Absa Bank Limited

Unaudited condensed consolidated financial results for the interim reporting period ended 30 June 2014

Member of BARCLAYS

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Absa Bank Limited

Authorised financial services and
registered credit provider (NCRCP7)
Registration number: 1986/004794/06
Incorporated in the Republic of South Africa
JSE share code: ABSP and ABMN
ISIN: ZAE000079810
(Absa, Absa Bank, the Bank or the Company)

Unaudited condensed consolidated financial results
for the interim reporting period ended 30 June 2014.

These unaudited condensed consolidated financial
results were prepared by Barclays Africa Group Financial
Control under the direction and supervision of the
Financial Director, D W P Hodnett CA(SA).

Date of publication: 30 July 2014

Consolidated salient features

	30 June 2014	30 June 2013[1]	Change %	31 December 2013[1]
Statement of comprehensive income (Rm)				
Revenue	**21 430**	20 316	5	42 122
Operating expenses	**12 101**	11 029	10	23 560
Profit attributable to ordinary equity holder	**4 093**	4 025	2	8 439
Headline earnings[2]	**4 040**	3 970	2	8 266
Statement of financial position				
Loans and advances to customers (Rm)	**542 481**	519 592	4	534 040
Total assets (Rm)	**811 115**	794 011	2	791 749
Deposits due to customers (Rm)	**505 083**	478 521	6	488 371
Loans-to-deposits ratio (%)	**88,9**	89,2		91,2
Financial performance (%)				
Return on average equity	**15,6**	14,2		15,5
Return on average assets	**1,02**	1,04		1,08
Return on average risk-weighted assets[3]	**1,91**	1,96		2,01
Operating performance (%)				
Net interest margin on average interest-bearing assets	**3,69**	3,63		3,64
Impairment losses ratio	**1,10**	1,31		1,14
Non-performing loans ratio	**4,3**	5,3		4,5
Non-interest income as a % of revenue	**42,4**	43,4		44,1
Cost-to-income ratio	**56,5**	54,3		55,9
JAWS	**(4,2)**	(3,3)		(6,4)
Effective tax rate, excluding indirect taxation	**29,0**	26,5		27,3
Share statistics (million)				
(including “A” ordinary shares)				
Number of ordinary shares in issue	**387,5**	378,8		383,1
Weighted average number of ordinary shares in issue	**385,1**	378,8		379,1
Diluted weighted average number of ordinary shares in issue	**385,1**	378,8		379,1
Share statistics (cents)				
Headline earnings per ordinary share	**1 049,1**	1 048,0	—	2 180,4
Diluted headline earnings per ordinary share	**1 049,1**	1 048,0	—	2 180,4
Basic earnings per ordinary share	**1 062,8**	1 062,6	—	2 226,1
Diluted basic earnings per ordinary share	**1 062,8**	1 062,6	—	2 226,1
Dividend per ordinary share relating to income for the reporting period	**1 231,7**	2 233,4	(45)	3 251,7
Dividend cover (times)	**0,9**	0,5		0,7
Net asset value per ordinary share	**13 400**	14 905	(10)	13 721
Tangible net asset value per ordinary share	**13 053**	14 588	(11)	13 381
Capital adequacy (%)				
Absa Bank Limited	**13,9**	16,8		15,6
Common Equity Tier 1 (%)				
Absa Bank Limited	**10,1**	12,2		11,0

Notes

[1]Restated, refer to note 24 for reporting changes. Additional disclosures for 30 June 2013 and 31 December 2013 have been restated where applicable.

[2]After allowing for **R147m** (30 June 2013: R146m; 31 December 2013: R294m) profit attributable to preference equity holders.

[3] For the calculation of RoRWA the RWA of the Bank as at 30 June 2013 and 31 December 2013 are restated to reflect the reporting changes as included within note 24.

Condensed consolidated statement of financial position

as at

		30 June			31 December
	Note	**2014 Rm**	2013[1] Rm	Change %	2013[1] Rm
Assets					
Cash, cash balances and balances with central banks		**18 313**	18 823	(3)	21 087
Statutory liquid asset portfolio		**63 589**	66 902	(5)	62 055
Loans and advances to banks		**63 297**	57 120	11	45 953
Trading portfolio assets		**75 606**	82 530	(8)	78 864
Hedging portfolio assets		**2 498**	3 567	(30)	3 344
Other assets		**12 747**	13 690	(7)	9 299
Current tax assets		**17**	6	>100	15
Non-current assets held for sale	1	**414**	1 655	(75)	1 857
Loans and advances to customers	2	**542 481**	519 592	4	534 040
Loans to Group companies		**15 612**	13 803	13	19 247
Investment securities		**5 467**	6 345	(14)	5 220
Investments in associates and joint ventures		**767**	642	19	694
Investment properties		**243**	229	6	240
Property and equipment		**8 692**	7 886	10	8 504
Goodwill and intangible assets		**1 346**	1 201	12	1 303
Deferred tax assets		**26**	20	30	27
Total assets		**811 115**	794 011	2	791 749
Liabilities					
Deposits from banks		**62 532**	53 282	17	65 827
Trading portfolio liabilities		**43 136**	54 700	(21)	50 710
Hedging portfolio liabilities		**2 512**	2 505	0	2 391
Other liabilities		**20 102**	22 001	(9)	11 640
Provisions		**1 048**	606	73	1 362
Current tax liabilities		**—**	312	(100)	151
Non-current liabilities held for sale	1	**—**	185	(100)	175
Deposits due to customers	5	**505 083**	478 521	6	488 371
Debt securities in issue	6	**104 974**	104 197	1	97 179
Borrowed funds	7	**14 108**	15 657	(10)	15 762
Deferred tax liabilities		**1 049**	891	18	922
Total liabilities		**754 544**	732 857	3	734 490
Equity					
Capital and reserves					
Attributable to equity holders:					
Ordinary share capital		**303**	303	—	303
Ordinary share premium		**14 465**	12 465	16	13 465
Preference share capital		**1**	1	—	1
Preference share premium		**4 643**	4 643	—	4 643
Retained earnings		**33 202**	39 625	(16)	34 506
Other reserves		**3 955**	4 067	(3)	4 291
		56 569	61 104	(7)	57 209
Non-controlling interest		**2**	50	(96)	50
Total equity		**56 571**	61 154	(7)	57 259
Total liabilities and equity		**811 115**	794 011	2	791 749

Note

[1]Restated, refer to note 24 for reporting changes. Additional disclosures for 30 June 2013 and 31 December 2013 have been restated where applicable.

Condensed consolidated statement of comprehensive income

for the reporting period ended

	Note	30 June 2014 Rm	30 June 2013(1) Rm	Change %	31 December 2013(1) Rm
Net interest income		**12 342**	11 496	7	23 565
Interest and similar income	8.1	**26 540**	24 600	8	50 095
Interest expense and similar charges	8.2	**(14 198)**	(13 104)	(8)	(26 530)
Non-interest income		**9 088**	8 820	3	18 557
Net fee and commission income		**7 170**	6 991	3	14 421
Fee and commission income	9.1	**7 759**	7 525	3	15 486
Fee and commission expense	9.2	**(589)**	(534)	(10)	(1 065)
Gains and losses from banking and trading activities	9.3	**1 786**	1 569	14	3 491
Gains and losses from investment activities	9.4	**2**	1	100	6
Other operating income		**130**	259	(50)	639
Total income		**21 430**	20 316	5	42 122
Impairment losses on loans and advances	3.1	**(2 942)**	(3 307)	11	(5 881)
Operating income before operating expenditure		**18 488**	17 009	9	36 241
Operating expenses	10	**(12 101)**	(11 029)	(10)	(23 560)
Other expenses		**(486)**	(381)	(28)	(794)
Other impairments	11	**(31)**	(1)	>(100)	1
Indirect taxation		**(455)**	(380)	(20)	(795)
Share of post-tax results of associates and joint ventures		**73**	81	(10)	132
Operating income before income tax		**5 974**	5 680	5	12 019
Taxation expense		**(1 734)**	(1 507)	(15)	(3 284)
Profit for the reporting period		**4 240**	4 173	2	8 735
Profit attributable to:					
Ordinary equity holder		**4 093**	4 025	2	8 439
Preference equity holders		**147**	146	1	294
Non-controlling interest		**—**	2	(100)	2
		4 240	4 173	2	8 735
Earnings per share					
Basic earnings per ordinary share (cents)		**1 062,8**	1 062,6	0	2 226,1
Diluted basic earnings per ordinary share (cents)		**1 062,8**	1 062,6	0	2 226,1

Note

(1)Restated, refer to note 24 for reporting changes. Additional disclosures for 30 June 2013 and 31 December 2013 have been restated where applicable.

Condensed consolidated statement of comprehensive income

for the reporting period ended

	30 June 2014 Rm	30 June 2013[1] Rm	Change %	31 December 2013 Rm
Profit for the reporting period	**4 240**	4 173	2	8 735
Other comprehensive income				
Other comprehensive income that will never be reclassified to profit or loss:	**14**	2	>100	(19)
Movement in retirement benefit fund assets and liabilities	**14**	2	>100	(19)
Increase/(decrease) in retirement benefit surplus	**20**	3	>100	(26)
Deferred tax	**(6)**	(1)	>(100)	7
Other comprehensive income that is or may be reclassified to profit or loss:	**(390)**	(1 425)	73	(1 248)
Foreign exchange differences on translation of foreign operations	**79**	200	(61)	488
Movement in cash flow hedging reserve	**(252)**	(1 712)	85	(1 826)
Fair value gains/(losses) arising during the reporting period	**321**	(1 472)	>100	(907)
Amount transferred from other comprehensive income to profit or loss	**(671)**	(906)	26	(1 629)
Deferred tax	**98**	666	(85)	710
Movement in available-for-sale reserve	**(217)**	87	>(100)	90
Fair value (losses)/gains arising during the reporting period	**(306)**	117	>(100)	112
Amortisation of government bonds – release to profit or loss	**3**	4	(25)	10
Deferred tax	**86**	(34)	>100	(32)
Other comprehensive losses, net of tax	**(376)**	(1 423)	74	(1 267)
Total comprehensive income for the reporting period	**3 864**	2 750	41	7 468
Total comprehensive income attributable to:				
Ordinary equity holder	**3 717**	2 602	43	7 172
Preference equity holders	**147**	146	1	294
Non-controlling interest	**—**	2	(100)	2
	3 864	2 750	41	7 468

Note

[1]Restated, refer to note 24 for reporting changes. Additional disclosures for 30 June 2013 and 31 December 2013 have been restated where applicable.

Condensed consolidated statement of changes in equity

for the reporting period ended

	30 June 2014[1] Capital and reserves attributable to equity holders Rm	Non-controlling interest Rm	Total equity Rm
Balance at the beginning of the reporting period	**57 209**	**50**	**57 259**
Total comprehensive income for the reporting period	3 864	—	3 864
Profit for the reporting period	4 240	—	4 240
Other comprehensive income	(376)	—	(376)
Dividends paid during the reporting period (refer to note 13)	(5 483)	—	(5 483)
Shares issued	1 000	—	1 000
Purchase of Barclays Africa Group Limited shares in respect of equity-settled share-based payment schemes	(2)	—	(2)
Movement in share-based payment reserve	(19)	—	(19)
Value of employee services	(19)	—	(19)
Share of post-tax results of associates and joint ventures	—	—	—
Transfer from retained earnings	(73)	—	(73)
Transfer to associates' and joint ventures' reserve	73	—	73
Disposal of subsidiary[2]	—	(48)	(48)
Balance at the end of the reporting period	**56 569**	**2**	**56 571**

	30 June 2013[1] Capital and reserves attributable to equity holders Rm	Non-controlling interest Rm	Total equity Rm
Balance at the beginning of the reporting period	60 864	48	60 912
Total comprehensive income for the reporting period	2 748	2	2 750
Profit for the reporting period	4 171	2	4 173
Other comprehensive income	(1 423)	—	(1 423)
Dividends paid during the reporting period (refer to note 13)	(2 439)	—	(2 439)
Purchase of Barclays Africa Group Limited shares in respect of equity-settled share-based payment schemes	(71)	—	(71)
Movement in share-based payment reserve	2	—	2
Transfer from share-based payment reserve	(32)	—	(32)
Transfer to retained earnings	32	—	32
Value of employee services	2	—	2
Share of post-tax results of associates and joint ventures	—	—	—
Transfer from retained earnings	(81)	—	(81)
Transfer to associates' and joint ventures' reserve	81	—	81
Balance at the end of the reporting period	61 104	50	61 154

Notes

[1] All movements are reflected net of taxation.

[2] The Bank's 85% shareholding in Abseq Properties (Pty) Ltd was sold as part of a sales transaction with Growthpoint Properties Limited. The transaction was effective on 2 January 2014, and the subsidiary has been derecognised from the statement of financial position.

Condensed consolidated statement of changes in equity

for the reporting period ended

	31 December 2013[1]		
	Capital and reserves attributable to equity holders Rm	Non-controlling interest Rm	Total equity Rm
Balance at the beginning of the reporting period	60 864	48	60 912
Total comprehensive income for the reporting period	7 466	2	7 468
Profit for the reporting period	8 733	2	8 735
Other comprehensive income	(1 267)	—	(1 267)
Dividends paid during the reporting period (refer to note 13)	(12 046)	—	(12 046)
Shares issued	1 000	—	1 000
Purchase of Barclays Africa Group Limited shares in respect of equity-settled share-based payment schemes	(74)	—	(74)
Movement in share-based payment reserve	(1)	—	(1)
Transfer from share-based payment reserve	(33)	—	(33)
Transfer to retained earnings	33	—	33
Value of employee services	(1)	—	(1)
Share of post-tax results of associates and joint ventures	—	—	—
Transfer from retained earnings	(132)	—	(132)
Transfer to associates' and joint ventures' reserve	132	—	132
Balance at the end of the reporting period	57 209	50	57 259

Note

[1]All movements are reflected net of taxation.

Condensed consolidated statement of cash flows

for the reporting period ended

		30 June			31 December
	Note	**2014 Rm**	2013 Rm	Change %	2013 Rm
Net cash generated from operating activities		**3 137**	3 543	(11)	15 764
Net cash utilised in investing activities		**(1 042)**	(714)	(46)	(1 037)
Net cash utilised in financing activities		**(6 210)**	(4 396)	(41)	(13 006)
Net (decrease)/increase in cash and cash equivalents		**(4 115)**	(1 567)	>(100)	1 721
Cash and cash equivalents at the beginning of the reporting period	1	**10 507**	8 786	20	8 786
Effect of exchange rate movements on cash and cash equivalents		**(3)**	—	>(100)	—
Cash and cash equivalents at the end of the reporting period	2	**6 389**	7 219	(11)	10 507

Notes to the condensed consolidated statement of cash flows

1. Cash and cash equivalents at the beginning of the reporting period

	2014 Rm	2013 Rm	Change %	2013 Rm
Cash, cash balances and balances with central banks[(1)]	**8 665**	8 094	7	8 094
Loans and advances to banks[(2)]	**1 842**	692	>100	692
	10 507	8 786	20	8 786

2. Cash and cash equivalents at the end of the reporting period

	2014 Rm	2013 Rm	Change %	2013 Rm
Cash, cash balances and balances with central banks[(1)]	**5 174**	5 527	(6)	8 665
Loans and advances to banks[(2)]	**1 215**	1 692	(28)	1 842
	6 389	7 219	(11)	10 507

Notes

[(1)]Includes coins and bank notes, which are part of "Cash, cash balances and balances with central banks".

[(2)]Includes call advances, which are used as working capital by the Bank and are a component of other advances within "Loans and advances to banks".

Condensed notes to the consolidated financial results

for the reporting period ended

1. Non-current assets and non-current liabilities held for sale

- During the current reporting period, Retail and Business Banking ("RBB") disposed of investment properties in the Commercial Property Finance Equity ("CPF Equity") division with a total carrying value of R1 255m.

