GRINDROD BANK LIMITED
ADDITIONAL PUBLIC DISCLOSURE REQUIREMENTS IN TERMS OF REGULATION 43 (2)
30 June 2012

Bank controlling company: Grindrod Financial Holdings Limited

Entities within the group:	**Interest held**	
Commerce Square Corporate Finance (Pty) Ltd	100	*(i)*
Grincap (Pty) Ltd	100	*(i)*

(i) fully consolidated
(ii) pro-rata consolidated
(iii) subject to a deduction approach
(iv) surplus capital is recognised as qualifying capital and reserve funds
(v) neither consolidated nor deducted, that is, the bank's investment in the entity is risk-weighted

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.

Financial performance	**Grindrod Bank Limited**
Income Statement (key regulatory items)	**R'000**
Net Interest Income	39,952
Net fee and commission income	20,421
Operating expenses	54,401
Profit / (loss) for the year	8,879
Return on qualifying primary share capital and reserve funds	4.43

Financial position	
Balance Sheet (regulatory)	**R'000**
Cash and balances with central bank	956,366
Short term negotiable securities	331,179
Loans and advances to customers	3,024,677
Investment and trading securities	216
Other assets	219,353
TOTAL ASSETS	**4,531,791**
Deposits, current accounts and other creditors	4,042,889
Total equity	419,653
Other liabilities	69,249
TOTAL EQUITY AND LIABILITIES	**4,531,791**

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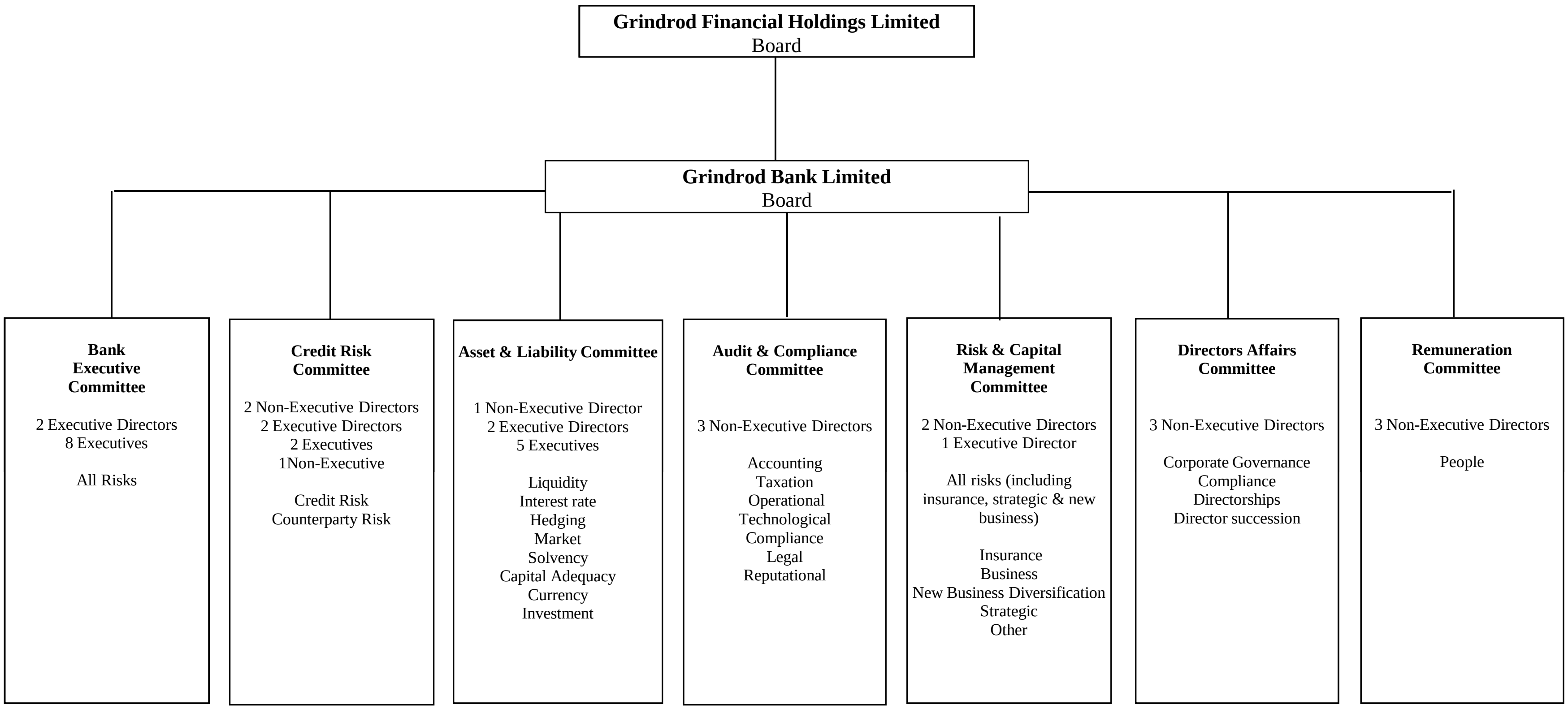
TYPES OF RISK TO WHICH THE BANK IS EXPOSED
30 June 2012



GRINDROD BANK

ASSET AND LIABILITY COMMITTEE (ALCO)

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.

