ABSA

Absa Bank Limited

Audited condensed consolidated financial results for the reporting period ended 31 December 2013

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 condensed consolidated financial results
for the reporting period ended 31 December 2013.
A full set of audited annual consolidated financial
statements is available from 11 February 2014
on request at the registered address of the Bank.

These audited 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: 11 February 2014

Consolidated salient features

	2013	2012[1]	Change %
Statement of comprehensive income (Rm)			
Revenue	**42 122**	39 765	6
Operating expenses	**23 560**	20 979	12
Profit attributable to ordinary equity holder	**8 439**	7 203	17
Headline earnings[2]	**8 266**	7 356	12
Statement of financial position			
Loans and advances to customers (Rm)	**534 040**	510 316	5
Total assets (Rm)	**789 371**	763 920	3
Deposits due to customers (Rm)	**488 371**	467 744	4
Loans-to-deposits ratio (%)	**91,2**	89,1	
Financial performance (%)[3]			
Return on average equity	**15,5**	13,5	
Return on average assets	**1,08**	0,96	
Return on average risk-weighted assets	**1,98**	1,90	
Operating performance (%)			
Net interest margin on average interest-bearing assets[3]	**3,64**	3,54	
Impairment losses on loans and advances as a % of average loans and advances to customers[3]	**1,14**	1,60	
Non-performing loans as a % of gross loans and advances to customers[3]	**4,5**	5,7	
Non-interest income as a % of revenue	**44,1**	45,0	
Cost-to-income ratio	**55,9**	52,8	
JAWS	**(6,4)**	4,8	
Effective tax rate, excluding indirect taxation	**27,3**	26,1	
Share statistics (million)			
(including "A" ordinary shares)			
Number of ordinary shares in issue	**383,1**	378,8	
Weighted average number of ordinary shares in issue	**379,1**	375,3	
Diluted weighted average number of ordinary shares in issue	**379,1**	375,3	
Share statistics (cents)			
Headline earnings per ordinary share	**2 180,4**	1 960,0	11
Diluted headline earnings per ordinary share	**2 180,4**	1 960,0	11
Basic earnings per ordinary share	**2 226,1**	1 919,3	16
Diluted earnings per ordinary share	**2 226,1**	1 919,3	16
Dividend per ordinary share relating to income for the reporting period	**3 251,7**	1 568,3	>100
Dividend cover (times)	**0,7**	1,2	
Net asset value per ordinary share	**13 721**	14 842	(8)
Tangible net asset value per ordinary share	**13 381**	14 535	(8)
Capital adequacy (%)[3]			
Absa Bank Limited	**15,6**	17,5	
Off-statement of financial position (Rm)			
Assets under management and administration	**37 378**	27 158	38

Notes

[1] Restated, refer to note 23 for reporting changes.

[2] After allowing for **R294 million** (2012: R295 million) profit attributable to preference equity holders.

[3] These ratios are unaudited.

Condensed consolidated statement of financial position

as at 31 December

	Note	2013 (Audited) Rm	2012(1) (Audited) Rm	Change %	2011(1) (Audited) Rm
Assets					
Cash, cash balances and balances with central banks		**21 087**	20 435	3	19 505
Statutory liquid asset portfolio		**62 055**	63 020	(2)	57 473
Loans and advances to banks		**45 302**	42 407	7	55 872
Trading portfolio assets		**77 137**	82 416	(6)	79 674
Hedging portfolio assets		**3 344**	5 439	(39)	4 299
Other assets		**9 299**	11 134	(16)	11 320
Current tax assets		**15**	34	(56)	84
Non-current assets held for sale	1	**1 857**	1 438	29	35
Loans and advances to customers	2	**534 040**	510 316	5	487 344
Loans to Group companies		**19 247**	10 956	76	5 728
Investment securities		**5 220**	6 589	(21)	8 387
Investments in associates and joint ventures		**694**	562	23	412
Investment properties		**240**	331	(27)	1 840
Property and equipment		**8 504**	7 653	11	7 268
Goodwill and intangible assets		**1 303**	1 160	12	700
Deferred tax assets		**27**	30	(10)	61
Total assets		**789 371**	763 920	3	740 002
Liabilities					
Deposits from banks		**64 100**	43 085	49	44 769
Trading portfolio liabilities		**50 059**	47 889	5	49 232
Hedging portfolio liabilities		**2 391**	3 855	(38)	2 456
Other liabilities		**11 640**	14 569	(20)	10 503
Provisions		**1 362**	1 394	(2)	1 457
Current tax liabilities		**151**	58	>100	255
Non-current liabilities held for sale	1	**175**	177	(1)	—
Deposits due to customers	5	**488 371**	467 744	4	432 269
Debt securities in issue	6	**97 179**	104 923	(7)	126 657
Borrowed funds	7	**15 762**	17 907	(12)	14 051
Deferred tax liabilities		**922**	1 407	(34)	1 064
Total liabilities		**732 112**	703 008	4	682 713
Equity					
Capital and reserves					
Attributable to equity holders:					
Ordinary share capital		**303**	303	—	303
Ordinary share premium		**13 465**	12 465	8	11 465
Preference share capital		**1**	1	—	1
Preference share premium		**4 643**	4 643	—	4 643
Retained earnings		**34 506**	38 011	(10)	37 114
Other reserves		**4 291**	5 441	(21)	3 605
		57 209	60 864	(6)	57 131
Non-controlling interest		**50**	48	4	158
Total equity		**57 259**	60 912	(6)	57 289
Total liabilities and equity		**789 371**	763 920	3	740 002

Note

(1)Restated, refer to note 23 for reporting changes.

Condensed consolidated statement of comprehensive income

for the reporting period ended 31 December

	Note	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
Net interest income		**23 565**	21 876	8
Interest and similar income	8.1	**50 095**	48 515	3
Interest expense and similar charges	8.2	**(26 530)**	(26 639)	0
Impairment losses on loans and advances	3.1	**(5 881)**	(8 022)	27
Net interest income after impairment losses on loans and advances		**17 684**	13 854	28
Non-interest income		**18 557**	17 889	4
Net fee and commission income		**14 421**	13 673	5
Fee and commission income	9.1	**15 486**	14 890	4
Fee and commission expense	9.2	**(1 065)**	(1 217)	12
Gains and losses from banking and trading activities	9.3	**3 491**	3 651	(4)
Gains and losses from investment activities	9.4	**6**	20	(70)
Other operating income		**639**	545	17
Operating income before operating expenditure		**36 241**	31 743	14
Operating expenditure		**(24 354)**	(21 858)	(11)
Operating expenses	10.1	**(23 560)**	(20 979)	(12)
Other impairments	10.2	**1**	(344)	>100
Indirect taxation		**(795)**	(535)	(49)
Share of post-tax results of associates and joint ventures		**132**	240	(45)
Operating profit before income tax		**12 019**	10 125	19
Taxation expense		**(3 284)**	(2 643)	(24)
Profit for the reporting period		**8 735**	7 482	17
Profit attributable to:				
Ordinary equity holder		**8 439**	7 203	17
Preference equity holders		**294**	295	(0)
Non-controlling interest		**2**	(16)	>100
		8 735	7 482	17
Earnings per share:				
Basic earnings per share (cents per share)		**2 226,1**	1 919,3	16
Diluted earnings per share (cents per share)		**2 226,1**	1 919,3	16

Note

[1]Restated, refer to note 23 for reporting changes.

Condensed consolidated statement of comprehensive income

for the reporting period ended 31 December

	Note	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
Profit for the reporting period		**8 735**	7 482	17
Other comprehensive income				
Items that will not be reclassified to the profit or loss component of the statement of comprehensive income				
Movement in retirement benefit fund assets and liabilities		**(19)**	(43)	>(100)
Decrease in retirement benefit surplus		**(26)**	(61)	(57)
Deferred tax		**7**	18	(61)
Total items that will not be reclassified to the profit or loss component of the statement of comprehensive income		**(19)**	(43)	>(100)
Items that are or may be subsequently reclassified to the profit or loss component of the statement of comprehensive income				
Foreign exchange differences on translation of foreign operations		**488**	183	>100
Movement in cash flow hedging reserve		**(1 826)**	405	>(100)
Fair value (losses)/gains arising during the reporting period		**(907)**	2 650	>(100)
Amount removed from other comprehensive income and recognised in the profit or loss component of the statement of comprehensive income		**(1 629)**	(2 088)	22
Deferred tax		**710**	(157)	>100
Movement in available-for-sale reserve		**90**	1 101	(92)
Fair value gains arising during the reporting period		**112**	1 524	(93)
Amortisation of government bonds – release to profit or loss component of the statement of comprehensive income		**10**	10	—
Deferred tax		**(32)**	(433)	93
Total items that are or may be subsequently reclassified to the profit or loss component of the statement of comprehensive income		**(1 248)**	1 689	>(100)
Total comprehensive income for the reporting period		**7 468**	9 128	(18)
Total comprehensive income attributable to:				
Ordinary equity holder		**7 172**	8 849	(19)
Preference equity holders		**294**	295	(0)
Non-controlling interest		**2**	(16)	>100
		7 468	9 128	(18)

Note

[1]Restated, refer to note 23 for reporting changes.

Condensed consolidated statement of changes in equity

for the reporting period ended 31 December

	2013 (Audited) 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	(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**

	2012[1] (Audited) Capital and reserves attributable to equity holders Rm	Non-controlling interest Rm	Total equity Rm
Balance at the beginning of the reporting period as previously reported	57 234	158	57 392
Restatements[1]	(103)	—	(103)
Restated balance at the beginning of the reporting period	57 131	158	57 289
Total comprehensive income for the reporting period	9 144	(16)	9 128
Profit for the reporting period	7 498	(16)	7 482
Other comprehensive income	1 646	—	1 646
Dividends paid during the reporting period	(6 217)	—	(6 217)
Shares issued	1 000	—	1 000
Purchase of Barclays Africa Group Limited shares in respect of equity-settled share-based payment schemes	(211)	—	(211)
Movement in share-based payment reserve	17	—	17
Transfer from share-based payment reserve	(110)	—	(110)
Transfer to retained earnings	110	—	110
Value of employee services	17	—	17
Share of post-tax results of associates and joint ventures	—	—	—
Transfer from retained earnings	(240)	—	(240)
Transfer to associates' and joint ventures' reserve	240	—	240
Increase in the interest of non-controlling equity holders	—	35	35
Release of non-controlling interest arising from disposal of business	—	(129)	(129)
Restated balance at the end of the reporting period	60 864	48	60 912

Notes

[1]Restated, refer to note 23 for reporting changes.

[2]All movements are reflected net of taxation.

Condensed consolidated statement of cash flows

for the reporting period ended 31 December

	Note	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
Net cash generated from operating activities		**15 764**	1 784	>100
Net cash (utilised)/generated in investing activities		**(1 037)**	1 132	>(100)
Net cash utilised in financing activities		**(13 006)**	(1 928)	>(100)
Net increase in cash and cash equivalents		**1 721**	988	74
Cash and cash equivalents at the beginning of the reporting period	1	**8 786**	7 798	13
Cash and cash equivalents at the end of the reporting period	2	**10 507**	8 786	20

Notes to the condensed consolidated statement of cash flows

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

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
Cash, cash balances and balances with central banks[2]	**8 094**	7 226	12
Loans and advances to banks[3]	**692**	572	21
	8 786	7 798	13

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

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
Cash, cash balances and balances with central banks[2]	**8 665**	8 094	7
Loans and advances to banks[3]	**1 842**	692	>100
	10 507	8 786	20

Notes

[1]Restated, refer to note 23 for reporting changes.

[2]Includes coins and bank notes which are part of cash, cash balances and balances with central banks on the statement of financial position.