2. Loans and advances to customers

	30 June			31 December
	2014 Rm	2013 Rm	Change %	2013 Rm
Corporate overdrafts and specialised finance loans	**6 714**	4 997	34	5 729
Credit cards	**31 923**	28 416	12	30 178
Foreign currency loans	**17 946**	16 384	10	21 076
Instalment credit agreements	**68 185**	63 026	8	65 836
Gross advances	**82 970**	76 133	9	80 235
Unearned finance charges	**(14 785)**	(13 107)	(13)	(14 399)
Reverse repurchase agreements	**5 188**	6 309	(18)	3 893
Loans to associates and joint ventures	**12 341**	10 719	15	12 039
Microloans	**2 121**	1 897	12	1 962
Mortgages	**271 432**	275 053	(1)	272 163
Other advances[1]	**2 999**	3 140	(4)	2 895
Overdrafts	**30 288**	31 849	(5)	31 179
Overnight finance	**17 529**	17 355	1	14 082
Personal and term loans	**28 395**	28 201	1	29 037
Preference shares	**9 652**	6 613	46	8 955
Wholesale overdrafts	**51 080**	38 816	32	47 772
Gross loans and advances to customers	**555 793**	532 775	4	546 796
Impairment losses on loans and advances (refer to note 3)	**(13 312)**	(13 183)	(1)	(12 756)
	542 481	519 592	4	534 040

Note

[1]Includes customer liabilities under acceptances, working capital solutions and collateralised loans.

3. Impairment losses on loans and advances

Reconciliation of allowance for impairment losses on loans and advances to customers	30 June 2014 Retail Banking Rm	Business Banking Rm	CIB Rm	WIMI Rm	Other Rm	Total Rm
Balance at the beginning of the reporting period	**9 680**	**2 283**	**489**	**193**	**111**	**12 756**
Net present value unwind on non-performing book (refer to note 8.1)	**(264)**	**(78)**	**—**	**—**	**—**	**(342)**
Amounts written-off	**(1 960)**	**(413)**	**—**	**(40)**	**—**	**(2 413)**
Impairment raised – identified	**2 521**	**372**	**(1)**	**17**	**—**	**2 909**
Impairment raised – unidentified	**338**	**19**	**35**	**10**	**—**	**402**
Balance at the end of the reporting period	**10 315**	**2 183**	**523**	**180**	**111**	**13 312**

Reconciliation of allowance for impairment losses on loans and advances to customers	30 June 2013 Retail Banking Rm	Business Banking Rm	CIB Rm	WIMI Rm	Other Rm	Total Rm
Balance at the beginning of the reporting period	9 865	2 357	459	191	125	12 997
Net present value unwind on non-performing book (refer to note 8.1)	(375)	(73)	—	(2)	—	(450)
Amounts written-off	(2 337)	(640)	(46)	(13)	(5)	(3 041)
Impairment raised – identified	3 129	458	(12)	14	(2)	3 587
Impairment raised – unidentified	72	(11)	(4)	33	—	90
Balance at the end of the reporting period	10 354	2 091	397	223	118	13 183

Reconciliation of allowance for impairment losses on loans and advances to customers	31 December 2013 Retail Banking Rm	Business Banking Rm	CIB Rm	WIMI Rm	Other Rm	Total Rm
Balance at the beginning of the reporting period	9 865	2 357	459	191	125	12 997
Net present value unwind on non-performing book (refer to note 8.1)	(695)	(153)	—	(3)	—	(851)
Amounts written-off	(5 201)	(887)	(53)	(56)	—	(6 197)
Impairment raised – identified	5 625	861	20	29	(14)	6 521
Impairment raised – unidentified	86	105	63	32	—	286
Balance at the end of the reporting period	9 680	2 283	489	193	111	12 756

	2014 Rm	2013 Rm	Change %	31 December 2013 Rm
3.1 Statement of comprehensive income charge				
Impairments raised during the reporting period	**3 311**	3 677	(10)	6 807
Identified impairments	**2 909**	3 587	(19)	6 521
Unidentified impairments	**402**	90	>100	286
Recoveries of loans and advances previously written-off[1]	**(369)**	(370)	—	(926)
	2 942	3 307	(11)	5 881

Note

[1]Includes collection costs of **R94m** (30 June 2013: R118m; 31 December 2013: R120m).

4. Performing and non-performing loans

Loans and advances to customers	30 June 2014 Performing loans Exposure Rm	Impairment Rm	Coverage ratio %	Non-performing loans Exposure Rm	Impairment Rm	Coverage ratio %	Net total exposure Rm
RBB	395 034	3 045	0,77	23 377	9 453	40,44	405 913
Retail Banking	336 515	2 557	0,76	18 727	7 758	41,43	344 927
Credit cards	28 136	639	2,27	3 788	2 728	72,02	28 557
Instalment credit agreements	66 479	331	0,50	1 474	679	46,07	66 943
Loans to associates and joint ventures	10 968	—	—	—	—	—	10 968
Mortgages	214 501	1 279	0,60	11 743	3 236	27,56	221 729
Other loans and advances	296	—	—	—	—	—	296
Overdrafts	2 214	26	1,17	112	71	63,39	2 229
Personal and term loans	13 921	282	2,03	1 610	1 044	64,84	14 205
Business Banking	58 519	488	0,83	4 650	1 695	36,45	60 986
Loans to associates and joint ventures	269	—	—	—	—	—	269
Mortgages (including commercial property finance)	28 835	183	0,63	2 514	993	39,50	30 173
Overdrafts	18 059	192	1,06	999	409	40,94	18 457
Term loans	11 356	113	1,00	1 137	293	25,77	12 087
CIB	123 847	385	0,31	354	138	39,98	123 678
WIMI	10 511	42	0,40	318	138	40,45	10 649
Head Office and other operations	2 352	111	4,72	—	—	—	2 241
	531 744	3 583	0,67	24 049	9 729	40,46	542 481

Loans and advances to customers	30 June 2013 Performing loans Exposure Rm	Impairment Rm	Coverage ratio %	Non-performing loans Exposure Rm	Impairment Rm	Coverage ratio %	Net total exposure Rm
RBB	384 536	2 162	0,56	27 558	10 283	37,31	399 649
Retail Banking	325 984	1 821	0,56	22 513	8 533	37,90	338 143
Credit cards	26 551	338	1,27	1 865	1 299	69,65	26 779
Instalment credit agreements	60 751	444	0,73	2 012	1 073	53,33	61 246
Loans to associates and joint ventures	8 801	—	—	—	—	—	8 801
Mortgages	213 764	907	0,42	17 058	5 132	30,09	224 783
Other loans and advances	310	—	—	—	—	—	310
Overdrafts	1 971	27	1,37	102	74	72,55	1 972
Personal and term loans	13 836	105	0,76	1 476	955	64,70	14 252
Business Banking	58 552	341	0,58	5 045	1 750	34,69	61 506
Loans to associates and joint ventures	665	—	—	—	—	—	665
Mortgages (including commercial property finance)	29 424	156	0,53	2 893	1 064	36,78	31 097
Overdrafts	18 047	98	0,54	951	356	37,43	18 544
Term loans	10 416	87	0,84	1 201	330	27,48	11 200
CIB	108 696	53	0,05	391	344	87,98	108 690
WIMI	10 877	53	0,49	419	170	40,57	11 073
Head Office and other operations	298	118	39,60	—	—	—	180
	504 407	2 386	0,47	28 368	10 797	38,06	519 592

4. Performing and non-performing loans *(continued)*

Loans and advances to customers	Performing loans Exposure Rm	Performing loans Impairment Rm	Performing loans Coverage ratio %	Non-performing loans Exposure Rm	Non-performing loans Impairment Rm	Non-performing loans Coverage ratio %	Net total exposure Rm
	31 December 2013						
RBB	390 758	2 910	0,74	23 574	9 053	38,40	402 369
Retail Banking	332 632	2 536	0,76	18 709	7 144	38,18	341 661
Credit cards	27 700	571	2,06	2 479	1 769	71,36	27 839
Instalment credit agreements	64 130	290	0,45	1 462	731	50,00	64 571
Loans to associates and joint ventures	10 287	—	—	—	—	—	10 287
Mortgages	214 406	1 304	0,61	13 302	3 704	27,85	222 700
Other loans and advances	253	—	—	—	—	—	253
Overdrafts	2 006	31	1,55	96	56	58,33	2 015
Personal and term loans	13 850	340	2,45	1 370	884	64,53	13 996
Business Banking	58 126	374	0,64	4 865	1 909	39,24	60 708
Loans to associates and joint ventures	559	—	—	—	—	—	559
Mortgages (including commercial property finance)	29 906	125	0,42	2 844	1 235	43,42	31 390
Overdrafts	16 710	137	0,82	863	361	41,83	17 075
Term loans	10 951	112	1,02	1 158	313	27,03	11 684
CIB	120 402	113	0,09	722	376	52,08	120 635
WIMI	10 740	33	0,31	339	160	47,20	10 886
Head Office and other operations	261	111	42,53	—	—	—	150
	522 161	3 167	0,61	24 635	9 589	38,92	534 040

5. Deposits due to customers

	30 June 2014 Rm	30 June 2013 Rm	Change %	31 December 2013 Rm
Call deposits	**64 328**	51 711	24	52 829
Cheque account deposits	**142 270**	147 132	(3)	139 226
Credit card deposits	**1 834**	1 807	1	1 914
Fixed deposits	**132 708**	128 557	3	132 678
Foreign currency deposits	**13 212**	9 780	35	14 108
Notice deposits	**50 999**	55 406	(8)	56 349
Other deposits[1]	**2 025**	2 142	(5)	2 194
Repurchase agreements with non-banks	**2 163**	3 813	(43)	1 208
Savings and transmission deposits	**95 544**	78 173	22	87 865
	505 083	478 521	6	488 371

Note

[1]Includes partnership contributions received, deposits due on structured deals, preference investments on behalf of customers and unclaimed deposits.

Condensed notes to the consolidated financial results

for the reporting period ended

6. Debt securities in issue

	30 June 2014 Rm	30 June 2013 Rm	Change %	31 December 2013 Rm
Credit linked notes	**7 897**	9 451	(16)	8 155
Floating rate notes	**43 718**	49 113	(11)	44 718
Negotiable certificates of deposit	**27 807**	23 374	19	20 821
Other debt securities in issue	**381**	7	>100	11
Promissory notes	**1 039**	833	25	935
Senior notes	**23 552**	20 876	13	21 533
Structured notes and bonds	**580**	543	7	1 006
	104 974	104 197	1	97 179

7. Borrowed funds

		30 June 2014 Rm	30 June 2013 Rm	Change %	31 December 2013 Rm
Subordinated callable notes					
The subordinated debt instruments listed below qualify as secondary capital in terms of the Banks Act, No 94 of 1990 (as amended).					
Interest rate	**Final maturity date**				
8,80%	7 March 2019	**—**	1 725	(100)	1 725
8,10%	27 March 2020	**2 000**	2 000	—	2 000
10,28%	3 May 2022	**600**	600	—	600
8,295%	21 November 2023	**1 188**	1 188	—	1 188
Three-month JIBAR + 2,10%	3 May 2022	**400**	400	—	400
Three-month JIBAR + 1,95%	21 November 2022	**1 805**	1 805	—	1 805
Three-month JIBAR + 2,05%	21 November 2023	**2 007**	2 007	—	2 007
CPI-linked notes, fixed at the following coupon rates:					
6,00%	20 September 2019	**3 000**	3 000	—	3 000
5,50%	7 December 2028	**1 500**	1 500	—	1 500
Accrued interest		**1 623**	1 358	20	1 472
Fair value adjustment		**(15)**	74	> (100)	65
		14 108	15 657	(10)	15 762

Condensed notes to the consolidated financial results

for the reporting period ended

8. Net interest income

	30 June 2014 Rm	30 June 2013 Rm	Change %	31 December 2013 Rm
8.1 Interest and similar income				
Interest and similar income is earned from:				
Cash, cash balances and balances with central banks	**3**	6	(50)	12
Fair value adjustments on hedging instruments	**350**	521	(33)	3 803
Investment securities	**40**	24	67	47
Loans and advances to banks	**522**	426	23	785
Loans and advances to customers	**22 597**	20 663	9	42 580
Overdrafts	**1 418**	1 331	7	2 633
Corporate overdrafts and specialised finance loans	**166**	136	22	123
Credit cards	**2 416**	2 238	8	4 649
Foreign currency loans	**187**	154	21	363
Instalment credit agreements	**3 214**	2 847	13	5 804
Interest on impaired financial assets (refer to note 3)	**342**	450	(24)	851
Loans to associates and joint ventures	**391**	304	29	657
Microloans	**207**	234	(12)	454
Mortgages	**9 957**	9 628	3	19 255
Other loans and advances[1]	**21**	101	(79)	718
Overnight finance	**354**	400	(12)	786
Personal and term loans	**1 661**	1 517	9	3 097
Preference shares	**295**	229	29	484
Wholesale overdrafts	**1 968**	1 094	80	2 706
Other interest income[2]	**611**	761	20	1 130
Statutory liquid asset portfolio	**2 417**	2 199	10	1 738
	26 540	24 600	8	50 095
8.2 Interest expense and similar charges				
Interest expense and similar charges are paid on:				
Borrowed funds	**(629)**	(661)	5	(1 316)
Debt securities in issue	**(3 302)**	(2 856)	(16)	(5 733)
Deposits due to customers	**(10 038)**	(9 035)	(11)	(20 104)
Call deposits	**(1 710)**	(1 351)	(27)	(2 799)
Cheque account deposits	**(1 569)**	(1 547)	(1)	(3 065)
Credit card deposits	**(4)**	(4)	—	(8)
Fixed deposits	**(3 627)**	(3 452)	(5)	(8 486)
Foreign currency deposits	**(59)**	(52)	(13)	(348)
Notice deposits	**(1 449)**	(1 458)	1	(2 913)
Other deposits due to customers	**(60)**	(132)	55	(195)
Savings and transmission deposits	**(1 560)**	(1 039)	(50)	(2 290)
Deposits from banks	**(579)**	(483)	(20)	(1 012)
Call deposits	**(191)**	(188)	(2)	(363)
Fixed deposits	**(388)**	(291)	(33)	(649)
Other deposits from banks	**—**	(4)	100	—
Fair value adjustments on hedging instruments	**138**	(606)	>100	(500)
Interest incurred on finance leases	**—**	(12)	100	(19)
Other interest expense[3]	**212**	549	(61)	2 154
	(14 198)	(13 104)	(8)	(26 530)
Net interest income	**12 342**	11 496	7	23 565

Notes

[1] Includes items such as interest on factored debtors books.

[2] Includes items such as overnight interest on contracts for difference as well as inter-segment eliminations between"interest and similar income", "interest expense and similar charges", "gains and losses from banking and trading activities" and "gains and losses from investment activities".

[3] Includes items such as inter-segment eliminations between "interest and similar income", "interest expense and similar charges", "gains and losses from banking and trading activities" and "gains and losses from investment activities".

9. Non-interest income

	30 June 2014 Rm	30 June 2013 Rm	Change %	31 December 2013 Rm
9.1 Fee and commission income				
Asset management and other related fees	**41**	47	(13)	97
Consulting and administration fees	**75**	34	>100	171
Credit-related fees and commissions	**6 188**	6 089	2	12 414
Cheque accounts	**1 826**	1 752	4	3 546
Credit cards[1]	**506**	444	14	929
Electronic banking	**1 984**	1 997	(1)	4 099
Other credit-related fees and commissions[2]	**784**	746	5	1 556
Savings accounts	**1 088**	1 150	(5)	2 284
Insurance commission received	**251**	239	5	485
Investment banking fees	**150**	123	22	255
Merchant income	**998**	935	7	1 973
Other fee and commission income	**30**	40	(25)	50
Trust and other fiduciary services	**26**	18	44	41
Portfolio and other management fees	**19**	9	>100	23
Trust and estate income	**7**	9	(22)	18
	7 759	7 525	3	15 486
9.2 Fee and commission expense				
Cheque processing fees	**(67)**	(75)	11	(150)
Other fee and commission expenses	**(394)**	(325)	(21)	(658)
Transaction-based legal fees	**(60)**	(63)	5	(115)
Valuation fees	**(68)**	(71)	4	(142)
	(589)	(534)	(10)	(1 065)
Net fee and commission income	**7 170**	6 991	3	14 421

Notes

[1]Includes acquiring and issuing fees.

