements for the year under review.
- Investment guidelines are approved by the Board and reviewed annually.



## Overview of financial performance

- For the year under review, the Corporation for Public Deposits' (CPD) net interest income **increased by R15,4 million (40%)** to R53,9 million compared to the previous financial year.
- The asset base and deposit accounts **decreased by R5 billion (31%)** compared to the previous financial year due to the government's and major state-owned entities' significant cash requirements towards the year-end.
- Despite the drop at year-end, the average of investments and deposits held was significantly higher than the previous year, contributing to the increase in interest earned on investments and interest paid on deposits when compared to the previous year.



# Statement of comprehensive income

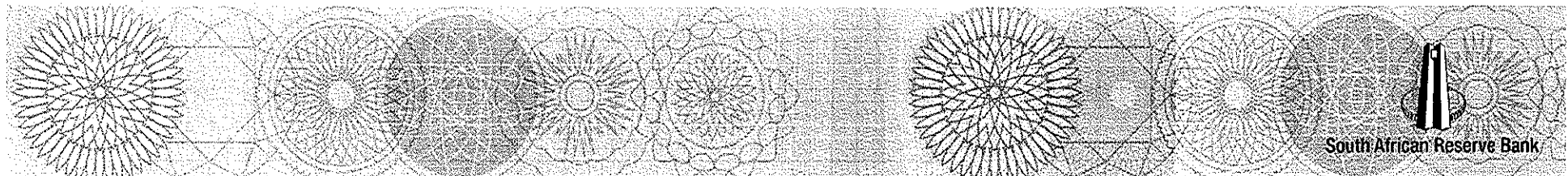
## Interest income

Details	2011	2010	Increase	
	(R'000)	(R'000)	(R'000)	(%)
Interest income	2 058 053	1 502 573	555 480	37,0

➤ **Change in interest rate structure: IGCC**

With effect from 4 June 2010, the rate at which the National and Provincial treasuries could borrow against one another's CPD deposit accounts increased from the level of ten basis points below the 91-day Treasury bill (TB) yield to a rate equal to 91-day Treasury bill yield.

- The increase in average investments held as a result of the average increase in the CPD's deposit book also contributed to the increase in interest income.



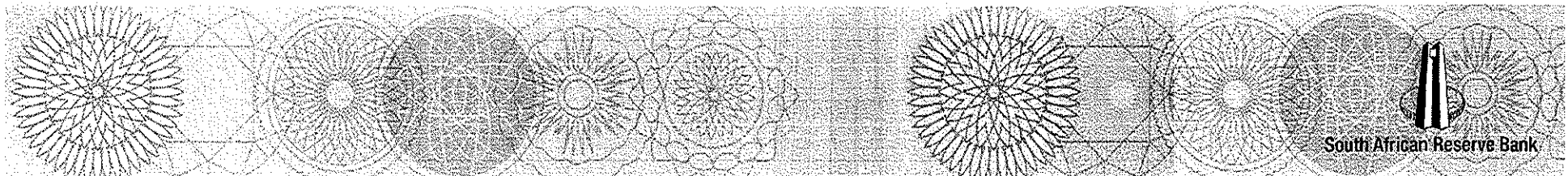
# Statement of comprehensive income

## Interest expense

Details	2011	2010	Increase	
	(R'000)	(R'000)	(R'000)	(%)
Interest expense	2 004 131	1 464 069	540 062	36,9

### Increase in CPD's deposit book:

- The deposit book **increased from 137 depositors** in March 2010 to **145 depositors** in March 2011, with average deposits held during the financial year increasing by R6 billion (49.3%).
- The increase in deposit holdings is mainly attributable to National Treasury's effort to encourage state-owned entities to invest excess funds with CPD as part of the IGCC strategy.



