

IMPERIAL BANK

Annual Report 2007



Contents

1	Financial highlights and five-year review	2
2	Group vision and structure	3
3	Board of directors	4
4	Executive Committee	5
5	Chairman's review	6
6	Chief Executive Officer's report	8
7	Chief Financial Officer's report	20
8	Corporate governance	22
9	Risk management	24
10	Directors' approval	30
11	Independent auditor's report	31
12	Directors' report	32
13	Secretary's report	33
14	Accounting policies	34
15	Group financial statements	
15.1	Income statement	44
15.2	Balance sheet	45
15.3	Statement of changes in shareholders' equity	46
15.4	Cash flow statement	47
15.5	Operational and segmental reporting	48
15.6	Balance sheet classification of financial instruments	50
15.7	Notes to the financial statements	52
15.8	Analysis of investments in subsidiaries	81
15.9	Value-added statement	82
16	Company financial statements	
16.1	Income statement	84
16.2	Balance sheet	85
16.3	Statement of changes in shareholders' equity	86
16.4	Cash flow statement	87
16.5	Balance sheet classification of financial instruments	88
16.6	Notes to the financial statements	90
16.7	Analysis of investments in subsidiaries	119
16.8	Value-added statement	120
17	Analysis of preference shareholders	121
18	Capital adequacy report	122
19	Corporate information	inside back cover

Motor Finance



Property Finance



Supplier Asset Finance



Medical Finance



Imperial Bank Limited

Financial highlights and five-year review

for the year ended 31 December 2007

	2003** R'000	2004 R'000	2005 R'000	2006 R'000	2007 R'000	% increase over 2006
Balance sheet						
Total assets	12 957 801	16 905 694	21 813 999	30 400 161	38 228 338	26%
Gross loans and advances	12 049 020	16 012 913	20 258 257	28 358 203	36 222 383	28%
Capital and reserves	909 815	1 013 673	1 522 804	1 608 674	2 397 186	49%
Deposits	11 095 269	14 874 857	19 229 181	27 036 305	34 047 864	26%
Income statement						
Net interest income	527 848	641 641	804 164	1 078 629	1 491 359	38%
Profit before direct taxation	226 448	163 952	373 507	506 259	684 084	35%
Net profit after direct and indirect taxation	232 388	147 414	294 483	386 060	479 154	24%
Number of employees	566	751	793	873	1 003	15%
Ratios (%)						
Return on total average assets	2.1%	1.0%	1.5%	1.5%	1.4%	
Return on ordinary shareholders' equity	29.3%	15.3%	23.2%	24.7%	23.9%	
Non-interest revenue as a percentage of total income*	27.5%	11.7%	6.8%	6.9%	10.6%	
Efficiency	37.0%	42.9%	41.3%	35.4%	30.2%	
Impairments as a percentage of gross loans and advances	4.6%	4.9%	2.8%	2.2%	2.5%	
Impairment charge as a percentage of average gross loans and advances	2.3%	1.7%	0.6%	0.9%	1.3%	
Capital adequacy	12.0%	10.2%	10.2%	10.5%	10.6%	

* NRB Risk Solutions (Pty) Ltd (NRB) earned non-interest revenue (commission income) on the recovery of the books acquired from Saambou Bank in 2003.

** 2003 has not been restated for International Financial Reporting Standards.

Vision

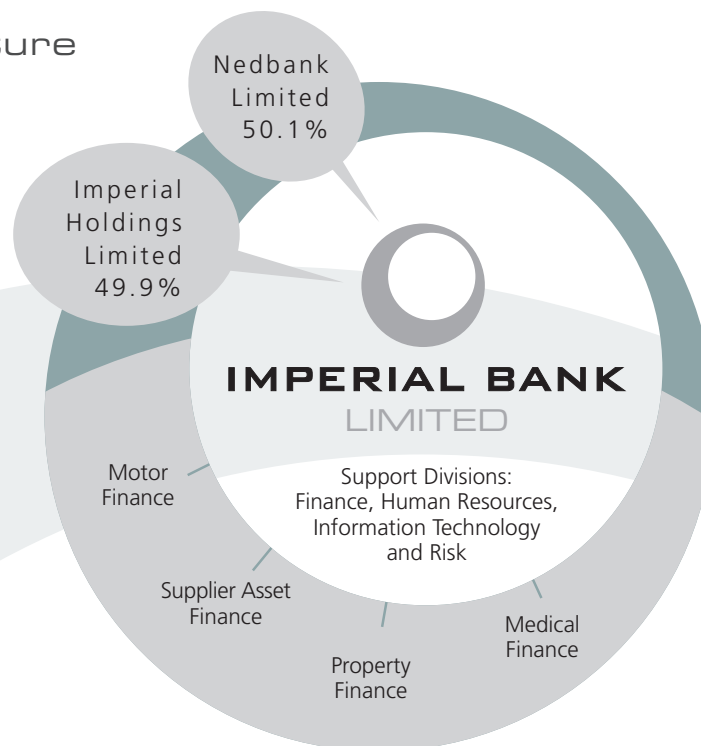
Imperial Bank has a threefold vision:

to achieve sustainable profits exceeding its shareholders' expectations;

to promote client service standards which become respected in the industry;
and

to be an inspiring and happy place to work for our staff.

Structure



Imperial Bank Limited

Board of directors

O S Arbee (48)	B Acc, CA(SA), Dip Tax (Unisa), IMD (Switzerland) Non-executive director. Chief Executive Officer of Imperial Car Rental & Tourism.
L E Bakoro (34)	BCom, CA(SA), HDip Tax Law (Wits) Independent non-executive director.
C J W Ball (68)	Dip Iuris (Wits), MA (Cambridge) Non-executive director. Director of Nedbank Limited, Nedbank Group Limited and Mutual & Federal Insurance Company Limited.
H R Brody (43)	B Acc, B Acc (Hons), CA(SA) Non-executive director. Non-executive Chairman of Imperial Bank Limited. Chief Executive Officer of Imperial Holdings Limited.
M J Croucamp (62)	FIAC, AEP, AMP (Insead) Independent non-executive director.
P C W Hibbit (58)	BCom, CA(SA), HDip Tax Law (Wits), AMP (Harvard) Chief Financial Officer of Imperial Bank Limited.
N P Mnxasana (51)	BCom, BCompt (Hons), CA(SA) Non-executive director. Group Audit & Risk Executive of Imperial Holdings Limited.
R van Wyk (51)	BCom, BCompt (Hons), CA(SA), AMP (Insead) Chief Executive Officer of Imperial Bank Limited.
P A Wessels (49)	BCom, CA(SA), HDip Adv. Bank Law, SAISB Non-executive director. Chief Risk Officer of Nedbank Group Limited.

Imperial Bank Limited

Executive Committee



T C M Browse (37)	B.Optom, ACMA Head of Motor Finance. Seven years in banking and three years with Imperial Bank Limited.
G C Cloete (59)	Head of Medical Finance. Twenty-nine years in banking and five years with Imperial Bank Limited.
P C W Hibbit (58)	BCom, CA(SA), HDip Tax Law (Wits), AMP (Harvard) Chief Financial Officer of Imperial Bank Limited. Twenty-two years in banking and three years with Imperial Bank Limited. Member of the Large Credit Exposures Committee.
M B Lechaba (40)	BA (Hons), Dip HRM (Unisa), MDP (UP) Head of Human Resources. Two years with Imperial Bank Limited.
B S Motshoane (33)	BCom, BCom (Hons), MBL (Unisa), IEDP (Bankseta) Chief Risk Officer of Imperial Bank Limited. Nine years in banking. Joined Imperial Bank Limited on 1 October 2007. Member of the Large Credit Exposures Committee.
R C Naiker (31)	BSc Chem Eng, BEng (Hons) (Cum Laude), MEng (Cum Laude) Head of Information Technology. Seven years in banking. One year with Imperial Bank Limited.
P C Swanepoel (46)	BCom, AMP Head of Property Finance. Twenty-four years in banking and five years with Imperial Bank Limited.
R van Wyk (51)	BCom, BCompt (Hons), CA(SA), AMP (Insead) Chief Executive Officer of Imperial Bank Limited. Sixteen years in banking and three years with Imperial Bank Limited. Member of the Large Credit Exposures Committee.
J G Venter (49)	BCom (Hons), MCom, CA(SA) Head of Supplier Asset Finance. Twenty-five years in banking and six years with Imperial Bank Limited. Resigned to join Imperial Holdings on 15 February 2008.

Imperial Bank Limited

Chairman's review

It is a pleasure for me to report to shareholders for the first time in my capacity as Chairman. Succeeding Bill Lynch as Chairman is a great honour and I would like to thank the shareholders for the confidence they have shown in me.

Imperial Bank Limited (Imperial Bank or the bank), which was incorporated in 1996, is a niche player primarily engaged in asset-based financing. The bank has two shareholders, Nedbank Limited (Nedbank) with 50.1% and Imperial Holdings Limited (Imperial Holdings) with 49.9% of the share capital. In terms of a Memorandum of Understanding signed by the shareholders in 2001, Nedbank provides the majority of funding for the bank as well as risk management support which includes having representatives on the bank's Credit Committee and Asset and Liability Committee whilst Imperial Holdings provides the bank with access to its extensive network of business operations throughout South Africa. Although the Memorandum of Understanding continues through to 31 December 2010, the shareholders are currently discussing terms and conditions to enter into a shareholders' agreement beyond 2010.

The bank has had another successful year in an environment of high interest rates and a worsening credit cycle. Net profit after taxation was R479.2 million for the year and the return on ordinary shareholders' equity was 23.9%.

Following the continued increase in interest rates, impairments have risen steadily throughout the year. However, the increases remain within acceptable parameters and the balance sheet remains sound.

Due to the bank's shareholding and the support shareholders are required to give the bank in terms of the Memorandum of Understanding, the target range for capital adequacy has been set at 10.5% to 11.0%. The capital adequacy ratio of 10.6% remains within this target range.

Costs continue to be well managed resulting in a further improvement in the efficiency ratio from 35.4% last year to 30.2% for the year under review. Motor Finance, Property Finance and Supplier Asset Finance all achieved acceptable returns on equity. Medical Finance achieved budgeted growth in loans and advances and is on track to achieve critical mass which will enable the division to earn an acceptable return on equity.

Economy

2007 has been a far more challenging year for the banking industry. The 200 basis point increase in interest rates not only dampened demand but led to an increase in arrears and impairments. The full effect of the higher interest rates are yet to work their way through the economy so it is anticipated that impairments will continue to climb and that demand will be further reduced in the new year.

The economy, however, was fundamentally sound with growth of some 5% in 2007. The bank has been well positioned to take advantage of this growth by increasing its market share, albeit off a low base. In addition, the bank was well prepared for the introduction of the National Credit Act (NCA) which has assisted in increasing its share of the passenger vehicle finance market. These factors have enabled the bank to achieve a 27.7% increase in gross loans and advances whilst maintaining a prudent risk profile.

Prospects

The significant increase in interest rates has reduced demand for finance and with the prospect of rates remaining high during 2008, retail demand, in particular, will be hard hit. However, the economic consensus forecast is that the economy will continue to grow albeit at a slower rate. Provided this growth materialises, loans and advances are expected to show real growth especially in those of our businesses which have not yet reached critical mass and which have a low market share. The higher interest rate environment will result in further increases in the level of arrears and impairments.

Board changes and appreciation

On 16 July 2007 Bill Lynch retired as a director and Chairman of the board and sadly passed away on 22 January 2008. Mr Lynch was instrumental in establishing the bank in 1996 and had been Chairman since that date. He played a leading role in building Imperial Bank into the significant organisation it is today and I would like to pay tribute to him for his contribution.

Due to pressure of other commitments, Mustaq Enus-Brey resigned from the board on 31 January 2008. We would like to thank him for his contribution to the bank.

During the year, we were pleased to welcome Patience Mnxasana to our board and we look forward to her contribution to our business.

Over the last three years, the bank has achieved excellent growth in both assets and profitability. I would like to extend my gratitude to the management and staff of the bank for achieving these outstanding results. I would also like to thank my fellow directors for their contribution to the bank's success and particularly for the invaluable role they play in the key committees of the bank.

We would not be able to achieve these results without the support of our clients, suppliers and various other external stakeholders for which I would like to thank them and look forward to their ongoing support. Finally, I would like to thank the Registrar of Banks and his staff for their guidance and support during the year.



H R Brody
Chairman

Chief Executive Officer's report

The bank produced good results in an environment of rising interest rates and increased pressure on the consumer. Property Finance had an excellent year while the other divisions all achieved good results.

The bank continues to focus on the following key objectives:

- competing in selected niche markets;
- leveraging off Imperial Holding's market footprint;
- managing the costs within acceptable levels;
- ensuring sound risk management;
- ensuring clear accountability; and
- optimising the capital structure.

Return on ordinary shareholders' equity was 23.9% and the efficiency ratio was 30.2%. Net loans and advances grew from R27.7 billion to R35.3 billion. This growth was particularly pleasing in view of the more challenging business environment and it reflects market share gains in most of the bank's chosen markets. Net profit after taxation increased 24.1% from R386.1 million to R479.2 million.

Motor Finance

pages 10 – 11

Property Finance

pages 12 – 13

Supplier Asset Finance

pages 14 – 15

Medical Finance

pages 16 – 17

Financial Sector Charter (FSC)

page 18

Corporate Social Investment

page 19

Appreciation

page 19

Motor Finance



Overview

Motor Finance provides finance to the general public for the acquisition of passenger vehicles.

Motor Finance continues to focus on its core market of retail passenger vehicle finance via the motor dealer origination channel.

According to NAAMSA (National Association of Automobile Manufacturers of South Africa) statistics, 384 411 new passenger vehicles were sold in South Africa in 2007 compared to 426 822 in 2006. In spite of this slowdown, Motor Finance achieved net loans and advances growth of 27.7% primarily via increasing support levels within existing dealerships as well as growing the dealer base. Support from Imperial Holding's motor dealerships remained consistent, including the Associated Motor Holdings (AMH) alliance, with

the largest growth in market penetration coming from the Independent Dealers' Association (AMH) and other larger car distribution groups.

The ratio of used cars financed to new cars financed continues to increase in favour of used cars financed and the different risk dynamics of these respective markets are factored into the credit approval models and dealer incentive commissions via risk-based pricing.

Review of the year

Motor Finance had another successful year, contributing net profit after taxation of R206.8 million. This was achieved in a difficult market categorised by lower new business volumes and an increase in consumer credit pressures and impairments caused by the interest rate hikes.

Credit impairments are in line with expectation given the levels of consumer debt and interest rate increases in 2007. Non- interest revenue was negatively affected by the NCA which disallowed settlement fees and capped the level of loan initiation fees. It further reduced the ability to market insurance products without consent and limited insurance commissions.

However, preparation for the NCA has been a very positive experience for Motor Finance. The division accepted the core principles of consumer protection and prepared processes and systems timeously. This allowed a smooth transition in June 2007 whilst it appears some of the competitors struggled for some time. There is also clear evidence that applications and new deals, booked since the NCA was introduced, are of improved credit quality.

The Motor Finance scorecards remain a key driver of efficiency and delivery times and the division looks forward to implementing new and additional scorecards, tailored for specific sub-portfolios in line with international best practice, in the first half of 2008.

The efficiency ratio remains low through volume-based economies of scale. The division has budgeted in 2008 to invest in information technology, fixed premises, call centre systems and development of talented previously disadvantaged individuals. Despite this, the efficiency ratio target remains under 30% as the benefits of these investments outweigh the initial expenditure in their first year.

With the increased economic and over-indebtedness pressures on the South African consumer base during 2007, management took decisive action to strengthen the portfolio quality, improve loss control (arrear and legal accounts) systems and boost the number of dedicated trained staff in this area.

In conclusion, Motor Finance will reflect on 2007 as a positive year, with some significant change and challenges. The core focus for 2008 will be improved client service to both clients and dealers.

During the year Daan van der Linde, who was instrumental in the establishment of the Motor Finance division, left the bank and joined Imperial Holdings. He has been replaced by Trevor Browse, previously the Chief Risk Officer of Imperial Bank.

NET PROFIT AFTER TAX	
2007 (Rm)	206.8
2006 (Rm)	173.4
AVERAGE NET LOANS AND ADVANCES	
2007 (Rm)	19 424
2006 (Rm)	14 527
IMPAIRMENTS TO GROSS LOANS AND ADVANCES (BALANCE SHEET)	
2007 (%)	3.1
2006 (%)	2.3
NUMBER OF CLIENTS	
2007	266 054
2006	207 875
EFFICIENCY	
2007 (%)	29.5
2006 (%)	32.1
NUMBER OF EMPLOYEES	
2007	585
2006	481
AFTER-TAX RETURN ON AVERAGE NET LOANS AND ADVANCES	
2007 (%)	1.1
2006 (%)	1.2
AFTER-TAX RETURN ON EQUITY	
2007 (%)	17.4
2006 (%)	17.7
IMPAIRMENT CHARGE AS A PERCENTAGE OF AVERAGE GROSS LOANS AND ADVANCES	
2007 (%)	1.9
2006 (%)	1.5

Chief Executive Officer's report

Property Finance



Overview

Property Finance provides finance for residential developments and commercial and industrial properties. The rise in interest rates during the year contributed to a slowing down in the residential development market, which was more evident from the third quarter of 2007. Demand for commercial and industrial property finance remained strong.

Review of the year

Property Finance continued to maintain a close working relationship with its established client base of developers and professionals in the residential development market. The book has remained fairly constant with most of the developments financed during the year being in the middle to lower income segment of the market. With the higher interest rates the demand in this market is under pressure.

As reported in 2006, the focus has been on growing the commercial and industrial book and this has resulted in that book growing 58.3% from R2.4 billion to R3.8 billion.

In total, net loans and advances grew 30% from R5.0 billion to R6.5 billion. Net interest income grew 43.3% from R208.3 million to R298.5 million which is largely due to higher margins being achieved on the residential development book.

There was a further reduction in the non-performing loans during the year. Favourable market conditions enabled us to dispose of property inventory and realise a profit of R27.8 million.

Operating expenses were well controlled with the efficiency ratio improving from 31.3% to 25.1%. Net profit after taxation increased 50.1% from R113.6 million to R170.5 million.

NET PROFIT AFTER TAX	
2007 (Rm)	170.5
2006 (Rm)	113.6
AVERAGE NET LOANS AND ADVANCES	
2007 (Rm)	5 790
2006 (Rm)	4 259
IMPAIRMENTS TO GROSS LOANS AND ADVANCES (BALANCE SHEET)	
2007 (%)	0.5
2006 (%)	0.5
NUMBER OF CLIENTS	
2007	1 256
2006	1 434
EFFICIENCY	
2007 (%)	25.1
2006 (%)	31.3
NUMBER OF EMPLOYEES	
2007	110
2006	105
AFTER-TAX RETURN ON AVERAGE NET LOANS AND ADVANCES	
2007 (%)	3.0
2006 (%)	2.7
AFTER-TAX RETURN ON EQUITY	
2007 (%)	49.7
2006 (%)	42.2
IMPAIRMENT CHARGE AS A PERCENTAGE OF AVERAGE GROSS LOANS AND ADVANCES	
2007 (%)	0.2
2006 (%)	(0.3)

Chief Executive Officer's report

Supplier Asset Finance



Overview

Supplier Asset Finance is focused on financing office equipment for the business community; providing asset-based finance to the aviation, transport and material handling sectors; and, through NRB, provides a specialised debt collection service. The division is growing in a prudent manner, within predetermined risk parameters, and continues to focus on developing relationships with core suppliers.

Review of the year

The deal flow originated from suppliers and lead providers increased significantly during the year which assisted the division in growing the transport, aviation and material handling books while demand for office equipment remained buoyant. The total turnover for the division, including office automation, increased by 23.9% from R1.17 billion in 2006 to R1.45 billion in 2007, net loans and advances increased 20% from R3.5 billion to R4.2 billion, while operating income increased 15.3% from R165.3 million to R190.6 million in 2007. Non-interest revenue increased from R8.8 million to R31.4 million which includes R7.2 million commission income on the collection of a large New Republic Bank advance. As collections on these original books of business near completion and in order to address this reduction, NRB has increased its capacity as well as expanded its reach in order to operate a national debt collection business. The external debt collecting competency improved significantly in 2007 and will be enhanced to include alliances with external debt collecting agencies in 2008, which should generate additional non-interest revenue in 2008.

Operating expenses before indirect taxation increased 19.9% from R56.3 million to R67.5 million which was in line with budget.

The core activities of the division are all profitable with net profit after taxation increasing 12.3% from R76.4 million to R85.8 million.

NET PROFIT AFTER TAX	
2007 (Rm)	85.8
2006 (Rm)	76.4
AVERAGE NET LOANS AND ADVANCES	
2007 (Rm)	3 881
2006 (Rm)	3 215
IMPAIRMENTS TO GROSS LOANS AND ADVANCES (BALANCE SHEET)	
2007 (%)	3.9
2006 (%)	5.3
NUMBER OF CLIENTS	
2007	16 236
2006	14 616
EFFICIENCY	
2007 (%)	34.4
2006 (%)	34.4
NUMBER OF EMPLOYEES	
2007	79
2006	76
AFTER-TAX RETURN ON AVERAGE NET LOANS AND ADVANCES	
2007 (%)	2.2
2006 (%)	2.4
AFTER-TAX RETURN ON EQUITY	
2007 (%)	34.9
2006 (%)	27.7
IMPAIRMENT CHARGE AS A PERCENTAGE OF AVERAGE GROSS LOANS AND ADVANCES	
2007 (%)	0.2
2006 (%)	(0.0)

Chief Executive Officer's report

Medical Finance



Overview

Medical Finance provides asset-based financial products to the medical and dental markets in South Africa, operating from a head office and six branch offices, delivering service to the target market across the country and making finance available for residential properties, motor vehicles, equipment, practice needs and project finance for large medical installations and medical facilities by way of mortgage loans, instalment sale facilities and loans.

Since commencement of business in mid-2003, the division has found good acceptance in the market and has, country-wide, rapidly expanded its footprint, serving some 8 000 medical and dental professionals.

The strength of Medical Finance lies in its focus on the niche market and client service, with committed and experienced staff.

Review of the year

The strategy during 2007 remained that of building the balance sheet, while moving in a rate-sensitive market toward an improvement in margins, having sound risk management in place, exercising control over the cost base and delivering high standards of client service. This enabled the business to record another year of significant growth with net loans and advances reaching R4.2 billion.

Risk is managed by way of delegated mandates and risk committees. The quality of the advances is evidenced by the maintenance of impairments at very acceptable levels.

Into 2008, the strategy continues to be focused on achieving critical mass, the desired return on investment and the reduction of the efficiency ratio, while maintaining high standards of client service.

The medical and dental markets remain buoyant and Medical Finance is well placed to capitalise on the capacity within this market to allow for continued growth and the achievement of deliverables.

NET PROFIT AFTER TAX	
2007 (Rm)	19.6
2006 (Rm)	15.9
AVERAGE NET LOANS AND ADVANCES	
2007 (Rm)	3 561
2006 (Rm)	2 505
IMPAIRMENTS TO GROSS LOANS AND ADVANCES (BALANCE SHEET)	
2007 (%)	0.2
2006 (%)	0.2
NUMBER OF CLIENTS	
2007	7 549
2006	8 647
EFFICIENCY	
2007 (%)	65.8
2006 (%)	59.6
NUMBER OF EMPLOYEES	
2007	83
2006	74
AFTER-TAX RETURN ON AVERAGE NET LOANS AND ADVANCES	
2007 (%)	0.5
2006 (%)	0.6
AFTER-TAX RETURN ON EQUITY	
2007 (%)	11.1
2006 (%)	12.3
IMPAIRMENT CHARGE AS A PERCENTAGE OF AVERAGE GROSS LOANS AND ADVANCES	
2007 (%)	0.1
2006 (%)	0.2

Financial Sector Charter (FSC)

During 2007, Imperial Bank achieved a steady improvement and is making satisfactory progress towards meeting the FSC targets that have been set. The employment equity statistics indicate good improvement over 2006, but the challenge is to meet the junior and middle management targets for black staff. All divisions are reviewing their transformation plans in line with the requirements of Broad-based Black Economic Empowerment (BBBEE) and performance will be monitored throughout the year.

All divisions have put together plans for succession, retention and learnerships which are being implemented and tracked on a monthly basis.

Adult Basic Education and Training (ABET) is being conducted with success in the bank. To date, 24 learners have gone through the programme with a 100% success rate.

Of significance is the Internal Leadership Development Programme which will be introduced in 2008. The programme is aimed at graduates to give them the management skills required to enable them to play a leadership role within the bank.



Corporate Social Investment

In line with BBBEE, Corporate Social Investment is now referred to as Social Economic Development.

In 2006, the bank identified the following four long-term projects where the bank believed it could make a significant difference:

- a major renovation of St Mary's Children's Home;
- building extensions and renovations to the Khayalitsha Rape and Crisis Centre;
- providing a borehole, mobile classrooms, a feeding scheme and fencing to Pheasant Folley and Thaba Tona Schools, based in an informal settlement; and
- supplying specialised computer equipment to Ithembelihle School for disabled and mentally challenged children.

During the year, the bank committed and spent R1.9 million in support of these projects. With the involvement and commitment of our staff, we have been able to make a meaningful difference to the lives of others and will continue doing so during the years to come.

Appreciation

In July 2007 Hubert Brody was appointed Chairman of the bank. His appointment is of great value to the bank, not only due to his knowledge and experience, but also due to his close association with the bank over a number of years.

I would also like to pay tribute to Bill Lynch who retired during the year and sadly passed away on 22 January 2008. He played a leading role in developing and building the bank into the significant organisation it is today.

It is particularly pleasing that there is a sense of enthusiasm and optimism within the bank and I would like to thank all staff for their commitment and dedication which produced these good results.

I have also benefited from the guidance and support of the board and shareholders, for which I would like to thank them.

Finally, I would like to thank the Registrar of Banks and his staff for their guidance and support during the year.



R van Wyk

Chief Executive Officer

The financial statements are prepared in line with International Financial Reporting Standards (IFRS) including IFRS 7 – Financial instruments: Disclosures which became effective on 1 January 2007. The effect of this new standard has been to further expand the disclosures regarding the valuation of financial instruments. There have been no changes in accounting policies during the year under review.

Net profit after taxation has increased 24.1% from R386.1 million to R479.2 million, the efficiency ratio improved from 35.4% to 30.2% and the return on ordinary shareholders' equity reduced from 24.7% to 23.9%. These strong results can largely be attributed to the following:

- strong growth in gross loans and advances of 27.7%;
- excellent growth of 38.3% in the net interest income;
- a 99.8% increase in non-interest revenue; and
- well-controlled operating expenses which increased 21%.

The above were offset by an increase in the effective rate of taxation from 23.7% to 30%.

Income statement

Net interest income (NII)

NII increased 38.2% from R1 079 million to R1 491 million with the margin improving from 4.4% to 4.6%. The key reasons for this increase were the positive endowment effect from higher interest rates and increased capital as well as a 33% increase in average loans and advances.

Non-interest revenue (NIR)

NIR increased 99.8% from R64.1 million to R128.1 million. The key reasons for this increase were the profit of R27.8 million on the sale of property inventory, the R18.2 million market-to-market profit on financial instruments designated at fair value through profit and loss, and the net increase of approximately R6.9 million in administration fees.

Impairment losses on loans and advances

The impairment charge increased 95.5% from R210.8 million to R412.1 million and is analysed as follows:

	% of gross loans and advances	2007	2006
As a % of average gross loans and advances			
Motor Finance	61.8%	1.9%	1.5%
Property Finance	18.4%	0.2%	(0.3%)
Supplier Asset Finance	8.0%	0.2%	(0.0%)
Medical Finance	11.8%	0.1%	0.2%

The increased impairments in Motor Finance reflects the effects of the higher interest rates as well as the lengthening of the recovery process due to the NCA.

