ABSA

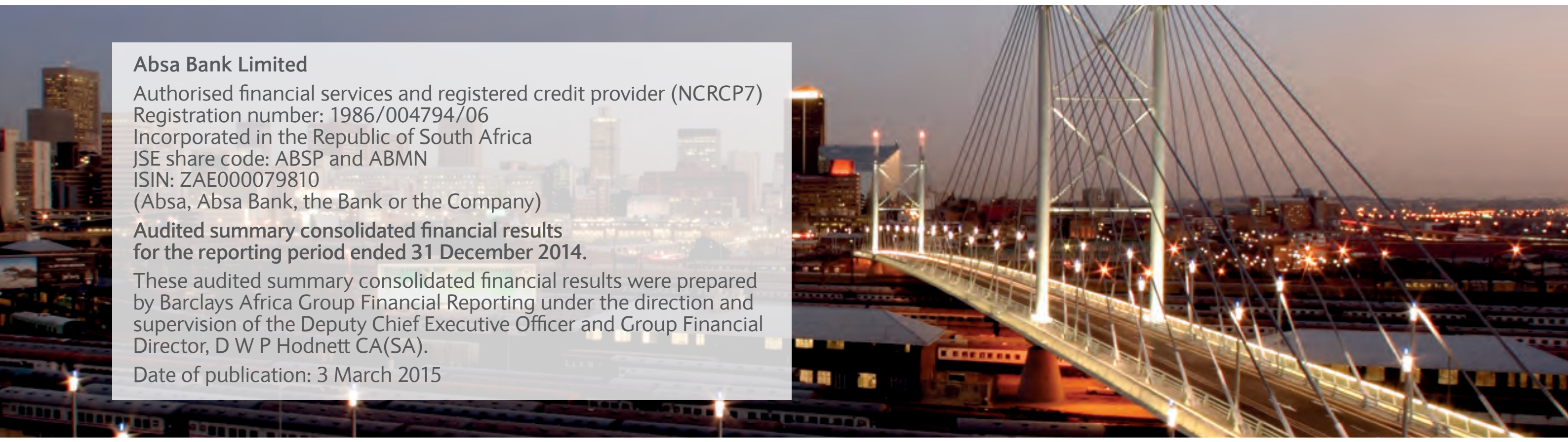
Absa Bank Limited

Audited summary consolidated financial results

for the reporting period ended 31 December 2014

Member of BARCLAYS

Contents



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)

Audited summary consolidated financial results for the reporting period ended 31 December 2014.

These audited summary consolidated financial results were prepared by Barclays Africa Group Financial Reporting under the direction and supervision of the Deputy Chief Executive Officer and Group Financial Director, D W P Hodnett CA(SA).

Date of publication: 3 March 2015

Overview of results

Absa Bank Limited ("the Bank") is a wholly owned subsidiary of Barclays Africa Group Limited, which is listed on JSE Limited. These summary consolidated financial results are published to provide information to holders of the Bank's listed non-cumulative, non-redeemable preference shares.

Commentary relating to the Bank's summary consolidated financial results is included in the Barclays Africa Group Limited results, as presented to shareholders on 3 March 2015.

Basis of presentation

The Bank's annual financial results have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards ("IFRS"), interpretations issued by the IFRS Interpretations Committee, 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 information disclosed in the SENS is derived from the information contained in the audited annual consolidated financial statements and does not contain full or complete disclosure details. Any investment decisions by shareholders should be based on consolidation of the audited annual consolidated financial statements available on request. The presentation and disclosure complies with International Accounting Standard (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 policy is applied, and which involve a high degree of judgement including the use of assumptions and estimation are impairment of loans and advances, goodwill impairment, fair value measurements, impairment of available-for-sale financial assets, consolidation of structured or sponsored entities, post-retirement benefits, provisions, income taxes, share-based payments, liabilities arising from claims made under short-term insurance contracts, liabilities arising from claims made under life insurance contracts and offsetting of financial assets and liabilities.

Accounting policies

The accounting policies applied in preparing the audited summary consolidated annual 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
- Implementation of amended IFRS standards specifically IAS 32 Offsetting Financial Assets and Financial Liabilities.

Auditors' report

Ernst & Young Inc. and PricewaterhouseCoopers Inc., the Bank's independent auditors, have audited the consolidated annual financial statements of the Bank from which management prepared the summary consolidated financial results. The auditors have expressed an unqualified audit opinion on the consolidated annual financial statements. The summary consolidated financial results comprise the summary consolidated statement of financial position at 31 December 2014, summary consolidated statement of comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cash flows for the year then ended, and selected explanatory notes, excluding items not indicated as audited. The audit report of the consolidated annual financial statements is available for inspection at the Bank's registered office.

The summary consolidated financial results are extracted from audited information, but is not itself audited. The directors take full responsibility for the preparation of the summary consolidated financial results and the financial information has been correctly extracted from the underlying consolidated annual financial statements.

Events after the reporting period

The directors are not aware of any events occurring between the reporting date of 31 December 2014 and the date of authorisation of these summary consolidated financial results as defined in IAS 10 Events after the reporting period.

