GRINDROD BANK LIMITED
Registration No. 1994/007994/06

AUDITED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2017

THE POWER OF HUMAN CAPITAL

GRINDROD BANK LIMITED
ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2017

INDEX

CERTIFICATE BY COMPANY SECRETARY

GFS Holdings Proprietary Limited, in its capacity as Company Secretary for 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 for the year ended 31 December 2017 have been lodged with the Registrar of Companies and that all such returns are true, correct and up to date.

GFS Holdings Proprietary Limited
(Company Secretary)
28 March 2018

GRINDROD BANK LIMITED
ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2017

DIRECTORS' RESPONSIBILITY AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS
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 and the requirements of the Companies Act of South Africa. The Company's independent external auditors, Deloitte & Touche, have audited the financial statements and their report appears on pages 3 - 7.

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 IV Report effective for financial years commencing from 1 October 2017, refer to page 39 Corporate Governance, Risk Management And Internal Control for additional commentary. 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 8 - 48 were approved by the board of directors on 28 March 2018, and are signed on their behalf by:-

D A Polkinghorne
DIRECTOR

Deloitte.

PO Box 243
Durban 4000
South Africa

Deloitte & Touche
Registered Auditors
Audit & Assurance - KZN
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2 Pencarrow Crescent
Pencarrow Park
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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF GRINDROD BANK LIMITED

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Grindrod Bank Limited (the "Company") set out on pages 11 to 38 and 41 to 44, which comprise the statement of financial position as at 31 December 2017, 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 to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in the audit
Impairment against advances	
Significant judgement is required by the Directors in assessing the impairment against advances. Impairment amounting to R3 669 496 against an advances balance of R6 946 183 920, disclosed in note 10 to the financial statements, represents the shortfall between the present value of future expected cash flows, discounted at the original effective interest rate, and the carrying value of the advance in respect of loans that exhibit indicators of impairment. The significant judgements applied in determining the impairment included: • the expected realisable value of the collateral securing the advance; and • the probability that an advance will result in a loss. Accordingly, impairment against advances is considered a key audit matter.	In evaluating the impairment against advances, we assessed the significant judgements applied by the Directors and our audit procedures included the following: • Examining on a sample basis the appraised fair value of the collateral securing impaired advances. • Considering the qualitative factors that indicate impairment including the amount in arrears, period in arrears and the financial strength of the borrower. • Reviewing the impairment calculation and assessing the adequacy of the impairment raised based on the expected realisable value of collateral and the qualitative factors described above. • Considering the Directors' credit control processes to identify impaired advances and testing of relevant key controls in the process. • Testing the design and implementation of the key control relating to the review of the impairment against advances. We found that the judgements applied in determining impairment against advances were appropriate and that the amount raised was reasonable.
Portfolio provision against advances	
Significant judgement is required by the Directors in assessing the portfolio provision against advances. A portfolio provision of R30 540 015 per note 10 to the financial statements is raised against advances of R6 946 183 920 in respect of macroeconomic factors that may impact expected future cash flows. The significant judgements applied in determining the portfolio provision calculation included: • the average size of credit exposures; • the average expected loss on default; and • the average number of potential loss accounts at any point in time. Accordingly, portfolio provision against advances is considered a key audit matter.	In evaluating the portfolio provision against advances, we reviewed the provision calculations prepared by the Directors, with a particular focus on assessing the consistency; relevance and accuracy of the average size of credit exposures, the average expected loss on default, and the average number of potential loss accounts at any point in time. Additional procedures performed included the following: • Assessing the accuracy of the calculation of the portfolio provision and the appropriateness of the provisioning methodology. • Performing a retrospective review of prior year impairments compared to the prior year provision raised against advances. • Testing the design and implementation of the key control relating to the review of the portfolio provision against advances. We found that the judgements applied in determining the portfolio provision were conservative and that the amount raised was reasonable.