In the prior year, both Property Finance and Supplier Asset Finance benefited from the reversal of impairment provisions raised in earlier years. The 2007 impairments are reflecting a more normalised charge for the year.

The impairment charge in Medical Finance continues to benefit from an excellent quality book.

Operating expenses

Operating expenses increased 21% from R404.5 million to R489.3 million. This is well below the increase of 29.6% in total income and the 25.8% growth in the balance sheet. As a result, the efficiency ratio improved from 35.4% to 30.2%.

Indirect taxation

Indirect taxation increased 60.9% from R21.2 million to R34.1 million reflecting a further decline in the apportionment ratio as well as the increase in operating expenditure.

Direct taxation

The effective taxation rate has increased from 23.7% to 30% as the bank has now fully utilised the taxation benefit provided by the NRB assessed loss.

Balance sheet

Capital

The bank continued to experience strong balance sheet growth of 25.8% which necessitated shareholders contributing R300 million of equity capital in March 2007. As part of the longer-term capital management and funding programme, the bank securitised R1.7 billion of motor vehicle instalment loans in June 2007. This diversified the bank's funding and further optimised the capital. The return on ordinary shareholders' equity was 23.9%.

Loans and advances

Net loans and advances grew 27.4% from R27.7 billion to R35.3 billion. While the higher interest rates and lower new passenger vehicle sales dampened demand for Motor Finance, the division was nevertheless able to achieve growth of 27.7% in net loans and advances. This was a particularly good performance in a challenging and highly competitive environment.

Property Finance continued to focus on growing the commercial and industrial loans and advances whilst maintaining its position in the residential development market. As a result, commercial and industrial net loans and advances grew by 58.3% from R2.4 billion to R3.8 billion while residential development net loans and advances increased 8% from R2.5 billion to R2.7 billion.

Supplier Asset Finance increased net loans and advances 20% from R3.5 billion to R4.2 billion while Medical Finance achieved strong growth of 40% to increase net loans and advances from R3.0 billion to R4.2 billion.



P C W Hibbit
Chief Financial Officer

Imperial Bank Limited

Corporate governance

The board of directors has assessed the effectiveness of the corporate governance structures detailed below and has found them to represent an adequate framework for corporate governance in Imperial Bank.

Board of directors

The directors are responsible for ensuring that an adequate and effective process of corporate governance exists and is maintained, which is consistent with the nature, complexity and risk inherent in the bank's on- and off-balance sheet activities and which responds to change in the bank's environment and conditions.

The board meets at least quarterly to evaluate performance, assess risk and review the strategic direction of the bank. The board is supported by various subcommittees, which help it to perform its responsibilities. All directors have access to management, including the company secretary and the compliance officer, and to such information as is needed to carry out their duties and responsibilities fully and effectively.

Feedback received at board meetings includes management information, divisional reports and reports on progress against strategies. The board approves the strategy and budgets for the bank in addition to risk management policies, frameworks

and mandates. All meetings of the board of directors and the board subcommittees are minuted.

Non-executive directors: H R Brody (Chairman), O S Arbee, L E Bakoro, C J W Ball, M J Croucamp, N P Mnxasana and P A Wessels*

Executive directors: R van Wyk and P C W Hibbit

* Mr P A Wessels is an executive of the bank's holding company (Nedbank) and as such is deemed to be an executive director of Imperial Bank in terms of the Banks Act Regulations.

Audit Committee

The Audit Committee meets at least four times a year, with the internal and external auditors and members of the bank's executive management to review accounting, auditing, financial reporting and internal control matters. The terms of reference are reviewed annually. The Audit Committee conducts an annual self-assessment of its effectiveness.

The internal audit function is independently performed by Nedbank Internal Audit (NIA). NIA's responsibility for evaluating the effectiveness of processes by which risks are identified, managed and controlled, is set out in its charter.

Board of directors' attendance schedule

MEMBER	BOARD	AUDIT	RISK	DIRECTORS' AFFAIRS	REMCO
O S Arbee	4/5	3/5			
L E Bakoro	4/5	4/5	0/1		
C J W Ball	5/5	5/5	5/5		4/4
H R Brody*	3/5		4/5	2/4	
M J Croucamp	5/5		5/5		4/4
M A Enus-Brey**	5/5	5/5		4/4	
P C W Hibbit	5/5				
W G Lynch*	2/2			3/3	3/3
N P Mnxasana***	3/3				
R van Wyk	5/5				
P A Wessels	5/5	5/5	5/5		4/4

(Numerator is number of meetings attended; denominator is number of meetings held)

* Mr W G Lynch retired on 16 July 2007 and Mr H R Brody became Chairman on 17 July 2007.

** Mr M A Enus-Brey resigned on 31 January 2008.

*** Ms N P Mnxasana was appointed on 8 May 2007.

NIA reports directly to the Audit Committee and the Chief Financial Officer on their activities, which include: reviews of reliability and integrity of financial and operating information; and effectiveness of operational activities in conducting business.

Members: C J W Ball (Chairman), O S Arbee, L E Bakoro and P A Wessels

Remuneration Committee

The Remuneration Committee is responsible for monitoring the Human Resources function of the bank and determining guidelines for remuneration and terms of employment. The committee meets at least four times a year. The performance of executive management and directors is measured against predetermined objectives (both financial and non-financial). The policy for executive directors is consistent with executive management, while non-executive directors receive fees for their services provided as directors and members of board subcommittees. Salaries are reviewed annually and, where appropriate, performance-related bonuses are made to employees, in view of the business unit's performance.

Members: M J Croucamp (Chairman), C J W Ball, P A Wessels, W G Lynch (until 16 July 2007) and H R Brody (appointed 17 July 2007)

Risk Committee

The Risk Committee evaluates risks identified by management and monitors compliance with laid down policies and procedures. The Risk Committee also sets prudential limits for particular categories of business. The committee meets at least four times a year.

Members: M J Croucamp (Chairman), C J W Ball, H R Brody, P A Wessels and L E Bakoro (appointed on 17 July 2007)

Directors' Affairs Committee

The Directors' Affairs Committee assists the board in its determination and evaluation of the adequacy, efficiency and appropriateness of the corporate governance structure and practices of the bank. It also establishes and maintains a board directorship continuity programme. The committee meets at least four times a year.

Members: H R Brody (new Chairman effective 17 July 2007), W G Lynch (previous Chairman – until 16 July 2007) and L E Bakoro (appointed 6 February 2008)

Large Credit Exposures Committee

The Large Credit Exposures Committee oversees all credit granting in excess of 10% of the bank's net qualifying capital.

Members: C J W Ball (Chairman), H R Brody, P A Wessels, R van Wyk, P C W Hibbit and B S Motshoane

Imperial Bank Limited

Risk management

Enterprise-wide risk

As depicted in the diagram on pages 26 and 27, Imperial Bank's board of directors approved and adopted a three-tier risk management accountability structure. The board is ultimately responsible for risk management in Imperial Bank but monitors specific risk areas through its various committees. Prior to the escalation and reporting of risk issues to board level, risks are addressed by the bank's management through the appropriately mandated executive committees and risk management framework. The lowest level in the three-tier structure is individual accountability for risk-taking. This allows Imperial Bank to balance the best combination of entrepreneurial and innovative risk-taking with sound independent oversight and governance structures.

Credit risk

The credit environment for 2007 is apparent in the following comparative ratios.

	2007	2006	% change
Total gross loans advances	R36.2bn	R28.4bn	27.5
Non-performing loans (NPL)	R734.6m	R509.5m	44.2
NPL ratio	2.03%	1.80%	
Impairment charge (as % of average gross loans and advances)	1.3%	0.9%	

Motor Finance experienced strong loans and advances growth of 28.6% with the book growing from R17.5 billion to R22.5 billion. This was due to increasing support from existing dealerships, growing the dealership base and our readiness for NCA which enabled us to gain market share. The NCA has significantly improved the quality of the applications booked in the second half of 2007 as it persuaded clients to apply for credit cautiously. It is important to note that at no stage has Motor Finance increased its risk acceptance levels from the development credit scorecard rolled out in 2003. Management further improved the risk-based pricing sensitivity in order to incentivise dealers strongly for high quality deals by not paying dealer incentive commissions on poor quality deals. A renewed focus on the collection process and additional portfolio optimisation strategies were implemented in anticipation of a hardening market and higher anticipated default levels.

Motor Finance's impairment charge for 2007 was R385.6 million compared to R222.6 million in 2006. However, due to the strong book growth, the more meaningful ratio is the increase in the credit loss ratio (impairment charge as a percentage of average gross loans and advances), rising from 1.5% to 1.9%. The NPL book increased from R408.3 million to R631.7 million.

Property Finance's impairment charge for 2007 was R13.5 million as compared to a net recovery of R14.5 million in 2006. The NPL book reduced from R76.3 million in 2006 to R65.2 million in 2007.

Supplier Asset Finance's (excluding NRB) impairment charge for 2007 was R6.0 million against a budget of R20.6 million. This resulted from an extremely successful collection effort and very little new impairments needing to be raised. The NPL book increased from R16.6 million to R25.4 million.

Medical Finance's impairment charge for 2007 was R3.8 million against a budget of R6.4 million. The NPL book increased from R8.3 million to R12.3 million. The high growth in the book as compared to the low impairments is an indication of the book quality.

All credit impairment charges in Imperial Bank are accounted for in line with International Accounting Standard 39 – Financial instruments: Measurement and recognition. This standard is based on an incurred loss concept whereby a default must have occurred before any asset impairment charge is permissible. However, IAS 39 includes the concept of an "incurred but not reported" (IBNR) charge and Imperial Bank has continued to raise such impairment provisions in 2007. The trigger events are linked to probability of defaults and recovery rates as determined by the new Basel II parameters and are substantiated by historical loss experience.

Credit approval for the wholesale book is practised in line with board-approved credit committee mandates. All divisions have internal credit mandates ranging up to R20 million, with approvals being subject to an independent overview by the central credit risk unit. All deals above R20 million are approved by the Management Credit Committee. For all deals from R50 million to R120 million, the Chief Executive Officer and Chief Risk Officer are involved as well as an independent Nedbank credit expert and one independent non-executive director. All deals greater than R120 million are approved, upon recommendation of the EXCO Credit Committee, by the Board Large Exposures Committee (in line with section 73 of the Banks Act) with a quorum of three members.

Credit approval in Motor Finance is substantially automated. Necessary overrides are monitored to ensure that both the levels of and the reasons for such overrides are understood and controlled.

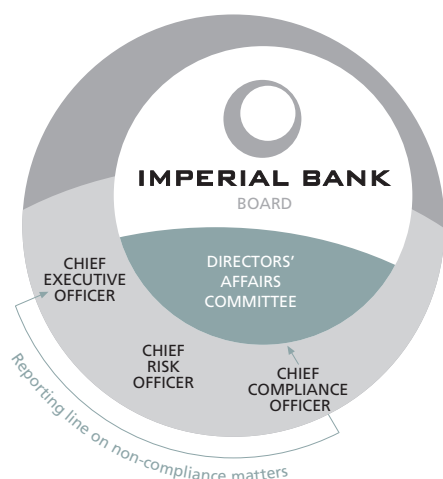
Imperial Bank's credit quality is reviewed in detail monthly by the management team, and quarterly reported to the Board Risk Committee.

A central independent credit risk unit assesses the adequacy of credit skills, structures, mandate levels, overviews, restructures and best practice policy development. This unit also checks the regulatory credit risk returns for accuracy.

Each month, the bank holds Impairment Provisioning Committee meetings to analyse all non-performing loans in detail. Security values are confirmed and the necessary impairment provisions raised and recorded in the minutes.

Compliance

Imperial Bank's compliance structure meets the Banks Act requirements of unfettered and direct access to the Chairman of the board.



The bank follows the principle of centralised compliance monitoring with the operating divisions being responsible for ongoing operational compliance through dedicated resources.

The compliance function operates as part of the enterprise-wide risk management framework of the bank, in order to ensure that the bank continuously manages its regulatory risk, that is, the risk that the bank does not comply with applicable laws and regulations or supervisory requirements.

For administrative purposes, the Compliance Officer reports directly to the Chief Risk Officer of the bank, but for compliance matters has the following reporting lines in line with the regulations:

- The Chief Executive Officer.
- Nedbank Limited Group Governance and Compliance Officer.
- The Directors' Affairs Committee.
- The Chairman of the board.

The Compliance Officer of the bank attends the following meetings:

Meeting/Committee	Ex officio	Member
Operational Risk Committee		✓
Information Technology Steering Committee	✓	
Executive Committee	✓	
Directors' Affairs Committee	✓	
Audit Committee	✓	
Risk Committee	✓	
Board meeting	✓	

Status with regards to the following:

Issue	Status
Compliance resourcing	In place
Compliance and corporate governance awareness	Ongoing training
Implementation of compliance risk management framework	Continuous refinement
Monitoring of compliance risks	In place, ongoing
Regular compliance reporting to the board, Directors' Affairs Committee and regulators	Yes
Remedial action taken by operational and support units when compliance breaches are detected	Yes
Ensure that requirements of new legislation are implemented and that updating for existing legislation takes place	Yes
Statutory reporting to regulators	Up to date and complete
Regulatory sanction	None

Imperial Bank Limited

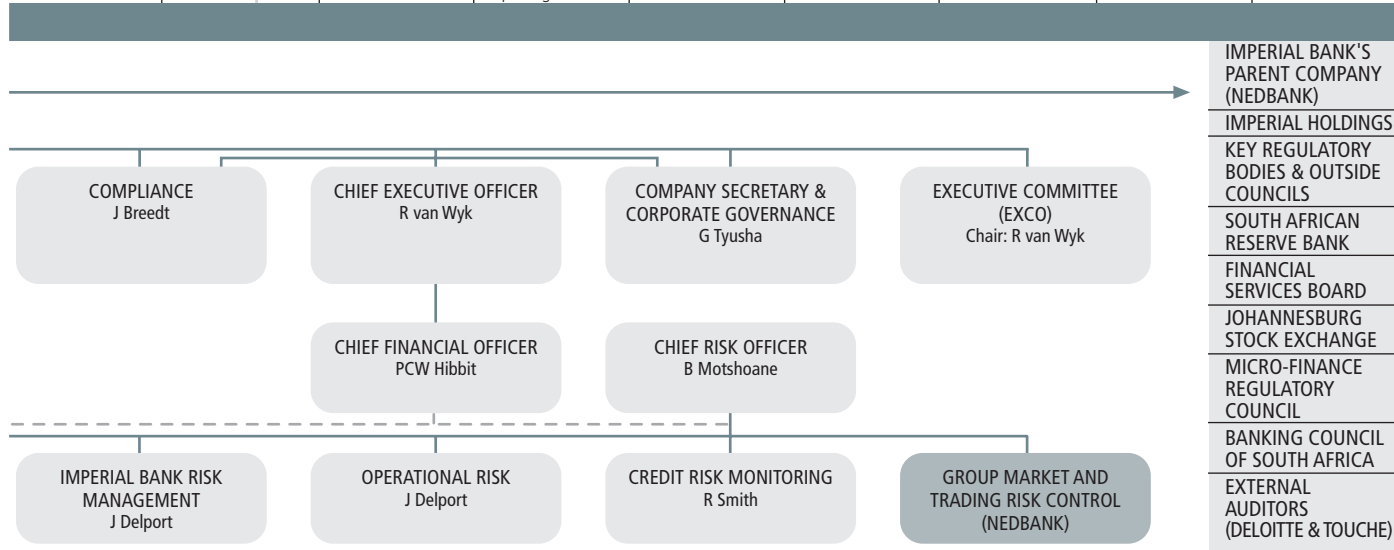
Risk management continued

Imperial Bank's enterprise-wide risk management framework (ERMF)

	THE KEY RISKS	ACCOUNTING & TAXATION RISK	ENTERPRISE-WIDE RISK	OPERATIONAL RISK	INVESTMENT RISK	INSURANCE & ASSURANCE RISK	NEW BUSINESS RISK	LIQUIDITY RISK
RISK UNIVERSE	THE KEY ASPECTS OF THE KEY RISKS (Refer Common business risk language document for definitions of all risks)	Accounting standards - Impact (eg IAS 39) - Compliance Management information Cost/budget control Off-balance sheet activities Tax strategy Tax compliance Preference share capacity	Enterprise-wide risk management Basel capital accord (Basel II) Consolidated supervision Portfolio concentrations Risk management strategy Board education Risk policies & authority levels Regulatory liaison & requirements	Risk of loss from: - Processes - People - Systems - External events Internal controls Policies & procedures Legal risk Integration risk Business continuity Fraud Security Outsourcing Professional liability	Private equity Private property Debt investment Underwriting share issues Investment exposures intra-group	Group Insurance - Internal (Fidelity, PI, Elec & computer crime) Directors & officers Liability, assets, benefit funds and trustees) Reinsurance (S/T & Life) Underwriting Claims Investments (policy holders)	New products New business Structuring of solutions (int and ext) involving non-vanilla transactions Non-vanilla new products Product management	Funding Cash flow management Concentrations Transfer pricing Market liquidity Prudential liquidity
LAYER 1	THE RISK MANAGEMENT FORUMS AND RESPONSIBILITIES							
<p>The board of directors is ultimately responsible for all risks in the bank. The board is assisted by board sub-committees.</p> <p>The Audit, Risk, REMCO and Directors' Affairs Committees and EXCO are the non-executive and executive director's forums respectively responsible for ensuring that an enterprise-wide risk management philosophy and process is implemented and maintained.</p> <p>The Chief Risk Officer reports to the Chief Executive Officer & Nedbank Chief Risk Officer who has the ultimate, individual responsibility for risk.</p> <p>The Group Risk division is independent of the operational divisions.</p>	<pre> graph TD Board[BOARD OF DIRECTORS Chairman: H R Brody (non-executive director)] REMCO[BOARD REMUNERATION COMMITTEE (REMCO) Chair: M J Croucamp] Audit[BOARD AUDIT COMMITTEE Chair: C J W Ball] Risk[BOARD RISK COMMITTEE Chair: M J Croucamp] Affairs[DIRECTORS' AFFAIRS COMMITTEE Chair: H R Brody] InternalAudit[GROUP INTERNAL AUDIT B Ngonyama Nedbank] FraudRisk[GROUP FRAUD RISK N Jacobs Nedbank] BaselII[BASEL II A Willcox] Board --- REMCO Board --- Audit Board --- Risk Board --- Affairs Risk --- InternalAudit Risk --- FraudRisk Risk --- BaselII </pre>							
LAYER 2	RISK MANAGEMENT AND CORPORATE GOVERNANCE COMMITTEE STRUCTURES							
THE KEY RISKS	ACCOUNTING & TAXATION RISK	ENTERPRISE-WIDE RISK	OPERATIONAL RISK	INVESTMENT RISK	INSURANCE & ASSURANCE RISK	NEW BUSINESS RISK	LIQUIDITY RISK	
BOARD COMMITTEES (Non-executive directors & non-executive members) (Quarterly)	BOARD AUDIT COMMITTEE Chair: C J W Ball (Quarterly)					BOARD RISK COMMITTEE Chair: M J Croucamp (Quarterly)		
EXECUTIVE COMMITTEES (Executive directors & senior management) (All executive committees are sub-committees of EXCO but also report into the relevant board committees)	EXECUTIVE COMMITTEE (EXCO) Chair: R van Wyk (Monthly)		EXECUTIVE OPERATIONAL RISK COMMITTEE (EXCO ORCO) Chair: B Motshoane (Quarterly)					
	BASEL II STEERING COMMITTEE Chair: B Motshoane (Monthly)							
LAYER 3	THE EXECUTIVE MANAGEMENT RESPONSIBILITIES BY RISK AREA							
THE KEY RISKS	ACCOUNTING & TAXATION RISK	ENTERPRISE-WIDE RISK	OPERATIONAL RISK	INVESTMENT RISK	INSURANCE & ASSURANCE RISK	NEW BUSINESS RISK	LIQUIDITY RISK	
INDIVIDUAL RESPONSIBILITIES	Chief Financial Officer	Chief Risk Officer & Divisional Heads	Chief Risk Officer	Chief Financial Officer	Chief Risk Officer	Chief Risk Officer & Divisional Heads	Chief Financial Officer	



CAPITAL RISK	MARKET RISK		INFORMATION TECHNOLOGY RISK	CREDIT RISK	COMPLIANCE RISK	STRATEGIC RISK	REPUTATIONAL RISK	SOCIAL & ENVIRONMENTAL RISK	PEOPLE RISK
Capital adequacy Capital management Economic capital allocation (risk based) Pricing for risk Performance measurement (EVA) PiPs Acquisitions Strategic investments	Trading: - Price - Foreign Exchange (currency) - Equity - Commodity - Credit spread - Volatility Derivatives Hedging Integrated trading risks Model risk Concentration	Interest rate risk (incl. forex) in the banking book ALM	Systems: - Capacity - Competitiveness - Availability Information security E-commerce Disaster recovery Technological innovation IT alignment with group strategy IT capex spend and control Project control & management	Lending Placement Counterparty Settlement Collateral Industry Derivatives replacement Issuer Sovereign Concentration Large exposures Impairments NPLs Problem advances NPAs Reporting	External laws & regulations Non-statutory industry rules Internal policies & authority levels Money laundering Illegal acts Exchange control Regulatory reporting National payment system Capital adequacy PA trading Insider trading	Strategic process Organisational structure Environment: Industry, political, economic, govt, competitive & regulatory factors Brand Marketing & communications Planning Client focus Innovation Alliances	ALL RISKS Communications Stakeholder relations Disclosure Ethics Corporate governance Outsourcing services Fiduciary relationships Directors' responsibilities Alliances' corporate governance	Social responsibility Stakeholder engagement Organisational integrity Safety & health HIV/AIDS The environment Societal & transformation Social investment Triple bottom line	Human capital Incentives Employment equity Employment practices Attract/retain skills Culture & structures Benefit funds & trustees' responsibilities



CAPITAL RISK	MARKET RISK	INFORMATION TECHNOLOGY RISK	CREDIT RISK	COMPLIANCE RISK	STRATEGIC RISK	REPUTATIONAL RISK	SOCIAL & ENVIRONMENTAL RISK	PEOPLE RISK
			BOARD EXPOSURES COMMITTEE (Sec 73) (Ad Hoc) Chair: C J W Ball	DIRECTORS' AFFAIRS COMMITTEE Chair: H R Brody (Quarterly)				BOARD REMUNERATION COMMITTEE (REMCO) Chair: M J Croucamp (Quarterly)
ASSET & LIABILITY COMMITTEE (ALCO) Chair: R van Wyk (Quarterly)		INFORMATION TECHNOLOGY STEERING COMMITTEE (IT Steercom) Chair: R Naiker (Quarterly)	EXCO CREDIT Management Credit Committee (MCC) (Twice weekly) Impairment Provisioning Committee Chair: D Wright (Monthly)	EXCO OPERATIONAL RISK COMMITTEE (EXCO ORCO) Chair: B Motshoane (Quarterly)	EXECUTIVE COMMITTEE (EXCO) Chair: R van Wyk (Monthly)		HUMAN RESOURCES & TRANSFORMATION COMMITTEE Chair: M Lechaba (Quarterly)	
Chief Financial Officer	Chief Financial Officer	Head of IT	Head of Credit Risk	Compliance & Legal Officers	Chief Risk Officer & Divisional Heads		Chief Executive Officer	Head of HR

Imperial Bank Limited

Risk management continued

Operational risk

Imperial Bank's operational risk initiatives have been focused on achieving compliance with the Standardised Approach of Basel II.

Notable deliverables achieved in 2007 were:

1. The South African Reserve Bank's (SARB) in-principle approval for the use of TSA for calculating operational risk capital under Basel II.
2. Achieving compliance on most of the deliverables as per the SARB approval conditions.
3. Second TSA self-assessment was completed and vetted by Nedbank Group Operational Risk as part of the required progress report.
4. Board approval of a business line mapping policy in line with Basel II.
5. Continued improvement and population of loss database.

Asset and liability risk management

Imperial Bank's ALCO meets monthly to manage liquidity and interest rate risk and reports to the Board Risk Committee quarterly.

The bank has no appetite or mandate to take proprietary trading risk or market risk. Liquidity risk is negligible given Nedbank's commitment to provide funding. However the ALCO does monitor maturity mismatches and fixed rate hedge effectiveness. It also ensures liquid assets are maintained at required levels and instruments purchased are cost-effective.

Imperial Bank does not fund advances in foreign currency and has no cross-border exposure. This removes foreign exchange risk and currency translation risk.

Capital management

Imperial Bank's operations are limited to South Africa and as such are regulated by the SARB. While the bank manages its capital within regulatory benchmarks, it has ready access to its two shareholders and given their ability to inject new capital at relatively short notice, the bank has prioritised capital efficiency, setting its capital management levels at between 0.5% and 1.0% above the regulatory minimum. While this

would ordinarily result in a punitive credit rating for the bank, the credit rating agencies have understood the shareholders' significant level of support for the bank and have traditionally rated Imperial Bank at one rating level lower than that of Nedbank.

The subcomponents of Qualifying Capital and Reserves are monitored using the same efficiency imperative. Capital sub-limits for preference share capital and tier-two subordinated debt are managed at levels that are as efficient as those of the overall capital adequacy limit.

Excess equity capital has traditionally been returned to shareholders by share redemptions but may, in the future, be invested in temporary buy-backs of non-equity capital instruments where these are at excessive levels.

The bank also plans to engage in a biannual dividend programme within the 2008 year.

Imperial Bank has complied with regulatory capital requirements for the entire duration of 2006 and 2007.

Capital is allocated to the business units within the bank based on risk-weighted assets.

Basel II

Imperial Bank, working in close collaboration with Nedbank, has sought a strategic-based approach to Basel II implementation. In achieving Basel II compliance for the group, management seeks to elevate its risk management and risk, capital and performance measurement to current best practice.

Economic capital

Economic capital provides a consistent quantification and comparison of risk across the operating divisions and risk types. This also enables a focus on both downside risk (risk protection) and upside potential (earnings). It highlights where the bank should grow and diversify or where it needs restructuring in its credit and market risk businesses.

Imperial Bank, in line with leading banks, calculates capital against four major risk categories being credit, operational, market and investment risk to arrive at the total economic capital requirement of the bank. This is compared with available financial resources and will be used as the basis for



capital allocation through the adoption of risk-adjusted return on capital (RAROC).

B S Motsoane
Chief Risk Officer

Imperial Bank Limited

Directors' approval

Responsibility for the annual financial statements

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and the related information. The external auditors are responsible for reporting on the fair presentation of the annual financial statements. The annual financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

The directors are also responsible for the company's and group's systems of internal and financial control. These are designed to provide reasonable, but not absolute assurance as to the reliability of the annual financial statements, and to adequately safeguard, verify and maintain accountability of the assets, and to prevent and detect misstatement and loss.

To enable the directors to meet these responsibilities:

- The board and management set standards, and management implements systems of internal control and accounting and information systems aimed at providing reasonable, but not absolute, assurance that assets are safeguarded and that risks of error, fraud or loss are reduced in a cost-effective manner. These controls, contained in policies and procedures, include the proper delegation of responsibilities and authorities within a clearly-defined framework, effective accounting procedures and adequate segregation of duties.
- The Imperial Bank Audit Committee meets with the internal and external auditors and members of the bank's executive management, to review accounting, auditing, financial reporting and internal control matters. The internal audit function, responsible to the Audit Committee, conducts operational, financial and specific ad-hoc audits in consultation with the external auditors.
- The Board Risk Committee evaluates and monitors risks identified by management and monitors compliance with policies and procedures and reports its findings to the board. They also set prudential limits for particular categories of business.
- The Directors' Affairs Committee assists the board in its determination and evaluation of the adequacy, efficiency

and appropriateness of the corporate governance structure and practices of the bank. It also establishes and maintains a board directorship continuity programme.