[3]Includes call advances, which are used as working capital of the Bank and are a component of other advances within loans and advances to banks on the statement of financial position.

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

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

During the reporting period, the Bank effected the following transfers to non-current assets and non-current liabilities held for sale:

- Through the Retail and Business Banking ("RBB") segment
  - In the Commercial Property Finance Equity ("CPF Equity") division, investment properties in two of its wholly-owned subsidiaries, with a total carrying value of R193 million, were transferred to non-current assets held for sale. The disposal of these properties is expected to take place during the 2014 reporting period.
- Through the Head office and Other segment
  - A number of assets classified as property and equipment within Corporate Real Estate Services have been identified as held for sale. These assets have a total carrying value of R209 million. The disposal of the property and equipment is due to take place during 2014.

2. Loans and advances to customers

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
Cheque accounts	**31 179**	31 619	(1)
Corporate overdrafts and specialised finance loans	**5 729**	5 121	12
Credit cards	**30 178**	27 051	12
Foreign currency loans	**21 076**	12 152	73
Instalment credit agreements	**65 836**	60 364	9
Gross advances	**80 235**	72 999	10
Unearned finance charges	**(14 399)**	(12 635)	(14)
Reverse repurchase agreements	**3 893**	4 698	(17)
Loans to associates and joint ventures	**12 039**	10 094	19
Microloans	**1 962**	1 846	6
Mortgages	**272 163**	278 200	(2)
Other advances[2]	**2 895**	3 231	(10)
Overnight finance	**14 082**	18 862	(25)
Personal and term loans	**29 037**	29 638	(2)
Preference shares	**8 955**	6 352	41
Wholesale overdrafts	**47 772**	34 086	40
Gross loans and advances to customers	**546 796**	523 314	4
Impairment losses on loans and advances (refer to note 3)	**(12 756)**	(12 998)	2
	534 040	510 316	5

Notes

[1]Restated, refer to note 23 for reporting changes.

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

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

3. Impairment losses on loans and advances

Reconciliation of allowance for impairment losses on loans and advances to customers	2013 (Audited) Retail Banking South Africa Rm	Business Banking South Africa Rm	CIBW Rm	Other[1] Rm	Total Rm
Balance at the beginning of the reporting period[1]	9 556	2 667	650	125	12 998
Net present value unwind on non-performing book (refer to note 8.1)	(695)	(153)	(3)	—	(851)
Amounts written off	(4 918)	(1 171)	(109)	—	(6 198)
Impairment raised – identified	5 548	939	49	(15)	6 521
Impairment raised – unidentified	85	106	95	—	286
Balance at the end of the reporting period	**9 576**	**2 388**	**682**	**110**	**12 756**

Reconciliation of allowance for impairment losses on loans and advances to customers	2012[2] (Audited) Retail Banking South Africa Rm	Business Banking South Africa Rm	CIBW Rm	Other Rm	Total Rm
Balance at the beginning of the reporting period	8 659	2 038	566	125	11 388
Net present value unwind on non-performing book (refer to note 8.1)	(955)	(60)	(5)	—	(1 020)
Exchange difference	—	—	3	—	3
Amounts written off	(5 082)	(966)	(36)	—	(6 084)
Impairment raised – identified	6 763	1 689	108	—	8 560
Impairment raised – unidentified	172	(35)	14	—	151
Balance at the end of the reporting period	9 557	2 666	650	125	12 998

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
3.1 Statement of comprehensive income charge			
Impairments raised during the reporting period	**6 807**	8 711	(22)
Identified impairments	**6 521**	8 560	(24)
Unidentified impairments	**286**	151	89
Recoveries of loans and advances previously written off[3]	**(926)**	(689)	(34)
	5 881	8 022	(27)

Notes

[1] Includes Head office, inter-segment eliminations and other.

[2] Restated, refer to note 23 for reporting changes.

[3] Includes collection costs of **R120 million** (2012: R133 million).

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

4. Performing and non-performing loans

	2013 (Unaudited)						
	Performing loans			Non-performing loans			
Loans and advances to customers	Exposure Rm	Impairment Rm	Coverage ratio %	Exposure Rm	Impairment Rm	Coverage ratio %	Net total exposure Rm
RBB	**390 360**	**2 743**	**0,70**	**23 973**	**9 221**	**38,5**	**402 369**
Retail Banking South Africa	**331 273**	**2 366**	**0,71**	**18 993**	**7 210**	**38,0**	**340 690**
Cheque accounts	**2 006**	**31**	**1,54**	**96**	**56**	**58,3**	**2 015**
Credit cards	**18 853**	**181**	**0,96**	**1 472**	**980**	**66,6**	**19 164**
Edcon portfolio	**8 753**	**297**	**3,39**	**1 103**	**893**	**81,0**	**8 666**
Instalment credit agreements	**63 156**	**286**	**0,45**	**1 359**	**629**	**46,3**	**63 600**
Loans to associates and joint ventures	**10 287**	**—**	**—**	**—**	**—**	**—**	**10 287**
Mortgages	**214 167**	**1 305**	**0,61**	**13 541**	**3 763**	**27,8**	**222 640**
Personal and term loans	**14 051**	**266**	**1,89**	**1 422**	**889**	**62,5**	**14 318**
Business Banking South Africa	**59 087**	**377**	**0,64**	**4 980**	**2 011**	**40,4**	**61 679**
Cheque accounts	**16 709**	**137**	**0,82**	**863**	**361**	**41,8**	**17 075**
Commercial property finance	**29 906**	**125**	**0,42**	**2 844**	**1 235**	**43,4**	**31 390**
Instalment credit agreements	**975**	**4**	**0,41**	**115**	**102**	**88,7**	**984**
Loans to associates and joint ventures	**559**	**—**	**—**	**—**	**—**	**—**	**559**
Term loans	**10 938**	**111**	**1,01**	**1 158**	**313**	**27,0**	**11 671**
Corporate, Investment Banking and Wealth (CIBW)	**131 415**	**229**	**0,17**	**787**	**453**	**57,6**	**131 520**
Head Office, inter-segment eliminations and Other	**261**	**110**	**42,15**	**—**	**—**	**—**	**151**
	522 036	**3 082**	**0,59**	**24 760**	**9 674**	**39,1**	**534 040**

	2012[1] (Unaudited)						
	Performing loans			Non-performing loans			
Loans and advances to customers	Exposure Rm	Impairment Rm	Coverage ratio %	Exposure Rm	Impairment Rm	Coverage ratio %	Net total exposure Rm
RBB	380 899	1 904	0,50	29 128	10 319	35,4	397 804
Retail Banking South Africa	320 034	1 484	0,46	23 528	8 073	34,3	334 005
Cheque accounts	1 868	4	0,21	96	68	70,8	1 892
Credit cards	15 856	269	1,70	1 389	825	59,4	16 151
Edcon portfolio	9 806	102	1,04	—	—	—	9 704
Instalment credit agreements	56 715	293	0,52	1 790	895	50,0	57 317
Loans to associates and joint ventures	8 393	—	—	—	—	—	8 393
Mortgages	213 622	804	0,38	18 798	5 353	28,5	226 263
Personal and term loans	13 774	12	0,08	1 455	932	64,1	14 285
Business Banking South Africa	60 865	420	0,69	5 600	2 246	40,1	63 799
Cheque accounts	17 571	95	0,54	859	337	39,2	17 998
Commercial property finance	30 770	229	0,74	3 222	1 340	41,6	32 423
Instalment credit agreements	1 307	12	0,92	443	298	67,3	1 440
Loans to associates and joint ventures	627	—	—	—	—	—	627
Term loans	10 590	84	0,79	1 076	271	25,2	11 311
CIBW	111 908	154	0,14	879	496	56,4	112 137
Head Office, inter-segment eliminations and Other	500	125	25,00	—	—	—	375
	493 307	2 183	0,44	30 007	10 815	36,0	510 316

Note

[1]Restated, refer to note 23 for reporting changes.

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

5. Deposits due to customers

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
Call deposits	**52 829**	56 648	(7)
Cheque account deposits	**139 226**	139 857	(0)
Credit card deposits	**1 914**	1 938	(1)
Fixed deposits	**132 678**	124 832	6
Foreign currency deposits	**14 108**	9 723	45
Notice deposits	**56 349**	55 728	1
Other deposits[2]	**2 194**	1 983	11
Repurchase agreements with non-banks	**1 208**	1 503	(20)
Savings and transmission deposits	**87 865**	75 532	16
	488 371	467 744	4

Notes

[1]Restated, refer to note 23 for reporting changes.

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

6. Debt securities in issue

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
Credit linked notes	**8 155**	9 800	(17)
Floating rate notes	**44 718**	52 639	(15)
Negotiable certificates of deposit	**20 821**	17 926	16
Other debt securities in issue	**11**	7	57
Promissory notes	**935**	1 561	(40)
Structured notes and bonds	**1 006**	1 098	(8)
Senior notes	**21 533**	21 892	(2)
	97 179	104 923	(7)

Note

[1]Restated, refer to note 23 for reporting changes.

7. Borrowed funds

		2013 (Audited) Rm	2012 (Audited) Rm	Change %
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**	1 725	—
8,10%	27 March 2020	**2 000**	2 000	—
10,28%	3 May 2022	**600**	600	—
8,295%	21 November 2023	**1 188**	1 188	—
Three-month JIBAR + 2,10%	3 May 2022	**400**	400	—
Three-month JIBAR + 1,95%	21 November 2022	**1 805**	1 805	—
Three-month JIBAR + 2,05%	21 November 2023	**2 007**	2 007	—
CPI-linked notes, fixed at the following coupon rates:				
6,25%	31 March 2018	**—**	1 886	(100)
6,00%	20 September 2019	**3 000**	3 000	—
5,50%	7 December 2028	**1 500**	1 500	—
Accrued interest		**1 472**	1 462	1
Fair value adjustment		**65**	334	(81)
		15 762	17 907	(12)

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

8. Net interest income

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
8.1 Interest and similar income			
Interest and similar income is earned from:			
Cash, cash balances and balances with central banks	12	19	(37)
Fair value adjustments on hedging instruments	3 803	(185)	>100
Investment securities	47	117	(60)
Loans and advances to banks	785	839	(6)
Loans and advances to customers	42 580	41 126	4
Cheque accounts	2 633	2 677	(2)
Corporate overdrafts and specialised finance loans	123	484	(75)
Credit cards	4 649	2 660	75
Foreign currency loans	363	218	67
Instalment credit agreements	5 804	5 536	5
Interest on impaired financial assets (refer to note 3)	851	1 020	(17)
Loans to associates and joint ventures	657	494	33
Microloans	454	477	(5)
Mortgages	19 255	20 611	(7)
Other loans and advances[2]	718	220	>100
Overnight finance	786	814	(3)
Personal and term loans	3 097	3 228	(4)
Preference shares	484	485	(0)
Wholesale overdrafts	2 706	2 202	23
Other interest income[3]	1 130	1 015	11
Statutory liquid asset portfolio	1 738	5 584	(69)
	50 095	48 515	3

Notes

[1]Restated, refer to note 23 for the reporting changes.

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

[3]Includes items such as overnight interest on contracts for differences as well as inter-segment eliminations between "interest and similar income" and "gains and losses from banking and trading activities".

