GRINDROD BANK

GRINDROD BANK LIMITED
Registration No. 1994/007994/06

AUDITED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2013

GRINDROD BANK LIMITED
ANNUAL FINANCIAL STATEMENTS
31 December 2013

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CERTIFICATE BY COMPANY SECRETARY

Grindrod Management Services Proprietary Limited, in its capacity as Company Secretary of Grindrod Bank Limited, hereby certifies that to the best of its knowledge and belief, all returns required by a public company, in terms of the Companies Act, 2008 as amended, for the year ended 31 December 2013 have been lodged with the Registrar of Companies and that all such returns are true, correct and up to date.

Grindrod Management Services Proprietary Limited
(Company Secretary)
18 February 2014

DIRECTORS' RESPONSIBILITY AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS

Consolidated financial statements have not been presented as the company is a wholly-owned subsidiary of Grindrod Financial Holdings Limited, a company incorporated in the Republic of South Africa. Consolidated financial statements are presented by Grindrod Limited.

The directors of the Company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The annual financial statements have been prepared in accordance with International Financial Reporting Standards. The Company's independent external auditors, Deloitte & Touche, have audited the financial statements and their report appears on pages 3 - 4.

The directors of the Company are also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The directors endorse the Code of Corporate Practices and Conduct as set out in the King III Report issued in September 2009. By supporting the code, the directors recognise the need to conduct the affairs of the Company with integrity and accountability.

The annual financial statements are prepared on a going concern basis. Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for the foreseeable future.

The annual financial statements set out on pages 5 - 45 were approved by the board of directors on 18 February 2014, and are signed on its behalf by:-

I A J CLARK }
}
} DIRECTORS
}
}
D A POLKINGHORNE

Deloitte.

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South Africa

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INDEPENDENT AUDITOR'S REPORT

To the shareholder of Grindrod Bank Limited

We have audited the annual financial statements of Grindrod Bank Limited, set out on pages 8 - 45, which comprise the statement of financial position as at 31 December 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Grindrod Bank Limited as at 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

INDEPENDENT AUDITOR'S REPORT (continued)
To the shareholder of Grindrod Bank Limited

Other reports required by the Companies Act
As part of our audit of the financial statements for the year ended 31 December 2013, we have read the Directors' and the Audit and Compliance Committee's reports for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements.

These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte - Touche

Deloitte & Touche
Registered Auditor
Per Brian Botes
Partner
18 February 2014

AUDIT AND COMPLIANCE COMMITTEE REPORT

The Audit and Compliance Committee is an independent statutory committee appointed by the shareholders in terms of Section 94(2) of the Companies Act and Section 64A of the Banks Act.

The committee has adopted formal terms of reference that has been approved by the board of directors. The committee has conducted its affairs in compliance with its terms of reference and has discharged its responsibilities contained therein.

The committee consists of three independent, non-executive directors. The members of the committee during the year were:

IM Groves (Chairman)
WD Geach
JH Beare

Two meetings were held during the year.

The committee has satisfied itself that the external auditor was independent of the company, as set out in section 94(8) of the Companies Act, 2008. Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence.

The committee ensured that the appointment of the auditor complied with the Companies Act, 2008, and any other legislation relating to the appointment of auditors. The committee has nominated, for election at the annual general meeting, Deloitte & Touche as the external audit firm and Brian Botes as the designated auditor responsible for performing the functions of auditor, for the 2014 year.

The audit committee has reviewed the accounting policies and the financial statements of the company and is satisfied that they are appropriate and comply with International Financial Reporting Standards.

Based on reports submitted and discussions with the internal and external auditors, the committee has satisfied itself that there has been no material breakdown in controls during the year. The committee recommends and supports the report of the board of directors to the South African Reserve Bank confirming the status of internal controls.

I M Groves
Audit And Compliance Committee Chairman
18 February 2014

DIRECTORS' REPORT

The directors have pleasure in presenting their report which forms part of the financial statements of the company for the year ended 31 December 2013.

NATURE OF BUSINESS

Banking, financial services and investment holdings

The operating results and state of affairs of the company are fully set out in the attached financial statements and do not in our opinion require any further comment.

AUTHORISED AND ISSUED SHARE CAPITAL

Details of the authorised and issued ordinary share capital are shown in note 14.
Details of the authorised and issued preference share capital are shown in note 16.

DIVIDENDS

Ordinary dividends paid during the year are disclosed in note 24 and in the statement of changes in equity. Preference share dividends accrued are disclosed in the statement of changes in equity.

DIRECTORS

At 31 December 2013, and the date of this report, the board of directors comprised the following:

I A J Clark	(Chairman)	*
D A Polkinghorne		
A K Olivier		*
I M Groves		*
S A Blades		
W D Geach		*
J H Beare		*
B Ntuli		* (appointed 20 June 2013)
		* Non Executive
M A Mun-Gavin		* (resigned 20 February 2013)

COMPANY SECRETARY

Grindrod Management Services Proprietary Limited

COUNTRY OF INCORPORATION

South Africa

DIRECTORS' REPORT (continued)

RELATED PARTIES

ULTIMATE HOLDING COMPANY

Grindrod Limited

IMMEDIATE HOLDING COMPANY (Bank holding company governed by the Banks Act)

Grindrod Financial Holdings Limited

SUBSIDIARY COMPANIES (governed by the Banks Act)

Grincap Proprietary Limited

Commerce Square Corporate Finance Proprietary Limited

INDIRECT MINORITY SHAREHOLDERS

Amber Bay Investments 3 Proprietary Limited - 3.45% (483 shares) (shareholders are members of management)

Basfour 2052 Proprietary Limited - 3.45% (483 shares) (shareholder is the company chairman)

CONSOLIDATED FINANCIAL STATEMENTS

With the approval of all shareholders, consolidated financial statements have not been prepared.

AUDITORS

Deloitte & Touche

PREPARER OF ANNUAL FINANCIAL STATEMENTS

Susan Scott, Head of Finance & Administration

REGISTERED OFFICE

Company

5 Arundel Close, Kingsmead Office Park, Durban, 4001

Ultimate holding company producing consolidated annual financial statements

Quadrant House, 115 Margaret Mncadi Avenue, Durban, 4001

SUBSEQUENT EVENTS

The directors are not aware of any matter or circumstance arising since the end of the financial year that has a material impact on the annual financial statements.

GRINDROD BANK LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2013

	Notes	31 Dec 2013 R	31 Dec 2012 R
Interest income	1	386,212,613	284,511,991
Interest expense	2	273,065,101	203,533,286
NET INTEREST INCOME		113,147,512	80,978,705
Other operating income	3	159,052,420	115,593,512
Operating expenditure	4	(150,310,541)	(119,022,590)
Amortisation of acquired income streams		-	(1,040,642)
Provision for credit losses	5	(10,170,011)	(3,130,042)
PROFIT BEFORE TAXATION		111,719,380	73,378,943
Taxation	6	(17,788,714)	(17,265,526)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		93,930,666	56,113,417

GRINDROD BANK LIMITED
STATEMENT OF FINANCIAL POSITION
At 31 December 2013

	Notes	31 Dec 2013 R	31 Dec 2012 R
ASSETS			
NON-CURRENT ASSETS			
PROPERTY AND EQUIPMENT	7	10,722,864	2,933,796
INVESTMENT IN SUBSIDIARIES	8	1	1
INVESTMENTS	9	18,309	238,717
LOANS AND ADVANCES	10	3,347,729,709	2,861,984,514
OTHER ASSETS	11	274,087,638	221,658,821
LIQUID ASSETS AND SHORT TERM NEGOTIABLE SECURITIES	12	1,044,432,268	626,378,338
CASH AND SHORT TERM FUNDS	13	4,662,790,943	2,275,711,958
TOTAL ASSETS		9,339,781,732	5,988,906,145
EQUITY AND LIABILITIES			
Ordinary share capital	14	650,000	650,000
Ordinary share premium	15	247,929,000	247,929,000
Preference share capital	16	120,000,000	120,000,000
Distributable reserves		228,208,746	157,680,080
TOTAL EQUITY		596,787,746	526,259,080
DEFERRED TAXATION	17	10,651,780	19,457,986
DEPOSITS AND FUNDING INSTRUMENTS	18	8,634,795,310	5,361,897,572
DERIVATIVE INSTRUMENTS	19	10,198,816	22,096,582
OTHER LIABILITIES	20	81,474,386	58,975,062
TAXATION		5,873,694	219,863
TOTAL EQUITY AND LIABILITIES		9,339,781,732	5,988,906,145

GRINDROD BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2013

	Notes	Ordinary Share Capital R	Ordinary Share Premium R	Preference Share Capital R	Distributable Reserves R	Total R
Balance at 31 December 2011		650,000	225,850,000	50,000,000	148,009,655	424,509,655
Total comprehensive income for the year		-	-	-	56,113,417	56,113,417
Ordinary dividends declared and paid	24	-	-	-	(41,682,000)	(41,682,000)
Preference share dividends		-	-	-	(4,760,992)	(4,760,992)
Issue of ordinary share capital		-	22,079,000	-	-	22,079,000
Issue of preference share capital		-	-	70,000,000	-	70,000,000
Balance at 31 December 2012		650,000	247,929,000	120,000,000	157,680,080	526,259,080
Total comprehensive income for the year		-	-	-	93,930,666	93,930,666
Ordinary dividends declared and paid	24	-	-	-	(14,426,000)	(14,426,000)
Preference share dividends		-	-	-	(8,976,000)	(8,976,000)
Balance at 31 December 2013		650,000	247,929,000	120,000,000	228,208,746	596,787,746

