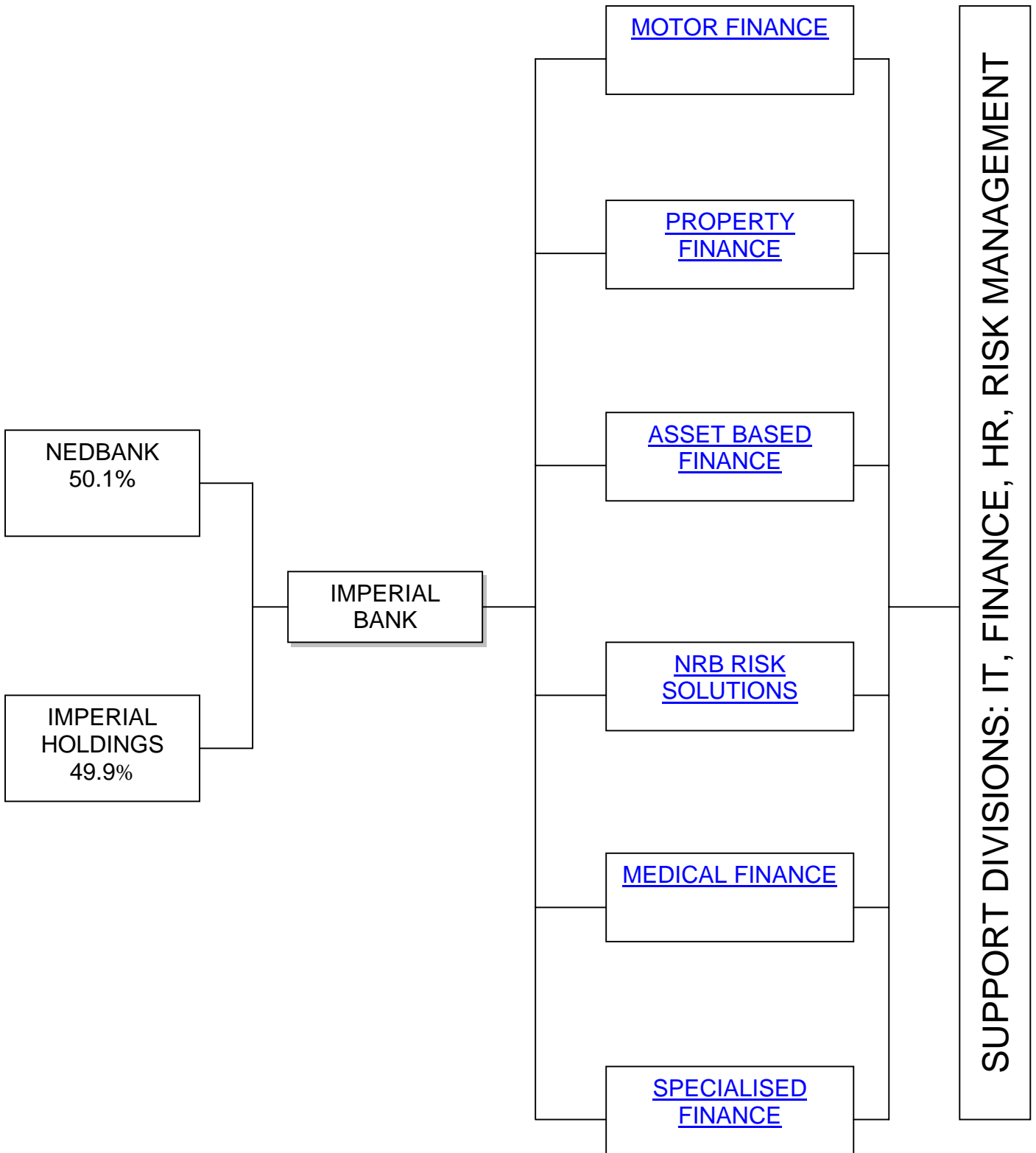




IMPERIAL BANK
ANNUAL REPORT 2004



Imperial Bank Limited
Highlights / 7 year history
31 December 2004

	June 1999	June 2000	Dec 2000	Dec 2001	Dec 2002	Dec 2003	Dec 2004	% increase over Dec 2003
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
<i>Balance sheet</i>								
Total assets	2,960,459	3,544,858	4,149,606	5,797,716	9,269,697	12,957,801	16,878,807	30%
Gross advances	2,263,228	3,193,269	3,800,229	5,348,467	8,843,480	12,049,020	15,889,845	32%
Capital and reserves	354,485	417,356	289,897	358,017	677,832	909,815	1,075,004	18%
Deposits	1,680,311	2,170,201	2,843,241	4,386,858	7,922,067	11,095,269	14,874,857	34%
<i>Income statement</i>								
			(6 months)					
Net interest income	113,309	110,101	66,719	169,605	342,315	527,848	540,583	2%
Income before tax	66,377	64,868	44,873	100,601	190,813	213,470	189,357	-11%
Number of employees	170	217	232	320	440	566	751	33%
<i>Ratios (%)</i>								
After tax return on average assets	2.0%	2.0%	1.7%	1.5%	2.00%	2.13%	1.09%	
After tax return on average shareholder's equity	15.2%	15.0%	15.0%	22.8%	20.2%	29.4%	16.5%	
Other income as percentage of income	10.7%	41.0%	39.1%	34.3%	28.4%	27.5%	27.9%	
Cost to Income ratio	30.4%	26.7%	35.9%	36.4%	31.8%	37.0%	42.1%	
Provisions as a percentage of total advances pre AC133	1.9%	2.1%	2.3%	2.7%	5.6%	N/A	N/A	
Provisions as a percentage of total advances post AC133 **	N/A	N/A	N/A	N/A	N/A	4.6%	4.2%	
Charge for bad and doubtful advances as percentage of average advances pre AC133	1.3%	3.0%	1.5%	1.4%	2.0%	N/A	N/A	
Charge for bad and doubtful advances as percentage of average advances post AC133 **	N/A	N/A	N/A	N/A	N/A	2.26%	1.75%	
Capital adequacy (Group basis)	29.3%	26.6%	14.9%	13.5%	12.1%	12.0%	10.2%	

** In accordance with AC133 prior year numbers have not been restated.

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REVIEW OF OPERATIONS

Imperial Bank Limited (IBL) is an independently regulated bank with two major shareholders, namely Nedbank (50.1%) and Imperial Holdings Limited (49.9%). The bank, which was incorporated in 1996, aims to be a niche player and is primarily engaged in asset based financing.

The bank relies strongly on its shareholders for support. Nedbank provides the vast majority of the funding while Imperial Holdings directs business to the bank through its extensive motor franchises.

Motor Finance makes up the majority of the advances (52%) followed by Property Finance (24%), Asset Based Finance (14%), Medical (7%) and NRB Risk Solutions (3%). The Motor Finance arm operates under its own brand name, The Motor Finance Corporation (MFC). Finance is provided through motor dealerships, many of which are part of the Imperial Holdings group, largely to private individuals buying both new and second hand vehicles. Advanced credit scorecard technology and effective infrastructure enable MFC to process vast numbers of applications, assess them for credit worthiness and respond timeously to a market that rewards efficient responses.

Property Finance division is engaged in residential development finance, commercial property finance and, on a very selective basis, in residential property (mainly for staff of IBL). While the advances book is fairly evenly split between residential development finance and commercial property finance, the majority of the effort expended, and hence income derived, is on the residential development section where loans flow back quickly and good fee income is derived on each deal.

Asset Based Finance comprises three sub-divisions being Corporate Asset Finance (CAF), Aviation and Supplier Finance. CAF is engaged in asset-based finance to medium and small enterprises, while Supplier Finance services the trucking industry. Both of these are newer segments and are still establishing themselves. The bank has traditionally been a significant competitor in the aviation market, funding aircraft purchases in the privately owned market and aircraft charter business.

The bank entered the medical professional market in August 2003 when it was fortunate enough to secure a sizable number of experienced staff. Working from a zero base the division has achieved an 18% share of new deals coming to the market by the end of the 2004 financial year. The division seeks to provide finance to selected medical professionals both in their individual capacity and for their practices.

NRB Risk Solutions was previously a separately registered bank, which was purchased from the Saambou Receiver in September 2002 at a discount. This banking license was returned to the Reserve Bank in January 2004, as it was not expected that NRB would continue to take deposits.

Results during 2004 were disappointing as it is the first year the bank has not shown earnings growth on the previous financial year with earnings dropping from R232m (ROE: 29%) to R165m (17%). Large bad debt provisions in Aviation Finance negatively affected performance. MFC was the leading performer with a doubling of attributable pre-tax profit and Medical division, while still not making acceptable returns, has made vast inroads into its niche market. Property Finance has had another excellent year on the residential development side but penetration into the commercial market was significantly below expectation. The planned broad-based entry into the residential market was put on hold while the division was refocused following the change in its head of operations. Credit losses experienced through the fraud of one significant client and ill-managed costs marred the division's results.

ABF experienced reasonable performances from CAF and Supplier Finance but suffered significant losses in the aviation arena. These losses are indirectly related to the weakening of the US\$ and the continued weakness in the global aviation market. This has affected IBL's aviation charter clients in particular and is the second year of exceptional losses. It is anticipated that 2005 will be better but the division will continue to be at risk while the aviation sector is weak.

The majority of the book housed in NRB risk solutions has been collected, and the purchased discount substantially realised, over the last two years. The earnings of NRB have been in line with expectation since its purchase but have declined as the book has run-off. The earnings of NRB provided a significant boost to earnings in 2003 when rest of IBL's earnings were down. NRB Risk Solutions' contribution has shrunk this year, as expected, but has been partially offset by better earnings within the rest of the bank.

Challenges for 2005 will be to contain costs, return the cost to income ratio to below 40%, close management of delinquent aviation clients to limit bad debts while still aiming to achieve ROEs in excess of 20% and the budgeted 28% increase in gross advances. MFC will continue to grow market share, aiming to get to 14% of the passenger vehicle market by the end of 2005. Property endeavours to expand its

commercial book in the coming years in order to increase Net Interest Income (NII) as a proportion of earnings and steel itself for the anticipated slow down in the residential development market. Medical division plans to continue their rapid growth in their market.

Imperial Bank has moved steadily towards its affirmative action targets. Areas requiring attention are senior and middle management and board level. Training is on going and extensive although significant increases in training spend is expected in future years to meet the requirements of the financial sector charter.

Nedcor assists in all risk related matters and has representatives on IBL's credit committees. IBL is in the process of implementing the Barnowl system, which will assist with the identification, monitoring and control of operational risk. A Nedcor representative chairs the bank's Asset and Liability Committee and Nedcor manages much of the treasury risk by virtue of the funding arrangement agreed to by the shareholders. IBL will have to increase its efforts with regard to Basel II implementation as Nedcor has opted for the advanced model approach, which IBL will have to follow.

W G LYNCH

Chairman

R G COTTRELL

Chairman Audit Committee

BOARD OF DIRECTORS

W G LYNCH (60)
(IRISH)

Non-executive chairman of Imperial Bank. Chief executive officer of Imperial Holdings. Member of the remuneration, risk and section 73 committees.

C BALL (66)
DIP LURIS (WITS), MA
(CAMBRIDGE)

Non-executive director. Director of Nedcor. Member of the audit committee. Chairman of the remuneration, risk and section 73 committees.

R G COTTRELL (70)
CTA, CA(SA), ACA (ENGLAND
AND WALES), FCA

Non-executive director. Director of Nedcor. Chairman of the audit committee. Member of the risk committee. Director of various companies.

R VAN WYK (49)
B COM, HONS B COMPT, CA(SA),
AMP (INSEAD)

Acting chief executive officer of Imperial Bank. Divisional Director, Group Risk - Nedcor. Member of the risk, section 73 and ALCO committees.

P WESSELS (46)
B COMM, CTA, CA(SA), DIP ADV
BANK LAW, SAISB

Non-executive director. Member of the Nedcor Group Executive Committee and Chief Risk Officer of Nedcor. Member of the audit, ALCO and section 73 committees.

M J CROUCAMP (60)
FIAC, AEP, AMP

Independent non-executive director. Member of the risk committee.

O ARBEE (46)
B ACC, CA(SA), DIP TAX (UNISA),
IMD (SWITZERLAND)

Non-executive director. Member of Imperial Holdings executive committee.

Z E E BANCHETTI (32)
BA (LLB)

Partner in a leading Law firm. Non executive director and member of the audit committee.

H R BRODY (41)
B ACC, HONS B ACC, CA(SA)

Non-executive director. Member of the risk committee and member of the executive board of Imperial Holdings.

R SHUTER (38)
B COMM, H DIP ACC

Non-executive director. Divisional director - Group Strategy and Corporate Affairs, Nedcor. Member of the remuneration committee.

D M VAN DER LINDE (49)
B COMM (ACC), MBA

Chief Executive Officer of the MFC and member of the Executive Committee of Imperial Bank Limited.

EXECUTIVE COMMITTEE

R VAN WYK (49) B COM, HONS B COMPT, CA(SA), AMP (INSEAD)	Acting Chief Executive Officer of Imperial Bank. Divisional Director, Group Risk - Nedcor. Chairman of the risk committee and member of the remuneration committee.
G CLOETE (56)	Head of Medical Finance: 26 years in banking and 2 years with Imperial Bank.
R S DU PLESSIS (52) FCIS	Head of the Asset Based Finance division, incorporating Corporate Asset Finance and Aviation Finance: 25 years in banking and 4 years with Imperial Bank.
D M VAN DER LINDE (49) B COMM (ACC), MBA	Chief Executive Officer of the MFC: 17 years in banking and 8 years with Imperial Bank.
P SWANEPOEL (43) BCOMM, AMP	Head of Special Projects and acting Head of Property Finance: 21 years in banking and 2 years with Imperial Bank.
J A VETTER (36) HRM DIP	Head of Human Resources: 12 years in banking and 5 years with Imperial Bank.
J VENTER (46) BCOMM (HONS), MCOMM, CA (SA)	Chief Executive of New Republic Bank Ltd and head of Collections: 22 years in banking and finance and 3 years with Imperial Bank.
D VHERU-VELA (33) BSC (INFORMATION SYSTEMS), MBA (FINANCE)	Head of Information Systems: 9 years in banking and Information Technology and 2 years with Imperial Bank.
A J WILLCOX (33) B COMM, B ACC, CA(SA)	Chief Financial Officer: 7 years banking and financial experience and 2 years with Imperial Bank. Member of the ALCO and section 73 committees.
H R DE W WRIGHT (62) B COMM, MBA, AIV	Head of Enterprise Wide Risk: 36 years in banking and 2 years with Imperial Bank. Member of section 73 committee
A H MILLARD (39) BA, CAIB(SA), FIFM, MBA	Head of Specialised Finance division: 14 years in banking and 5 years with Imperial Bank. Member of the ALCO committee.
J L DELPORT (46) B COMM (REK), MBA	Company Secretary: 25 years banking experience.

MOTOR FINANCE CORPORATION

Market conditions during the period under review contributed to a very satisfactory year for The Motor Finance Corporation (MFC). MFC was well positioned to benefit from the opportunities thanks to the creation of additional capacity in loss control, client services and processing abilities. Enhancement of scoring technology and a modest brand awareness programme also contributed to the achievement of strategic objectives. A turnover volume windfall was realized as a result of increased imported vehicle market share and the strong alliance with AMH.

The narrow focus on financing single passenger vehicle sales to private individuals or Small and Medium Enterprises (SME's) has realized an increase in sales in excess of 20% year on year (YOY) in this particular market and book performance, given the positive state of financial affairs of the end user, is excellent.