Certain assets of NRB that gave rise to the tax loss in that company, are subject to an independent liquidation process. As at 31 December 2007 reliance was placed upon the latest liquidation and distribution account dated December 2006. The directors do not consider any potential adjustment to the estimated tax loss, which might arise from an updated liquidation and distribution account, to be material to the annual financial statements.

The annual financial statements have been prepared on the going concern basis, since the directors have every reason to believe that the group and company has adequate resources in place to continue in operation for the foreseeable future.

The annual financial statements have been audited by an independent auditing firm. Their report is presented on page 31 of these financial statements.

Approval of annual financial statements

The annual financial statements which appear on pages 34 to 122 were approved by the board of directors on 8 February 2008 and are signed on its behalf by:



H R Brody
Chairman



R van Wyk
Chief Executive Officer

22 February 2008

TO THE MEMBERS OF IMPERIAL BANK LIMITED

We have audited the group annual financial statements set out on pages 32 to 81 and company annual financial statements of Imperial Bank Limited set out on pages 84 to 119, which comprise the directors' report, the consolidated balance sheet and company balance sheet as at 31 December 2007, the consolidated income statement and company income statement, the consolidated statement of changes in equity and company statement of changes in equity and the consolidated cash flow statement and company cash flow statement, and a summary of significant accounting policies and other explanatory notes for the year then ended.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

Audit . Tax . Consulting . Financial Advisory.

National Executive: GG Gelink Chief Executive AE Swiegers Chief Operating Officer GM Pinnock Audit DL Kennedy Tax
L Geeringh Consulting MG Crisp Financial Advisory L Bam Strategy CR Beukman Finance TJ Brown Clients & Markets
SJC Sibisi Public Sector and Corporate Social Responsibility NT Mtoba Chairman of the Board J Rhynes Deputy Chairman of the Board

A full list of partners and directors is available on request

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the group and company as at 31 December 2007, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

Deloitte & Touche

Deloitte & Touche

Per H Scorgie

Partner

22 February 2008

Member of
Deloitte Touche Tohmatsu

Imperial Bank Limited

Directors' report

for the year ended 31 December 2007

The directors present their report which forms part of the audited annual financial statements of the company and group for the year ended 31 December 2007.

Nature of business

Imperial Bank is a registered bank that offers a range of banking and financial services focusing primarily on asset-based finance to the consumer and corporate markets.

Holding company and other shareholder

Nedbank holds 50.1% of the issued share capital of Imperial Bank and the other 49.9% is held by Imperial Holdings. The ultimate holding company is Old Mutual plc which is incorporated in the United Kingdom.

Financial results

The results of the company and group are set out in the annual financial statements and accompanying notes. The accounting policies comply with International Financial Reporting Standards.

Share capital

The authorised and issued share capital of the bank is detailed in note 18 to the group financial statements. Refer to the statement of changes in shareholders' equity on page 46 for details on the shares issued during the 2007 financial year.

Subsidiary companies

The company's interest in subsidiary companies is set out in the analysis of investments in subsidiaries on page 81 to the group financial statements.

The Motor Finance Corporation (Proprietary) Limited (a 100%-owned subsidiary) recorded an after-tax profit of R0.025 million (2006: R9.3 million) for the year.

NRB (a 100%-owned subsidiary) recorded an after-tax profit of R47.6 million (2006: R76.5 million) for the year.

Interest of directors

No director holds a direct beneficial interest in the ordinary shares of the company.

Dividends

Ordinary dividends

Following a decision by the board to introduce an ongoing dividend programme, the directors of the company have resolved to declare a cash dividend of 21.88050 cents per share, payable to the shareholders of the company on Tuesday, 25 March 2008.

Preference dividends

Preference dividend No. 2 of 435.82192 cents per share was declared and for the period from 1 January 2007 to 30 June 2007 paid to the shareholders of the non-redeemable, non-cumulative, non-participating preference shares.

Preference dividend No. 3 of 481.17808 cents per share was declared for the period from 1 July 2007 to 31 December 2007, payable on Monday, 17 March 2008, to shareholders of the non-redeemable, non-cumulative, non-participating preference shares recorded in the books of the company at the close of business on Friday, 14 March 2008.

Directors and secretary

Details of the directors and secretary of the company during the year and at the date of this report are as follows:

Directors

O S Arbee	
L E Bakoro	
C J W Ball	
H R Brody	Appointed Chairman 17 July 2007
M J Croucamp	
M A Enus-Brey	Resigned 31 January 2008
P C W Hibbit*	Chief Financial Officer
W G Lynch (Irish)	Retired 16 July 2007
N P Mnxasana	Appointed 8 May 2007
R van Wyk*	Chief Executive Officer
P A Wessels	
* Executive directors	

The Company Secretary is G Tyusha whose addresses are:

Business address	Postal address
24 Achter Road	PO Box 6093
Paulshof	Rivonia
Sunninghill	2128
2021	

Directors' interest in contracts

At no time during the year under review were any contracts of significance entered into relative to the company's and group's business in which a director had a material personal interest.

Post-balance sheet events

The directors are not aware of any other matter or event which is material to the financial affairs of the company and group that has occurred between the balance sheet date and the date of the approval of the financial statements.

Auditors

It is not a requirement for Imperial Bank Limited to engage the services of two independent firms of auditors. The board therefore resolved to reappoint Deloitte & Touche as sole auditors of the bank.

22 February 2008

Secretary's report

In terms of section 268G(d) of the Companies Act 61 of 1973, as amended, I certify that to the best of my knowledge and belief, Imperial Bank Limited has lodged with the Registrar of Companies for the year ended 31 December 2007, all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.



G Tyusha

Company Secretary

Paulshof

22 February 2008

Imperial Bank Limited

Accounting policies

1. ACCOUNTING POLICIES

The following principal accounting policies have been applied consistently in dealing with items that are considered material in relation to the Imperial Bank group financial statements.

The group has adopted IFRS 7 – Financial Instruments: Disclosures in the 2007 financial year which is effective for annual reporting periods beginning on or after 1 January 2007, and the consequential amendments to IAS 1 – Presentation of financial statements. The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the group's financial instruments and management of capital.

1.1 Basis of preparation

The group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the South African Companies Act.

The financial statements are presented in South African rands (ZAR), the functional currency of the group, and unless otherwise stated, are rounded to the nearest thousand rands. They are prepared on the historical cost basis, except for:

- non-current assets and disposal groups held for sale that are stated at the lower of carrying amount and fair value less costs to sell; and
- the following assets and liabilities that are stated at their fair value:
 - derivative financial instruments;
 - financial assets and financial liabilities classified as held for trading;
 - financial assets and financial liabilities designated at fair value through profit or loss;
 - financial assets classified as available for sale; and
 - investment property and owner-occupied properties.

The accounting policies set out below have been applied consistently by all group entities to all periods presented in preparing these group financial statements.

Critical judgements have been made in applying these accounting policies and key sources have been used in the case of estimation uncertainties.

1.2 Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the respective entities in the group at the date of such transactions by applying to the foreign currency the spot exchange rate ruling at the transaction date. The functional currency of the respective entities in the group is the currency of the primary economic environment in which these entities operate.

Exchange differences that arise on the settlement and translation of monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period they arise. Exchange differences for non-monetary items are recognised consistently with gains and losses on such items. For example, exchange differences relating to an item for which gains and losses are recognised directly in equity are recognised in equity. Conversely, exchange differences for non-monetary items for which gains and losses are recognised in profit or loss, are recognised in profit or loss.

1.3 Group accounting

- (i) Subsidiary undertakings and special-purpose entities

Group

Subsidiary undertakings are those entities, including unincorporated entities such as partnerships that are controlled by the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities and is presumed to exist when the group owns directly or indirectly through subsidiaries, more than half of the voting power of an entity, unless, in exceptional circumstances it can clearly be demonstrated that such ownership does not constitute control. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the group has control.

Subsidiary undertakings include special-purpose entities (SPEs) that are created to accomplish a narrow, well-defined objective, and may take the form of a company, corporation, trust, partnership or unincorporated entity. The assessment of control for SPEs is based on the

substance of the relationship between the group and the SPE. SPEs in which the group holds half or less of the voting rights, but which are controlled by the group by retaining the majority of risks or benefits, are also included in the group financial statements.

The group financial statements include the assets, liabilities and results of the company and subsidiary undertakings controlled by the group from the date of acquisition until the date the group ceases to control the subsidiary.

Intragroup balances, transactions, income and expenses and profits and losses are eliminated in full in preparation of the group financial statements.

Company

Subsidiaries, associates and joint ventures that are not classified as held for sale are accounted for at cost or at fair value through profit and loss in accordance with IAS 39 – Financial Instruments: Recognition and Measurement.

1.4 Financial instruments

Financial instruments as reflected on the balance sheet, include all financial assets and financial liabilities, including derivative instruments, but exclude investments in subsidiaries, associates and joint ventures, property and equipment, deferred taxation, taxation payable, intangible assets, and leases. Financial Instruments are accounted for under IAS 32 – Financial Instruments: Disclosure and Presentation and IAS 39 – Financial Instruments: Recognition and Measurement. The group does not apply hedge accounting.

(i) Initial recognition

Financial instruments are recognised on the balance sheet when the group becomes a party to the contractual provisions of a financial instrument. All purchases of financial assets that require delivery within the time frame established by regulation or market convention (“regular way” purchases) are recognised at trade date, which is the date on which the group commits to purchase the asset. The liability to pay for regular way purchases of financial assets is recognised on trade date, which is when the group becomes a party to the contractual provisions of the financial instrument.

Contracts that require or permit net settlement of the change in the value of the contract are not considered “regular way” contracts and are

treated as derivatives between the trade and settlement of the contract.

(ii) Initial measurement

Financial instruments are initially recognised at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

(iii) Subsequent measurement

Subsequent to initial measurement, financial instruments are either measured at fair value or amortised cost, depending on their classification:

- *Financial assets and financial liabilities at fair value through profit or loss*

Financial instruments at fair value through profit or loss consist of trading instruments and instruments that the group has elected, on initial recognition date, to designate as at fair value through profit or loss.

Trading instruments are financial assets or financial liabilities that were acquired or incurred principally for the purpose of sale or repurchase in the near term, form part of a portfolio with a recent actual pattern of short-term profit-taking or are derivatives. The group’s derivative transactions include interest rate swaps and interest rate caps.

- *Financial assets and financial liabilities that the group has elected, on initial recognition date, to designate as at fair value through profit or loss are those that meet any one of the following criteria:*

- where the fair value through profit or loss designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from using different bases to measure and recognise the gains and losses on financial assets and financial liabilities; or
- the instrument forms part of a group of financial instruments that is managed, evaluated and reported using a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, which significantly modifies the cash flows of the host contract

Imperial Bank Limited

Accounting policies continued

or where the embedded derivative would clearly require separation.

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, with fair value gains and losses (excluding interest income and interest expense relating to those interest-bearing instruments that have been designated as at fair value through profit or loss) reported in non-interest revenue as they arise.

- *Held-to-maturity financial assets*

Held-to-maturity financial assets are non-derivative positive financial assets with fixed or determinable payments and fixed maturity that the group has the intent and ability to hold to maturity, other than those that meet the definition of loans and receivables or those that were designated as at fair value through profit or loss or available for sale. Held-to-maturity financial assets are measured at amortised cost, with interest income recognised in profit or loss.

- *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the group as at fair value through profit or loss or available for sale.

Financial assets classified as loans and receivables are carried at amortised cost, with interest income recognised in profit or loss. The majority of the group's advances are included in the loans and receivables category.

- *Available-for-sale financial assets*

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. Available-for-sale instruments are typically assets that are held for a longer period and in respect of which short-term fluctuations in value do not affect the group's hold or sell decision.

Available-for-sale financial assets are measured at fair value, with fair value gains and losses recognised directly in equity along with the associated deferred taxation. Any foreign

currency translation gains or losses or interest income, measured on an effective-yield basis, are removed from equity to profit or loss as they arise. When available-for-sale equity instruments are determined to be impaired to the extent that the fair value declines below its original cost, the resultant losses are recognised in profit or loss.

- *Non-trading financial liabilities*

All financial liabilities, other than those at fair value through profit or loss, are classified as non-trading financial liabilities and are measured at amortised cost.

(iv) **Measurement of financial instruments**

- **Amortised cost**

The amortised cost of financial assets and financial liabilities is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any cumulative impairment losses.

- **Fair value**

Directly attributable transaction costs are included in the initial fair value of financial assets and financial liabilities, other than those at fair value through profit or loss. The best evidence of the fair value of a financial asset or financial liability at initial recognition is the transaction price, unless the fair value of the instrument is evidenced by comparison with other current observable market transactions in the same instrument or based on a valuation technique whose variables include only market-observable data.

Where quoted market prices or rates are available, such market data is used to determine the fair value of financial assets and financial liabilities that are measured at fair value. The bid price is used to measure financial assets held and the offer price is used to measure the fair value of financial liabilities. Mid-market prices are used to measure fair value only to the extent that the group has assets and liabilities with offsetting risk positions (refer to note 1.4(vii)).

If quoted bid prices are unavailable, the fair value of financial assets and financial liabilities is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market-related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market-related measures at the balance sheet date. When market-related measures are not available, management best estimates of the variables at the balance sheet date are used as inputs to the pricing models.

Financial instruments carried at fair value through profit or loss are valued in one of two ways:

- If the instrument is listed on a recognised exchange, the active price quoted on the exchange is used.
- All other financial instruments are valued using a discounted cash flow model, where future cash flows are discounted back at the market rates of that day.

Government stock and investments are carried at BESA-listed prices.

Loans and advances and other short-term securities carried at fair value through profit or loss are valued using discounted cash flow models.

The fair value of a financial liability with a demand feature is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. In cases where the fair value of financial liabilities cannot be reliably determined, these liabilities are recorded at the amount due.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and have to be settled by delivery of such unquoted equity instruments, are not measured at fair value but at cost. Fair value is considered reliably measurable if:

- the variability in the range of reasonable fair value estimates is not significant for that instrument; or
- the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.

(v) **Derecognition**

All sales of financial assets that require delivery within the time frame established by regulation or market convention (regular way sales) are recognised at trade date, which is the date on which the group commits to the sale of the asset. The group derecognises a financial asset (or group of financial assets) or a part of a financial asset (or part of a group of financial assets) when and only when:

- the contractual rights to the cash flows arising from the financial asset have expired; or
- it transfers the financial asset, including substantially all the risks and rewards of ownership of the asset; or
- it transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of ownership of the asset, but no longer retains control of the asset.

A financial liability (or part of a financial liability) is derecognised when and only when the liability is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or has expired.

The difference between the carrying amount of a financial asset or financial liability (or part thereof) that is derecognised and the consideration paid or received, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss for the period.

(vi) **Impairment of financial assets**

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets

Imperial Bank Limited

Accounting policies continued

that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that come to the attention of the group about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the group, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower a concession that the group would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - adverse changes in the payment status of borrowers in the group; or
 - national or local economic conditions that correlate with defaults on the assets in the group.
- Assets carried as amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

The group first assesses whether there is objective evidence of impairment individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the group determines that there is no objective evidence of impairment for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit-risk characteristics and collectively assesses them for impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date on which the impairment is reversed. The amount of the reversal is recognised in profit or loss for the period.

- Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value, because its fair value cannot be reliably measured, or on a derivative asset that is linked to and has to be settled by delivery of such an unquoted equity instrument, or a financial asset that is carried at cost because its fair value could not be determined, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

- Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised

directly in equity is removed from equity and recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale are not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss for the period.

(vii) **Offsetting financial instruments and related income**

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to set off and there is an intention of settling on a net basis or realising the asset and settling the liability simultaneously. Income and expense items are offset only to the extent that their related instruments have been offset in the balance sheet.

1.5 **Revenue recognition**

(i) **Interest income and expense**

Interest income and expense are recognised in profit or loss using the effective interest method taking into account the expected timing and amount of cash flows. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. Interest income and expense include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Interest earned while holding trading securities and interest incurred on trading liabilities are reported as interest income and expense within non-interest revenue.

(ii) **Non-interest revenue**

Fees and commissions

The group earns fees and commissions from a range of services it provides to customers and these are accounted for as follows:

- Income earned on the execution of a significant act is recognised when the significant act has been performed.
- Income earned from the provision of services is recognised as the service is rendered by reference to the stage of completion of the service.
- Income that forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recorded in interest income.

Dividend income

Dividend income is recognised when the right to receive payment is established on the ex-dividend date for equity instruments and is included in dividend income.

Net trading income

Net trading income comprises all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading.

Other

Fair value gains or losses on financial instruments at fair value through profit or loss, including derivatives are included in non-interest revenue. These fair value gains or losses are after deducting the interest component, which is recognised separately in interest income and expense.

1.6 **Taxation**

Taxation expense comprises current and deferred taxation. Income taxation is recognised in profit or loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

(i) **Current taxation**

Current taxation is the expected taxation payable on the taxable income for the year, using

Imperial Bank Limited

Accounting policies continued

taxation rates enacted or substantively enacted at the balance sheet date and any adjustment to taxation payable in respect of previous years.

Secondary taxation on companies (STC) that arises from the distribution of dividends is recognised at the same time as the liability to pay the related dividend.

(ii) Deferred taxation

Deferred taxation is provided using the balance sheet liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their taxation bases. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities and is measured at the taxation rates that are expected to be applied to the temporary differences when they reverse.

Deferred taxation is charged to profit or loss for the period, except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition. The effect on deferred taxation of any changes in taxation rates is recognised in profit or loss, except to the extent that it relates to items previously charged or credited directly to equity.

Deferred taxation is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly-controlled entities to the extent that they will not reverse in the foreseeable future.

A deferred taxation asset is recognised to the extent that it is probable that future taxable income will be available against which the unutilised taxation losses and deductible temporary differences can be used. Deferred taxation assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefits will be realised.

1.7 Intangible assets

(i) Computer software and capitalised development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or

technical knowledge and understanding, and expenditure on internally generated goodwill and brands is recognised in profit or loss as the expense is incurred.

Expenditure on computer software and other development activities, whereby set procedures and processes are applied to a project for the production of new or substantially improved products and processes, is capitalised if the computer software and other developed products or processes are technically and commercially feasible and the group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials and directly attributable employee and other costs. Computer development expenditure is amortised only once the relevant software has been commissioned. Capitalised software is stated at cost less accumulated amortisation and impairment losses. Computer development expenditure, which has not yet been commissioned, is stated at cost less impairment losses.

Amortisation of computer software and development costs is charged to profit or loss on a straight-line basis over the estimated useful lives of these assets, not exceeding five years. Subsequent expenditure relating to computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

All other subsequent expenditure is recognised as an expense in the period in which it is incurred. Surpluses or deficits on the disposal of computer software are recognised in profit or loss in the period in which they are incurred. The profit or loss is the difference between the net disposal proceeds and the carrying amount of the asset.

1.8 Impairment (all assets other than financial instruments)

The group assesses all assets (other than intangible assets not yet available for use) for indications of impairment or the reversal of a previously recognised impairment at each balance sheet date. Should there be indications of impairment, the recoverable amounts of the assets are estimated. These impairments (where the carrying amount of an asset exceeds its recoverable amount) or the reversal of a previously recognised impairment are recognised in profit or loss for the period.

Impairment is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. The fair value less cost to sell is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset.

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-taxation discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset whose cash flows are largely dependent on those of other assets the recoverable amount is determined for the cash-generating unit to which the asset belongs.

A previously recognised impairment loss will be reversed if the recoverable amount increases as a result of a change in the estimates used previously to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised in prior periods.

1.9 Property and equipment

(i) Owned assets

Owner-occupied property is stated at revalued amounts, being fair value at the date of revaluation less subsequent accumulated depreciation and accumulated impairment losses.

Property and equipment, principally computer equipment, motor vehicles and fixtures and furniture are stated at cost less accumulated depreciation and impairment.

Certain items of property and equipment that had been revalued to fair value on 1 January 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

(ii) Subsequent expenditure

Subsequent expenditure is recognised in the carrying amount of items of property and equipment if it is measurable and it is probable that future economic benefits associated with the expenditure will flow to the group. All other expenses are recognised in profit or loss as an expense when incurred.

(iii) Revaluation of owner-occupied property

Owner-occupied property is valued at fair value. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. The valuation methodology adopted is dependent upon the nature of the property.

Revaluation increases are credited directly to equity under the heading revaluation reserve. However, revaluation increases are recognised in profit or loss to the extent that they reverse a revaluation decrease of the same asset previously recognised in profit or loss.

Revaluation decreases are recognised in profit or loss. However, decreases are debited directly to equity to the extent of any credit balances existing in the revaluation surplus in respect of the same asset.

(iv) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of items of property and equipment that are accounted for separately. Useful lives, residual values and depreciation methods are assessed on an annual basis.

On revaluation, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the item concerned and the net amount restated to the revalued amount. Subsequent depreciation charges are adjusted based on the revalued amount.

Any difference between the depreciation charge on the revalued amount and that which would have been charged under historic cost is transferred net of any related deferred taxation between the revaluation reserve and retained earnings as the property is utilised. Land is not depreciated.

The maximum estimated useful lives are as follows:

• Computer equipment	5 years
• Computer software	3 years
• Motor vehicles	6 years
• Fixtures and furniture	10 years
• Leasehold property	lower of 20 years or the lease period
• Significant leasehold property components	lower of 10 years or the lease period

Imperial Bank Limited

Accounting policies continued

- Freehold property 50 years
- Significant freehold property components 5 years

(v) Derecognition

Items of property and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss on derecognition is included in profit or loss and is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

On derecognition any surplus in the revaluation reserve in respect of individual items of property and equipment is transferred directly to retained earnings.

Compensation from third parties for items of property and equipment that were impaired, lost or given up is included in profit or loss when the compensation becomes receivable.

1.10 Pension plans and post-retirement benefits

(i) Defined contribution plans

Contributions in respect of defined-contribution plans are recognised as an expense in profit or loss as incurred.

1.11 Leases

(i) The group as lessee

Leases in respect of which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to income on a straight-line basis over the term of the lease. When another systematic basis is more representative of the time pattern of the user's benefit, then that method is used.

(ii) The group as lessor

Where assets are leased out under a finance lease arrangement, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and unearned finance income is presented in the balance sheet. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

(iii) Recognition of lease of land

Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. However, when a single lease covers both land and a building, the

minimum lease payments at the inception of the lease (including any upfront payments) are allocated between the land and the building in proportion to the relative fair values of the respective leasehold interests. Any upfront premium allocated to the land element that is normally classified as an operating lease represents prepaid lease payments. These payments are amortised over the lease term in accordance with the time pattern of benefits provided. If the lease payments cannot be allocated reliably between these two elements, the entire lease is classified as a finance lease, unless it is clear that both elements are operating leases.

1.12 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than 90 days' maturity from the date of acquisition, including cash and balances with central banks that are not mandatory, treasury bills, other eligible bills and amounts due from other banks.

1.13 Other provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, in respect of which it is probable that an outflow of economic benefits will occur and a reliable estimate can be made of the amount of the obligation. Where the effect of discounting is material, provisions are discounted and the discount rate used as a pre-taxation rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Gains from the expected disposal of assets are not taken into account in measuring the provision. The provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources will be required to settle the obligation, the provision is reversed.

1.14 Segmental reporting

The group's segmental reporting is by line of business and loans and advances are disclosed by geography. The segmental disclosure by geography is determined by the origin of business transacted.

The accounting policies of the group's reported segments are the same as the accounting policies of the entire group. Assets, liabilities, revenues or expenses that are not directly attributable to a particular segment are allocated between segments where there is a reasonable basis for doing so. The group accounts for intersegment revenues and

transfers as if the transactions were with third parties at current market prices.

1.15 Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount will be recovered principally through sale rather than use. The asset or disposal group must be available for immediate sale in its present condition and the sale should be highly probable, with an active programme to find a buyer and the appropriate level of management approving the sale. Non-current assets held for sale are measured at the lower of carrying amount and fair value less cost to sell and are not depreciated.

1.16 Share capital

Share capital issued by the entity is measured at the proceeds received (net of the taxation benefit). No gain is recognised in profit or loss on the purchase, sale, issue or cancellation of the entity's share capital and preference shares that are classified as equity.

Ordinary and preference share capital is classified as equity if it is non-redeemable by the shareholder, dividends are discretionary and if it represents a residual interest in the assets of the entity after deducting all of its liabilities.

Dividends are recognised as distributions within equity in the period in which they are payable to shareholders. Dividends for the year that are declared after the balance sheet date are disclosed in the notes.

1.17 Standards and interpretations issued but not yet effective

(i) Standards

The following Standards, mandatory for the group's accounting periods commencing on or after 1 January 2008, have not been early adopted by the group:

- *IFRS 8 – Operating Segments*

IFRS 8 requires an entity to adopt a management approach to reporting the financial performance of its operating segments. Generally, the information to be reported would be what management is currently using internally for evaluating segment performance and deciding how to allocate resources to operating segments. The application of the IFRS is expected to change the disclosure and measurement basis applied to segment reporting by the group and is not expected to have a significant impact on the group. The group will apply IFRS 8 from its

effective date, which is for annual periods commencing on or after 1 January 2009.

(ii) Revised Standards

The following revisions to International Accounting Standards has not been early adopted by the group:

- *IAS 1 – Presentation of Financial Statements: Comprehensive revision including requiring a statement of comprehensive income*

The changes made to IAS 1 is to require information in financial statements to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. The revision includes changes in titles of financial statements to reflect their function more clearly.

The revised standard will affect the disclosures in the annual report. The revision is effective for annual periods commencing on or after 1 January 2009. The group will adopt the revised standards on its effective date.

(iii) Interpretations

The following Interpretations of existing Standards are not yet effective and have not been early adopted by the group:

- *IFRIC 12 – Service concession arrangements*

The interpretation clarifies the application of existing IFRSs by concession operators for obligations under concession arrangements and rights received in service concession arrangements. The group will apply the requirements of the interpretation from its effective date, which is for annual periods commencing on or after 1 January 2008.

The group is not party to concession arrangements. As such, IFRIC 12 is not expected to have any impact on the group.