GRINDROD BANK LIMITED
STATEMENT OF CASH FLOWS
For the year ended 31 December 2013

	Notes	31 Dec 2013 R	31 Dec 2012 R
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES			
Interest income		386,212,613	284,511,991
Interest expense		(273,065,101)	(203,533,286)
Fee and other income		99,271,147	68,299,300
Cash payments to employees and suppliers		(128,078,105)	(101,689,251)
Cash generated from / (utilised by) operations	A	84,340,554	47,588,754
(Increase)/decrease in operating assets:			
Proceeds on sale of securities and equities		27,104,428	-
Purchase of securities and equities		(19,999,999)	-
Loans and advances to customers		(507,256,421)	(654,536,304)
Deposits held for regulatory purposes		(127,030,136)	(133,927,812)
Other short term negotiable securities		(337,915,909)	(342,423,636)
Increase/(decrease) in operating liabilities:			
Deposits from customers		3,272,897,738	2,400,718,817
Dividends paid - ordinary shares		(14,426,000)	(41,682,000)
Dividends paid - preference shares		(7,237,337)	(2,349,562)
Normal tax paid		(20,941,089)	(6,849,284)
Net cash inflow/(outflow) from operating activities		2,349,535,829	1,266,538,973
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(9,260,844)	(1,694,983)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES			
Issue of share capital		-	22,079,000
Issue of preference share capital		-	70,000,000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,340,274,985	1,356,922,990
Cash and cash equivalents at the beginning of the year		2,185,621,958	828,698,968
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	B	4,525,896,943	2,185,621,958

GRINDROD BANK LIMITED
NOTES TO THE STATEMENT OF CASH FLOWS
For the year ended 31 December 2013

	31 Dec 2013 R	31 Dec 2012 R
A. RECONCILIATION OF NET PROFIT BEFORE TAXATION TO CASH (UTILISED) / GENERATED FROM OPERATIONS		
Profit/(loss) before taxation	111,719,380	73,378,943
Adjusted for:		
Realised (profit)/loss on sale of equities	(6,545,106)	(501,462)
Unrealised (profit)/loss on equities	(250,800)	114,000
Unrealised (profit)/loss on derivatives	(11,897,766)	2,908,471
Unrealised (profit)/loss on loans designated as at fair value	11,341,215	(2,761,214)
Depreciation	1,471,776	1,207,897
Amortisation of acquired income streams	-	1,040,642
Bad debts	5,556,856	5,358,185
Increase/(decrease) in impairments against advances	1,412,581	(3,793,811)
Increase/(decrease) in portfolio provision against advances	3,200,574	1,565,668
Operating profit before working capital changes	116,008,710	78,517,319
Working capital changes		
(Increase)/decrease in accounts receivable	(3,808,022)	(4,935,504)
(Increase)/decrease in fee debtors	(48,620,794)	(42,118,503)
Increase/(decrease) in accounts payable	20,760,660	16,125,442
Cash generated from/(utilised by) operations	84,340,554	47,588,754
B. RECONCILIATION OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
Cash and short term funds at the end of the year	4,662,790,943	2,275,711,958
Deposits held with SARB for regulatory purposes	(136,894,000)	(90,090,000)
Cash and cash equivalents	4,525,896,943	2,185,621,958
Cash and cash equivalents comprise:		
Current account balances	528,148,950	351,394,906
Interbank call deposits	3,997,747,993	1,834,227,052
	4,525,896,943	2,185,621,958

The annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS") and the Companies Act of South Africa and have been prepared using the going concern principle and on the historical cost basis except for the revaluation of certain financial instruments.

At the date of authorisation of the financial statements the following standards and interpretations were in issue but not yet effective:
IFRS 9 - Financial Instruments - Applies to annual periods beginning on or after 1 January 2017
IAS 32 - Financial Instruments: Offsetting Financial Assets and Financial Liabilities - Applicable to annual periods beginning on or after 1 January 2014
IAS 36 - Impairment of Assets: Recoverable Amount Disclosure for Non-Financial assets - Applicable to annual periods beginning on or after 1 January 2014
IAS 39 - Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting - Applicable to annual periods beginning on or after 1 January 2014
Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities - Applicable to annual periods beginning on or after 1 January 2014
IFRS 2 - Share based Payments : Amendments to definition of vesting condition - Applicable to annual periods beginning on or after 1 July 2014
IFRS 3 - Business Combinations: Amendments to Accounting for contingent consideration in a business combination - Applicable to annual periods beginning on or after 1 July 2014
IAS 16 - Property, Plant and Equipment: Amendments to revaluation method - Applicable to annual periods beginning on or after 1 July 2014
IAS 24 - Related party disclosure: Amendments to key management personnel - Applicable to annual periods beginning on or after 1 July 2014
IAS 38 - Intangible Assets: Amendments to revaluation method - Applicable to annual periods beginning on or after 1 July 2014
IFRS 13 Fair Value Measurement: The company has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The application of IFRS 13 has not resulted in any additional disclosures and has not had any material impact on the amounts recognised in the financial statements.
The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Company.

All monetary information and figures in the annual financial statements are presented in Rands.

Critical judgements and key sources of measurement uncertainty

In the application of the accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant and are disclosed in the notes and policies where applicable. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following principal accounting policies have been consistently applied in all material respects:

1. Associated companies and joint ventures

   An associated company is one in which the company holds a long-term investment through which it exercises significant influence with respect to financial and operating policies. A joint venture is a contractual arrangement in which the parties exercise joint control with respect to financial and operating policies.

2. Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the company becomes party to the contractual provisions of the instrument and are classified as either:

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Financial assets and liabilities at fair value through profit and loss (FVTPL)
Financial assets and liabilities are classified as at FVTPL where the financial asset or liability is either held for trading or it is designated as at FVTPL.

A financial asset or liability is classified as held for trading if:
- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that is managed together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset or liability other than a financial asset or liability held for trading may be designated as at FVTPL upon initial recognition if:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset or liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets or liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined with reference to market related interest rate yield curves for the reporting period.

3. Investments

Investment banking portfolio
Investments are recognised on a settlement date basis and are initially measured at cost, including transaction costs, and are remeasured to fair value through profit and loss using market closing prices at each subsequent reporting date.

Invesments in subsidiaries and associates
Investments in subsidiaries and associates are originally recorded at cost. Provision is made where, in the opinion of the directors, a permanent diminution in the value of an investment has occurred.

4. Loans and advances

Advances designated as loans and receivables are recognised at amortised cost using the effective interest rate method less any impairment. Fixed rate advances which have been hedged are designated held at fair value through profit and loss and are remeasured to fair value through the statement of comprehensive income at each subsequent reporting date.

Exposures are considered past due where the facility has expired and the Company is not considering renewal of the facility or where expected cashflows on the facility are more than one month in arrear. Past due exposures are considered impaired and a specific impairment is raised based on the carrying amount less the expected realisable value of the security held, but as a minimum the impairment is equivalent to any regulatory requirement.

Impairments
Advances are assessed for indicators of impairment and impairments are accounted for when there is objective evidence that the estimated future cash flows from the investment have been negatively impacted by events occurring subsequent to initial recognition. The amount of the impairment is the difference been the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Advances considered to be irrecoverable are written off to the extent that the loss can be reliably measured.

The carrying amount of the financial asset is reduced by the impairment loss directly. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Portfolio provision
A portfolio provision is raised against loans and advances where adverse economic conditions which may impact future cash flows exist at statement of financial position date.

5. Property in possession

Assets taken in to protect loans and advances are classified as loans and receivables.These properties will be realised through sale rather than continued use and are measured at the lower of cost or fair value less cost to sell. Related expenditure is separately disclosed in operating expenditure.

6. Derivative instruments

It is not the policy of the company to trade in derivative instruments. Derivatives instruments are held either in terms of asset and liability management strategies, defined as economic hedging activities, or on a back-to-back basis. Derivative instruments are originally recorded at cost and remeasured to fair value through profit and loss using market prices at each subsequent reporting date.

7. Property and equipment

Fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated using the straight line method, at rates estimated to write off each asset over the term of its useful life. The estimated useful lives, residual values and depreciation method are reviewed each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The following useful lives are used in the calculation of depreciation:

	years
Office equipment	5
Furniture & fittings	5
Motor vehicles	4
Computers and software	3

8. Intangible assets

Intangible assets are recognised at cost less accumulated amortisation and any impairment. The estimated useful life and amortisation method are reviewed at each year end, with the effect of changes in estimate being accounted for on a prospective basis.