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
8.2 Interest expense and similar charges			
Interest expense and similar charges are paid on:			
Borrowed funds	1 316	1 352	(3)
Debt securities in issue	5 733	8 234	(30)
Deposits due to customers	20 104	17 834	13
Call deposits	2 799	2 863	(2)
Cheque account deposits	3 065	3 172	(3)
Credit card deposits	8	9	(11)
Fixed deposits	8 486	6 884	23
Foreign currency deposits	348	73	>100
Notice deposits	2 913	2 469	18
Other deposits due to customers	195	219	(11)
Savings and transmission deposits	2 290	2 145	7
Deposits from banks	1 012	1 227	(18)
Call deposits	363	677	(46)
Fixed deposits	649	517	26
Other deposits from banks	—	33	(100)
Fair value adjustments on hedging instruments	500	(998)	>100
Interest incurred on finance leases	19	51	(63)
Other interest expense[2]	(2 154)	(1 061)	>(100)
	26 530	26 639	(0)

Notes

[1]Restated, refer to note 23 for the reporting changes.

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

9. Non-interest income

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
9.1 Fee and commission income			
Asset management and other related fees	**97**	62	56
Consulting and administration fees	**171**	136	26
Credit-related fees and commissions	**12 414**	12 021	3
Cheque accounts	**3 546**	3 539	0
Credit cards[2]	**929**	428	>100
Electronic banking	**4 099**	4 068	1
Other credit-related fees and commissions[3]	**1 556**	1 516	3
Savings accounts	**2 284**	2 470	(8)
Insurance commission received	**485**	465	4
Investment banking fees	**255**	252	1
Merchant income	**1 973**	1 843	7
Other fee and commission income	**50**	81	(38)
Trust and other fiduciary services	**41**	30	37
Portfolio and other management fees	**22**	20	10
Trust and estate income	**19**	10	90
	15 486	14 890	4
9.2 Fee and commission expense			
Cheque processing fees	**(150)**	(161)	7
Other fee and commission expenses	**(658)**	(670)	2
Transaction-based legal fees	**(115)**	(206)	44
Trust and other fiduciary service fees	**—**	(56)	100
Valuation fees	**(142)**	(124)	(15)
	(1 065)	(1 217)	12
Net fee and commission income	**14 421**	13 673	5

Notes

[1]Restated, refer to note 23 for reporting changes.

[2]Includes acquiring and issuing fees.

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

9. Non-interest income *(continued)*

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
9.3 Gains and losses from banking and trading activities			
Net gains on investments	**320**	192	67
Debt instruments designated at fair value through profit or loss	**163**	179	(9)
Equity instruments designated at fair value through profit or loss	**167**	23	>100
Available-for-sale unwind from reserves	**(10)**	(10)	—
Net trading result	**3 031**	3 537	(14)
Net trading income excluding the impact of hedge accounting	**3 269**	3 515	(7)
Ineffective portion of hedges	**(238)**	22	>(100)
Cash flow hedges	**(234)**	45	>(100)
Fair value hedges	**(4)**	(23)	83
Other gains/(losses)	**140**	(78)	>100
	3 491	3 651	(4)
Net trading income excluding the impact of hedge accounting	**3 269**	3 515	(7)
Gains/(losses) on financial instruments designated at fair value through profit or loss	**1 326**	(750)	>100
Net gains on financial assets designated at fair value through profit or loss	**142**	1 292	(89)
Net gains/(losses) on financial liabilities designated at fair value through profit or loss	**1 184**	(2 042)	>100
Gains on financial instruments held for trading	**1 943**	4 265	(54)
Other gains/(losses)	**140**	(78)	100
Gains/(losses) on financial instruments designated at fair value through profit or loss	**7**	(142)	>100
Gains on financial instruments held for trading	**133**	64	>100

Note
[1]Restated, refer to note 23 for reporting changes.

	2013 (Audited) Rm	2012 (Audited) Rm	Change %
9.4 Gains and losses from investment activities			
Available-for-sale unwind from reserves	**4**	2	100
Net losses on investments	**(1)**	—	(100)
Other investment gains[1]	**3**	18	(83)
	6	20	(70)

Note
[1]Includes gains and losses from instruments designated at fair value through profit or loss.

10. Operating expenditure

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
10.1 Operating expenses			
Amortisation of intangible assets	**210**	143	47
Auditors' remuneration	**189**	148	28
Cash transportation	**597**	591	1
Depreciation	**1 191**	1 155	3
Equipment costs	**175**	177	(1)
Information technology[2]	**1 760**	1 930	(9)
Investment properties charges – change in fair value	**—**	162	(100)
Marketing costs	**1 125**	958	17
Operating lease expenses on properties	**887**	916	(3)
Other operating costs[3]	**1 812**	675	>100
Printing and stationery	**212**	185	15
Professional fees[2]	**1 257**	677	86
Property costs	**1 216**	1 435	(15)
Staff costs	**12 248**	11 190	9
Bonuses	**1 180**	824	43
Other staff costs[4]	**526**	385	36
Salaries and current service costs on post-retirement benefits	**9 913**	9 367	6
Share-based payments	**387**	431	(10)
Training costs	**242**	183	32
Telephone and postage	**681**	637	7
	23 560	20 979	12

Notes
[1]Restated, refer to note 23 for reporting changes.
[2]"Information technology" and "Professional fees" include research and development costs totalling **R246 million** (2012: R113 million).
[3]Includes fraud losses, travel and entertainment costs, as well as administration fees related to the Edcon portfolio.
[4]Includes recruitment costs, membership fees to professional bodies, staff parking, study assistance, staff relocation and refreshment costs.

	2013 (Audited) Rm	2012 (Audited) Rm	Change %
10.2 Other impairments			
Financial instruments	**(4)**	258	>(100)
Other	**3**	86	(97)
Computer software development costs	**—**	68	(100)
Goodwill	**—**	18	(100)
Repossessed properties	**3**	—	100
	(1)	344	>(100)

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11. Headline earnings

	2013 (Audited) Gross Rm	2013 (Audited) Net[2] Rm	2012[1] (Audited) Gross Rm	2012[1] (Audited) Net[2] Rm	Net[2] change %
Headline earnings is determined as follows:					
Profit attributable to ordinary equity holder		**8 439**		7 203	17
Total headline earnings adjustment:		**(173)**		153	>(100)
IFRS 3 – Goodwill impairment	**—**	**—**	18	18	(100)
IFRS 5 – Gains and losses on disposal of non-current assets held for sale	**(171)**	**(138)**	—	—	(100)
IAS 16 and IAS 36 – Loss/(profit) on disposal and impairments of property and equipment	**20**	**14**	(80)	(62)	>100
IAS 28 and IFRS 11 – Headline earnings component of share of post-tax results of associates and joint ventures	**—**	**—**	(1)	(1)	—
IAS 36 and IAS 38 – Loss on disposal and impairment of intangible assets	**—**	**—**	68	49	100
IAS 39 – Release of available-for-sale reserves	**10**	**7**	10	7	—
IAS 39 – Disposal and impairment of available-for-sale assets	**(3)**	**(2)**	—	—	—
IAS 40 – Change in fair value of investment properties	**(60)**	**(54)**	162	142	>(100)
Headline earnings/Diluted headline earnings[3]		**8 266**		7 356	12
Headline earnings per share (cents)		**2 180,4**		1 960,0	11
Diluted headline earnings per share (cents)[3]		**2 180,4**		1 960,0	11

Notes

[1]Restated, refer to note 23 for reporting changes.

[2]The net amounts is reflected after taxation and non-controlling interest.

[3]There are currently no instruments in issue that will have a dilutive impact on the profit attributable to the ordinary equity holder.

12. Dividends per share

	2013 (Audited) Rm	2012 (Audited) Rm	Change %
Dividends declared to ordinary equity holder			
Interim dividend (30 July 2013: **2 233,4 cents**) (27 July 2012: 695,5 cents)	**8 459**	2 602	>100
Special dividend (4 December 2013: **264,0 cents**) (27 September 2012: 267,3 cents)	**1 000**	1 000	—
Final dividend (11 February 2014: **754,3 cents**) (12 February 2013: 605,5 cents)	**2 890**	2 293	(100)
	12 349	5 895	60
Dividends declared to preference equity holders			
Interim dividend (30 July 2013: **2 999,4521 cents**) (27 July 2012: 3 134,6575 cents)	**148**	155	(5)
Final dividend (11 February 2014: **2 979,3151 cents**) (12 February 2013: 2 950,5479 cents)	**147**	146	1
	295	301	(2)
Dividends paid to ordinary equity holder			
Final dividend (12 February 2013: **605,5 cents**) (10 February 2012: 620,1 cents)	**2 293**	2 320	(1)
Interim dividend (30 July 2013: **2 233,4 cents**) (27 July 2012: 695,5 cents)	**8 459**	2 602	>100
Special dividend (4 December 2013: **264,0 cents**) (27 September 2012: 267,3 cents)	**1 000**	1 000	—
Dividends paid to preference equity holder			
Final dividend (12 February 2013: **2 950,5479 cents**) (10 February 2012: 2 827,2329 cents)	**146**	140	4
Interim dividend (30 July 2013: **2 999,4521 cents**) (27 July 2012: 3 134,6575 cents)	**148**	155	(5)
	12 046	6 217	94

13. Acquisitions and disposals of businesses

Acquisitions and disposals

There were no interests acquired/disposed of during the current reporting period.

14. Related parties

The Bank's ultimate parent company is Barclays Bank PLC, which owns **62,3%** (2012: 55,5%) of the ordinary shares in the Barclays Africa Group Limited. The remaining **37,7%** (2012: 44,5%) 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 (refer to note 14.1 and 14.2);
- the ultimate parent company (refer to note 14.3);
- fellow subsidiaries, associates and joint venture of the ultimate parent company (refer to note 14.4);
- the parent company (refer to note 14.5);
- fellow subsidiaries; associates and joint ventures of the parent company (refer to note 14.6);
- subsidiaries and consolidated structured entities;
- associates, joint ventures and retirement benefit fund;
- 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.

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

14.1 Balances and transactions with key management personnel

IAS 24 Related Party Disclosures ("IAS 24") requires the identification of key management personnel, who are individuals responsible for planning, directing and controlling the activities of the entity, including directors. Key management personnel are defined as executive and non-executive directors and members of the Executive Committee ("Exco"). Entities controlled by key management personnel are also considered to be related parties.

A number of banking and insurance transactions are entered into with key management personnel in the normal course of business under terms that are no more favourable than those arranged with third parties. These include loans, deposits and foreign currency transactions. The related-party transactions, outstanding balances at the end of the reporting period, and related expenses and income with related parties for the reporting period are as follows:

	2013 (Audited) Rm	2012 (Audited) Rm	Change %
Balances			
Loans	**37**	455	(91)
Deposits	**11**	15	(27)
Guarantees issued by the Group	**84**	103	(18)
Other investments	**34**	40	(15)
Transactions			
Interest income	**4**	45	(91)
Interest expense	**1**	1	—

Loans include mortgages, asset finance transactions, overdraft and other credit facilities. Loans to key management personnel are provided on the same terms and conditions as loans to employees of the Group, including interest rates and collateral requirements.

Loans to key management personnel of **Rnil** (2012: Rnil) were written off as irrecoverable. Loans to entities controlled by key management personnel of **Rnil** (2012: Rnil) were written off as irrecoverable.