The major constraint in respect of even higher growth and market penetration remains the creation of capacity, staffing requirements and operational risk in general. The relative scale of activities implies a more modest growth in the future. The extent of growth is indicated by the following statistics:

2004 year on year growth: structure

Processing volumes	61%
New business written	44%
Total Advances	49%

	TOTAL
Net Income after Tax	
2004 (Rm)	72.4
2003 (Rm)	16.1
Average advances	
2004 (Rm)	6 791
2003 (Rm)	4 396
Efficiency ratio	
2004 (%)	38.7%
2003 (%)	49.1%
Return on Average Assets	
2004 (%)	1.1%
2003 (%)	0.4%
Return on Average Equity	
2004 (%)	16.2%
2003(%)	5.0%

The alliance with Imperial Holdings still represents a substantial part of turnover, with a strong contribution from the imported segment of the market. The Group consistently contributes 40% of turnover in spite of the fact that MFC now has 925 dealers active, which in itself is an indication of the market potential available.

The car market experienced robust growth thanks to good economic growth and lower interest and inflation rates. Market conditions also influenced the mix of new versus used vehicles financed. The strengthening Rand led to growth of 60% in the number of new vehicles financed whereas total turnover growth was lower at 44%. MFC's positioning for an upturn in the used vehicle market is excellent. The dealer market witnessed the re-entry of both Standard Bank and Nedbank competing aggressively with the conventional players in a market already complicated by manufacturers integrating financing activities. MFC expects a very competitive 2005 and hence has replaced its front-end system during the latter part of this year.

MFC's dealer orientation, i.e. that the dealer is regarded as the primary originator of new business, remains paramount in the sourcing of new business given the absence of general banking activities from which to leverage an existing client relationship. This orientation results in very directed and effective marketing spend. Client ownership, retention and sale of value added products are engaged in using a partnership approach with the dealer.

MFC still views process efficiency as its ultimate differentiator. This manifests itself in a focus on development of a superior Management Information System (MIS) and a 70% increase in processing capacity, following on the previous year's 100%. The expansion of the Pretoria hub scheduled for 2005 will further address capacity constraints. MFC is constantly benefiting as its processing model is enhanced resulting in lower costs per loaded deal and a faster time to the market. Credit risk in this high-volume processing environment is managed using scorecard technology.

MFC overall results were pleasantly higher. NII grew with the increased book size but was also shrunk by the lower margin of prime to funding cost. The interest-received margin to prime shrunk slightly as a result of a larger portion of the book being new vehicles, which yield lower margins.

Non Interest Revenue (NIR) increased faster than turnover, the prime driver of NIR, as MFC was more aggressive in generating non-funded income per contract through value added.

Bad debts were lower by 20% as a proportion of the average book size. However, bad debts were contrary to book performance, given the benign interest rate environment but this was as a result of an even more conservative provisioning system being implemented in the latter half of the year.

Expenses control was admirable as efficiencies were realized. Expense savings resulted largely from staff being hired later in the year than budgeted and temporary staff being utilized to manage workloads in peak administrative periods.

On the operational side, achievements were prolific. A risk based market incentive programme was developed and the new Dealer Management System has reduced wastage from unproductive dealer relationships. Relationships were established with franchise groups as well as independents.

Information Technology's efforts produced an enhanced front-end system enabling MFC to expand to the next level in processing volumes. Furthermore scorecard technology is now being applied in processing and loss control activities.

MFC expects to continue with the same robust, but controlled, growth in the year to come. Turnover growth is projected to be in excess of 30%p.a. As critical mass is acquired and scale economies are realized, profit is expected to be 40% higher. Bad debts are budgeted to reduce as the healthy interest rate environment matures. Cost growth will lag income growth with staff numbers, being the main variable cost, growing at 20%. Return on Equity is expected to be in the region of 18%. Significantly, book size should exceed R10bn. However, the changes in accounting as required under International Financial Reporting Standard (IFRS) will be significant and will result in lower reported profit.

Competitive market conditions are expected to make the coming year more difficult than before. MFC is becoming a recognized force in the market and as such is subject to increased direct, adverse competitive behaviour. It is imperative that MFC maintains a high level of flexibility in order to react timeously to market changes. Capacity constraints on volumes were overcome later in the 2004 year but these, and the operational risk attached to them, will continue to loom on the MFC horizon while growth is so healthy. Staff growth will once again be a prominent feature and the difficulties in maintaining skill levels with this influx are well recognized. Development of management and supervisory skills will be prioritized in the year ahead.

PROPERTY FINANCE

The Property Finance Division operates in the metropolitan areas of Johannesburg, Pretoria, Cape Town, Durban and the Garden Route.

Efforts during the year were to be focused on maintaining the development finance book, expanding the existing commercial property book by further penetration of the commercial property market and to launch and build a home loan division for the residential market. However, the focus of the business changed in the latter half of the year and efforts were centered on improving corporate governance, policies and procedures and risk management. The launch of the home loan division was also put on hold indefinitely.

During 2004 Property Division adopted an overall growth strategy aimed at penetrating the different market segments in the wider property market in selected geographical areas in South Africa. The strategic objectives for this Division are as follows:

Maintain the current maturity levels of short-term development loans through the strategic partnership with developers and other role players in the selected geographical areas;

Accelerate growth in the long-term commercial property portfolio for new and existing buildings within the selected geographical areas through sourcing and building of relationships with clients.

	TOTAL
Net Income after Tax	
2004 (Rm)	60.0
2003 (Rm)	42.6
Average advances	
2004 (Rm)	3 562
2003 (Rm)	3 264
Impairments to advances (Balance Sheet)	
2004 (%)	2.4%
2003 (%)	2.1%
Number of clients	
2004	1 514
2003	1 428
Efficiency ratio	
2004 (%)	37.4%
2003 (%)	33.6%
Number of employees	
2004	124
2003	109
Return on Average Assets	
2004 (%)	1.6%
2003 (%)	1.5%
Return on Average Equity	
2004 (%)	25.2%
2003(%)	20.1%

Short-term residential property development finance is entered into with selected, pre-approved developers in selected geographical areas. Finance is granted in respect of developments of either: residential security complexes (residential zoning 1 – 4, Sectional and Full Title Developments), land and services (Residential zoning 1) or land only transactions. The division generally requires all sites to be pre-sold prior to financing. These deals range in duration from six to twelve months.

Commercial Property Finance operates in the following niche markets:

- Deals under R15 million;
- Owner occupied buildings with a maximum 80% loan to value;
- Small portfolio investors;
- Specialized property finance, for example motor dealerships;
- Offices - sectional title blocks or parks and full title;
- Industrial - light commercial (e.g. assembly, distribution, storage, mini-factories)
- Retail - small shopping centers (neighborhood & convenience up to 10 000 m²)

Finance is only provided to prospective landlords on a pre-let basis. Deal terms are ordinarily 120 months.

Property Finance as a niche division has always aimed at differentiating itself from the larger banks by developing close relationships with its clients. This has enabled the division to render a more personalised service and tailored approach to its clients needs.

The property market continued to improve in both the commercial and residential sectors during 2004. In the office rental market nominal CBD rentals grew consistently. In the industrial market, real rentals gained momentum during 2004 with vacancies at their lowest levels in years. The residential market saw house prices continue to skyrocket and grew on average by some 34% during 2004. The expectation is that this will taper off to approximately 20% during 2005 as demand and supply level out. Middle and upper-priced homes outperformed the lower-priced suburbs. The residential housing price boom has been driven by interest rates being at their lowest since the early 1980's, increased buying power from the emerging black middle class and cuts in personal tax rates over the last few years. As a result of these developments, the investment status of property has improved relative to other asset classes.

Structural changes were made to the Division during the latter part of the year to re-align the staff numbers with our focus areas. It is envisaged that this streamlining of the cluster will result in improved returns and improve the cost to income ratio. Training was conducted throughout the year at all levels of staff. Executive coaching was provided to EXCO and senior management, including all regional managers, while personal one-on-one coaching was provided to key individuals. Staff also benefited from team-building sessions. A management development programme was introduced during 2004 to fast-track high potential affirmative action management candidates.

The results for property as a whole were pleasing as a good ROE of 25.20% was achieved. NII was significantly behind budget. This was as a result of some very ambitious budgeting, but also due to poor performance in the commercial property area. Development finance, being the main driver of NIR, performed well once again. NIR was also enhanced by the one-off inclusion of R23m in fees from the Celtisdal profit-participation deal.

Expenses during 2004 have been high, partially due to staffing-up nationally for the Home Loans division and partially due to a "spending culture" in the absence of adequate management control. These issues have been addressed and measures have been put in place to reduce and control expenditure going forward.

The economic outlook for 2005 is positive. The property market remains buoyant. The demand for residential property remains high and the pipeline going into 2005 is strong. With the restructuring of marketing and the improved workflows, we can expect a good performance for the year 2005 as all

efforts will be focused on effective cost control, improved efficiencies and higher returns. Recognising that there will be a slowdown in the residential development market, the division has identified that another source of annuity income needs to be secured. With this in mind, the focus for 2005 will be on long-term Commercial market loans.

Staff development in the middle management area and on the job training for lower level staff have been identified as imperative for the year ahead. Increased alignment between the credit, marketing and admin departments together with improved turnaround times are required to achieve better efficiencies and service levels. Improved market research and the establishment of closer relationships with existing clients will aid in securing future turnover.

ASSET BASED FINANCE

Asset Based Finance (ABF) consists of three complimentary business lines namely Aviation, Corporate Asset Finance (CAF) and Supplier finance. Aviation Finance serves the retail and corporate market mainly in the charter contract and flight school sectors. CAF commenced business in January 2003 and writes business in various corporate markets and enjoys a high level of repeat business. Supplier finance, started in January 2004, is directed at sourcing business in the trucking and yellow metal industries.

ABF provides asset based finance facilities for movable assets to existing and new customers either directly or via Supplier relationships. The division aims to earn a minimum ROE after tax of 20%. The division wrote R840m of new business during the year mainly in the CAF division.

	TOTAL
Net Income after Tax	
2004 (Rm)	(65)
2003 (Rm)	(40)
Average advances	
2004 (Rm)	2 012
2003 (Rm)	2 451
Impairments to advances (Balance Sheet)	
2004 (%)	13.7%
2003 (%)	7.8%
Number of clients	
2004	2 877
2003	2 689
Efficiency ratio	
2004 (%)	54.4%
2003 (%)	29.5%
Number of employees	
2004	36
2003	25
Return on Average Assets	
2004 (%)	(3.6)%
2003 (%)	(2.3)%
Return on Average Equity	
2004 (%)	(40.7)%
2003(%)	(30.8)%

CAF grew its assets from R570m to R1000m under competitive market conditions. The transport and storage sectors were buoyant due to lower CAPEX costs for imported items, however mining sector CAPEX all but dried up. The CAF marketing team remained stable during the year and produced 64%

of the total business written. CAF has an active base of 45 clients, with approved facilities awaiting draw down of about R400m. Enquiries in process are currently at a level of R100m.

Aviation experienced another year of low new business growth and exceptionally high bad debts. The strengthening Rand has eroded Rand equity in U.S. Dollar based assets. Many clients with U.S. Dollar based income streams and Rand costs went into distress resulting in sizable transfers to our High Care and Legal recovery sections, which in turn necessitated increased bad debt provisions. Lower levels of maintenance further exacerbated the situation by lowering the realisable security values once goods were repossessed. The second hand market remained strong due to lack of supply as owners held onto assets rather than selling at currency induced losses. New purchases picked up in the second half of the year especially in helicopters. Paradoxically the strong Rand provides opportunities to improve the underlying quality of the aviation portfolio by growing new aviation assets as the market improves.

The fledgling Supplier division comprises a small team of 5 people. Supplier wrote R90m of new business, and ended the year with assets of R80m. The division has established a small base of Suppliers and concentrates on providing a quality service.

ABF performed poorly against budget mainly due to the R100m aviation bad debt charge. NII was down as a result of lower than budgeted growth in CAF and the high number of legal accounts in aviation. NIR also suffered due to the lower level of turnover. While Supplier Finance's start up costs had not been budgeted for, good savings were made in the other areas to end the year with costs on budget.

Important improvements were made in the division's administration. Securities and custodianship were tightened up and systems were documented. Systems were also enhanced so as to better support the management information system.

The ABF division aims to write new business in the region of R1bn during 2005. Key performance areas will include, improving rate yields, non-interest income growth and achieving new business targets. Aviation deals win the charter sector will be entered into with more circumspection. Staff training to improve credit presentation, new business workflow and decision turnaround times will be initiated. As a result of the resignation of two senior managers, ABF will be looking at its structures with the intention of cost reduction and improving delivery.

NRB RISK SOLUTIONS

This division, housed in NRB risk solutions Limited (NRB), has been engaged in specialist debt collection since 1999, when Saambou Bank acquired it. When Imperial Bank acquired a parcel of assets with a face value of R917 million from the Receiver of Saambou in 2002, it also acquired the shares in New Republic Bank Limited. The handing back of New Republic Bank Limited's banking license to the South African Reserve Bank at the end of January 2004 necessitated a name change to NRB Risk Solutions Limited. The division is collecting the originally purchased assets and has contracted to administer and collect a further tranche of R692 million of collectable debts. This second parcel of assets was acquired by NRB with effect from 1 April 2003.

The specialist skills of the division have since been deployed to collect the debts of other divisions within Imperial Bank (excluding MFC), where the collections team has achieved considerable success. As part of this restructure, all collections staff of Imperial Bank, outside of MFC has been incorporated in NRB. The division has also since embarked on an expansion of its debt collection activities by contracting with external parties for the collection of portfolios of post-legal advances of other banking institutions. In line with this strategy to expand NRB's primary source of income, the division was successful in concluding an agreement with Nedbank during the year.

Attracted by high yields and significant staff experience in the business equipment sector, NRB launched a business equipment rental arm during the year. Although currently small, the business has considerable potential going forward. Income from this source will improve the sustainability of earnings of NRB Risk Solutions. A pilot 'sub-prime' motor finance project has also been embarked upon. This utilizes MFC's rejected applications and then further evaluates selected contracts for the possibility of advancing loans in this very high yielding arena.

	TOTAL
Net Income after Tax	
2004 (Rm)	95
2003 (Rm)	207
Average advances	
2004 (Rm)	598
2003 (Rm)	755
Impairments to advances (Balance Sheet)	
2004 (%)	13.3%
2003 (%)	14.5%
Number of clients	
2004	8 087
2003	13 429
Efficiency ratio	
2004 (%)	28.4%
2003 (%)	19.5%
Number of employees	
2004	57
2003	48
Return on Average Assets	
2004 (%)	26.2%
2003 (%)	14.0%
Return on Average Equity	
2004 (%)	25.1%
2003(%)	73.0%

The lower interest environment has been supportive of lower default rates, hence the collections environment has been very successful. It is anticipated that these benign conditions will continue for the next two years. The implementation of Basel II is expected to lead to banks being more aggressive in their write

off policies. NRB is well positioned to take advantage of this new approach and hopes to secure ongoing collection contracts as a result of it.

Stronger national economic growth and the lower interest rate environment have also boosted the business equipment market. The business equipment division, E-fin, was started with a combined Saambou and Imperial Bank rental asset base. This has produced sizable repeat business and combined with new client business has pushed monthly turnover to the 40% of the main competitor in the market goal set by the segment. E-fin plan to continue their market penetration through dealing with accredited suppliers as the division has established agreements with all leading suppliers in the short period since inception.

The collection operation is being carried out with a great degree of focus, rigorous care and diligence. The result of which is a far greater portion of the book having been collected than was initially anticipated and this was also found to be more profitable than estimated. At December 2004, 28 months after the first tranche of the book was acquired, 80% of the outstanding capital had been collected on the two purchased Saambou books.

NRB's success is partly attributable to the development of a new integrated application and collection systems. These have substantially reduced credit and collections risk but have also cut costs by reducing duplication and rework. Overall, the division performed admirably, performing better than budget in all major line items of the income statement. A notable addition to the NIR line was evergreen income on some older rental deals being collected by NRB.

Income should decline in the coming year as collection of the initial Saambou books, which will be collected over the next 18 months, reduces. NRB will continue to in its attempts to procure new collection agreements but it may be challenged to re-deploy staff if insufficient business is forthcoming.