Key audit matter	How the matter was addressed in the audit
Fee income	
Significant judgement is applied by the Directors in determining whether fees earned are in respect of services already performed where the fee can be recognised upfront; or whether the fees should be deferred over the average life of the loans in accordance with IAS 18 Revenue ("IAS 18"). Fee income amounting to R183 636 401 disclosed in note 3 to the financial statements relates to: • Fees earned in respect of loan origination which are deferred and recognised using the effective interest rate method in accordance with IAS 18. • Fees earned on execution of a significant act, which are recognised on completion of the significant act in accordance with IAS 18. Accordingly, the determination of fee income is considered a key audit matter.	In evaluating the accounting treatment of fee income in accordance with IAS 18, our procedures included the following: • Inspecting the underlying loan facility agreements on a sample basis to establish the purpose of the fee earned and whether it relates to the origination of a related loan facility or execution of a significant act. • Assessing whether the fee should be recognised upfront or deferred over the average life of the loan in accordance with IAS 18. • On a sample basis, recalculating the deferral of fee income based on the average life of the loan book. • Testing the design and implementation of the key control relating to the review of the fee income schedule. We found the accounting treatment of fee income to be in line with IAS 18.

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report, Audit and Compliance Committee Report the Certificate by Company Secretary as required by the Companies Act of South Africa, and the Corporate Governance, Risk Management and Internal Control report, which we obtained prior to the date of this report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT (continued)
TO THE SHAREHOLDER OF GRINDROD BANK LIMITED

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and 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.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit and Compliance Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT (continued)
TO THE SHAREHOLDER OF GRINDROD BANK LIMITED

We also provide the Audit and Compliance Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Compliance Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Grindrod Bank Limited for 23 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per: Gavin Kruger CA (SA), RA
Partner
03 April 2018

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 of South Africa and Section 64A of the Banks Act.

The committee has adopted formal terms of reference that have 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:

W D Geach	(Chairman)
J H Beare	
R S M Ndlovu	
Z N Malinga	(appointed 24 April 2017)

Two meetings were held during the year and the committee met formally with the South African Reserve Bank.

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 of South Africa, 2008. Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to

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 Gavin Kruger as the designated auditor responsible for performing the functions of auditor for the 2018 year.

The committee has satisfied itself that the finacial director has the appropriate expertise and experience and that the finance function is effective. The 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 commiittee reviewed and concurred with the key audit matters as reported by the external auditor. The committee recommends and supports the report of the board of directors to the South African Reserve Bank confirming the status of internal controls.

WD Geach
Audit And Compliance Committee Chairman
28 March 2018

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 2017.

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 paid and accrued are disclosed in the statement of changes in equity.

DIRECTORS

At 31 December 2017, and the date of this report, the board of directors comprised the following:

Name	**Gender**	**Position**	
M J Hankinson	M	Chairman	(appointed 22 September 2017)
A K Olivier	M	Chairman	(resigned 31 July 2017)
D A Polkinghorne	M	Managing Director	
S A Blades	M	Executive Director	
J H Beare	M	Non Executive Director	
W D Geach	M	Non Executive Director	
Z N Malinga	F	Non Executive Director	(appointed 24 April 2017)
R S M Ndlovu	M	Non Executive Director	
B Ntuli	F	Non Executive Director	
S P Scott	F	Chief Financial Officer	
P J Uys	M	Non Executive Director	

COMPANY SECRETARY

GFS Holdings 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)

AUDITORS
Deloitte & Touche

PREPARER OF ANNUAL FINANCIAL STATEMENTS
Susan Scott, Head of Finance & Administration

REGISTERED OFFICE
Company, its holding company and its subsidiaries
5 Arundel Close, Kingsmead Office Park, Durban, 4001
Ultimate holding company producing group consolidated annual financial statements
Grindrod Mews, 106 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 2017

	Notes	31 Dec 2017 R	31 Dec 2016 R
Interest income	1	940,167,732	782,221,343
Interest expense	2	(652,151,517)	(542,664,752)
NET INTEREST INCOME		288,016,215	239,556,591
Other operating income	3	192,809,751	181,885,218
Operating expenditure	4	(249,487,213)	(213,227,817)
Provision for credit losses	5	(5,894,001)	(10,504,059)
PROFIT BEFORE TAXATION		225,444,752	197,709,933
Taxation	6	(37,669,119)	(24,358,170)
PROFIT AFTER TAXATION		187,775,633	173,351,763
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		187,775,633	173,351,763