	2013 (Audited) Rm	2012 (Audited) Rm	Change %
14.2 Key management personnel compensation			
Directors			
Post-employment benefit contributions	**1**	1	—
Salaries and other short-term benefits	**28**	30	(7)
Share-based payments	**26**	32	(19)
Termination benefits	**—**	12	100
	55	75	(27)
Other key management personnel			
Post-employment benefit contributions	**3**	2	50
Salaries and other short-term benefits	**77**	65	18
Share-based payments	**50**	49	2
	130	116	12

14. Related parties *(continued)*

14.3 Balances and transactions with ultimate parent company[1], [2]

	2013 (Audited) Rm	2012 (Audited) Rm	Change %
Balances			
Loans and advances to banks	**13 720**	20 698	(34)
Derivative assets	**19 040**	14 310	33
Nominal value of derivative assets	**1 227 157**	1 399 103	(12)
Other assets	**1 244**	896	39
Investment securities	**534**	584	(9)
Deposits from banks	**(18 986)**	(8 963)	>(100)
Derivative liabilities	**(17 232)**	(13 842)	(24)
Nominal value of derivative liabilities	**(997 710)**	(1 213 065)	18
Other liabilities	**(102)**	(59)	(73)
Transactions			
Interest and similar income	**(215)**	(204)	5
Interest expense and similar charges	**50**	106	(53)
Net fee and commission income	**—**	(18)	100
Gains and losses from banking and trading activities	**274**	(158)	>100
Other operating income	**(70)**	(36)	(94)
Operating expenditure	**40**	12	>100

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 and provisions for bad debts that related to balances and transactions with the ultimate parent company.

Notes

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

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

14. Related parties *(continued)*

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
14.4 Balances and transactions with fellow subsidiaries, associates and joint ventures of the ultimate parent company[2], [3]			
Balances			
Loans and advances to banks	**207**	221	(6)
Derivative assets	**—**	37	(100)
Nominal value of derivative assets	**2 650**	947	>100
Other assets	**157**	74	>100
Deposits from banks	**(939)**	(1 016)	8
Derivative liabilities	**(18)**	5	>(100)
Nominal value of derivative liabilities	**(2 132)**	(521)	>(100)
Other liabilities	**(318)**	61	>(100)
Transactions			
Net fee and commission income	**(25)**	(7)	>(100)
Other operating income	**—**	(3)	100
Operating expenditure	**12**	100	(88)

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] Restated, refer to note 23 for reporting changes.
[2] Debit amounts are shown as positive, credit amounts are shown as negative.
[3] Fellow subsidiaries, associates and joint ventures are those entities of Barclays Bank PLC.

	2013 (Audited) Rm	2012 (Audited) Rm	Change %
14.5 Balances and transactions with the parent company[1], [2]			
Balances			
Other assets	**—**	64	(100)
Deposits from banks	**(507)**	(708)	28
Transactions			
Dividend paid	**11 752**	5 921	(98)

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.

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
14.6 Balances and transactions with fellow subsidiaries[2], [3]			
Balances			
Cash, cash balances and balances with central banks	**(1)**	—	(100)
Loans and advances to banks	**196**	82	>100
Trading and hedging portfolio assets	**2 476**	27	>100
Loans to Group companies	**19 247**	10 956	75
Deposits from banks	**(3 921)**	(3 455)	(13)
Debt securities in issue	**(41)**	(242)	83
Transactions			
Interest and similar income	**(773)**	(476)	(63)
Interest and similar expense	**439**	615	29
Net fee and commission income	**(458)**	(418)	(10)
Gains and losses from banking and trading activities	**(1 115)**	1 905	>(100)
Gains and losses from investing activities	**1**	—	100
Other operating income	**(19)**	(32)	41
Operating expenditure	**57**	412	86

Notes
[1] Restated, refer to note 23 for reporting changes.
[2] Debit amounts are shown as positive, credit amounts are shown as negative.
[3] Balances and transactions between the bank and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

15. Assets under management and administration

	2013 (Audited) Rm	2012 (Audited) Rm	Change %
Alternative asset management and exchange-traded funds	**29 934**	20 665	45
Portfolio management	**6 147**	5 942	3
Unit trusts	**1 297**	551	>100
	37 378	27 158	38

16. Financial guarantee contracts

	2013 (Audited) Rm	2012 (Audited) Rm	Change %
Financial guarantee contract[1]	**3 790**	176	>100

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 defaulting on payment in accordance with the terms of the debt instrument. Represents the maximum off-statement of financial position exposure.

17. Commitments

	2013 (Audited) Rm	2012 (Audited) Rm	Change %
Authorised capital expenditure			
Contracted but not provided for[1]	**175**	208	(16)
Operating lease payments due[2]			
No later than one year	**820**	893	(8)
Later than one year and no later than five years	**1 417**	1 816	(22)
Later than five years	**230**	303	(24)
	2 467	3 012	(18)
Sponsorship payments due[3]			
No later that one year	**272**	289	(6)
Later than one year and no later than five years	**541**	884	(39)
	813	1 173	(31)

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. Certain sponsorships expired in 2013 and are under review by management for renewal in the foreseeable future.

18. Contingencies

	2013 (Audited) Rm	2012 (Audited) Rm	Change %
Guarantees[1]	**15 862**	15 540	2
Irrevocable debt facilities[2]	**46 679**	46 191	1
Irrevocable equity facilities[2]	**—**	543	(100)
Letters of credit	**5 666**	5 894	(4)
Other contingencies	**3**	6	(50)
	68 210	68 174	0

Notes

[1]Guarantees include performance and payment guarantee contracts.

[2]Irrevocable facilities are commitments to extend credit where the Bank does not have the right to 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.

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for the reporting period ended 31 December

19. Segment reporting

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
19.1 Headline earnings contribution by segment			
RBB	**6 641**	4 338	53
Retail Banking South Africa	**4 879**	3 404	43
Home Loans	**1 005**	(1 078)	>100
Vehicle and Asset Finance	**1 093**	820	33
Card	**1 802**	1 733	4
Personal Loans	**385**	587	(34)
Retail Bank	**594**	1 342	(56)
Business Banking South Africa	**1 762**	934	89
CIBW	**2 492**	2 546	(2)
Head office, inter-segment eliminations and Other	**(791)**	545	>(100)
Total banking	**8 342**	7 429	12
Financial Services[2]	**(76)**	(73)	(4)
Headline earnings	**8 266**	7 356	12

Notes

[1]Restated, refer to note 23 for reporting changes.

[2]Shareholders' expenses previously retained at bank level now charged to the business.

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
19.2 Total revenue[2] by segment			
RBB	**34 156**	31 818	7
Retail Banking South Africa	**25 826**	23 816	8
Home Loans	**3 981**	4 080	(2)
Vehicle and Asset Finance	**3 169**	3 022	5
Card	**6 074**	3 956	54
Personal Loans	**1 892**	2 010	(6)
Retail Bank	**10 710**	10 748	(0)
Business Banking South Africa	**8 330**	8 002	4
CIBW	**8 576**	7 788	10
Head office, inter-segment eliminations and Other	**(610)**	159	>(100)
Total revenue	**42 122**	39 765	6

Notes

[1]Restated, refer to note 23 for reporting changes.

[2]Revenue includes net interest income and non-interest income.

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for the reporting period ended 31 December

19. Segment reporting *(continued)*

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
19.3 Internal total revenue[2] by segment			
RBB	**(8 201)**	(8 998)	9
Retail Banking South Africa	**(10 017)**	(10 421)	4
Home Loans	**(11 075)**	(12 092)	8
Vehicle and Asset Finance	**(3 688)**	(3 463)	(6)
Card	**(913)**	(519)	(76)
Personal Loans	**(504)**	(523)	4
Retail Bank	**6 163**	6 176	(0)
Business Banking South Africa	**1 816**	1 423	28
CIBW	**12 058**	8 444	43
Head office, inter-segment eliminations and Other	**(1 931)**	(1 040)	(86)
Total internal revenue	**1 926**	(1 594)	>100

Notes
[1]Restated, refer to note 23 for reporting changes.
[2]Revenue includes net interest income and non-interest income.

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
19.4 Total assets by segment			
RBB	**615 471**	590 159	4
Retail Banking South Africa	**518 381**	504 208	3
Home Loans	**217 532**	222 419	(2)
Vehicle and Asset Finance	**80 284**	72 115	11
Card	**39 517**	36 842	7
Personal Loans	**13 436**	13 318	1
Retail Bank	**167 612**	159 514	5
Business Banking South Africa	**97 090**	85 951	13
CIBW	**487 902**	462 144	6
Head office, inter-segment eliminations and Other	**(314 002)**	(288 282)	(9)
Total banking	**789 371**	764 021	3
Financial Services	**—**	(101)	100
Total assets	**789 371**	763 920	3

Note
[1]Restated, refer to note 23 for reporting changes.

19. Segment reporting *(continued)*

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
19.5 Total liabilities by segment			
RBB	**608 100**	585 281	4
Retail Banking South Africa	**512 955**	500 318	3
Home Loans	**216 471**	223 432	(3)
Vehicle and Asset Finance	**78 673**	70 799	11
Card	**37 715**	35 109	7
Personal Loans	**13 051**	12 731	3
Retail Bank	**167 045**	158 247	6
Business Banking South Africa	**95 145**	84 963	12
CIBW	**484 729**	459 235	6
Head office, inter-segments eliminations and Other	**(360 793)**	(341 480)	(6)
Total banking	**732 036**	703 036	4
Financial Services	**76**	(28)	>(100)
Total liabilities	**732 112**	703 008	4

Note

[1]Restated, refer to note 23 for reporting changes.

20. Assets and liabilities not held at fair value

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

	2013 (Audited)		2012[1] (Audited)	
	Carrying value Rm	Fair value Rm	Carrying value Rm	Fair value Rm
Financial assets				
Balances with the South African Reserve Bank (SARB)	12 417	12 417	12 338	12 338
Coins and bank notes	8 665	8 665	8 094	8 094
Money market assets	5	5	3	3
Cash, cash balances and balances with central banks	21 087	21 087	20 435	20 435
Loans and advances to banks	39 162	39 162	32 678	32 678
Other assets	8 080	8 080	9 873	9 873
Retail Banking South Africa	340 690	340 527	334 095	341 206
Cheque accounts	2 015	2 015	1 892	1 892
Credit cards	27 830	27 830	25 855	25 855
Instalment credit agreements	63 600	63 297	57 317	58 693
Loans to associates and joint ventures	10 287	10 287	8 393	8 393
Mortgages	222 640	222 704	226 263	232 088
Personal and term loans	14 318	14 394	14 285	14 285
Business Banking South Africa	60 971	61 041	62 780	65 468
Cheque accounts	17 075	17 075	17 998	17 998
Commercial property finance	30 682	30 752	31 404	34 092
Instalment credit agreements	984	984	1 440	1 440
Loans to associates and joint ventures	559	559	627	627
Term loans	11 671	11 671	11 311	11 311
CIBW	121 682	115 879	101 219	101 219
Head office, inter-segment eliminations and Other	151	151	375	375
Loans and advances to customers – net of impairment losses	523 494	517 598	498 379	508 268
Loans to Group companies	19 247	19 340	10 956	10 956
Total assets	611 070	605 267	572 321	582 210
Financial liabilities				
Deposits from banks	51 833	48 621	28 109	28 111
Other liabilities	9 557	9 095	12 522	12 522
Call deposits	52 830	52 830	56 648	56 648
Cheque account deposits	139 146	139 145	139 795	139 795
Credit card deposits	1 914	1 914	1 938	1 938
Fixed deposits	116 420	116 462	107 733	108 174
Foreign currency deposits	14 108	14 108	9 723	9 723
Notice deposits	56 348	56 348	55 728	55 935
Other deposits	1 877	1 877	1 558	1 558
Savings and transmission deposits	87 865	87 865	75 532	75 532
Deposits due to customers	470 508	470 549	448 655	449 303
Debt securities in issue	93 595	93 596	101 482	101 482
Borrowed funds	15 762	16 308	17 129	18 414
Total liabilities	641 255	638 169	607 897	609 832

Note
[1]Restated, refer to note 23 for reporting changes.

21. Fair value hierarchy disclosures

21.1 Valuation methodology

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.