Imperial Bank Limited
Group income statement

for the year ended 31 December 2007

	Note	2007 R'000	2006 R'000
Interest and similar income	2	4 469 435	2 909 071
Interest expense and similar charges	3	2 978 076	1 830 442
Net interest income		1 491 359	1 078 629
Impairment losses on loans and advances	15	412 049	210 807
Income from lending activities		1 079 310	867 822
Non-interest revenue	4	128 144	64 127
Total income		1 207 454	931 949
Operating expenses	5	489 321	404 540
Net income from operations		718 133	527 409
Indirect taxation	6	34 049	21 150
Profit from operations before direct taxation		684 084	506 259
Direct taxation	7	204 930	120 199
Net profit for the year		479 154	386 060

Imperial Bank Limited

Group balance sheet



as at 31 December 2007

	Note	2007 R'000	2006 R'000
ASSETS			
Cash and cash equivalents	9	4 468	12 774
Other short-term securities	11	1 105 594	1 154 105
Derivative financial instruments	10	74 630	78 334
Government and other securities	11	330 985	360 114
Loans and advances to customers	12 & 15	35 319 543	27 736 031
Other assets	13	397 463	272 304
Investment securities	11	6 151	5 309
Property and equipment	16	181 395	125 160
Mandatory deposits with central bank	9	808 109	656 030
Total assets		38 228 338	30 400 161
EQUITY AND LIABILITIES			
Ordinary share capital	18.1	3 400	2 882
Ordinary share premium		648 284	348 802
Reserves		1 745 502	1 256 990
Total ordinary equity		2 397 186	1 608 674
Preference share capital and premium	18.2	298 047	298 062
Total shareholders' equity		2 695 233	1 906 736
Total liabilities		35 533 105	28 493 425
Bank overdraft	9	32 269	–
Derivative financial instruments	10	90 207	102 585
Amounts owed to depositors	19	34 047 864	27 036 305
Other liabilities	20	250 772	237 974
Current taxation	14	2 392	54 582
Deferred taxation	8	109 512	3 797
Long-term debt instruments	11 & 21	1 000 089	1 058 182
Total equity and liabilities		38 228 338	30 400 161
Contingent liabilities	23	1 540 059	943 913

Imperial Bank Limited

Group statement of changes in shareholders' equity

for the year ended 31 December 2007

	Number of ordinary shares	Number of preference shares	Ordinary share capital R'000	Ordinary share premium R'000	Re- valuation reserve R'000	General credit risk reserve* R'000	Accu- mulated profit R'000	Total ordinary share- holders' equity R'000	Preference share capital and premium R'000	Total share- holders' equity R'000
Balance as at 31 December 2004	301 998 332	–	3 020	434 205	2 863	70 826	502 758	1 013 672	–	1 013 672
Transfer to/(from) reserves					(40)	26 785	(26 745)	–		–
Net profit for the year							294 483	294 483		294 483
Ordinary shares issued	56 936 155		569	214 431				215 000		215 000
Share issue expenses				(351)				(351)		(351)
Balance as at 31 December 2005	358 934 487	–	3 589	648 285	2 823	97 611	770 496	1 522 804	–	1 522 804
Transfer to/(from) reserves					(2 823)	83 210	(80 387)	–		–
Net profit for the year							386 060	386 060		386 060
Ordinary shares repurchased	(70 711 888)		(707)	(299 293)				(300 000)		(300 000)
Preference shares issued		3 000 000						–	300 000	300 000
Share issue and repurchase expenses				(190)				(190)	(1 938)	(2 128)
Balance as at 31 December 2006	288 222 599	3 000 000	2 882	348 802	–	180 821	1 076 169	1 608 674	298 062	1 906 736
Transfer to/(from) reserves						48 550	(48 550)	–		–
Net profit for the year							479 154	479 154		479 154
Preference dividends paid							(26 003)	(26 003)		(26 003)
Revaluation of land and buildings					35 361			35 361		35 361
Ordinary shares issued	51 787 025		518	299 482				300 000		300 000
Share issue and repurchase expenses								–	(15)	(15)
Balance as at 31 December 2007	340 009 624	3 000 000	3 400	648 284	35 361	229 371	1 480 770	2 397 186	298 047	2 695 233

* Represents non-distributable reserves transferred from other distributable reserves in order to comply with the Banks Act, 1990.

Imperial Bank Limited

Group cash flow statement



for the year ended 31 December 2007

	Note	2007 R'000	2006 R'000
Cash received from clients	22.2	4 545 223	3 011 542
Cash paid to clients, staff and suppliers	22.3	(3 442 695)	(2 212 469)
Dividend received		–	6 525
Recoveries on loans previously written off		6 701	6 658
Cash generated by operating activities	22.1	1 109 229	812 256
Change in funds for operating activities		(1 043 912)	(486 029)
Increase in operating assets	22.4	(8 019 139)	(8 632 056)
Increase in operating liabilities	22.5	6 975 227	8 146 027
Net cash generated by operating activities before taxation		65 317	326 227
Taxation paid	22.6	(199 895)	(132 059)
Net cash (utilised in)/generated by operating activities		(134 578)	194 168
Net cash (utilised in)/generated by investing activities		(27 900)	2 279
Acquisition of property and equipment		(29 880)	(18 551)
Proceeds on disposal of property and equipment		1 980	20 830
Net cash from/(utilised in) financing activities		273 982	(2 128)
Issue/(repurchase) of ordinary shares		300 000	(300 000)
Preference share dividends paid		(26 003)	–
(Redemption)/issue of preference shares		(15)	297 872
Net increase in cash and cash equivalents		111 504	194 319
Cash and cash equivalents at the beginning of the year		668 804	474 485
Cash and cash equivalents at the end of the year		780 308	668 804

Imperial Bank Limited

Group operational and segmental reporting

for the year ended 31 December 2007

	Motor Finance		Property Finance	
	2007	2006	2007	2006
	Rbn	Rbn	Rbn	Rbn
BALANCE SHEET				
Assets				
Cash on hand	-	-	-	-
Liquid assets	-	-	-	-
Loans and advances to customers	21.7	17.0	6.5	5.0
Investments and other assets	0.5	0.3	-	-
Fixed assets	-	-	-	-
	22.2	17.3	6.5	5.0
Equity and liabilities				
Deposits	19.8	15.4	5.9	4.5
Other liabilities	0.2	0.2	-	-
Shareholders' funds	2.2	1.7	0.6	0.5
Secondary loan capital	-	-	-	-
	22.2	17.3	6.5	5.0
INCOME STATEMENT				
	Rm	Rm	Rm	Rm
Net interest income	943.0	662.5	298.5	208.3
Impairment losses on loans and advances	385.6	222.6	13.5	(14.5)
Income from lending activities	557.4	439.9	285.0	222.8
Non-interest revenue	50.3	42.0	40.8	5.3
Total income	607.7	481.9	325.8	228.1
Operating expenses and indirect taxation	316.5	237.7	85.7	68.1
Profit from operations before direct taxation	291.2	244.2	240.1	160.0
Direct taxation	84.4	70.8	69.6	46.4
Net profit for the year	206.8	173.4	170.5	113.6

Medical Finance		Supplier Asset Finance		Treasury and Eliminations		Imperial Bank	
2007 Rbn	2006 Rbn	2007 Rbn	2006 Rbn	2007 Rbn	2006 Rbn	2007 Rbn	2006 Rbn
-	-	-	-	0.8	0.7	0.8	0.7
-	-	-	-	1.4	1.5	1.4	1.5
4.2	3.0	4.2	3.5	(1.3)	(0.8)	35.3	27.7
-	-	-	-	-	0.1	0.5	0.4
-	-	-	-	0.2	0.1	0.2	0.1
4.2	3.0	4.2	3.5	1.1	1.6	38.2	30.4
3.9	2.7	3.2	2.6	1.2	1.8	34.0	27.0
-	-	0.6	0.5	(0.3)	(0.3)	0.5	0.4
0.3	0.3	0.4	0.4	(0.8)	(1.0)	2.7	1.9
-	-	-	-	1.0	1.1	1.0	1.1
4.2	3.0	4.2	3.5	1.1	1.6	38.2	30.4
Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
87.3	62.1	165.2	155.0	(2.6)	(9.3)	1 491.4	1 078.6
3.8	4.0	6.0	(1.5)	3.1	0.2	412.0	210.8
83.5	58.1	159.2	156.5	(5.7)	(9.5)	1 079.4	867.8
6.4	6.4	31.4	8.8	(0.8)	1.6	128.1	64.1
89.9	64.5	190.6	165.3	(6.5)	(7.9)	1 207.5	931.9
62.3	42.1	69.7	57.7	(10.8)	20.0	523.4	425.6
27.6	22.4	120.9	107.6	4.3	(27.9)	684.1	506.3
8.0	6.5	35.1	31.2	7.8	(34.7)	204.9	120.2
19.6	15.9	85.8	76.4	(3.5)	6.8	479.2	386.1

Imperial Bank Limited

Group balance sheet classification of financial instruments**

as at 31 December 2007

	2007	Designated as at fair value		At	Non-
	2007	Held-for-	through	amortised	financial
	R'000	trading	profit or loss	cost	assets and
	R'000	R'000	R'000	R'000	liabilities
2007	R'000	R'000	R'000	R'000	R'000
ASSETS					
Cash and cash equivalents	4 468			4 468	
Other short-term securities	1 105 594		1 105 594		
Derivative financial instruments	74 630	74 630			
Government and other securities	330 985		330 985		
Loans and advances to customers*	35 319 543		314 810	35 004 733	
Other assets	397 463			397 463	
Investment securities	6 151		6 151		
Property and equipment	181 395				181 395
Mandatory deposits with central bank	808 109			808 109	
Total assets	38 228 338	74 630	1 757 540	36 214 773	181 395
EQUITY AND LIABILITIES					
Equity					
Ordinary share capital	3 400				3 400
Ordinary share premium	648 284				648 284
Reserves	1 745 502				1 745 502
Total ordinary equity	2 397 186	-	-	-	2 397 186
Preference share capital and premium	298 047				298 047
Total shareholders' equity	2 695 233	-	-	-	2 695 233
Total liabilities	35 533 105	90 207	1 000 089	34 142 063	300 746
Bank overdraft	32 269			32 269	
Derivative financial instruments	90 207	90 207			
Amounts owed to depositors	34 047 864			34 047 864	
Other liabilities	250 772			61 930	188 842
Current taxation	2 392				2 392
Deferred taxation	109 512				109 512
Long-term debt instruments	1 000 089		1 000 089		
Total equity and liabilities	38 228 338	90 207	1 000 089	34 142 063	2 995 979

* The carrying amount (amortised cost less impairments) of loans and advances is a reasonable approximation of the fair value. Due to the current market conditions being experienced (Post-NCA implementation and the higher interest rate cycle), forecast cash flows expected from the Motor Finance fixed rate loans cannot be reliably measured because of the difficulties in predicting clients' behaviour. During the 2007 financial year, R1.7 billion of loans and advance loans were securitised (mixed book of both fixed and variable loans and advances) for R1.7 billion. The loans and advances sold for R1.7 billion (fair value) had an amortised cost value of R1.7 billion and further supports that amortised costs reasonably approximates the fair value.

Loans and advances and investments in short-term securities' fair values are determined using discounted cash flow models, where future cash flows are discounted using current market rates.

** The comparative information has been expanded in order to comply with IFRS 7.

as at 31 December 2007

	2006 R'000	Designated as at fair value		At amortised cost R'000	Non- financial assets and liabilities R'000
		Held-for- trading R'000	through profit or loss R'000		
2006					
ASSETS					
Cash and cash equivalents	12 774			12 774	
Other short-term securities	1 154 105		1 154 105		
Derivative financial instruments	78 334	78 334			
Government and other securities	360 114		360 114		
Loans and advances to customers*	27 736 031		183 916	27 552 115	
Other assets	272 304			272 304	
Investment securities	5 309		5 309		
Property and equipment	125 160				125 160
Mandatory deposits with central bank	656 030			656 030	
Total assets	30 400 161	78 334	1 703 444	28 493 223	125 160
EQUITY AND LIABILITIES					
Equity					
Ordinary share capital	2 882				2 882
Ordinary share premium	348 802				348 802
Reserves	1 256 990				1 256 990
Total ordinary equity	1 608 674	–	–	–	1 608 674
Preference share capital and premium	298 062				298 062
Total shareholders' equity	1 906 736	–	–	–	1 906 736
Total liabilities	28 493 425	102 585	1 058 182	27 092 216	240 442
Derivative financial instruments	102 585	102 585			
Amounts owed to depositors	27 036 305			27 036 305	
Other liabilities	237 974			55 911	182 063
Current taxation	54 582				54 582
Deferred taxation	3 797				3 797
Long-term debt instruments	1 058 182		1 058 182		
Total equity and liabilities	30 400 161	102 585	1 058 182	27 092 216	2 147 178

Imperial Bank Limited

Notes to the group financial statements

for the year ended 31 December 2007

	2007 R'000			2006 R'000		
	Financial instruments at fair value through profit & loss	Financial instruments not at fair value through profit & loss		Financial instruments at fair value through profit & loss	Financial instruments not at fair value through profit & loss	
1 ACCOUNTING POLICIES						
Refer to pages 34 to 43 for the accounting policies.						
2 INTEREST AND SIMILAR INCOME**						
Mortgage loans	19 626	983 385	1 003 011	5 428	583 483	588 911
Lease and instalment debtors	–	3 228 528	3 228 528	–	2 082 846	2 082 846
– Interest earned	–	3 222 078	3 222 078	–	2 131 869	2 131 869
– Deferred revenue and acquisition costs	–	6 450	6 450	–	(49 023)	(49 023)
Term loans and other	47 039	44 691	91 730	96 925	32 175	129 100
Government and public sector securities	134 814	–	134 814	97 280	–	97 280
Preference shares	–	11 352	11 352	–	10 934	10 934
	201 479	4 267 956	4 469 435	199 633	2 709 438	2 909 071
Interest income on impaired financial assets	–	–	69 793	–	–	13 529
Interest income disclosed above includes interest income on impaired financial assets						
3 INTEREST EXPENSE AND SIMILAR CHARGES**						
Deposit and loan accounts	–	2 725 421	2 725 421	–	1 641 103	1 641 103
Derivative instruments	52 020	–	52 020	90 478	–	90 478
Long-term debt instruments	107 510	–	107 510	97 259	–	97 259
Other deposits	–	280	280	–	1 602	1 602
Securitisation notes	–	92 845	92 845	–	–	–
	159 530	2 818 546	2 978 076	187 737	1 642 705	1 830 442
4 NON-INTEREST REVENUE**						
Commission and fee income	–	59 925	59 925	–	37 570	37 570
– Insurance commission	–	46 698	46 698	–	43 476	43 476
– Guarantees	–	–	–	–	301	301
– Indirect interest cost*	–	–	–	–	(12 421)	(12 421)
– Fees	–	13 227	13 227	–	6 214	6 214
Fair value adjustments through profit and loss	18 174	–	18 174	3 111	–	3 111
– Designated as at fair value through profit and loss	17 872	–	17 872	(18 620)	–	(18 620)
– Held for trading	302	–	302	21 731	–	21 731
Other income	–	50 045	50 045	–	23 446	23 446
– Rent received	–	13 466	13 466	–	15 838	15 838
– Profit on disposal of property inventory	–	27 795	27 795	–	–	–
– (Loss)/profit on disposal of property and equipment	–	(63)	(63)	–	1 042	1 042
– Other	–	8 847	8 847	–	6 566	6 566
	18 174	109 970	128 144	3 111	61 016	64 127

All commission and fee income other than amounts included in determining the effective interest rate relates to financial instruments that are not classified as financial instruments at fair value through profit and loss.

The net gains and losses on financial instruments includes all realised and unrealised fair value changes, interest and dividends.

* The 2007 indirect interest costs have been included in interest and similar income (note 2) in order for it to be included in the effective interest rate going forward.

** The comparative information has been expanded in order to comply with IFRS 7.

for the year ended 31 December 2007

	2007 R'000	2006 R'000
5 OPERATING EXPENSES		
Staff costs*	293 956	243 852
– Salaries and wages	293 956	243 852
Computer processing	30 518	26 299
– Depreciation for computer equipment	12 670	12 227
– Other computer processing expenses	17 848	14 072
Occupation and accommodation	23 847	17 974
– Depreciation for owner-occupied buildings	3 670	2 129
– Operating lease charges for land and buildings	13 162	9 661
– Other occupation and accommodation expenses	7 015	6 184
Marketing and public relations	17 599	17 719
Fees and insurances	18 382	21 191
– Auditors' remuneration	6 284	6 430
– Audit fees – internal	2 400	2 400
– Audit fees – external	3 795	3 405
– Other services	89	625
– Other fees and insurances	12 098	14 761
Office equipment and consumables	33 154	28 834
– Depreciation for furniture and other equipment	3 780	5 209
– Depreciation for vehicles	1 299	1 944
– Other office equipment and consumables	28 075	21 681
Sundry expenses	40 421	27 604
Fees to alliance partners	31 444	21 067
	489 321	404 540

* Refer page 68 on related parties for a detailed breakdown of directors' compensation.

Certain expenses incurred by the company on behalf of subsidiary companies are recovered from subsidiary companies.

	2007 R'000	2006 R'000
6 INDIRECT TAXATION		
Value-added taxation	34 049	18 655
Regional service levies	–	2 495
	34 049	21 150

Value-added taxation comprises that portion which is irrecoverable as a result of the interest earned in the banking sector.

Imperial Bank Limited

Notes to the group financial statements

continued

for the year ended 31 December 2007

	2007 R'000	2006 R'000
7 DIRECT TAXATION		
7.1 Charge for the year		
South African normal taxation		
– Current	110 734	116 056
– Deferred	91 274	4 267
Current and deferred taxation on income	202 008	120 323
Prior year under provision/(over provision) – current taxation	2 922	(3 684)
Prior year under provision – deferred taxation	–	3 560
	204 930	120 199
7.2 Taxation rate reconciliation		
Standard rate of South African normal taxation	29%	29%
Non-taxable dividend income	(1%)	(1%)
Effect of taxation losses utilised	(7%)	(5%)
Deferred taxable income	7%	–
Other	2%	1%
Total direct taxation on income as a percentage of profit before direct taxation	30%	24%
In prior years NRB had an assessed loss, the benefits of which were fully utilised in the year under review.		
8 DEFERRED TAXATION		
8.1 Reconciliation of deferred taxation balances		
Deferred taxation liability		
Opening balance	3 797	(9 643)
Prior year adjustments – Balance sheet	–	5 612
Prior year adjustment – Income statement	–	3 560
Current year temporary differences	105 715	4 268
– Recognised in profit and loss	91 274	4 268
– Property and equipment, leases and other assets	–	5 529
– Income and expenditure accruals deducted	156 536	14 544
– Utilisation of taxation losses	(47 995)	(18 560)
– Impairment of loans and advances	(20 441)	–
– Other	3 174	2 755
– Recognised in equity	14 441	–
– Property and equipment, leases and other assets	14 441	–
Balance at end of year	109 512	3 797

for the year ended 31 December 2007

	2007 R'000	2006 R'000
8 DEFERRED TAXATION (continued)		
8.2 Analysis of deferred taxation		
Deferred taxation liability		
Impairment of loans and advances	(20 441)	3 849
Revaluation of property and equipment	14 441	–
Utilisation of taxation losses	(47 995)	–
Income and expenditure accruals	160 811	426
Other	2 696	(478)
	109 512	3 797
9 CASH AND CASH EQUIVALENTS		
Coins and bank notes	31	26
Money at call and short notice	4 187	12 498
Balances with central bank other than mandatory deposits	250	250
	4 468	12 774
Bank overdraft	(32 269)	–
Mandatory deposits with central bank	808 109	656 030
	780 308	668 804

Money at call and short notice constitutes amounts withdrawable in 32 days or less. Mandatory deposits are not available for use in the group's day to day operations.

10 DERIVATIVE FINANCIAL INSTRUMENTS

These transactions have been entered into in the normal course of business and no material losses are anticipated other than those for which provision has been made in the income statement. There are no commitments or contingent commitments under derivative instruments that are settled other than with cash. The principal types of derivative contracts into which the group enters are described below.

Swaps

These are over-the-counter (OTC) agreements between two parties to exchange periodic payments of interest, or related index, over a set period based on notional principal amounts. The group enters into swap transactions in several markets. Interest rate swaps exchange fixed rates for floating rates of interest based on notional amounts. Basis swaps exchange floating or fixed interest calculated using different bases.

Options

Interest rate options confer the right, but not the obligation, on the buyer to receive or pay a specific quantity of an asset or financial instrument for a specific price at or before a specific date. Options are exchange traded.

Risk monitoring

Details of the group's risk management structure, policies and methods are noted on pages 24 to 29 and the interest rate risk analysis is detailed on pages 78 to 79.

Notes to the group financial statements

continued

for the year ended 31 December 2007

	2007 R'000	2006 R'000
10 DERIVATIVE FINANCIAL INSTRUMENTS		
10.1 Total carrying amount of derivative financial instruments		
Gross carrying amount of assets	74 630	78 334
Gross carrying amount of liabilities	(90 207)	(102 585)
Net carrying amount	(15 577)	(24 251)

A detailed breakdown of the notional principal carrying amount, and fair value of the various types of derivative financial instruments held by the group is presented in the following tables.

10.2 **Notional principal of derivative financial instruments**

This represents the gross notional amounts of all outstanding contracts at year-end. This gross notional amount is the sum of the absolute amount of all purchases and sales of derivative instruments. The notional amounts do not represent amounts exchanged by the parties and therefore represent only the measure of involvement by the group in derivative contracts and not its exposure to market or credit risks arising from such contracts. The amounts actually exchanged are calculated on the basis of the notional amounts and other terms of the derivative, which relate to interest rates, securities prices or financial and other indices.

	2007			2006		
	Notional principal R'000	Positive value R'000	Negative value R'000	Notional principal R'000	Positive value R'000	Negative value R'000
Banking derivatives						
Interest rate swaps	9 684 144	5 028 622	4 655 522	5 375 186	2 547 532	2 827 654
Interest rate caps	11 000	11 000	–	11 000	11 000	–
Total notional principal	9 695 144	5 039 622	4 655 522	5 386 186	2 558 532	2 827 654

10.3 **Carrying amount of derivative financial instruments**

The amounts disclosed represent the value of all derivative instruments held. The fair value of a derivative financial instrument is the amount at which it could be exchanged in a current transaction between willing parties, other than a forced liquidation or sale. Fair values are obtained from quoted market prices and discounted cash flow models. When it is not practicable, owing to constraints of timeliness or cost, to determine the fair value of a derivative instrument with sufficient reliability, such derivative is included in the following table at a value calculated on an accrual basis. In terms of that basis a value is obtained by taking into account the original cost of the derivative and only the realised gains or losses in respect of the instrument.

	2007			2006		
	Net carrying amount R'000	Carrying amount of assets R'000	Carrying amount of liabilities R'000	Net carrying amount R'000	Carrying amount of assets R'000	Carrying amount of liabilities R'000
Banking derivatives						
Interest rate swaps	(15 830)	74 377	(90 207)	(24 384)	78 201	(102 585)
Interest rate caps	253	253	–	133	133	–
Total carrying amount	(15 577)	74 630	(90 207)	(24 251)	78 334	(102 585)

for the year ended 31 December 2007

	2007 R'000	2006 R'000
11 FINANCIAL INSTRUMENTS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS		
The group has satisfied the criteria for designation of an instrument as at fair value through profit or loss in terms of the accounting policy as stipulated in the annual financial statements.		
Various fixed rate instruments are entered into by the bank. The overall interest rate risk of the bank is then hedged by the ALCO by way of an interest rate swap thus having the interest rate risk passed out to the market. The swaps meet the definition of "derivatives", and are therefore held at fair value in terms of IAS 39 – Financial instruments: Recognition and measurement. The fixed rate instruments however do not meet this definition. Therefore, to avoid an accounting mismatch by holding the fixed rate instrument at amortised cost and the balance of the hedging schemes instruments at fair value, the fixed rate instruments are designated as at fair value through profit and loss and are therefore held at fair value.		
Various instruments are designated as at fair value through profit and loss consistent with the relevant entity's documented risk management or investment strategy. In these investment strategies, the fair value is the instrument attribute that is managed and reviewed on a regular basis. Business strategies, operating mandates and/or investment strategies are aligned with the fair value of the instruments. The risk of the portfolio is measured and monitored on a fair value basis. Performance measurement is directly aligned to the fair value, and is reported to key management personnel on a regular basis.		
11.1 Financial assets designated as at fair value through profit or loss		
Maximum exposure to credit risk		
Government and other securities	330 985	360 114
Investment securities	6 151	5 309
Loans and advances designated as at fair value through profit or loss*	314 810	183 916
Other short-term securities	1 105 594	1 154 105
	1 757 540	1 703 444

* This amount is included as part of the loans and advances balance in the balance sheet.

No credit derivatives are issued on any of the above financial assets.

Changes in credit risk were identified at a divisional level on an individual basis by review of historical records. Each individual transaction was assessed for signs of significant credit deterioration. Where significant deterioration was identified, the collateral and provisional amounts were taken into account to achieve fair value.

The credit margin is kept fixed on the financial instruments that are not listed on a recognised exchange, up until the date an impairment event occurs.

Notes to the group financial statements

continued

for the year ended 31 December 2007

	2007 R'000	2006 R'000
11 FINANCIAL INSTRUMENTS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)		
11.1 Financial assets designated as at fair value through profit or loss (continued)		
11.1.1 Government and other securities		
<i>Analysis</i>		
Government and government-guaranteed securities	330 985	360 114
<i>Sectoral analysis</i>		
Government and public sector	330 985	360 114
<i>Valuation</i>		
– Carrying amount	330 985	360 114
– Market value (listed)	330 985	360 114
11.1.2 Investment securities		
<i>Analysis</i>		
Eagle Bonds	6 151	5 309
<i>Sectoral analysis</i>		
Public sector	6 151	5 309
<i>Valuation</i>		
– Carrying amount	6 151	5 309
– Market value (listed)	6 151	5 309
The Eagle Bonds were issued on 10 June 2003 at a nominal value of R10 million bearing a coupon of 9.956%. Interest payments and instalments are received on a quarterly basis and the bond matures on 31 July 2012. Market price is determined by using active price quoted by BESA.		
11.1.3 Other short-term securities		
<i>Analysis</i>		
Treasury bills	662 271	1 154 105
SARB debentures	443 323	–
	1 105 594	1 154 105
<i>Sectoral analysis</i>		
Government and public sector	1 105 594	1 154 105
<i>Valuation</i>		
– Carrying amount	1 105 594	1 154 105
– Market value (listed)	1 105 594	1 154 105

A register of treasury bills and debentures is available for inspection at the registered office of the company.

for the year ended 31 December 2007

	Fair value R'000	Contractually payable at maturity R'000	Difference R'000	Current year R'000	Change in fair value due to change in credit risk Cumulative R'000
11 FINANCIAL INSTRUMENTS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)					
11.2 Financial liabilities designated as at fair value through profit or loss 2007					
Long-term debt instruments	1 000 089	1 015 000	(14 911)	6 870	(23 011)
2006					
Long-term debt instruments*	1 058 182	1 015 000	43 182	19 020	(29 881)
Changes in fair value due to credit risk changes are assessed with reference to government stock R196 and R153.					
				2007 R'000	2006 R'000

12 LOANS AND ADVANCES TO CUSTOMERS

The group operates in selected niche markets concentrating on asset-based finance. Advances made are mostly in the form of instalment credit to individuals and mortgage lending to property developers, corporate borrowers and individuals.

12.1 Category analysis

Home loans	3 520 855	1 609 846
Commercial mortgages	6 118 046	5 501 788
Other loans to clients	394 068	419 025
Net investment in instalment sale and lease agreements	26 064 179	20 705 598
Preference shares	125 235	121 946
	36 222 383	28 358 203
Impairment of loans and advances (note 15)	(902 840)	(622 172)
	35 319 543	27 736 031

The preference shares have a nominal value of R110 million and earn interest at a fixed rate of 9.4%. They are redeemable in three equal annual tranches beginning 8 December 2009.

* The comparative information has been expanded to comply with IFRS 7.