9. Deferred taxation

Deferred taxation is provided on the comprehensive basis at current tax rates using the statement of financial position liability method in respect of taxation on temporary differences between the carrying value and tax base of items on the statement of financial position. Where the effect of temporary differences results in a deferred tax asset, the amount of such asset is brought to account where it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

10. Foreign currencies

Foreign currency transactions are recorded at the exchange rate ruling on the transaction date. Assets and liabilities designated in foreign currencies are translated at rates of exchange ruling at the statement of financial position date.

11. Provisions

Provisions are recognised when the company has a present obligation as a result of a past event which results in a probable outflow of economic benefits and can be reliably measured.

12. Cash settled share based payment

Share appreciation rights granted to employees for services rendered or to be rendered are raised as a liability and recognised in profit or loss immediately or, if vesting requirements are applicable, over the vesting period. The liability is remeasured annually until settled and any changes in value are recognised in profit or loss.

13. Retirement benefits

Current contributions to the defined contribution retirement benefit plans are the current service costs and are charged against income as incurred.

14. Operating leases

Rentals payable under operating leases are recognised in profit or loss on a straight-line basis over the term of the relevant lease or another basis if more representative of the time pattern of the Company's benefit. Contingent rentals are recognised in profit or loss as they accrue.

15. Gross revenue

Gross revenue is not a concept relevant to the business of a financial institution. Income derived from services rendered is recognised where it is probable that economic benefits will flow to the entity and the stage of completion and the amount can be reliably measured.

16. Revenue recognition

Interest income is recognised on a time proportion basis which takes into account the effective yield on the asset. Interest income includes the amount of amortisation of any discount or premium.

Profit share or fee income earned on origination of advances is deferred and recognised on a yield to maturity basis over the average life of the relevant advances. Where the receipt of knowledge based fee income is deferred by contractual agreement the present value of the fee income is recognised upfront and the accretion is recognised over the duration to contractual or estimated receipt.

Dividend revenue from investments is recognised when the shareholder has a right to receive payment.

17. Impairment

The carrying amounts of tangible and intangible assets are assessed at each statement of financial position date to determine whether any assets are impaired. Where there is evidence of impairment the asset value is written down to the impaired amount and the loss is recognised in net profit or loss for the period. If in subsequent periods the impairment loss reverses the carrying value of the asset is increased but limited to the original carrying value prior to impairment. The revaluation amount is recognised in net profit or loss for the period.

18. Related party transactions

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial and operating decisions. The company enters into various related party transactions in the ordinary course of business. The terms and conditions of related party transactions are no more favourable than those granted to third parties in arm's length transactions.

	31 Dec 2013 R	31 Dec 2012 R
1. INTEREST INCOME		
Loans and receivables (effective interest method)	371,851,373	268,653,508
Loans held at fair value through profit and loss	14,361,240	15,858,483
	386,212,613	284,511,991
Advances	261,488,907	206,729,730
Preference share dividends, advances portfolio	29,629,428	19,854,233
Balances at banks and short term funds	83,514,475	48,884,658
Other short term securities	11,406,218	9,970,344
Preference share dividends, negotiable securities portfolio	7,824,255	6,739,737
Interest income received\(paid) on derivative hedges	(7,650,670)	(7,666,711)
	386,212,613	284,511,991
Interest income from related parties:		
Grindrod Group companies	5,263,812	401,356
Directors (directly and indirectly)	3,918,757	394,125
	9,182,569	795,481
Interest income on impaired loans	257,895	411,527
2. INTEREST EXPENSE		
Calculated using the effective interest method		
Call deposits - corporate banking	83,468,432	67,553,830
Call deposits - retail banking	18,529,255	5,407,761
Notice and fixed deposits	39,678,218	46,319,568
Prime linked notice deposits	84,948,551	72,772,436
Preference share funding	5,473,645	2,420,308
Bond issue	34,610,836	7,345,890
Funding guarantee fees	6,356,164	1,713,493
	273,065,101	203,533,286
Interest paid to related parties:		
Grindrod Group companies	6,186,558	7,182,527
Grindrod Bank subsidiaries	-	437
Directors (directly and indirectly)	971,125	2,217,165
Guarantee fees paid to related parties:		
Grindrod Group companies	6,356,164	1,713,493

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3. OTHER OPERATING INCOME

	31 Dec 2013 R	31 Dec 2012 R
Fee income		
Private Client Services	91,751	924,742
Stockbroking and Institutional	-	244,152
Investment Products	92,500	2,585,220
Retail Banking	56,968,251	18,605,488
Corporate Banking	29,689,031	19,664,254
Corporate Banking (property)	22,628,871	19,989,119
Fee debtor accretion	3,564,171	3,431,774
Corporate Finance	16,764,870	9,430,995
Other banking related	5,602,452	31,364,233
Investment income		
Dividends received - other preference	8,000,000	-
Residual beneficiary distribution	8,452,550	9,069,453
Fair valuation of financial instruments		
Mark-to-market of derivatives	11,743,282	(2,864,594)
Mark-to-market of loans held at fair value through profit and loss	(11,341,215)	2,761,214
Mark-to-market of investment and negotiable securities		
- Unrealised profit/(loss)	250,800	(114,000)
- Realised profit/(loss)	6,545,106	501,462
	159,052,420	115,593,512

Included in fee income are fees from related parties:		
Grindrod Bank subsidiaries	263,032	231,824
Grindrod Group companies	2,667,720	1,070,276
Directors (directly and indirectly)	-	37,327

4. OPERATING EXPENDITURE

	31 Dec 2013 R	31 Dec 2012 R
Auditors remuneration		
- audit fees	2,190,269	1,915,255
- other services	-	628,793
Audit fees - Pricewaterhouse Coopers	977,059	739,072
Banking and settlement related costs	4,392,900	3,563,633
Computer related costs	10,047,095	5,852,445
Depreciation		
- owned assets	1,471,776	1,207,897
Legal and professional fees	1,035,251	7,081,451
Marketing	7,977,151	4,542,083
Premises		
- rental	6,121,415	5,740,887
- other premises related costs	2,617,617	886,595
Staff expenses		
- salaries	62,375,171	49,516,770
- incentive schemes	24,100,334	19,320,000
- cash-settled share based schemes	10,791,391	5,191,592
- other	549,677	144,648
Travel	3,201,663	2,753,579
Other expenses	8,854,824	6,192,675
Indirect taxation	3,606,948	3,745,215
	150,310,541	119,022,590

Included in staff expenses:		
Executive Management Remuneration (10 staff members)		
Managerial services - salaries	15,116,240	14,777,314
Managerial services - incentive schemes	11,723,175	8,272,646
Managerial services - cash-settled share based payments	1,979,210	1,066,266
Sign-on and severance payments	-	-
Post retirement benefits	2,209,868	1,884,826
	31,028,493	26,001,052

		31 Dec 2013	31 Dec 2012
		R	R
Executive director remuneration	Salary	Post retirement benefits	Bonus & Incentive Schemes
Current year			
D A Polkinghorne	2,866,201	378,374	3,373,090
SA Blades	2,001,032	347,523	2,152,870
	4,867,233	725,897	5,525,960
Prior year			
D A Polkinghorne	2,396,714	307,087	1,777,160
SA Blades	1,818,440	275,682	1,510,571
	4,215,154	582,769	3,287,731

The managing director has a service contract with a six month notice period and no predetermined compensation on termination.

	31 Dec 2013 R	31 Dec 2012 R
Directors' Emoluments		
Non-executive - directors fees	689,588	719,555
Executive - managerial services	10,393,193	7,502,885
Executive - post retirement benefits	725,897	582,769
	11,808,678	8,805,209
Non-executive - directors fees paid by the Company		
I A J Clark	123,928	112,673
J H Beare	202,578	133,123
W D Geach	131,086	119,163
I M Groves	202,578	184,173
M A Mun-Gavin	29,418	170,423
	689,588	719,555

Refer to Grindrod Limited annual financial statements for full disclosure on total remuneration paid by all Group companies to directors.