MEDICAL FINANCE

The Medical Division provides asset based financial products to the medical and dental markets in South Africa, operating from a head office and six branches, delivering service to the target market across the country. The division has grown prodigiously over the last 17 months and now boasts a book of R1, 2bn. The strategy of the division focuses on crucial business issues and aims to move to an acceptable ROE by 2008.

The strategy is based on building the balance sheet with the due attention to margins and volumes, seeking quality business to minimize the incidence of bad and doubtful debts, maximizing opportunities to generate non-funded income, managing cost efficiencies and ensuring high levels of client service. Strategic deliverables include growth in turnover and advances, a ROE of 21,1% in 2008, the maintenance of provisions at 0,3% of advances and a reduction in the cost to income ratio. The challenge lies in seeking a balance between growing the business into the major player in the niche market while tightly managing costs and personnel growth.

The Division recorded a significant business event in September 2004 with the achievement of R1bn in advances.

	TOTAL
Net Income after Tax	
2004 (Rm)	(8)
2003 (Rm)	(9)
Average advances	
2004 (Rm)	754
2003 (Rm)	154
Impairments to advances (Balance Sheet)	
2004 (%)	0.1%
2003 (%)	0.8%
Number of clients	
2004	4 750
2003	3 100
Efficiency ratio	
2004 (%)	156.4%
2003 (%)	1030.7%
Number of employees	
2004	54
2003	46
Return on Average Assets	
2004 (%)	(1.0)%
2003 (%)	(3.0)%
Return on Average Equity	
2004 (%)	(4.9)%
2003(%)	226.7%

The mission of the Division is to profitably serve the financing needs of the medical and dental professions in South Africa, creating a client preference supported by high levels of service offered by knowledgeable and professional staff. The target market of the Division includes all economically active medical and dental practitioners, specialists and general practitioners, who are in both private and public practice as well as the allied professions, e.g. optometrists, physiotherapists and so on.

The total number of registered medical and dental practitioners in South Africa is 35 728 of whom some 21 752, which includes 3 382 allied professionals, are economically active. It is estimated that, on average, some 8 500 professionals are active in any one year.

The Division provides finance 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.

The medical market experienced a year characterised and dominated by change and uncertainty. Legislation, state interference, the de-population of the rural areas, failing state medical services and continued emigration of health care professionals had an “across the board” influence on the market, from nursing services and practitioners through to private hospitals. The Division is well placed to continue to transact business in this changing market with due regard to the increased risk resulting from external influences.

During the year under review the Division:

- Completed the set-up phase of the business with a head office and six branches;
- Established Imperial Bank Limited as a major player in the niche and found good acceptability;
- Built and maintained a client base of some 4 750 clients;
- Generated some R1, 07b in turnover;
- Grew the advances book to some R1, 2bn;
- Maintained low levels of bad debt;
- Stabilised and strengthened administration.

The Division, nationally and at branch level, both via above-the-line and one-on-one marketing, advertising and promotions found good acceptance in the market, evidenced by the robust growth in advances.

Solid attention to risk management during the first year of operation resulted in a quality book with a very low level of bad and doubtful debts. Risk is managed by way of delegated mandates and risk committees.

Margins, both on the funding and lending sides, were low. The Division operates in an extremely rate sensitive market where attention to volumes, other income and cost control are essential to ensure that the balance sheet grows while the income statement reflects a move toward profitability. Management were able to perform adequately insofar as costs are concerned.

Performance was positively affected by the absolute focus in the target market, committed staff and an active market driven by lower interest rates, more consumer confidence and pent-up demand from previous years, emanating from purchasing decisions held back when the SA Rand was much weaker.

The market, although affected by external influences, is resilient and buoyant and is expected to deliver the estimates in terms of its potential for new business. Prospects for the 2005 financial year include the growth in advances to R2, 25b, improved profitability, a reduction in the cost-to-income ratio, the maintenance of a low provisioning charge and growth in non-funded income. The Division is very well positioned, given the completion of the set-up phase, to capitalize on market developments, its infrastructure, staff, existing clients and market potential to succeed in achieving its goals for 2005.

SPECIALISED FINANCE & TREASURY

Specialised Finance Division provides a full range of traditional merchant banking products, predominantly to the transport industry.

This range of activities includes:

- *Debt capital market activities*

The division has over the past 6 years been at the forefront of the development of the corporate debt issuance market in South Africa, including corporate bonds, export credit guaranteed bonds, bank capitalization bonds, securitisation and corporate commercial paper programmes.

- *Specialised asset-based finance*

A core competence of the division lies in aircraft and shipping finance debt arranging, which has been a cornerstone of the division's success since 2000.

- *Investment banking*

Imperial Bank engages on a limited basis in certain investment banking activities, being primarily leveraged buy-outs, black economic empowerment financing and corporate finance advisory services.

- *Specialised treasury activities*

The division manages interest rate risk for clients and the bank through interest rate and indexed derivatives.

During the last year the division has also branched out into specialised funding and trading products for the automotive industry.

Debt capital markets	23,3%
Specialised asset based finance	50,3%
Specialised treasury	14,1%
Investment banking	<u>12,3%</u>
	100%

- *Net income*

Lower deal closure, on the one hand, and the effects of AC133 on the other adversely affected net income.

In terms of deal closure, implementation of two large transactions, originally expected to close during 2004, was deferred into 2005 for a number of reasons, including the procurement of regulatory approvals. The effect was a non-alignment between the division's underlying activities and its revenue lines, which should rectify during 2005. In addition, the division's underlying deal flow was below original expectations, particularly in aircraft finance arranging.

Imperial Bank, as an asset-based finance lender, is exposed to earnings volatility arising from much of its asset base (being installment sales and leases) being excluded from AC133 for evaluation purposes, whereas any derivatives entered into in respect of such assets must be fair valued. In addition, since much of the asset base is indexed to the Prime interest rate, further earnings volatility may be introduced in respect of the Prime-swap valuation methodology to be employed by the bank. Much of this earnings volatility was absorbed into the division's Specialised Treasury operations. The introduction of IFRS accounting standards may allow this volatility to be reduced in relative terms going forward.

- *Costs*

As mentioned above, certain transactions implementations were delayed over the financial year-end. However, the costs and resource commitment arose during 2004. This will have affected operating margins for the year under review.

	TOTAL
Net Income after Tax	
2004 (Rm)	4
2003 (Rm)	9
Efficiency ratio	
2004 (%)	68.1%
2003 (%)	60.9%
Number of employees	
2004	13
2003	10
Return on Average Equity	
2004 (%)	8.5%
2003(%)	16.1%

2004 was a year of refocus and consolidation for the division, coupled with a strong product development initiative.

The highlight for the year occurred in April when, following the successful launch of the EGL02 export credit-wrapped bond in March, the division's deal cabinet was augmented with the AirFinance Journal (a Euro money publication) African Deal of the Year award for 2004, for the Eagle Bonds One transaction. Export credit financing off the Eagle Bonds platform is expected to remain a key competence of the division, particularly in respect of aircraft finance.

Other aircraft finance arranging for smaller aircraft wrapped up the asset-based finance activities, while the black economic empowerment financing of the acquisition by Ukhamba Holdings of a 34% interest in DAWN Limited, comprised the bulk of investment banking activities.

In addition to the Eagle Bonds transactions, the division was engaged in a capital market strategy advisory mandate and in assisting the bank in its capital planning initiatives. It is expected that much of the work done in this regard during 2004 will roll out during the first half of 2005.

Specialised Treasury's year was characterized by new product development for the automotive industry, as well as the expansion of its commercial paper issuing activities.

In addition, the bank's ALCO processes were augmented by the establishment of an internal ALCO forum, supporting the ALCO sub-committee of the Board, to improve the management of ALCO-related processes within the bank. The currency-indexed position, which adversely affected the divisional results during 2003, was fully closed out during 2004.

The division launched a successful internship programme utilising an external treasury skills programme to provide a solid grounding in debt capital markets for entry-level staff, and this is expected to be developed further going forward.

The costs of the division were well below budgeted levels, primarily as a result of the variability of such costs in accordance with deal making activities. The staff complement of the division comprises 13 people, of which 38% are from groups classified as previously disadvantaged. 54% of the staff complement is women.

Going forward, the division has recommitted its strategy and embarked on a number of measures to ensure that its profitability going forward remains on track.

A key feature of the division's strategy going forward will be a growing focus on procuring and holding assets, principally in its investment banking division but also in respect of specialised financial solutions for the automotive industry. The objective is to retain a greater portion of the income generation opportunities arising out of transactions for which the division is mandated. Divisional net interest income is expected to grow from its current negligible level to approximately 30% of total income over the next 5 years.

The success of such a strategy will depend largely on the quality of the technological and procedural infrastructure, as well as the risk management processes, which are in place in the division, and an exercise is underway to ensure that such processes are aligned with industry best practice.

Much of the division's historical success has been indexed to the extent to which it is able to add value to the value chain of its minority shareholder, Imperial Holdings, on the one hand, or the capital management or funding requirements of the bank itself on the other. The divisional strategy is geared towards building on these relationships, while growing its transactional influence in the transportation and mobility sector as a whole.

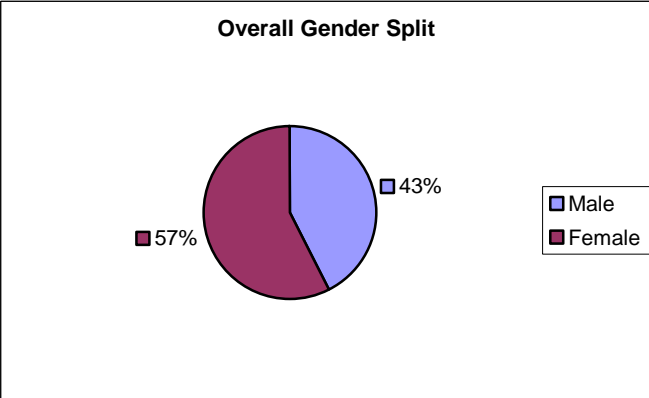
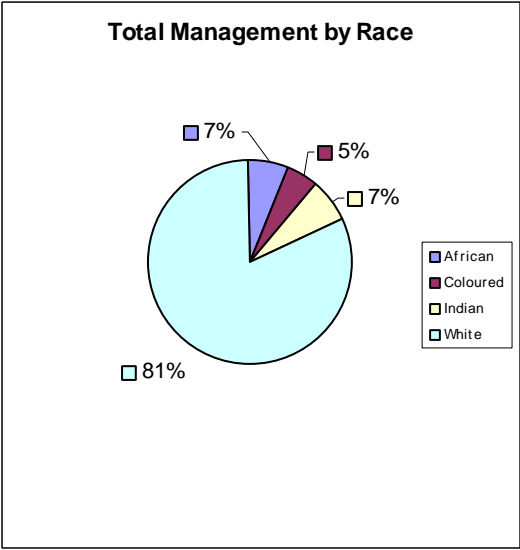
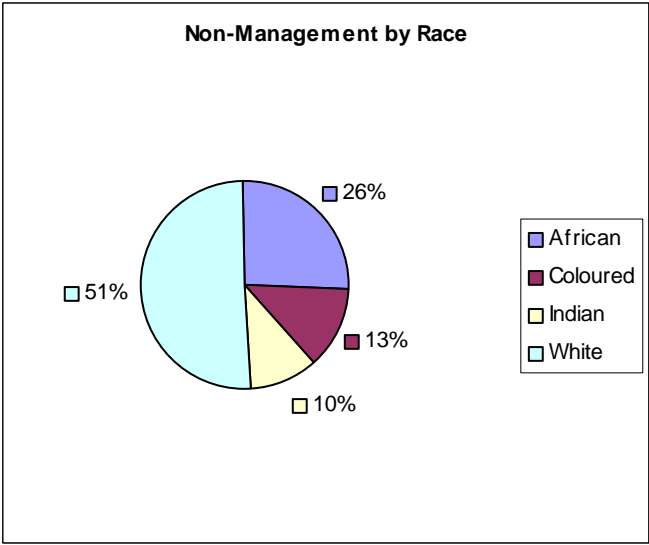
HUMAN RESOURCES

The role of human resources is to support the business by creating the right conditions for staff to perform at their optimum.

In support of this role the bank’s human resource department (HR) promotes efficiency, consistency, and cost effectiveness by applying a strong technology driven workflow and decision making system at the core of the function, to enable the HR practitioner at business unit level to focus on supporting the business objectives.

The bank’s executive believes that the effective management of employment equity, affirmative action and diversity has truly positive outcomes for the people and organisation alike.

A summary of the statistics for 2003 and 2004 reflect the overall staff makeup



Age Group	Percentage
Under 30	39%
30-39	38%
40-49	16%
50>	7%

The existing EE framework has been reviewed in order to place stronger emphasis on the achievement of our broader transformation goals and to align our strategies to the Financial Sector Charter.

Achievement of the transformation goals is a key priority and will have a direct impact on all managerial employees bonuses.

The employee well being program is designed to empower people by giving them the appropriate tools to overcome problems that impact on their work performance. With the assistance of the services provided through the Careways Group, the bank provides employees programmes or interventions that ensure a healthy work environment is maintained. The financial, emotional and physical wellness of our staff is key to maintaining an environment within which people can perform well. The program further enhances the support given to those who are diagnosed with AIDS related conditions. Our policy encourages sensitivity toward people that are affected with a condition of the AIDS and we strive to encourage this through awareness programmes.

The banks aspires to the highest level of health and safety standards and manages this through the Health and Safety Committee who are charged with the task of ensuring that the bank adheres to the required levels of compliance. Awareness to Health and Safety starts in the staff induction program. Further training for the relevant in-house officials is ongoing.

The role of the training function is to provide appropriate interventions aimed at improving productivity, which ultimately contributes to the bottom line. The design and implementation of these interventions are driven by the business objectives and co-created and co-ordinated by the respective HR practioners, to ensure it is aligned to the businesses talent management strategy. Further support to employee development is provided through the banks bursary scheme. Encouraging selected staff members pursue relevant courses at appropriate learning institutions ensures management and leadership development. Lastly, a key objective of this function is to support the business in achieving the goals set out by the Financial Sector Charter.

CORPORATE GOVERNANCE

PROCESS AND STRUCTURE OF CORPOTATE GOVERNANCE

Imperial Bank fully subscribes to the principles of sound corporate governance and is committed (unless specifically noted otherwise) to the principles of transparency, integrity and accountability as set out in the King II Report on Corporate Governance and Conduct.

ORGANISATIONAL INTEGRITY

The group is committed to the highest levels of business ethics and organizational integrity in the conduct of its business. The group communicates its values and behaviour standards to employees.

The group has procedures in place to ensure that business is being conducted according to its code of conduct. These procedures also ensure that potential new employees are suitable candidates for the bank.

The prime responsibility for compliance with regulations and codes of business practice rests with the board. The members of the board believe that, to the best of their knowledge, all regulations and codes of business practise have been complied with during the year ended 31 December 2004. The sole exception being the events surrounding the Eben Kotze case as discussed in the Chairman's report.

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 sub-committees, which help it to execute 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.

The board is supported by various sub-committees as listed below, which help it to execute its responsibilities.

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

The board of directors has no formal charter setting out their responsibilities but all board subcommittees have charters. It is a requirement of the King Code of Corporate governance that the board of directors has a charter.

Non-executive members

W G Lynch (Chairperson), Z E E Banchetti, H R Brody, R G Cottrell, M J Croucamp, C J W Ball, P A Wessels, R A Shuter, O S Arbee

Executive members

R van Wyk (acting CEO) and D M van der Linde

Messrs Wessels and Shuter are executives of the bank's holding company and as such are deemed to be executives of Imperial bank in terms of the Bank's Act Regulations.