	2013 (Audited)			
Recurring fair value measurements	Valuations with reference to observable prices Level 1[1] Rm	Valuations based on observable inputs Level 2[1] Rm	Valuations based on un-observable inputs Level 3[2] 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	24 382	53 982	1 037	79 401
Debt instruments	23 928	174	873	24 975
Derivative assets	—	46 725	164	46 889
Commodity derivatives	—	242	—	242
Credit derivatives	—	258	11	269
Equity derivatives	—	729	—	729
Foreign exchange derivatives	—	7 016	39	7 055
Interest rate derivatives	—	38 480	114	38 594
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	**89 343**	**64 191**	**9 843**	**163 377**
Financial liabilities				
Deposits from banks	—	12 267	—	12 267
Trading and hedging portfolio liabilities	2 472	49 436	542	52 450
Derivative liabilities	—	49 436	542	49 978
Commodity derivatives	—	149	—	149
Credit derivatives	—	350	45	395
Equity derivatives	—	1 607	306	1 913
Foreign exchange derivatives	—	7 745	49	7 794
Interest rate derivatives	—	39 585	142	39 727
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**	**75 977**	**7 715**	**86 164**
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	101	1 297	460	1 857
Non-current liabilities held for sale	—	175	—	—

Notes

[1] The nature of the valuation techniques is summarised in note 21.2.

[2] The nature of the valuation techniques is summarised note 21.3

21. Fair value hierarchy disclosures *(continued)*

21.1 Valuation methodology *(continued)*

Recurring fair value measurements	2012 (Audited) Valuations with reference to observable prices Level 1[1] Rm	Valuations based on observable inputs Level 2[1] Rm	Valuations based on unobservable inputs Level 3[2] Rm	Total Rm
Financial assets				
Statutory liquid asset portfolio	63 017	3	—	63 020
Loans and advances to banks	—	9 729	—	9 729
Trading and hedging portfolio assets	24 106	62 283	952	87 341
Debt instruments	23 742	—	873	24 615
Derivative assets	1	52 169	79	52 249
Commodity derivatives	1	604	—	605
Credit derivatives	—	152	43	195
Equity derivatives	—	964	5	969
Foreign exchange derivatives	—	5 813	1	5 814
Interest rate derivatives	—	44 636	30	44 666
Equity instruments	362	141	—	503
Money market assets	1	9 973	—	9 974
Other assets	—	—	16	16
Loans and advances to customers	—	5 523	6 414	11 937
Investment securities	2 601	—	3 988	6 589
Total financial assets	89 724	77 538	11 370	178 632
Financial liabilities				
Deposits from banks	—	14 976	—	14 976
Trading and hedging portfolio liabilities	1 131	50 539	74	51 744
Derivative liabilities	5	50 539	74	50 618
Commodity derivatives	—	174	—	174
Credit derivatives	—	158	24	182
Equity derivatives	—	1 756	26	1 782
Foreign exchange derivatives	—	5 610	—	5 610
Interest rate derivatives	5	42 841	24	42 870
Short positions	1 126	—	—	1 126
Deposits due to customers	—	11 417	7 672	19 089
Debt securities in issue	—	3 254	187	3 441
Borrowed funds	778	—	—	778
Total financial liabilities	1 909	80 186	8 651	90 746
Non-financial assets				
Investment properties	—	—	331	331
Trading and hedging portfolio assets				
Commodities	514	—	—	514
Non-recurring fair value measurements				
Non-current assets held for sale	20	—	1 418	1 438
Non-current liabilities held for sale	—	—	177	177

Notes

[1]The nature of the valuation techniques is summarised in note 21.2.

[2]The nature of the valuation techniques is summarised in note 21.3.

21. Fair value hierarchy disclosures *(continued)*

21.1 Valuation methodology

21.1.1 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 ("IVC") team, which is independent of front office management.

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 team independently verifies the results of trading and investment operations and all significant fair value measurements. The team sources independent data from various external sources as well as internal risk areas when performing independent price verification for all fair value positions. IVC assesses and documents the inputs obtained from independent sources to measure fair value to support conclusions that such valuations are in accordance with IFRS and internal valuation policies.

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

Investment properties

Where possible the fair value of the Bank's investment property has been determined on the basis of a valuation carried out on the respective dates by independent valuators not related to the business. Where the Bank's internal valuations are different to that of the external valuers, detailed procedures are performed to substantiate any differences. The IVC independently verifies the procedures performed by front office and considers the appropriateness of any differences to external valuations. The fair value was determined based on the most appropriate methodology applicable to the relevant investment property. Methodologies include the market comparable approach that reflects recent transaction prices for similar properties, discounted cash flows and income capitalisation methodologies. In estimating that fair value of the properties, the highest and best use of the properties is taken into account.

21.1.2 Significant transfers between levels

During the reporting period trading portfolio assets to the value of R237 million as well as trading portfolio liabilities of R165 million 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.

21.2 Valuation techniques using observable inputs

Level 1

Assets and liabilities 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.

Level 2

Assets and liabilities valued using inputs other than quoted prices as described above for Level 1, but which are observable for the asset or liability, either directly or indirectly.

21.3 Valuation techniques using unobservable inputs

Level 3

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.

21. Fair value hierarchy disclosures *(continued)*

21.4 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.

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.

21.5 Third-party credit enhancements

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

21. Fair value hierarchy disclosures *(continued)*

21.6 Movements on assets and liabilities subsequently measured at fair value using valuations based on unobservable inputs (Level 3)

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

	2013 (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[1]	237	—	—	—	—	237
Closing balance at the end of the reporting period	1 037	16	6 477	2 313	240	10 083

	2012 (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	1 072	16	6 821	6 184	1 840	15 933
Movement in other comprehensive income	—	—	—	—	—	—
Net interest income	(10)	—	11	32	—	33
Other income	—	—	—	—	(154)	(154)
Gains and losses from banking and trading activities	70	—	741	175	—	986
Gains and losses from investment activities	—	—	—	(215)	—	(215)
Purchases	33	—	630	114	—	777
Sales	(46)	—	(869)	(2 083)	(43)	(3 041)
Issues	39	—	154	—	—	193
Settlements	(102)	—	(1 074)	(108)	—	(1 284)
Transferred to/(from) assets	—	—	—	(111)	(1 312)	(1 423)
Movement in/(out) of Level 3	(104)	—	—	—	—	(104)
Closing balance at the end of the reporting period	952	16	6 414	3 988	331	11 701

Note

[1] Transfers into Level 3 principally relates to equity securities for which there are no longer a quoted price in an active market and for which the significant inputs to determine fair value is unobservable.

21. Fair value hierarchy disclosures *(continued)*

21.6 Movements on assets and liabilities subsequently measured at fair value using valuations based on unobservable inputs (Level 3) *(continued)*

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

	2013 (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
Movement in other comprehensive income	—	—	—	—
Net interest income	—	9	—	9
Other Income	—	—	—	—
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
Issues	—	—	—	—
Settlements	—	(1 149)	—	(1 149)
Transferred to/(from) liabilities	—	—	—	—
Movement in/(out) of Level 3[1]	165	—	—	165
Closing balance at the end of the reporting period	542	7 138	35	7 715

	2012 (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	199	7 612	209	8 020
Movement in other comprehensive income	—	—	—	—
Net interest income	—	—	—	—
Other income	—	—	—	—
Gains and losses from banking and trading activities	1	735	7	743
Gains and losses from investment activities	—	—	—	—
Purchases	27	—	—	27
Sales	—	—	—	—
Issues	3	920	—	923
Settlements	(6)	(1 595)	(29)	(1 630)
Transferred to/(from) liabilities	—	—	—	—
Movement in/(out) of Level 3	(150)	—		(150)
Closing balance at the end of the reporting period	74	7 672	187	7 933

Note

[1]Transfers into Level 3 principally relates to equity securities for which there are no longer a quoted price in an active market and for which the significant inputs to determine fair value is unobservable.

21. Fair value hierarchy disclosures *(continued)*

21.7 Unrealised gains and losses on Level 3 positions

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

	2013 (Audited)						
	Trading and hedging portfolio assets Rm	**Other 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**

	2012 (Audited)						
	Trading and hedging portfolio assets Rm	Other 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
Net interest income	—	—	29	7	—	—	36
Gains and losses from banking and trading activities	30	—	437	316	—	—	783
Gains and losses from investment activities	—	—	—	(215)	—	—	(215)
	30	—	466	108	—	—	604

	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)**

	2012 (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	(1)	—	(735)	—	(736)
	(1)	—	(735)	—	(736)

21. Fair value hierarchy disclosures *(continued)*

21.8 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 (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:

	2013 (Audited) Rm	2012 (Audited) Rm
Opening balance at the beginning of the reporting period	(93)	(51)
New transactions	17	38
Amounts recognised in the profit and loss component of the statement of comprehensive income during the reporting period	(9)	(80)
Closing balance at the end of the reporting period	(85)	(93)

21.9 Sensitivity analysis of valuations using unobservable inputs

As part of the Group'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.

	Potential effect recorded in profit or loss		Potential effect recorded directly in equity	
	Favourable Rm	Unfavourable Rm	Favourable Rm	Unfavourable Rm
Trading and hedging portfolio assets	43	43	—	—
Other assets	2	2	—	—
Loans and advances to customers	1 202	159	—	—
Investment securities	122	122	—	—
Investment properties	1	1	—	—
Trading and hedging portfolio liabilities	13	5	—	—
Deposits due to customers	224	223	—	—
	1 607	555	—	—

	Potential effect recorded in profit and loss		Potential effect recorded directly in equity	
	Favourable Rm	Unfavourable Rm	Favourable Rm	Unfavourable Rm
Trading and hedging portfolio assets	131	123		
Loans and advances to customers	245	306	—	—
Investment securities	1 527	1 735	5	4
Trading and hedging portfolio liabilities	65	61	—	—
Other liabilities	2	2	—	—
Deposits due to customers	122	122	—	—
Debt securities in issue	59	59	—	—
	2 151	2 408	5	4

21. Fair value hierarchy disclosures *(continued)*

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

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 in 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 others)	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
Investment properties	Selling price per unit Selling price escalations per year Rental income per unit Rental escalations per year Expenses ratios Vacancy rates Income capitalisation rates Risk adjusted rates	15/15%

21.10 Measurement of financial instruments at Level 2

The table below sets out information about the valuation techniques used at the end of the reporting period in measuring financial instruments categorised as Level 2 in the fair value hierarchy.