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.

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

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.

The Bank has a prudent liquidity management policy and the liquidity position of the Bank is monitored daily. 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. To date 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.

	1 month	**3 months**	**6 months**	**12 months**
	R'000	**R'000**	**R'000**	**R'000**
Cumulative contractual maturity of liabilities	2,426,882	3,889,598	3,986,710	3,993,201
Cumulative BaU liability mismatch	1,299,692	1,580,519	1,594,751	1,595,698

Liquidity	
Liquid assets held (including regulatory assets)	**R'000**
Mandatory reserve deposits with central bank	79,830
Other balances with central bank	876,536
Short term negotiable securities	331,179
Amounts owing by banks, branches and mutual banks in the Republic (including loans granted in terms of resale agreements)	500,561

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.

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 Income Sensitivity - 12 month cumulative impact on net interest	**R'000**
2% interest rate increase	12,556
2% interest rate decrease	-12,308

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.

Hedging thresholds exist for fixed rate transactions with a duration in excess of three months to ensure potential losses that could arise due to a 1% parallel shift in the yield curve are limited.

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.

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.

	R'000
Equities - listed	182
Equities - unlisted	34
Cumulative realised gain/(loss) on sales during the reporting period	-

All unrealised gains/(losses) are recognised in the income statement and included in primary capital and reserve funds of the Bank.

Unlisted equity investments tend to be yield enhancing investments.

Sensitivity analysis	**R'000**
10% increase in listed equity prices	18
10% decrease in listed equity prices	-18

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.

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 Policy
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.

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

Credit Risk Mitigation
The Bank does not have material netting arrangements.

The Bank values property assets on an annual basis using a desk-top approach and physical valuation 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.

Credit Risk Analysis	**R'000**
Gross Credit exposure (after setoff but before credit risk mitigation)	4,004,713
Average gross exposure during the reporting period	***4,004,713***
Corporate	-
SME corporate	2,831,644
Public sector entities	-
Local government and municipalities	-
Sovereign (including central government and central bank)	331,179
Banks	819,704
Securities firms	-
Residential mortgage advances	22,186
Retail revolving credit	-
SME retail (total of items 32 and 33)	-
Retail – other	-
Securitisation exposure	-

	Average gross exposure during the reporting period **R'000**	***Impaired Loans*** **R'000**	***Past due loans*** **R'000**	***specific credit impairment*** **R'000**	***portfolio credit impairment***
Geographical distribution					
South Africa	4,029,690	4,395	65,347	4,395	-
Exposure by Industry					
Agriculture, hunting, forestry and fishing	39,255	-	-	-	-
Mining and quarrying	22,299	-	-	-	-
Manufacturing	294,535	-	-	-	-
Electricity, gas and water supply	-	-	-	-	-
Construction	10,090	-	-	-	-
Wholesale and retail trade, repair of specified items, hotels and restaurants	208,907	-	-	-	-
Transport, storage and communication	47,381	-	-	-	-
Financial intermediation and insurance	1,050,799	-	6,559	-	-
Real estate	1,117,788	1,815	48,539	1,815	-
Business services	116,467	-	-	-	-
Community, social and personal services	15,851	-	4,005	-	-
Private households	50,787	-	1,206	-	-
Other	1,055,531	2,580	5,038	2,580	-
	4,029,690	**4,395**	**65,347**	**4,395**	**-**

	Gross Credit exposure	Less than 6 months	More than 6 months to 1 year	More than 1 year	Non contractual
Contractual maturity profile of advances	**3,034,522**	1,703,827	198,521	1,132,174	409

	Specific credit impairment	*Portfolio credit impairment*
Credit impairments: balance at beginning of period	4,362	7,987
Income statement charge	33	-
Amounts written off against credit impairments	-	-
Acquisition / disposal of subsidiary	-	-
Credit impairments: balance at end of period	4,395	7,987

Counterparty Credit 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.

OTC interest rate swaps used to hedge fixed rate loans	**R'000**
Notional gross amounts relating to underlying asset	180,485
Gross positive fair value	-
EAD	1,440

The Bank does not hold collateral for interest rate swap positions.

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 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.

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

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.

The compliance function is an independent function within the Company 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 Company 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 Company 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 Company is exposed and for ensuring the risks are adequately managed and monitored.