		Board	Audit	Risk	Remco	Directors Affairs
Joined Jul 04	W G Lynch	6/6		3/5	1/1	2/2
	C J W Ball	4/4	1/1	2/2	1/1	
	Z E E Banchetti	6/6	3/5			2/2
	H R Brody	6/6		2/5		
	R G Cottrell	6/6	5/5	5/5		2/2
Joined Nov 04	M J Croucamp	6/6		4/5		
	O Arbee	2/2				
	Resigned Jul 04	S G Morris	2/3	2/4		
	Resigned Jul 04	G S Van Niekerk	0/3	2/4		
	Resigned Sept 04	R L Hiemstra	4/4		4/4	
	Resigned Nov 04	E Molobi	2/5			
	Removed Nov 04	E Kotze	3/5			
	Joined Jul 04	R A Shuter	3/4			0/1
	Joined Jul 04	P A Wessels	4/4	1/1		
		R van Wyk	6/6		5/5	
	D M van der Linde	6/6				

EXECUTIVE COMMITTEE

This committee meets fortnightly or *ad hoc* for urgent matters of business.

The function of the executive committee is to develop the bank's strategy, business plan and policies and procedures for presentation to the board for approval, in addition to monitoring the tasks delegated to it. The responsibility of the bank's executive committee include the following:

- Implementation of strategies and policies of the bank;
- Managing the business and affairs of the bank;
- Prioritizing the allocation of capital, technical and human resources;
- Establishing the best management practices and functional standards and
- Monitoring the performance and appointments of senior management.

Support mechanisms:

- Finance committee
- IT Steering Committee
- Technical committee
- Mini-ALCO
- Employment Equity Committee
- Marketing and divisional executive committees
- Operational Risk Committee (ORCO)

Members:

R van Wyk (Chairperson), G Cloete, R S du Plessis, A H Millard, P H Swanepoel, D M van der Linde, D Vheru-Vela, J G Venter, J A Vetter, A J Willcox, H R de W Wright and J L Delpont.

DIVISIONAL EXECUTIVE COMMITTEES

Business units enjoy a large degree of autonomy and accountability. Divisional executive committees are responsible for the full spectrum of activities in each business unit.

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 were revised and approved by the board on 3 November 2004. A self-assessment tool was developed during 2002 whereby the audit committee is able to conduct a self-assessment in terms of its effectiveness, which will be performed annually.

The internal audit function is independently performed by Nedcor Group internal audit (NGIA). NGIA operates to a charter formulated by Nedcor's audit committee and functions under the supervision of Imperial Bank's Audit Committee. Internal audit's responsibility for evaluating the effectiveness of processes by which risks are identified, managed and controlled, is set out in this charter.

Internal audit 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, effectiveness of operational activities in conducting business.

Support mechanisms:

- Internal and External Audit
- Compliance Officer
- Board risk committee on all matters of risk management, particularly credit risk.

Members:

R G Cottrell (Chairperson), Z E E Banchetti, C J W Ball, 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 once a year and from time to time on an *ad hoc* basis.

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.

Support mechanism:

Human resources department and policies

Members:

C J W Ball (Chairperson), W G Lynch and P A Wessels

RISK COMMITTEE

A 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.

Support Mechanisms:

Operational Risk Committee chaired by the Chief Risk Officer.
Detailed management reports are provided on a quarterly basis.

Members:

C J W Ball (Chairperson), H R Brody, R G Cottrell, M J Croucamp, R van Wyk, W G Lynch.

ALCO COMMITTEE

This committee takes responsibility for the liquidity position of the bank, funding strategies and monitoring thereof.

Support Mechanism:

Management information and growth projections.

Members:

M S Parker (Chairperson), R van Wyk, P A Wessels, A H Millard and A J Willcox.

DIRECTORS AFFAIRS COMMITTEE

This 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 program. The committee meets at least four times a year.

Members:

W G Lynch (Chairperson), Z E E Banchetti and R G Cottrell

SECTION 73 COMMITTEE

The committee oversees all credit granting in excess of 10% of the bank's net qualifying capital.

Members:

C J W Ball (Chairperson), R van Wyk, W G Lynch, P Wessels, A J Willcox and H R de W Wright.

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

ENVIRONMENTAL CORPORATE GOVERNANCE

The group applies and monitors the 'Best practicable environmental option' standard, being that option, which has the most benefit or causes the least damage to the environment at a cost acceptable to society.

COMPLIANCE

The compliance function operates independently 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. The compliance officer reports directly to the chief executive officer with an additional reporting line to the Nedcor Group Compliance officer. The compliance officer of the bank attends audit committee, operational risk committee and board meetings *ex officio* and has access to the chairman of the audit committee.

RISK MANAGEMENT

RISK MANAGEMENT REVIEW

The bank manages a variety of risks in the ordinary course of its business. The major risks are credit and counterparty risk, interest rate risks, operational risk and solvency risk. Liquidity risk of the bank is low due to an undertaking by Nedbank Limited, the holding company of Imperial Bank, to fund its operations.

Risks are identified, measured and monitored through various control mechanisms across the bank and in particular by the board risk committee. The board risk committee was established by the board of directors to carry out the expert monitoring of overall risk within the business of the bank.

Imperial Bank has set up a project team to align its enterprise wide risk management process with the requirements of the Basel II Capital Accord. Due to the high reliance, which we place on early estimates of the probability of default and expected resultant losses, as well as the integration of these estimates to provisioning, we are optimistic that we are able to harness the maximum capital adequacy advantages from the implementation of the accord from January 2008.

CREDIT AND COUNTERPARTY RISK

Credit and counterparty risk is the possibility that customers may default on their future cash flow obligations to the bank.

The board approves the policies and procedures to measure and manage credit risk exposure and monitors the performance of credit risk management particularly relating to approval statistics and delinquency statistics on a quarterly basis. The executive committee, with management, perform a more detailed monitoring function on a monthly basis.

The primary business of the bank is asset-based finance. Assets of which the bank has a thorough knowledge and an ability to realise through established outlets and associates therefore secure loans. The bank's exposure to unsecured loans is less than 1% of total advances.

Credit risk is managed by setting prudent credit exposure limits, constant measurement taking account of individual, sectoral and geographic exposures, estimation of maximum potential exposures that may arise over the duration of a transaction and responding quickly when corrective action needs to be taken. The management of problem loans is a particular area of focus.

Credit risk is managed by two distinct methods in the bank, namely credit scoring and credit committees. Credit scoring is employed in appropriate circumstances where finance applications are of a standard repetitive nature. The board risk committee according to assesses the scoring model used continuously economic and industry circumstances and the results produced by the model. Credit committees, which also include non-executive representation, have been established by the board, with the task of managing credit risk in instances where applications need to be individually assessed by virtue of their size and nature. Delegated levels of authority have been established in respect of the different types and duration of exposures. All credit or counterparty risk exposure requires written authority at the appropriate level. Compliance with limits is measured daily and monitored both internally and independently by the board on a quarterly basis.

The quality of exposures is reviewed on a monthly basis and, where appropriate, a specific impairment is raised. It is the bank's policy to establish, through charges against profit, a sufficient specific impairment to cover the estimated loss as soon as the recovery of an exposure is identified as doubtful. Portfolio provisions are raised in the rare instance where, in accordance with the accounting statement 'Financial instruments: recognition and measurement' (AC133), anticipated future losses are in excess of those anticipated at the time of initiating the advance.

LIQUIDITY RISK

Liquidity risk is defined as the risk of not being able to generate sufficient cash to meet the bank's commitments to lenders, depositors and other creditors at any point in time.

The management of liquidity is primarily designed to ensure that depositors' funding requirements can be met. These include, for example, the replacement of existing funds as they mature or are withdrawn, or to fund the anticipated growth of the advances book.

The responsibility for liquidity rests with the Asset and Liability Committee (ALCO), which includes a non-executive director of the bank. The funding strategies, which include determination of the funding required, maintenance of a spread of depositors and a liquidity buffer to counter unexpected and short-term outflows, are monitored at quarterly ALCO meetings. A sufficient reserve of liquid assets is maintained to protect the bank against unforeseen cash flow volatility.

The risk of unforeseen cash flow volatility has substantially decreased over the past four years due to the funding support provided to the bank by its holding company Nedbank Limited.

INTEREST RATE RISK

Interest rate risk is the impact that the repricing of the bank's assets and liabilities may have on our future cash flows and earnings. The ALCO sets and monitors the parameters within which interest rate risk and the mismatch between the bank's lending and borrowing activities are to be managed. The flexibility of the bank's assets and liabilities allows the bank to quickly adapt to changing market conditions and the majority of assets and funding is at floating rates.

Hedging techniques, using interest rate swaps and forward rate agreements, are used to manage interest rate risk.

OPERATIONAL RISK

Operational risk refers to potential losses resulting from inadequate systems, management failure, faulty controls, fraud or human error, including execution risk and any problems in back-office operations. An executive management committee has been established to identify and address operational risks and reports to the board risk committee.

The bank's strategy for managing operational risk is clearly defined in board approved group policies and authority level documents taking into account Basel II and King II reports. This strategy is supported by the BarnOwl methodology of risk identification and assessment and is well aligned to the Nedcor strategy for managing operational risk.

The bank is in the process of improving its disaster recovery procedures that aim to ensure that essential business functions continue and normal operations are restored speedily in the event of business disruption. These procedures are tested and documented as they are developed. An information technology steering committee determines and implements information technology strategy and standards within the bank.

It is bank policy to insure all appropriate risks and to set insurance excesses at levels at which any occurrence would not significantly impact on profitability.

Comprehensive systems of internal administrative controls and sound accounting methods as well as a code of conduct have been implemented to ensure that operational risk is minimized. These controls are constantly evaluated for effectiveness.

SOLVENCY RISK – CAPITAL ADEQUACY

Capital adequacy is measured by expressing capital as a percentage of risk-weighted assets, including both on- and off-balance-sheet transactions to reflect their relative risk. The Banks Act, 94 of 1990, specifies the minimum capital holding required in relation to risk-weighted assets.

The bank's capital adequacy ratio as at 31 December 2004 was 10,22% compared to the regulatory requirement of 10%. The bank issued additional equity share capital during March 2005 in order to maintain capital adequacy requirements both under the existing regulations and proposed changes suggested by South African Reserve Bank circular 19/2004. The issue of at least one additional non-equity capital instrument is anticipated during the 2005 financial year, the purpose of which is both to provide additional capital for growth and to optimize the capital structure of the bank. The bank is, therefore, well placed for the anticipated growth in the years ahead.

OTHER RISK

The bank's operations at this stage do not include dealing in foreign currencies or in marketable securities. The bank holds government stock as part of its statutory liquid asset requirements from time to time. The limited degree of market risk that is assumed as a result of such holdings is managed through the ALCO process.

BASEL CAPITAL ACCORD (BASEL II)

The final version of the new capital accord was published in 2004 for implementation in 2008. The new accord sets capital requirements for credit risk, market risk and operational risk. Quantification of credit risk capital will be more risk-sensitive than the existing accord.

Motor Finance Corporation currently makes use of a sophisticated internal credit rating model that will be enhanced to be Basel II compliant. The other divisions, with the assistance of Nedcor, will develop models, methodologies, systems and processes for market, credit and operational risk management to satisfy the criteria to be met for Basel II compliance.

Imperial Bank Limited
Value added statement
for the year ended 31 December 2004

	GROUP	
	December	December
	2004	2003
	R'000	R'000
Value added		
Net interest income	540,583	527,848
Other income	209,442	200,163
Other operating expenditure	(341,232)	(332,665)
	408,793	395,346
Value allocated		
<i>To employees</i>		
- Staff costs	156,074	131,733
<i>To government</i>		
- Company tax	24,168	(18,918)
- Value added tax	4,197	10,100
- Other taxes	3,484	2,878
- Employees' tax deducted from remuneration	41,347	29,336
<i>Retentions for expansion and growth</i>		
- Depreciation	14,334	7,829
- Attributable income for the year	165,189	232,388
	408,793	395,346

Directors' Approval 31 December 2004

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 auditors are responsible for reporting on the fair presentation of the annual financial statements. The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act, 1973.

The directors are also responsible for the company 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 banks 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.

During the year under review an occurrence of fraud was investigated in the property finance division. This was as a result of management override and collusion and not a breakdown in the operation of the systems of internal control and procedures. Losses as a result of this fraud, are not expected to be material after taking additional action against those parties perpetrating the fraud. Adequate provisions have been raised at year end to cover any losses.

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

The annual financial statements have been audited by the joint independent auditing firms. Their report is presented on page 34 of these financial statements.

Approval of annual financial statements

The annual financial statements which appear on pages 35 to 78 were approved by the board of directors on 20 April 2005 and are signed on its behalf by:

WG Lynch
Chairman

R G Cottrell
Chairman Audit Committee

Report of the independent auditors

To the members of Imperial Bank Limited

We have audited the annual financial statements and group annual financial statements of Imperial Bank Limited set out on pages 35 to 78 for the year ended 31 December 2004. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures included in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company and group at 31 December 2004 and the results of their operations and cash flow information for the year then ended in accordance with the South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

Deloitte & Touche

Registered Accountants and Auditors
Chartered Accountants (SA)

KPMG Inc

Registered Accountants and Auditors
Chartered Accountants (SA)

30 June 2005
Johannesburg

Directors' report for the year ended 31 December 2004

The directors present their report which forms part of the audited financial statements of the company and group for the year ended 31 December 2004.

Nature of business

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

Holding company and other shareholder

Nedbank Limited holds 50.1% of the issued share capital of Imperial Bank Limited and the other 49.9% is held by Imperial Holdings Limited. 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 financial statements and accompanying notes. No changes in accounting policy occurred during the year under review.

Share capital

The authorised and issued share capital of the bank is detailed in note 17 to the financial statements.

Subsidiary companies

The company's interest in subsidiary companies is set out in note 10 to the financial statements. The Motor Finance Corporation (Proprietary) Limited (a 100% owned subsidiary) recorded an after tax profit of R123 603 (2003: R86 057) for the year.

NRB Risk Solutions (NRB) (a 100% owned subsidiary) recorded an after tax profit of R98 152 563 (2003: R207 745 674) for the year. On 31 January 2004 New Republic Bank Limited handed back its banking license and subsequently changed its name to NRB Risk Solutions Limited.

With effect from 1 September 2004 NRB purchased a book from Nedbank Limited for R13 401 172, with a face value of R148 893 308.

The other subsidiary companies detailed in note 10 are currently dormant.

Interest of directors

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

Dividends

No dividend was declared during the year. (2003: No dividends were declared in the prior year).

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

WG Lynch (Irish)	Chairman
R van Wyk*	Chief Executive Officer
HR Brody	
ZEE Banchetti	
RG Cottrell	
MJ Croucamp	
DM Van Der Linde*	

Changes in the Board of Directors:**Effective date**

New Appointments during the year:

OS Arbee	11 November 2004
CJW Ball	26 July 2004
RA Shuter	26 July 2004
PA Wessels	26 July 2004

Resignations during the year

RL Hiemstra*	20 September 2004
E Molobi	23 November 2004
SG Morris	20 September 2004
GS van Niekerk	20 September 2004

Removed from office by shareholder in terms of Section 220 of the Companies Act

E Kotze*	23 November 2004
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* Executive director of Imperial Bank Limited

The Company Secretary is J Delpont whose addresses are:

Business address	Postal address
140 Boeing Road East	P O Box 3567
Elma Park	Edenvale
Edenvale	1610
1610	

Directors' interest in contracts

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

Post balance sheet events

The directors are not aware of any 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

A resolution to re-appoint KPMG Inc. and Deloitte & Touche as auditors will be presented at the annual general meeting of the company.

Imperial Bank Limited

Secretary's report

In terms of Section 268G(d) of the Companies Act, 1973, as amended, I certify that, to the best of my knowledge and belief, the company has lodged with the Registrar of Companies for the year ended 31 December 2004 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.

J Delpont
Company Secretary

30 June 2005

Imperial Bank Limited
Accounting Policies
for the year ended 31 December 2004

1. Basis of preparation

"The financial statements are prepared in accordance with and comply with South African Statements of Generally Accepted Accounting Practice. They are prepared on a going concern basis utilising the historical cost concept, except for certain financial assets and liabilities where the fair value basis of accounting is adopted. These financial assets and liabilities include:

- financial assets held for trading;
- derivative financial instruments;
- financial instruments elected to be carried at fair value through profit and loss; and
- short term trading positions

The principal accounting policies, which are consistent with those of the previous year, except where noted otherwise, are set out below.