Category of asset/liability	Valuation techniques applied	Significant observable inputs	Fair value of asset/liability Rm
Loans and advances to banks	Discounted cash flow	Interest rate curves, money market curves	6 140
Trading and hedging portfolio assets			
Debt instruments	Discounted cash flow	Underlying price of market traded instruments and interest rates.	174
Derivatives assets			46 725
Commodity derivatives	Discounted cash flow model, option pricing models, futures pricing model, ETF model	Spot price (physical or futures), interest rates, volatility	242
Credit derivatives	Discounted cash flow model, credit default swap model (hazard rate model)	Interest rate, recovery rate, credit spread, quanto ratio	258
Equity derivatives	Discounted cash flow model, option pricing models, futures pricing model	Spot price, interest rate, volatility, dividend stream	729
Foreign exchange derivatives	Discounted cash flow model, option pricing models	Spot price, interest rate, volatility	7 016
Interest rate derivatives	Discounted cash flow model, option pricing models	Interest rate curves, repo curves, money market curves, volatility	38 480
Equity instruments	Net asset value	Underlying price of market traded instruments	77
Money market assets	Discounted cash flow	Money market rates and interest rates	7 006
Loans and advances to customers	Discounted cash flow	Interest rate curves, money market curves	4 069
Deposits from banks	Discounted cash flow	Interest rate curves and money market curves	12 267

21. Fair value hierarchy disclosures *(continued)*

21.10 Measurement of financial instruments at Level 2 *(continued)*

Category of asset/liability	Valuation techniques applied	Significant observable inputs	Fair value of asset/liability Rm
Trading and hedging portfolio liabilities			
Derivative liabilities			49 436
Commodity derivatives	Discounted cash flow model, option pricing models, futures pricing model, ETF model	Spot price (physical or futures), interest rates, volatility	149
Credit derivatives	Discounted cash flow model, credit default swap model (hazard rate model)	Interest rate, recovery rate, credit spread, quanto ratio	350
Equity derivatives	Discounted cash flow model, option pricing models, futures pricing model	Spot price, interest rate, volatility, dividend stream	1 607
Foreign exchange derivatives	Discounted cash flow model, option pricing models	Spot price, interest rate, volatility	7 745
Interest rate derivatives	Discounted cash flow model, option pricing models	Interest rate curves, repo curves, money market curves, volatility	39 585
Deposits due to customers	Discounted cash flow	Interest rate curves and money market curves	10 725
Debt securities in issue	Discounted cash flow	The underlying price of the market traded instrument and interest rate curves	3 549

21.11 Measurement of financial instruments at Level 3

The table below sets out information about significant unobservable inputs used at the end of the reporting period in measuring financial instruments 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	Fair value measurement sensitivity to the unobservable inputs	Fair value of asset/liability Rm
Loans and advances to customers	Discounted cash flow, and dividend yield models	Credit ratings	Credit spreads vary between 1,35% and 7,5%	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 the fair value.	6 477
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	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 the fair value.	2 313

21. Fair value hierarchy disclosures *(continued)*

21.11 Measurement of financial instruments at Level 3 *(continued)*

Category of asset/liability	Valuation techniques applied	Significant unobservable inputs	Range of estimates utilised for the unobservable inputs	Fair value measurement sensitivity to the unobservable inputs	Fair value of asset/liability Rm
Trading and hedging portfolio assets *(continued)*					
Debt instruments	Discounted cash flow	Credit spreads used in the calculation of the counterparty of credit risk adjustments	0% to 3,5%	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 the fair value.	873
Derivative assets					164
Credit derivatives	Discounted cash flow model, credit default swap model (hazard rate model)	Illiquid credit curves, recovery rates, quanto ratio	0% to 3,5%	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 the fair value.	11
Foreign exchange derivatives	Discounted cash flow model, option pricing models	African basis curves > 1 year	-2,5% to 1,7%	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 the fair value.	39
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, Repo curves > 1 year)	-1,5% to 8,3%	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 the fair value.	114
Deposits due to customers	Discounted cash flow	ZAR MM funding spread greater than five years	0,85% to 1,2%	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 the fair value.	7 138
Debt securities in issue	Discounted cash flow	Credit spread	10 to 20 basis points	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 the fair value.	35
Trading and hedging portfolio liabilities					
Derivative liabilities					542

21. Fair value hierarchy disclosures *(continued)*

21.11 Measurement of financial instruments at Level 3 *(continued)*

Category of asset/liability	Valuation techniques applied	Significant unobservable inputs	Range of estimates utilised for the unobservable inputs	Fair value measurement sensitivity to the unobservable inputs	Fair value of asset/liability Rm
Trading and hedging portfolio liabilities *(continued)*					
Credit derivatives	Discounted cash flow model, credit default swap model (hazard rate model)	Illiquid credit curves, recovery rates, quanto ratio	0% to 3,5%	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 the fair value.	45
Equity derivatives	Discounted cash flow model, option pricing models, futures pricing model	Volatility, dividend streams > 3 years	16,9% to 37,2%	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 the fair value.	306
Foreign exchange derivatives	Discounted cash flow model, option pricing models	African basis curves > 1 year	-2,5% to 1,7%	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 the fair value.	49
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, Repo curves > 1 year)	-1,5% to 8,3%	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 the fair value.	142

21.12 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	Fair value measurement sensitivity to the unobservable inputs	Fair value of asset/liability Rm
Investment properties	Discounted cash flow	Estimates of periods in which rental units will be disposed of	2 – 7 years	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 the fair value.	240
		Selling price escalations per year	0% to 6%		
		Expense rates	22% to 15%		
		Vacancy rates	2% to 15%		
		Income capitalisation	10% to 12%		
		Risk adjusted discount rates	14% to 16%		

22. Offsetting financial assets and financial liabilities

In accordance with IAS 32 Financial Instruments: Presentation ("IAS 32"), the Bank reports financial assets and financial liabilities, on a net basis on the statement of financial position only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. Where relevant, the Bank reports derivative financial instruments and reverse repurchase and repurchase agreements and other similar secured lending and borrowing agreements on a net basis.

The following table shows the impact of netting arrangements on the statement of financial position for recognised financial assets and liabilities that are reported net on the statement of financial position and those derivative financial instruments and reverse repurchase and repurchase agreements and other similar lending and borrowing agreements that are subject to enforceable master netting arrangements or similar agreements which did not qualify for presentation on a net basis. The table also shows potential netting not recognised on the statement of financial position that results from arrangements that do not meet all the IAS 32 netting criteria, because there is no intention to net settle or realise simultaneously, and related financial collateral that mitigates credit risk.

The net amounts presented 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.

	2013 (Audited)							
	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	46 278	(1 667)	44 611	(37 580)	(3 981)	3 050	2 278	46 889
Reverse repurchase agreements and other similar secured lending	37 031	(14 419)	22 612	—	(22 612)	—	—	22 612
Total assets	83 309	(16 086)	67 223	(37 580)	(26 593)	3 050	2 278	69 501
Derivative financial liabilities	(46 835)	550	(46 285)	37 580	256	(8 449)	(3 693)	(49 978)
Repurchase agreements and other similar secured borrowing	(18 204)	—	(18 204)	—	18 204	—	—	(18 204)
Total liabilities	(65 039)	550	(64 489)	37 580	18 460	(8 449)	(3 693)	(68 182)

Notes

(1)Amounts offset for derivative financial liabilities includes cash collateral netted of R1 117 million (2012: R2 332 million). Amounts offset for reverse repurchase agreements relates to a short sale financial liability of R14 419 million (2012: R11 424 million). 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 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.

(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 the 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 in the statement of financial position which are subject to enforceable netting arrangements and Amounts not subject to enforceable netting arrangements.

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

	2012[1] (Audited)							
	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	53 962	(3 997)	49 965	(43 678)	(3 152)	3 135	2 284	52 249
Reverse repurchase agreements and other similar secured lending	30 055	(11 424)	18 631	—	(18 631)	—	—	18 631
Total assets	84 017	(15 421)	68 596	(43 678)	(21 783)	3 135	2 284	70 880
Derivative financial liabilities	(49 153)	1 666	(47 487)	43 678	169	(3 640)	(3 131)	(50 618)
Repurchase agreements and other similar secured borrowing	(15 180)	—	(15 180)	—	15 180	—	—	(15 180)
Total liabilities	(64 333)	1 666	(62 667)	43 678	15 349	(3 640)	(3 131)	(65 798)

Offsetting and collateral arrangements

Derivative assets and liabilities

Credit risk is mitigated where possible through netting agreements, such as the International Swaps and Derivatives Association ("ISDA") Master Agreement or derivative exchange or clearing counterparty agreements, whereby all outstanding transactions with the same counterparty can 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, often daily, for the net exposure between counterparties where possible to further mitigate credit risk.

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

Credit risk is mitigated where possible through netting agreements such as global master repurchase agreements and global master securities lending agreements whereby all outstanding transactions with the same counterparty can 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 is obtained and typically comprises highly liquid securities which are legally transferred and can be liquidated in the event of counterparty default.

Notes

(1)Restated, refer to note 23 for reporting changes. 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 margin 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 this note.

(2)Amounts offset for derivative financial liabilities includes cash collateral netted of R2 332 million. Amounts offset for reverse repurchase agreements relates to a short sale financial liability of R11 424 million. No other significant recognised financial assets and liabilities were offset on the statement of financial position.

(3)Net amounts reported in the statement of financial position comprises exposure that has been netted in 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 on 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 are subject to enforceable netting arrangements and Amounts not subject to enforceable netting arrangements.

23. Reporting changes

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

1. The implementation of new International Financial Reporting Standards ("IFRS"), specifically IFRS 10 Consolidated Financial Statements ("IFRS 10") and IAS 19 Employee Benefits (amended 2011) ("IAS 19R"). All other amendments to IFRS effective for the current reporting period have had no significant impact on the Bank's reported results.
2. Certain changes in internal accounting policies.
3. Business portfolio changes between operating segments including the allocation of elements of the Head office segment to business segments.

The implementation of new IFRS impacts the net financial results of the Bank. The changes in the Bank's internal accounting policies impacts the individual lines on which the income or costs are accounted for but not the net financial results of the Bank. The inter-segmental changes for Head office allocations and portfolio changes affect the reported results of the individual businesses in the segment report, but have no impact on the Bank's primary statements.

23.1 Accounting policy changes due to new IFRS

IFRS 10 and IAS 19R became effective for annual periods beginning on or after 1 January 2013 and resulted in restatement of the Bank's results for the reporting period ended 31 December 2011 and 2012.

IFRS 10

IFRS 10 replaces the requirements of IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. The standard introduces new criteria to determine whether entities in which the Bank has interests should be consolidated.

Implementation of this new standard results in the Bank consolidating a small number of entities that were previously not consolidated and deconsolidating a small number of entities that were previously consolidated.

IAS 19R

IAS 19R amends the requirements of IAS 19 Employee Benefits. The standard introduces a number of changes relating to defined benefit plans. For the Bank, the main impacts of implementing IAS 19R were the removal of the recognition of expected returns on plan assets within profit or loss in favour of interest income on plan assets being recognised in profit or loss at the rate used to discount the pension fund obligation and the recognition of interest cost on reserves owing to members in profit or loss. In addition, some benefits previously classified as short-term benefits are reclassified as long-term benefits.

23.2 Internal accounting policy changes

The Bank elected to make 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 periods have been restated.

- ➜ The Bank elected to change its accounting policy in terms of best practice and to better align with Barclays' internal accounting policies in terms of:
  - "Collection costs" – costs incurred in the follow up and collection of outstanding and overdue balances, previously recognised as part of "operating expenses" and fee expenses, within "net fee and commission income", have been reclassified to recoveries within the "impairment losses on loans and advances" line in the statement of comprehensive income.
  - "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".

23. Reporting changes *(continued)*

Condensed consolidated statement of financial position as at 31 December 2011

Statement of financial position	As previously reported[1] Rm	IFRS accounting policy changes[2] Rm	Restated Rm
Assets			
Cash, cash balances and balances with central banks	19 505	—	19 505
Statutory liquid asset portfolio	57 473	—	57 473
Loans and advances to banks	55 870	2	55 872
Trading portfolio assets	79 603	71	79 674
Hedging portfolio assets	4 299	—	4 299
Other assets	11 459	(139)	11 320
Current tax assets	84	—	84
Non-current assets held for sale	35	—	35
Loans and advances to customers	488 332	(988)	487 344
Loans to Group companies	7 164	(1 436)	5 728
Investment securities	8 331	56	8 387
Investments in associates and joint ventures	412	—	412
Investment properties	1 840	—	1 840
Property and equipment	7 268	—	7 268
Goodwill and intangible assets	700	—	700
Deferred tax assets	61	—	61
Total assets	742 436	(2 434)	740 002
Liabilities			
Deposits from banks	44 702	67	44 769
Trading portfolio liabilities	49 232	—	49 232
Hedging portfolio liabilities	2 456	—	2 456
Other liabilities	10 536	(33)	10 503
Provisions	1 457	—	1 457
Current tax liabilities	255	—	255
Deposits due to customers	431 762	507	432 269
Debt securities in issue	128 051	(1 394)	126 657
Loans from Group companies	1 438	(1 438)	—
Borrowed funds	14 051	—	14 051
Deferred tax liabilities	1 104	(40)	1 064
Total liabilities	685 044	(2 331)	682 713
Equity			
Capital and reserves			
Attributable to equity holder:			
Ordinary share capital	303	—	303
Ordinary share premium	11 465	—	11 465
Preference share capital	1	—	1
Preference share premium	4 643	—	4 643
Retained earnings	37 219	(105)	37 114
Other reserves	3 603	2	3 605
	57 234	(103)	57 131
Non-controlling interest -ordinary shares	158	—	158
Total equity	57 392	(103)	57 289
Total liabilities and equity	742 436	(2 434)	740 002

Notes

(1)Column refers to the amounts published on 12 February 2013.