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	31 Dec 2013 R	31 Dec 2012 R
5. PROVISION FOR CREDIT LOSSES		
Increase/(decrease) in impairments against advances	1,412,581	(3,793,811)
Portfolio provision	3,200,574	1,565,668
Bad debts written off / (recovered)	5,556,856	5,358,185
	10,170,011	3,130,042

	31 Dec 2013 R	31 Dec 2012 R
6. TAXATION		
SA Normal taxation		
Current Tax	26,713,328	6,113,575
Deferred Tax	(8,806,206)	5,392,333
	17,907,122	11,505,908
Deferred Tax: Secondary Tax On Companies (STC)	-	4,673,520
Loan account contribution - current year	(118,408)	236,815
Additional tax on assessment	-	849,283
	17,788,714	17,265,526

RECONCILIATION OF RATE OF TAXATION	%	%
Standard rate	28.0	28.0
Additional tax on assessment	-	1.2
Loan account contribution	(0.1)	0.3
	27.9	29.5
Adjusted for:		
Dividends	(12.1)	(12.7)
Amortisation of residual beneficiary income stream	0.0	0.4
Lease premium	0.1	(0.3)
Other	0.1	0.2
STC credits	0.0	6.4
Effective rate	16.0	23.5

	31 Dec 2013 R	31 Dec 2012 R
7. PROPERTY AND EQUIPMENT		
Furniture, fittings, office vehicles and equipment		
Cost	9,023,976	2,655,572
Accumulated depreciation	(2,437,409)	(1,974,718)
	6,586,567	680,854
Computer software and hardware		
Cost	12,206,032	9,313,592
Accumulated depreciation	(8,069,735)	(7,060,650)
	4,136,297	2,252,942
Total assets	21,230,008	11,969,164
Total accumulated depreciation	(10,507,144)	(9,035,368)
	10,722,864	2,933,796

MOVEMENT IN PROPERTY AND EQUIPMENT	Furniture, fittings and office equipment	Computer software and hardware	Total
Net book value at beginning of year	680,854	2,252,942	2,933,796
Purchases	6,368,404	2,892,440	9,260,844
Depreciation	462,691	1,009,085	1,471,776
Net book value at end of year	6,586,567	4,136,297	10,722,864

	31 Dec 2013 R	31 Dec 2012 R
8. INVESTMENT IN SUBSIDIARIES		
Measured at cost		
Commerce Square Corporate Finance Proprietary Limited		
- wholly owned 462,298 shares of R1 each at cost	-	-
Grincap Proprietary Limited		
- wholly owned 2,600 shares of R1 each at cost	1	1
	1	1
Directors' valuation of subsidiaries (at cost)	1	1

	31 Dec 2013 R	31 Dec 2012 R
9. INVESTMENTS		
Investment banking portfolio		
Listed Equities		
Held at fair value through profit and loss using year end market closing prices		
Opening balance	205,200	319,200
Disposals	(163,960)	-
Fair value adjustments	(41,240)	(114,000)
Closing balance	-	205,200
Unlisted Investments		
Held at fair value through profit and loss using year end market prices provided by issuers		
Opening balance	33,516	33,516
Disposals	(15,207)	-
Closing balance	18,309	33,516
Valuation of Investments		
Listed, at market value		
Equities	-	205,200
	-	205,200
Portfolio analysis		
Investment portfolio	18,309	33,516
Trading portfolio	-	205,200
	18,309	238,716

The register of listed investments is available for inspection at the registered office of the company.

10. LOANS AND ADVANCES

	31 Dec 2013 R	31 Dec 2012 R
Loans and receivables	3,172,125,471	2,651,900,833
Designated at fair value through profit and loss using year end market related interest rate yield curves to discount expected future cash flows	175,604,238	210,083,681
	3,347,729,709	2,861,984,514
Loans and advances - companies and close corporations	2,573,727,688	2,256,888,897
Loans and advances - unincorporated businesses and other	314,633,710	283,181,556
Loans and advances - household	132,537,361	81,481,377
Preference shares	305,786,382	207,872,144
Interest accrued	25,731,157	21,292,759
Revaluation of loans designated at fair value through profit and loss	9,879,729	21,220,944
Less portfolio provision against advances	(12,753,737)	(9,553,163)
Less impairments against advances	(1,812,581)	(400,000)
	3,347,729,709	2,861,984,514
Maximum exposure to credit risk	3,362,296,027	2,871,937,677

Advances are made at market related rates of interest and are secured with various types of collateral such as cash, mortgage bonds, cession of leases, shares, discounted invoices, guarantees, suretyships. The book is considered to be well secured and impairments have been raised where impairment indicators exist.

	31 Dec 2013 R	31 Dec 2012 R
Contractual maturity analysis		
Maturity on demand	554,684,236	575,825,899
Maturing within one month	252,125,939	279,973,219
Maturing after one month but within three months	361,989,265	410,611,041
Maturing after three months but within six months	174,647,526	86,665,202
Maturing after six months but within one year	337,254,078	212,531,637
Maturing after one year but within three years	763,062,409	552,168,451
Maturing after three years but within five years	436,986,061	318,523,393
Maturing after five years but within ten years	373,148,696	347,810,328
Maturing after ten years	72,786,931	45,314,804
Interest accrued	25,731,157	21,292,759
Revaluation of loans held at fair value through profit and loss	9,879,729	21,220,944
Less portfolio provision against advances	(12,753,737)	(9,553,163)
Less impairments against advances	(1,812,581)	(400,000)
	3,347,729,709	2,861,984,514

The maturity analysis of advances is based on the remaining contractual periods to maturity from the statement of financial position date and does not take repayment profiles into account.

	31 Dec 2013 R	31 Dec 2012 R
Sectoral analysis		
Agriculture, hunting, forestry and fishing	35,074,366	46,958,056
Mining and quarrying	29,105,133	49,823,026
Manufacturing	208,280,767	216,285,563
Construction	-	17,151,556
Wholesale and retail trade, repair of specified items, hotels and restaurants	119,110,704	130,682,009
Transport, storage and communication	188,748,527	141,278,443
Financial intermediation and insurance	242,711,157	208,999,262
Real estate	1,432,204,276	1,208,618,820
Business services	130,669,143	98,534,894
Community, social and personal services	18,936,528	16,641,008
Private households	80,156,057	41,616,876
Other	875,486,788	694,948,164
Less portfolio provision against advances	(12,753,737)	(9,553,163)
	3,347,729,709	2,861,984,514
Geographical analysis		
South Africa	3,347,729,709	2,861,984,514
Other African countries	-	-
Included in advances are fixed rate loans held at fair value through profit and loss:		
Net book value of loans held at fair value through profit and loss	165,724,509	188,862,737
Revaluation of loans held at fair value through profit and loss	9,879,729	21,220,944
Fair value of loans held at fair value through profit and loss	175,604,238	210,083,681

The above loans and advances have been hedged with derivative instruments (see note 19).

	31 Dec 2013 R	31 Dec 2012 R
Revaluation of loans held at fair value through profit and loss		
Changes in fair value during the period attributable to changes in:		
Market risk	9,879,729	21,220,944
Related party loans and advances:		
Grindrod Group companies - advances	37,517,066	22,491,899
Directors (directly and indirectly)	89,330,664	2,710,616
	126,847,730	25,202,515

Loans are made to related parties on normal business terms and at market related rates of interest.

	31 Dec 2013	31 Dec 2012
	R	R
Analysis of impairments		
Impairments at the beginning of the year	400,000	4,193,812
Net increase/(decrease) in impairments	6,969,437	1,564,373
Written off against impairments	(5,556,856)	(5,358,185)
Impairments at the end of the year	1,812,581	400,000
Analysis of impaired or non-performing loans and advances		
Advances classified as special mention	65,885,622	60,774,100
Advances classified as sub-standard	16,109,460	4,156,058
Carrying amount of impaired advances	81,995,082	64,930,158
Collateral held against impaired or non-performing loans and advances	80,182,501	64,930,158
Age Analysis of impaired or non-performing loans and advances		
< 3 months overdue	8,007,484	27,582,428
6 - 12 months overdue	27,000,511	21,820,918
> 12 months overdue	46,987,087	15,526,812
	81,995,082	64,930,158
Sectoral analysis of impaired or non-performing loans and advances		
Agriculture, hunting, forestry and fishing	488,343	-
Manufacturing	10,354,883	-
Wholesale and retail trade, repair of specified items, hotels and restaurants	2,716,560	-
Real estate	60,353,567	47,446,852
Community, social and personal services	4,602,102	4,179,170
Other	3,479,627	13,304,136
	81,995,082	64,930,158
Geographical analysis of impaired or non-performing loans and advances		
South Africa	81,995,082	64,930,158
Other African countries	-	-

	31 Dec 2013 R	31 Dec 2012 R
11. OTHER ASSETS		
Loans and receivables measured at amortised cost	225,159,731	183,987,368
Present value recognised at inception and accreted on a straightline basis	48,927,907	37,671,453
	274,087,638	221,658,821
Accounts receivable	16,252,967	12,444,944
Fee debtors	257,834,671	209,213,877
	274,087,638	221,658,821
Maturity analysis of fee debtors		
Maturing within one year	187,037,046	112,705,075
Maturing after one year	70,797,625	96,508,802
	257,834,671	209,213,877
Included in fee debtors are amounts with contractually deferred receipt dates:		
Deferred fee debtors	160,501,421	144,752,431
Included in fee debtors are amounts due from related parties:		
Grindrod Bank subsidiaries	2,175,765	1,912,733
Grindrod Group companies	3,853,715	44,075
12. LIQUID ASSETS AND SHORT TERM NEGOTIABLE SECURITIES		
Held at fair value through profit and loss using year end market prices provided by issuers		
Money Market Investments	515,447,169	316,042,071
Preference shares	247,796,556	109,373,860
Statutory Liquid Assets		
SARB Debentures	281,188,543	200,962,407
	1,044,432,268	626,378,338

	31 Dec 2013 R	31 Dec 2012 R
13. CASH AND SHORT TERM FUNDS		
Measured at amortised cost		
Regulatory deposits with the S A Reserve Bank	136,894,000	90,090,000
Other deposits with the S A Reserve Bank	484,387,056	312,007,478
Current account balances	43,761,894	39,387,428
Interbank call deposits	3,997,747,993	1,834,227,052
	4,662,790,943	2,275,711,958

14. ORDINARY SHARE CAPITAL

Authorised		
150,000,000 (2012: 150,000,000) ordinary shares of 1 cent each	1,500,000	1,500,000
Issued		
65,000,002 (2012: 65,000,001) ordinary shares of 1 cent each	650,000	650,000

The directors do not have the authority to issue the remaining unissued shares unless a resolution is passed by the shareholders.

