

Notes to the financial statements

for the financial year ended 31 March 2014

continued

Note 39

Fair values of financial assets and liabilities continued

Reconciliation of balances in Level 3 of the fair value hierarchy

The following table reconciles the balances in Level 3 of the fair value hierarchy for the Consolidated Entity for the financial years ended 31 March 2014 and 31 March 2013:

	Trading portfolio assets \$m	Investment securities available for sale \$m
Balance at 1 April 2013	322	744
Purchases	354	583
Sales	(196)	(237)
Issues	–	49
Settlements	–	(3)
Transfers into Level 3	312	16
Transfers out of Level 3	(90)	(65)
Fair value gains/(losses) recognised in the income statement ⁽¹⁾	8	76
Fair value gains recognised in other comprehensive income ⁽¹⁾	–	61
Balance at 31 March 2014	710	1,224
Fair value gains/(losses) for the financial year included in the income statement for assets and liabilities held at the end of the financial year ⁽¹⁾	9	33
Balance at 1 April 2012	452	553
Purchases	298	196
Sales	(379)	(95)
Issues	–	–
Settlements	–	–
Transfers into Level 3	233	108
Transfers out of Level 3	(302)	(40)
Fair value gains/(losses) recognised in the income statement ⁽¹⁾	20	(13)
Fair value gains recognised in other comprehensive income ⁽¹⁾	–	35
Balance at 31 March 2013	322	744
Fair value gains/(losses) for the financial year included in the income statement for assets and liabilities held at the end of the financial year ⁽¹⁾	28	(5)

⁽¹⁾ The consolidated entity employs various hedging techniques in order to manage risks, including risks in Level 3 positions. Such techniques may include the purchase or sale of financial instruments that are classified as Levels 1 and/or 2. The realised and unrealised gains and losses for assets and liabilities in Level 3 presented in the table above do not reflect the related realised or unrealised gains and losses arising on economic hedging instruments classified in Level 1 and/or 2.

⁽²⁾ The derivative financial instruments in the table above are represented on a net basis. On a gross basis derivative assets are \$98 million (2013: \$68 million) and derivative liabilities are \$87 million (2013: \$45 million).