On behalf of the board

W E Lucas-Bull
Chairman

M Ramos
Chief Executive Officer

Johannesburg

3 March 2015

Declaration of preference share dividend number 18

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 18, equal to 70% of the average prime rate for 1 September 2014 to 28 February 2015, per Absa Bank preference share has been declared for the period 1 September 2014 to 28 February 2015. The dividend is payable on Monday, 30 March 2015, to shareholders of the Absa Bank preference shares recorded in the register of members of the Company at the close of business on Friday, 27 March 2015.

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 September 2014 to 28 February 2015 would indicatively be 3 210,89041 cents per Absa Bank preference share.

The dividend will be subject to dividends withholding tax at a rate of 15% that was introduced on 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 R158 773 361 of STC credits (equivalent to 3 210,89041 cents per preference share), therefore no dividend 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 3 210,89041 cents per preference share for shareholders exempt from the dividend tax.
- The net local dividend for shareholders of 3 210,89041 cents per preference share will not be subject to withholding tax at a rate of 15%.
- 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, 20 March 2015
Shares commence trading ex dividend	Monday, 23 March 2015
Record date	Friday, 27 March 2015
Payment date	Monday, 30 March 2015

Share certificates may not be dematerialised or rematerialised between Monday, 23 March 2015 and Friday, 27 March 2015, both dates inclusive. On Monday, 30 March 2015, 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, 30 March 2015.

On behalf of the board

N R Drutman
Company Secretary

Johannesburg
3 March 2015

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.

Summary consolidated statement of financial position
as at 31 December

	Note	2014 (Audited) Rm	2013[1] (Audited) Rm
Assets			
Cash, cash balances and balances with central banks		**21 419**	21 087
Investment securities		**70 618**	67 275
Loans and advances to banks		**47 599**	45 953
Trading portfolio assets		**78 572**	78 864
Hedging portfolio assets		**2 335**	3 344
Other assets		**9 311**	9 299
Current tax assets		**17**	15
Non-current assets held for sale	1	**250**	1 857
Loans and advances to customers		**554 521**	534 926
Loans to Group companies		**17 740**	19 247
Investments in associates and joint ventures		**839**	694
Investment properties		**252**	240
Property and equipment		**9 137**	8 504
Goodwill and intangible assets		**1 422**	1 303
Deferred tax assets		**29**	27
Total assets		**814 061**	792 635
Liabilities			
Deposits from banks		**54 104**	65 827
Trading portfolio liabilities		**44 580**	50 710
Hedging portfolio liabilities		**2 577**	2 391
Other liabilities		**13 809**	11 640
Provisions		**1 857**	1 362
Current tax liabilities		**65**	151
Non-current liabilities held for sale	1	**—**	175
Deposits due to customers		**521 656**	489 257
Debt securities in issue		**105 015**	97 179
Borrowed funds	2	**10 535**	15 762
Deferred tax liabilities		**937**	922
Total liabilities		**755 135**	735 376
Equity			
Capital and reserves			
Attributable to equity holders:			
Ordinary share capital		**303**	303
Ordinary share premium		**16 465**	13 465
Preference share capital		**1**	1
Preference share premium		**4 643**	4 643
Retained earnings		**33 713**	34 506
Other reserves		**3 799**	4 291
		58 924	57 209
Non-controlling interest		**2**	50
Total equity		**58 926**	57 259
Total equity and liabilities		**814 061**	792 635

Note

[1] Restated, refer to note 14 for reporting changes.

Summary consolidated statement of comprehensive income
for the reporting period ended 31 December

	Note	2014 (Audited) Rm	2013 (Audited) Rm
Net interest income		**25 928**	23 565
Interest and similar income		**54 810**	50 095
Interest expense and similar charges		**(28 882)**	(26 530)
Non-interest income		**18 400**	18 557
Net fee and commission income		**14 775**	14 421
Fee and commission income		**15 964**	15 486
Fee and commission expense		**(1 189)**	(1 065)
Gains and losses from banking and trading activities		**2 698**	3 491
Gains and losses from investment activities		**4**	6
Other operating income		**923**	639
Total income		**44 328**	42 122
Impairment losses on loans and advances		**(5 110)**	(5 881)
Operating income before operating expenditure		**39 218**	36 241
Operating expenses		**(25 309)**	(23 560)
Other expenses		**(1 186)**	(794)
Other impairments	3	**(418)**	1
Indirect taxation		**(768)**	(795)
Share of post-tax results of associates and joint ventures		**147**	132
Operating profit before income tax		**12 870**	12 019
Taxation expense		**(3 570)**	(3 284)
Profit for the reporting period		**9 300**	8 735
Profit attributable to:			
Ordinary equity holder		**8 995**	8 439
Preference equity holders		**305**	294
Non-controlling interest		**—**	2
		9 300	8 735
Earnings per share			
Basic earnings per share (cents)		**2 324,9**	2 226,1
Diluted basic earnings per share (cents)		**2 324,9**	2 226,1

Summary consolidated statement of comprehensive income
for the reporting period ended 31 December