15. ORDINARY SHARE PREMIUM

Arising on the issue of 65,000,002 (2012: 65,000,002) ordinary shares of 1 cent each	247,929,000	247,929,000

16. PREFERENCE SHARE CAPITAL

Authorised		
120,000 (2012: 120,000) non-cumulative, non-redeemable, non-participating, non-convertible no par value shares		
Issued		
120,000 (2012: 120,000) non-cumulative, non-redeemable, non-participating, non-convertible no par value shares	120,000,000	120,000,000

Preference share dividends are payable bi-annually and are accrued at 88% of the prime rate of interest as quoted by First National Bank.

17. DEFERRED TAXATION

Temporary Differences	Deferred Tax Income/(Expense) R	31 Dec 2013 R	31 Dec 2012 R
Deferred Tax Asset/(Liability) on Equities	(70,224)	-	70,224
Deferred Tax Asset/(Liability) on Derivatives	(3,288,119)	2,618,287	5,906,406
Deferred Tax Asset/(Liability) on Loans designated at fair value through profit and loss	3,175,540	(2,766,324)	(5,941,864)
Deferred Tax Liability on Operating leases	552,440	714,394	161,954
Deferred Tax Asset on Portfolio provision	896,160	3,571,046	2,674,886
Deferred Tax Asset on Leave pay provision	170,775	1,090,296	919,521
Deferred Tax Asset/(Liability) on Income accruals	7,369,634	(15,879,479)	(23,249,113)
	8,806,206	(10,651,780)	(19,457,986)

ANALYSIS OF TEMPORARY DIFFERENCES

PRIOR YEAR	Carrying Amount	Tax Base	Temporary Differences
Equity mark-to-market	250,800	-	250,800
Derivative mark-to-market	21,094,306	-	21,094,306
Mark-to-market of loans designated at fair value through profit and loss	(21,220,944)	-	(21,220,944)
Operating leases	578,407	-	578,407
Portfolio provision	9,553,163	-	9,553,163
Leave pay provision	3,284,002	-	3,284,002
Income accruals	(83,032,542)	-	(83,032,542)
Balance at 1 January 2013	(69,492,808)	-	(69,492,808)
Deferred Tax Asset/(Liability) at 28%			(19,457,986)

CURRENT YEAR	Carrying Amount	Tax Base	Temporary Differences
Derivative mark-to-market	9,351,024	-	9,351,024
Mark-to-market of loans designated at fair value through profit and loss	(9,879,729)	-	(9,879,729)
Operating leases	2,551,406	-	2,551,406
Portfolio provision	12,753,737	-	12,753,737
Leave pay provision	3,893,914	-	3,893,914
Income accruals	(56,712,424)	-	(56,712,424)
Balance at 31 December 2013	(38,042,072)	-	(38,042,072)
Deferred Tax Asset/(Liability) at 28%			(10,651,780)

	31 Dec 2013 R	31 Dec 2012 R
18. DEPOSITS AND FUNDING INSTRUMENTS		
Measured at amortised cost		
Call deposits - corporate banking	1,807,701,831	1,340,545,932
Call deposits - retail banking	3,905,491,966	1,708,711,964
Notice and fixed deposits	805,929,770	571,606,799
Prime linked notice deposits	1,501,312,975	1,095,340,612
Preference share funding	79,200,000	98,500,000
Bond issue	500,000,000	500,000,000
Interest accrued	35,158,768	47,192,265
	8,634,795,310	5,361,897,572
Amounts owed to depositors	8,399,599,927	5,304,584,953
Amounts owed to banks	235,195,383	57,312,619
	8,634,795,310	5,361,897,572
Contractual maturity analysis		
Withdrawable on demand	5,713,193,797	3,049,257,896
Maturing within one month	261,535,128	147,752,535
Maturing after one month but within three months	1,301,229,048	1,070,350,535
Maturing after three months but within six months	567,051,174	400,600,651
Maturing after six months but within one year	224,156,805	48,243,690
Maturing after one year	532,470,590	598,500,000
Interest accrued	35,158,768	47,192,265
	8,634,795,310	5,361,897,572

The maturity analysis of deposits is based on their remaining contractual periods to maturity from the statement of financial position date.

DMTN Programme
The JSE listed 3 year bond was issued on 15 October 2012 and expires on 15 October 2015. Interest is payable quarterly and is linked to the three-month JIBAR rate plus a spread of 1.80%.

	31 Dec 2013 R	31 Dec 2012 R
Sectoral analysis		
Banks	235,195,383	57,312,619
Government and public sector	45,484,565	30,506,357
Individuals	4,752,068,282	2,162,183,419
Business sector and other	3,602,047,080	3,111,895,177
	8,634,795,310	5,361,897,572
Geographical analysis		
South Africa	8,634,795,310	5,361,897,572
Related party deposits:		
Grindrod Group	99,370,597	93,384,499
Grindrod Bank subsidiaries	78,164	78,246
Directors (directly and indirectly)	10,091,545	20,431,440

Deposits from related parties earn market related rates of interest

	31 Dec 2013 R	31 Dec 2012 R
19. DERIVATIVE INSTRUMENTS		
Fair valued through profit and loss using year end market related interest rate yield curves to discount expected future cash flows		
Interest rate swaps (market valuation)		
Mark-to-market (liability)	10,546,541	22,096,582
Mark-to-market (asset)	(347,725)	-
Net mark-to-market liability	10,198,816	22,096,582
Current year movements		
Mark-to-market (liability)	(11,550,041)	2,908,471
Mark-to-market (asset)	(347,725)	-
Net mark-to-market liability	(11,897,766)	2,908,471
Interest rate swaps (market valuation)		
Contracts hedging fixed rate loans and advances (note 10)	10,198,816	22,096,582
	10,198,816	22,096,582
Interest rate swaps (nominal value)		
Contracts with negative mark-to-market value (liability)	149,216,819	187,073,759
Contracts with positive mark-to-market value (asset)	14,960,200	-
	164,177,019	187,073,759

All derivatives are entered into either in terms of asset and liability management strategies, defined as hedging activities, or on a back-to-back basis.

The nominal amount disclosed represents the gross value of total outstanding contracts at the year end and will not reflect the amount receivable or payable under the contract. The nominal amount should be viewed only as a means of assessing the extent of involvement of the Company in derivative contracts.

20. OTHER LIABILITIES

	31 Dec 2013 R	31 Dec 2012 R
Measured at amortised cost		
Accounts payable	26,422,015	20,321,145
Leave pay provision	3,893,914	3,284,001
Bonus provision	26,865,328	22,084,994
Cash-settled share based payments	18,921,751	10,186,833
Forfeitable share plan	846,490	311,865
Preference share dividends payable	4,524,888	2,786,225
	81,474,386	58,975,063
Analysis of provisions		
Provisions at the beginning of the year	35,867,693	31,495,289
Utilised or reversed during year	(21,376,473)	(21,274,797)
New provision raised	36,036,263	25,647,201
Provisions at the end of the year	50,527,483	35,867,693
Related party accounts payable:	2,362,405	202,541
Cash-settled share based payments The Company has offered share appreciation rights linked to the growth in value of Grindrod Financial Holdings Limited and GFS Holdings Proprietary Limited. In terms of the plan participants are allocated notional shares at an approved allocation price and the Company is required to pay a share appreciation bonus equal to the difference between the fair market value and the allocation price of the shares to the participant at each vesting date. The share appreciation rights vest in equal tranches after 3, 4 and 5 years. An employee's right to participate in the scheme terminates upon leaving the employment of the Company.	18,921,751	10,186,833

The fair market value of shares are determined using the greater of:
the combined net asset values of the Grindrod Financial Holdings Limited and GFS Holdings Proprietary Limited; or
approximately seven times the combined sustainable after tax profits of Grindrod Financial Holdings Limited and GFS Holdings Proprietary Limited for the latest year in respect of which annual financial statements have been issued.
The fair market value per share takes into account shares in issue and notional shares in respect of dividends that have been recapitalised into the Company.

	31 Dec 2013 R	31 Dec 2012 R

21. FINANCIAL INSTRUMENT FAIR VALUE HIERARCHY

	Total	Level 1	Level 2	Level 3
31 Dec 2013				
Assets				
Unlisted investments	18,309	-	-	18,309
Loans and receivables	175,604,238	-	175,604,238	-
	175,622,547	-	175,604,238	18,309
Liabilities				
Derivative instruments	10,198,816	-	10,198,816	-
	10,198,816	-	10,198,816	-
31 Dec 2012				
Assets				
Listed equities	205,200	205,200	-	-
Unlisted investments	33,516	-	-	33,516
Loans and receivables	210,083,681	-	210,083,681	-
	210,322,397	205,200	210,083,681	33,516
Liabilities				
Derivative instruments	22,096,582	-	22,096,582	-
	22,096,582	-	22,096,582	-

There were no transfers between the levels during the year.
Refer to note 9 for movement in the level 3 financial assets and a description of the valuation processes used by the entity.
Level 1 = quoted prices in active markets for identical assets / liabilities
Level 2 = inputs other than quoted prices that are observable either directly or indirectly
Level 3 = inputs for the asset or liability that are not based on observable market data

22. COMMITMENTS AND GUARANTEES

	31 Dec 2013 R	31 Dec 2012 R
Financing guarantees	55,695,929	179,798,522

Financing guarantees are provided where lending facilities have been approved and all the terms and conditions of the loan have been met.