Notes to the group financial statements

continued

for the year ended 31 December 2007

	2007 R'000	2006 R'000
12 LOANS AND ADVANCES TO CUSTOMERS (continued)		
12.2 Sectoral analysis		
Individuals	23 137 554	17 839 634
Financial services, insurance and real estate	33 136	238 035
Manufacturing	39 283	68 722
Building and property development	2 596 765	2 933 619
Transport, storage and communication	40 141	1 212 926
Retailers, catering and accommodation	83 927	393 606
Wholesale and trade	25 622	25 141
Mining and quarrying	2 692	57 584
Agriculture, forestry and fishing	20 782	24 014
Government and public sector	7 234	–
Other services	10 235 247	5 564 922
	36 222 383	28 358 203
12.3 Geographical analysis		
South Africa	36 222 383	28 358 203
Northern Province	5 127	–
Gauteng	27 343 355	21 945 174
Northern Cape	693	–
Western Cape	3 737 235	2 866 149
Eastern Cape	487 623	361 214
KwaZulu-Natal	2 854 282	1 982 295
Free State	1 785 677	1 203 371
North West	4 315	–
Mpumalanga	4 076	–
	36 222 383	28 358 203
13 OTHER ASSETS		
Sundry receivables	50 472	4 038
Deferred acquisition costs	345 836	268 266
Property inventory*	1 155	–
	397 463	272 304
* Property inventory was previously disclosed under loans and advances to customers: other loans to clients (note 12.1).		
14 CURRENT TAXATION		
Normal South African taxation		
– Current taxation liability	2 392	54 582
	2 392	54 582

for the year ended 31 December 2007

	Total impairment R'000	Specific impairment R'000	IBNR impairment R'000
15 IMPAIRMENT OF LOANS AND ADVANCES			
15.1 Impairment of loans and advances 2007			
Opening balance	622 172	540 931	81 241
Amount written off	(138 082)	(138 082)	–
Net new impairments created	412 049	342 605	69 444
Impairments created	1 766 708	1 697 264	69 444
Impairments released	(1 354 659)	(1 354 659)	–
Recoveries of bad debts	6 701	6 701	–
Closing balance	902 840	752 155	150 685
	Total impairment R'000	Specific impairment R'000	IBNR impairment R'000
2006			
Opening balance	561 150	561 150	–
Amount written off	(156 443)	(156 443)	–
Net new impairments created	210 807	129 566	81 241
Impairments created	1 710 926	1 629 685	81 241
Impairments released	(1 500 119)	(1 500 119)	–
Recoveries of bad debts	6 658	6 658	–
Closing balance	622 172	540 931	81 241
		2007 R'000	2006 R'000
15.2 Sectoral analysis			
Individuals		697 790	434 327
Financial services, insurance and real estate		9 847	1 626
Manufacturing		6 494	795
Building and property development		39 426	37 895
Transport, storage and communication		10 444	81 674
Retailers, catering and accommodation		2 154	7 018
Wholesale and trade		26 214	10 007
Mining and quarrying		2 096	1 484
Agriculture, forestry and fishing		72	815
Government and public sector		5 549	–
Other services		102 754	46 531
		902 840	622 172

Imperial Bank Limited

Notes to the group financial statements

continued

for the year ended 31 December 2007

	2007 R'000	2006 R'000
15 IMPAIRMENT OF LOANS AND ADVANCES (continued)		
15.3 Geographical analysis		
South Africa	902 840	622 172
Northern Province	945	–
Gauteng	718 001	481 471
Northern Cape	65	–
Western Cape	55 563	62 883
Eastern Cape	2 822	7 925
KwaZulu-Natal	84 825	43 491
Free State	38 465	26 402
North West	1 854	–
Mpumalanga	300	–
	902 840	622 172
15.4 Ratio of impairments		
Impairment of loans and advances at end of year	902 840	622 172
Total gross loans and advances	36 222 383	28 358 203
Ratio (%)	2.5%	2.2%

16 PROPERTY AND EQUIPMENT

	Land and buildings		Computer equipment		Furniture and other equipment		Vehicles		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Gross carrying amount										
Balance at 1 January	80 613	78 350	66 020	56 807	26 785	29 030	7 427	12 894	180 845	177 081
Acquisitions	777	2 382	19 183	10 259	8 175	4 057	1 745	1 853	29 880	18 551
Transfers	221	(119)	(3 865)	(947)	789	(879)	514	(701)	(2 341)	(2 646)
Disposals	–	–	(2 846)	(99)	(1 454)	(5 423)	(3 867)	(6 619)	(8 167)	(12 141)
Revaluation	51 432	–	–	–	–	–	–	–	51 432	–
Balance at 31 December	133 043	80 613	78 492	66 020	34 295	26 785	5 819	7 427	251 649	180 845
Accumulated depreciation and impairment losses										
Balance at 1 January	3 946	604	37 897	26 326	10 830	10 568	3 012	5 071	55 685	42 569
Depreciation charge for the year	3 670	2 129	12 670	12 227	3 780	5 209	1 299	1 944	21 419	21 509
Transfers	93	1 213	(3 754)	(634)	783	(2 138)	522	(528)	(2 356)	(2 087)
Disposals	–	–	(2 832)	(22)	(1 171)	(2 809)	(2 121)	(3 475)	(6 124)	(6 306)
Revaluation	1 630	–	–	–	–	–	–	–	1 630	–
Balance at 31 December	9 339	3 946	43 981	37 897	14 222	10 830	2 712	3 012	70 254	55 685
Carrying amount										
At 1 January	76 667	77 746	28 123	30 481	15 955	18 462	4 415	7 823	125 160	134 512
At 31 December	123 704	76 667	34 511	28 123	20 073	15 955	3 107	4 415	181 395	125 160

Registers providing the information regarding land and buildings, as required in terms of Schedule 4 of the Companies Act of 1973, are available for inspection at the registered office of the company.

Land and buildings were revalued on 4 December 2007 by an independent valuer using the cash flow model valuation method. Observable market data was used to perform the valuation. The carrying amount at which land and buildings would have been recognised had the assets been carried under the cost model is R77.3 million.

Imperial Bank Limited

Notes to the group financial statements

continued

for the year ended 31 December 2007

	2007 R'000	2006 R'000
17 POST-EMPLOYMENT EMPLOYEE BENEFITS		
All eligible employees are members of the Imperial Group Pension Fund or Provident Fund, financed by company and employee contributions. These funds are defined contribution plans and are governed by the Pension Funds Act of 1956. There are no further post-retirement benefit obligations.		
Pension fund contributions expensed	21 996	18 765
18 SHARE CAPITAL		
18.1 Ordinary share capital		
<i>Authorised:</i>		
500 000 000 (2006: 500 000 000) ordinary shares of R0,01 each	5 000	5 000
<i>Issued:</i>		
340 009 624 (2006: 288 222 599) fully paid ordinary shares of R0,01 each	3 400	2 882
Subject to the restrictions imposed by the Companies Act of 1973, the unissued shares are under the control of the directors until the forthcoming annual general meeting.		
Shareholders' analysis		
Nedbank Limited	50.1%	50.1%
Imperial Holdings Limited	49.9%	49.9%
	100.0%	100.0%
The ultimate controlling shareholder is Old Mutual plc, listed on the London Stock Exchange.		
18.2 Preference share capital		
<i>Authorised:</i>		
8 000 000 (2006: 8 000 000) non-redeemable, non-participating, non-cumulative preference shares of R0.0005 each	4	4
<i>Issued:</i>		
3 000 000 (2005: 3 000 000) non-redeemable, non-participating, non-cumulative preference shares of R0.0005 each	2	2
<i>Share premium</i>		
Preference share premium	298 045	298 060
Total preference share capital and premium	298 047	298 062

All the preference shares were issued during 2006 and are listed on the Johannesburg Stock Exchange (JSE) in the "Preference Shares" sector of the JSE list with the abbreviated name "IBL Pref", JSE preference share code IBLP and ISIN ZAE000081675.

The non-redeemable, non-participating, non-cumulative preference shares were issued as part of Imperial Bank's capital optimisation programme whereby the bank sought to optimise the efficiency of its capital structure, and hence enhance return on capital for its shareholders, within the regulatory capital constraints as detailed in the Banks Act and Regulations thereto. As part of the programme, preference shares were issued and the proceeds used to repurchase ordinary share capital.

for the year ended 31 December 2007

	2007 R'000	2006 R'000
19 AMOUNTS OWED TO DEPOSITORS		
19.1 Analysis		
Deposits and loan accounts		
– Call and term deposits	31 373 926	26 996 810
– Fixed deposits	906 799	39 495
– Securitisation notes	1 746 735	–
– Notice deposits	20 404	–
	34 047 864	27 036 305
Comprises:		
– Amounts owed to depositors	829 243	154 212
– Amounts owed to banks	33 218 621	26 882 093
	34 047 864	27 036 305
Deposit products include call, notice deposits and fixed deposits.		
On 18 June 2007, Imperial Bank successfully securitised R1.7 billion of its motor vehicle instalment sale agreements. The transaction has been structured as a revolving R1.7 billion tranche for a period of 24 months, and thereafter, a controlled amortisation. Although the instalment sale agreements have been legally ceded by Imperial Bank, the instalment sale assets remain on the Imperial Bank balance sheet, as required by IAS 39.		
19.2 Sectoral analysis		
Banks	33 218 621	26 882 093
Government and public sector	554 172	4 878
Individuals	21	–
Business sector	275 050	149 334
	34 047 864	27 036 305
19.3 Geographical analysis		
South Africa		
Gauteng	34 047 864	27 036 305
20 OTHER LIABILITIES		
Creditors and other liabilities	199 714	197 554
Leave pay accrual (note 20.1)	15 090	12 740
Deferred revenue	35 035	27 680
Operating leases accelerated	933	–
	250 772	237 974
20.1 Leave pay accrual		
Balance at beginning of year	12 740	9 480
Movement for year	2 350	3 260
	15 090	12 740

Notes to the group financial statements

continued

for the year ended 31 December 2007

	2007 R'000	2006 R'000
21 LONG-TERM DEBT INSTRUMENTS		
<i>Rand-denominated</i>		
R515 million bonds repayable on 4 December 2008	528 229	552 665
R500 million bonds repayable on 30 December 2010	471 860	505 517
	1 000 089	1 058 182
The R515 million bond (IBP1) is subordinated, unsecured and callable on 4 December 2008. The rate is fixed at 13.5%.		
The R500 million bond (IBP2) is subordinated, unsecured and callable on 30 December 2010. The rate is fixed at 8.38%.		
22 CASH FLOW INFORMATION		
22.1 Reconciliation of profit from operations to cash generated by operating activities		
Profit from operations	684 084	506 259
Adjusted for:		
– Indirect taxation	34 049	21 150
Non-cash items		
– Fair value adjustments through profit and loss	(18 174)	(3 111)
– Depreciation	21 419	21 509
– Movement in leave-pay provision	2 350	3 260
– Operating lease deferrals	933	(2 257)
– Movement in impairment of loans and advances	418 750	217 465
– Profit on disposal of property inventory	(27 795)	–
– Loss/(profit) on disposal of property and equipment	63	(1 042)
– Deferred revenue and acquisition costs	(6 450)	49 023
	1 109 229	812 256
22.2 Cash received from clients		
Interest income and dividends from finance facilities	4 462 985	2 951 570
Commission and fee income (note 4)	59 925	37 570
Other income	22 313	22 402
	4 545 223	3 011 542
22.3 Cash paid to clients, staff and suppliers		
Interest expense and similar charges (note 3)	2 978 076	1 830 442
Staff costs (note 5)	293 956	243 852
Other operating expenses	170 663	138 175
	3 442 695	2 212 469
22.4 Increase in operating assets		
Other short-term securities	48 511	(584 640)
Government and public sector securities	29 129	90 242
Advances and other accounts	(8 096 779)	(8 137 658)
	(8 019 139)	(8 632 056)

for the year ended 31 December 2007

	2007 R'000	2006 R'000
22 CASH FLOW INFORMATION (continued)		
22.5 Increase in operating liabilities		
Other deposits	7 011 559	7 807 124
Creditors and other liabilities	(36 332)	338 903
	6 975 227	8 146 027
22.6 Taxation paid		
Amounts due at beginning of year	(54 582)	(53 119)
Income statement charge	(204 930)	(112 372)
Deferred taxation movement	91 274	–
Total indirect taxation	(34 049)	(21 150)
Amounts due at end of year	2 392	54 582
	(199 895)	(132 059)
23 CONTINGENT LIABILITIES		
Liabilities under guarantees	1 540 059	943 913

The group in the ordinary course of business enters into transactions which expose the group to taxation, legal and business risks. Provisions are made for known liabilities which are expected to materialise. Possible obligations and known liabilities where no reliable estimate can be made or it is considered improbable that an outflow would result, are noted as a contingent liability. This is in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets.

In addition in recent years Imperial Bank has entered into structured finance transactions with third parties using the taxation base of the bank. Pursuant to the terms of the majority of these transactions, the underlying third party has contractually agreed to accept the risk of any taxation being imposed by SARS, although the obligation to pay in the first instance may rest with Imperial Bank. SARS has recently begun to examine the taxation aspects of some of these types of structures.

In limited cases a provision is made where the credit quality of a client becomes doubtful.

24 COMMITMENTS

24.1 Operating lease commitments

Companies in the group have entered into leases over fixed property, furniture and other equipment for varying periods. The charges will increase in future in line with negotiated escalations and expansions. The following are the minimum lease payments under non-cancellable leases.

	2010 and beyond R'000	2009 R'000	2008 R'000
Land and buildings	–	1 194	9 700

24.2 Commitments under derivative instruments

The group enters into interest rate swap and cap agreements and other financial agreements in the normal course of business and accounts for them at transaction date.

	2007 R'000	2006 R'000
24.3 Unutilised facilities and other	2 626 355	1 612 361

Notes to the group financial statements

continued

for the year ended 31 December 2007

	2007 R'000	2006 R'000
25 RELATED PARTIES		
25.1 Relationships between parent and subsidiaries		
The parent company of Imperial Bank is Nedbank, which holds 50.1% of the company's ordinary shares. The ultimate controlling party is Old Mutual plc, incorporated in the United Kingdom.		
Material subsidiaries of the group are identified on page 81.		
25.2 Key management personnel compensation		
25.2.1 Directors' compensation		
Compensation paid to the board of directors is aggregated below, together with the aggregate compensation paid to the executive directors.		
<i>Executive directors</i>		
R van Wyk	6 448	3 383
– Salary	1 693	1 337
– Bonus – short term	2 125	1 800
– Bonus – long term	2 330	–
– Retirement fund contributions	291	231
– Benefits	9	15
P C W Hibbit	2 900	1 850
– Salary	845	845
– Bonus – short term	900	850
– Bonus – long term	1 000	–
– Retirement fund contributions	146	146
– Benefits	9	9
D M van der Linde*	–	418
– Salary	–	335
– Bonus – short term	–	–
– Retirement fund contributions	–	54
– Benefits	–	29
* D M van der Linde resigned from the board in April 2006.		
<i>Non-executive directors</i>		
Fees	1 195	1 334
O S Arbee*	109	98
L E Bakoro	131	60
C J W Ball	212	143
Z E E Banchetti	–	68
H R Brody*	103	117
R G Cottrell	–	191
M J Croucamp	181	278
M A Enus-Brey	75	74
W G Lynch*	114	139
N P Mnxasana*	48	–
R A Shuter	–	30
P A Wessels*	222	136
* Directors' fees marked with an asterisk do not accrue to the individuals but to either Imperial Holdings or Nedbank.		

for the year ended 31 December 2007

	2007 R'000	2006 R'000
25 RELATED PARTIES (continued)		
25.2.2 Compensation of other members of the Executive Committee	26 873	11 230
Salary	8 702	4 540
Bonus – short term	6 175	5 840
Bonus – long term	10 800	–
Retirement fund contributions	936	648
Benefits	260	202

During the year, a revised long term incentive scheme was approved by the Remuneration Committee. In terms of the scheme, participants are issued units whose value is dependent upon the future performance of the bank. The initial units have a four year vesting period with one third of the units vesting after two years, one third after three years and one third after four years. Subsequent allocations have a three year vesting period of one third per annum. Provided the bank meets the pre-determined performance criteria, the first payment in terms of the scheme will be made on a finalisation of the results for the year ending 31 December 2008. Participation in the scheme and allocation of units is not level, grade or salary based. Participants are required to be in the employ of the bank at the vesting date.

25.3 Identity of related parties with whom material transactions have occurred

Imperial Bank and its subsidiaries, in the ordinary course of business, enter into various financial services transactions with associates, joint ventures and other related parties within the greater Nedbank, Imperial Holdings and Old Mutual group. The following material transactions occurred between related parties:

2007

Balance sheet information	R'000 Balance due from/(to)	Terms and conditions
Parent – Nedbank		
Deposit	(31 532 503)	No fixed terms of payment at the Nedbank prime replicating portfolio rate
Current account	5 770	Current account at the Nedbank prime replicating portfolio rate
Fellow subsidiaries*		
Nedbank Insurance Companies	(10 586)	Term and fixed deposits
Old Mutual Fund	(238 411)	Bonds
Associated companies**		
Dream World Investments 239 (Pty) Ltd	125 235	Preference shares
Eagle Bonds One (Pty) Ltd	6 151	Bonds
Highway Carriers Car Scheme	2	Call deposit
National User Department	(5 213)	Call deposit
Regent Insurance Ltd	(109 377)	Call deposit
Regent Life Assurance Annuities Fund	(79 673)	Call deposit
Regent Life Assurance Company Corporate Fund	(14 435)	Call deposit
Regent Life Assurance Iph Fund	(86 508)	Call deposit
Regent Life Assurance Sinking Fund	(7 700)	Call deposit
Safair Lease Finance (Pty) Ltd	(12 068)	Net swaps

Notes to the group financial statements

continued

for the year ended 31 December 2007

25 RELATED PARTIES (continued)

25.3 Identity of related parties with whom material transactions have occurred (continued)
2007

Income statement information	Interest received/(paid) R'000	Other amounts received/(paid) R'000
Parent – Nedbank		
Deposit	(2 691 118)	
Current account	1 124	
Fellow subsidiaries*		
Nedbank Group Internal Audit		(2 400)
Nedbank Insurance Companies	(2 139)	
Old Mutual Fund	(29 078)	
Associated companies**		
AMH – Alliance partner	(119)	
Dream World Investments 239 (Pty) Ltd	11 351	
Eagle Bonds One (Pty) Ltd	660	
Highway Carriers Car Scheme	(0)	
National User Department	(173)	
Regent Insurance Ltd	(12 887)	
Regent Life Assurance Annuities Fund	(9 219)	
Regent Life Assurance Company Corporate Fund	(2 668)	
Regent Life Assurance Iph Fund	(4 858)	
Regent Life Assurance Sinking Fund	(856)	
Safair Lease Finance (Pty) Ltd	(5 882)	

* Subsidiaries and fellow subsidiaries within the ultimate holding company, Old Mutual plc, listed on the London Stock Exchange.

** Companies within the Imperial Holdings group.

for the year ended 31 December 2007

25 RELATED PARTIES (continued)

25.3 Identity of related parties with whom material transactions have occurred (continued)
2006

Balance sheet information	Balance due from/(to) R'000	Terms and conditions
Parent – Nedbank		
Deposit	(26 685 426)	No fixed terms of payment at the Nedbank prime replicating portfolio rate
Current account	10 500	Current account at the Nedbank prime replicating portfolio rate
Fellow subsidiaries*		
Nedbank Insurance Companies	(5 995)	Term and fixed deposits
Old Mutual Fund	(186 577)	Bonds
Associated companies**		
AMH – Alliance partner	(13 785)	Call deposit
Dream World Investments 239 (Pty) Ltd	120 980	Preference shares
Eagle Bonds One (Pty) Ltd	5 309	Bonds
Highway Carriers Car Scheme	2	Call deposit
National User Department	(4 860)	Call deposit
Regent Insurance Ltd	(57 378)	Call deposit
Regent Life Assurance Ltd	(39 740)	Call deposit
Regent Life Assurance Annuities Fund	(24 000)	Call deposit
Regent Life Assurance Company Corporate Fund	(13 000)	Call deposit
Regent Life Assurance Iph Fund	(7 000)	Call deposit
Regent Life Assurance Sinking Fund	(5 000)	Call deposit
Safair Lease Finance (Pty) Ltd	(16 586)	Net swaps

Notes to the group financial statements

continued

for the year ended 31 December 2007

25 RELATED PARTIES (continued)

25.3 Identity of related parties with whom material transactions have occurred (continued)

2006

Income statement information	Interest received/(paid) R'000	Other amounts received/(paid) R'000
Parent – Nedbank		
Deposit	(1 629 072)	
Current account	1 569	
Fellow subsidiaries*		
Nedbank Group Internal Audit		(2 400)
Nedbank Insurance Companies	(1 708)	
Old Mutual Fund	(25 188)	
Associated companies**		
AMH – Alliance partner	(1 980)	
Dream World Investments 239 (Pty) Ltd	10 934	
Eagle Bonds One (Pty) Ltd	768	
Highway Carriers Car Scheme	(0)	
National User Department	(82)	
Regent Life Assurance Ltd	(2 232)	
Regent Life Assurance Annuities Fund	(3 240)	
Regent Life Assurance Company Corporate Fund	(1 755)	
Regent Life Assurance lph Fund	(945)	
Regent Life Assurance Sinking Fund	(675)	
Regent Insurance Ltd	(6 083)	
Safair Lease Finance (Pty) Ltd	2 424	

* Subsidiaries and fellow subsidiaries within the ultimate holding company, Old Mutual plc, listed on the London Stock Exchange.

** Companies within the Imperial Holdings group.

for the year ended 31 December 2007

	2007 R'000	Demand	Term to maturity			Non-cash
			1 – 12 months	1 – 5 years	Over 5 years	
26 IFRS 7 DISCLOSURES						
26.1 Group liquidity risk analysis						
ASSETS						
Cash and cash equivalents	4 468	4 468				
Other short-term securities	1 105 594		1 105 594			
Derivative financial instruments	74 630		2 860	63 913	7 857	
Government and other securities	330 985		10 336	320 649		
Loans and advances to customers	35 319 543		4 860 136	22 099 686	9 262 561	(902 840)
Other assets	397 463		397 463			
Investment securities	6 151			6 151		
Property and equipment	181 395					181 395
Mandatory deposits with central bank	808 109	808 109				
Total assets	38 228 338	812 577	6 376 389	22 490 399	9 270 418	(721 445)
EQUITY AND LIABILITIES						
Ordinary share capital	3 400					3 400
Ordinary share premium	648 284					648 284
Reserves	1 745 502					1 745 502
Total ordinary equity	2 397 186	–	–	–	–	2 397 186
Preference share capital and premium	298 047					298 047
Total shareholders' equity	2 695 233	–	–	–	–	2 695 233
Total liabilities	35 533 105	348 009	861 226	34 099 280	1 070	223 520
Bank overdraft	32 269	32 269				
Derivative financial instruments	90 207		8 879	80 258	1 070	
Amounts owed to depositors	34 047 864	233 954	270 248	33 543 662		
Other liabilities	250 772	81 786	51 478	3 500		114 008
Current taxation	2 392		2 392			
Deferred taxation	109 512					109 512
Long-term debt instruments	1 000 089		528 229	471 860		
Total equity and liabilities	38 228 338	348 009	861 226	34 099 280	1 070	2 918 753
Remaining contractual maturities						
Balance sheet liabilities	35 761 722	348 009	998 025	34 179 805	12 363	223 520
Bank overdraft	32 269	32 269				
Derivative financial instruments	108 688		47 482	48 843	12 363	
Amounts owed to depositors	34 047 864	233 954	270 248	33 543 662		
Other liabilities	250 772	81 786	51 478	3 500		114 008
Current taxation	2 392		2 392			
Deferred taxation	109 512					109 512
Long-term debt instruments	1 210 225		626 425	583 800		
Off balance sheet liabilities	2 662 234	2 662 234	–	–	–	–
Irrevocable guarantees	35 879	35 879				
Loan commitments	2 626 355	2 626 355				
Total liabilities	38 423 956	3 010 243	998 025	34 179 805	12 363	223 520

Imperial Bank Limited

Notes to the group financial statements

continued

for the year ended 31 December 2007

	2006 R'000	Demand	Term to maturity			Non-cash
			1 – 12 months	1 – 5 years	Over 5 years	
26 IFRS 7 DISCLOSURES (continued)						
26.1 Group liquidity risk analysis (continued)						
ASSETS						
Cash and cash equivalents	12 774	12 774				
Other short-term securities	1 154 105		1 154 105			
Derivative financial instruments	78 334		363	51 381	26 590	
Government and other securities	360 114			360 114		
Loans and advances to customers	27 736 031		3 444 505	20 511 981	4 401 717	(622 172)
Other assets	272 304		272 304			
Investment securities	5 309				5 309	
Property and equipment	125 160					125 160
Mandatory deposits with central bank	656 030	656 030				
Total assets	30 400 161	668 804	4 871 277	20 923 476	4 433 616	(497 012)
EQUITY AND LIABILITIES						
Ordinary share capital	2 882					2 882
Ordinary share premium	348 802					348 802
Reserves	1 256 990					1 256 990
Total ordinary equity	1 608 674	–	–	–	–	1 608 674
Preference share capital and premium	298 062					298 062
Total shareholders' equity	1 906 736	–	–	–	–	1 906 736
Total liabilities	28 493 425	386 731	160 552	27 788 206	27 562	130 374
Derivative financial instruments	102 585		9 475	65 548	27 562	
Amounts owed to depositors	27 036 305	311 384	39 495	26 685 426		
Other liabilities	237 974	54 397	57 000			126 577
Current taxation	54 582		54 582			
Deferred taxation	3 797					3 797
Long-term debt instruments	1 058 182	20 950		1 037 232		
Total equity and liabilities	30 400 161	386 731	160 552	27 788 206	27 562	2 037 110
Remaining contractual maturities						
Balance sheet liabilities	28 817 818	365 781	345 542	27 972 847	3 274	130 374
Derivative financial instruments	163 510		83 040	77 196	3 274	
Amounts owed to depositors	27 036 305	311 384	39 495	26 685 426		
Other liabilities	237 974	54 397	57 000			126 577
Current taxation	54 582		54 582			
Deferred taxation	3 797					3 797
Long-term debt instruments	1 321 650		111 425	1 210 225		
Off balance sheet liabilities	1 645 970	1 645 970	–	–	–	–
Irrevocable guarantees	33 609	33 609				
Loan commitments	1 612 361	1 612 361				
Total liabilities	30 463 788	2 011 751	345 542	27 972 847	3 274	130 374

Imperial Bank's ALCO meets monthly to manage liquidity and interest rate risk, and reports to the Board Risk Committee quarterly.

The bank has no appetite or mandate to take proprietary trading risk or market risk. Liquidity risk is negligible given Nedbank's commitment to provide funds as required. However the ALCO does monitor maturity mismatches and fixed rate hedge effectiveness. It also ensures liquid assets are maintained at required levels and instruments purchased are cost-effective.