With effect from 1 January 2005 the group adopted International Financial Reporting Standards (IFRS). The impact of adopting IFRS, on the reserves at 31 December 2004, amounted to an effective charge to accumulated funds of R20.5 million (Dec 2003: R48.8 million)

2. Consolidated financial statements

The group financial statements incorporate the assets, liabilities and results of the company and its subsidiaries. Subsidiary companies are companies over which control is exercised at either equity or board level. The results of consolidated subsidiaries are dealt with from the effective dates of acquisition until the effective dates of disposal. All inter-company transactions and balances between group companies are eliminated on consolidation.

Special purpose entities ("SPE's") are consolidated when the substance of the relationship between the SPE and the group is such that the group controls or assumes the majority of the risk in the SPE.

3. Equity accounting for investments in subsidiary companies in the accounts of the company
investments in subsidiaries are equity accounted.

4. Joint Ventures

Joint ventures are those operations over which the group exercises joint control in terms of a contractual agreement. Joint ventures are proportionately consolidated, whereby the group's share of the joint venture assets, liabilities, income and expenses are combined with similar items, on a line-by-line basis, in the group financial statements.

5. Property and equipment

Property and equipment are stated at cost less depreciation less accumulated impairment losses and are depreciated on the straight line basis over their estimated useful lives.

The expected useful lives are as follows:

Computer equipment:	3 – 5 years
Motor vehicles:	5 years
Furniture and equipment:	8 years
Property:	40 years

The group impairs an asset to its estimated recoverable amount where the carrying value of the asset exceeds its recoverable amount. The gain or loss arising on disposal or retirement of an

asset is determined as the difference between sales proceeds and the carrying amount of the asset and is recognised in the income statement.

6. Revenue recognition

"Income earned on instalment credit, leases and rentals is computed using the effective rate of interest inherent in the contracts and is credited to revenue in proportion to the capital balances outstanding. In the case of such advances residing in NRB at the date of purchase (1 September 2002), the income earned is computed using the internal rate of return as estimated at the date of purchase. This rate is significantly higher than the contractual rate as the book was purchased at a discount.

Costs incurred in concluding finance agreements are amortised over the period of the related advances in proportion to the related interest income, and debited to interest received to decrease the effective yield on the related advances."

Documentation fees and raising fees earned on the origination of certain deals are recognised upfront in non interest revenue.

When the recovery of an advance is considered doubtful, the accrual of contractual interest is suspended on the non recoverable portion.

Revenue arising from the rendering of advisory services is recognised on the accrual basis when the relevant fees are due and payable to the company in accordance with the substance of the agreement.

Profits, losses and fair value adjustments on trading financial instruments, both realised and unrealised, are recognised in income as incurred.

7. Taxation

7.1 Current tax

The current tax charge is based on net profit for the year and adjusted for non taxable and disallowed items. Taxation is calculated using tax rates that have been enacted at balance sheet date.

7.2 Deferred tax

Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

The principal temporary differences arise from wear and tear on lease and rental assets, portfolio and general risk reserves, prepayments, revaluations of financial assets and liabilities and expected delays in the determination of tax obligations.

The amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient tax profits will be available to allow all or part of the asset to be recovered.

8. Indirect taxes

Indirect taxes comprise other taxes paid to local and central governments, including regional services levies and value added tax.

Indirect taxes are recognised as part of operating expenses and not taxation in the income statement with effect from 2004, prior year numbers have been restated for comparative purposes.

An amount of R12 978 000 (Group) and R12 502 000 (Company) relating to indirect taxes in 2003 were reclassified from indirect taxation in the income statement to be included as part of operating expenditure.

9. Retirement benefits

It is the policy of the group to provide for the employees' retirement benefits through a defined contribution plan. The contributions are charged to the income statement in the year in which they are incurred.

10. Contingencies and commitments

Transactions are classified as contingencies where the company's obligations depend on uncertain future events and principally comprise third party obligations irrevocably underwritten by the company. Commitments comprise transactions where the company has committed itself to a future transaction that will normally result in the acquisition of an asset.

11. Financial instruments

Financial instruments carried on the balance sheet include cash and balances with the central bank, treasury and other eligible bills, government stocks, amounts due from other banks and fellow subsidiaries, loans and advances to customers, investments, other assets, balances due to other banks, derivative financial instruments, other deposits and other liabilities. The particular recognition methods are disclosed in the individual policy statements associated with each item.

Financial instruments: Recognition and measurement:

AC133, which was adopted by the group on 1 January 2003, requires certain financial assets to be designated into one of four classes. Depending on the classification used, fair value changes are recognised in the income statement or directly in equity. The four asset classification categories are:

- Loans and receivables originated by the enterprise, these assets, created by providing money, goods or services directly to a debtor, are carried at amortised cost.
- Held to maturity assets, these financial assets, with fixed or determinable payments and fixed maturity that the group intends and is able to hold to maturity, are carried at amortised cost.
- Assets or liabilities held for trading, these are acquired principally for the purpose of generating a profit from short term fluctuations in price or dealer's margin, and are carried at fair value.
- Available for sale assets, these assets are those that do not fall into any of the categories mentioned above and are carried at fair value. Unrealised fair value changes are reflected in equity.

The statement requires the designation of all financial instruments into the above categories on initial recognition and the designation is usually final. AC133 allows for any financial instruments to be classified as held for trading regardless of the classification categories above on initial recognition, with fair value changes being recognised through the income statement.

11.1 Advances and impairments

Originated advances

Advances provided directly to a borrower are classified as "assets originated by the enterprise" and are carried at amortised cost. Advances acquired through the acquisition of a

business combination are classified as originated loans and also carried at amortised cost. The costs associated with concluding finance agreements are amortised over the period of the related advances.

Purchased advances

Purchased advances relate to those advances acquired after the original loan was provided and where the advances were acquired through the acquisition of an asset not qualifying as a business combination. These advances are classified as "held for trading" and are carried at fair value. Unrealised gains and losses arising as a result of changes in fair value are recognised in the income statement.

Impairments

Financial assets are impaired if their carrying amount exceeds their estimated recoverable value.

A specific impairment will be created if there is evidence that amounts due are not recoverable. The recoverable amount is calculated as the present value of expected future cash flows, including collateral held, discounted at the effective interest rate.

Portfolio impairments are created when components of a specific portfolio or the economy in which it operates indicates there may be probable losses which will only be identified in the future.

The credit risk premium applied in charging interest to clients offsets future losses to the extent that risk pricing has been correctly applied. The group's credit risk model includes risk pricing and therefore to the extent that it appears that the credit risk premium is not enough to compensate for future losses inherent in the performing advances portfolio, or insufficient data exists to reliably determine whether such losses exist, a portfolio impairment is created.

A general credit risk reserve has been maintained, as a non distributable reserve, since 1 January 2003 in compliance with the requirements of the Banks Act's regulations.

Advances are written off when they are identified as irrecoverable. Write offs are set off against the impairment and recoveries are credited thereto.

Properties in possession

Unsold properties are included under advances and are valued at amortised cost.

11.2 Other financial assets

Investment securities may be held for investment or hedging purposes.

Investment securities held for investing purposes are stated at fair value. Unrealised profit or losses on these securities are recognised directly in income. As these instruments are designated as held for trading.

Short term money market assets purchased on the primary market are designated as originated loans and receivables.

Dated securities designated as held for trading are reflected at fair value. Unrealised profits or losses on such securities are included in other income.

Undated securities held for investment purposes are carried at fair value, based on quoted prices.

Valuation represents quoted market value in the case of listed securities, the Public Investment Commissioner's valuation in the case of fixed dated unlisted securities and

directors' valuation in the case of other unlisted securities. Unlisted securities are valued based on discounted cash flow models.

11.3 Derivatives and hedging

The group is party to financial instruments that reduce exposure to fluctuations in interest rate risk. These instruments include interest rate swaps, index swaps, currency swaps and other derivative instruments. These are initially recognised at cost in the balance sheet and re-measured to fair value subsequently.

Interest rate swap agreements protect the company from movements in interest rates. Any differential to be paid or received on an interest rate swap agreement is recognised as a component of interest revenue or expense over the period of the agreement. Gains and losses on early termination of interest swaps or on the repayment of the borrowings are taken to the income statement.

The fair values of publicly traded derivatives are based on quoted prices and non traded derivatives based on discounted cash flow models. Derivatives are recognised as assets when the fair value is positive and liabilities when the fair value is negative.

Fair value changes of derivatives that meet the criteria for hedge accounting are recognised in the income statement along with the fair value change of the hedged asset or liability.

Hedge accounting is only applied when there is formal documentation identifying the hedging instrument, hedged asset, hedging strategy and hedging relationship, the documentation shows that the hedge is expected to be highly effective in setting off risk and that the hedge is effective.

12. Offsetting financial instruments

Financial assets and liabilities are offset, and the net balance reported, when there is a legal right to setoff, there is an intention to settle on a net basis, the maturity dates of the asset and liability are the same and the asset and liability are denominated in the same currency.

13. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held on call with banks, and investment of three months or less in money market instruments from the date of acquisition, net of bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

14. Other assets

Other assets are carried at anticipated net realisable value. An estimate is made for impairment based on a review of all outstanding amounts at year end and expected cash flows. Impairments are accounted for during the year in which they are identified.

15. Other liabilities, including creditors and accrued expenses

Other liabilities, including creditors and accrued expenses, are recognised when there is an obligation to make future payments resulting from the purchase of goods or services.

16. Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

17. Comparatives

Where necessary, comparative figures have been restated and reclassified to deal with a prior year adjustment and to conform with changes in presentation in the current year as set out in note 18.

18 Restatement and recalssification of prior year figures

	Previously reported R'000	Restatement Reclassified R'000	Restated R'000
Income statement			
Operating expenditure (1)	(269,105)	(12,978)	(282,083)
Indirect taxes (1)	(12,978)	12,978	-
Balance sheet			
Other assets (1)	219,835	2,761	222,596
Other liabilities (1)	229,504	2,761	232,265
Cash flow statement			
Net increase in income-earning and other assets (2)	(4,019,994)	59,711	(3,960,283)
(Acquisition)/disposal of investments (2)	-	-269,105	-269,105
Interest rate mismatch exposure			
Deferred tax asset (3)	-	16,464	16,464
Other assets (1) (3)	236,299	(13,703)	222,596
Other liabilities and equity (1)	1,139,319	2,761	1,142,080
Liquidity risk			
Deferred tax asset (3)	-	16,464	16,464
Other assets (1) (3)	236,299	(13,703)	222,596
Other liabilities and equity (1)	1,139,319	2,761	1,142,080
Reclassifications			

(1) In the financial year ended 2003 the group disclosed indirect taxes as part of taxation and amounts owing as part of other liabilities. During the current year indirect taxes paid are disclosed as part of operating expenditure and amounts receivable as part of other assets

(2) In the financial year 2003 the group disclosed acquisitions of investments as part of the net increase in income-earning and other assets. During the current year we have reclassified this to be shown separately under investing activities.

(3) In the financial year 2003 the group did not show the deferred tax asset separately in the interest rate mismatch exposure, this has been separately disclosed in the current year.

Imperial Bank Limited
Income statements for the year ended 31 December 2004

		Restated		Restated	
		Group	Group	Company	Company
		2004	2003	2004	2003
	Notes	R'000	R'000	R'000	R'000
Interest income	1	2,129,126	2,173,552	2,023,883	1,937,902
Interest expense	1	(1,588,543)	(1,645,704)	(1,588,934)	(1,619,015)
Net interest income		540,583	527,848	434,949	318,887
Other operating income	1	189,988	183,678	168,500	136,514
Income from investment activities	1	19,454	16,485	19,454	16,485
Income from operations		750,025	728,011	622,903	471,886
Operating expenditure	1	(315,793)	(282,083)	(282,856)	(233,754)
Impairment of advances	8	(244,875)	(232,458)	(249,020)	(217,710)
Net income before equity accounted earnings		189,357	213,470	91,027	20,422
Equity accounted earnings of subsidiaries	1	-	-	98,277	207,716
Net Income before taxation		189,357	213,470	189,304	228,138
Taxation	2	(24,168)	18,918	(24,115)	4,250
Net income attributable to shareholders		165,189	232,388	165,189	232,388

Imperial Bank Limited
Balance Sheets as at 31 December 2004

	Notes	Group 2004 R'000	Restated Group 2003 R'000	Company 2004 R'000	Restated Company 2003 R'000
ASSETS					
Cash and balances with central bank	3	364,535	275,097	364,523	275,082
Investment securities	4	751,459	520,707	751,459	520,707
- Originated		218,424	50,096	218,424	50,096
- held for trading		533,035	470,611	533,035	470,611
Derivative financial instruments	5	263,480	163,465	263,480	163,465
- held for trading		263,480	163,465	263,480	163,465
Due from other banks	6	2,175	41,921	8,403	251,673
Investments		31,183	170,212	31,183	170,212
- Held for trading	7	31,183	170,212	31,183	170,212
Loans and advances to customers	8	15,232,149	11,500,379	14,866,466	10,919,350
- Originated		15,108,620	11,254,426	14,866,466	10,919,350
- Held for trading		123,529	245,953	-	-
Investment in subsidiary companies	10	-	-	350,974	344,720
Fixed assets	11	64,115	46,960	61,599	44,619
Deferred tax asset	16	966	16,464	966	16,464
Other assets	12	168,745	222,596	165,002	220,124
Total assets		16,878,807	12,957,801	16,864,055	12,926,416

Imperial Bank Limited
Balance Sheets as at 31 December 2004

Balance Sheet 2004 cont.....