(2)Included in these adjustments is the impact of IAS 19, reflecting a credit to "other assets" of R138 million, a debit to "deferred tax liabilities" of R39 million and a debit to "retained earnings" of R99 million. The remaining adjustments relate to the implementation of IFRS 10.

23. Reporting changes *(continued)*

Condensed consolidated statement of financial position as at 31 December 2012

	As previously reported[(1)] Rm	IFRS accounting policy changes[(2)] Rm	Consolidation adjustments[(3)] Rm	Restated Rm
Assets				
Cash, cash balances and balances with central banks	20 435	—	—	20 435
Statutory liquid asset portfolio	63 020	—	—	63 020
Loans and advances to banks	42 405	2	—	42 407
Trading portfolio assets	82 302	114	—	82 416
Hedging portfolio assets	5 439	—	—	5 439
Other assets	11 362	—	(228)	11 134
Current tax assets	35	(1)	—	34
Non-current assets held for sale	1 438	—	—	1 438
Loans and advances to customers	511 179	(863)	—	510 316
Loans to Group companies	10 777	(49)	228	10 956
Investment securities	6 363	226	—	6 589
Investment in associates and joint ventures	562	—	—	562
Investment properties	331	—	—	331
Property and equipment	7 653	—	—	7 653
Goodwill and intangible assets	1 160	—	—	1 160
Deferred tax assets	30	—	—	30
Total assets	764 491	(571)	—	763 920
Liabilities				
Deposits from banks	42 936	149	—	43 085
Trading portfolio liabilities	47 889	—	—	47 889
Hedging portfolio liabilities	3 855	—	—	3 855
Other liabilities	14 431	87	(49)	14 569
Provisions	1 394	—	—	1 394
Current tax liabilities	59	(1)	—	58
Non-current assets held for sale	177	—	—	177
Deposits due to customers	467 318	426	—	467 744
Debt securities in issue	106 188	(1 265)	—	104 923
Loans from Group companies	—	(49)	49	—
Borrowed funds	17 907	—	—	17 907
Deferred tax liabilities	1 411	(4)	—	1 407
Total liabilities	703 565	(557)	—	703 008
Equity				
Capital and reserves				
Attributable to equity holder:				
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	38 025	(14)	—	38 011
Other reserves	5 441	—	—	5 441
	60 878	(14)	—	60 864
Non-controlling interest	48	—	—	48
Total equity	60 926	(14)	—	60 912
Total liabilities and equity	764 491	(571)	—	763 920

Notes

(1) Column refers to the amounts published on 12 February 2013.

(2) Included in these adjustments is the impact of IAS 19, reflecting a credit to "other assets" of R138 million, a debit to "deferred tax liabilities" of R39 million and a debit to "retained earnings" of R99 million. The remaining adjustments relate to the implementation of IFRS 10.

(3) Adjustments to bring certain balances in Absa Bank Limited in line with fellow subsidiaries of Barclays Africa Group Limited as a result of the combination of Absa Group Limited and Barclays Africa operations.

23. Reporting changes *(continued)*

Condensed consolidated statement of comprehensive income for the annual reporting period ended 31 December 2012

	As previously reported[1] Rm	IFRS accounting policy changes[2] Rm	Accounting policy changes Rm	Restated Rm
Net Interest Income	21 995	(119)	—	21 876
Interest and similar income	48 682	(167)	—	48 515
Interest expense and similar charges	(26 687)	48	—	(26 639)
Impairment losses on loans and advances	(7 918)	—	(104)	(8 022)
Net interest income after impairment losses on loans and advances	14 077	(119)	(104)	13 854
Non-interest income	17 870	105	(86)	17 889
Net fee and commission income	13 759	—	(86)	13 673
Fee and commission income	14 890	—	—	14 890
Fee and commission expense	(1 131)	—	(86)	(1 217)
Gains and losses from banking and trading activities	3 543	108	—	3 651
Gains and losses from investment activities	20	—	—	20
Other operating income	548	(3)	—	545
Operating income before operating expenditure	31 947	(14)	(190)	31 743
Operating expenditure	(21 967)	(81)	190	(21 858)
Operating expenses	(21 088)	(81)	190	(20 979)
Other impairments	(344)	—	—	(344)
Indirect taxation	(535)	—	—	(535)
Share of post-tax results of associates and joint ventures	240	—	—	240
Operating profit before income tax	10 220	(95)	—	10 125
Taxation expense	(2 669)	26	—	(2 643)
Profit for the reporting period	7 551	(69)	—	7 482

Notes

[1]Column refers to the amounts published on 12 February 2013.

[2]Included in these adjustments is the impact of IAS 19, reflecting a credit to "other assets" of R138 million, a debit to "deferred tax liabilities" of R39 million and a debit to "retained earnings" of R99 million. The remaining adjustments relate to the implementation of IFRS 10.

23. Reporting changes *(continued)*

Condensed consolidated statement of comprehensive income for the annual reporting period ended 31 December 2012 *(continued)*

	As previously reported[1] Rm	IFRS accounting policy changes[2] Rm	Accounting policy changes Rm	Restated Rm
Profit for the reporting period	7 551	(69)	—	7 482
Other comprehensive income				
Items that will not be reclassified to the profit or loss component of the statement of comprehensive income:				
Movement in retirement benefit fund assets and liabilities	(201)	158	—	(43)
Decrease in retirement benefit surplus	(279)	218	—	(61)
Deferred tax	78	(60)	—	18
Total items that will not be reclassified to the profit or loss component of the statement of comprehensive income	(201)	158	—	(43)
Foreign exchange differences on translation of foreign operations	183	—	—	183
Movement in cash flow hedging reserve	405	—	—	405
Fair value gains arising during the reporting period	2 650	—	—	2 650
Amount removed from other comprehensive income and recognised in the profit or loss component of the statement of comprehensive income	(2 088)	—	—	(2 088)
Deferred tax	(157)	—	—	(157)
Movement in available-for-sale reserve	1 101	—	—	1 101
Fair value gains arising during the reporting period	1 524	—	—	1 524
Amortisation of government bonds – release to profit or loss component of the statement of comprehensive income	10	—	—	10
Deferred tax	(433)	—	—	(433)
Total items that will not be reclassified to the profit or loss component of the statement of comprehensive income	1 689	—	—	1 689
Total comprehensive income for the reporting period	9 039	89	—	9 128
Profit attributable to:				
Ordinary equity holder	7 272	(69)	—	7 203
Preference equity holders	295	—	—	295
Non-controlling interest	(16)	—	—	(16)
	7 551	(69)	—	7 482
Total comprehensive income attributable to:				
Ordinary equity holder	8 760	89	—	8 849
Preference equity holders	295	—	—	295
Non-controlling interest	(16)	—	—	(16)
	9 039	89	—	9 128

Notes

[1]Column refers to the amounts published on 12 February 2013.

[2]Included in these adjustments is the impact of IAS 19, reflecting a credit to "other assets" of R138 million, a debit to "deferred tax liabilities" of R39 million and a debit to "retained earnings" of R99 million. The remaining adjustments relate to the implementation of IFRS 10.

Salient features

- Diluted headline earnings per share (HEPS) increased 11% to 2 180,4 cents.
- Pre-provision profit decreased 2% to R19 billion.
- Return on equity (RoE) increased to 15,5% from 13,5%.
- Declared a cash dividend to preference shareholders of R147,3 million (2 979,3 cents per share).
- Revenue grew 6% to R42 122 million.
- Net interest margin (on average interest-bearing assets) rose to 3,64% from 3,54%.
- Non-interest income increased 4% to R18 557 million and accounted for 44,1% of total revenue.
- Operating expenses grew 12% to R23 560 million, increasing the cost-to-income ratio to 55,9% from 52,8%.
- Loans and advances to customers grew 5% to R534 billion, while deposits due to customers increased 4% to R488 billion.
- Credit impairments declined 27% to R5 881 million, resulting in a 1,14% credit loss ratio, down from 1,60% in 2012.
- Non-performing loans (NPLs) improved to 4,5% of gross loans and advances to customers from 5,7%.
- Return on risk-weighted assets (RoRWA) increased to 1,98% and return on assets (RoA) improved to 1,08% from 1,90% and 0,96% respectively.
- Net asset value (NAV) per share dropped to 13 721 cents, despite paying R12,0 billion in dividends during the period.
- Absa Bank's Common Equity Tier 1 (CET1) capital adequacy ratio was 11,0%, well above regulatory requirements and our board targets.

Overview of results

Absa Bank Limited's headline earnings increased 12% to R8 266 million from R7 356 million and attributable profit grew 17% to R8 439 million. Diluted HEPS also increased 11% to 2 180,4 cents from 1 960,0 cents. The Bank's RoE improved to 15,5% from 13,5%, comfortably above its 13,0% cost of equity. A total cash dividend to preference shareholders of R147,3 million (2 979,3 cents per share) was declared.

Improved credit impairments, particularly in retail mortgages and commercial property finance, was the principal reason for higher earnings. However, pre-provision profit decreased 2% to R19 billion, as revenue growth improved in the second half, while remaining below cost growth that included substantial investment spend.

Retail and Business Banking's (RBB) headline earnings increased 53% to R6 641 million, due largely to lower credit impairments. Corporate, Investment Bank and Wealth's (CIBW) headline earnings decreased 2% to R2 492 million.

Operating environment

Global growth recovered steadily in 2013, supported for the first time since the global financial crisis by developed market economies, while emerging markets' growth slowed. Central banks maintained their accommodative monetary policy stance, with some cutting interest rates and others injecting liquidity into the financial system. South Africa's economic growth remained modest and uneven, affected largely by subdued global demand and protracted industrial action in key sectors. Household consumption growth slowed further in 2013, reflecting deteriorating household balance sheets, a lacklustre job market, subdued confidence, rising inflation and moderating real wage growth. Consumer appetite for credit waned as credit extension to households slowed from 10,0% at the beginning of 2013 to 5,5% in December. The rand exchange rate depreciated throughout the year, reaching a low of R/$10.53 in December after starting the year at R/$8.56. The South African economy looks to have grown by about 2% in 2013.

Bank performance

Statement of financial position

Total Bank assets increased 3% to R789,4 billion at 31 December 2013, largely due to 5% growth in loans and advances to customers and 7% higher loans and advances to banks.

Loans and advances to customers

Gross loans and advances to customers increased 5% to R546,8 billion. Retail Banking's gross loans grew 2% to R350,0 billion, given 12% growth in credit cards and 10% higher instalment credit agreements, offset by 2% lower mortgages. Business Banking's gross loans decreased 4%, due to 4% lower commercial property finance. CIBW gross loans increased 17%, given strong growth in foreign currency loans and corporate overdrafts.