[2]Includes service and credit-related fees and commissions on mortgage loans and foreign exchange transactions.

9. Non-interest income *(continued)*

	30 June 2014 Rm	30 June 2013 Rm	Change %	31 December 2013 Rm
9.3 Gains and losses from banking and trading activities				
Net (loss)/gains on investments	**(77)**	(14)	>(100)	320
Debt instruments designated at fair value through profit or loss	**3**	58	(95)	163
Equity instruments designated at fair value through profit or loss	**(77)**	(68)	(13)	167
Available-for-sale unwind from reserves	**(3)**	(4)	25	(10)
Net trading result	**1 812**	1 519	19	3 031
Net trading income excluding the impact of hedge accounting	**2 010**	1 598	26	3 269
Ineffective portion of hedges	**(198)**	(79)	>(100)	(238)
Cash flow hedges	**(175)**	(83)	>(100)	(234)
Fair value hedges	**(23)**	4	>(100)	(4)
Other gains	**51**	64	(20)	140
	1 786	1 569	14	3 491
Net trading income excluding the impact of hedge accounting	**2 010**	1 598	26	3 269
(Losses)/gains on financial instruments designated at fair value through profit or loss	**(661)**	648	>(100)	1 326
Net (loss)/gains on financial assets designated at fair value through profit or loss	**(799)**	336	>(100)	142
Net gains on financial liabilities designated at fair value through profit or loss	**138**	312	(56)	1 184
Gains on financial instruments held for trading	**2 671**	950	>100	1 943
Other gains	**51**	64	(20)	140
Gains/(losses) on financial instruments designated at fair value through profit or loss	**—**	(6)	100	7
Gains on financial instruments held for trading	**7**	70	(90)	133
Other	**44**	—	100	—

	30 June 2014 Rm	30 June 2013 Rm	Change %	31 December 2013 Rm
9.4 Gains and losses from investment activities				
Available-for-sale unwind from reserves	**—**	1	(100)	4
Net gains/(losses) on investments	**1**	—	100	(1)
Other investment gains	**1**	—	100	3
	2	1	100	6

Condensed notes to the consolidated financial results

for the reporting period ended

10. Operating expenditure

	30 June			31 December
	2014 Rm	2013 Rm	Change %	2013 Rm
Administration fees	**441**	458	(4)	717
Amortisation of intangible assets	**110**	100	10	210
Auditors' remuneration	**99**	81	22	189
Cash transportation	**347**	318	9	597
Depreciation	**583**	649	(10)	1 199
Equipment costs	**82**	86	(5)	175
Information technology	**998**	923	8	1 760
Investment properties charges – change in fair value	**1**	—	100	—
Marketing costs	**484**	440	10	1 125
Operating lease expenses on properties	**521**	524	(1)	970
Other operating costs[1]	**275**	139	98	980
Printing and stationery	**90**	93	(3)	212
Professional fees	**545**	499	9	1 257
Property costs	**859**	643	34	1 232
Staff costs	**6 324**	5 760	10	12 256
Bonuses	**434**	362	20	1 180
Other staff costs[2]	**89**	236	(62)	534
Salaries and current service costs on post-retirement benefits	**5 406**	4 842	12	9 913
Share-based payments	**278**	204	36	387
Training costs	**117**	116	1	242
Telephone and postage	**342**	316	8	681
	12 101	11 029	10	23 560

Notes

[1]Includes fraud losses, travel and entertainment costs.

[2]Includes recruitment costs, membership fees to professional bodies, staff parking, study assistance and staff relocation costs.

11. Other impairments

	30 June			31 December
	2014 Rm	2013 Rm	Change %	2013 Rm
Financial instruments	**—**	(2)	100	(4)
Other	**31**	3	>(100)	3
Equipment	**13**	—	100	—
Repossessed properties	**—**	3	(100)	3
Other	**18**	—	100	—
	31	1	> (100)	(1)

12. Headline earnings

	30 June 2014 Gross Rm	30 June 2014 Net[1] Rm	30 June 2013 Gross Rm	30 June 2013 Net[1] Rm	Net change %	31 December 2013 Gross Rm	31 December 2013 Net[1] Rm
Headline earnings is determined as follows:							
Profit attributable to ordinary equity holder		**4 093**		4 025	2		8 439
Total headline earnings adjustment:		**(53)**		(55)	(4)		(173)
IFRS 5 – Gains on disposal of non-current assets held for sale	**(42)**	**(34)**	—	—	(100)	(171)	(138)
IAS 16 – (Profit)/loss on disposal of property and equipment	**(12)**	**(10)**	(5)	(5)	100	20	14
IAS 27 – Profit on disposal of subsidiaries	**(44)**	**(35)**	—	—	(100)	—	—
IAS 36 – Impairment of property and equipment	**13**	**8**	—	—	100	—	—
IAS 36 – Impairment of subsidiary	**18**	**15**	—	—	100	—	—
IAS 39 – Release of available-for-sale reserves	**3**	**2**	4	3	(33)	10	7
IAS 39 – Disposal and impairment of available-for-sale assets	**—**	**—**	—	—	—	(3)	(2)
IAS 40 – Change in fair value of investment properties	**1**	**1**	(60)	(53)	>100	(60)	(54)
		4 040		3 970	2		8 266

Note

[1] The net amounts are reflected after taxation and non-controlling interest.

13. Dividends per share

	30 June 2014 Rm	30 June 2013 Rm	Change %	31 December 2013 Rm
Dividends declared to ordinary equity holder				
Interim dividend (30 July 2014: **593,35 cents**) (30 July 2013: 2 233,4 cents)	**2 299**	8 459	(73)	8 459
Special dividend (8 April 2014: **638,38 cents**) (4 December 2013: 264,0 cents)	**2 446**	—	100	1 000
Final dividend (11 February 2014: 754,3 cents)	**—**	—	—	2 890
	4 745	8 459	(44)	12 349
Dividends declared to preference equity holders				
Interim dividend (30 July 2014: **3 197,4658 cents**) (30 July 2013: 2 999,4521 cents)	**158**	148	7	148
Final dividend (11 February 2014: **2 979,3151 cents**)	**—**	—	—	147
	158	148	7	295
Dividends paid to ordinary equity holder				
Final dividend (11 February 2014: **754,3 cents**) (12 February 2013: 605,5 cents)	**2 890**	2 293	26	2 293
Interim dividend (30 July 2013: 2 233,4 cents)	**—**	—	—	8 459
Special dividend (8 April 2014: **638,38 cents**) (4 December 2013: 264,0 cents)	**2 446**	—	100	1 000
Dividends paid to preference equity holders				
Final dividend (11 February 2014: **2 979,3151 cents**) (12 February 2013: 2 950,5479 cents)	**147**	146	1	146
Interim dividend (30 July 2013: 2 999,4521 cents)	**—**	—	—	148
	5 483	2 439	>100	12 046

14. Acquisitions and disposals of businesses and other similar transactions

Acquisitions of businesses during the current reporting period

There were no acquisitions of businesses during the current reporting period.

Disposal of businesses during the current reporting period

Absa Bank Limited disposed of its investment in a wholly-owned subsidiary, Ngwenya River Estate Proprietary Limited on 7 April 2014 to Diluculo Property Trading Proprietary Limited, which is a wholly-owned subsidiary of Barclays Africa Group Limited. Ngwenya River Estate Proprietary Limited is now consolidated directly into Barclays Africa Group Limited.

Absa Bank disposed of its investment in an 85% owned subsidiary, Abseq Properties Proprietary Limited on 1 January 2014. This disposal resulted in a non-headline earnings profit of R44m for the Bank.

Other similar transactions – additional interest in subsidiaries

There were no acquisitions or disposals on additional interest in subsidiaries during the current reporting period.

15. Related parties

The Bank's ultimate parent company is Barclays Bank PLC, which owns **62,3%** (30 June 2013: 55,5%; 31 December 2013: 62,3%) of the ordinary shares in Barclays Africa Group Limited. The remaining **37,7%** (30 June 2013: 44,5%; 31 December: 37,7%) of the shares are widely held on the Johannesburg Stock Exchange Limited ("JSE").

The following are defined as related parties of the Bank:

- key management personnel;
- the ultimate parent company (refer to note 15.1);
- fellow subsidiaries, associates and joint venture of the ultimate parent company (refer to note 15.2);
- the parent company (refer to note 15.3);
- fellow subsidiaries; associates and joint ventures of the parent company (refer to note 15.4);
- subsidiaries and consolidated structured entities;
- associates, joint ventures and retirement benefit funds;
- an entity controlled/jointly controlled or significantly influenced by any individual referred to above;
- post-employment benefit plans for the benefit of employees or any entity that is a related party of the Bank; and
- children and/or dependants and spouses or partners of the individuals referred to above.

The "Group" refers to Barclays Africa Group Limited and its subsidiaries.

Balances and transactions between the Bank and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

15.1 Balances and transactions with ultimate parent company[(1), (2)]

	30 June			31 December
	2014 Rm	2013 Rm	Change %	2013 Rm
Balances				
Loans and advances to banks	**35 722**	21 552	66	13 622
Derivative assets	**20 790**	22 533	(8)	20 452
Other assets	**507**	2 086	(76)	1 244
Investment securities	**464**	533	(13)	534
Deposits from banks	**(21 978)**	(18 840)	17	(21 320)
Derivative liabilities	**(18 262)**	(20 259)	(10)	(17 901)
Other liabilities	**(358)**	(2 051)	(83)	(102)
Transactions				
Interest and similar income	**(130)**	(141)	8	(215)
Interest expense and similar charges	**6**	34	(82)	50
Net fee and commission income	**—**	(9)	100	—
Gains and losses from banking and trading activities	**178**	66	>100	274
Other operating income	**(27)**	(7)	>100	(70)
Operating expenditure/recovered expenses	**(44)**	43	>(100)	40

Trade balances must be settled in accordance with market conventions applicable to the underlying transaction. Non-trade balances must be settled by the close of the month immediately following the month in which the transaction occurred. Further settlement must be made in the currency required by the ultimate parent company. In exceptional cases it may be impractical or inefficient to settle balances monthly. In such cases, the unsettled balances must be explicitly agreed to on a monthly basis in writing and full settlement must be made at least quarterly.

There were no bad debt expenses or provisions for bad debts that related to balances and transactions with the ultimate parent company.

Notes

(1) Debit amounts are presented as positive, credit amounts are presented as negative.

(2) The Bank's ultimate parent company is Barclays Bank PLC, which has a majority equity interest in Barclays Africa Group Limited.

15. Related parties *(continued)*

	30 June			31 December
	2014 Rm	2013 Rm	Change %	2013 Rm
15.2 Balances and transactions with fellow subsidiaries, associates and joint ventures of the ultimate parent company[(1), (2)]				
Balances				
Loans and advances to banks	**795**	2 898	(73)	955
Derivative assets	**145**	40	>100	316
Other assets	**49**	183	(73)	157
Deposits from banks	**(5)**	—	100	(333)
Derivative liabilities	**(139)**	—	100	—
Other liabilities	**(130)**	(164)	(21)	(318)
Transactions				
Net fee and commission income	**(15)**	(3)	>100	(25)
Operating expenditure/recovered expenses	**(52)**	(110)	(53)	12

Trade balances must be settled in accordance with market conventions applicable to the underlying transaction. Non-trade balances must be settled by the close of the month immediately following the month in which the transaction occurred. Further, settlement must be made in the currency required by the fellow subsidiary, associate or joint venture receiving the settlement. In exceptional cases it may be impractical or inefficient to settle balances monthly. In such cases, the unsettled balances must be explicitly agreed to on a monthly basis in writing, and full settlement must be made at least quarterly.

There were no bad debt expenses and provisions for bad debts that related to balances and transactions with the fellow subsidiaries, associates and joint ventures of the ultimate parent company.

Notes

[(1)]Debit amounts are shown as positive, credit amounts are shown as negative.

[(2)]Fellow subsidiaries, associates and joint ventures are those entities of Barclays Bank PLC.

15. Related parties *(continued)*

	30 June 2014 Rm	30 June 2013 Rm	Change %	31 December 2013 Rm
15.3 Balances and transactions with the parent company[1]				
Balances				
Deposits from banks	**(2 051)**	(480)	>(100)	(507)
Transactions				
Dividend paid	**5 336**	2 293	>100	11 752

Note

[1]Debit amounts are shown as positive, credit amounts are shown as negative.

	30 June 2014 Rm	30 June 2013 Rm	Change %	31 December 2013 Rm
15.4 Balances and transactions with fellow subsidiaries[1], [2]				
Balances				
Cash, cash balances and balances with central banks	**1**	—	100	(1)
Loans and advances to banks	**188**	—	100	196
Trading and hedging portfolio assets	**—**	947	>(100)	2 476
Loans to Group companies[3]	**17 745**	13 803	29	19 247
Deposits from banks	**(2 540)**	(3 561)	(29)	(3 921)
Trading and hedging portfolio liabilities	**(7)**	—	>100	—
Debt securities in issue	**(79)**	(43)	(84)	(41)
Transactions				
Interest and similar income	**(590)**	(584)	1	(773)
Interest and similar expense	**447**	335	33	439
Net fee and commission income	**(228)**	(217)	(5)	(458)
Gains and losses from banking and trading activities	**(1 302)**	(336)	>(100)	(1 115)
Gains and losses from investing activities	**(1)**	—	(100)	1
Other operating income	**(12)**	(12)	—	(19)
Operating expenditure/recovered expenses	**(219)**	(252)	13	57

[1]Debit amounts are shown as positive, credit amounts are shown as negative.

[2]Balances and transactions between the Bank and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

[3]During the current reporting period, certain financial assets were reclassified from available-for-sale to loans and receivables, as they are no longer traded on an active market.

16. Assets under management and administration

	30 June 2014 Rm	30 June 2013 Rm	Change %	31 December 2013 Rm
Alternative asset management and exchange-traded funds	**41 459**	22 100	88	29 934
Portfolio management	**3 621**	5 670	(36)	6 147
Unit trusts	**1 769**	1 134	56	1 297
	46 849	28 904	62	37 378

17. Financial guarantee contracts

	30 June 2014 Rm	30 June 2013 Rm	Change %	31 December 2013 Rm
Financial guarantee contract[1]	**3 620**	408	>100	3 790

Note

[1]Financial guarantee contracts represent contracts where the Bank undertakes to make specified payments to a counterparty, should the counterparty suffer a loss as a result of a specified debtor failing to make payment when due in accordance with the terms of a debt instrument. This amount represents the maximum exposure, which is not necessarily the measurement recognised in the statement of financial position in accordance with International Financial Reporting Standards ("IFRS").

18. Commitments

	30 June 2014 Rm	30 June 2013 Rm	Change %	31 December 2013 Rm
Authorised capital expenditure[1]				
Contracted but not provided for	**203**	437	(54)	175
Operating lease payments due[2]				
No later than one year	**772**	988	(22)	820
Later than one year and no later than five years	**1 215**	1 445	(16)	1 417
Later than five years	**178**	193	(8)	230
	2 165	2 626	(18)	2 467
Sponsorship payments due[3]				
No later than one year	**273**	225	21	272
Later than one year and no later than five years	**468**	755	(38)	541
	741	980	(24)	813

Notes

[1]The Bank has capital commitments in respect of computer equipment and property development. Management is confident that future net revenue and funding will be sufficient to cover these commitments.