	Notes	Group 2004 R'000	Restated Group 2003 R'000	Company 2004 R'000	Restated Company 2003 R'000
LIABILITIES					
Subordinated debt instrument		592,575	574,811	592,575	574,811
- held for trading	19	592,575	574,811	592,575	574,811
Due to other banks	13	14,660,859	10,766,881	14,660,859	10,766,879
Derivative financial instruments	5	257,808	145,641	257,808	145,641
- held for trading		257,808	145,641	257,808	145,641
Other deposits	14	213,998	328,388	213,998	328,388
Other liabilities	15	78,563	232,265	64,288	201,359
Total liabilities		15,803,803	12,047,986	15,789,528	12,017,078
SHAREHOLDERS' FUNDS					
Ordinary shares	17	3,020	3,020	3,020	3,020
Share premium	18	434,205	434,205	434,205	434,205
General credit risk reserve		70,826	57,638	70,826	57,638
Accumulated funds		566,953	414,952	566,476	414,475
Shareholder's equity		1,075,004	909,815	1,074,527	909,338
Total shareholders' funds		1,075,004	909,815	1,074,527	909,338
Total equity and liabilities		16,878,807	12,957,801	16,864,055	12,926,416

Imperial Bank Limited

Statement of changes in equity for the year ended 31 December 2004

Group	Share capital (R'000)	Share premium (R'000)	General credit risk reserve (R'000)	Accumulated funds (R'000)	Total (R'000)
Balance at 31 December 2002 after adoption of AC133	3,020	434,205	41,059	199,143	677,427
Net income for the year	-	-	-	232,388	232,388
Transfer to general credit risk reserve	-	-	16,579	(16,579)	-
Balance at 31 December 2003	3,020	434,205	57,638	414,952	909,815
Net income for the year	-	-	-	165,189	165,189
Transfer to general credit risk reserve	-	-	13,188	(13,188)	-
Balance at 31 December 2004	3,020	434,205	70,826	566,953	1,075,004

Company	Share capital (R'000)	Share premium (R'000)	General credit risk reserve (R'000)	Accumulated Funds (R'000)	Total (R'000)
Balance at 31 December 2002 after adoption of AC133	3,020	434,205	41,059	198,666	676,950
Net income for the year	-	-	-	232,388	232,388
Transfer to general credit risk reserve	-	-	16,579	(16,579)	-
Balance at 31 December 2003	3,020	434,205	57,638	414,475	909,338
Net income for the year	-	-	-	165,189	165,189
Transfer to general credit risk reserve	-	-	13,188	(13,188)	-
Balance at 31 December 2004	3,020	434,205	70,826	566,476	1,074,527

Imperial Bank Limited
Cash flow statements for the year ended 31 December 2004

	Notes	Group 2004 12 months R'000	Restated Group 2003 12 months R'000	Company 2004 12 months R'000	Restated Company 2003 12 months R'000
Operating activities					
Cash generated from operations	21	456,933	476,250	361,187	267,291
Changes in operating funds					
Net increase in income-earning and other assets	22	(4,083,358)	(3,960,283)	(3,651,391)	(4,411,344)
Increase in deposits and other liabilities	23	3,735,450	3,219,060	3,193,529	4,041,844
Taxation (paid)/recovered	24	(18,227)	(44,735)	(17,204)	(38,871)
Cash (outflow)/inflow from operating activities		90,798	(309,708)	(113,879)	(141,080)
Investing activities					
(Acquisition)/disposal of investments		158,483	(60,416)	158,483	(60,416)
Capital expenditure on equipment, furniture and vehicles					
- To maintain operations		(33,350)	(32,612)	(31,838)	(31,404)
Proceeds on disposal of fixed assets		2,089	2,384	1,733	2,348
Cash (utilised)/generated from investing activities		127,222	(90,644)	128,378	(89,472)
Financing Activities					
(Decrease)/increase in long term borrowings		-	185,255	-	185,255
Cash (utilised)/generated from financing activities		-	185,255	-	185,255
Net (decrease)/increase in cash and cash equivalents		218,020	(215,097)	14,499	(45,297)
Cash and cash equivalents at the beginning of the year		367,114	582,211	576,851	622,148
Cash and cash equivalents at the end of the year	25	585,134	367,114	591,350	576,851

Imperial Bank Limited
Notes to the financial statements
31 December 2004

	Restated		Restated	
	Group 2004 R'000	Group 2003 R'000	Company 2004 R'000	Company 2003 R'000
1 Net income before taxation				
<i>is stated after crediting:-</i>				
Interest income				
<i>Income from advances</i>				
Interest received on advances	1,517,575	1,593,923	1,396,423	1,328,554
Originated loans	1,492,561	1,545,898	1,396,423	1,328,554
Held for trading	25,014	48,025	-	-
Dividends on preference shares	8,634	7,295	8,634	7,295
	1,526,209	1,601,218	1,405,057	1,335,849
<i>Included in income from advances:</i>				
Additional yield earned on NRB assets	60,707	130,737	-	-
<i>Other interest income</i>				
Money on call and with central bank	4,090	7,382	4,090	5,990
Investment securities	53,049	54,071	53,049	54,071
Originated				
Short - term money market assets	13,415	45,314	13,415	45,314
Held for trading				
Government stock	39,634	8,757	39,634	8,757
Interest received on derivative instruments	541,089	524,767	541,089	524,767
Other	4,689	(13,886)	20,598	17,225
	602,917	572,334	618,826	602,053
Total interest income	2,129,126	2,173,552	2,023,883	1,937,902

Imperial Bank Limited
Notes to the financial statements
31 December 2004

	Restated		Restated	
	Group	Group	Company	Company
	2004	2003	2004	2003
	R'000	R'000	R'000	R'000
Interest received on advances has been debited with discount premiums of R78,057,875 (2003: R46,235,669). This premium is paid in respect of motor finance advances discounted by motor dealers and is written off over the life of instalment contracts.				
Other operating income				
Commissions and fees	163,010	186,788	151,269	130,382
Profit on disposal of fixed assets	228	274	240	274
Profit/(loss) on securities and derivative transactions	2,373	(10,621)	2,373	(10,621)
Fair value (losses)/gains	(5,072)	6,877	(5,072)	6,877
Other income	29,449	360	19,690	9,602
Total operating income	189,988	183,678	168,500	136,514
Other operating income includes the following amounts received from related companies:				
- commissions and fees	8,561	9,789	8,561	9,789
Income from investment activities				
Income from investments	19,454	16,485	19,454	16,485
Income from investment in subsidiaries				
Equity accounted earnings of subsidiaries	-	-	98,277	207,716

and charging:-

Imperial Bank Limited
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	Restated		Restated	
	Group	Group	Company	Company
	2004	2003	2004	2003
	R'000	R'000	R'000	R'000
Interest received on advances has been debited with discount premiums of R78,057,875 (2003 : R46,235,669). This premium is paid in respect of motor finance advances discounted by motor dealers and is written off over the life of instalment contracts.				
Other operating income				
Commissions and fees	163,010	186,788	151,269	130,382
Profit on disposal of fixed assets	228	274	240	274
Profit/(loss) on securities and derivative transactions	2,373	(10,621)	2,373	(10,621)
Fair value (losses)/gains	(5,072)	6,877	(5,072)	6,877
Other income	29,449	360	19,690	9,602
Total operating income	189,988	183,678	168,500	136,514
Other operating income includes the following amounts received from related companies:				
- commissions and fees	8,561	9,789	8,561	9,789
Income from investment activities				
Income from investments	19,454	16,485	19,454	16,485
Income from investment in subsidiaries				
Equity accounted earnings of subsidiaries	-	-	98,277	207,716
<i>and charging:-</i>				
Interest expense				
Call deposits	953,565	996,416	953,565	996,416
Negotiable certificates of deposit	-	-	-	-
Fixed and notice deposits	35,374	36,928	35,374	36,928
Unsecured loans	66,170	48,906	66,170	48,906
Interest paid on derivative instruments	533,844	536,235	533,844	536,235
Other	(410)	27,219	(19)	530
Total interest expense	1,588,543	1,645,704	1,588,934	1,619,015

Imperial Bank Limited
Notes to the financial statements
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	Restated		Restated	
	Group	Group	Company	Company
	2004	2003	2004	2003
	R'000	R'000	R'000	R'000
Net interest income includes the following amounts received from and paid to related companies:				
- Interest received on advances/deposits with related companies	12,558	2,470	12,558	2,470
- Net Interest paid on deposits/overdrafts with related companies	(950,996)	(992,663)	(950,996)	(992,663)
- Interest paid on subordinated debt	(20,558)	(23,492)	(20,558)	(23,492)
- Interest paid on swap agreements	(20,812)	(1,223)	(20,812)	(1,223)
Net interest paid to related parties	<u>(979,808)</u>	<u>(1,014,908)</u>	<u>(979,808)</u>	<u>(1,014,908)</u>
Operating expenditure				
<i>includes:-</i>				
Auditors' remuneration				
Audit fees				
- over provision in respect of prior year	(946)	(671)	(946)	(671)
- for services in current year	4,814	3,017	4,548	2,783
Fees for other services	<u>2,016</u>	<u>266</u>	<u>1,853</u>	<u>209</u>
Total	<u>5,884</u>	<u>2,612</u>	<u>5,455</u>	<u>2,321</u>
Depreciation of fixed assets	<u>14,334</u>	<u>7,829</u>	<u>13,365</u>	<u>7,251</u>
Staff costs				
Salaries and wages	150,729	135,710	128,527	96,306
Contributions to pension, medical and other staff funds	26,108	18,770	23,926	17,091
Training and other costs	<u>8,573</u>	<u>6,589</u>	<u>8,013</u>	<u>6,155</u>
Total	<u>185,410</u>	<u>161,069</u>	<u>160,466</u>	<u>119,552</u>
Operating lease charges				
Computer equipment	10,008	15,569	9,868	15,569
Other equipment	60	27	22	12
Office premises	<u>9,561</u>	<u>7,290</u>	<u>8,142</u>	<u>5,549</u>
Total	<u>19,629</u>	<u>22,886</u>	<u>18,032</u>	<u>21,130</u>
Other professional fees	<u>3,497</u>	<u>5,578</u>	<u>3,006</u>	<u>4,561</u>

Imperial Bank Limited
Notes to the financial statements
31 December 2004

	Restated		Restated	
	Group 2004 R'000	Group 2003 R'000	Company 2004 R'000	Company 2003 R'000
Other operating expenditure	<u>80,872</u>	<u>65,551</u>	<u>76,365</u>	<u>62,857</u>
Total operating expenditure	<u>315,793</u>	<u>282,083</u>	<u>282,856</u>	<u>233,754</u>
Operating expenditure includes the following amounts from transactions with related parties:		(282,083)		
- operating lease charges: computer equipment	9,868	15,472	9,868	15,472
- operating lease charges: office premises	1,843	1,411	1,843	1,411
- administration fees	-	1,058	-	1,058

2 Taxation

Taxation on income

South African normal tax:

- current	10,027	6,958	9,974	6,808
- deferred current	15,498	(10,773)	15,498	(10,804)
- prior year overprovision	-	-	-	-
current tax	(1,357)	(64)	(1,357)	(117)
deferred tax	-	(168)	-	(137)
Reversal of NRB tax provision raised	-	(14,871)	-	-
Total normal tax	<u>24,168</u>	<u>(18,918)</u>	<u>24,115</u>	<u>(4,250)</u>

Normal tax includes amounts refundable to partnerships in respect of taxation.

Based on the provisional tax assessments of New Republic Bank Limited for the years of assessment up to and including March 2002, NRB has an assessable tax loss of R823 749 638. Until the provisional tax assessments are confirmed, NRB has neither raised a deferred tax asset nor a normal tax liability and has accounted for no income tax other than that of its joint venture, SA Axle Finance (Pty) Ltd.

Imperial Bank Limited
Notes to the financial statements
31 December 2004

	Restated		Restated	
	Group 2004 R'000	Group 2003 R'000	Company 2004 R'000	Company 2003 R'000
<i>Reconciliation of tax rate</i>				
Statutory rate of taxation on income	30.0%	30.0%	30.0%	30.0%
Effect of prior year overprovision	3.1%	-0.1%	3.1%	-0.1%
Effect of prior year NRB tax reversal	-	-7.0%	-	-
Effect of no NRB tax provision	-15.5%	-27.1%	-	-
Effect of equity accounted earnings	-	-	-15.6%	-27.3%
Effect of other permanent differences	-4.3%	-3.2%	-4.3%	-3.0%
Tax on partnerships	0.0%	-1.5%	0.0%	-
Contribution to partnerships	-0.5%	-	-0.5%	-1.5%
Effective rate of normal taxation on income net of other taxation	<u>12.8%</u>	<u>-8.9%</u>	<u>12.7%</u>	<u>-1.9%</u>

3 Cash and balances with central bank

Coins and bank notes	22	24	10	9
Balances with central bank	<u>364,513</u>	<u>275,073</u>	<u>364,513</u>	<u>275,073</u>
Total	<u>364,535</u>	<u>275,097</u>	<u>364,523</u>	<u>275,082</u>

Imperial Bank Limited
Notes to the financial statements
31 December 2004

	Restated		Restated	
	Group	Group	Company	Company
	2004	2003	2004	2003
	R'000	R'000	R'000	R'000
4 Investment securities				
Originated:				
Treasury bills	218,424	50,096	218,424	50,096
Held for trading:				
Government stock	533,035	470,611	533,035	470,611
	751,459	520,707	751,459	520,707
<i>Maturity analysis</i>				
Maturing in under 1 year	293,600	50,096	293,600	50,096
Maturing between 1 and 5 years	106,329	130,261	106,329	130,261
Maturing after 5 years	351,530	340,350	351,530	340,350
Total	751,459	520,707	751,459	520,707

The maturity analysis is based on the residual period to contractual maturity. A register of Treasury bills and Government stocks is available for inspection at the registered office of the company.

5 Derivative financial instruments

The group has entered into interest rate swap agreements with an aggregate notional capital amount of R5,429 million (Dec 2003: R5,816 million). The majority of swap commitments entered into are of a back - to - back in nature with no net open position. Certain swap agreements are however entered into as part of the interest rate risk management strategies of the group. The group enters into interest rate swap agreements for hedging purposes in order to reduce the risk faced due to fluctuations in interest rates. Hedge accounting is not currently applied to these instruments.

Imperial Bank Limited
Notes to the financial statements
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The following derivatives are used for trading or hedging purposes:

	Group 2004		Company 2004	
	Notional	Fair value	Notional	Fair value
	R'000	R'000	R'000	R'000
<u>ASSETS</u>				
<i>Held for trading</i>				
Interest rate swaps	2,716,869	263,480	2,716,869	263,480
<u>LIABILITIES</u>				
<i>Held for trading</i>				
Interest rate swaps	2,712,482	(257,808)	2,712,482	(257,808)
	5,429,351	5,672	5,429,351	5,672
	Group 2003		Company 2003	
	Notional	Fair value	Notional	Fair value
	R'000	R'000	R'000	R'000
<u>ASSETS</u>				
<i>Held for trading</i>				
Interest rate swaps	3,431,829	163,465	3,431,829	163,465
<u>LIABILITIES</u>				
<i>Held for trading</i>				
Interest rate swaps	2,384,819	(145,641)	2,384,819	(145,641)
	5,816,648	17,824	5,816,648	17,824

Related party agreements consist of an aggregate notional value of R1 988m (Dec 2003: R2 146m).

Imperial Bank Limited
Notes to the financial statements
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	Restated		Restated	
	Group	Group	Company	Company
	2004	2003	2004	2003
	R'000	R'000	R'000	R'000
6 Due from other banks				
Money on call				
- Interbank	2,175	41,921	8,403	251,673
7 Investments				
<u>Held for trading:</u>				
Listed shares at cost less amounts written off				
Investment in Momemtum Endowment				
Total				
Endowment policy	-	109,796	-	109,796
Investment in Imperial Holdings Bonds	-	50,537	-	50,537
Investment in Supergroup Bonds	22,078	-	22,078	-
Investment in Eagle Bonds	8,978	9,879	8,978	9,879
Investment in share options	127	-	127	-
Total investments	31,183	170,212	31,183	170,212
Market value of listed shares				
Unlisted shares, at directors' valuation				

The investment in the endowment policy was linked to the value and performance of a facility granted to Safair (Proprietary) Limited and was yielding a return of approximately 16.6% per annum. This investment matured in December 2004. The Eagle Bonds were issued on 10 June 2003 at a nominal value of R10 million bearing a coupon rate of 9.956%. Interest payments and instalments are received on a quarterly basis. The Supergroup bonds were issued on 25 June 2004 at a nominal value of R20 million and bearing a coupon rate of 12.5%.

Imperial Bank Limited
Notes to the financial statements
31 December 2004

8 Loans and advances to customers	Restated GROUP 2004			Restated COMPANY 2004
	Originated	Trading	Total	Originated
<i>Category analysis</i>				
Instalment finance	10,601,039	83,234	10,684,273	10,388,348
Mortgages	4,590,016	19,296	4,609,312	4,467,347
Other	575,261	20,999	596,260	604,784
Total advances	15,766,316	123,529	15,889,845	15,460,479
Less: Impairment provisions	(657,696)	-	(657,696)	(594,013)
Net advances	15,108,620	123,529	15,232,149	14,866,466
	GROUP 2003			COMPANY 2003
	Originated	Trading	Total	Originated
<i>Category analysis</i>				
Instalment finance	7,592,202	193,235	7,785,437	7,368,127
Mortgages	3,730,443	11,352	3,741,795	3,495,500
Other	480,422	41,366	521,788	498,713
Accrued interest				
Total advances	11,803,067	245,953	12,049,020	11,362,340
Less: Impairment provisions	(548,641)	-	(548,641)	(442,990)
Net advances	11,254,426	245,953	11,500,379	10,919,350

Imperial Bank Limited
Notes to the financial statements
31 December 2004

	GROUP 2004 TOTAL	GROUP 2003 TOTAL	COMPANY 2004 TOTAL	COMPANY 2003 TOTAL
<i>Sectoral analysis</i>				
Individuals	8,712,788	5,966,783	8,683,898	5,842,214
Manufacturing	104,299	135,876	74,775	72,811
Wholesale and Trade	45,142	48,915	5,030	5,930
Retailers, catering and accommodation	84,405	74,467	68,563	62,639
Agriculture, hunting, forestry and fishing	15,014	16,930	6,844	4,969
Mining and quarrying	54,554	9,478	51,405	4,665
Banks	-	-	-	-
Financial services, insurance and real estate	207,934	328,718	156,070	75,982
Government and public sector	14,537	75,117	-	74,421
Building and property development	3,924,771	2,140,860	3,843,558	2,037,929
Transport, storage and communication	820,793	2,355,292	767,011	2,257,323
Other services	1,905,608	896,584	1,803,325	923,457
Total advances	15,889,845	12,049,020	15,460,479	11,362,340
<i>Maturity analysis</i>				
Up to 1 month	224,622	638,001	254,323	637,407
1 to 3 months	144,999	297,203	67,835	1,148,756
3 to 12 months	898,836	2,503,268	854,160	1,560,934
Maturing within 1 and 5 years	11,811,451	6,767,544	11,595,468	6,420,994
Maturing after 5 years	2,809,937	1,843,004	2,688,693	1,594,249
Total advances	15,889,845	12,049,020	15,460,479	11,362,340

The maturity analysis of advances is based on the residual period to contractual maturity, comprising only of South African advances. Advances are mostly repriced with changes in the prime overdraft rate.