	2014 (Audited) Rm	2013 (Audited) Rm
Profit for the reporting period	**9 300**	8 735
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Movement in retirement benefit fund assets and liabilities	**2**	(19)
Increase/(decrease) in retirement benefit surplus	**3**	(26)
Deferred tax	**(1)**	7
Total items that will not be reclassified to profit or loss	**2**	(19)
Items that are or may be subsequently reclassified to profit or loss:		
Movement in foreign currency translation reserve	**(327)**	488
Differences on translation of foreign operations	**70**	488
Gains released to profit or loss	**(397)**	—
Movement in cash flow hedging reserve	**(253)**	(1 826)
Fair value gains/(losses) arising during the reporting period	**1 092**	(907)
Amount removed from other comprehensive income and recognised in profit or loss	**(1 443)**	(1 629)
Deferred tax	**98**	710
Movement in available-for-sale reserve	**(37)**	90
Fair value (losses)/gains arising during the reporting period	**(98)**	112
Amortisation of government bonds – release to profit or loss	**44**	10
Deferred tax	**17**	(32)
Total items that are or may be subsequently reclassified to profit or loss	**(617)**	(1 248)
Total comprehensive income for the reporting period	**8 685**	7 468
Total comprehensive income attributable to:		
Ordinary equity holder	**8 380**	7 172
Preference equity holders	**305**	294
Non-controlling interest	**—**	2
	8 685	7 468

Summary consolidated statement of changes in equity

for the reporting period ended 31 December

	2014[1] (Audited) Total equity 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	8 685	—	8 685
Profit for the reporting period	9 300	—	9 300
Other comprehensive income	(615)	—	(615)
Dividends paid during the reporting period (refer to note 5)	(9 940)	—	(9 940)
Shares issued	3 000	—	3 000
Purchase of Barclays Africa Group Limited shares in respect of equity-settled share-based payment arrangements	(8)	—	(8)
Movement in share-based payment reserve	(22)	—	(22)
Transfer from share-based payment reserve	—	—	—
Transfer to retained earnings	—	—	—
Value of employee services	(22)	—	(22)
Share of post-tax results of associates and joint ventures	—	—	—
Transfer from retained earnings	(147)	—	(147)
Transfer to associates' and joint ventures' reserve	147	—	147
Disposal of subsidiary[2]	—	(48)	(48)
Balance at the end of the reporting period	58 924	2	58 926

	2013[1] (Audited) Total equity 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 5)	(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 arrangements	(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

Notes

[1] All movements are reflected net of taxation.

[2] The Bank sold its 85% shareholding in a non-core subsidiary on 2 January 2014 and the subsidiary has been derecognised.

Summary consolidated statement of cash flows
for the reporting period ended 31 December

	Note	2014 (Audited) Rm	2013[1] (Audited) Rm
Net cash generated from operating activities		**12 859**	17 338
Net cash utilised in investing activities		**(2 179)**	(2 611)
Net cash utilised in financing activities		**(11 173)**	(13 006)
Net (decrease)/increase in cash and cash equivalents		**(493)**	1 721
Cash and cash equivalents at the beginning of the reporting period	1	**10 507**	8 786
Cash and cash equivalents at the end of the reporting period	2	**10 014**	10 507

Notes to the summary consolidated statement of cash flows

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

	2014 (Audited) Rm	2013[1] (Audited) Rm
Cash, cash balances and balances with central banks[2]	**8 665**	8 094
Loans and advances to banks[3]	**1 842**	692
	10 507	8 786

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

	2014 (Audited) Rm	2013[1] (Audited) Rm
Cash, cash balances and balances with central banks[2]	**8 777**	8 665
Loans and advances to banks[3]	**1 237**	1 842
	10 014	10 507

Notes

[1]Restated, refer to note 14 for reporting changes.

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

[3]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".

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

The following transfers to non-current assets held for sale were effected:

- Retail and Business Banking ("RBB") transferred investment securities and investment properties with a carrying value of **R29m** (2013: R4m) and **Rnil** (2013: R193m) respectively.
- The Head Office and other operations segment transferred property and equipment with a carrying value of **R3m** (2013: R209m).

The fair value adjustment of investment securities relating to assets within RBB was classified as held for sale during 2012. At the reporting date, these investment securities remain classified as non-current assets held for sale as the delay of the disposal is as a consequence of events outside the Bank's control. The Bank remains, however, committed to dispose of the asset in 2015.

All the above assets are expected to be disposed of in 2015.

The Commercial Property Finance ("CPF") Equity division in RBB disposed of a non-core subsidiary with investment property with a carrying value of **R1 315m** (2013: Rnil). The remaining disposals of non-current assets and liabilities held for sale occurred in RBB, Wealth and Head Office and other operations segments. The profit on disposal of the non-current assets held for sale has been recognised in Other operating income in the statement of comprehensive income.

2. Borrowed funds

During the reporting period, **R500m** (2013: Rnil) of subordinated notes were issued and **R4 725m** (2013: R1 886m) were redeemed.

3. Other impairments

	2014 (Audited) Rm	2013 (Audited) Rm
Financial instruments	**17**	(4)
Other	**401**	3
Goodwill	**1**	—
Intangible assets	**127**	—
Investments in associates and joint ventures	**2**	—
Property and equipment	**253**	—
Repossessed properties	**—**	3
Other	**18**	—
	418	(1)