[2]The operating lease commitments comprise a number of separate operating leases in relation to property and equipment, none of which is individually significant to the Bank. Leases are negotiated for an average term of three to five years and rentals are renegotiated annually.

[3]The Bank has sponsorship commitments in respect of sports, arts and culture.

19. Contingencies

	30 June 2014 Rm	30 June 2013 Rm	Change %	31 December 2013 Rm
Guarantees[1]	**19 073**	16 196	18	15 862
Irrevocable debt facilities[2], [3]	**73 937**	80 148	(8)	79 470
Irrevocable equity facilities[3]	**—**	510	(100)	—
Letters of credit	**4 938**	3 798	30	5 666
Other contingencies	**3**	6	(50)	3
	97 951	100 658	(3)	101 001

Legal proceedings

The Bank is engaged in various litigation proceedings involving claims by and against it, which arise in the ordinary course of business. The Bank does not expect the ultimate resolution of any proceedings, to which the Bank is party, to have a significant adverse effect on the financial statements of the Bank. Provision is made for all liabilities which are expected to materialise.

Income taxes

The Bank is subject to income taxes in numerous jurisdictions and the calculation of the Bank's tax charge and provisions for income taxes necessarily involves a degree of estimation and judgement. There are many transactions and calculations for which the ultimate tax treatment is uncertain or in respect of which the relevant tax authorities may have indicated disagreement with the Bank's treatment and accordingly the final tax charge cannot be determined until resolution has been reached with the relevant tax authority. The Bank recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due after taking into account external advice where appropriate. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the reporting period in which such determination is made. These risks are managed in accordance with the Bank's Tax Risk Framework.

Notes

[1]Guarantees include performance and payment guarantee contracts.

[2]During the reporting period, terms and conditions associated with unutilised customer facilities were reviewed and confirmed to be irrevocable in nature. These facilities are disclosed as contingent liabilities. Comparative numbers were restated (30 June 2013: R32,2bn; 31 December 2013: R32,7bn).

[3]Irrevocable facilities are commitments to extend credit where the Bank does not have the right to immediately terminate the facilities by written notice. Commitments generally have fixed expiry dates. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

20. Segment reporting

	30 June			31 December
	2014 Rm	2013[1] Rm	Change %	2013[1] Rm
20.1 Headline earnings contribution by segment				
RBB	**3 264**	3 089	6	6 642
Retail Banking	**2 461**	2 365	4	5 099
Home Loans	**801**	287	>100	1 001
Vehicle and Asset Finance	**535**	516	4	1 095
Card	**629**	804	(22)	1 802
Personal Loans	**146**	135	8	359
Transactional and deposits	**1 303**	1 336	(2)	2 950
Other	**(953)**	(713)	(34)	(2 108)
Business Banking	**803**	724	11	1 543
CIB	**1 164**	1 093	6	2 455
WIMI	**3**	(35)	>100	(40)
Head Office and other operations	**(391)**	(177)	>(100)	(791)
Total headline earnings	**4 040**	3 970	2	8 266

Note

[1]Operational changes, management changes and associated changes to the way in which the Chief Operating Decision Maker ("CODM") views the performance of each business segment, have resulted in the reallocation of earnings, assets and liabilities between operating segments.

	30 June			31 December
	2014 Rm	2013[1] Rm	Change %	2013[1] Rm
20.2 Total income by segment				
RBB	**17 313**	16 798	3	34 168
Retail Banking	**13 204**	12 805	3	25 950
Home Loans	**2 030**	2 081	(2)	3 981
Vehicle and Asset Finance	**1 748**	1 672	5	3 280
Card	**3 104**	2 859	9	6 074
Personal Loans	**954**	938	2	1 892
Transactional and deposits	**5 334**	5 247	2	10 762
Other	**34**	8	>100	(39)
Business Banking	**4 109**	3 993	3	8 218
CIB	**4 139**	3 610	15	8 103
WIMI	**258**	225	15	473
Head Office and other operations	**(280)**	(317)	12	(622)
Total income	**21 430**	20 316	5	42 122

Note

[1]Operational changes, management changes and associated changes to the way in which the Chief Operating Decision Maker ("CODM") views the performance of each business segment, have resulted in the reallocation of earnings, assets and liabilities between operating segments.

Condensed notes to the consolidated financial results

for the reporting period ended

20. Segment reporting *(continued)*

	30 June 2014 Rm	30 June 2013[(1)] Rm	Change %	31 December 2013[(1)] Rm
20.3 Total internal income by segment				
RBB	**(4 261)**	(4 141)	(3)	(8 199)
Retail Banking	**(5 391)**	(4 941)	(9)	(10 076)
Home Loans	**(5 998)**	(5 408)	(11)	(11 075)
Vehicle and Asset Finance	**(2 137)**	(1 796)	(19)	(3 749)
Card	**(500)**	(510)	2	(913)
Personal Loans	**(271)**	(254)	(7)	(504)
Transactional and deposits	**3 694**	3 185	16	6 733
Other	**(179)**	(158)	(13)	(568)
Business Banking	**1 130**	800	41	1 877
CIB	**6 259**	6 555	(5)	12 384
WIMI	**(150)**	(161)	7	(326)
Head Office and other operations	**(152)**	(1 438)	89	(1 933)
Total internal income	**1 696**	815	>100	1 926

Note

[(1)]Operational changes, management changes and associated changes to the way in which the Chief Operating Decision Maker ("CODM") views the performance of each business segment, have resulted in the reallocation of earnings, assets and liabilities between operating segments.

	30 June 2014 Rm	30 June 2013[(1)] Rm	Change %	31 December 2013[(1)] Rm
20.4 Total assets by segment				
RBB	**611 438**	586 477	4	615 424
Retail Banking	**520 566**	504 124	3	521 990
Home Loans	**216 362**	219 453	(1)	217 526
Vehicle and Asset Finance	**85 415**	77 303	10	83 637
Card	**41 527**	36 644	13	39 517
Personal Loans	**13 418**	13 391	0	13 400
Transactional and deposits	**143 001**	134 676	6	142 227
Other	**20 843**	22 657	(8)	25 683
Business Banking	**90 872**	82 353	10	93 434
CIB	**495 023**	494 487	0	478 600
WIMI	**11 446**	11 875	(4)	11 679
Head Office and other operations	**(306 792)**	(298 828)	(3)	(313 954)
Total assets	**811 115**	794 011	2	791 749

Note

[(1)]Operational changes, management changes and associated changes to the way in which the Chief Operating Decision Maker ("CODM") views the performance of each business segment, have resulted in the reallocation of earnings, assets and liabilities between operating segments.

	30 June 2014 Rm	30 June 2013[(1)] Rm	Change %	31 December 2013[(1)] Rm
20.5 Total liabilities by segment				
RBB	**607 264**	582 684	4	608 052
Retail Banking	**517 224**	501 040	3	516 166
Home Loans	**215 530**	219 110	(2)	216 469
Vehicle and Asset Finance	**84 006**	76 093	10	81 846
Card	**40 898**	35 841	14	37 715
Personal Loans	**13 272**	13 256	0	13 040
Transactional and deposits	**141 689**	133 344	6	139 283
Other	**21 829**	23 396	(7)	27 813
Business Banking	**90 040**	81 644	10	91 886
CIB	**493 056**	492 987	0	475 465
WIMI	**11 443**	11 909	(4)	11 718
Head Office and other operations	**(357 219)**	(354 723)	(1)	(360 745)
Total liabilities	**754 544**	732 857	3	734 490

Note

[(1)]Operational changes, management changes and associated changes to the way in which the Chief Operating Decision Maker ("CODM") views the performance of each business segment, have resulted in the reallocation of earnings, assets and liabilities between operating segments.

21. Assets and liabilities not held at fair value

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not held at fair value:

	30 June			
	2014		2013	
	Carrying value Rm	Fair value Rm	Carrying value Rm	Fair value Rm
Financial assets				
Balances with the South African Reserve Bank ("SARB")	13 126	13 126	13 290	13 290
Coins and bank notes	5 174	5 174	5 528	5 528
Money market assets	13	13	5	5
Cash, cash balances and balances with central banks	18 313	18 313	18 823	18 823
Loans and advances to banks	52 234	52 234	43 334	43 334
Other assets	11 480	11 480	12 272	12 272
Retail Banking	344 927	344 927	338 143	338 143
Credit cards	28 557	28 557	26 779	26 779
Instalment credit agreements	66 943	66 943	61 246	61 246
Loans to associates and joint ventures	10 968	10 968	8 801	8 801
Mortgages	221 729	221 729	224 783	224 783
Other loans and advances	296	296	310	310
Overdrafts	2 229	2 229	1 972	1 972
Personal and term loans	14 205	14 205	14 252	14 252
Business Banking	60 259	60 259	60 689	60 689
Loans to associates and joint ventures	269	269	665	665
Mortgages (including commercial property finance)	29 446	29 446	30 280	30 280
Overdrafts	18 457	18 457	18 544	18 544
Term loans	12 087	12 087	11 200	11 200
CIB	113 767	113 442	96 028	96 028
WIMI	10 649	10 649	11 073	11 073
Head Office and other operations	2 213	2 213	131	131
Loans and advances to customers – net of impairment losses	531 815	531 490	506 064	506 064
Loan to Group companies	15 612	15 180	13 803	13 803
Total assets	629 454	628 697	594 296	594 296
Financial liabilities				
Deposits from banks	44 017	44 017	39 430	39 430
Other liabilities	17 889	17 889	19 894	19 894
Call deposits	64 328	64 328	51 711	51 711
Cheque account deposits	142 167	142 167	147 016	147 016
Credit card deposits	1 834	1 834	1 807	1 807
Fixed deposits	116 079	116 079	111 892	111 892
Foreign currency deposits	13 212	13 212	9 780	9 780
Notice deposits	50 999	50 999	55 406	55 406
Other deposits	1 754	1 754	1 722	1 722
Savings and transmission deposits	95 544	95 544	78 173	78 173
Deposits due to customers	485 917	485 917	457 507	457 507
Debt securities in issue	100 521	100 742	101 791	101 791
Borrowed funds	14 108	14 539	15 627	16 211
Total liabilities	662 452	663 104	634 249	634 833

21. Assets and liabilities not held at fair value *(continued)*

	31 December 2013 Carrying value Rm	31 December 2013 Fair value Rm
Financial assets		
Balances with the South African Reserve Bank ("SARB")	12 417	12 417
Coins and bank notes	8 665	8 665
Money market assets	5	5
Cash, cash balances and balances with central banks	21 087	21 087
Loans and advances to banks	39 813	39 813
Other assets	8 080	8 080
Retail Banking	341 661	341 498
Credit cards	27 839	27 839
Instalment credit agreements	64 571	64 268
Loans to associates and joint ventures	10 287	10 287
Mortgages	222 700	222 764
Other loans and advances	253	253
Overdrafts	2 015	2 015
Personal and term loans	13 996	14 072
Business Banking	60 036	60 106
Loans to associates and joint ventures	559	559
Mortgages (including commercial property finance)	30 718	30 788
Overdrafts	17 075	17 075
Term loans	11 684	11 684
CIB	110 796	104 993
WIMI	10 886	10 886
Head Office and other operations	115	115
Loans and advances to customers – net of impairment losses	523 494	517 598
Loans to Group companies	19 247	19 340
Total assets	611 721	605 918
Financial liabilities		
Deposits from banks	53 560	50 348
Other liabilities	9 557	9 095
Call deposits	52 829	52 829
Cheque account deposits	139 146	139 145
Credit card deposits	1 914	1 914
Fixed deposits	116 420	116 462
Foreign currency deposits	14 108	14 108
Notice deposits	56 349	56 349
Other deposits	1 877	1 877
Savings and transmission deposits	87 865	87 865
Deposits due to customers	470 508	470 549
Debt securities in issue	93 595	93 596
Borrowed funds	15 762	16 308
Total liabilities	642 982	639 896

22. Assets and liabilities held at fair value

22.1 Fair value measurement and valuation processes

Financial assets and financial liabilities

The Bank has an established control framework with respect to the measurement of fair values. The framework includes a Valuation Committee and an Independent Valuation Control team ("IVC"), which is independent from the front office.

The Valuation Committee, which comprises representatives from senior management, will formally approve valuation policies and changes to valuation methodologies. Significant valuation issues are reported to the Group Audit and Compliance Committee.

The Valuation Committee is responsible for overseeing the valuation control process and will therefore consider the appropriateness of valuation techniques and inputs for fair value measurement.

The IVC independently verifies the results of trading and investment operations and all significant fair value measurements. They source independent data from external independent parties, as well as internal risk areas when performing independent price verification for all financial instruments held at fair value. They also assess and document the inputs obtained from external, independent sources to measure the fair value which supports conclusions that valuations are performed in accordance with International Financial Reporting Standards ("IFRS") and internal valuation policies.

Investment properties

The fair value of investment properties is determined based on the most appropriate methodology applicable to the specific property. Methodologies include the market comparable approach that reflects recent transaction prices for similar properties, discounted cash flows and income capitalisation methodologies. In estimating the fair value of the properties, the highest and best use of the properties is taken into account.

Where possible the fair value of the Bank's investment properties is determined through valuations performed by external independent valuators. When the Bank's internal valuations are different to that of the external independent valuers, detailed procedures are performed to substantiate the differences, whereby the IVC verifies the procedures performed by front office and considers the appropriateness of any differences to external independent valuations.

22.2 Fair value hierarchy levels

Level 1

This includes assets and liabilities which are valued with reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions on an arm's length basis.

An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis. This category includes highly liquid government and other bonds, active listed equities, exchange-traded commodities and exchange-traded derivatives.

Level 2

This includes assets and liabilities which are valued using inputs other than quoted prices as described in the afore-mentioned for Level 1 but which are observable for the asset or liability, either directly or indirectly, such as:

- quoted price for similar assets or liabilities in an active market;
- quoted price for identical or similar assets or liabilities in inactive markets;
- valuation model using observable inputs; and
- valuation model using inputs derived from/corroborated by observable market data.

This category includes certain African government bills, private equity investments, loans and advances, investments in debt instruments, commodity derivatives, credit derivatives, equity derivatives, foreign exchange derivatives, interest rate derivatives, repurchase agreements, deposits and debt securities.

Level 3

This consists of assets and liabilities valued using inputs that are not based on observable market data (unobservable data) such as an entity's own assumptions of market participants in pricing the asset or liability.

This category includes certain private equity investments, loans and advances, investments in debt instruments, credit derivatives, equity derivatives, foreign exchange derivatives, interest rate derivatives, repurchase agreements, deposits and debt securities.

22. Assets and liabilities held at fair value *(continued)*

22.3 Fair value hierarchy

The table below shows the Bank's assets and liabilities that are recognised and subsequently measured at fair value and are analysed by valuation techniques. The classification of assets and liabilities is based on the lowest level of input that is significant to the fair value measurement in its entirety.