Imperial Bank Limited
Notes to the financial statements
31 December 2004

	Group 2004 R'000	Group 2003 R'000	Company 2004 R'000	Company 2003 R'000
Non performing loans and advances	1,057,259	636,271	1,025,060	493,828

Loans and advances to customers include the following balances with related companies:

- instalment sale, mortgage and other advances	144,262	20,805	144,262	20,805
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During the current year we have changed our policy with regards to the definition of non performing loans to become in line with Nedcor. All loans greater than 90 days in arrears have been classified as non performing. This would result in the non performing loans at 31 December 2003 being restated to R846 377 361 in comparison to that previously reported which comprised only legal accounts, in accordance with our previous policy.

9 Impairment of advances

Balance at beginning of the year	548,641	495,137	442,990	275,569
Amounts written off during the year	(84,396)	(51,379)	(84,385)	(51,379)
	464,245	443,758	358,605	224,190
Present value adjustments relating to AC133 upon adoption	-	59,721	-	60,041
Impairments raised during the year	244,875	232,458	249,020	217,710
Additional yield earned on NRB assets credited to interest income	(60,707)	(130,737)	-	-
Creation of portfolio impairment upon adoption of AC133	-	9,514	-	9,514
Other increases/(decreases) in impairments	9,283	(3,580)	(13,612)	(5,972)
Release of general provision on adoption of AC133	-	(62,493)	-	(62,493)
Balance at end of the year	657,696	548,641	594,013	442,990
<i>Comprising</i>				
Specific loan impairment	652,121	541,645	589,419	435,994
Portfolio impairment	5,575	6,996	4,594	6,996
Total	657,696	548,641	594,013	442,990

Imperial Bank Limited
Notes to the financial statements
31 December 2004

	Restated		Restated	
	Group 2004 R'000	Group 2003 R'000	Company 2004 R'000	Company 2003 R'000
10 Investment in subsidiary companies				
Unlisted shares, at cost	-	-	43,019	43,019
Equity accounted earnings of subsidiary companies	-	-	342,239	243,964
Loans from subsidiaries	-	-	(489,953)	(1,048,623)
Loans to subsidiaries	-	-	455,669	1,106,360
Total investment in subsidiaries	-	-	350,974	344,720
Directors' valuation (excl. loans)	-	-	385,258	286,983

All subsidiary companies are wholly owned and are used mainly for the provision of financing facilities to clients of the bank. New Republic Bank Limited is also active in the rendering of collection services within the financial industry.

The following subsidiaries are held directly by the company:

	% held	No of shares	Cost of shares (R)
The Motor Finance Corporation (Pty) Ltd	100%	100	100
SMS Leasing and Finance Company (Pty) Ltd	100%	1000	1,000
Imperial Equity Finance (Pty) Ltd	100%	100	100
New Republic Bank Limited	100%	32,856,964	43,017,864

11 Fixed assets

Computer equipment

Book value at beginning of the year	13,053	10,277	12,326	9,245
- cost	21,220	15,059	19,952	13,899
- accumulated depreciation	(8,167)	(4,782)	(7,626)	(4,654)
Additions	22,232	6,166	22,057	6,059
Disposals	(13)	-	-	-
Depreciation for the year	(7,232)	(3,390)	(6,772)	(2,978)
Book value at end of the year	28,040	13,053	27,611	12,326
- cost	43,426	21,220	42,009	19,952
- accumulated depreciation	(15,386)	(8,167)	(14,398)	(7,626)

Imperial Bank Limited
Notes to the financial statements
31 December 2004

	Restated		Restated	
	Group 2004 R'000	Group 2003 R'000	Company 2004 R'000	Company 2003 R'000
Motor vehicles				
Book value at beginning of the year	14,256	9,298	13,246	9,253
- cost	18,345	11,579	17,216	11,530
- accumulated depreciation	(4,089)	(2,281)	(3,970)	(2,277)
Additions	6,980	9,959	5,915	8,912
Disposals	(1,842)	(2,105)	(1,493)	(2,070)
Depreciation for the year	(4,081)	(2,896)	(3,722)	(2,849)
Book value at end of the year	15,313	14,256	13,946	13,246
- cost	22,072	18,345	20,276	17,216
- accumulated depreciation	(6,759)	(4,089)	(6,330)	(3,970)
Furniture and equipment				
Book value at beginning of the year	9,797	4,712	9,193	4,043
- cost	14,286	7,811	13,524	7,103
- accumulated depreciation	(4,489)	(3,099)	(4,331)	(3,060)
Additions	4,138	6,487	3,866	6,433
Disposals	(6)	(5)	-	(5)
Depreciation for the year	(2,771)	(1,397)	(2,621)	(1,278)
Book value at end of the year	11,158	9,797	10,438	9,193
- cost	18,409	14,286	17,385	13,524
- accumulated depreciation	(7,251)	(4,489)	(6,947)	(4,331)
Owned Buildings				
Book value at beginning of the year	9,854	-	9,854	-
- cost	10,000	-	10,000	-
- accumulated depreciation	(146)	-	(146)	-
Additions	-	10,000	-	10,000
Disposals	-	-	-	-
Depreciation for the year	(250)	(146)	(250)	(146)
Book value at end of the year	9,604	9,854	9,604	9,854
- cost	10,000	10,000	10,000	10,000
- accumulated depreciation	(396)	(146)	(396)	(146)

Imperial Bank Limited
Notes to the financial statements
31 December 2004

	Restated		Restated	
	Group 2004 R'000	Group 2003 R'000	Company 2004 R'000	Company 2003 R'000
Total fixed assets				
Book value at beginning of the year	46,960	24,287	44,619	22,541
- cost	63,851	34,449	60,692	32,532
- accumulated depreciation	(16,891)	(10,162)	(16,073)	(9,991)
Additions	33,350	32,612	31,838	31,404
Disposals	(1,861)	(2,110)	(1,493)	(2,075)
Depreciation for the year	(14,334)	(7,829)	(13,365)	(7,251)
Book value at end of the year	64,115	46,960	61,599	44,619
- cost	91,853	63,851	87,589	60,692
- accumulated depreciation	(27,738)	(16,891)	(25,990)	(16,073)

Land and buildings

Information regarding land and buildings as required in terms of Schedule 4 of the Companies Act is kept at the companies registered offices and is available for inspection.

12 Other assets

Other indirect taxes	9,361	2,081	7,966	3,757
Current taxation	2,555	680	1,408	37
Debtors and prepayments	156,829	219,835	155,628	216,330
	168,745	222,596	165,002	220,124
Included in the above items are the following balances with related parties:				
- included in other assets	1,910	112,892	1,910	112,892

Imperial Bank Limited
Notes to the financial statements
31 December 2004

13 Due to other banks

	Restated		Restated	
	Group	Group	Company	Company
	2004	2003	2004	2003
	R'000	R'000	R'000	R'000
Repayable on demand	7,329,104	5,308,229	7,329,104	5,308,229
3 months or less but not repayable on demand	7,315,930	5,308,293	7,315,930	5,308,291
1 year or less but over 3 months	15,825	130,989	15,825	130,989
5 years or less but over 1 year	-	19,370	-	19,370

Total	14,660,859	10,766,881	14,660,859	10,766,879
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Deposits from other banks include the following deposits from related companies:

- call deposits	14,544,000	10,541,000	14,544,000	10,541,000
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14 Other deposits

Call deposits	175,337	164,185	175,337	164,185
Fixed and notice deposits	38,661	164,203	38,661	164,203

Total	213,998	328,388	213,998	328,388
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Maturity analysis

Repayable on demand	175,337	164,185	175,337	164,185
3 months or less but not repayable on demand	38,661	103,910	38,661	103,910
1 year or less but over 3 months	-	60,293	-	60,293

Total	213,998	328,388	213,998	328,388
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Other deposits include the following deposits from related companies:

- call and fixed and notice deposits	159,378	102,362	159,378	102,362
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Imperial Bank Limited
Notes to the financial statements
31 December 2004

	Group 2004 R'000	Restated Group 2003 R'000	Company 2004 R'000	Restated Company 2003 R'000
15 Other liabilities				
Creditors and other provisions	78,563	232,265	64,288	201,359
Included in creditors and other provisions are the following amounts related and due to related parties:	-	3,664	-	3,664
16 Deferred income tax asset				
At the beginning of the period	16,464	(15,337)	16,464	(466)
Income statement charge	(15,498)	10,773	(15,498)	10,804
Effect of adopting AC133 (transitional adjustment)	-	5,989	-	5,989
Reversal of NRB tax provision raised	-	14,871	-	-
Prior year under provision	-	168	-	137
At the end of the period	966	16,464	966	16,464
<i>Deferred taxation analysis</i>				
Deferred taxation balance is made up of the following:				
- Provisions and prepayments	(32,459)	2,466	(32,459)	2,466
- Unrelieved tax losses	-	(20,773)	-	(20,773)
- Fair value and impairments	35,753	(2,167)	35,753	(2,167)
- Fixed assets, leases and other assets	(3,108)	(2,563)	(3,108)	(2,563)
- Other timing differences	780	6,573	780	6,573
Deferred tax	966	(16,464)	966	(16,464)

Imperial Bank Limited
Notes to the financial statements
31 December 2004

	Group	Restated	Company	Restated
	2004	Group	2004	Company
	R'000	2003	R'000	2003
	R'000	R'000	R'000	R'000
17 Ordinary shares				
<i>Authorised</i>				
500 000 000 ordinary shares of R0,01 each	5,000	5,000	5,000	5,000
<i>Issued</i>				
301 998 332 (2002: 301 998 332) ordinary shares of R0,01 each	3,020	3,020	3,020	3,020
<i>Unissued shares</i>				
The unissued shares are under the control of the directors until the forthcoming annual general meeting.				
18 Share premium				
Balance at end of the year	434,205	434,205	434,205	434,205
19 Subordinated debt instrument				
Balance at end of the year	592,575	574,811	592,575	574,811

The first tap of the debentures were issued on 4 June 2002 and are redeemable on 4 December 2008. The nominal value of the first tap is R350 000 000. The coupon is paid twice annually and accrues at the rate of 13,5% pa. The debentures are unsecured. A second tap was concluded on 3 December 2003 at a nominal value of R165 000 000. The debentures were issued under the same terms and conditions as the first issue. R160 million of the first tap and R50 million of the second tap are held by related parties to the group.

The issued debentures are designated as held for trading for AC133 purposes. An interest rate swap agreement has been entered into to reduce the effect of fluctuations in the fair value of the issued debentures.

Imperial Bank Limited
Notes to the financial statements
31 December 2004

	Group	Restated Group	Company	Restated Company
	2004	2003	2004	2003
	R'000	R'000	R'000	R'000

20 Joint Venture

The group has a 66% interest in SA Axle (Pty) Ltd, which is engaged in providing finance to the trucking industry. There are no contingencies or capital commitments resulting from the group's participation in the joint venture at the year end.

The summarised financial information relating to the groups share in the joint venture which is included in the group financial statements is as follows:

Current assets	475	764	-	-
Interest bearing assets	7,946	22,414	-	-
Current liabilities	(592)	-	-	-
Interest bearing debt: long term	(8,701)	(24,062)	-	-
	<u>(872)</u>	<u>(884)</u>	<u>-</u>	<u>-</u>
Profit after tax	<u>1,281</u>	<u>(1,034)</u>	<u>-</u>	<u>-</u>

21 Reconciliation of net income before taxation to cash generated from operations

Net income before taxation	189,357	213,470	189,304	228,138
Adjusted for:				
- Indirect taxation	7,682	12,978	7,218	12,502
- Depreciation	14,334	7,829	13,365	7,251
- Income from investments	(19,454)	(16,485)	(19,454)	(16,485)
- Equity accounted earnings of subsidiaries	-	-	(98,277)	(207,716)
- Amortisation of bond issue costs, fair value adjustments & disco	17,764	25,738	17,764	25,738
- Loss/(profit) on disposal of fixed assets	(228)	(274)	(240)	(274)
- Movement in leave pay provisions	2,603	536	2,487	427
- Charge for bad and doubtful debts	244,875	232,458	249,020	217,710
	<u>456,933</u>	<u>476,250</u>	<u>361,187</u>	<u>267,291</u>
Total				

Imperial Bank Limited
Notes to the financial statements
31 December 2004

	Group 2004 R'000	Restated Group 2003 R'000	Company 2004 R'000	Restated Company 2003 R'000
22 Net increase in income-earning and other assets				
Advances	(3,976,645)	(3,391,236)	(4,196,136)	(3,362,877)
Government stocks	(62,424)	(411,036)	(62,424)	(411,036)
Loan to subsidiary	-	-	650,691	(479,500)
Movement in derivative assets	(100,015)	(97,242)	(100,015)	(97,242)
Indirect taxes	(7,280)	(705)	(4,209)	(5,554)
Other assets	63,006	(60,064)	60,702	(55,135)
	<hr/>		<hr/>	
Total	<u>(4,083,358)</u>	<u>(3,960,283)</u>	<u>(3,651,391)</u>	<u>(4,411,344)</u>

Imperial Bank Limited
Notes to the financial statements
31 December 2004

	Restated		Restated	
	Group 2004 R'000	Group 2003 R'000	Company 2004 R'000	Company 2003 R'000
23 Increase in deposits and other liabilities				
Increase in holding company loan				
Due to other banks	3,893,978	2,993,822	3,893,980	2,731,627
Movement in other deposits	(114,390)	179,380	(114,390)	179,380
Movement in derivative liabilities	112,167	97,363	112,167	97,363
Loan from subsidiary	-	-	(558,670)	1,048,623
Other liabilities excluding taxation due	(156,305)	(51,505)	(139,558)	(15,149)
Total	3,735,450	3,219,060	3,193,529	4,041,844
24 Taxation paid				
Amount unpaid at beginning of the year	(680)	24,183	(37)	19,639
Taxation charged to the income statement	31,850	(5,940)	31,331	8,252
Tax effect of AC133 transitional adjustment	-	(5,989)	-	(5,987)
Reverse: change in deferred tax	(15,498)	31,801	(15,498)	16,930
	15,672	44,055	15,796	38,834
Amount recoverable/(unpaid) at end of the period	2,555	680	1,408	37
Total (paid)/recovered	(18,227)	(44,735)	(17,204)	(38,871)

Imperial Bank Limited
Notes to the financial statements
31 December 2004

	Restated		Restated	
	Group	Group	Company	Company
	2004	2003	2004	2003
	R'000	R'000	R'000	R'000

25 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprises the following balances with a residual to maturity of 90 days:

- Cash and balances with central banks	364,535	275,097	364,523	275,082
- Treasury bills and other eligible bills	218,424	50,096	218,424	50,096
- Due from other banks	2,175	41,921	8,403	251,673
	585,134	367,114	591,350	576,851

26 Contingencies and commitments

Guarantees	675,267	143,191	675,267	143,191
Capital commitments	703	-	703	-
Contingent legal claims	-	7,500	-	7,500
Unutilised facilities	942,436	683,472	942,436	683,472
	1,618,406	834,163	1,618,406	834,163

Included in contingencies and commitments are the following amounts in respect of related parties:

- Guarantees	47,158	54,067	47,158	54,067
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Imperial Bank Limited
Notes to the financial statements
31 December 2004

	Restated		Restated	
	Group	Group	Company	Company
	2004	2003	2004	2003
	R'000	R'000	R'000	R'000
27 Other commitments				
<i>Capital expenditure</i>				
Authorised but not contracted for	-	1,920	-	-
<i>Operating lease commitments</i>				
Less than one year	11,111	13,012	9,954	13,012
More than one year but less than five	23,498	26,846	23,498	26,846
More than five years	-	-	-	-
	34,609	39,858	33,452	39,858

28 Retirement benefit information

All employees are members of the Imperial Group Pension Fund or the Imperial Bank Provident Fund. These funds are defined contribution plans and are subject to the Pension Funds Act, 1956.