4. Headline earnings

	2014 (Audited) Gross Rm	**2014 (Audited) Net[(1)] Rm**	2013 (Audited) Gross Rm	2013 (Audited) Net[(1)] Rm
Headline earnings is determined as follows:				
Profit attributable to ordinary equity holder		**8 995**		8 439
Total headline earnings adjustment:		**(208)**		(173)
IFRS 3 – Goodwill impairment	**1**	**1**	—	—
IFRS 5 – Gains on disposal of non-current assets held for sale	**(105)**	**(94)**	(171)	(138)
IAS 16 – (Profit)/loss on disposal of property and equipment	**(16)**	**(13)**	20	14
IAS 21 – Recycled foreign currency translation reserve	**(397)**	**(397)**	—	—
IAS 27 – Profit on disposal of subsidiaries	**(44)**	**(35)**	—	—
IAS 28 – Impairment of investment in associates and joint ventures	**2**	**2**	—	—
IAS 36 – Other impairment	**18**	**15**	—	—
IAS 36 – Impairment of intangible assets	**127**	**91**	—	—
IAS 36 – Impairment of property and equipment	**253**	**183**	—	—
IAS 39 – Release of available-for-sale reserves	**44**	**31**	10	7
IAS 39 – Disposal and impairment of available-for-sale assets	**—**	**—**	(3)	(2)
IAS 40 – Change in fair value of investment properties	**8**	**8**	(60)	(54)
Headline earnings/diluted headline earnings		**8 787**		8 266
Headline earnings per share (cents)/diluted headline earnings (cents)		**2 271,1**		2 180,4

Note

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

5. Dividends per share

	2014 (Audited) Rm	2013 (Audited) 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
Special dividend (**5 December 2014: 516,1 cents**) (**8 April 2014: 638,38 cents**) (4 December 2013: 264,0 cents)	**4 446**	1 000
Final dividend (**3 March 2015: 912,78268 cents**) (11 February 2014: 754,3 cents)	**3 616**	2 890
	10 361	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
Final dividend (**3 March 2015: 3 210,8904 cents**) (11 February 2014: 2 979,3151 cents)	**159**	147
	317	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
Interim dividend (**30 July 2014: 593,35 cents**) (30 July 2013: 2 233,4 cents)	**2 299**	8 459
Special dividend (**5 December 2014: 516,1 cents**) (**8 April 2014: 638,38 cents**) (4 December 2013: 264,0 cents)	**4 446**	1 000
	9 635	11 752
Dividends paid to preference equity holders		
Final dividend (**11 February 2014: 2 979,3151 cents**) (12 February 2013: 2 950,5479 cents)	**147**	146
Interim dividend (**30 July 2014: 3 197,4658 cents**) (30 July 2013: 2 999,4521 cents)	**158**	148
	305	294

6. 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 and previous reporting periods.

7. Related parties

There were no one-off significant transactions in the normal course of business, with related parties of the Bank during the reporting period.

8. Financial guarantee contracts

	2014 (Audited) Rm	2013 (Audited) Rm
Financial guarantee contracts	**96**	96

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 off-statement of financial position exposure.

During the current reporting period all financial guarantee contracts were reassessed and as a consequence the disclosure has been refined. The comparatives have been restated accordingly from R3bn to R96m.

9. Commitments

	2014 (Audited) Rm	2013 (Audited) Rm
Authorised capital expenditure		
Contracted but not provided for	576	175

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.

	2014 (Audited) Rm	2013 (Audited) Rm
Operating lease payments due		
No later than one year	856	820
Later than one year and no later than five years	1 631	1 417
Later than five years	709	230
	3 196	2 467

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.

	2014 (Audited) Rm	2013 (Audited) Rm
Sponsorship payment due		
No later than one year	282	272
Later than one year and no later than five years	307	541
	589	813

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

10. Contingencies

	2014 (Audited) Rm	2013 (Audited) Rm
Guarantees	28 076	15 862
Irrevocable debt facilities	114 614	116 357
Letters of credit	3 756	5 666
Other contingencies	7	3
	146 453	137 888

Guarantees includes performance and payment guarantee contracts.

During the reporting period, terms and conditions associated with unutilised customer facilities were reviewed and confirmed to be irrevocable in nature. These facilities are now disclosed as contingent liabilities and comparative numbers have been restated from R46bn to R116bn.

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.

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.

Regulatory matters

The scale of regulatory change remains challenging and the global financial crisis is resulting in a significant tightening of regulation and changes to regulatory structures globally, especially for companies that are deemed to be of systemic importance. Concurrently, there is continuing political and regulatory scrutiny of the operation of the banking and consumer credit industries globally which, in some cases, is leading to increased regulation. The nature and impact of future changes in the legal framework, policies and regulatory action cannot currently be fully predicted and are beyond the Bank's control, but especially in the area of banking regulation, are likely to have an impact on the Bank's businesses and earnings.

The Bank is continuously evaluating its compliance programmes and controls in general. As a consequence of these compliance programmes and controls, including monitoring and review activities, the Bank has also adopted appropriate remedial and/or mitigating steps, where necessary or advisable, and made disclosures on material findings as and when appropriate.

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.

11. Segment reporting

	2014 (Audited) Rm	2013[(1)] (Audited) Rm
11.1 Headline earnings contribution by segment		
RBB	7 308	6 642
Corporate and Investment Bank ("CIB")	2 406	2 455
Wealth	(10)	(40)
Head Office and other operations	(917)	(791)
Total headline earnings	8 787	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.