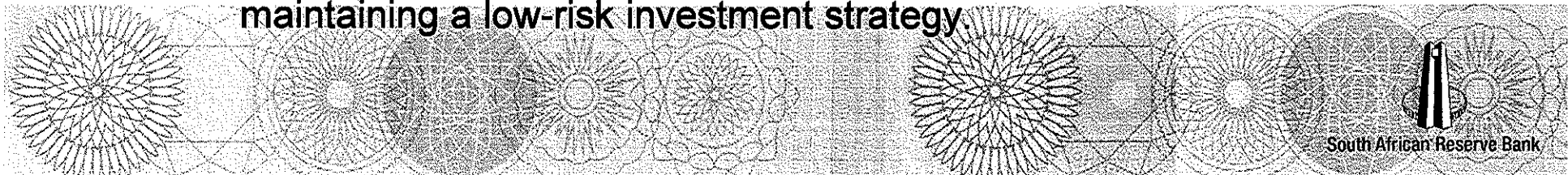
# Statement of financial position

## Current Assets - Investments

As previously stated, the asset base for the 2011 financial year dropped by R5 billion to R11 billion when compared to the previous financial year but the average investment level increased as indicated below:

Details	Average 2011 (R'000)	Average 2010 (R'000)	Increase	
			(R'000)	Percentage
Investments	20 653 265	13 204 831	8 581 764	56.4

- The shift at year-end from call deposits to money-market instruments is merely driven by the projected cash requirements of the government.
- When projected cash requirements are high, funds are allocated to the most liquid financial assets in order to be available on demand.
- When projected cash requirements are low, funds are allocated to money-market instruments in order to maximise returns while maintaining a low-risk investment strategy.





# Statement of financial position

## Liabilities - Deposit accounts

Call depositors have been classified into the following categories, with IGCC representing the majority of the deposits held at year-end:

Details	2011 (R'000)	Percentage holding	2010 (R'000)	Percentage holding
IGCC	5 677 412	52,4	11 032 408	69,4
Public sector	2 970 317	27,4	2 598 500	16,3
Public entities	2 707 095	25,0	8 433 908	53,1
Domestic private sector <sup>1</sup>	1 140 878	10,5	935 081	5,9
Foreign sector	3 965 396	36,6	3 669 309	23,1
<b>Interest bearing</b>	<b>10 783 686</b>	<b>99,6</b>	<b>15 636 798</b>	<b>98,4</b>
<b>Non-interest bearing<sup>2</sup></b>	<b>47 756</b>	<b>0,4</b>	<b>257 671</b>	<b>1,6</b>
<b>Total deposits</b>	<b>10 831 442</b>	<b>100</b>	<b>15 894 469</b>	<b>100</b>

<sup>1</sup> Insurance, pension and provident funds

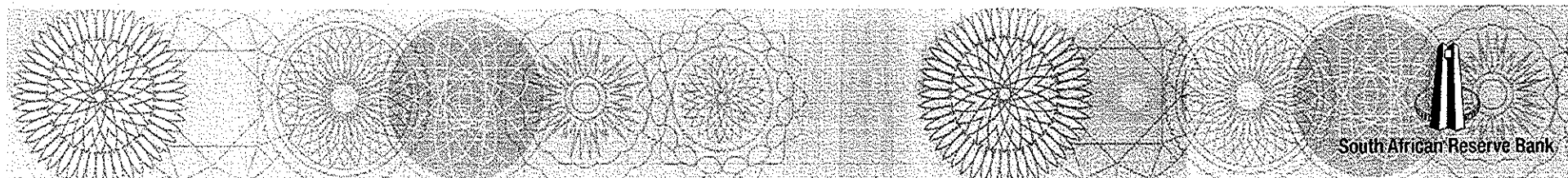
<sup>2</sup> State Security Agency and SA Housing Fund

## Statement of financial position (continued)

### Liabilities - Deposit accounts (continued)

The average deposits held for the 2011 financial year increased by 49.3 percent, which has a reciprocal impact on interest paid.

Details	Average 2011 (R'000)	Average 2010 (R'000)	Increase	
			(R'000)	Percentage
Interest-bearing deposits	20 420 376	13 673 606	6 746 770	49.3



Thank you

**Discussion**