Funding

The Bank maintained its strong liquidity position, growing deposits due to customers 4% to R448,4 billion. Debt securities in issue declined 7% to R97,2 billion. The funding tenor also remained robust with an average long-term funding ratio of 24,3% for the period, from 26,5% in 2012. Deposits due to customers contributed 75,2% to total funding, while the proportion of debt securities in issue dropped to 15% from 17%. Retail Banking maintained its leading market share, increasing deposits 6% to R134,8 billion. Business Banking's deposits grew 11%, largely due to 57% growth in savings and transmission deposits. CIBW's deposits increased 2%, due to 8% growth in fixed deposits. The Bank's loans-to-deposits ratio improved to 91,2% from 89,1%.

Bank performance *(continued)*

Net asset value

The Bank's NAV declined to R52,6 billion, as it generated retained earnings of R15,6 billion in the period, which was offset by paying R12,0 billion in dividends. The Bank's NAV per share decreased to 13 721 cents.

Capital to risk-weighted assets

The Bank's risk-weighted assets were R405,9 billion at 31 December 2013, due to 5% growth in loans and advances to customers and implementing Basel III from 1 January 2013, partially offset by various RWA optimisation initiatives. Its capital levels remain above board targets and regulatory requirements. Absa Bank's CET1 and Tier 1 capital adequacy ratios were 11,0% and 12,0% respectively. The Bank's total capital ratio was 15,6%, above our board target of 12,0% to 13,5%.

Statement of comprehensive income

Net interest income

Net interest income increased 8% to R23 565 million from R21 876 million, and average interest-bearing assets grew 5%. The net interest margin improved to 3,64% from 3,54%, largely due to including the Edcon portfolio for the full year and CIBW's improved margin. The deposit margin decreased due to lower average rates and competition, with the contributions from hedging and the endowment also declining.

Impairment losses on loans and advances

Credit impairments fell 27% to R5 881 million from R8 022 million, resulting in a lower credit loss ratio of 1,14% from 1,60%. Total NPL coverage improved further to 39,1% from 36,0%.

RBB's credit impairment dropped 27% to R5 751 million, a 1,44% credit loss ratio from 2,03%. Retail Banking's credit impairments fell 24% to R4 854 million, improving its credit loss ratio to 1,44% from 1,96%. As expected, the credit loss ratio for secured loans improved, while those of unsecured loans increased off a low base.

Home Loans credit impairments decreased 65% to R1 545 million from last year's elevated R4 453 million. Mortgages NPLs fell 28% to R13,5 billion, with a material improvement in the legal book. Mortgages coverage increased to 27,8% from 28,5%. Vehicle and Asset Finance's credit loss ratio improved to 0,80% from 1,08%, reflecting improved collections and lower NPLs.

Despite consumers remaining under pressure, Personal Loans' credit loss ratio was well within expectations at 6,23% from 5,00%, given the focus on existing customers and on further improving this book's risk profile. Card's charge increased to R1 884 million from R1 169 million, as the Edcon portfolio was included for a full year, from just two months in 2012. The credit impairment on the remaining Card book more than doubled to R509 million, which represents a 2.98% credit loss ratio from 1,25%. The Edcon portfolio's credit loss ratio increased to 11,86% from 9,56% in the first half, as its NPL cover improved to 81.0%.

Business Banking's credit impairments decreased 41% to R897 million, improving its credit loss ratio to 1,43% from 2,36%, largely due to lower commercial property finance provisions off a high base. While CIBW's charge remained relatively flat with its credit loss ratio just 0,12%.

Total NPLs have reduced by R5 247 million to 4,5% of gross loans and advances to customers at 31 December 2013 from 5,7% at 31 December 2012. Retail Banking's NPLs fell 19,3% to R18 993 million.

Non-interest income

Non-interest income increased 4% to R18 557 million from R17 889 million, with stronger growth in the second half. Net fee and commission income rose 5% to R14 421 million, largely due to 6% higher RBB income, while CIBW increased 3%.

Retail Banking's non-interest income grew 4% to R10 531 million. Excluding the Edcon portfolio it decreased 1%, due to fewer transaction accounts and deliberately migrating customers to lower priced Value Bundles. These were partially offset by strong growth in the Rewards programme, 7% growth in merchant income (to R1 973 million) and 14% growth in Home Loans' non-interest revenue.

Business Banking's non-interest income grew 14% to R3 051 million, predominantly due to a R308 million positive swing in income from equities following valuation writedowns in 2012. Net fee and commission income increased 2% to R2 859 million, reflecting 6 % growth in electronic banking fees and 3% in cash fees that outweighed lower cheque payment volumes.

CIBW's non-interest income increased 3% to R5 038 million, in part due to the sale of the Custody and Trustee business, although Corporate electronic banking fees grew 8% and Investment Banking's growth was strong. CIBW's net trading result decreased 8% to R3 094 million, reflecting difficult trading conditions in the second quarter and continued margin pressure in fixed income and foreign exchange.

Bank performance *(continued)*

Operating expenses

Operating expenses grew 12% to R23 560 million from R20 979 million, which increased the Bank's cost-to-income ratio to 55,9% from 52,8%. Excluding the Edcon portfolio, which was included for the full year, total costs grew 8%.

Staff costs increased 9% to R12 248 million to account for 52% of the total. Salaries and current service costs on post-retirement benefits grew 6%, due to slightly higher headcount and inflationary pressures. Total incentives increased 25%, after a reduction in the previous year and a substantial recovery in RBB earnings.

Non-staff costs increased 15,6% to R11 312 million. Optimising the Bank's property portfolio reduced property costs by 15% to R1 216 million, while leveraging Barclays' capabilities and systems, reduced information technology costs 9% to R1 760 million. Amortisation of intangible assets grew 47%, reflecting increased investment in systems.

Professional fees grew 86% to R1 257 million, which included substantially higher strategic initiative spend on project delivery and systems. Marketing costs grew 17% as the Bank's Prosper campaign was launched.

Retail Banking's operating expenses increased 14%, or 7% when excluding the Edcon portfolio. Business Banking's costs fell 2% due to a large decline in its Equities expenses. Excluding this, its costs increased 2%. CIBW's operating expenses increased 8% with continued investment in key growth areas.

Taxation

The Bank's taxation expense increased 24% to R3 284 million, slightly more than the growth in pre-tax profit, resulting in a 27,3% effective tax rate increase from 26,1% in 2012.

Prospects

We expect a continuation of the recovery in the global economy during 2014 as uncertainty around United States Federal Reserve tapering diminishes, fiscal headwinds abate, and monetary policy gains traction. We expect global GDP to expand by 3,5% after growth of around 3% in the prior two years. Domestically, although we expect a modest recovery in GDP growth to 2,7% in 2014, with the key risks being the impact on the consumer of higher inflation and policy rates, the impact on the economy of labour strikes and the weak rand, and the impact on markets from global monetary policy. We see low probability of GDP growth accelerating faster without major policy shifts, improved confidence levels, and/or an alleviation of binding energy and transportation infrastructure constraints.

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 (IFRS-IC), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act No 71 of 2008. The principal accounting policies applied are set out in the Bank's most recent annual consolidated financial statements.

The information disclosed in this SENS announcement 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 consideration 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, valuation of financial instruments, impairment of available-for-sale financial assets, consolidation of entities, post-retirement benefits and income taxes.

Accounting policies

The accounting policies applied in preparing the audited consolidated annual financial statements are the same as those in place for the reporting period ended 31 December 2012. The new and amended standards that became effective for the first time during the reporting period are specified in note 1.21 of the accounting policies contained in the most recent annual consolidated financial statements. These changes can be summarised as:

- the implementation of new IFRS standards specifically IFRS 10 Consolidated Financial Statements ("IFRS 10") and IAS 19 Employee Benefits (amended 2011) ("IAS 19R"); and
- certain changes in internal accounting policies.

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.

Auditors report

Ernst & Young Inc. and PricewaterhouseCoopers Inc., Absa Bank Limited's independent auditors, have audited the consolidated annual financial statements of Absa Bank Limited from which management prepared the condensed consolidated financial results. The auditors have expressed an unqualified audit opinion on the consolidated annual financial statements. The condensed consolidated financial results comprise the condensed consolidated statement of financial position at 31 December 2013, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed 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 Absa Bank Limited's registered office.

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

Directors' responsibility

This announcement is the responsibility of the directors of Absa Bank Limited and are based on extracts of audited financial information where relevant.

Events after the reporting period

The directors are not aware of any events occurring between the reporting date of 31 December 2013 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

10 February 2014

Declaration of preference share dividend number 16:

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%.

Notice is hereby given that preference dividend number 16, equal to 70% of the average prime rate for 1 September 2013 to 28 February 2014, per Absa Bank preference share has been declared for the period 1 September 2013 to 28 February 2014. The dividend is payable on Monday, 7 April 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, 4 April 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 September 2013 to 28 February 2014 would indicatively be 2 979,31507 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 R63 106 825,00 of STC credits (equivalent to 1 276,21597 cents per preference share), therefore 1 703, 09910 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 2 979,31507 cents per preference share for shareholders exempt from the dividend tax.
- The net local dividend amount is 2 723,85021 cents per preference share for shareholders liable to pay the dividend tax.
- 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 the JSE Limited, the following salient dates for the payment of the dividend are applicable:

Last day to trade cum dividend	Friday, 28 March 2014
Shares commence trading ex dividend	Monday, 31 March 2014
Record date	Friday, 4 April 2014
Payment date	Monday, 7 April 2014

Share certificates may not be dematerialised or rematerialised between Monday, 31 March 2014 and Friday, 4 April 2014, both dates inclusive. On Monday, 7 April 2014, the dividend will be electronically transferred to the bank accounts of certificated shareholders who use this facility.

In respect of those who do not, cheques dated 7 April 2014 will be posted on or about that date. The accounts of those shareholders who have dematerialised their shares (which are held at their participant or broker) will be credited on Monday, 7 April 2014.

On behalf of the board

N R Drutman
Company Secretary

Johannesburg
11 February 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

Registered office

7th Floor, Barclays Towers West
15 Troye Street, Johannesburg, 2001
PO Box 7735, Johannesburg, 2000
Telephone: (+27 11) 350 4000
Email: groupsec@barclaysafrica.com

Board of directors

Independent non-executive directors

C Beggs, Y Z Cuba, T Dingaan, S A Fakie, M J Husain,
T M Mokgosi-Mwantembe, T S Munday

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

South Africa

Computershare Investor Services Proprietary Limited
70 Marshall Street, Johannesburg, 2001
PO Box 61051, Marshalltown, 2107
Telephone: (+27 11) 370 5000
Telefax: (+27 11) 370 5271/2

ADR depositary

BNY Mellon
101 Barclay Street, 22W, New York, NY, 10286
Telephone: +1 212 815 2248

Auditors

PricewaterhouseCoopers Inc.
Ernst & Young Inc.

Sponsors

Lead independent sponsor

J. P. Morgan Equities South Africa Proprietary Limited
No 1 Fricker Road, Cnr. Hurlingham Road,
Illovo, Johannesburg, 2196
Private Bag X9936, Sandton, 2146
Telephone: (+27 11) 507 0300
Telefax: (+27 11) 507 0503

Joint sponsor

Absa Bank Limited (acting through its
Corporate and Investment Bank division)
15 Alice Lane, Sandton, 2196
Private Bag X10056, Sandton, 2146
Telephone (+27 11) 895 6843
Telefax: (+27 11) 895 7809

Shareholder contact information

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

Group Investor Relations

A M Hartdegen (Head Investor Relations)
Telephone: (+27 11) 350 2598
Email: investorrelations@barclaysafrica.com

Company Secretary

N R Drutman
Telephone: (+27 11) 350 5347
Email: groupsec@barclaysafrica.com

Other contacts

Group Finance

R Stromsoe (Head: Group Finance)
Telephone: (+27 11) 895 6365

Head office switchboard

Telephone: (+27 11) 350 4000

Website address

www.absa.co.za