Imperial Bank does not fund advances in foreign currency, and has no cross-border exposure. This removes foreign exchange risk and currency translation risk.



for the year ended 31 December 2007

	2007 R'000			2006 R'000		
	Balance sheet	Off balance sheet	Total	Balance sheet	Off balance sheet	Total
26 IFRS 7 DISCLOSURES (continued)						
26.2 Group credit risk analysis						
Maximum exposure to credit risk per financial assets						
Mandatory reserve deposits with central banks	808 109		808 109	656 030		656 030
Loans and advances	35 319 543	2 626 355	37 945 898	27 736 031	1 612 361	29 348 392
Home loans	3 520 855		3 520 855	1 609 846	1 338	1 611 184
Commercial mortgages	6 118 046	2 626 355	8 744 401	5 501 788	1 611 023	7 112 811
Other loans to clients	394 068		394 068	419 025		419 025
Net investment in instalment sale and lease agreements	26 064 179		26 064 179	20 705 598		20 705 598
Preference shares	125 235		125 235	121 946		121 946
Less: Impairment of loans and advances	(902 840)		(902 840)	(622 172)		(622 172)
Investments and securities	1 497 670	–	1 497 670	1 536 340	–	1 536 340
Government and government-guaranteed securities	1 436 579		1 436 579	1 514 219		1 514 219
Investment securities	6 151		6 151	5 309		5 309
Short-term funds and securities	4 468		4 468	12 774		12 774
Other	50 472		50 472	4 038		4 038
Derivative financial instruments – assets	74 630		74 630	78 334		78 334
Guarantees – irrevocable		35 879	35 879		33 609	33 609
	37 699 952	2 662 234	40 362 186	30 006 735	1 645 970	31 652 705

Imperial Bank Limited

Notes to the group financial statements

continued

for the year ended 31 December 2007

	2007 R'000	2006 R'000
26 IFRS 7 DISCLOSURES (continued)		
26.2 Group credit risk analysis (continued)		
Loans and advances		
Gross balance sheet value of loans and advances		
Neither past due nor impaired	34 854 824	27 344 853
Past due but not impaired	–	–
– Past due but less than 1 month	–	–
– Past due, greater than 1 month but less than 3 months	–	–
– Past due, greater than 3 months but less than 6 months	–	–
– Past due, greater than 6 months but less than 1 year	–	–
– Past due more than 1 year	–	–
Impaired loans and advances	1 367 372	987 277
Intercompany loan – non-rated	187	26 073
Total of gross loans and advances	36 222 383	28 358 203
Credit grading analysis of loans and advances neither past due nor impaired		
NGR 3	120 060	–
NGR 4	1 227	–
NGR 5	73	–
NGR 6	1 111	–
NGR 7	7 280	4 866
NGR 8	35 185	20 038
NGR 9	350 193	312 175
NGR 10	885 373	670 674
NGR 11	1 119 776	491 660
NGR 12	1 872 607	1 295 453
NGR 13	1 487 266	1 317 978
NGR 14	2 423 080	1 785 286
NGR 15	2 037 607	1 024 267
NGR 16	2 541 255	1 917 338
NGR 17	2 158 914	1 907 464
NGR 18	7 559 649	6 481 446
NGR 19	3 226 142	3 106 792
NGR 20	4 791 980	3 215 461
NGR 21	1 378 129	1 086 300
NGR 22	144 686	97 141
NGR 23	3 501	6 598
NGR 24	60 188	97 809
NGR 25	5 027	–
NP	2 644 515	2 506 107
	34 854 824	27 344 853
Restructured loans and advances included in the above table that would otherwise have been impaired	81 569	61 879
The Nedbank Group Rating (NGR) is an investment grade rating based on the counterparty's probability of default.		
Amounts included in the above that represents individually impaired loans and advances	1 367 372	987 277
– Motor Finance	1 002 293	576 451
– Property Finance	104 607	130 266
– Supplier Asset Finance	242 349	268 879
– Medical Finance	18 092	10 441
– Treasury and Eliminations	31	1240

for the year ended 31 December 2007

26 IFRS 7 DISCLOSURES (continued)

26.2 Group credit risk analysis (continued)

Imperial Bank's impairment methodology on loans and advances:

Legal loans and advances

All loans and advances classified as Legal (> 150 days) are impaired with the following formula:

Outstanding balance less the net present value (NPV) of expected future cash flows (from either security value or shortfall).

- The determination of the security value, as per the Imperial Bank's credit policy, must be on a forced sale basis.
- In Motor Finance, the security value formula applied as a percentage of trade value is specified in the Motor Finance collections procedures. These procedures are reassessed from time to time by the Motor Finance Executive Committee based on collections achieved and used car prices obtained.
- In Property Finance, the security value is taken from the latest annual valuation (external valuation or desktop, based on the nature of the property and materiality) or an immediate revaluation if the most recent valuation is deemed to be stale, or conditions with the specific property or area have changed.
- In Supplier Asset Finance (including E-Fin Office Automation booked in NRB) and Medical Finance, the security value is determined via a conservative forced sale value based on the latest market pricing for the specific asset. On specialised equipment, including aviation, an independent expert valuation may be called for.
- If the security value can't be determined accurately, or the realisation of security is of serious concern, 100% impairment is raised.

Arrear (Pre-legal) loans and advances

Arrear accounts in Medical Finance, Supplier Asset Finance (including E-Fin Office Automation booked in NRB) and Property Finance are scrutinised on a case-by-case basis. Specific impairments are raised, with approval from the Impairment Provisioning Committee, if felt necessary.

Impairments on arrear accounts in Motor Finance are calculated based on the outstanding balances less the NPV of the expected future recoveries. This bad debt charge is raised on a portfolio basis.

Impairments on arrear accounts are IFRS compliant and are always based on the NPV of the expected future cash flows.

Performing loans and advances

Typically, in line with IAS 39 guidance, a bank would raise an IBNR impairment for performing advances where a trigger event and emergent period can be determined, and historical evidence of the link between the trigger event and eventual default exist.

Balance sheet value of debt and similar securities, other than loans and advances, according to rating agency designation (based on Standard and Poor's ratings or equivalent)

R'000	Treasury bills	Other eligible bills	Debt securities	Total
Investment grade (AAA to BBB)	662 271	443 323	6 151	1 111 745
	662 271	443 323	6 151	1 111 745
Of which issued by:				
– Government and government-guaranteed securities	662 271	443 323	–	1 105 594
– Other	–	–	6 151	6 151
	662 271	443 323	6 151	1 111 745

Imperial Bank Limited

Notes to the group financial statements

continued

for the year ended 31 December 2007

		Interest rate sensitive						
		2007		3 months	6 months	1 year	Trading and	
		R'000	< 3 months	< 6 months	< 1 year	< 5 years	> 5 years	non-rate
								sensitive
26	IFRS 7 DISCLOSURES (continued)							
26.3	Group market risk analysis							
26.3.1	Group interest rate risk analysis							
	ASSETS							
	Cash and cash equivalents	4 468	4 468					
	Other short-term securities	1 105 594	1 105 594					
	Derivative financial instruments	74 630						74 630
	Government and other securities	330 985	10 336			320 649		
	Loans and advances to customers	35 319 543	32 362 685	12 270	47 730	2 730 748	1 068 950	(902 840)
	Other assets	397 463		49 024				348 439
	Investment securities	6 151				6 151		
	Property and equipment	181 395						181 395
	Mandatory deposits with central bank	808 109						808 109
	Total assets	38 228 338	33 483 083	61 294	47 730	3 057 548	1 068 950	509 733
	EQUITY AND LIABILITIES							
	Ordinary share capital	3 400						3 400
	Ordinary share premium	648 284						648 284
	Reserves	1 745 502						1 745 502
	Total ordinary equity	2 397 186	–	–	–	–	–	2 397 186
	Preference share capital and premium	298 047						298 047
	Total shareholders' equity	2 695 233	–	–	–	–	–	2 695 233
	Total liabilities	35 533 105	32 734 016	204 418	935 171	1 201 054	–	458 446
	Bank overdraft	32 269	32 269					
	Derivative financial instruments	90 207						90 207
	Amounts owed to depositors	34 047 864	32 701 747	204 418	412 275	729 424		
	Other liabilities	250 772						250 772
	Current taxation	2 392						2 392
	Deferred taxation	109 512						109 512
	Long-term debt instruments	1 000 089			522 896	471 630		5 563
	Total equity and liabilities	38 228 338	32 734 016	204 418	935 171	1 201 054	–	3 153 679

for the year ended 31 December 2007

	Interest rate sensitive						Trading and non-rate sensitive
	2006 R'000	< 3 months	3 months < 6 months	6 months < 1 year	1 year < 5 years	> 5 years	
26 IFRS 7 DISCLOSURES (continued)							
26.3 Group market risk analysis (continued)							
26.3.1 Group interest rate risk analysis (continued)							
ASSETS							
Cash and cash equivalents	12 774	12 774					
Other short-term securities	1 154 105	1 154 105					
Derivative financial instruments	78 334						78 334
Government and other securities	360 114				360 114		
Loans and advances to customers	27 736 031	26 356 484	8 525	12 347	1 687 966	292 881	(622 172)
Other assets	272 304						272 304
Investment securities	5 309					5 309	
Property and equipment	125 160						125 160
Mandatory deposits with central bank	656 030						656 030
Total assets	30 400 161	27 523 363	8 525	12 347	2 048 080	298 190	509 656
EQUITY AND LIABILITIES							
Ordinary share capital	2 882						2 882
Ordinary share premium	348 802						348 802
Reserves	1 256 990						1 256 990
Total ordinary equity	1 608 674	–	–	–	–	–	1 608 674
Preference share capital and premium	298 062						298 062
Total shareholders' equity	1 906 736	–	–	–	–	–	1 906 736
Total liabilities	28 493 425	26 630 704	179 164	223 955	1 037 232	–	422 370
Derivative financial instruments	102 585						102 585
Amounts owed to depositors	27 036 305	26 609 754	179 164	223 955			23 432
Other liabilities	237 974						237 974
Current taxation	54 582						54 582
Deferred taxation	3 797						3 797
Long-term debt instruments	1 058 182	20 950			1 037 232		–
Total equity and liabilities	30 400 161	26 630 704	179 164	223 955	1 037 232	–	2 329 106

Notes to the group financial statements

continued

for the year ended 31 December 2007

26 IFRS 7 DISCLOSURES (continued)

26.3 Group market risk analysis (continued)

26.3.2 Sensitivity analysis for market risk

Method used in preparing the sensitivity analysis

- The interest rate risk of Imperial bank is best understood by analysing balance sheet repricing characteristics.
- 89% of the bank's assets are linked to the prime rate.
- 90% of the bank's funding liabilities are sourced from Nedbank under the Memorandum of Understanding. The applicable cost of funds consists of hybrid rates namely Nedbank call, 1- month, 3- month and 12-month rates.
- A 100 basis point instantaneous parallel decline in the interest rates will result in a R20.3 million loss in NII over 12 months.
- A 25 basis point decline in the prime/call gap would result in a R36.7 million loss for the bank over the 12-month period.
- The bank's capital is mostly invested in the two- to five-year fixed rate asset finance transactions.

Sensitivity analysis

An analysis of the bank's sensitivity to an increase or decrease in the market interest rates is as follows:

	2007		2006	
	100 bp parallel decline Rm	25 bp prime/call gap decline Rm	100 bp parallel decline Rm	25 bp prime/call gap decline Rm
At 31 December				
Impact on net interest income	(20.30)	(36.7)	(16.90)	(31.5)
As a percentage of total shareholders' equity	(0.75%)	(1.36%)	(0.89%)	(1.65%)

The following model assumptions are used in the above sensitivity analysis:

- The expected balance sheet growth of 27.4 per cent over 24 months is assumed for the modelling period.
- The planned capital management actions are included in the modelling.
- The balance sheet maturity profile is expected to remain unchanged during the modelling period.
- Rates spreads have been kept unchanged.
- There have been no material changes to the model assumptions during the year under review.

Analysis of investments in subsidiaries

for the year ended 31 December 2007

	Group				Company			
	Issued capital		Effective holding		Book value of investments		Net indebtedness	
	2007 R'000	2006 R'000	2007 %	2006 %	2007 R'000	2006 R'000	2007 R'000	2006 R'000
NRB Risk Solutions (Pty) Ltd	329	329	100	100	43 018	43 018	(582 396)	(457 483)
Motor Finance Corporation (Pty) Ltd	0*	0*	100	100	0*	0*	-	10 478
	329	329			43 018	43 018	(582 396)	(447 005)

Imperial Bank Limited holds 100% of the shareholding and voting power of the above subsidiaries.

Net indebtedness arise with no fixed terms of repayment and are charged interest at a variable rate linked to prime.

The book value is carried at the directors' valuation.

* Represents amounts less than R'000.

Imperial Bank Limited

Value-added statement

for the year ended 31 December 2007

	2007		2006	
	R'000	%	R'000	%
Value added is the wealth created from providing quality services to clients				
Net interest income	1 491 359	147%	1 078 629	140%
Impairment losses on loans and advances	(412 049)	(41%)	(210 807)	(27%)
Margin on lending	1 079 310	106%	867 822	113%
Non-margin related income	128 144	13%	64 127	8%
Other expenses	(195 365)	(19%)	(160 688)	(21%)
	1 012 089	100%	771 261	100%
Value is allocated to:				
Employees				
Salaries, wages and other benefits	293 956	30%	243 852	32%
Government				
Normal taxation	204 930	20%	120 199	16%
Value-added taxation	34 049	3%	18 655	2%
Regional service levies	–	0%	2 495	0%
Retentions for growth				
Depreciation and amortisation	21 419	2%	21 509	3%
Reserves	457 735	45%	364 551	47%
	1 012 089	100%	771 261	100%

Contents

Income statement	84
Balance sheet	85
Statement of changes in shareholders' equity	86
Cash flow statement	87
Balance sheet classifications of financial instruments	88
Notes to the financial statements	90
Analysis of investments in subsidiaries	119
Value-added statement	120

Imperial Bank Limited
Company income statement

for the year ended 31 December 2007

	Note	2007 R'000	2006 R'000
Interest and similar income	2	4 427 119	2 806 406
Interest expense and similar charges	3	3 046 984	1 809 344
Net interest income		1 380 135	997 062
Impairment losses on loans and advances	16	411 973	218 979
Income from lending activities		968 162	778 083
Non-interest revenue	4	135 345	97 083
Total income		1 103 507	875 166
Operating expenses	5	458 679	371 846
Net income from operations		644 828	503 320
Indirect taxation	6	33 139	20 877
Profit from operations before direct taxation		611 689	482 443
Direct taxation	7	158 979	112 750
Net profit for the year		452 710	369 693

Imperial Bank Limited

Company balance sheet



as at 31 December 2007

	Note	2007 R'000	2006 R'000
ASSETS			
Cash and cash equivalents	9	2 555	12 761
Other short-term securities	11	1 105 594	1 154 105
Derivative financial instruments	10	55 061	78 334
Government and other securities	11	330 985	360 114
Loans and advances to customers	12 & 16	35 256 377	27 610 696
Other assets	13	783 061	699 008
Investment in subsidiary companies	15	43 018	43 018
Loans to subsidiary companies	15	–	10 478
Investment securities	11	330 152	5 309
Property and equipment	17	179 454	123 759
Mandatory deposits with central bank	9	808 359	656 030
Total assets		38 894 616	30 753 612
EQUITY AND LIABILITIES			
Ordinary share capital	19.1	3 400	2 882
Ordinary share premium		648 284	348 802
Reserves		1 687 108	1 225 040
Total ordinary equity		2 338 792	1 576 724
Preference share capital and premium	19.2	298 047	298 062
Total shareholders' equity		2 636 839	1 874 786
Total liabilities		36 257 777	28 878 826
Bank overdraft	9	32 269	–
Derivative financial instruments	10	90 207	102 585
Amounts owed to depositors	20	34 345 177	27 036 305
Loans from subsidiary companies	15	582 396	457 483
Other liabilities	21	133 039	169 390
Current taxation	14	2 558	51 084
Deferred taxation	8	72 042	3 797
Long-term debt instruments	11 & 22	1 000 089	1 058 182
Total equity and liabilities		38 894 616	30 753 612
Contingent liabilities	24	1 540 059	940 913

Imperial Bank Limited

Company statement of changes in shareholders' equity

for the year ended 31 December 2007

	Number of ordinary shares	Number of preference shares	Ordinary share capital R'000	Ordinary share premium R'000	Re- valuation reserve R'000	General credit risk reserve* R'000	Accu- mulated profit R'000	Total ordinary share- holders' equity R'000	Preference share capital and premium R'000	Total share- holders' equity R'000
Balance as at 31 December 2004	301 998 332	–	3 020	434 205	2 863	70 826	160 042	670 956	–	670 956
Transfer to/(from) reserves					(40)	26 785	(26 745)	–		–
Net profit for the year							621 616	621 616		621 616
Ordinary shares issued	56 936 155		569	214 431				215 000		215 000
Share issues expense				(351)				(351)		(351)
Balance as at 31 December 2005	358 934 487	–	3 589	648 285	2 823	97 611	754 913	1 507 221	–	1 507 221
Transfer to/(from) reserves					(2 823)	83 210	(80 387)	–		–
Net profit for the year							369 693	369 693		369 693
Ordinary shares repurchased	(70 711 888)		(707)	(299 293)				(300 000)		(300 000)
Preference shares issued during the year		3 000 000						–	300 000	300 000
Share issue and repurchase expenses				(190)				(190)	(1 938)	(2 128)
Balance as at 31 December 2006	288 222 599	3 000 000	2 882	348 802	–	180 821	1 044 219	1 576 724	298 062	1 874 786
Transfer to/(from) reserves						48 550	(48 550)	–		–
Net profit for the year							452 710	452 710		452 710
Preference dividends paid							(26 003)	(26 003)		(26 003)
Revaluation of land and buildings					35 361			35 361		35 361
Ordinary shares issued	51 787 025		518	299 482				300 000		300 000
Share issue and repurchase expenses								–	(15)	(15)
Balance as at 31 December 2007	340 009 624	3 000 000	3 400	648 284	35 361	229 371	1 422 376	2 338 792	298 047	2 636 839

* Represents non-distributable reserves transferred from other distributable reserves in order to comply with the Banks Act, 1990.

Imperial Bank Limited

Company cash flow statement



for the year ended 31 December 2007

	Note	2007 R'000	2006 R'000
Cash received from clients	23.2	4 479 849	2 881 117
Cash paid to clients, staff and suppliers	23.3	(3 481 272)	(2 159 486)
Dividend received		–	6 525
Recoveries on loans previously written off		8 733	5 185
Cash generated by operating activities	23.1	1 007 310	733 341
Change in funds for operating activities		(957 754)	(405 437)
Increase in operating assets	23.4	(8 297 991)	(8 653 341)
Increase in operating liabilities	23.5	7 340 237	8 247 904
Net cash generated by operating activities before taxation		49 556	327 904
Taxation paid	23.6	(186 840)	(133 624)
Net cash (utilised in)/generated by operating activities		(137 284)	194 280
Net cash (utilised in)/generated by investing activities		(26 844)	2 167
Acquisition of property and equipment		(28 321)	(17 853)
Proceeds on disposal of property and equipment		1 477	20 020
Net cash from/(utilised in) in financing activities		273 982	(2 128)
Issue/(repurchase) of ordinary shares		300 000	(300 000)
Preference share dividends paid		(26 003)	–
(Redemption)/issue of preference shares		(15)	297 872
Net increase in cash and cash equivalents		109 854	194 319
Cash and cash equivalents at the beginning of the year		668 791	474 472
Cash and cash equivalents at the end of the year		778 645	668 791

Imperial Bank Limited

Company balance sheet classification of financial instruments**

as at 31 December 2007

2007	2007 R'000	Held-for- trading R'000	Designated as at fair value through profit or loss R'000	At amortised cost R'000	Non- financial assets and liabilities R'000
ASSETS					
Cash and cash equivalents	2 555			2 555	
Other short-term securities	1 105 594		1 105 594		
Derivative financial instruments	55 061	55 061			
Government and other securities	330 985		330 985		
Loans and advances to customers*	35 256 377		314 810	34 941 567	
Other assets	783 061			783 061	
Investment in subsidiary companies	43 018				43 018
Investment securities	330 152		330 152		
Property and equipment	179 454				179 454
Mandatory deposits with central bank	808 359			808 359	
Total assets	38 894 616	55 061	2 081 541	36 535 542	222 472
EQUITY AND LIABILITIES					
Equity					
Ordinary share capital	3 400				3 400
Ordinary share premium	648 284				648 284
Reserves	1 687 108				1 687 108
Total ordinary equity	2 338 792	-	-	-	2 338 792
Preference share capital and premium	298 047				298 047
Total shareholders' equity	2 636 839	-	-	-	2 636 839
Total liabilities	36 257 777	90 207	1 000 089	35 018 980	148 501
Bank overdraft	32 269			32 269	
Derivative financial instruments	90 207	90 207			
Amounts owed to depositors	34 345 177			34 345 177	
Loans from subsidiaries	582 396			582 396	
Other liabilities	133 039			59 138	73 901
Current taxation	2 558				2 558
Deferred taxation	72 042				72 042
Long-term debt instruments	1 000 089		1 000 089		
Total equity and liabilities	38 894 616	90 207	1 000 089	35 018 980	2 785 340

* The carrying amount (amortised cost less impairments) of loans and advances is a reasonable approximation of the fair value. Due to the current market conditions being experienced (Post-NCA implementation, and the higher interest rate cycle), forecast cash flows expected from the Motor Finance fixed rate loans cannot be reliably measured because of the difficulties in predicting clients' behaviour. During the 2007 financial year, R1.7 billion of loans and advance loans were securitised (mixed book of both fixed and variable loans and advances) for R1.7 billion. The loans and advances sold for R1.7 billion (fair value) had an amortised cost value of R1.7 billion and further supports that amortised costs reasonably approximates the fair value.

Loans and advances and investments in short-term securities' fair values are determined using discounted cash flow models, where future cash flows are discounted using current market rates.

** The comparative information has been expanded in order to comply with IFRS 7.

as at 31 December 2007

2006	2006 R'000	Held-for- trading R'000	Designated as at fair value through profit or loss R'000	At amortised cost R'000	Non- financial assets and liabilities R'000
ASSETS					
Cash and cash equivalents	12 761			12 761	
Other short-term securities	1 154 105		1 154 105		
Derivative financial instruments	78 334	78 334			
Government and other securities	360 114		360 114		
Loans and advances to customers*	27 610 696		183 916	27 426 780	
Other assets	699 008			699 008	
Investment in subsidiary companies	43 018				43 018
Loans to subsidiary companies	10 478			10 478	
Investment securities	5 309		5 309		
Property and equipment	123 759				123 759
Mandatory deposits with central bank	656 030			656 030	
Total assets	30 753 612	78 334	1 703 444	28 805 057	166 777
EQUITY AND LIABILITIES					
Ordinary share capital	2 882				2 882
Ordinary share premium	348 802				348 802
Reserves	1 225 040				1 225 040
Total ordinary equity	1 576 724	–	–	–	1 576 724
Preference share capital and premium	298 062				298 062
Total shareholders' equity	1 874 786	–	–	–	1 874 786
Total liabilities	28 878 826	102 585	1 058 182	27 555 268	162 791
Derivative financial instruments	102 585	102 585			
Amounts owed to depositors	27 036 305			27 036 305	
Loans from subsidiaries	457 483			457 483	
Other liabilities	169 390			61 480	107 910
Current taxation	51 084				51 084
Deferred taxation	3 797				3 797
Long-term debt instruments	1 058 182		1 058 182		
Total equity and liabilities	30 753 612	102 585	1 058 182	27 555 268	2 037 577

Notes to the company financial statements

for the year ended 31 December 2007

	2007 R'000			2006 R'000		
	Financial instruments at fair value through profit & loss	Financial instruments not at fair value through profit & loss		Financial instruments at fair value through profit & loss	Financial instruments not at fair value through profit & loss	
1 ACCOUNTING POLICIES						
Refer to pages 34 to 43 for the accounting policies.						
2 INTEREST AND SIMILAR INCOME**						
Mortgage loans	19 626	978 726	998 352	5 428	577 248	582 676
Lease and instalment debtors	–	3 203 634	3 203 634	–	2 043 832	2 043 832
– Interest earned	–	3 196 869	3 196 869	–	2 094 085	2 094 085
– Deferred revenue and acquisition costs	–	6 765	6 765	–	(50 253)	(50 253)
Term loans and other	44 402	34 566	78 968	96 925	(25 241)	71 684
Government and public sector securities	134 814	–	134 814	97 280	–	97 280
Preference shares	–	11 351	11 351	–	10 934	10 934
	198 842	4 228 277	4 427 119	199 633	2 606 773	2 806 406
Interest income on impaired financial assets			69 793			13 529
Interest income disclosed above includes interest income on impaired financial assets.						
3 INTEREST EXPENSE AND SIMILAR CHARGES**						
Deposit and loan accounts	–	2 771 001	2 771 001	–	1 621 607	1 621 607
Derivative instruments	51 282	–	51 282	90 478	–	90 478
Long-term debt instruments	107 510	–	107 510	97 259	–	97 259
Securitisation notes	–	117 191	117 191	–	–	–
	158 792	2 888 192	3 046 984	187 737	1 621 607	1 809 344
4 NON-INTEREST REVENUE**						
Commission and fee income	–	54 046	54 046	–	24 148	24 148
– Insurance commission	–	40 121	40 121	–	41 933	41 933
– Guarantees	–	–	–	–	301	301
– Indirect interest cost*	–	–	–	–	(12 421)	(12 421)
– Fees	–	13 925	13 925	–	(5 665)	(5 665)
Fair value adjustments through profit and loss	(458)	–	(458)	3 111	–	3 111
– Designated as at fair value through profit & loss	17 872	–	17 872	(18 620)	–	(18 620)
– Held for trading	(18 330)	–	(18 330)	21 731	–	21 731
Other income	–	81 757	81 757	–	69 824	69 824
– Rent received	–	195	195	–	589	589
– Dividend income	–	48 584	48 584	–	62 005	62 005
– Profit on disposal of property inventory	–	27 795	27 795	–	–	–
– (Loss)/profit on disposal of property and equipment	–	(71)	(71)	–	986	986
– Other	–	5 254	5 254	–	6 244	6 244
	(458)	135 803	135 345	3 111	93 972	97 083

All commission and fee income other than amounts included in determining the effective interest rate relates to financial instruments that are not classified as financial instruments at fair value through profit and loss.

The net gains and losses on financial instruments includes all realised and unrealised fair value changes, interest and dividends.

* The 2007 indirect interest costs have been included in interest and similar income (note 2) in order for it to be included in the effective interest rate going forward.

** The comparative information has been expanded in order to comply with IFRS 7.

for the year ended 31 December 2007

	2007 R'000	2006 R'000
5 OPERATING EXPENSES		
Staff costs*	278 956	226 449
– Salaries and wages	278 956	226 449
Computer processing	29 994	23 887
– Depreciation for computer equipment	12 651	12 205
– Other computer processing expenses	17 343	11 682
Occupation and accommodation	23 800	13 766
– Depreciation for owner-occupied buildings	3 651	2 125
– Operating lease charges for land and buildings	13 170	6 016
– Other occupation and accommodation expenses	6 979	5 625
Marketing and public relations	17 285	17 501
Fees and insurances	16 996	24 163
– Auditors' remuneration	5 635	5 587
– Audit fees – internal	2 400	2 400
– Audit fees – external	3 235	2 973
– Other services	–	214
– Other fees and insurances	11 361	18 576
Office equipment and consumables	30 859	25 647
– Depreciation for furniture and other equipment	3 582	5 039
– Depreciation for vehicles	1 011	1 602
– Other office equipment and consumables	26 266	19 006
Sundry expenses	29 344	19 366
Fees to alliance partners	31 445	21 067
	458 679	371 846

* Refer note 26 on related parties for a detailed breakdown of directors' compensation.

Certain expenses incurred by the company on behalf of subsidiary companies are recovered from subsidiary companies.

	2007 R'000	2006 R'000
6 INDIRECT TAXATION		
Value-added taxation	33 139	18 471
Regional service levies	–	2 406
	33 139	20 877

Value-added taxation comprises that portion which is irrecoverable as a result of the interest earned in the banking sector.