	2014 (Audited) Rm	2013[(1)] (Audited) Rm
11.2 Total income revenue by segment		
RBB	35 488	34 168
CIB	8 535	8 103
Wealth	545	473
Head Office and other operations	(240)	(622)
Total income	44 328	42 122

Note

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

	2014 (Audited) Rm	2013[(1)] (Audited) Rm
11.3 Total internal revenue by segment		
RBB	(8 612)	(8 199)
CIB	13 119	12 384
Wealth	(291)	(326)
Head Office and other operations	(920)	(1 933)
Total internal income	3 296	1 926

Note

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

	2014 (Audited) Rm	2013[(1)] (Audited) Rm
11.4 Total assets by segment		
RBB	661 057	630 765
CIB	480 395	478 600
Wealth	11 259	11 679
Head Office and other operations	(338 650)	(328 409)
Total assets	814 061	792 635

Note

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

	2014 (Audited) Rm	2013[(1)] (Audited) Rm
11.5 Total liabilities by segment		
RBB	652 951	623 393
CIB	477 149	475 465
Wealth	11 268	11 718
Head Office and other operations	(386 233)	(375 200)
Total liabilities	755 135	735 376

Note

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

12. 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:

	2014 (Audited) Carrying value Rm	2014 (Audited) Fair value Rm	2013[1] (Audited) Carrying value Rm	2013[1] (Audited) Fair value Rm
Financial assets				
Balances with the South African Reserve Bank ("SARB")	12 621	12 621	12 417	12 417
Coins and bank notes	8 777	8 777	8 665	8 665
Money market assets	21	21	5	5
Cash, cash balances and balances with central banks	21 419	21 419	21 087	21 087
Loans and advances to banks	27 076	27 021	39 813	39 813
Other assets	7 914	8 203	8 080	8 080
Retail Banking	350 040	349 612	342 547	342 386
Credit cards	29 338	29 338	27 830	27 830
Instalment credit agreements	70 557	69 995	64 571	64 268
Loans to associates and joint ventures	13 012	13 012	10 287	10 287
Mortgages	220 522	220 565	223 526	223 592
Other loans and advances	404	404	253	253
Overdrafts	2 222	2 222	2 015	2 015
Personal and term loans	13 985	14 076	14 065	14 141
Business Banking	60 863	60 861	60 036	60 206
Loans to associates and joint ventures	305	305	559	559
Mortgages (including CPF)	29 856	29 852	30 718	30 888
Overdrafts	18 083	18 063	17 075	17 075
Term loans	12 619	12 641	11 684	11 684
CIB	121 674	120 745	110 796	104 993
Wealth	10 507	10 507	10 885	10 885
Head Office and other operations	542	542	115	115
Loans and advances to customers – net of impairment losses	543 626	542 267	524 379	518 585
Loans to Group companies	17 740	21 762	19 247	19 340
Total assets	617 775	620 672	612 606	606 905
Financial liabilities				
Deposits from banks	34 495	35 834	53 560	50 348
Other liabilities	11 316	11 322	9 557	9 095
Call deposits	56 986	56 986	52 829	52 830
Cheque account deposits	146 568	146 568	140 032	140 031
Credit card deposits	1 932	1 932	1 914	1 914
Fixed deposits	114 646	115 371	116 420	116 462
Foreign currency deposits	21 723	21 723	14 108	14 114
Notice deposits	49 764	49 843	56 349	56 348
Other deposits	1 972	1 972	1 877	1 877
Saving and transmission deposits	108 849	108 849	87 865	87 865
Deposits due to customers	502 440	503 244	471 394	471 441
Debt securities in issue	99 735	100 100	93 595	93 596
Borrowed funds	10 535	10 885	15 762	16 308
Total liabilities	658 521	661 385	643 868	640 788

Note

[1] Restated, refer to note 14 for reporting changes.

13. Assets and liabilities held at fair value

13.1 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.

13.2 Fair value measurements

Valuation inputs

IFRS 13 requires an entity to classify fair values measured and/or disclosed according to a hierarchy that reflects the significance of observable market inputs. The three levels of the fair value hierarchy are defined as follows:

Quoted market prices – Level 1

Fair values are classified as Level 1 if they have been determined using observable prices in an active market. Such fair values are determined 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.

Valuation technique using observable inputs – Level 2

Fair values classified as Level 2 have been determined using models for which inputs are observable in an active market.

A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price.

Valuation technique using significant unobservable inputs – Level 3

Fair values are classified as Level 3 if their determination incorporates significant inputs that are not based on observable market data (unobservable inputs). An input is deemed significant if it is shown to contribute more than 10% to the fair value of an item. Unobservable input levels are generally determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

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.

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

13.2 Fair value measurements *(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 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.

The fair value of amortised cost deposits repayable on demand is considered to be equal to their carrying value. For other financial liabilities at amortised cost the disclosed fair value approximates the carrying value because the instruments are short-term in nature or have interest rates that reprice frequently.

13.3 Fair value adjustments

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

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 unless the relevant mid prices are reflective of the appropriate exit price as a practical expedient given the nature of the underlying instruments. 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, 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.

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

13.4 Fair value hierarchy

The following table 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.