Irrevocable unutilised facilities	163,540,904	108,800,858

Irrevocable unutilised facilities are approved lending facilities which cannot be unconditionally withdrawn, prior to facility expiry, by the Company.

Maximum exposure to credit risk	219,236,833	288,599,380
Related party guarantees:		
Grindrod Group companies - guarantees	31,000,700	66,390,919

	31 Dec 2013	31 Dec 2012
	R	R

23. RETIREMENT BENEFIT INFORMATION

Contributions to provident fund	6,782,333	7,024,129

The company contributes to the Grindrod Provident Fund and the Grindrod Unicorn Provident Fund, defined contribution plans. The funds are registered under and governed by the Pension Funds Act, 1956.

As at 31 December 2013 102 employees (2012:87 employees) of the company were members of either the Grindrod Provident Fund or Grindrod Unicorn Provident Fund.

The company does not have any obligation to provide post retirement medical aid benefits.

24. ORDINARY DIVIDENDS DECLARED AND PAID

Dividends declared/paid	14,426,000	41,682,000
Total ordinary dividend	14,426,000	41,682,000

	Cents per share	Cents per share
Dividend No. 33	-	19.194
Dividend No. 34	-	33.968
Dividend No. 35	-	10.965
Dividend No. 36	22.194	-
Total Dividend	22.194	64.127

GRINDROD BANK LIMITED
CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL
31 December 2013

The directors are responsible for ensuring Company's system of internal control and risk management, which includes internal financial control, provides reasonable assurance against material misstatement and loss.

The Company maintains internal financial controls which provide reasonable assurance as to the integrity and reliability of the financial statements and to safeguard, verify and maintain accountability of the Company's assets.

The system of internal control includes an organisational structure and reasonable division of responsibilities, with defined limits of authority, together with established policies and procedures, including a code of conduct to foster a strong ethical climate. The system of internal control is strengthened through the careful selection, retention, training and development of our employees.

Procedures are in place to identify key business risks timeously and to determine their likelihood and impact on the business. These procedures include the functioning of the following committees:

Bank executive committee
Credit risk committee
Asset and liability committee
Audit and compliance committee
Risk and capital management committee
Directors affairs committee
Remuneration committee

The internal audit function has the objective of assisting executive management and the audit committee in the discharge of their responsibilities. This includes monitoring the effectiveness of the accounting system and related internal financial controls on a continuing basis. The internal audit function performs a critical examination of the integrity and reliability of the financial and operating information for management and reports its findings and its recommendations to management and the audit committee.

The Audit and Compliance Committee of the board of directors meets regularly with management, the internal auditors and external auditors, to review specific accounting, reporting and internal control matters, and to satisfy itself that the system of internal control and risk management is operating effectively. Both the internal auditor and the external auditors have access to the audit committee. The committee also reviews the annual results of the Company prior to approval by the board of directors.

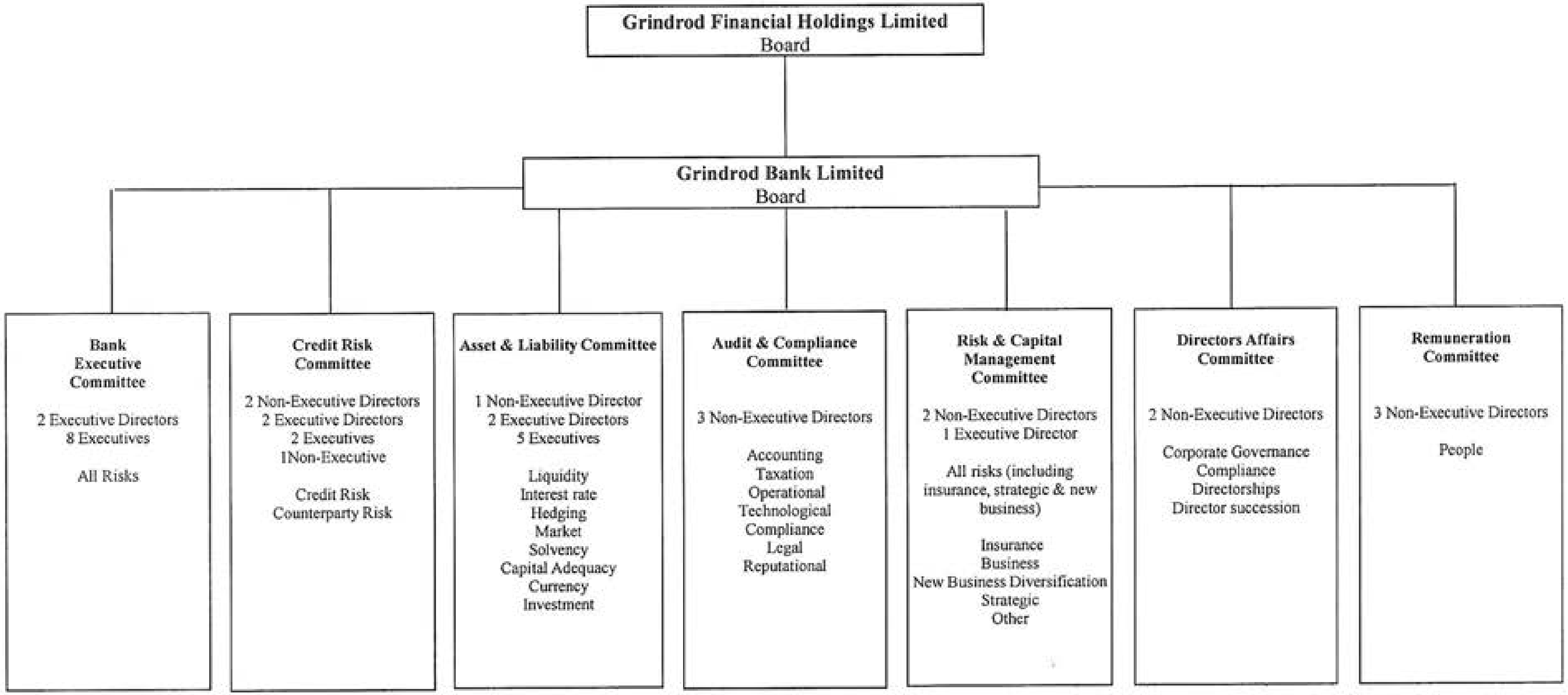
The compliance function is an independent function within the Company which is responsible for monitoring regulatory and reputational risk processes.

The Company has adopted an employment equity policy that promotes equal opportunity and fair treatment in the workplace. Reports have been submitted in accordance with the Employment Equity Act No.55 of 1998.

Nothing has come to the attention of the board of directors to indicate any material break down, as defined by the board of directors, in the functioning of the system of internal controls during the year ended 31 December 2013.

The directors, having made the necessary enquiries, have no reason to believe that Grindrod Bank Limited will not be a going concern in the year ahead.

GRINDROD BANK LIMITED
RISK MANAGEMENT FRAMEWORK
31 December 2013



CREDIT COMMITTEE

Credit Risk

The risk of financial loss resulting from failure of a counterparty to an asset, for any reason, to fully honour its financial and contractual obligations.

Credit Risk Management

Sound credit risk management involves prudently managing the risk and reward relationship and controlling and minimising credit risks across a variety of dimensions, such as quality, concentration, maturity and security. The Credit Committee is responsible for ensuring that credit approval processes are stringent and for monitoring large exposures, associated exposures, sectoral exposure and any irregular or problem loans.

Maximum exposure to credit risk

Maximum exposure to credit risk at the year end is stated before taking into account any collateral or other credit enhancement and after taking in account impairments and netting where applicable. For financial assets recognised on the statement of financial position the maximum exposure to credit risk equals the carrying amount as per the coresponding note. For financial commitments and guarantees the maximum credit risk is the maximum amount the company would have to pay to perform in terms of the commitment.

Definitions

Past Due

Exposures are considered past due where the facility has expired and the Bank is not considering renewal of the facility or where expected cashflows on the facility are more than one month in arrear. Past due exposures are considered impaired and a specific impairment is raised based on the carrying amount less the expected realisable value of the security held, but as a minimum the impairment is equivalent to any regulatory requirement.

Impaired Exposure

Advances are assessed for indicators of impairment and impairments are accounted for when there is objective evidence that the estimated future cash flows from the investment have been negatively impacted by events occurring subsequent to initial recognition. The amount of the impairment is the difference been the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Advances considered to be irrecoverable are written off to the extent that the loss can be reliably measured.