Notes to the company financial statements

continued

for the year ended 31 December 2007

	2007 R'000	2006 R'000
7 DIRECT TAXATION		
7.1 Charge for the year		
South African normal taxation		
– Current	102 253	114 136
– Deferred	53 804	2 298
Current and deferred taxation on income	156 057	116 434
Prior year underprovision/(overprovision) – current taxation	2 922	(3 684)
	158 979	112 750
7.2 Taxation rate reconciliation		
Standard rate of South African normal taxation	29%	29%
Non-taxable dividend income	(3%)	(5%)
Other	0%	(1%)
Total direct taxation on income as a percentage of profit before direct taxation	26%	23%
8 DEFERRED TAXATION		
8.1 Reconciliation of deferred taxation balances		
Deferred taxation liability		
Opening balance	3 797	(4 114)
Prior year adjustments – Balance sheet	–	5 612
Current year temporary differences	68 245	2 299
– Recognised in profit and loss	53 804	2 299
– Property and equipment, leases and other assets	–	5 529
– Income and expenditure accruals deducted	74 291	(4 016)
– Impairment of loans and advances	(19 208)	–
– Other	(1 279)	786
– Recognised in equity	14 441	–
– Property and equipment, leases and other assets	14 441	–
Balance at end of year	72 042	3 797
8.2 Analysis of deferred taxation		
Deferred taxation liability		
Property and equipment, leases and other assets	–	3 849
Impairment of loans and advances	(19 208)	–
Revaluation of property and equipment	14 441	–
Income and expenditure accruals	78 088	426
Other	(1 279)	(478)
	72 042	3 797

for the year ended 31 December 2007

	2007 R'000	2006 R'000
9 CASH AND CASH EQUIVALENTS		
Coin and bank notes	18	13
Money at call and short notice	2 287	12 498
Balances with central bank other than mandatory deposits	250	250
	2 555	12 761
Bank overdraft	(32 269)	–
Mandatory deposits with central bank	808 359	656 030
	778 645	668 791

Money at call and short notice constitutes amounts withdrawable in 32 days or less. Mandatory deposits are not available for use in the company's day to day operations.

10 DERIVATIVE FINANCIAL INSTRUMENTS

These transactions have been entered into in the normal course of business and no material losses are anticipated other than those for which provision has been made in the income statement. There are no commitments or contingent commitments under derivative instruments that are settled other than with cash. The principal types of derivative contracts into which the company enters are described below.

Swaps

These are over-the-counter (OTC) agreements between two parties to exchange periodic payments of interest, or related index, over a set period based on notional principal amounts. The company enters into swap transactions in several markets. Interest rate swaps exchange fixed rates for floating rates of interest based on notional amounts. Basis swaps exchange floating or fixed interest calculated using different bases.

Options

Interest rate options confer the right, but not the obligation, on the buyer to receive or pay a specific quantity of an asset or financial instrument for a specific price at or before a specific date. Options are exchange traded.

Risk monitoring

Details of the company's risk management structure, policies and methods are noted on pages 24 to 29 and the interest rate risk analysis is detailed on page 116 to 117.

10.1 Total carrying amount of derivative financial instruments

Gross carrying amount of assets	55 061	78 334
Gross carrying amount of liabilities	(90 207)	(102 585)
Net carrying amount	(35 146)	(24 251)

A detailed breakdown of the notional principal carrying amount and fair value of the various types of derivative financial instruments held by the company is presented in the following tables.

Notes to the company financial statements

continued

for the year ended 31 December 2007

10 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

10.2 Notional principal of derivative financial instruments

This represents the gross notional amounts of all outstanding contracts at year-end. This gross notional amount is the sum of the absolute amount of all purchases and sales of derivative instruments. The notional amounts do not represent amounts exchanged by the parties and therefore represent only the measure of involvement by the company in derivative contracts and not its exposure to market or credit risks arising from such contracts. The amounts actually exchanged are calculated on the basis of the notional amounts and other terms of the derivative, which relate to interest rates, exchange rates, securities prices or financial and other indices.

	2007			2006		
	Notional principal R'000	Positive value R'000	Negative value R'000	Notional principal R'000	Positive value R'000	Negative value R'000
Banking derivatives						
Interest rate swaps	7 758 140	3 102 617	4 655 523	5 375 186	2 547 532	2 827 654
Interest rate caps	11 000	11 000	–	11 000	11 000	–
Total notional principal	7 769 140	3 113 617	4 655 523	5 386 186	2 558 532	2 827 654

10.3 Carrying amount of derivative financial instruments

The amounts disclosed represent the value of all derivative instruments held. The fair value of a derivative financial instrument is the amount at which it could be exchanged in a current transaction between willing parties, other than a forced liquidation or sale. Fair values are obtained from quoted market prices and discounted cash flow models. When it is not practicable, owing to constraints of timeliness or cost, to determine the fair value of a derivative instrument with sufficient reliability, such derivative is included in the following table at a value calculated on an accrual basis. In terms of that basis a value is obtained by taking into account the original cost of the derivative and only the realised gains or losses in respect of the instrument.

	2007			2006		
	Net carrying amount R'000	Carrying amount of assets R'000	Carrying amount of liabilities R'000	Net carrying amount R'000	Carrying amount of assets R'000	Carrying amount of liabilities R'000
Banking derivatives						
Interest rate swaps	(35 399)	54 808	(90 207)	(24 384)	78 201	(102 585)
Interest rate caps	253	253	–	133	133	–
Total carrying amount	(35 146)	55 061	(90 207)	(24 251)	78 334	(102 585)

for the year ended 31 December 2007

	2007 R'000	2006 R'000
11 FINANCIAL INSTRUMENTS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS		
The company has satisfied the criteria for designation of an instrument as at fair value through profit or loss in terms of the accounting policy as stipulated in the annual financial statements.		
Various fixed rate instruments are entered into by the bank. The overall interest rate risk of the bank is then hedged by the ALCO by way of an interest rate swap thus having the interest rate risk passed out to the market. The swaps meet the definition of "derivatives", and are therefore held at fair value in terms of IAS 39 – Financial instruments: Recognition and measurement. The fixed rate instruments however do not meet this definition. Therefore, to avoid an accounting mismatch by holding the fixed rate instrument at amortised cost and the balance of the hedging schemes instruments at fair value, the fixed rate instruments are designated as at fair value through profit and loss and are therefore held at fair value.		
Various instruments are designated as at fair value through profit and loss consistent with the relevant entity's documented risk management or investment strategy. In these investment strategies, the fair value is the instrument attribute that is managed and reviewed on a regular basis. Business strategies, operating mandates and/or investment strategies are aligned with the fair value of the instruments. The risk of the portfolio is measured and monitored on a fair value basis. Performance measurement is directly aligned to the fair value, and is reported to key management personnel on a regular basis.		
11.1 Financial assets designated as at fair value through profit or loss		
Maximum exposure to credit risk		
Government and other securities	330 985	360 114
Investment securities	330 152	5 309
Loans and advances designated as at fair value through profit or loss*	314 810	183 916
Other short-term securities	1 105 594	1 154 105
	2 081 541	1 703 444

* This amount is included as part of the loans and advances balance in the balance sheet.

No credit derivatives are issued on any of the above financial assets.

Changes in credit risk were identified at a divisional level on an individual basis by review of historical records. Each individual transaction was assessed for signs of significant credit deterioration. Where significant deterioration was identified, the collateral and provisional amounts were taken into account to achieve fair value.

The credit margin is kept fixed on the financial instruments that are not listed on a recognised exchange, up until the date an impairment event occurs.

Notes to the company financial statements

continued

for the year ended 31 December 2007

	2007 R'000	2006 R'000
11 FINANCIAL INSTRUMENTS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)		
11.1.1 Government and other securities		
<i>Analysis</i>		
Government and government-guaranteed securities	330 985	360 114
<i>Sectoral analysis</i>		
Government and public sector	330 985	360 114
<i>Valuation</i>		
– Carrying amount	330 985	360 114
– Market value (listed)	330 985	360 114
11.1.2 Investment securities		
<i>Carrying amount</i>		
Listed investments		
Eagle Bonds	6 151	5 309
Octane ABS1	275 645	–
Unlisted investments		
Octane ABS1 subordinated loan	48 356	–
	330 152	5 309
<i>Valuation</i>		
Listed at market value	281 796	5 309
Unlisted at directors' valuation	48 356	–
	330 152	5 309
<p>The Eagle Bonds were issued on 10 June 2003 at a nominal value of R10 million bearing a coupon of 9.956%. Interest payments and instalments are received on a quarterly basis and the bond matures on 31 July 2012.</p> <p>Market price is determined by using active price quoted by BESA.</p>		
11.1.3 Other short-term securities		
<i>Analysis</i>		
Treasury bills	662 271	1 154 105
SARB debentures	443 323	–
	1 105 594	1 154 105
<i>Sectoral analysis</i>		
Government and public sector	1 105 594	1 154 105
<i>Valuation</i>		
– Carrying amount	1 105 594	1 154 105
– Market value (listed)	1 105 594	1 154 105
<p>A register of treasury bills and debentures is available for inspection at the registered office of the company.</p>		

for the year ended 31 December 2007

				2007	2006
				R'000	R'000
11 FINANCIAL INSTRUMENTS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)					
					Change in fair value due to change in credit risk*
		Fair value	Contractually payable at	Difference	Current
		R'000	maturity	R'000	year
			R'000		Cumulative
					R'000
11.2	Financial liabilities designated as at fair value through profit or loss 2007				
	Long-term debt instruments	1 000 089	1 015 000	(14 911)	6 870
	2006				
	Long-term debt instruments*	1 058 182	1 015 000	43 182	19 020
	Changes in fair value due to credit risk changes are assessed with reference to government stock R196 and R153.				

12 LOANS AND ADVANCES TO CUSTOMERS

The company operates in selected niche markets concentrating on asset-based finance. Advances made are mostly in the form of instalment credit to individuals and mortgage lending to property developers, corporate borrowers and individuals.

12.1 Category analysis

Home loans	3 487 148	1 554 520
Commercial mortgages	6 117 951	5 501 681
Other loans to clients	303 053	266 909
Net investment in instalment sale and lease agreements	25 999 352	20 640 602
Preference shares	125 235	121 946
	36 032 739	28 085 658
Impairment of loans and advances (note 16)	(776 362)	(474 962)
	35 256 377	27 610 696

The preference shares have a nominal value of R110 million and earn interest at a fixed rate of 9.4%. They are redeemable in three annual tranches beginning 8 December 2009.

* The comparative information has been expanded to comply with IFRS 7.

Imperial Bank Limited

Notes to the company financial statements

continued

for the year ended 31 December 2007

	2007 R'000	2006 R'000
12 LOANS AND ADVANCES TO CUSTOMERS (continued)		
12.2 Sectoral analysis		
Individuals	23 012 950	17 668 181
Financial services, insurance and real estate	33 081	235 747
Manufacturing	36 237	68 062
Building and property development	2 591 331	2 905 425
Transport, storage and communication	38 684	1 201 269
Retailers, catering and accommodation	83 927	389 823
Wholesale and trade	11 548	7 795
Mining and quarrying	2 460	57 030
Agriculture, forestry and fishing	20 283	23 783
Other services	10 202 238	5 528 543
	36 032 739	28 085 658
12.3 Geographical analysis		
South Africa	36 032 739	28 085 658
Gauteng	27 203 271	21 734 264
Western Cape	3 729 771	2 838 602
Eastern Cape	484 158	357 743
KwaZulu-Natal	2 832 919	1 963 243
Free State	1 782 620	1 191 806
	36 032 739	28 085 658
13 OTHER ASSETS		
Sundry receivables	443 500	430 875
Deferred acquisition costs	338 406	268 133
Property inventory*	1 155	–
	783 061	699 008
* Property inventory was previously disclosed under loans and advances to customers: other loans to clients (note 12.1).		
14 CURRENT TAXATION		
Normal South African taxation		
– Current taxation liability	2 558	51 084
	2 558	51 084
15 INVESTMENT IN SUBSIDIARY COMPANIES		
Cost of investment	43 018	43 018
Loans from subsidiary companies	(582 396)	(457 483)
Loans to subsidiary companies	–	10 478
Net indebtedness	(582 396)	(447 005)

for the year ended 31 December 2007

	Total impairment R'000	Specific impairment R'000	IBNR impairment R'000
16 IMPAIRMENT OF LOANS AND ADVANCES			
16.1 Impairment of loans and advances 2007			
Opening balance	474 962	393 721	81 241
Amount written off	(119 306)	(119 306)	–
Net new impairments created	411 973	342 604	69 369
Impairments created	1 732 385	1 663 016	69 369
Impairments released	(1 320 412)	(1 320 412)	–
Recoveries of bad debts	8 733	8 733	–
Closing balance	776 362	625 752	150 610
	Total impairment R'000	Specific impairment R'000	IBNR impairment R'000
2006			
Opening balance	418 593	418 593	–
Amount written off	(167 795)	(167 795)	–
Net new impairments created	218 979	137 738	81 241
Impairments created	1 670 771	1 589 530	81 241
Impairments released	(1 451 792)	(1 451 792)	–
Recoveries of bad debts	5 185	5 185	–
Closing balance	474 962	393 721	81 241
		2007 R'000	2006 R'000
16.2 Sectoral analysis of specific impairment			
Individuals		674 370	401 063
Financial services, insurance and real estate		1 866	4
Manufacturing		1 048	531
Building and property development		37 557	25 068
Transport, storage and communication		9 518	203
Retailers, catering and accommodation		2 154	1 506
Wholesale and trade		2 250	66
Mining and quarrying		2 067	55
Agriculture, forestry and fishing		71	35
Government and public sector		3 348	–
Other services		42 113	46 431
		776 362	474 962
16.3 Geographical analysis of specific impairment			
South Africa		776 362	474 962
Gauteng		620 482	367 552
Western Cape		53 884	48 004
Eastern Cape		1 388	6 050
KwaZulu-Natal		64 076	33 201
Free State		36 532	20 155
		776 362	474 962
16.4 Ratio of impairments			
Impairment of loans and advances at end of year		776 362	474 962
Total gross loans and advances		36 032 739	28 085 658
Ratio (%)		2.2%	1.7%

Notes to the company financial statements

continued

for the year ended 31 December 2007

17 PROPERTY AND EQUIPMENT

	Land and Buildings		Computer equipment		Furniture and other equipment		Vehicles		Total	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000	2007 R'000	2006 R'000	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Gross carrying amount										
Balance at 1 January	80 578	78 350	60 302	55 121	27 065	27 561	6 652	12 287	174 597	173 319
Acquisitions	656	2 347	18 891	10 259	7 891	3 978	883	1 270	28 321	17 854
Transfers	222	(119)	1 853	(4 979)	(1 255)	911	(249)	(1 180)	571	(5 367)
Disposals	–	–	(2 846)	(99)	(1 454)	(5 385)	(2 973)	(5 725)	(7 273)	(11 209)
Revaluation	51 432	–	–	–	–	–	–	–	51 432	–
Balance at 31 December	132 888	80 578	78 200	60 302	32 247	27 065	4 313	6 652	247 648	174 597
Accumulated depreciation and impairment losses										
Balance at 1 January	3 942	604	32 182	24 928	11 527	9 664	3 187	5 606	50 838	40 802
Depreciation charge for the year	3 651	2 125	12 651	12 205	3 582	5 039	1 011	1 602	20 895	20 971
Transfers	93	1 213	1 960	(4 929)	(1 250)	(388)	(247)	(1 099)	556	(5 203)
Disposals	–	–	(2 832)	(22)	(1 171)	(2 788)	(1 722)	(2 922)	(5 725)	(5 732)
Revaluation	1 630	–	–	–	–	–	–	–	1 630	–
Balance at 31 December	9 316	3 942	43 961	32 182	12 688	11 527	2 229	3 187	68 194	50 838
Carrying amount										
At 1 January	76 636	77 746	28 120	30 193	15 538	17 897	3 465	6 681	123 759	132 517
At 31 December	123 572	76 636	34 239	28 120	19 559	15 538	2 084	3 465	179 454	123 759

Registers providing the information regarding land and buildings, as required in terms of Schedule 4 of the Companies Act of 1973, are available for inspection at the registered office of the company.

Land and buildings were revalued on 4 December 2007 by an independent valuer using the cash flow model. Observable market data was used to perform the valuation. The carrying amount at which land and buildings would have been recognised had the assets been carried under the cost model is R77.3 million.

	2007 R'000	2006 R'000
18 POST-EMPLOYMENT EMPLOYEE BENEFITS		
All eligible employees are members of the Imperial Group Pension Fund or the Provident Fund, financed by company and employee contributions. These funds are defined contribution plans and are governed by the Pension Funds Act of 1956. There are no further post-retirement benefit obligations.		
Pension fund contributions expensed	20 856	16 917

for the year ended 31 December 2007

	2007 R'000	2006 R'000
19 SHARE CAPITAL		
19.1 Ordinary share capital		
<i>Authorised:</i> 500 000 000 (2006: 500 000 000) ordinary shares of R0.01 each	5 000	5 000
<i>Issued:</i> 340 009 624 (2006: 288 222 599) fully paid ordinary shares of R0.01 each	3 400	2 882
Subject to the restrictions imposed by the Companies Act of 1973, the unissued shares are under the control of the directors until the forthcoming annual general meeting.		
Shareholders' analysis		
Nedbank Limited	50.1%	50.1%
Imperial Holdings Limited	49.9%	49.9%
	100.0%	100.0%
The ultimate controlling shareholder is Old Mutual plc, listed on the London Stock Exchange.		
19.2 Preference share capital		
<i>Authorised:</i> 8 000 000 (2006: 8 000 000) non-redeemable, non-participating, non-cumulative preference shares of R0.0005 each	4	4
<i>Issued:</i> 3 000 000 (2006: 3 000 000) non-redeemable, non-participating, non-cumulative preference shares of R0.0005 each	2	2
<i>Share premium</i> Preference share premium	298 045	298 060
Total preference share capital and premium	298 047	298 062

All the preference shares were issued during 2006 and are listed on the Johannesburg Stock Exchange (JSE) in the "Preference Shares" sector of the JSE list with the abbreviated name "IBL Pref", JSE preference share code IBLP and ISIN ZAE000081675.

The non-redeemable, non-participating, non-cumulative preference shares were issued as part of Imperial Bank's capital optimisation programme whereby the bank sought to optimise the efficiency of its capital structure, and hence enhance return on capital for its shareholders, within the regulatory capital constraints as detailed in the Banks Act and Regulations thereto. As part of the programme, preference shares were issued and the proceeds used to repurchase ordinary share capital.

Imperial Bank Limited

Notes to the company financial statements

continued

for the year ended 31 December 2007

	2007 R'000	2006 R'000
20 AMOUNTS OWED TO DEPOSITORS		
20.1 Analysis		
Deposits and loan accounts		
– Call and term deposits	31 628 211	26 996 810
– Fixed deposits	906 799	39 495
– Notice deposits	20 404	–
– Deposits from Octane	1 789 763	–
	34 345 177	27 036 305
Comprises:		
– Amounts owed to depositors	2 363 327	154 212
– Amounts owed to banks	31 981 850	26 882 093
	34 345 177	27 036 305
Deposit products include call, notice deposits and fixed deposits.		
On 18 June 2007, Imperial Bank successfully securitised R1.7 billion of its motor vehicle instalment sale agreements. The transaction has been structured as a revolving R1.7 billion tranche for a period of 24 months and thereafter, a controlled amortisation.		
Although the instalment sale agreements have been legally ceded by Imperial Bank, the instalment sale assets remain on the Imperial Bank balance sheet, as required by International Accounting Standard (IAS) 39.		
20.2 Sectoral analysis		
Banks	31 981 850	26 882 093
Government and public sector	5 213	4 878
Individuals	21	–
Business sector	2 358 093	149 334
	34 345 177	27 036 305
20.3 Geographical analysis		
South Africa		
Gauteng	34 345 177	27 036 305
21 OTHER LIABILITIES		
Creditors and other liabilities	98 928	131 556
Leave pay accrual (note 21.1)	14 350	11 787
Deferred revenue	18 828	26 047
Operating leases accelerated	933	–
	133 039	169 390
21.1 Leave pay accrual		
Balance at beginning of year	11 787	8 796
Movement for year	2 563	2 991
	14 350	11 787
22 LONG-TERM DEBT INSTRUMENTS		
Rand-denominated		
R515 million bonds repayable on 4 December 2008	528 229	552 665
R500 million bonds repayable on 30 December 2010	471 860	505 517
	1 000 089	1 058 182

The R515 million bond (IBP1) is subordinated, unsecured and callable on 4 December 2008. The rate is fixed at 13.5%.

The R500 million bond (IBP2) is subordinated, unsecured and callable on 30 December 2010. The rate is fixed at 8.38%.

for the year ended 31 December 2007

	2007 R'000	2006 R'000
23 CASH FLOW INFORMATION		
23.1 Reconciliation of profit from operations to cash generated by operating activities		
Profit from operations	611 689	482 443
Adjusted for:		
– Indirect taxation	33 139	20 877
Non-cash items		
– Dividend income	(48 584)	(62 005)
– Fair value adjustments through profit and loss	458	(3 111)
– Depreciation	20 895	20 971
– Movement in leave-pay provision	2 563	2 991
– Operating lease deferrals	933	(2 257)
– Movement in impairment of loans and advances	420 706	224 165
– Profit on disposal of property inventory	(27 795)	–
– Loss/(profit) on disposal of property and equipment	71	(986)
– Deferred revenue and acquisition costs	(6 765)	50 253
	1 007 310	733 341
23.2 Cash received from clients		
Interest income and dividends from finance facilities	4 420 354	2 850 135
Commission and fee income (note 4)	54 046	24 148
Other income	5 449	6 834
	4 479 849	2 881 117
23.3 Cash paid to clients, staff and suppliers		
Interest expense and similar charges (note 3)	3 046 984	1 809 344
Staff costs	278 956	226 449
Other operating expenses	155 332	123 693
	3 481 272	2 159 486
23.4 Increase in operating assets		
Other short-term securities	48 511	(584 639)
Government and public sector securities	29 129	90 242
Advances and other accounts	(8 375 631)	(8 158 944)
	(8 297 991)	(8 653 341)
23.5 Increase in operating liabilities		
Other deposits	7 308 872	7 807 124
Creditors and other liabilities	31 365	440 780
	7 340 237	8 247 904
23.6 Taxation paid		
Amounts due at beginning of year	(51 084)	(53 379)
Income statement charge	(158 979)	(110 452)
Deferred taxation movement	53 804	–
Total indirect taxation	(33 139)	(20 877)
Amounts due at end of year	2 558	51 084
	(186 840)	(133 624)

Notes to the company financial statements

continued

for the year ended 31 December 2007

	2007 R'000	2006 R'000
24 CONTINGENT LIABILITIES		
Liabilities under guarantees	1 540 059	940 913

The company, in the ordinary course of business, enters into transactions which expose the company to taxation, legal and business risks. Provisions are made for known liabilities which are expected to materialise. Possible obligations and known liabilities where no reliable estimate can be made or it is considered improbable that an outflow would result, are noted as a contingent liability. This is in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets.

In addition in recent years Imperial Bank has entered into structured finance transactions with third parties using the taxation base of the bank. Pursuant to the terms of the majority of these transactions, the underlying third party has contractually agreed to accept the risk of any taxation being imposed by SARS, although the obligation to pay in the first instance may rest with Imperial Bank. SARS has recently begun to examine the taxation aspects of some of these types of structures.

In limited cases a provision is made where for example, the credit quality of a client becomes doubtful.

25 COMMITMENTS**25.1 Operating lease commitments**

The company has entered into leases over fixed property, furniture and other equipment for varying periods. The charges will increase in future in line with negotiated escalations and expansions. The following are the minimum lease payments under non-cancellable leases.

	2010 and beyond R'000	2009 R'000	2008 R'000
Land and buildings	–	1 194	9 700

25.2 Commitments under derivative instruments

The company enters into interest rate swap agreements and other financial agreements in the normal course of business and accounts for them at transaction date.

	2007 R'000	2006 R'000
25.3 Unutilised facilities and other	2 626 355	1 612 361

for the year ended 31 December 2007

	2007 R'000	2006 R'000
26 RELATED PARTIES		
26.1 Relationships between parent and subsidiaries		
The parent company of Imperial Bank is Nedbank, which holds 50.1% of the company's ordinary shares. The ultimate controlling party is Old Mutual plc, incorporated in the United Kingdom.		
Material subsidiaries of the company are identified on page 119.		
26.2 Key management personnel compensation		
26.2.1 Directors' compensation		
Compensation paid to the board of directors is aggregated below, together with the aggregate compensation paid to the executive directors.		
<i>Executive directors</i>		
R van Wyk	6 448	3 383
– Salary	1 693	1 337
– Bonus – short term	2 125	1 800
– Bonus – long term	2 330	–
– Retirement fund contributions	291	231
– Benefits	9	15
P C W Hibbit	2 900	1 850
– Salary	845	845
– Bonus – short term	900	850
– Bonus – long term	1 000	–
– Retirement fund contributions	146	146
– Benefits	9	9
D M van der Linde*	–	418
– Salary	–	335
– Bonus – short term	–	–
– Retirement fund contributions	–	54
– Benefits	–	29
* D M van der Linde resigned from the board in April 2006.		

Notes to the company financial statements

continued

for the year ended 31 December 2007

	2007 R'000	2006 R'000
26 RELATED PARTIES (continued)		
26.2 Key management personnel compensation (continued)		
26.2.1 Directors' compensation (continued)		
<i>Non-executive directors</i>		
<i>Fees</i>	1 195	1 334
O S Arbee*	109	98
L E Bakoro	131	60
C J W Ball	212	143
Z E E Banchetti	–	68
H R Brody*	103	117
R G Cottrell	–	191
M J Croucamp	181	278
M A Enus-Brey	75	74
W G Lynch*	114	139
N P Mnxasana*	48	–
R A Shuter*	–	30
P A Wessels*	222	136
* Directors' fees marked with an asterisk do not accrue to the individuals but to either Imperial Holdings or Nedbank.		
26.2.2 Compensation of other members of the Executive Committee	26 873	11 230
Salary	8 702	4 540
Bonus – short term	6 175	5 840
Bonus – long term	10 800	–
Retirement fund contributions	936	648
Benefits	260	202
During the year, a revised long term incentive scheme was approved by the Remuneration Committee. In terms of the scheme, participants are issued units whose value is dependent upon the future performance of the bank. The initial units have a four year vesting period with one third of the units vesting after two years, one third after three years and one third after four years. Subsequent allocations have a three year vesting period of one third per annum. Provided the bank meets the pre-determined performance criteria, the first payment in terms of the scheme will be made on a finalisation of the results for the year ending 31 December 2008. Participation in the scheme and allocation of units is not level, grade or salary based. Participants are required to be in the employ of the bank at the vesting date.		

for the year ended 31 December 2007

26 RELATED PARTIES (continued)

26.3 Identity of related parties with whom material transactions have occurred

Imperial Bank and its subsidiaries, in the ordinary course of business, enter into various financial services transactions with associates, joint ventures and other related parties within the greater Nedbank, Imperial Holdings and Old Mutual group. The following material transactions occurred between related parties:

2007

Balance sheet information	Balance due from/(to) R'000	Terms and conditions
Parent – Nedbank		
Deposit	(31 532 503)	No fixed terms of payment at the Nedbank prime replicating portfolio rate
Current account	5 770	Current account at prime replicating portfolio rate
Subsidiaries		
NRB Risk Solutions Ltd	906 657	
Fellow subsidiaries*		
Nedbank Insurance Companies	(10 586)	Term and fixed deposits
Old Mutual Fund	(238 411)	Bonds
Octane (Pty) Ltd	(660 650)	Bonds
Associated companies**		
Dream World Investments 239 (Pty) Ltd	125 235	Preference shares
Eagle Bonds One (Pty) Ltd	6 151	Bonds
Highway Carriers Car Scheme	2	Call deposit
National User Department	(5 213)	Call deposit
Regent Insurance Ltd	(109 377)	Call deposit
Regent Life Assurance Annuities Fund	(79 673)	Call deposit
Regent Life Assurance Iph Fund	(86 508)	Call deposit
Regent Life Assurance Company Corporate Fund	(14 435)	Call deposit
Regent Life Assurance Sinking Fund	(7 700)	Call deposit
Safair Lease Finance (Pty) Ltd	(12 068)	Net swaps

Notes to the company financial statements

continued

for the year ended 31 December 2007

26 RELATED PARTIES (continued)

26.3 Identity of related parties with whom material transactions have occurred (continued)
2007

Income statement information	Interest received/(paid) R'000	Ordinary dividends received/(paid) R'000	Other amounts received/(paid) R'000
Parent – Nedbank			
Deposit	(2 691 118)		
Current account	1 124		
Subsidiaries			
NRB Risk Solutions Ltd		48 584	
Fellow subsidiaries*			
Nedbank Group Internal Audit			(2 400)
Nedbank Insurance Companies	(2 139)		
Octane (Pty) Ltd	(36 611)		
Old Mutual Fund	(29 078)		
Associated companies**			
AMH – Alliance partner	(119)		
Dream World Investments 239 (Pty) Ltd	11 351		
Eagle Bonds One (Pty) Ltd	660		
Highway Carriers Car Scheme	(0)		
National User Department	(173)		
Regent Insurance Ltd	(12 887)		
Regent Life Assurance Annuities Fund	(9 219)		
Regent Life Assurance Company Corporate Fund	(2 668)		
Regent Life Assurance Iph Fund	(4 858)		
Regent Life Assurance Sinking Fund	(856)		
Safair Lease Finance (Pty) Ltd	(5 882)		

* Subsidiaries and fellow subsidiaries within the ultimate holding company, Old Mutual plc, listed on the London Stock Exchange.