Pension Fund contributions expensed	16,453	11,630	14,866	10,360
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29 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The bank is controlled by Nedbank Limited which owns 50.1% of the bank's ordinary shares. Imperial Holdings Limited and its subsidiaries and Old Mutual plc are also related parties. Imperial Holdings Limited through Imperial Financial Holdings holds 49.9% of the ordinary shares of the bank.

A number of banking transactions are entered into with related parties in the normal course of business, including deposits. These transactions were carried out on commercial terms and conditions and at market related rates. The volumes of related party transactions, outstanding balances at the year end, and related expenses for the year are detailed in notes 1, 5, 6, 7, 12, 13, 14, 15, 19, 26 and 29

Imperial Bank Limited
Notes to the financial statements
31 December 2004

30 Interest rate mismatch exposure (31 December 2004)

The table below summarises the exposure to interest rate risks of the group. It includes the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Demand	1 to 3 months	4 to 12 months	1 to 5 years	Over 5 years	Non interest bearing	Total
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
Assets							
Cash and balances with the central bank	-	-	-	-	-	364,535	364,535
Treasury bills and other eligible bills	-	218,424	-	-	-	-	218,424
Government stocks	-	75,176	-	106,329	351,530	-	533,035
Derivative Financial instruments	-	-	5,927	164,669	92,884	-	263,480
Due from other banks	2,175	-	-	-	-	-	2,175
Loans and advances to customers	-	14,384,915	4,572	774,049	68,613	-	15,232,149
Investments	-	-	-	22,078	8,978	127	31,183
Fixed assets	-	-	-	-	-	64,115	64,115
Deferred tax asset	-	-	-	-	-	966	966
Other assets	-	-	-	-	-	168,745	168,745
Total assets	2,175	14,678,515	10,499	1,067,125	522,005	598,488	16,878,807
Liabilities and equity							
Due to other banks	7,329,104	7,315,930	-	15,825	-	-	14,660,859
Other deposits	175,337	38,661	-	-	-	-	213,998
Subordinated debt	-	-	-	592,575	-	-	592,575
Derivative Financial instruments	-	36	5,413	134,451	117,908	-	257,808
Other liabilities and equity	-	-	-	-	-	1,153,567	1,153,567
Total liabilities and equity	7,504,441	7,354,627	5,413	742,851	117,908	1,153,567	16,878,807
On balance sheet interest sensitivity gap	(7,502,266)	7,323,888	5,086	324,274	404,097	(555,079)	-
Cumulative interest rate gap	(7,502,266)	(178,378)	(173,292)	150,982	555,079	-	-

Interest rate mismatch exposure (31 December 2003)

The table below summarises the exposure to interest rate risks of the group. It includes the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Demand	1 to 3 months	4 to 12 months	1 to 5 years	Over 5 years	Non interest bearing	Total
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
Assets							
Cash and balances with the central bank	-	-	-	-	-	275,097	275,097
Treasury bills and other eligible bills	-	50,096	-	-	-	-	50,096
Government stocks	-	-	-	130,261	340,350	-	470,611
Derivative Financial instruments	-	-	3,132	119,463	40,870	-	163,465
Due from other banks	41,921	-	-	-	-	-	41,921
Loans and advances to customers	-	10,939,615	60,479	445,715	54,570	-	11,500,379
Investments	-	-	-	9,879	50,537	109,796	170,212
Investment in subsidiary companies	-	-	-	-	-	-	-
Fixed assets	-	-	-	-	-	46,960	46,960
Deferred tax asset	-	-	-	-	-	16,464	16,464
Other assets	-	-	-	-	-	222,596	222,596
Total assets	41,921	10,989,711	63,611	705,318	486,327	670,913	12,957,801
Liabilities and equity							
Due to other banks	5,308,229	5,308,293	130,989	19,370	-	-	10,766,881
Other deposits	164,185	103,910	60,293	-	-	-	328,388
Subordinated debt	-	-	-	-	574,811	-	574,811
Derivative Financial instruments	-	-	3,394	103,091	39,156	-	145,641
Other liabilities and equity	-	-	-	-	-	1,142,080	1,142,080
Total liabilities and equity	5,472,414	5,412,203	194,676	122,461	613,967	1,142,080	12,957,801
On balance sheet interest sensitivity gap	(5,430,493)	5,577,508	(131,065)	582,857	(127,640)	(471,167)	-
Cumulative interest rate gap	(5,430,493)	147,015	15,950	598,807	471,167	-	-

31 Liquidity risk (31 December 2004)

The table below summarises the exposure to interest rate risks of the group. It includes the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Demand	1 to 3 months	4 to 12 months	1 to 5 years	Over 5 years	other	Total
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
Assets							
Cash and balances with the central bank	364,535	-	-	-	-	-	364,535
Treasury bills and other eligible bills	-	218,424	-	-	-	-	218,424
Government stocks	-	75,176	-	106,329	351,530	-	533,035
Due from other banks	2,175	-	-	-	-	-	2,175
Loans and advances to customers	212,708	125,108	879,876	11,766,342	2,248,115	-	15,232,149
Investments	-	-	-	22,078	9,105	-	31,183
Fixed assets	-	-	-	-	-	64,115	64,115
Derivative financial instruments	-	-	5,927	164,669	92,884	-	263,480
Deferred tax asset	-	-	-	966	-	-	966
Other assets	-	168,745	-	-	-	-	168,745
Total assets	579,418	587,453	885,803	12,060,384	2,701,634	64,115	16,878,807
Liabilities and equity							
Due to other banks	13,174	-	-	-	15,825	14,631,860	14,660,859
Other deposits	175,337	38,661	-	-	-	-	213,998
Subordinated debt	-	-	-	592,575	-	-	592,575
Derivative Financial instruments	-	36	5,413	134,451	117,908	-	257,808
Other liabilities and equity	-	78,563	-	-	-	1,075,004	1,153,567
Total liabilities and equity	188,511	117,260	5,413	727,026	133,733	15,706,864	16,878,807
Net liquidity gap (contractual)	390,907	470,193	880,390	11,333,358	2,567,901	(15,642,749)	-
Cumulative contractual liquidity gap	390,907	861,100	1,741,490	13,074,848	15,642,749	-	-

Liquidity risk (31 December 2003)

The table below summarises the exposure to interest rate risks of the group. It includes the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Demand	1 to 3 months	4 to 12 months	1 to 5 years	Over 5 years	other	Total
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
Assets							
Cash and balances with the central bank	275,097	-	-	-	-	-	275,097
Treasury bills and other eligible bills	-	50,096	-	-	-	-	50,096
Government stocks	-	-	-	130,261	340,350	-	470,611
Due from other banks	41,921	-	-	-	-	-	41,921
Loans and advances to customers	776,864	936,122	2,626,627	5,297,709	1,863,057	-	11,500,379
Investments	-	-	-	119,675	50,537	-	170,212
Fixed assets	-	-	-	-	-	46,960	46,960
Derivative financial instruments	-	-	3,132	119,463	40,870	-	163,465
Deferred tax asset	-	-	-	16,464	-	-	16,464
Other assets	-	18,129	91,797	112,670	-	-	222,596
Total assets	1,093,882	1,004,347	2,721,556	5,796,242	2,294,814	46,960	12,957,801
Liabilities and equity							
Due to other banks	-	-	130,989	19,370	10,616,522	-	10,766,881
Other deposits	114,185	153,910	60,293	-	-	-	328,388
Subordinated debt	-	-	-	-	574,811	-	574,811
Derivative Financial instruments	-	-	3,394	103,091	39,156	-	145,641
Other liabilities and equity	-	154,886	109,159	-	-	878,035	1,142,080
Total liabilities and equity	114,185	308,796	303,835	122,461	11,230,489	878,035	12,957,801
Net liquidity gap (contractual)	979,697	695,551	2,417,721	5,673,781	(8,935,675)	(831,075)	-
Cumulative contractual liquidity gap	979,697	1,675,248	4,092,969	9,766,750	831,075	-	-

The matching and controlled mismatching of the maturities and the interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the bank and its exposure to changes in interest rates.

Imperial Bank Limited
Segmental reporting
31 December 2004

32 Segmental reporting per business segment (31 December 2004)

NOTE: The segmental analysis is based on the management accounts for the respective divisions and results are after the allocation of all head office and support charges

INCOME STATEMENT (R'000)	Motor finance	Property finance	Specialised finance	Asset based finance	Medical finance	NRB risk solutions	Other	Imperial Bank Limited
Net interest income	267,020	110,751	-16,001	47,936	18,035	111,372	1,470	540,583
Non interest income (incl fair value adjustments)	76,090	74,357	34,284	(3,548)	2,022	16,566	9,671	209,442
Operating expenditure	(134,127)	(70,357)	(12,490)	(24,227)	(30,769)	(36,722)	(7,101)	(315,793)
Impairment of advances	(105,614)	(29,068)	-	(113,279)	(683)	4,145	(376)	(244,875)
Taxation	(31,011)	(25,705)	(1,738)	27,935	3,419	-	2,932	(24,168)
Net income after tax	72,358	59,978	4,055	(65,183)	(7,976)	95,361	6,596	165,189
BALANCE SHEET (R'000)								
Total assets	8,157,914	3,659,545	307,785	1,817,805	1,202,603	363,483	1,369,672	16,878,807
Total advances	8,160,855	3,706,680	112,291	2,113,492	1,200,634	464,711	131,182	15,889,845
Total funding	7,707,629	3,391,911	45,372	1,651,703	1,171,497	(31,703)	1,317,025	15,253,434
FINANCIAL PERFORMANCE								
Return on average equity	16.20%	25.20%	8.48%	-40.70%	-4.90%	25.11%	N/a	16.47%
Return on average assets	1.10%	1.63%	N/a	-3.57%	-1.00%	26.24%	N/a	1.09%
Net interest margin	5.10%	3.00%	N/a	2.70%	2.30%	23.97%	N/a	3.86%
Impairments charge/Average advances	1.60%	0.80%	N/a	6.20%	0.10%	-0.89%	N/a	1.75%
Cost to income ratio	39.50%	40.30%	68.31%	54.58%	166.40%	28.70%	N/a	42.10%

Secondary segmental reporting per Geographical Sector is not presented as the bank is only active in South Africa

Segmental reporting per business segment (31 December 2003)

NOTE: These results are after the allocation of all head office and support charges

INCOME STATEMENT (R'000)								RESTATED
	Motor finance	Property finance	Specialised finance	Asset based finance	Medical finance *	NRB risk solutions	Other	Imperial Bank Limited
Net interest income	178,681	97,807	(17,266)	64,197	1,126	198,849	4,454	527,848
Non interest income (incl fair value adjustments)	39,436	62,683	43,785	3,056	150	57,888	(6,835)	200,163
Operating expenditure	(108,351)	(58,381)	(14,363)	(21,794)	(11,650)	(49,522)	(18,022)	(282,083)
Impairment of advances	(86,717)	(41,202)	187	(102,535)	(2,330)	(14,749)	14,888	(232,458)
Taxation	(6,915)	(18,272)	(3,703)	17,123	3,811	14,290	12,584	18,918
Net income after tax	16,134	42,635	8,640	(39,953)	(8,893)	206,756	7,069	232,388

BALANCE SHEET (R'000)

Total assets	5,396,546	3,460,270	516,142	1,760,317	299,765	1,479,924	44,837	12,957,801
Total advances	5,479,771	3,520,340	8,584	1,909,708	307,079	881,770	(58,232)	12,049,020
Total funding	4,802,951	3,066,323	174,607	1,442,467	306,605	1,106,359	442,380	11,341,692

FINANCIAL PERFORMANCE

Return on average equity	5.00%	20.10%	16.07%	-30.80%	226.68%	73.00%	N/a	29.45%
Return on average assets	0.40%	1.50%	N/a	-2.30%	-2.97%	13.97%	N/a	2.13%
Net interest margin	5.20%	3.50%	N/a	3.60%	0.37%	22.55%	N/a	4.59%
Impairments charge/Average advances	2.00%	1.50%	N/a	5.70%	0.76%	1.67%	N/a	2.26%
Cost to income ratio	49.70%	37.30%	54.16%	32.41%	913.01%	19.29%	N/a	36.96%

* The medical finance division only started up in July 2003

Secondary segmental reporting per Geographical Sector is not presented as the bank is only active in South Africa

Capital adequacy : 31 December 2004 *

	Actual R '000
Assets per risk weighted categories as classified in statutory returns	16,762,402
0%	1,137,489
20%	171,567
50%	707,520
100%	14,745,826
Contingent liabilities per risk weighted categories and Counterparty - risk exposure	556,976
0%	0
50%	448,468
Counterparty - risk exposure	
100%	108,508
Average amount of large exposures	
1000%	0
Risk weighted assets , contingent liabilities and and counterparty - risk exposure	15,446,642
Required Capital Ratio	10.00%
Minimum required share capital and unimpaired funds	1,546,664
Net qualifying capital and unimpaired funds	1,580,676
Tier 1	967,192
Issued share capital	3,020
Share premium	434,205
Non Distributable Reserves	0
Accumulated funds	529,967
Tier 2	613,484
Secondary impaired reserve funds	83,562
Secondary capital : qualifying capital	529,922
- Secondary capital : debt instrument	529,922
- Less : non qualifying capital	0
Less: Impairments against capital	0
Surplus share capital and unimpaired reserve funds	34,012
Capital adequacy : risk asset ratio	10.22%
Unappropriated profits	76,567
Capital adequacy : risk asset ratio (Including 2004 unappropriated profits)	10.71%

* In the prior year the calculation of capital adequacy was done on a consolidated group basis. For 2004 capital adequacy has been calculated on a company level including the subsidiaries on an equity accounting basis. This is due to New Republic Bank no longer having a banking licence and therefore no longer being consolidated into the group results for SARB regulatory reporting purposes.

Corporate information

Imperial Bank Limited

Registration number 1995/012641/06

Directors

W G Lynch (Irish) (3),(4),(8),(10)

Chairman

HR Brody (4)

R van Wyk (1),(3),(4),(5),(7)

Acting Chief Executive Officer

DM Van Der Linde (1)

RG Cottrell (2),(4),(6),(10)

Z E E Banchetti (2),(10)

MJ Croucamp (4),(9)

New Appointments during the year

PA Wessels (2),(4),(7)

CJW Ball (2),(3),(4),(6)

RA Shuter (3),(7)

OS Arbee

Secretary

J Delport

(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) Director of Imperial Holdings Limited

(9) Earns fees in respect of consulting services provided to the bank

(10) Member of the directors affairs committee

Business address and registered office

140 Boeing Road East

Elma Park

Edenvale

1610

Postal address

P O Box 3567

Edenvale

1610

Auditors

Deloitte & Touche

KPMG Inc

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