Recurring fair value measurements	2014 (Audited) Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm	2013[1] (Audited) Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets								
Investment securities	48 973	19 329	2 316	70 618	64 962	—	2 313	67 275
Loans and advances to banks	—	20 523	—	20 523	—	6 140	—	6 140
Trading and hedging portfolio assets	25 061	52 995	1 151	79 207	24 383	55 708	1 037	81 128
Debt instruments	24 433	4 743	870	30 046	23 929	174	873	24 976
Derivative assets	2	42 347	281	42 630	—	48 451	164	48 615
Commodity derivatives	2	348	—	350	—	324	—	324
Credit derivatives	—	284	91	375	—	258	11	269
Equity derivatives	—	1 011	29	1 040	—	802	—	802
Foreign exchange derivatives	—	8 327	1	8 328	—	8 587	39	8 626
Interest rate derivatives	—	32 377	160	32 537	—	38 480	114	38 594
Equity instruments	626	321	—	947	454	77	—	531
Money market assets	—	5 584	—	5 584	—	7 006	—	7 006
Other assets	—	—	17	17	—	—	16	16
Loans and advances to customers	4	6 160	4 731	10 895	—	4 070	6 477	10 547
Total financial assets	74 038	99 007	8 215	181 260	89 345	65 918	9 843	165 106
Financial liabilities								
Deposits from banks	—	19 609	—	19 609	—	12 267	—	12 267
Trading and hedging portfolio liabilities	2 795	44 042	320	47 157	2 472	50 087	542	53 101
Derivative liabilities	—	44 042	320	44 362	—	50 087	542	50 629
Commodity derivatives	—	308	—	308	—	290	—	290
Credit derivatives	—	324	39	363	—	350	45	395
Equity derivatives	—	1 296	198	1 494	—	1 720	306	2 026
Foreign exchange derivatives	—	9 931	7	9 938	—	8 123	49	8 172
Interest rate derivatives	—	32 183	76	32 259	—	39 604	142	39 746
Short positions	2 795	—	—	2 795	2 472	—	—	2 472
Deposits due to customers	80	13 606	5 530	19 216	—	10 725	7 138	17 863
Debt securities in issue	2	5 236	42	5 280	—	3 549	35	3 584
Total financial liabilities	2 877	82 493	5 892	91 262	2 472	76 628	7 715	86 815
Non-financial assets								
Investment properties	—	—	252	252	—	—	240	240
Trading and hedging portfolio assets								
Commodities	1 700	—	—	1 700	1 080	—	—	1 080
Non-recurring fair value measurements								
Non-current assets held for sale[2]	—	—	250	250	101	1 296	460	1 857
Non-current liabilities held for sale[2]	—	—	—	—	—	175	—	175

Notes

[1] Restated, refer to note 14 for reporting changes.

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

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

13.5 Measurement of assets and liabilities categorised at Level 2

The following table presents information about the valuation techniques and significant observable inputs 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 models	Underlying price of market traded instruments and/or interest rates
Loans and advances to banks	Discounted cash flow models	Interest rate and/or money market curves
Trading and hedging portfolio assets and liabilities		
Debt instruments	Discounted cash flow models	Underlying price of market traded instruments and/or interest rates
Derivative assets		
Commodity derivatives	Discounted cash flow and/or option pricing, futures pricing and/or Exchange Traded Fund ("ETF") models	Spot price of physical or futures, interest rates and/or volatility
Credit derivatives	Discounted cash flow and/or credit default swap models	Interest rate, recovery rate, credit spread and/or quanto ratio
Equity derivatives	Discounted cash flow, option pricing and/or futures pricing models	Spot price, interest rate, volatility and/or dividend stream
Foreign exchange derivatives	Discounted cash flow and/or option pricing models	Spot price, interest rate and/or volatility
Interest rate derivatives	Discounted cash flow and/or 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 models	Money market rates and/or interest rates
Loans and advances to customers	Discounted cash flow models	Interest rate curves and/or money market curves
Investment securities	Listed equity: market bid price. Other items: discounted cash flow models	Underlying price of the market traded instruments interest rate curves
Deposits from banks	Discounted cash flow models	Interest rate curves and/or money market curves
Deposits due to customers	Discounted cash flow models	Interest rate curves and/or money market curves
Debt securities in issue and other liabilities	Discounted cash flow models	Underlying price of the market traded instrument and/or interest rate curves

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

13.6 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:

	2014 (Audited)					
	Trading and hedging portfolio assets Rm	Other assets Rm	Loans and advances to customers Rm	Investment securities Rm	Investment properties Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	**1 037**	**16**	**6 477**	**2 313**	**240**	**10 083**
Movement in other comprehensive income	—	—	—	5	—	5
Net interest income	—	1	373	69	—	443
Gains and losses from banking and trading activities	173	—	(29)	(7)		137
Gains and losses from investment activities	—	—	2	(83)	12	(69)
Purchases	—	—	143	9	—	152
Sales	(37)	—	(620)	(9)	—	(666)
Settlements	—	—	(1 615)	—	—	(1 615)
Transferred to/(from) assets	—	—	—	—	—	—
Movement in/(out) of Level 3	(22)	—	—	19	—	(3)
Closing balance at the end of the reporting period	**1 151**	**17**	**4 731**	**2 316**	**252**	**8 467**

	2013[(1)] (Audited)					
	Trading and hedging portfolio assets Rm	Other assets Rm	Loans and advances to customers Rm	Investment securities Rm	Investment properties Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	952	16	6 414	3 988	331	11 701
Movement in other comprehensive income	—	—	—	20	—	20
Net interest income	55	—	345	(11)	—	389
Other income	—	—	—	—	39	39
Gains and losses from banking and trading activities	(165)	—	204	(203)	—	(164)
Gains and losses from investment activities	—	—	(99)	(218)	60	(257)
Purchases	13	—	762	20	—	795
Sales	—	—	(44)	(704)	—	(748)
Issues	—	—	—	5	—	5
Settlements	—	—	(978)	(579)	—	(1 557)
Transferred to/(from) assets	(55)	—	(127)	(5)	(190)	(377)
Movement in/(out) of Level 3	237	—	—	—	—	237
Closing balance at the end of the reporting period	1 037	16	6 477	2 313	240	10 083

Note

[(1)]Restated, refer to note 14 for reporting changes.