** Companies within the Imperial Holdings group.

for the year ended 31 December 2007

26 RELATED PARTIES (continued)

26.3 Identity of related parties with whom material transactions have occurred (continued)
2006

Balance sheet information	Balance due from/(to) R'000	Terms and conditions
Parent – Nedbank		
Deposit	(26 685 426)	No fixed terms of payment at the Nedbank prime replicating portfolio rate
Current account	10 500	Current account at the Nedbank prime replicating portfolio rate
Subsidiaries		
NRB Risk Solutions Ltd	–	
Fellow subsidiaries*		
Nedbank Insurance Companies	(5 995)	Term and fixed deposits
Old Mutual Fund	(186 577)	Bonds
Associated companies**		
AMH – Alliance partner	(13 785)	Call deposit
Dream World Investments 239 (Pty) Ltd	120 980	Preference shares
Eagle Bonds One (Pty) Ltd	5 309	Bonds
Highway Carriers Car Scheme	2	Call deposit
National User Department	(4 860)	Call deposit
Regent Insurance Ltd	(57 378)	Call deposit
Regent Life Assurance Ltd	(39 740)	Call deposit
Regent Life Assurance Annuities Fund	(24 000)	Call deposit
Regent Life Assurance Company Corporate Fund	(13 000)	Call deposit
Regent Life Assurance Iph Fund	(7 000)	Call deposit
Regent Life Assurance Sinking Fund	(5 000)	Call deposit
Safair Lease Finance (Pty) Ltd	(16 586)	Net swaps

Notes to the company financial statements

continued

for the year ended 31 December 2007

26 RELATED PARTIES (continued)

26.3 Identity of related parties with whom material transactions have occurred (continued)

2006

Income statement information	Interest received/(paid) R'000	Ordinary dividends received/(paid) R'000	Other amounts received/(paid) R'000
Parent – Nedbank			
Deposit	(1 629 072)		
Current account	1 569		
Subsidiaries			
NRB Risk Solutions Ltd		62 005	
Fellow subsidiaries*			
Nedbank Group Internal Audit			(2 400)
Nedbank Insurance Companies	(1 708)		
Old Mutual Fund	(25 188)		
Associated companies**			
AMH – Alliance partner	(1 980)		
Dream World Investments 239 (Pty) Ltd	10 934		
Eagle Bonds One (Pty) Ltd	768		
Highway Carriers Car Scheme	(0)		
National User Department	(82)		
Regent Life Assurance Ltd	(2 232)		
Regent Life Assurance Annuities Fund	(3 240)		
Regent Life Assurance Company Corporate Fund	(1 755)		
Regent Life Assurance Iph Fund	(945)		
Regent Life Assurance Sinking Fund	(675)		
Regent Insurance Ltd	(6 083)		
Safair Lease Finance (Pty) Ltd	2 424		

* Subsidiaries and fellow subsidiaries within the ultimate holding company, Old Mutual plc, listed on the London Stock Exchange.

** Companies within the Imperial Holdings group.

for the year ended 31 December 2007

	2007 R'000	Demand	Term to maturity			Non-cash
			1 – 12 months	1 – 5 years	Over 5 years	
27 IFRS 7 DISCLOSURES						
27.1 Company liquidity risk analysis						
ASSETS						
Cash and cash equivalents	2 555	2 555				
Other short-term securities	1 105 594		1 105 594			
Derivative financial instruments	55 061		2 860	44 344	7 857	
Government and other securities	330 985		10 336	320 649		
Loans and advances to customers	35 256 377		4 834 691	21 983 982	9 214 066	(776 362)
Other assets	783 061		783 061			
Investment in subsidiary companies	43 018					43 018
Investment securities	330 152		12 001	275 151	43 000	
Property and equipment	179 454					179 454
Mandatory deposits with central bank	808 359	808 359				
Total assets	38 894 616	810 914	6 748 543	22 624 126	9 264 923	(553 890)
EQUITY AND LIABILITIES						
Ordinary share capital	3 400					3 400
Ordinary share premium	648 284					648 284
Reserves	1 687 108					1 687 108
Total ordinary equity	2 338 792	–	–	–	–	2 338 792
Preference share capital and premium	298 047					298 047
Total shareholders' equity	2 636 839	–	–	–	–	2 636 839
Total liabilities	36 257 777	925 883	819 555	34 429 770	1 857	80 712
Bank overdraft	32 269	32 269				
Derivative financial instruments	90 207		8 879	80 258	1 070	
Amounts owed by depositors	34 345 177	233 954	232 784	33 877 652	787	
Loans from subsidiary companies	582 396	582 396				
Other liabilities	133 039	77 264	47 105			8 670
Current taxation	2 558		2 558			
Deferred taxation	72 042					72 042
Long-term debt instruments	1 000 089		528 229	471 860		
Total equity and liabilities	38 894 616	925 883	819 555	34 429 770	1 857	2 717 551
Remaining contractual maturities						
Balance sheet liabilities	36 486 394	925 883	956 354	34 510 295	13 150	80 712
Bank overdraft	32 269	32 269				
Derivative financial instruments	108 688		47 482	48 843	12 363	
Amounts owed to depositors	34 345 177	233 954	232 784	33 877 652	787	
Loans from subsidiary companies	582 396	582 396				
Other liabilities	133 039	77 264	47 105			8 670
Current taxation	2 558		2 558			
Deferred taxation	72 042					72 042
Long-term debt instruments	1 210 225		626 425	583 800		
Off balance sheet liabilities	2 662 234	2 662 234	–	–	–	–
Irrevocable guarantees	35 879	35 879				
Loan commitments	2 626 355	2 626 355				
Total liabilities	39 148 628	3 588 117	956 354	34 510 295	13 150	80 712

Imperial Bank Limited

Notes to the company financial statements

continued

for the year ended 31 December 2007

	2006 R'000	Demand	Term to maturity			Non-cash
			1 – 12 months	1 – 5 years	Over 5 years	
27 IFRS 7 DISCLOSURES (continued)						
27.1 Company liquidity risk analysis (continued)						
ASSETS						
Cash and cash equivalents	12 761	12 761				
Other short-term securities	1 154 105		1 154 105			
Derivative financial instruments	78 334		363	51 381	26 590	
Government and other securities	360 114			360 114		
Loans and advances to customers	27 610 696		3 444 505	20 239 435	4 401 718	(474 962)
Other assets	699 008		699 008			
Investment in subsidiary companies	43 018					43 018
Loans to subsidiary companies	10 478					10 478
Investment securities	5 309				5 309	
Property and equipment	123 759					123 759
Mandatory deposits with central bank	656 030	656 030				
Total assets	30 753 612	668 791	5 297 981	20 650 930	4 433 617	(297 707)
EQUITY AND LIABILITIES						
Ordinary share capital	2 882					2 882
Ordinary share premium	348 802					348 802
Reserves	1 225 040					1 225 040
Total ordinary equity	1 576 724	–	–	–	–	1 576 724
Preference share capital and premium	298 062					298 062
Total shareholders' equity	1 874 786	–	–	–	–	1 874 786
Total liabilities	28 878 826	372 634	121 234	27 788 206	27 562	569 190
Derivative financial instruments	102 585		9 475	65 548	27 562	
Amounts owed to depositors	27 036 305	311 384	39 495	26 685 426		
Loans from subsidiary companies	457 483					457 483
Other liabilities	169 390	40 300	21 180			107 910
Current taxation	51 084		51 084			
Deferred taxation	3 797					3 797
Long-term debt instruments	1 058 182	20 950		1 037 232		
Total equity and liabilities	30 753 612	372 634	121 234	27 788 206	27 562	2 443 976
Remaining contractual maturities						
Balance sheet liabilities	29 206 717	809 167	309 722	27 972 847	3 274	111 707
Derivative financial instruments	163 510		83 040	77 196	3 274	
Amounts owed to depositors	27 036 305	311 384	39 495	26 685 426		
Loans from subsidiary companies	457 483	457 483				
Other liabilities	169 390	40 300	21 180			107 910
Current taxation	54 582		54 582			
Deferred taxation	3 797					3 797
Long-term debt instruments	1 321 650		111 425	1 210 225		
Off balance sheet liabilities	1 645 970	1 645 970	–	–	–	–
Irrevocable guarantees	33 609	33 609				
Loan commitments	1 612 361	1 612 361				
Total liabilities	30 852 687	2 455 137	309 722	27 972 847	3 274	111 707

Imperial Bank's ALCO meets monthly to manage liquidity and interest rate risk, and reports to the Board Risk Committee quarterly.

The bank has no appetite or mandate to take proprietary trading risk or market risk. Liquidity risk is negligible given Nedbank's commitment to provide funds as required. However the ALCO does monitor maturity mismatches and fixed rate hedge effectiveness. It also ensures liquid assets are maintained at required levels and instruments purchased are cost-effective.

Imperial Bank does not fund advances in foreign currency, and has no cross-border exposure. This removes foreign exchange risk and currency translation risk.

for the year ended 31 December 2007

	2007 R'000			2006 R'000		
	Balance sheet	Off balance sheet	Total	Balance sheet	Off balance sheet	Total
27 IFRS 7 DISCLOSURES (continued)						
27.2 Company credit risk analysis						
Maximum exposure to credit risk per financial assets						
Mandatory reserve deposits with central banks	808 359		808 359	656 030		656 030
Loans and advances	35 256 377	2 626 355	37 882 732	27 610 696	1 612 361	29 223 057
Home loans	3 487 148		3 487 148	1 554 520	1 338	1 555 858
Commercial mortgages	6 117 951	2 626 355	8 744 306	5 501 681	1 611 023	7 112 704
Other loans to clients	303 053		303 053	266 909		266 909
Net investment in instalment sale and lease agreements	25 999 352		25 999 352	20 640 602		20 640 602
Preference shares	125 235		125 235	121 946		121 946
Less: Impairment of loans and advances	(776 362)		(776 362)	(474 962)		(474 962)
Investments and securities	1 888 785	–	1 888 785	1 963 164	–	1 963 164
Government and government-guaranteed securities	1 436 579		1 436 579	1 514 219		1 514 219
Investment securities	6 151		6 151	5 309		5 309
Short-term funds and securities	2 555		2 555	12 761		12 761
Other	443 500		443 500	430 875		430 875
Loans to subsidiary companies			–	10 478		10 478
Derivative financial instruments – assets	55 061		55 061	78 334		78 334
Guarantees – irrevocable		35 879	35 879		33 609	33 609
	38 008 582	2 662 234	40 670 816	30 318 702	1 645 970	31 964 672

Notes to the company financial statements

continued

for the year ended 31 December 2007

	2007 R'000	2006 R'000
27 IFRS 7 DISCLOSURES (continued)		
27.2 Company credit risk analysis (continued)		
Loans and advances		
Gross balance sheet value of loans and advances		
Neither past due nor impaired	34 807 277	27 275 224
Past due but not impaired	–	–
– Past due but less than 1 month	–	–
– Past due, greater than 1 month but less than 3 months	–	–
– Past due, greater than 3 months but less than 6 months	–	–
– Past due, greater than 6 months but less than 1 year	–	–
– Past due more than 1 year	–	–
Impaired loans and advances	1 225 462	810 434
Other non-rated items	–	–
Total of gross loans and advances	36 032 739	28 085 658
Credit grading analysis of loans and advances neither past due nor impaired		
NGR 3	120 048	–
NGR 4	1 227	–
NGR 5	73	–
NGR 6	1 111	–
NGR 7	7 273	4 866
NGR 8	35 165	20 039
NGR 9	349 994	312 186
NGR 10	884 870	670 700
NGR 11	1 119 140	491 576
NGR 12	1 871 542	1 295 502
NGR 13	1 486 421	1 318 028
NGR 14	2 421 702	1 785 456
NGR 15	2 035 449	1 024 305
NGR 16	2 539 810	1 917 411
NGR 17	2 157 687	1 907 536
NGR 18	7 553 810	6 481 692
NGR 19	3 221 730	3 106 910
NGR 20	4 766 587	3 144 917
NGR 21	1 377 346	1 086 341
NGR 22	144 604	97 145
NGR 23	3 499	6 599
NGR 24	60 154	97 813
NGR 25	5 024	–
NP	2 643 011	2 506 202
	34 807 277	27 275 224
Restructured loans and advances included in the above table that would otherwise have been impaired	81 569	61 879
The Nedbank Group Rating (NGR) is an investment grade rating based on the counterparty's probability of default.		
Amount included in the above that represents individually impaired loans and advances	1 225 462	810 434
– Motor Finance	1 002 293	576 451
– Property Finance	104 607	130 266
– Supplier Asset Finance	100 439	92 036
– Medical Finance	18 092	10 441
– Treasury and Eliminations	31	1 240

for the year ended 31 December 2007

27 IFRS 7 DISCLOSURES (continued)

27.2 Company credit risk analysis (continued)

Imperial Bank's impairment methodology on loans and advances

Legal loans and advances

All loans and advances classified as legal (> 150 days) are impaired with the following formula:

Outstanding balance less the net present value (NPV) of expected future cash flows (from either security value or shortfall).

- The determination of the security value, as per the Imperial Bank's credit policy, must be on a forced sale basis.
- In Motor Finance, the security value formula applied as a percentage of trade value is specified in the Motor Finance collections procedures. These procedures are reassessed from time to time by the Motor Finance Executive Committee based on collections achieved and used car prices obtained.
- In Property Finance, the security value is taken from the latest annual valuation (external valuation or desktop, based on the nature of the property and materiality) or an immediate revaluation if the most recent valuation is deemed to be stale, or conditions with the specific property or area have changed.
- In Supplier Asset Finance (including E-Fin Office Automation booked in NRB) and Medical Finance, the security value is determined via a conservative forced sale value based on the latest market pricing for the specific asset. On specialised equipment, including aviation, an independent expert valuation may be called for.
- If the security value can't be determined accurately, or the realisation of security is of serious concern, 100% impairment is raised.

Arrear (Pre-legal) loans and advances

Arrear accounts in Medical Finance, Supplier Asset Finance (including E-Fin Office Automation booked in NRB) and Property Finance are scrutinised on a case-by-case basis. Specific impairments are raised, with approval from the Impairment Provisioning Committee, if felt necessary.

Impairments on arrear accounts in Motor Finance are calculated based on the outstanding balances less the NPV of the expected future recoveries. This bad debt charge is raised on a portfolio basis.

Impairments on arrear accounts are IFRS compliant and are always based on the NPV of the expected future cash flows.

Performing loans and advances

Typically, in line with IAS 39 guidance, a bank would raise an IBNR impairment for performing advances where a trigger event and emergent period can be determined, and historical evidence of the link between the trigger event and eventual default exist.

Balance sheet value of debt and similar securities, other than loans and advances, according to rating agency designation (based on Standard and Poor's ratings or equivalent)

R'000	Treasury bills	Other eligible bills	Debt securities	Total
Investment grade (AAA to BBB)	662 271	443 323	6 151	1 111 745
	662 271	443 323	6 151	1 111 745
Of which issued by:				
– Government and government-guaranteed securities	662 271	443 323	–	1 105 594
– Other	–	–	6 151	6 151
	662 271	443 323	6 151	1 111 745

Notes to the company financial statements

continued

for the year ended 31 December 2007

		Interest rate sensitive					Trading and non-rate sensitive	
		2007 R'000	< 3 months	3 months < 6 months	6 months < 1 year	1 year < 5 years	> 5 years	
27	IFRS 7 DISCLOSURES (continued)							
	27.3 Company market risk analysis							
	27.3.1 Company interest rate risk analysis							
	ASSETS							
	Cash and cash equivalents	2 555	2 555					
	Other short-term securities	1 105 594	1 105 594					
	Derivative financial instruments	55 061						55 061
	Government and other securities	330 985	10 336			320 649		
	Loans and advances to customers	35 256 377	32 193 250	12 206	47 480	2 716 451	1 063 352	(776 362)
	Other assets	783 061						783 061
	Investment in subsidiary companies	43 018						43 018
	Investment securities	330 152	312 000			6 151		12 001
	Property and equipment	179 454						179 454
	Mandatory deposits with central bank	808 359						808 359
	Total assets	38 894 616	33 623 735	12 206	47 480	3 043 251	1 063 352	1 104 592
	EQUITY AND LIABILITIES							
	Ordinary share capital	3 400						3 400
	Ordinary share premium	648 284						648 284
	Reserves	1 687 108						1 687 108
	Total ordinary equity	2 338 792	-	-	-	-	-	2 338 792
	Preference share capital and premium	298 047						298 047
	Total shareholders' equity	2 636 839	-	-	-	-	-	2 636 839
	Total liabilities	36 257 777	33 435 479	198 394	923 001	1 397 494	-	303 409
	Bank overdraft	32 269	32 269					
	Derivative financial instruments	90 207						90 207
	Amounts owed to depositors	34 345 177	32 829 547	195 483	394 283	925 864		
	Loans from subsidiary companies	582 396	573 663	2 911	5 822			
	Other liabilities	133 039						133 039
	Current taxation	2 558						2 558
	Deferred taxation	72 042						72 042
	Long-term debt instruments	1 000 089			522 896	471 630		5 563
	Total equity and liabilities	38 894 616	33 435 479	198 394	923 001	1 397 494	-	2 940 248

for the year ended 31 December 2007

	Interest rate sensitive						Trading and non-rate sensitive
	2006 R'000	< 3 months	3 months < 6 months	6 months < 1 year	1 year < 5 years	> 5 years	
27 IFRS 7 DISCLOSURES (continued)							
27.3 Company market risk analysis (continued)							
27.3.1 Company interest rate risk analysis (continued)							
ASSETS							
Cash and cash equivalents	12 761	12 761					
Other short-term securities	1 154 105	1 154 105					
Derivative financial instruments	78 334						78 334
Government and other securities	360 114				360 114		
Loans and advances to customers	27 610 696	25 734 312	8 525	12 347	2 037 593	292 881	(474 962)
Other assets	699 008						699 008
Investment in subsidiary companies	43 018						43 018
Loans to subsidiary companies	10 478						10 478
Investment securities	5 309					5 309	
Property and equipment	123 759						123 759
Mandatory deposits with central bank	656 030						656 030
Total assets	30 753 612	26 901 178	8 525	12 347	2 397 707	298 190	1 135 665
EQUITY AND LIABILITIES							
Ordinary share capital	2 882						2 882
Ordinary share premium	348 802						348 802
Reserves	1 225 040						1 225 040
Total ordinary equity	1 576 724	–	–	–	–	–	1 576 724
Preference share capital and premium	298 062						298 062
Total shareholders' equity	1 874 786	–	–	–	–	–	1 874 786
Total liabilities	28 878 826	26 630 704	179 164	223 955	1 037 232	–	807 771
Derivative financial instruments	102 585						102 585
Amounts owed to depositors	27 036 305	26 609 754	179 164	223 955			23 432
Loans from subsidiary companies	457 483						457 483
Other liabilities	169 390						169 390
Current taxation	51 084						51 084
Deferred taxation	3 797						3 797
Long-term debt instruments	1 058 182	20 950			1 037 232		
Total equity and liabilities	30 753 612	26 630 704	179 164	223 955	1 037 232	–	2 682 557

Notes to the company financial statements

continued

for the year ended 31 December 2007

27 IFRS 7 DISCLOSURES (continued)

27.3 Company market risk analysis (continued)

27.3.2 Sensitivity analysis for market risk

Method used in preparing the sensitivity analysis

- The interest rate risk of Imperial Bank is best understood by analysing balance sheet repricing characteristics.
- 89% of the bank's assets are linked to the prime rate.
- 90% of the bank's funding liabilities are sourced from Nedbank under the Memorandum of Understanding. The applicable cost of funds consists of hybrid rates namely Nedbank call, to the one-month, three-month and twelve-month rates.
- A 100 basis point instantaneous parallel decline in the interest rates will result in a R20.3 million loss in NII over 12 months.
- A 25 basis point decline in the prime/call gap would result in a R36.7 million loss for the bank over the 12-month period.
- The bank's capital is mostly invested in the two- to five-year asset finance transactions.

Sensitivity analysis for each type of market risk

An analysis of the company's sensitivity to an increase or decrease in the market interest rates is as follows:

	2007		2006	
	100 bp parallel decline Rm	25 bp prime/call gap decline Rm	100 bp parallel decline Rm	25 bp prime/call gap decline Rm
At 31 December				
Impact on net interest income	(20.3)	(36.7)	(16.9)	(31.5)
As a percentage of total shareholders' equity	(0.75%)	(1.36%)	(0.89%)	(1.65%)

The following model assumptions are used in the above sensitivity analysis:

- The expected balance sheet growth of 27.4 per cent over 24 months is assumed for the modelling period.
- The planned capital management actions are included in the modelling.
- The balance sheet maturity profile is expected to remain unchanged during the modelling period.
- Rates spreads have been kept unchanged.
- There have been no material changes to the model assumptions during the year under review.

Analysis of investments in subsidiaries

for the year ended 31 December 2007

	Company		Net indebtedness	
	Book value of investments		2007	2006
	2007	2006	R'000	R'000
	R'000	R'000	R'000	R'000
NRB Risk Solutions (Pty) Ltd	43 018	43 018	(582 396)	(457 483)
Motor Finance Corporation (Pty) Ltd	0*	0*	–	10 478
	43 018	43 018	(582 396)	(447 005)

Imperial Bank Limited holds 100% of the shareholding and voting power of the above subsidiaries.

Net indebtedness arise with no fixed terms of repayment and are charged interest at a variable rate linked to prime.

The book value is carried at the directors' valuation.

* Represents amounts less than R'000.

Imperial Bank Limited

Value-added statement

for the year ended 31 December 2007

	2007		2006	
	R'000	%	R'000	%
Value added is the wealth created from providing quality services to clients				
Net interest income	1 380 135	149%	997 062	137%
Impairment losses on loans and advances	(411 973)	(45%)	(218 979)	(30%)
Margin on lending	968 162	104%	778 083	107%
Non-margin related income	135 345	15%	97 083	13%
Other expenses	(179 723)	(19%)	(145 397)	(20%)
	923 784	100%	729 769	100%
Value is allocated to:				
Employees				
Salaries, wages and other benefits	278 956	30%	226 449	31%
Government				
Normal taxation	158 979	17%	112 750	15%
Value-added taxation	33 139	4%	18 471	3%
Regional service levies	–	0%	2 406	0%
Retentions for growth				
Depreciation and amortisation	20 895	2%	20 971	3%
Reserves	431 815	47%	348 722	48%
	923 784	100%	729 769	100%



for the year ended 31 December 2007

	Number of shareholders	% of holders	Number of shares	% of issued share capital
Analysis of preference shares				
Range				
1 – 999	48	28.58	16 836	0.56
1 000 – 9 999	94	55.95	231 695	7.72
10 000 – 99 999	20	11.90	603 314	20.11
100 000 and more	6	3.57	2 148 155	71.61
Totals	168	100.00	3 000 000	100.00
Major holders				
(5% or more of the preference shares in issue)				
Beneficial holder				
Securities lending			1 000 000	33.33
Broker proprietary			840 255	28.01
Distribution of shareholders				
Category				
Individuals	87	51.78	1 080 388	36.01
Nominee companies and trusts	55	32.74	1 687 774	56.27
Pension/provident funds	4	2.38	7 900	0.26
Growth funds/unit trusts	5	2.98	14 530	0.48
Private companies	12	7.14	134 708	4.49
Investment companies	5	2.98	74 700	2.49
Totals	168	100.00	3 000 000	100.00
Shareholder spread				
Public		100.00	3 000 000	100.00
Non-public	nil	nil	nil	nil
Totals	0	100.00	3 000 000	100.00

Imperial Bank Limited

Capital adequacy report

as at 31 December 2007

	2007 R'000	2006 R'000
Assets per risk-weighted categories	36 683 797	30 238 796
0%	2 277 383	2 092 711
20%	299 388	39 680
50%	1 807 848	1 400 396
100%	32 285 162	26 706 009
150%	14 016	–
Risk-weighted contingent liabilities		
50%	1 213 129	686 164
Counterparty-risk exposure		
100%	32 383	48 960
Average amount of large exposures		
1 000%	–	–
Risk-weighted assets, contingent liabilities and counterparty-risk exposure	33 908 935	27 806 185
Required capital ratio	10.00%	10.00%
Minimum required share capital and unimpaired funds	3 390 894	2 780 619
Net qualifying capital and unimpaired funds	3 580 338	2 912 671
Tier 1	2 347 839	1 688 263
Issued share capital	3 402	2 282
Share premium	946 329	646 862
Non-distributable reserves	–	–
Reserves	1 398 108	1 039 119
Tier 2	1 264 626	1 224 408
Secondary unimpaired reserve funds	229 371	203 079
Secondary capital: qualifying capital	1 035 255	1 021 329
– Secondary capital: debt instrument	1 035 255	1 021 329
– Less: non-qualifying capital	–	–
Less: Impairments against capital	32 127	–
Surplus share capital and unimpaired reserve funds	189 444	132 052
Capital adequacy: risk asset ratio	10.6%	10.5%
Unappropriated profits	–	1 715
Capital adequacy: risk asset ratio	10.6%	10.5%

Corporate information



Imperial Bank Limited

Registration Number 1995/012641/06

Directors

O S Arbee	(2) (8)	
L E Bakoro	(2) (4) (9)	
C J W Ball	(2) (3) (4) (6)	
H R Brody	(3) (4) (8) (9)	Chairman (appointed 17 July 2007)
M J Croucamp	(3) (4)	
P C W Hibbit	(1) (5)	Chief Financial Officer
N P Mnxasana	(8)	
R van Wyk	(1) (5)	Chief Executive Officer
P A Wessels	(2) (3) (4) (7)	

Company Secretary

G Tyusha

- (1) Executive director of Imperial Bank Limited
- (2) Member of the Audit Committee
- (3) Member of the Remuneration Committee
- (4) Member of the Risk Committee
- (5) Member of ALCO
- (6) Director of Nedbank Limited
- (7) Executive of Nedbank Limited
- (8) Executive of Imperial Holdings Limited
- (9) Member of the Directors' Affairs Committee

Business address and registered office

24 Achter Road
Paulshof
Sunninghill
2191

Postal address

PO Box 6093
Rivonia
2128

Auditors

Deloitte & Touche

Contact details

www.imperialbank.co.za
011 275 3000

Designed by motiv

PRINTED BY INCE (PTY) LTD



www.imperialbank.co.za