	30 June							
	2014				2013			
Recurring fair value measurements	**Level 1 Rm**	**Level 2 Rm**	**Level 3 Rm**	**Total Rm**	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets								
Statutory liquid asset portfolio	63 589	—	—	63 589	66 899	3	—	66 902
Loans and advances to banks	—	11 063	—	11 063	—	13 786	—	13 786
Trading and hedging portfolio assets	23 627	51 462	1 175	76 264	25 285	58 273	991	84 549
Debt instruments	20 775	3 361	870	25 006	17 029	4 092	597	21 718
Derivative assets	1 879	43 422	305	45 606	—	52 196	105	52 301
Commodity derivatives	52	309	—	361	—	852	—	852
Credit derivatives	—	230	48	278	—	242	1	243
Equity derivatives	—	1 331	—	1 331	—	1 135	2	1 137
Foreign exchange derivatives	1 826	6 107	4	7 937	—	13 046	24	13 070
Interest rate derivatives	1	35 445	253	35 699	—	36 921	78	36 999
Equity instruments	973	81	—	1 054	3 692	888	129	4 709
Money market assets	—	4 598	—	4 598	4 564	1 097	160	5 821
Other assets	—	—	16	16	—	—	16	16
Loans and advances to customers	5	5 237	5 424	10 666	—	6 698	6 830	13 528
Investment securities	3 158	—	2 309	5 467	2 227	—	4 118	6 345
Total financial assets	**90 379**	**67 762**	**8 924**	**167 065**	94 411	78 760	11 955	185 126
Financial liabilities								
Deposits from banks	—	18 515	—	18 515	—	13 852	—	13 852
Trading and hedging portfolio liabilities	2 480	42 719	449	45 648	2 300	54 577	328	57 205
Derivative liabilities	361	42 719	449	43 529	—	54 577	328	54 905
Commodity derivatives	29	268	—	297	—	349	—	349
Credit derivatives	—	208	39	247	—	313	27	340
Equity derivatives	—	1 690	318	2 008	—	1 736	202	1 938
Foreign exchange derivatives	332	4 437	2	4 771	—	12 850	4	12 854
Interest rate derivatives	—	36 116	90	36 206	—	39 329	95	39 424
Short positions	2 119	—	—	2 119	2 300	—	—	2 300
Deposits due to customers	104	12 830	6 232	19 166	—	14 307	6 707	21 014
Debt securities in issue	366	4 068	19	4 453	—	2 371	35	2 406
Total financial liabilities	**2 950**	**78 132**	**6 700**	**87 782**	2 300	85 107	7 070	94 477
Non-financial assets								
Investment properties	—	—	243	243	—	—	229	229
Trading and hedging portfolio assets								
Commodities	1 840	—	—	1 840	1 548	—	—	1 548
Non-recurring fair value measurements								
Non-current assets held for sale[1]	—	—	414	414	—	—	1 655	1 655
Non-current liabilities held for sale[1]	—	—	—	—	—	—	185	185

Note

[1] Includes certain items classified in terms of the requirements of IFRS 5 which are measured in terms of their respective standards.

22. Assets and liabilities held at fair value *(continued)*

22.3 Fair value hierarchy *(continued)*

	31 December 2013			
Recurring fair value measurements	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets				
Statutory liquid asset portfolio	62 055	—	—	62 055
Loans and advances to banks	—	6 140	—	6 140
Trading and hedging portfolio assets	24 383	55 708	1 037	81 128
Debt instruments	23 929	174	873	24 976
Derivative assets	—	48 451	164	48 615
Commodity derivatives	—	324	—	324
Credit derivatives	—	258	11	269
Equity derivatives	—	802	—	802
Foreign exchange derivatives	—	8 624	39	8 663
Interest rate derivatives	—	38 443	114	38 557
Equity instruments	454	77	—	531
Money market assets	—	7 006	—	7 006
Other assets	—	—	16	16
Loans and advances to customers	—	4 069	6 477	10 546
Investment securities	2 907	—	2 313	5 220
Total financial assets	89 345	65 917	9 843	165 105
Financial liabilities				
Deposits from banks	—	12 267	—	12 267
Trading and hedging portfolio liabilities	2 472	50 080	549	53 101
Derivative liabilities	—	50 080	549	50 629
Commodity derivatives	—	290	—	290
Credit derivatives	—	350	45	395
Equity derivatives	—	1 607	306	1 913
Foreign exchange derivatives	—	8 115	57	8 172
Interest rate derivatives	—	39 718	141	39 859
Short positions	2 472	—	—	2 472
Deposits due to customers	—	10 725	7 138	17 863
Debt securities in issue	—	3 549	35	3 584
Total financial liabilities	2 472	76 621	7 722	86 815
Non-financial assets				
Investment properties	—	—	240	240
Trading and hedging portfolio assets				
Commodities	1 080	—	—	1 080
Non-recurring fair value measurements				
Non-current assets held for sale[1]	101	1 296	460	1 857
Non-current liabilities held for sale[1]	—	175	—	175

Note

[1]Includes certain items classified in terms of the requirements of IFRS 5 which are measured in terms of their respective standards.

22. Assets and liabilities held at fair value *(continued)*

22.4 Measurement of assets and liabilities categorised at Level 2

The following table presents information about the valuation techniques used in measuring assets and liabilities categorised as Level 2 in the fair value hierarchy.

Category of asset/liability	Valuation techniques applied	Significant observable inputs
Cash, cash balances and balances with central banks	Discounted cash flow	Underlying price of market traded instruments and/or interest rates
Loans and advances to banks	Discounted cash flow	Interest rate and/or money market curves
Trading and hedging portfolio assets		
Debt instruments	Discounted cash flow	Underlying price of market traded instruments and/or interest rates
Derivative assets		
Commodity derivatives	Discounted cash flow model, option pricing models, futures pricing model, ETF model	Spot price (physical or futures), interest rates and/or volatility
Credit derivatives	Discounted cash flow model, credit default swap model (hazard rate model)	Interest rate, recovery rate, credit spread and/or quanto ratio
Equity derivatives	Discounted cash flow model, option pricing models, futures pricing model	Spot price, interest rate, volatility and/or dividend stream
Foreign exchange derivatives	Discounted cash flow model, option pricing models	Spot price, interest rate and/or volatility
Interest rate derivatives	Discounted cash flow model, option pricing models	Interest rate curves, repurchase agreement curves, money market curves and/or volatility
Equity instruments	Net asset value	Underlying price of market traded instruments
Money market assets	Discounted cash flow	Money market rates and interest rates
Loans and advances to customers	Discounted cash flow	Interest rate curves and/or money market curves
Investment securities	Listed equity – is valued at the last market bid price. Unlisted equity is valued at par. Other items are valued utilising discounted cash flow models	Underlying price of the market traded instrument
Deposits from banks	Discounted cash flow	Interest rate curves and/or money market curves
Trading and hedging portfolio liabilities		
Derivative liabilities		
Commodity derivatives	Discounted cash flow model, option pricing models, futures pricing model, ETF model	Spot price (physical or futures), interest rates, volatility
Credit derivatives	Discounted cash flow model, credit default swap model (hazard rate model)	Interest rate, recovery rate, credit spread, quanto ratio
Equity derivatives	Discounted cash flow model, option pricing models, futures pricing model	Spot price, interest rate, volatility, dividend stream
Foreign exchange derivatives	Discounted cash flow model, option pricing models	Spot price, interest rate, volatility
Interest rate derivatives	Discounted cash flow model, option pricing models	Interest rate curves, repurchase agreement curves, money market curves, volatility
Other liabilities	Discounted cash flow	Underlying price of the market traded instrument, interest rate curves and/or money market curves
Deposits due to customers	Discounted cash flow	Interest rate curves and/or money market curves
Debt securities in issue	Discounted cash flow	Underlying price of the market traded instrument and interest rate curves
Liabilities under investment contracts	Discounted cash flow	Underlying price of the market traded instrument and/or interest rate curves

22. Assets and liabilities held at fair value *(continued)*

22.5 Measurement of assets and liabilities at Level 3

In determining the value of Level 3 financial instruments, the following are the principal inputs that can require judgement:

(i) Volatility

Volatility is a key input in the valuation of options across all asset classes. For some asset classes, volatility is unobservable.

(ii) Basis risk

Basis risk is a key input in the valuation of cross currency swaps. For some currency pairs or maturities, basis risk is unobservable.

(iii) Credit spreads

Credit spreads are key inputs in the valuation of credit default swaps, credit linked notes and debt instruments or liabilities. For some issuers or tenors, credit spreads are unobservable.

(iv) Yield curves

Yield curves are key inputs in the valuation of certain debt instruments. For some debt instruments, yield curves are unobservable.

(v) Future earnings and marketability discounts

Future earnings and marketability discounts are key inputs in the valuation of certain private equity investments. For some investments, forecast earnings and marketability discounts are unobservable.

(vi) Comparator multiples

Comparator multiples and point of difference applied to chosen multiples are key inputs in the valuation of private equity investments. For some investments, price earnings multiples and point of difference applied to chosen multiples are unobservable.

(vii) Discount rates

Discount rates are key inputs in the valuation of certain private equity investments. For some investments, discount rates are unobservable.

(viii) Investment properties

The significant inputs for the valuation of investment properties include but are not limited to estimates of periods in which rental units will be disposed of, selling prices per unit, selling price escalations per year, rental income per unit, rental escalations per year, expense ratios, vacancy rates, income capitalisation rates, and risk adjusted discount rates.

Sensitivity analysis of valuations using unobservable inputs

The following table reflects how the unobservable parameters were changed in order to evaluate the sensitivities of Level 3 assets and liabilities:

Instrument	Parameter	Positive/(negative) variance applied to parameters
Credit derivatives	Credit spreads	100/(100) bps
Equity derivatives	Volatilities	10/(10)%
Foreign currency options	Volatilities	10/(10)%
Foreign currency swaps and foreign interest rate products	Basis risk and yield curve	100/(100) bps
Loans and advances designated at fair value through profit or loss	Credit spreads	100/(100) bps
Investment securities (private equity, property equity, investments and other)	Future earnings and marketability discounts Comparator multiples Discount rates	15/(15)%
Structured notes and deposits designated at fair value through profit or loss	Yield curve	100/(100) bps

Judgemental inputs on valuation of principal instruments

The following summary sets out the principal instruments whose valuation may involve judgemental inputs:

Debt securities and treasury and other eligible bills

These instruments are valued, based on quoted market prices from an exchange, dealer, broker, industry group or pricing service, where available. Where unavailable, fair value is determined by reference to quoted market prices for similar instruments or, in the case of certain mortgage-backed securities, valuation techniques using inputs derived from observable market data, and, where relevant, assumptions in respect of unobservable inputs.

22. Assets and liabilities held at fair value *(continued)*

22.5 Measurement of assets and liabilities at Level 3 *(continued)*

Judgemental inputs on valuation of principal instruments *(continued)*

Equity instruments

Equity instruments are valued, based on quoted market prices from an exchange, dealer, broker, industry group or pricing service, where available. Where unavailable, fair value is determined by reference to quoted market prices for similar instruments or by using valuation techniques using inputs derived from observable market data, and, where relevant, assumptions in respect of unobservable inputs.

Also included in equity instruments are non-public investments, which include investments in venture capital organisations. The fair value of these investments is determined using appropriate valuation methodologies which, dependent on the nature of the investment, may include discounted cash flow analysis, enterprise value comparisons with similar companies and price:earnings comparisons. For each investment, the relevant methodology is applied consistently over time.

Derivatives

Derivative contracts can be exchange-traded or traded Over The Counter ("OTC"). OTC derivative contracts include forward, swap and option contracts related to interest rates, bonds, foreign currencies, credit spreads, equity prices and commodity prices or indices on these instruments. Fair values of derivatives are obtained from quoted market prices, dealer price quotations, discounted cash flow and option pricing models.

Loans and advances

The disclosed fair value of loans and advances to banks and customers is determined by discounting contractual cash flows. Discount factors are determined using the relevant forward base rates (as at valuation date) plus the originally priced spread. Where a significant change in credit risk has occurred, an updated spread is used to reflect valuation date pricing. Behavioural cash flow profiles, instead of contractual cash flow profiles, are used to determine expected cash flows where contractual cash flow profiles would provide an inaccurate fair value.

Deposits, debt securities in issue and borrowed funds

Deposits, debt securities in issue and borrowed funds are valued using discounted cash flow models, applying rates currently offered for issuances with similar characteristics. Where these instruments include embedded derivatives, the embedded derivative component is valued using the methodology for derivatives as detailed above.

22.6 Fair value adjustments

The main valuation adjustments required to arrive at a fair value are described below:

Bid-offer valuation adjustments

For assets and liabilities where the Bank is not a market maker, mid prices are adjusted to bid and offer prices respectively. Bid-offer adjustments reflect expected close out strategy and, for derivatives, the fact that they are managed on a portfolio basis. The methodology for determining the bid-offer adjustment for a derivative portfolio will generally involve netting between long and short positions and the bucketing of risk by strike and term in accordance with hedging strategy. Bid-offer levels are derived from market sources, such as broker data. For those assets and liabilities where the Bank is a market maker and has the ability to transact at, or better than, mid-price (which is the case for certain equity, bond and vanilla derivative markets), the mid-price is used, since the bid-offer spread does not represent a transaction cost.

Uncollateralised derivative adjustments

A fair value adjustment is incorporated into uncollateralised derivative valuations to reflect the impact on fair value of counterparty credit risk, the Bank's own credit quality, as well as the cost of funding across all asset classes.

Model valuation adjustments

Valuation models are reviewed under the Bank's model governance framework. This process identifies the assumptions used and any model limitations (for example, if the model does not incorporate volatility skew). Where necessary, fair value adjustments will be applied to take these factors into account. Model valuation adjustments are dependent on the size of portfolio, complexity of the model, whether the model is market standard and to what extent it incorporates all known risk factors. All models and model valuation adjustments are subject to review on at least an annual basis.

22. Assets and liabilities held at fair value *(continued)*

22.7 Reconciliation of Level 3 assets and liabilities

A reconciliation of the opening balances to closing balances for all movements on Level 3 assets and liabilities is set out below:

	30 June			
	2014			
Assets	Available-for-sale financial assets Rm	Financial assets designated at fair value through profit and loss Rm	Financial assets held for trading Rm	Total financial assets excluding derivatives Rm
Opening balance at the beginning of the reporting period	66	8 980	873	9 919
Net interest income	—	91	—	91
Gains and losses from banking and trading activities	—	(471)	(3)	(474)
Gains and losses from investment activities	—	(26)	—	(26)
Purchases	—	297	—	297
Settlements	—	(931)	—	(931)
Movement in/(out) of Level 3	—	(14)	—	(14)
Closing balance at the end of the reporting period	66	7 926	870	8 862

	30 June		
	2014		
Liabilities	Financial liabilities designated at fair value through profit or loss Rm	Financial liabilities held for trading Rm	Total financial liabilities including net derivatives Rm
Opening balance at the beginning of the reporting period	7 173	385	7 558
Net interest income	10	—	10
Gains and losses from banking and trading activities	(282)	(262)	(544)
Settlements	(715)	—	(715)
Issues	65	—	65
Movement out of Level 3	—	21	21
Closing balance at the end of the reporting period	6 251	144	6 395

22. Assets and liabilities held at fair value *(continued)*

22.7 Reconciliation of Level 3 assets and liabilities *(continued)*

	30 June 2013			
Assets	Available-for-sale financial assets Rm	Financial assets designated at fair value through profit or loss Rm	Financial assets held for trading Rm	Total financial assets excluding derivatives Rm
Opening balance at the beginning of the reporting period	39	10 710	873	11 622
Movement in other comprehensive income	114	—	—	114
Net interest income	—	486	—	486
Gains and losses from banking and trading activities	—	(161)	(20)	(181)
Gains and losses from investment activities	—	(83)	—	(83)
Purchases	—	244	—	244
Sales	—	(103)	—	(103)
Settlements	—	(62)	—	(62)
Transferred to/(from) liabilities	9	—	33	42
Closing balance at the end of the reporting period	162	11 031	886	12 079

	30 June 2013		
Liabilities	Financial liabilities designated at fair value through profit or loss Rm	Financial liabilities held for trading Rm	Total financial liabilities including net derivatives Rm
Opening balance at the beginning of the reporting period	7 875	(5)	7 870
Net interest income	26	—	26
Gains and losses from banking and trading activities	(1 008)	194	(814)
Purchases	—	1	1
Issues	65	—	65
Transferred from/(to) assets	9	33	42
Settlements	(225)	—	(225)
Closing balance at the end of the reporting period	6 742	223	6 965

22. Assets and liabilities held at fair value *(continued)*

22.7 Reconciliation of Level 3 assets and liabilities *(continued)*

	31 December 2013			
Assets	Available-for-sale financial assets Rm	Financial assets designated at fair value through profit or loss Rm	Financial assets held for trading Rm	Total financial assets excluding derivatives Rm
Opening balance at the beginning of the reporting period	39	10 710	873	11 622
Movement in other comprehensive income	27	—	—	27
Net interest income	—	334	55	389
Other income	—	39	—	39
Gains and losses from banking and trading activities	—	(560)	(360)	(920)
Gains and losses from investment activities	—	(257)	—	(257)
Purchases	—	795	13	808
Sales	—	(846)	—	(846)
Settlements	—	(1 557)	—	(1 557)
Transferred to/(from) liabilities	—	322	55	377
Movement in/(out) of Level 3	—	—	237	237
Closing balance at the end of the reporting period	66	8 980	873	9 919

	31 December 2013		
Liabilities	Financial liabilities designated at fair value through profit or loss Rm	Financial liabilities held for trading Rm	Total financial liabilities including net derivatives Rm
Opening balance at the beginning of the reporting period	7 875	(5)	7 870
Net interest income	9	—	9
Gains and losses from banking and trading activities	(334)	173	(161)
Gains and losses from investing activities	(1)	—	(1)
Purchases	27	—	27
Issues	424	(3)	421
Settlements	(1 149)	—	(1 149)
Transferred from/(to) assets	322	55	377
Movement out of Level 3	—	165	165
Closing balance at the end of the reporting period	7 173	385	7 558

22.7.1 Significant transfers between levels

During the previous reporting period trading portfolio assets to the value of R237m as well as trading portfolio liabilities of R165m were transferred from level 2 to level 3. The transfers relate to equity securities for which there are no longer a quoted price in an active market and for which significant inputs to determine the fair value have become unobservable.