The Bank has had a low default and bad debt history and as a result does not have adequate internal statistics for the calculation of a portfolio impairment.

Credit Risk Mitigation

The Bank does not have material netting arrangements.

The Bank values property assets on an cyclical basis using a desk-top approach and physical valuations are performed where appropriate or necessary. The value of listed assets is tracked on an on-going basis and unlisted investments and other security assets are valued periodically where possible.

The Bank actively manages and monitors risk concentrations resulting from credit mitigation activities and these tend to arise where guarantees have been taken in addition to other classes of security. The Bank tends to deal with small to medium size corporates and guarantees and suretyships tend to come from similar types of entities.

Counterparty Risk

The risk that a counterparty to a transaction fails to perform in terms of the contract resulting in a potential cost to replace the cash flow or the risk that a counterparty fails to honour an undertaking for payment or delivery in terms of unsettled transactions.

The Bank is extremely cautious when selecting counterparties to transactions and formal limits are established for counterparties to asset or hedging transactions.

The Bank does not hold collateral for interest rate swaps all which have been entered into with the major South African Banks.

The Bank has adopted the Basel III simplified standardised approach for the measurement of it's exposure to credit risk.

Concentration Risk

The risk of an uneven distribution of loans and advances to individual borrowers, industries or services sectors and geographical regions which could result in significant credit losses.

GRINDROD BANK LIMITED
RISK MANAGEMENT
31 December 2013

ASSET AND LIABILITY COMMITTEE (ALCO)

Liquidity Risk

In the banking environment liquidity risk may be defined as the risk of a bank not being able to repay its maturing deposits or meet its obligations under a loan agreement. Liquidity risk in a bank includes the risk of incurring excessively high interest costs or being forced to sell assets at a loss in order to meet obligations.

Liquidity Risk Management
The Bank has a prudent liquidity management policy and the Asset & Liability Committee (ALCO) is responsible for monitoring the stability of funding, surplus cash or near cash assets, anticipated cash outflows, exposure to large depositors and exposure to connected parties. The Bank is exposed to a maturity mismatch due to the duration of the lending book when compared against the duration of the funding book. The Bank has been well served by its prudent liquidity management policy, the stability of its deposit base and the high quality of the advances book. The Bank intends to continue to adopt a conservative liquidity policy in the future.

Contractual maturity analysis

31 Dec 2013	< 3 months R	> 3 months < 6 months R	> 6 months < 1 year R	> 1 year < 5 years R	> 5 years R	Non-contractual R	Total R
Liabilities							
Derivative Instruments	-	-	-	7,247,640	2,951,176	-	10,198,816
Deposits	7,311,116,741	567,051,174	224,156,805	532,470,590	-	-	8,634,795,310
Other liabilities	-	-	-	-	-	81,474,386	81,474,386
Taxation	-	-	-	-	-	16,525,474	16,525,474
	7,311,116,741	**567,051,174**	**224,156,805**	**539,718,230**	**2,951,176**	**97,999,860**	**8,742,993,986**
Operating lease commitments	1,705,005	1,682,015	3,454,628	15,921,569	-	-	22,763,217
Financing guarantees	55,695,929	-	-	-	-	-	55,695,929
Irrevocable unutilised facilities	163,540,904	-	-	-	-	-	163,540,904
	7,532,058,579	**568,733,189**	**227,611,433**	**555,639,799**	**2,951,176**	**97,999,860**	**8,984,994,036**

31 Dec 2012	< 3 months	> 3 months < 6 months	> 6 months < 1 year	> 1 year < 5 years	> 5 years	Non-contractual	Total
Liabilities							
Derivative Instruments	1,002,276	-	-	13,807,942	7,286,364	-	22,096,582
Deposits	4,314,553,231	400,600,651	48,243,690	598,500,000	-	-	5,361,897,572
Other liabilities	-	-	-	-	-	58,975,062	58,975,062
Taxation	-	-	-	-	-	19,677,849	19,677,849
	4,315,555,507	**400,600,651**	**48,243,690**	**612,307,942**	**7,286,364**	**78,652,911**	**5,462,647,065**
Operating lease commitments	1,654,353	1,475,959	2,323,309	7,760,287	-	-	13,213,908
Financing guarantees	179,798,522	-	-	-	-	-	179,798,522
Irrevocable unutilised facilities	108,800,858	-	-	-	-	-	108,800,858
	4,605,809,240	**402,076,610**	**50,566,999**	**620,068,229**	**7,286,364**	**78,652,911**	**5,764,460,353**

The liquidity gap is prepared on a contractual maturity basis.

GRINDROD BANK LIMITED
RISK MANAGEMENT
31 December 2013

Interest Rate Risk
The risk that fluctuating interest rates will unfavourably affect a financial institution's earnings and the value of its assets, liabilities and capital. The risk is due to assets and liabilities maturing or repricing at different times, or against different base rates. The amount at risk is a function of the magnitude and direction of interest rate changes, and the size and maturity structure of the mismatch position.

Interest Rate Risk Management

Traditional gap analysis is used to measure interest rate exposure. The Bank has a conservative policy on interest rate risk arising from gapping and the duration of this exposure is limited to three months for material aggregated positions or hedged using derivative instruments. The static interest rate gap report is prepared monthly for review by the Asset and Liability Committee (ALCO) and the model assumes each asset class will reprice in full in the relevant repricing timeband.

Interest Rate Repricing Gap

31 Dec 2013	< 3 months R	> 3 months < 6 months R	> 6 months < 1 year R	> 1 year < 5 years R	> 5 years R	Non-rate sensitive R	Total R
Assets	8,889,228,413	-	-	107,110,227	58,614,281	284,828,811	9,339,781,732
Equity and liabilities	(7,321,315,557)	(567,051,174)	(224,156,805)	(532,470,590)	-	(694,787,606)	(9,339,781,732)
Interest rate hedging activities	164,177,019	-	-	(106,298,057)	(57,878,963)	-	(0)
Repricing profile	1,732,089,875	(567,051,174)	(224,156,805)	(531,658,420)	735,318	(409,958,795)	-
Cummulative repricing profile	1,732,089,875	1,165,038,701	940,881,896	409,223,477	409,958,795	-	
Expressed as a percentage of total assets	18.5%	12.5%	10.1%	4.4%	4.4%		

31 Dec 2012	< 3 months	> 3 months < 6 months	> 6 months < 1 year	> 1 year < 5 years	> 5 years	Non-rate sensitive	Total
Assets	5,575,212,074	-	-	122,593,559	66,269,178	224,831,334	5,988,906,145
Equity and liabilities	(4,336,649,813)	(400,600,651)	(48,243,690)	(598,500,000)	-	(604,911,991)	(5,988,906,145)
Interest rate hedging activities	187,073,759	-	-	(121,709,910)	(65,363,849)	-	-
Repricing profile	1,425,636,020	(400,600,651)	(48,243,690)	(597,616,351)	905,329	(380,080,657)	-
Cummulative repricing profile	1,425,636,020	1,025,035,369	976,791,679	379,175,328	380,080,657	-	
Expressed as a percentage of total assets	23.8%	17.1%	16.3%	6.3%	6.3%		

Interest Income Sensitivity

31 Dec 2013	< 3 months R	> 3 months < 6 months R	> 6 months < 1 year R	Cumulative impact on net interest income R
2% interest rate increase	4,814,000	4,674,000	10,659,000	20,147,000
2% interest rate decrease	(4,767,000)	(4,572,000)	(10,176,000)	(19,515,000)
31 Dec 2012				
2% interest rate increase	3,260,000	4,218,000	9,769,000	17,247,000
2% interest rate decrease	(3,230,000)	(4,149,000)	(9,456,000)	(16,835,000)

Hedging
Hedging is a technique used to reduce risk by simultaneously entering into a transaction to be hedged and a transaction with equivalent characteristics in terms of size, duration and interest rate but with opposite financial effect.

All fixed rate transactions are required to be hedged, either within the book or synthetically with derivative instruments, whenever a 1% parallel shift in the yield curve could result in a loss exceeding the amounts specified in the policy matrix (maximum loss tolerance R200,000).

GRINDROD BANK LIMITED
RISK MANAGEMENT
31 December 2013

Market Risk (Position Risk)
The risk that the market price of an asset may change, resulting in a loss on realisation of that asset.

The Bank is not a trading bank and does not have any regulatory market risk. Where marketable securities are held as investments the market prices are monitored and reports are tabled at the monthly Asset and Liability Committee (ALCO) meetings.

Investment Risk
The risk that investment values may fluctuate due to changes in market prices or investment specific factors (e.g global influences, business cycle, industry, management, reputational issues).

Equity Investment Risk
Listed investments are recognised on a settlement date basis and are initially measured at cost, including transaction costs, and are remeasured to fair value through profit and loss using market closing prices at each subsequent reporting date. Unlisted investments are measured at amortised cost.

All unrealised gains/(losses) are recognised in the statement of profit or loss and other comprehensive income and included in the equity of the Bank.

Unlisted equity investments tend to be yield enhancing investments with an interest rate linked to prime or money market rates.