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

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

	2014 (Audited)			
	Trading and hedging portfolio liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	542	7 138	35	7 715
Movement in other comprehensive income	(8)	—	—	(8)
Net interest income	—	1	1	2
Gains and losses from banking and trading activities	(62)	(1 501)	6	(1 557)
Sales	(75)	—	—	(75)
Settlements	—	(81)	—	(81)
Movement in/(out) of Level 3	(77)	(27)	—	(104)
Closing balance at the end of the reporting period	320	5 530	42	5 892

	2013[1] (Audited)			
	Trading and hedging portfolio liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	74	7 672	187	7 933
Net interest income	—	9	—	9
Gains and losses from banking and trading activities	306	153	(152)	307
Gains and losses from investment activities	—	(1)	—	(1)
Purchases	—	27	—	27
Sales	(3)	427	—	424
Settlements	—	(1 149)	—	(1 149)
Movement in/(out) of Level 3	165	—	—	165
Closing balance at the end of the reporting period	542	7 138	35	7 715

Note
[1]Restated, refer to note 14 for reporting changes.

13.6.1 Significant transfers between levels

During the current reporting period, it was determined that significant transfers between levels of the assets and liabilities held at fair value occurred. Treasury bills of R18,5bn have been transferred from level 1 to level 2, as these are held in an inactive market.

During the prior 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 the significant inputs to determine the fair value have become unobservable.

Transfers have been reflected as if they had taken place at the beginning of the reporting period.

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

13.7 Unrealised gains and losses on Level 3 assets and liabilities

The total unrealised gains and losses for the reporting period on Level 3 positions held at the reporting date are set out below:

	2014 (Audited)					
	Trading and hedging portfolio assets Rm	Loans and advances to customers Rm	Investment securities Rm	Investment properties Rm	Non-current assets held for sale Rm	Total assets at fair value Rm
Gains and losses from banking and trading activities	**79**	**(28)**	**—**	**—**	**—**	**51**

	2013 (Audited)					
	Trading and hedging portfolio assets Rm	Loans and advances to customers Rm	Investment securities Rm	Investment properties Rm	Non-current assets held for sale Rm	Total assets at fair value Rm
Gains and losses from banking and trading activities	337	(136)	—	—	—	201

	2014 (Audited)				
	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	Total liabilities at fair value Rm
Gains and losses from banking and trading activities	**(116)**	**—**	**—**	**—**	**(116)**

	2013 (Audited)				
	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	Total liabilities at fair value Rm
Gains and losses from banking and trading activities	(311)	—	1	—	(310)

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

13.8 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.

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

Significant unobservable parameter	Positive/(negative) variance applied to parameters
Credit spreads	100/(100) bps
Volatilities	10/(10)%
Basis curves	100/(100) bps
Yield curves and repo curves	100/(100) bps
Future earnings and marketability discounts	15/(15) %
Funding spreads	100/(100) bps

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

	2014		
		Potential effect recorded in profit or loss	**Potential effect recorded directly in equity**
	Significant unobservable parameters	**Favourable/(Unfavourable) Rm**	**Favourable/(Unfavourable) Rm**
Deposits due to customers	**BAGL/Absa funding spread**	**—/—**	**—/—**
Investment securities	**Yield curves, future earnings and marketability discount, comparator multiples**	**131/131**	**—/—**
Loans and advances to customers	**Credit spreads**	**1 037/23**	**—/—**
Other assets	**Volatility, credit spreads**	**3/3**	**—/—**
Trading and hedging portfolio assets		**—/—**	**—/—**
Trading and hedging portfolio liabilities	**Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads**	**34/34**	**—/—**
		1 205/191	**—/—**

	2013		
		Potential effect recorded in profit or loss	Potential effect recorded directly in equity
	Significant unobservable parameters	Favourable/(Unfavourable) Rm	Favourable/(Unfavourable) Rm
Deposits due to customers	BAGL/Absa funding spread	224/223	—/—
Investment securities	Yield curves, future earnings and marketability discount, comparator multiples	204/204	—/—
Investment properties	Selling price per unit, selling price escalations, rental income per unit, rental escalations per year, expense ratios, vacancy rate, income capitalisation rate and risk client rates	1/1	—/—
Loans and advances to customers	Credit spreads	1 202/159	—/—
Other assets	Volatility, credit spreads	2/2	—/—
Trading and hedging portfolio assets	Volatility, credit spreads, dividend stream, basis curves, yield curves, repo curves	43/43	—/—
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves	13/5	—/—
		1 686/634	—/—

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

13.9 Measurement of assets and liabilities at Level 3

The following table presents information about the valuation techniques and significant unobservable inputs used in measuring assets and liabilities categorised as Level 3 in the fair value hierarchy:

			2014	2013
Category of asset/ liability	**Valuation techniques applied**	**Significant unobservable inputs**	**Range of estimates utilised for the unobservable inputs**	
Loans and advances to customers	Discounted cash flow, and/or dividend yield models	Credit spreads	0,96% to 3,99%	1,35% to 7,5%
Investment securities	Discounted cash flow models, third-party valuations, earnings multiples and/or income capitalisation valuations	Risk adjusted yield curves, future earnings, marketability discounts and/or comparator multiples	Discount rates between 9,1% and 17,9%, comparable multiples between 5 and 6	Discount rates between 9,7% and 18%, comparator multiples between 5,5 and 6,1
Trading and hedging portfolio assets and liabilities				
Debt instruments	Discounted cash flow models	Credit spreads	0,9% to 3,5%	0,9% to 3,5%
Derivative assets				
Credit derivatives	Discounted cash flow, credit default swap (hazard rate) models	Credit spreads, recovery rates and/or quanto ratio	0% to 13,45%	0% to 3,5%
Equity derivatives	Discounted cash flow, option pricing and/or futures pricing models	Volatility and/or dividend streams (greater than 3 years)	18,16% to 48,20%	16,9% to 37,2%
Foreign exchange derivatives	Discounted cash flow and/or option pricing models	African basis curves (greater than 1 year)	-10,74% to 6,53%	-2,5% to 1,7%
Interest rate derivatives	Discounted cash flow and/or option pricing models	Real yield curves (less than 2 years), repo curves funding spreads	-1,56% to 10,04%	-1,5% to 8,3%
Deposits due to customers	Discounted cash flow models	BAGL funding spreads (greater than 5 years)	0,85% to 1,2%	0,85% to 1,2%
Debt securities in issue	Discounted cash flow models	ZAR-MM-Funding (greater than 5 years)	1,28% to 1,38%	0,1% to 0,2%
Investment properties	Discounted cash flow models	Estimates of periods in which rental units will be disposed of	2 to 7 years	2 to 7 years
		Annual selling price escalations	0% to 6%	0% to 6%
		Annual rental escalations	0% to 10%	0% to 10%
		Expense ratios	22% to 75%	22% to 75%
		Vacancy rates	2% to 15%	2% to 15%
		Income capitalisation rates	10% to 12%	10% to 12%
		Risk adjusted discount rates	14% to 16%	14% to 16%

For those assets or liabilities held at amortised cost and disclosed in levels 2 and 3 in the fair value hierarchy, the discounted cash flow valuation technique is used. Interest rates and money market curves are considered unobservable inputs for items which mature after five years. However, if the items mature in less than five years, these inputs are considered observable.

For debt securities in issue held at amortised cost, a further significant input would be the underlying price of the market traded instrument.

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

13.10 Unrecognised (losses)/gains 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 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:

	2014 (Audited) Rm	2013 (Audited) Rm
Opening balance at the beginning of the reporting period	**(55)**	(71)
New transactions	**(23)**	(17)
Amounts recognised in profit and loss during the reporting period	**26**	33
Closing balance at the end of the reporting period	**(52)**	(55)

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

13.11 Third-party credit enhancements

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

14. Reporting changes overview

The financial reporting changes that have had an impact on the Bank's results for the comparative reporting period ended 31 December 2013 include:

- The implementation of amended 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.
- Certain changes in internal accounting policies.

14.1 Accounting policy changes due to amended IFRS

The amendments to IAS 32 provide further application guidance on when the criteria for offsetting would be considered to be met and became effective for reporting periods beginning on or after 1 January 2014.

The offsetting requirements in IAS 32 have been retained such that a financial asset and liability shall be offset and the net amount presented in the statement of financial position, 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 financial instruments (i.e. variation margins on certain derivatives as well as certain hybrid customer products) has been assessed in light of the amendments and it has been determined that netting is no longer permitted under IFRS.

14.2 Internal accounting policy changes

The Bank elected to make an internal accounting policy change involving the classification of items in the statement of financial position. Investment securities across the Bank have been appropriately grouped together as "Investment securities", following the acquisition of Barclays Africa Limited, with remaining investments linked to investment contracts being disclosed separately.

This has resulted in the old "statutory liquid asset portfolio" line item in the statement of financial position no longer being displayed.

This reclassification has no impact on the overall financial position or net earnings of the Bank. To ensure comparability, the comparative reporting periods have been restated.

14.3 Impact of reporting changes on the Bank's results

The impact of these changes in the statement of financial position, is as follows:

Summary consolidated statement of financial position as at 31 December 2013

	As previously reported[1] Rm	IFRS accounting policy changes Rm	Internal accounting policy changes Rm	Restated Rm
Assets				
Loans and advances to customers	534 040	886	—	534 926
Loans and advances to banks	45 302	651	—	45 953
Trading portfolio assets	77 137	1 727	—	78 864
Statutory liquid asset portfolio	62 055	—	(62 055)	—
Investment securities	5 220	—	62 055	67 275
Liabilities				
Deposits due to customers	488 371	886	—	489 257
Deposits from banks	64 100	1 727	—	65 827
Trading portfolio liabilities	50 059	651	—	50 710

Note

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

Absa Bank Limited

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

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Independent non-executive directors

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T M Mokgosi-Mwantembe, T S Munday (Lead Independent Director)

Non-executive director

W E Lucas-Bull (Chairman)

Executive directors

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

Queries

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For all customer and client queries, please go to the relevant country website (see details below) for the local customer contact information

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