22. Assets and liabilities held at fair value *(continued)*

22.8 Unrealised gains and losses on Level 3 assets and liabilities

The total unrealised gains and losses for the reporting period on Level 3 assets and liabilities held at the reporting date per IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") classification are set out below:

	30 June 2014				
	Available-for-sale financial assets Rm	Financial assets held for trading Rm	Financial assets designated at fair value through profit or loss Rm	Financial liabilities designated at fair value through profit or loss Rm	Financial liabilities held for trading Rm
Gains and losses from banking and trading activities	—	(60)	(188)	—	(23)

	30 June 2013				
	Available-for-sale financial assets Rm	Financial assets held for trading Rm	Financial assets designated at fair value through profit or loss Rm	Financial liabilities designated at fair value through profit or loss Rm	Financial liabilities held for trading Rm
Net interest income	—	—	55	—	—
Gains and losses from banking and trading activities	—	—	210	(690)	24

	31 December 2013				
	Available-for-sale financial assets Rm	Financial assets held for trading Rm	Financial assets designated at fair value through profit or loss Rm	Financial liabilities designated at fair value through profit or loss Rm	Financial liabilities held for trading Rm
Gains and losses from banking and trading activities	—	—	201	—	—

22.9 Sensitivity analysis of valuations using unobservable inputs

As part of the Bank's risk management processes, stress tests are applied on the significant unobservable parameters to generate a range of potentially possible alternative valuations. The assets and liabilities that most impact this sensitivity analysis are those with the more illiquid and/or structured portfolios. The stresses are applied independently and do not take account of any cross correlation between separate asset classes that would reduce the overall effect on the valuations.

A significant parameter has been deemed to be one which may result in a charge to the profit or loss section of the statement of comprehensive income, or a change in the fair value asset or liability of more than 10% or the underlying value of the affected item. This is demonstrated by the following sensitivity analysis which includes a reasonable range of possible outcomes:

22. Assets and liabilities held at fair value *(continued)*

22.9 Sensitivity analysis of valuations using unobservable inputs *(continued)*

		30 June 2014	
	Significant unobservable parameters	Potential effect recorded in profit or loss Favourable/(Unfavourable) Rm	Potential effect recorded directly in equity Favourable/(Unfavourable) Rm
Loans and advances to customers	Volatility, credit spreads, yield curves, discount rates	5/(168)	—/—
Investment securities	Yield curves, future earnings and marketability discount, comparator multiples	—/(0)	—/—
Other assets	Volatility, credit spreads	—/(0)	—/—
Trading and hedging portfolio assets	Volatility, credit spreads	44/—	—/—
Investment properties	Investment properties	—/—	—/—
Trading and hedging portfolio liabilities	Credit spreads	281/(284)	—/—
Deposits due to customers	Yield curves	500/(500)	—/—
		830/(872)	—/—

		30 June 2013	
	Significant unobservable parameters	Potential effect recorded in profit or loss Favourable/(Unfavourable) Rm	Potential effect recorded directly in equity Favourable/(Unfavourable) Rm
Loans and advances to customers	Volatility, credit spreads, yield curves, discount rates	60/(88)	—/—
Investment securities	Yield curves, future earnings and marketability discount, comparator multiples	325/(284)	—/—
Other assets	Volatility, credit spreads	—/—	—/—
Trading and hedging portfolio assets	Volatility, credit spreads	—/—	—/—
Investment properties	Investment properties	—/—	—/—
Trading and hedging portfolio liabilities	Credit spreads	—/—	—/—
Deposits due to customers	Yield curves	560/(500)	—/—
		945/(872)	—/—

		31 December 2013	
	Significant unobservable parameters	Potential effect recorded in profit or loss Favourable/(Unfavourable) Rm	Potential effect recorded directly in equity Favourable/(Unfavourable) Rm
Trading and hedging portfolio assets	Volatility, credit spreads, yield curves, discount rates	43/(43)	—/—
Other assets	Yield curves, future earnings and marketability discount, comparator multiples	2/(2)	—/—
Loans and advances to customers	Volatility, credit spreads	1 202/(159)	—/—
Investment securities	Volatility, credit spreads	204/(204)	—/—
Investment properties	Investment properties	1/(1)	—/—
Trading and hedging portfolio liabilities	Credit spreads	13/(5)	—/—
Deposits due to customers	Yield curves	221/(220)	—/—
		1 686/(634)	—/—

22. Assets and liabilities held at fair value *(continued)*

22.10 Measurement of assets and liabilities at Level 3

The table below sets out information about significant unobservable inputs used at the end of the reporting period in measuring assets and liabilities categorised as Level 3 in the fair value hierarchy.

Category of asset/liability	Valuation techniques applied	Significant unobservable inputs	Range of estimates utilised for the unobservable inputs[1]
Loans and advances to customers	Discounted cash flow, and dividend yield models	Credit ratings	Credit spreads vary between 1,35% and 7,5%
Investment securities	Discounted cash flows, third-party valuations,earnings before interest, tax, depreciation and amortisation ("EBITDA") multiples, income capitalisation valuations, net asset value models	Weighted average cost of capital, EBITDA multiples, liquidity discounts, minority discounts, capitalisation rates	Discount rates between 9,7% and 18%, multiples between 5,5 and 6,1
Trading and hedging portfolio assets			
Debt instruments	Discounted cash flows	Credit spreads used in the calculation of the counterparty credit risk adjustment	0,9% to 3,5%
Derivative assets			
Credit derivatives	Discounted cash flow model, credit default swap model (hazard rate model)	Illiquid credit curves, recovery rates, quanto ratio	0% to 3,5%
Equity derivatives	Discounted cash flow model, option pricing models, futures pricing model	Volatility, dividend streams >3 years	16,9% to 37,2%
Foreign exchange derivatives	Discounted cash flow model, option pricing models	African basis curves >1 year	-2,5% to 1,7%
Interest rate derivatives	Discounted cash flow model, option pricing models	Interest rates (ZAR-SWAP-SPREAD curves, ZAR-REAL <1 year, ZAR-MM-FundingSPR >5 years, repurchase agreement curves >1 year)	-1,5% to 8,3%

Note

[1]The sensitivity of the fair value measurement is dependent on the unobservable inputs. Significant changes to the unobservable inputs in isolation will have either a positive or negative impact on fair value.

22. Assets and liabilities held at fair value *(continued)*

22.10 Measurement of assets and liabilities at Level 3 *(continued)*

The table below sets out information about significant unobservable inputs used at the end of the reporting period in measuring assets and liabilities categorised as Level 3 in the fair value hierarchy.

Category of asset/liability	Valuation techniques applied	Significant unobservable inputs	Range of estimates utilised for the unobservable inputs[1]
Deposits due to customers	Discounted cash flow	ZAR MM funding spread greater than 5 years	0,85% to 1,2%
Debt securities in issue	Discounted cash flow	Credit spread	10 to 20 bps
Trading and hedging portfolio liabilities			
Derivative liabilities			
Credit derivatives	Discounted cash flow model, credit default swap model (hazard rate model)	Illiquid credit curves, recovery rates, quanto ratio	0% to 3,5%
Equity derivatives	Discounted cash flow model, option pricing models, futures pricing model	Volatility, dividend streams >3 years	16,9% to 37,2%
Foreign exchange derivatives	Discounted cash flow model, option pricing models	African basis curves > 1 year	-2,5% to 1,7%
Interest rate derivatives	Discounted cash flow model, option pricing models	Interest rates (ZAR-SWAP-SPREAD curves, ZAR-REAL <1 year, ZAR-MM-FundingSPR >5 years, repurchase agreement curves >1 year)	-1,5% to 8,3%

Note

[1]The sensitivity of the fair value measurement is dependent on the unobservable inputs. Significant changes to the unobservable inputs in isolation will have either a positive or negative impact on fair value.

22. Assets and liabilities held at fair value *(continued)*

22.11 Measurement of non-financial assets and liabilities at Level 3

The table below sets out information about significant unobservable inputs used at the end of the reporting period in measuring non-financial assets and liabilities categorised as Level 3 in the fair value hierarchy.

Category of asset/liability	Valuation techniques applied	Significant unobservable inputs	Range of estimates utilised for the unobservable inputs[1]
Investment properties	Discounted cash flow	Estimates of periods in which rental units will be disposed of	2 to 7 years
		Selling price escalations per year	0% to 6%
		Rental escalations per year	0% to 10%
		Expense ratios	22% to 75%
		Vacancy rates	2% to 15%
		Income capitalisation rate	10% to 12%
		Risk adjusted discount rates	14% to 16%

22.12 Unrecognised gains/(losses) as a result of the use of valuation models using unobservable inputs

The amount that has yet to be recognised in the statement of comprehensive income that relates to the difference between the transaction price (the fair value at initial recognition) and the amount that would have arisen had valuation models using unobservable inputs been used on initial recognition, less amounts subsequently recognised, is as follows:

	30 June		December
	2014 Rm	2013 Rm	2013 Rm
Opening balance at the beginning of the reporting period	**(85)**	(93)	(93)
New transactions	**4**	11	17
Amounts recognised in the profit and loss component of the statement of comprehensive income during the reporting period	**(16)**	(7)	(9)
Net losses at the end of the reporting period	**(97)**	(89)	(85)

22.13 Third-party credit enhancements

There were no significant liabilities measured at fair value and issued with third-party credit enhancements.

23. Offsetting financial assets and financial liabilities

In accordance with Financial Instruments: Presentation ("IAS 32"), the Bank reports financial assets and financial liabilities on a net basis on the statement of financial position, if there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or an intention to realise the asset and settle the liability or the financial collateral that mitigates credit risk simultaneously. Where relevant, the Bank reports derivative financial instruments, reverse repurchase agreements, repurchase agreements and other similar secured lending and borrowing agreements on a net basis. The following table discloses the impact of netting arrangements for financial assets and liabilities reported on a net basis, as well as potential arrangements that do not meet IAS 32 netting criteria. The table also indicates those derivative financial instruments, reverse repurchase agreements, repurchase agreements and other similar lending and borrowing agreements that are subject to enforceable master netting arrangements. The net amounts disclosed are not intended to represent the Bank's actual credit exposure as a variety of credit mitigation strategies are employed in addition to netting and collateral arrangements.

	30 June 2014							
	Amounts subject to enforceable netting arrangements							
	Effects of netting on statement of financial position			Related amounts not set off				
	Gross amounts Rm	Amounts set off[1] Rm	Net amounts reported on the statement of financial position[2] Rm	Offsetting financial instruments Rm	Financial collateral[3] Rm	Net amount Rm	Amounts not subject to enforceable netting arrange-ments[4] Rm	Total per statement of financial position[5] Rm
Derivative financial assets	43 651	—	43 651	(36 462)	(4 502)	2 687	1 954	45 605
Reverse repurchase agreements and other similar secured lending agreements	41 512	(15 109)	26 403	—	(26 403)	—	—	26 403
Total assets	85 163	(15 109)	70 054	(36 462)	(30 905)	2 687	1 954	72 008
Derivative financial liabilities	(41 066)	—	(41 066)	36 462	5 011	407	(2 462)	(43 528)
Repurchase agreements and other similar secured borrowing agreements	(21 592)	—	(21 592)	—	21 592	—	—	(21 592)
Total liabilities	(62 658)	—	(62 658)	36 462	26 603	407	(2 462)	(65 120)

Notes

(1) Amounts offset for reverse repurchase agreements relate to a short sale financial liability of **R15 109m** (30 June 2013: R11 425m; 31 December R14 419m). No other significant recognised financial assets and liabilities were offset in the statement of financial position.

(2) Net amounts reported on the statement of financial position comprise exposure that has been netted on the statement of financial position in compliance with IAS 32 (net exposure) and exposures that are subject to legally enforceable netting arrangements but have not been netted in the statement of financial position.

(3) Financial collateral excludes over collateralisation and amounts, which are measured at fair value and are in excess of the net statement of financial position exposure.

(4) In certain jurisdictions a contractual right of set-off is subject to uncertainty under laws of the jurisdiction and therefore netting is not applied and the amounts are classed as not subject to legally enforceable netting arrangements.

(5) Total per statement of financial position is the sum of "net amounts reported on the statement of financial position", which include "amounts subject to enforceable netting arrangements" and "amounts not subject to enforceable netting arrangements".

23. Offsetting financial assets and financial liabilities *(continued)*

30 June 2013[1]

	Amounts subject to enforceable netting arrangements							
	Effects of netting on statement of financial position			Related amounts not set off				
	Gross amounts Rm	Amounts set off[2] Rm	Net amounts reported on the statement of financial position[3] Rm	Offsetting financial instruments Rm	Financial collateral[4] Rm	Net amount Rm	Amounts not subject to enforceable netting arrange-ments[5] Rm	Total per statement of financial position[6] Rm
Derivative financial assets	51 846	—	51 846	(40 818)	(7 658)	3 370	2 787	54 633
Reverse repurchase agreements and other similar secured lending agreements	43 348	(11 425)	31 923	—	(31 923)	—	—	31 923
Total assets	95 194	(11 425)	83 769	(40 818)	(39 581)	3 370	2 787	86 556
Derivative financial liabilities	(51 203)	—	(51 203)	40 818	4 416	(5 969)	(3 703)	(54 906)
Repurchase agreements and other similar secured borrowing agreements	(18 267)	—	(18 267)	—	18 267	—	—	(18 267)
Total liabilities	(69 470)	—	(69 470)	40 818	22 683	(5 969)	(3 703)	(73 173)

Notes

[1]Recent developments in considering the impact of the amended IAS 32 offsetting requirements resulted in a change to the approach followed for variation margin on SAFEX and Yield-X futures and options. The various margins on these contracts are considered a daily settlement of a derivative exposure as opposed to collateral that is offset against the derivative value. As a result, these contracts are excluded from the scope of the offsetting requirements in IAS 32 and the IFRS 7 offsetting disclosures. The change in approach has been applied retrospectively and only impacts the disclosure provided in the above note.

[2]Amounts offset for reverse repurchase agreements relate to a short sale financial liability of **R15 109m** (30 June 2013: R11 425m; 31 December R14 419m). No other significant recognised financial assets and liabilities were offset in the statement of financial position.

[3]Net amounts reported on the statement of financial position comprise exposure that has been netted on the statement of financial position in compliance with IAS 32 (net exposure) and exposures that are subject to legally enforceable netting arrangements but have not been netted in the statement of financial position.