Sensitivity analysis	31 Dec 2013	31 Dec 2012
	R	R
10% increase in listed equity prices	-	20,520
10% decrease in listed equity prices	-	(20,520)

The Bank has adopted the Basel III standardised approach for the measurement of it's exposure to equity risk.

Currency Risk
The risk that changes in exchange rates will have a negative impact on profitability due to a mismatch between foreign receivables and foreign payables.

All foreign currency exposures are approved and monitored by the Asset and Liability Committee.

	31 Dec 2013	31 Dec 2012
	R	R
Foreign currency exposure	-	-
Sensitivity analysis		
10% increase in listed equity prices		
10% decrease in listed equity prices		

GRINDROD BANK LIMITED
RISK MANAGEMENT
31 December 2013

Solvency Risk

Capital Adequacy

The risk that a bank will not have adequate capital and reserve funds to absorb losses, resulting in depositors having to absorb these losses and losing confidence in the bank and/or the banking sector.

		31 Dec 2013	31 Dec 2012
		R	R
Ordinary share capital	*Common Equity Tier I capital*	650,000	650,000
Ordinary share premium	*Common Equity Tier I capital*	247,929,000	247,929,000
Preference share capital	*Additional Tier I capital*	120,000,000	120,000,000
		368,579,000	**368,579,000**
Distributable reserves - formally appropriated	*Common Equity Tier I capital*	217,379,963	133,455,000
Distributable reserves - unappropriated		10,828,783	24,225,080
Total Equity		**596,787,746**	**526,259,080**
Less: Retained earnings (unappropriated)		(10,828,783)	(24,225,080)
Prescribed deductions against capital and reserve funds		(160,000)	(218,000)
Total qualifying tier 1 capital and reserve funds		**585,798,963**	**501,816,000**
Tier 2 capital and unimpaired reserve funds			
General allowance for credit impairment	*Tier 2 capital*	9,182,691	6,878,277
Total qualifying capital and reserve funds		**594,981,654**	**508,694,277**
Risk weighted exposure		4,538,709,500	3,790,816,900
Minimum required capital and reserve funds		442,524,176	369,604,648
Tier 1 Capital Adequacy Ratio		12.91%	13.24%
Total Capital Adequacy Ratio		13.11%	13.42%
Minimum regulatory capital adequacy ratio		9.50%	9.50%
Additional bank specific regulatory capital requirement		0.25%	0.25%
		9.75%	9.75%

The Bank has complied with the minimum regulatory capital requirement at all times during the period.

Capital Management

The Bank projects balance sheet growth on a monthly basis in order to assess liquidity and capital adequacy. The shareholders of the Bank have undertaken to inject capital as required in order to grow the banking business and to ensure that a prudent risk asset ratio is maintained.

Retained earnings appropriation

The Bank intends appropriating earnings retained after dividend distributions as required to ensure minimum capital levels are maintained.

Dividend policy

The Bank has a biannual dividend payment policy of 3.2 times cover (31.25%). Dividends will only be distributed where moderate stress forecasting indicates no capital shortfall or where unappropriated reserves adequately cover dividends and any capital appropriation required to restore capital levels.

No specific items that are subject to rapid or material change have been identified at this stage.

Restrictions or other major impediments on the transfer of funds or qualifying capital within the banking group

The only restriction on the transfer of funds or qualifying capital is in terms of the Banks Act.

AUDIT AND COMPLIANCE COMMITTEE

Accounting Risk
The risk that inappropriate accounting policies are adopted and/or decisions are based on inappropriate accounting information resulting in inadequate returns or loss.

Taxation Risk
The risk of loss to a company as a result of inappropriate tax planning and strategy, new tax legislation or non-compliance with or incorrect interpretation and application of taxation legislation.

Operational Risk
The risk that internal practices, policies and systems are not rigorous or sophisticated enough to cope with adverse market conditions or human or technological errors.
Including:
- error, negligence or fraud
- failure to correctly measure or report risk
- lack of controls to prevent unauthorised or inappropriate transactions being made
- lack of understanding by key staff

It is the responsibility of management and ultimately the Audit and Compliance Committee to assess operational procedures and controls and to ensure the adequacy thereof. Management are assisted by internal audit in this regard.

The Bank has adopted the Basel III basic indicator approach for the measurement of it's exposure to operational risk.

Technological Risk
The risk of loss or fraud due to inadequate system controls or systems failure. Technological risk is also the risk that business processes become inefficient and less competitive due to out-dated or inappropriate technology.

A comprehensive disaster recovery plan is in place for the Bank. Technological upgrade is seen to be an ongoing process.

Legal Risk
The risk of loss to a company as a result of non-compliance with laws and regulations or the risk that a counterparty to a transaction will not be liable to meet its obligations under law.

Compliance Risk
The risk that a company does not comply with applicable laws and regulations or supervisory requirements.

The compliance function is an independent function within the Bank which is responsible for monitoring regulatory and reputational risk processes.

Reputational Risk
The risk that an activity, action or stance performed or taken by the company, its officials or associates will impair its image and/or the long-term trust placed in the organisation by its stakeholders, resulting in the loss of business and/or legal action.

RISK AND CAPITAL MANAGEMENT COMMITTEE

The Risk and Capital Management Committee is responsible for identifying all risks to which the Bank is exposed and for ensuring the risks are adequately managed and monitored.

Insurance Risk
The risk of loss to a company as a result of inadequate insurance cover for insurable business risks.

New Business Risk
The risk of new business generating low returns or losses due to inadequate assessment of strategic, pricing, regulatory, legal, tax, accounting and any other relevant risks.

Diversification Risk
The risk of loss and process failure due to inadequate business synergies and resources to support new products and businesses.

Strategic Risk

The risk to earnings and capital arising from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment with respect to: the economy (business cycle); the political landscape; law and regulation; technology; social mores; and the actions of competitors.

DIRECTORS AFFAIRS COMMITTEE

The Directors Affairs Committee is responsible for identifying all corporate governance and directorship risks to which the Bank is exposed and for ensuring the risks are adequately managed and monitored.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for identifying all people related risks to which the Bank is exposed and for ensuring the risks are adequately managed and monitored.

The Remuneration Committee meets twice per annum and its primary function is to
- ensure market-related remuneration packages are paid to both management and other personnel within the Bank
- review criteria for measurement of key executives performance
- review short-term incentives that reward executive directors and management for achieving targets and/or exceptional performance
- review long-term share incentive schemes that serve as a retention and motivational mechanism for management and align them with shareholders' interests
- review and recommend fees payable to non-executive directors

No material changes were made to the Bank's remuneration policy during the past year. The Bank has a relatively flat reporting structure with very little diversification in terms of remuneration practices.

Risk and compliance staff do not have specific incentive schemes linked to the performance of the business however they do share in the general incentive/bonus pool should there be one and they may be granted share options.

No employees of the Bank are considered to be material risk takers and the main business areas of the Bank are:
- Corporate Banking
- Treasury (activities limited to deposit taking and investment of surplus liquidity)
- Corporate Finance
- Retail Banking

Incentive schemes
At this stage no clawbacks or long term performance measures exist. The share option schemes have a deferal mechanism as a result of the vesting periods and are forfeited on resignation or dismissal from the Bank.

Variable Incentive Schemes
All employees who have performed according to predetermined criteria are incentivised if such a pool is justified and created. Variable incentive schemes for key executives are linked to key performance areas with metrics that vary between executives depending on their area of responsibility.
Material key performancce areas and risks accounted for when implementing remuneration measures are
- Business profitability
- Divisional profitability
- Credit risk and bad debts
- Adequacy of liquidity
- New business generation
- Compliance with FICA and other applicable regulations
- BEE criteria
- Risk management
- Implementation and maintenance of internal controls

Not all of the measures are quantifiable and variable incentive payments have a subjective element. There has been no significant change to the approach over the past year.

Share incentive schemes
The issue of share options is subjective and seen as a retention scheme and employees are exposed to share price volatility.

Cash-settled share based payments
The Company has offered two types of share appreciation rights linked to the growth in value of
- Grindrod Limited
- Grindrod Financial Holdings Limited and GFS Holdings Proprietary Limited

In terms of the plans participants are allocated notional shares at an approved allocation price and the Company is required to pay a share appreciation bonus equal to the difference between the fair market value and the allocation price of the shares to the participant at each vesting date. The share appreciation rights vest in equal tranches after 3, 4 and 5 years. An employee's right to participate in the scheme terminates upon leaving the employment of the Bank.

Forfeitable share plan
In terms of the FSP, the participants are entitled to receive dividends paid and to vote in respect of the shares awarded. However, the forfeitable shares cannot be disposed of or otherwise encumbered and they are also subject to a risk of forfeiture until the delivery date. The shares vest in three equal tranches ending on 31 May 2015, 31 May 2016 and 31 May 2017 respectively. For the delivery conditions to be met the participants are required to remain employed by the group until the vesting date. There are no performance criteria in the vesting conditions. Employees terminating employment due to resignation or dismissal on grounds of misconduct, proven poor performance or proven dishonest or fraudulent conduct will be classified as bad leavers and will forfeit all unvested awards.