[4]Financial collateral excludes over-collateralisation and amounts, which are measured at fair value and are in excess of the net statement of financial position exposure.

[5]In certain jurisdictions a contractual right of set-off is subject to uncertainty under the laws of the jurisdiction and therefore netting is not applied and the amounts are classed as not subject to legally enforceable netting arrangements.

[6]Total per statement of financial position is the sum of “net amounts reported in the statement of financial position”, which includes “amounts subject to enforceable netting arrangements” and “amounts not subject to enforceable netting arrangements”.

23. Offsetting financial assets and financial liabilities *(continued)*

31 December 2013[1]

	Amounts subject to enforceable netting arrangements							
	Effects of netting on statement of financial position			Related amounts not set off				
	Gross amounts Rm	Amounts set off[2] Rm	Net amounts reported on the statement of financial position[3] Rm	Offsetting financial instruments Rm	Financial collateral[4] Rm	Net amount Rm	Amounts not subject to enforceable netting arrange-ments[5] Rm	Total per statement of financial position[6] Rm
Derivative financial assets	46 338	—	46 338	(37 580)	(5 708)	3 050	2 277	48 615
Reverse repurchase agreements and other similar secured lending agreements	36 515	(14 419)	22 096	—	(22 096)	—	515	22 611
Total assets	82 853	(14 419)	68 434	(37 580)	(27 804)	3 050	2 792	71 226
Derivative financial liabilities	(46 935)	—	(46 935)	37 580	907	(8 448)	(3 693)	(50 628)
Repurchase agreements and other similar secured borrowing agreements	(18 263)	—	(18 263)	—	18 263	—	60	(18 203)
Total liabilities	(65 198)	—	(65 198)	37 580	19 170	(8 448)	(3 633)	(68 831)

Offsetting and collateral arrangements

Derivative assets and liabilities

Credit risk is mitigated where possible through netting arrangements, such as the International Swaps and Derivative Association ("ISDA") Master Agreement or derivative exchange or clearing counterparty agreements. These arrangements allow for all the outstanding transactions with the same counterparty to be offset and close-out netting applied across all outstanding transactions covered by the agreements if an event of default or other predetermined events occur. Financial collateral (cash and non-cash) is also obtained, where possible, to mitigate credit risk on the net exposure between counterparties.

Repurchase and reverse repurchase agreements and other similar secured lending and borrowing

Credit risk is mitigated where possible through netting arrangements such as global master repurchase agreements and other global master securities lending agreements whereby all outstanding transactions with the same counterparty can be offset and closed-out netting applied across all outstanding transactions covered by the agreements if an event of default or other predetermined events occur. Financial collateral is obtained and typically comprises highly liquid securities which are legally transferred and can be liquidated in the event of counterparty default.

Notes

[1]Recent developments in considering the impact of the amended IAS 32 offsetting requirements resulted in a change to the approach followed for variation margin on SAFEX and Yield-X-futures and options. The various margins on these contracts are considered a daily settlement of a derivative exposure as opposed to collateral that is offset against the derivative value. As a result, these contracts are excluded from the scope of the offsetting requirements in IAS 32 and the IFRS 7 offsetting disclosures. The change in approach has been applied retrospectively and only impacts the disclosure provided in the above note.

[2]Amounts offset for reverse repurchase agreements relates to a short sale financial liability of **R15 109m** (30 June 2013: R11 425m; 31 December R14 419m). No other significant recognised financial assets and liabilities were offset in the statement of financial position.

[3]Net amounts reported on the statement of financial position comprises exposure that has been netted on the statement of financial position in compliance with IAS 32 (net exposure) and exposures that are subject to legally enforceable netting arrangements but have not been netted in the statement of financial position.

[4]Financial collateral excludes over collateralisation and amounts, which are measured at fair value and are in excess of the net statement of financial position exposure.

[5]In certain jurisdictions a contractual right of set-off is subject to uncertainty under the laws of the jurisdiction and therefore netting is not applied and the amounts are classed as not subject to legally enforceable netting arrangements.

[6]Total per statement of financial position is the sum of "net amounts reported in the statement of financial position", which includes "amounts not subject to enforceable netting arrangements" and "amounts not subject to enforceable netting arrangements".

24. Reporting changes

The financial reporting changes that impact the comparative reporting period of the Bank's results for the reporting periods ended 30 June 2013 and 31 December 2013 are driven by:

1. Changes in internal accounting policies.
2. The implementation of amended International Financial Reporting Standards ("IFRS"), specifically amendments to IAS 32, relating to offsetting of financial assets and financial liabilities. All other amendments to IFRS, and new interpretations, effective for the current reporting period had no significant impact on the Bank's reported results.

1. Internal accounting policy changes

The Bank elected to make the internal accounting policy changes set out below, involving classification of items between statement of comprehensive income lines. These have no impact on the net earnings of the Bank. To ensure comparability, the comparative reporting period has been restated.

- The Bank elected to change its accounting policy for certain 'association costs', defined as costs incurred through the Bank's association with leading inter-change agents resulting in a reclassification of certain costs from "Operating expenses" to "Net fee and commission income".
- The Bank changed its disclosure of accounting for the service fees paid and the share of credit sales received from Edcon (Pty) Ltd. This resulted in a reclassification between 'Operating expenses' and 'Net fee and commission income'.

2. Accounting policy changes due to amended IFRS

The amendments to IAS 32 became effective for reporting periods beginning on or after 1 January 2014 and result in restatement of the Bank's results for the reporting periods ended 31 December 2012 and 2013 as well as the interim reporting period ended 30 June 2013.

The offsetting requirements in IAS 32 have been retained such that a financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an entity currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The amendments to IAS 32 provide more application guidance on when the criteria for offsetting would be considered to be met.

The netting applied to certain derivatives has been assessed in light of the amendments and it has been determined that netting is no longer permitted under IFRS.

24. Reporting changes *(continued)*

Condensed consolidated statement of comprehensive income for the reporting period ended 30 June 2013

	As previously reported[1] Rm	Internal[2] accounting policy changes Rm	Restated Rm
Net interest income	11 496	—	11 496
Interest and similar income	24 600	—	24 600
Interest expense and similar charges	(13 104)	—	(13 104)
Non-interest income	8 703	117	8 820
Net fee and commission income	6 874	117	6 991
Fee and commission income	7 315	210	7 525
Fee and commission expense	(441)	(93)	(534)
Gains and losses from banking and trading activities	1 569	—	1 569
Gains and losses from investment activities	1	—	1
Other operating income	259	—	259
Total income	20 199	117	20 316
Impairment losses on loans and advances	(3 307)	—	(3 307)
Operating income before operating expenditure	16 892	117	17 009
Operating expenses	(10 912)	(117)	(11 029)
Other expenses	(381)	—	(381)
Other impairments	(1)	—	(1)
Indirect taxation	(380)	—	(380)
Share of post-tax results of associates and joint ventures	81	—	81
Operating income before income tax	5 680	—	5 680
Taxation expense	(1 507)	—	(1 507)
Profit for the reporting period	4 173	—	4 173
Profit attributable to:			
Ordinary equity holder	4 025	—	4 025
Preference equity holders	146	—	146
Non-controlling interest	2	—	2
	4 173	—	4 173

Notes

[1]As per interim financial results, published on 30 July 2013.
[2]Certain intercompany eliminations were refined in line with fellow subsidiaries as a result of the combination of Absa Group Limited and Barclays Africa combinations.

24. Reporting changes *(continued)*

Condensed consolidated statement of comprehensive income for the reporting period ended 30 June 2013

	As previously reported[1] Rm	Restated Rm
Profit for the reporting period	4 173	4 173
Other comprehensive income		
Other comprehensive income that will never be reclassified to profit or loss	2	2
Movement in retirement benefit fund assets and liabilities	2	2
Increase/(decrease) in retirement benefit surplus	3	3
Deferred tax	(1)	(1)
Other comprehensive income that is or may be reclassified to profit or loss	(1 425)	(1 425)
Foreign exchange differences on translation of foreign operations	200	200
Movement in cash flow hedging reserve	(1 712)	(1 712)
Fair value losses arising during the reporting period	(1 472)	(1 472)
Amount transferred from other comprehensive income to profit or loss	(906)	(906)
Deferred tax	666	666
Movement in available-for-sale reserve	87	87
Fair value gains arising during the reporting period	117	117
Amortisation of government bonds – release to profit or loss	4	4
Deferred tax	(34)	(34)
Other comprehensive income net of tax	(1 423)	(1 423)
Total comprehensive income for the reporting period	2 750	2 750
Total comprehensive income attributable to:		
Ordinary equity holder	2 602	2 602
Preference equity holders	146	146
Non-controlling interest	2	2
	2 750	2 750

Note

[1]As per interim financial results, published on 30 July 2013.

24. Reporting changes *(continued)*

Condensed consolidated statement of financial position as at 30 June 2013

	As previously reported[(1)] Rm	Internal accounting policy changes Rm	IFRS accounting policy changes Rm	Restated Rm
Assets				
Cash, cash balances and balances with central banks	18 823	—	—	18 823
Statutory liquid asset portfolio	66 902	—	—	66 902
Loans and advances to banks	54 323	—	2 797	57 120
Trading portfolio assets	79 445	—	3 085	82 530
Hedging portfolio assets	3 567	—	—	3 567
Other assets	13 834	(144)	—	13 690
Current tax assets	6	—	—	6
Non-current assets held for sale	1 655	—	—	1 655
Loans and advances to customers	519 592	—	—	519 592
Loans to Group companies	13 699	104	—	13 803
Investment securities	6 345	—	—	6 345
Investments in associates and joint ventures	642	—	—	642
Investment properties	229	—	—	229
Property and equipment	7 886	—	—	7 886
Goodwill and intangible assets	1 201	—	—	1 201
Deferred tax assets	20	—	—	20
Total assets	788 169	(40)	5 882	794 011
Liabilities				
Deposits from banks	50 197	—	3 085	53 282
Trading portfolio liabilities	51 903	—	2 797	54 700
Hedging portfolio liabilities	2 505	—	—	2 505
Other liabilities	22 041	(40)	—	22 001
Provisions	606	—	—	606
Current tax liabilities	312	—	—	312
Non-current liabilities held for sale	185	—	—	185
Deposits due to customers	478 521	—	—	478 521
Debt securities in issue	104 197	—	—	104 197
Borrowed funds	15 657	—	—	15 657
Deferred tax liabilities	891	—	—	891
Total liabilities	727 015	(40)	5 882	732 857
Equity				
Capital and reserves				
Attributable to ordinary equity holders:				
Ordinary share capital	303	—	—	303
Ordinary share premium	12 465	—	—	12 465
Preference share capital	1	—	—	1
Preference share premium	4 643	—	—	4 643
Retained earnings	39 625	—	—	39 625
Other reserves	4 067	—	—	4 067
	61 104	—	—	61 104
Non-controlling interest	50	—	—	50
Total equity	61 154	—	—	61 154
Total liabilities and equity	788 169	(40)	5 882	794 011

Notes
[(1)]As per interim financial results, published on 30 July 2013..

24. Reporting changes *(continued)*

Condensed consolidated statement of financial position as at 31 December 2013

Statement of financial position	As previously reported[1] Rm	IFRS accounting policy changes Rm	Restated Rm
Assets			
Cash, cash balances and balances with central banks	21 087	—	21 087
Statutory liquid asset portfolio	62 055	—	62 055
Loans and advances to banks	45 302	651	45 953
Trading portfolio assets	77 137	1 727	78 864
Hedging portfolio assets	3 344	—	3 344
Other assets	9 299	—	9 299
Current tax assets	15	—	15
Non-current assets held for sale	1 857	—	1 857
Loans and advances to customers	534 040	—	534 040
Loans to Group companies	19 247	—	19 247
Investment securities	5 220	—	5 220
Investments in associates and joint ventures	694	—	694
Investment properties	240	—	240
Property and equipment	8 504	—	8 504
Goodwill and intangible assets	1 303	—	1 303
Deferred tax assets	27	—	27
Total assets	789 371	2 378	791 749
Liabilities			
Deposits from banks	64 100	1 727	65 827
Trading portfolio liabilities	50 059	651	50 710
Hedging portfolio liabilities	2 391	—	2 391
Other liabilities	11 640	—	11 640
Provisions	1 362	—	1 362
Current tax liabilities	151	—	151
Non-current liabilities held for sale	175	—	175
Deposits due to customers	488 371	—	488 371
Debt securities in issue	97 179	—	97 179
Borrowed funds	15 762	—	15 762
Deferred tax liabilities	922	—	922
Total liabilities	732 112	2 378	734 490
Equity			
Capital and reserves			
Attributable to equity holders:			
Ordinary share capital	303	—	303
Ordinary share premium	13 465	—	13 465
Preference share capital	1	—	1
Preference share premium	4 643	—	4 643
Retained earnings	34 506	—	34 506
Other reserves	4 291	—	4 291
	57 209	—	57 209
Non-controlling interest	50	—	50
Total equity	57 259	—	57 259
Total liabilities and equity	789 371	2 378	791 749

Note

[1]As per financial results, published on 11 February 2014.

Salient features

- Headline earnings grew 2% to R4,0bn.
- Pre-provision profit increased 0,4% to R9,4bn.
- Return on equity (RoE) improved to 15,6% from 14,2%. Return on risk-weighted assets decreased to 1,91% and return on assets declined to 1,02% from 1,96% and 1,04% respectively.
- An interim and special dividend declared of 1 231,7 cents.
- Revenue grew 5% to R21,4bn, as net interest income rose 7% to R12,3bn.
- Net interest margin improved to 3,69% from 3,63% of average interest-bearing assets.
- Non-interest income increased 3% to R9,1bn and accounted for 42,4% of total revenue.
- Operating expenses grew 10% to R12,1bn, increasing the cost-to-income ratio to 56,5% from 54,3%.
- Loans and advances to customers grew 4% to R542,5bn, while deposits due to customers rose 6% to R505,1bn.
- Credit impairments declined 11% to R2,9bn, resulting in a 1,10% credit loss ratio from 1,31%, while coverage on performing loans increased to 67 basis points ("bps") from 47 bps.
- Non-performing loans (NPLs) improved to 4,3% of gross loans and advances to customers from 5,3%.
- Net asset value (NAV) per share declined 10% to 13 400 cents, due to the R1bn special dividend paid in December 2013.
- Absa Bank Limited's Common Equity Tier 1 (CET1) ratio was 10,1%, well within regulatory requirements and our Board target.

Overview of results

Absa Bank Limited's headline earnings increased 2% to R4 040m from R3 970m. The Bank's RoE improved to 15,6% from 14,2%, comfortably above its 13,5% cost of equity. Absa Bank Limited declared an interim and special dividend of 1 231,7 cents.

Although the 10% cost growth exceeded 5% higher revenue, pre-provision profit increased 0,4% and was the main driver of earnings growth. Credit impairments fell 11%, resulting in a 1,10% credit loss ratio, while further strengthening portfolio provisions to 0,67% of performing loans. A slightly higher effective tax rate of 29,0% and 20% higher indirect taxation were earnings drags.

Retail and Business Banking (RBB) headline earnings grew 6% to R3,3bn, due principally to 12% lower credit impairments. Corporate and Investment Bank (CIB) headline earnings increased 6% to R1,2bn.

Operating environment

Global growth slowed in the first quarter of 2014 due to lower United States ("US") gross domestic product ("GDP") (largely weather related) and broadly weaker emerging markets. In general, global monetary policy remained accommodative in the first half.

South Africa's GDP contracted in the first quarter due to prolonged mining strikes and electricity supply constraints. The expenditure side of the economy remained weak with slower growth in consumption and private fixed investment spending. Household consumption slowed, given stretched balance sheets, lacklustre employment growth, subdued confidence and rising inflation. Unsecured credit extension to households also slowed further. Following sharp depreciation in January, the rand recovered somewhat, although risks of further weakening remain.

Bank performance

Statement of financial position

Total assets grew 2% to R811,1bn at 30 June 2014, predominantly due to 4% higher loans and advances to customers.

Loans and advances to customers

Gross loans and advances to customers increased 4% to R555,8bn. Retail Banking's gross loans rose 2% to R355,2bn, as credit cards and instalment credit agreements grew 12% and 8% respectively, while mortgages declined 2%, in part due to NPLs reducing. Business Banking's gross loans decreased 1% with commercial property finance decreasing 3%. CIB gross loans increased 14%, given strong growth in corporate overdrafts. Much of CIB's loan growth occurred in the second half of 2013.

Bank performance *(continued)*

Funding

The Bank maintained its strong liquidity position, growing deposits due to customers 6% to R505,1bn. Debt securities in issue increased 1% to R105,0bn as floating notes fell 11%. The funding tenor remains robust with a long-term funding ratio of 25,7% from 27,3% for the reporting period ended 31 December 2013. Deposits due to customers contributed 75,1% to total funding, while the proportion of debt securities in issue dropped to 15,6% from 16,4%. Retail Banking grew deposits 8% to R138,1bn to maintain its leading market share. Business Banking's deposits increased 13% to R87,9bn, as its savings and transmission deposits rose 61%. CIB's deposits increased 2%, due to 33% growth in call deposits and 36% higher foreign currency deposits. The Bank's loans-to-deposits ratio improved to 88,9% from 89,2%.

Net asset value

The Bank's NAV declined 8% to R51,9bn, predominantly due to the R1bn special dividend paid in December 2013 and a relatively high payout ratio. NAV per share also decreased 10% to 13 400 cents.

Capital to risk-weighted assets

Bank risk-weighted assets (RWAs) increased 14% annualised this year to R434,1bn at 30 June 2014, driven by 10% higher credit risk RWAs. Bank capital levels remained strong and within or above both board targets and regulatory requirements. Absa Bank's CET1 and Tier 1 capital adequacy ratios were 10,1% and 10,9% respectively (from 11,0% and 12,0% at 31 December 2013). The Bank generated 91 basis points of CET1 internally during the first half. The total capital ratio was 13,9%, which is above our Board target of 12,0% to 13,5%. Declaring an interim and special dividend of 1 231,7 cents with a dividend cover of 0,9% was well considered based on the Bank's strong capital position, internal capital generation, strategy and growth plans.

Statement of comprehensive income

Net interest income

Net interest income increased 7% to R12 342m from R11 496m, with average interest-bearing assets growing 6%. The net interest margin improved to 3,69% from 3,63%. Loan mix had a positive impact, given a lower proportion of mortgages and lower funding costs. Higher South African interest rates increased the endowment contribution on deposits and equity. The benefit from structural hedging increased 18 bps, with R671m released to the statement of comprehensive income. The cash flow hedging reserve decreased to R0,2bn after tax from R0,6bn in December 2013. Liquidity interest risk management added 6 bps to the margin.

Impairment losses on loans and advances

Credit impairments improved 11% to R2 942m from R3 307m, resulting in a 1,10% credit loss ratio from 1,31%. Total NPL cover improved further to 40,46% from 38,92% in December 2013. The statement of financial position portfolio provisions increased 50% to R3,5bn, amounting to 0,67% of performing loans from 0,47% at 30 June 2013. Bank NPLs declined 15% to R24,0bn or 4,3% of gross customer loans and advances from 5,3%.

Retail Banking's credit impairments fell 11% to R2,6bn, a 1,52% credit loss ratio from 1,74% as significantly lower mortgage credit impairments outweighed an expected 59% increase in Card.

Home Loans' charge decreased 60% to R448m, a 0,45% credit loss ratio, given improved collections processes and the high quality new business of recent years. Mortgage NPLs fell 31% or by R5,3bn with the legal book improving further. NPL cover in mortgages decreased to 27,56% from 27,85% in December 2013, due to lower loan-to-values in the legal book. Vehicle and Asset Finance's credit loss ratio declined to 1,11% from 1,20%, again reflecting improved collections and high quality origination. NPLs improved to 2,2% and the stock of repossessed vehicles is the lowest in several years. Vehicle and Asset Finance's NPL cover declined to 46,07%, due to accelerating write-offs of aged legal accounts, which reduced the book's average age materially.

Card's charge increased to R1 132m from R711m, a 8,26% credit loss ratio from 5,49%. A 5,03% credit loss ratio for the remainder of the Card book is within expectation, given the operating environment and recent growth seasoning. Within this, the Edcon portfolio's ratio rose to 15,01% from 11,86% (December 2013), in part due to a lower loan book. Personal Loans' credit loss ratio declined to 6,94% from 7,17% reflecting improvements in its book mix and collections. Improving quality in this portfolio is a key focus.

Business Banking's credit impairments fell 20% to R302m, a 1,00% credit loss ratio, as new defaults declined. CIB's credit loss ratio remained low at 0,06%, most of which was portfolio provisions.

Non-interest income

Non-interest income increased 3% to R9 088m from R8 820m to account for 42% of total income.

Net fee and commission income grew 3% to R7,2bn, as credit-related fees and commissions increased 2% to R6,2bn. Electronic banking fees were flat at R2,0bn, while card fees increased 14% to R506m, merchant income grew 7% to R1,0bn and Trust and other fiduciary services rose 44% to R26m.

Bank performance *(continued)*

Non-interest income (continued)

RBB's non-interest income grew 2% to R6,7bn, 74% of the total. Retail Banking rose 4% to R5,3bn and Business Banking decreased 2% to R1,4bn. Retail Banking achieved strong growth in card fees and acquiring volumes that offset lower customer numbers and transactions shifting to electronic channels and Value Bundles. Transactions migrating to digital channels and lower customer numbers, together with declining cheque payment volumes industry-wide, also dampened Business Banking's non-interest revenue growth, with electronic banking fees growing 6% partially offset by cash fees of 0,4%.

CIB's non-interest income increased 8% to R2,3bn. Net fees and commissions decreased 2% with a decrease of 5% in electronic banking transaction volumes in Corporate. Investment Bank non-interest revenue grew 9% to R1,7bn.

Operating expenses

Operating expenses grew 10% to R12 101m from R11 029m, increasing the Bank's cost-to-income ratio to 56,5% from 54,3%. Staff costs rose 10% to R6,3bn to account for 52% of total expenses. Salaries grew 12% due to more senior hires, awarding entry level staff higher wage increases. Incentives rose 26%, largely due to 36% higher share-based payments. Other staff costs declined 62%.

Non-staff costs increased 10% to R5,8bn. Property-related costs increased 7,5% to R2,0bn, although these declined slightly excluding a R190m property dilapidation provision. While marketing costs grew 10% to R484m, direct marketing spend increased materially across Africa as certain sponsorships were exited. Information technology costs rose 8% to R1,0bn, as efficiency gains offset the impact of rand depreciation. Investment in systems and processes increased amortisation 10% to R110m, while depreciation declined 10% to R0,6bn due to efficiencies and realigning computer equipment's useful lives. Professional fees increased 9% to R545m and communication costs rose 8% to R342m. Other costs increased 96% to R0,3bn, due to higher fraud and losses charges and outsourcing costs.

RBB and CIB's operating expenses both increased 7% and 11% respectively to R9,6bn and R2,4bn respectively, while Wealth and Investment Management grew 1% to R0,2bn. Retail Banking's costs rose 9%, as it invested in marketing and its multi-channel programme. Business Banking increased expenses 2%, with continued cost containment and lower property write-downs in the equity portfolio offsetting growth in staff costs. Wealth and Investment Management's expense growth reflects investment into sales capacity and amortisation on new operating systems. CIB kept business as usual costs below inflation, while investing heavily in systems and people.

Taxation

The Bank's taxation expense increased 15% to R1 734m, slightly more than the growth in pre-tax profit, which resulted in a 29,0% effective tax rate (excluding indirect taxation) from 26,5%. Indirect taxation rose 20% to R455m, largely due to higher Value-Added Tax.

Segment performance

Retail Banking

Headline earnings increased 4% to R2 461m due largely to an 11% reduction in credit impairments, as pre-provision profits declined 3%. Home Loans' earnings grew significantly to R801m, driven by 60% lower credit costs and 16% lower expenses. Vehicle and Asset Finance's earnings rose 4% to R535m on 11% loan growth and an improved credit loss ratio. Despite 9% revenue growth exceeding 5% cost growth, Card's earnings fell 22% to R629m as impairments increased 59% to R1,1bn and the Edcon portfolio made a R97m loss. Despite modest revenue growth, Personal Loans' earnings rose 8% as credit impairments declined 2%. Transactional and Deposits' earnings declined 2% reflecting 1% lower non-interest revenue. Excluding Sekulula account closures, customer numbers started to stabilise, with 8% growth in the affluent segment and the middle market flat during the half. Headline earnings in the Other segment dropped 34% to a R953m loss, primarily attributable to increased investment on marketing and the multi-channel programme. Retail Banking accounted for almost 56% of Bank headline earnings excluding head office, eliminations and other central items.

Business Banking

Business Banking headline earnings increased 11% to R803m. Costs grew 2%, slightly below 3% revenue growth, while credit impairments fell 20% despite higher portfolio provisions. Customer numbers stabilised during the half, with growth in the more profitable Commercial segment. Business Banking generated 20% of Bank headline earnings.

Corporate and Investment Bank

Headline earnings grew 6% to R1 164m, driven by 15% income growth that was well above the 11% cost growth. Investment Bank earnings grew 7% to R0,8bn, reflecting 17% revenue growth including 39% higher net interest income. Corporate earnings grew 6% to R411m, largely due to 16% net interest income growth and containing cost growth to 7%. CIB accounted for almost 29% of Bank earnings.

Segment performance *(continued)*

Wealth and Investment Management

Wealth and Investments Management earnings increased R3m, as net assets under management increased 62% to R47bn.

Prospects

Following a weak start to 2014, global growth is expected to gain traction in the second half. Better global growth is likely to be accompanied by higher inflation in some advanced economies and this may place more focus on policy normalisation in the Unites States. We expect 4% global GDP growth in the second half compared to 2,5% in the first. Domestically, the growth outlook has deteriorated markedly since the start of the year and we expect growth to decelerate to 1,5% in 2014 from 1,9% in 2013.

Against this backdrop, we expect mid-single digit loan growth in South Africa this year, although less than we initially expected. Our net interest margin should widen, given rising interest rates in South Africa, while our credit loss ratio is also likely to improve slightly. Continued investment spend will make it difficult to reduce our cost-to-income ratio this year.

Basis of presentation

The Bank's interim financial results have been prepared in accordance with the recognition and measurement requirements of IFRS, interpretations issued by the IFRS Interpretations Committee ("IFRS-IC"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act. The principal accounting policies applied are set out in the Bank's most recent annual consolidated financial statements.

The Bank's unaudited condensed consolidated interim financial statements comply with IAS 34 – Interim Financial Reporting ("IAS 34").

The preparation of financial information requires the use of estimates and assumptions about future conditions. Use of available information and application of judgement are inherent in the formation of estimates. The accounting policies that are deemed critical to the Bank's results and financial position, in terms of the materiality of the items to which the policies are applied, and which involve a high degree of judgement including the use of assumptions and estimation are: impairment of loans and advances, valuation of financial instruments, impairment of available-for-sale financial assets, deferred tax assets, post-retirement benefits, provisions as well as liabilities arising from claims made under short-term insurance contracts and life insurance contracts.

Accounting policies

The accounting policies applied in preparing the unaudited condensed consolidated interim financial statements are the same as those in place for the reporting period ended 31 December 2013 except for:

- business portfolio changes between operating segments;
- internal accounting policy changes; and
- accounting policy changes due to amended IFRS.

Change in accounting estimates

During the current year, the Bank revised the estimated useful lives of computer equipment from 3 to 5 years to 4 to 6 years. This revision was done as a result of the requirement of IAS 16 to reassess the useful lives of property, plant and equipment on an annual basis. This change in useful lives has brought the Bank's estimated useful lives of computer equipment in line with the Barclays PLC estimated useful lives for computer equipment. The change in accounting estimate has been accounted for prospectively in accordance with IAS 8.

Events after the reporting period

The directors are not aware of any events occurring between the reporting date of 30 June 2014 and the date of authorisation of these condensed consolidated financial results as defined in IAS 10 Events after the reporting period.

On behalf of the Board

W E Lucas-Bull
Group Chairman

M Ramos
Chief Executive Officer

Johannesburg

30 July 2014

Declaration of preference share dividend number 17

Absa Bank non-cumulative, non-redeemable preference shares (Absa Bank preference shares)

The Absa Bank preference shares have an effective coupon rate of 70% of Absa Bank's prevailing prime overdraft lending rate (prime rate). Absa Bank's current prime rate is 9,25%.

Notice is hereby given that preference dividend number 17, equal to 70% of the average prime rate for 1 March 2014 to 31 August 2014, per Absa Bank preference share has been declared for the period 1 March 2014 to 31 August 2014. The dividend is payable on Monday, 15 September 2014, to shareholders of the Absa Bank preference shares recorded in the register of members of the Company at the close of business on Friday, 12 September 2014.

The directors of Absa Bank confirm that the Bank will satisfy the solvency and liquidity test immediately after completion of the dividend distribution.

Based on the current prime rate, the preference dividend payable for the period 1 March 2014 to 31 August 2014 would indicatively be 3 197,46575 cents per Absa Bank preference share.

The dividend will be subject to the new dividend tax that was introduced with effect from 1 April 2012. In accordance with paragraphs 11.17(a)(i) to (x) and 11.17(c) of the JSE Listings Requirements, the following additional information is disclosed:

- The dividend has been declared out of income reserves.
- Absa Bank has utilised R55 447 641 of STC credits (equivalent to 1 121,32348 cents per preference share), therefore 2 076,14227 cents per preference share will be subject to dividend withholding tax payable by preference shareholders.
- The local dividend tax rate is fifteen per centum (15%).
- The gross local dividend amount is 3 197,46575 cents per preference share for shareholders exempt from the dividend tax.
- The net local dividend for shareholders subject to withholding tax at a rate of 15% amounts to 2 886,04441 cents per preference share.
- Absa Bank currently has 4 944 839 preference shares in issue.
- Absa Bank's income tax reference number is 9575117719.

In compliance with the requirements of Strate, the electronic settlement and custody system used by JSE Limited, the following salient dates for the payment of the dividend are applicable:

Last day to trade cum dividend	Friday, 5 September 2014
Shares commence trading ex dividend	Monday, 8 September 2014
Record date	Friday, 12 September 2014
Payment date	Monday, 15 September 2014

Share certificates may not be dematerialised or rematerialised between Monday, 8 September 2014 and Friday, 12 September 2014, both dates inclusive. On Monday, 15 September 2014, the dividend will be electronically transferred to the bank accounts of certificated shareholders.

The accounts of those shareholders who have dematerialised their shares (which are held at their participant or broker) will be credited on Monday, 15 September 2014.

On behalf of the Board

N R Drutman
Company Secretary

Johannesburg
30 July 2014

Absa Bank Limited is a company domiciled in South Africa. Its registered office is the 7th Floor, Barclays Towers West, 15 Troye Street, Johannesburg, 2001.

Administration and contact details

Absa Bank Limited

Authorised financial services and registered credit provider (NCRCP7)
Registration number: 1986/004794/06
Incorporated in the Republic of South Africa
JSE share codes: ABSP and ABMN
ISIN: ZAE000079810

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C Beggs, Y Z Cuba, T Dingaan, S A Fakie, M J Husain, T M Mokgosi-Mwantembe, T S Munday (Lead Independent Director)

Non-executive directors

W E Lucas-Bull (Chairman)

Executive directors

D W P Hodnett (Deputy Chief Executive Officer and Financial Director), M Ramos (Chief Executive Officer)

Transfer secretary

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Sponsors

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Shareholder and investment queries about Absa Bank should be directed to the following areas:

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