GRINDROD BANK LIMITED
STATEMENT OF FINANCIAL POSITION
At 31 December 2017

	Notes	31 Dec 2017 R	31 Dec 2016 R
ASSETS			
PROPERTY AND EQUIPMENT	7	10,150,863	11,697,890
INVESTMENT IN SUBSIDIARIES	8	1	1
LOANS AND ADVANCES	10	6,911,974,409	5,601,949,759
OTHER ASSETS	11	340,448,225	318,150,226
LIQUID ASSETS AND SHORT TERM NEGOTIABLE SECURITIES	12	1,763,875,170	1,801,065,264
CASH AND SHORT TERM FUNDS	13	7,653,106,603	7,423,728,329
TOTAL ASSETS		16,679,555,271	15,156,591,469
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	285,000,000	235,000,000
Distributable reserves		689,684,115	555,657,104
TOTAL EQUITY		1,223,263,115	1,039,236,104
DEFERRED TAXATION	17	6,804,887	5,080,805
DEPOSITS AND FUNDING INSTRUMENTS	18	15,319,301,415	13,994,542,152
DERIVATIVE INSTRUMENTS	19	18,939,404	10,521,451
OTHER LIABILITIES	20	107,294,479	104,819,631
TAXATION		3,951,971	2,391,326
TOTAL EQUITY AND LIABILITIES		16,679,555,271	15,156,591,469

GRINDROD BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

	Notes	Ordinary Share Capital R	Ordinary Share Premium R	Preference Share Capital R	Distributable Reserves R	Total R
Balance at 31 December 2015		650,000	247,929,000	185,000,000	402,031,897	835,610,897
Total comprehensive income for the year		-	-	-	173,351,763	173,351,763
Preference share dividends		-	-	-	(19,726,556)	(19,726,556)
Issue of preference share capital	16	-	-	50,000,000	-	50,000,000
Balance at 31 December 2016		650,000	247,929,000	235,000,000	555,657,104	1,039,236,104
Total comprehensive income for the year		-	-	-	187,775,633	187,775,633
Ordinary dividends declared and paid	24	-	-	-	(32,131,000)	(32,131,000)
Preference share dividends		-	-	-	(21,617,622)	(21,617,622)
Issue of preference share capital	16	-	-	50,000,000	-	50,000,000
Balance at 31 December 2017		650,000	247,929,000	285,000,000	689,684,115	1,223,263,115

Issue of share capital *10,000 non-cumulative, non-redeemable, non-participating, non-convertible no par value shares - issued December 2017*	50,000,000

GRINDROD BANK LIMITED
STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

	Notes	31 Dec 2017 R	31 Dec 2016 R
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES			
Interest income		940,167,732	782,221,343
Interest expense		(652,151,517)	(542,664,752)
Fee and other income		170,961,792	179,437,069
Cash payments to employees and suppliers		(241,670,791)	(194,470,554)
Cash generated from / (utilised in) operations	A	217,307,216	224,523,106
(Increase)/decrease in operating assets:			
Proceeds on sale of securities and equities		-	18,307
Loans and advances to customers		(1,307,950,738)	(927,725,026)
Deposits held for regulatory purposes		(414,018,162)	2,113,620
Other short term negotiable securities		379,333,256	(733,267,376)
Increase/(decrease) in operating liabilities:			
Deposits from customers		1,324,759,263	3,693,985,171
Dividends paid - ordinary shares		(32,131,000)	-
Dividends paid - preference shares		(21,714,000)	(16,598,065)
Normal tax paid		(34,384,392)	(23,383,163)
Net cash inflow/(outflow) from operating activities		111,201,443	2,219,666,574
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(3,698,169)	(5,414,147)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES			
Issue of preference share capital		50,000,000	50,000,000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		157,503,274	2,264,252,427
Cash and cash equivalents at the beginning of the year		7,254,510,329	4,990,257,902
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	B	7,412,013,603	7,254,510,329

GRINDROD BANK LIMITED
NOTES TO THE STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

		Notes	31 Dec 2017 R	31 Dec 2016 R
A.	RECONCILIATION OF NET PROFIT BEFORE TAXATION TO CASH (UTILISED) / GENERATED FROM OPERATIONS			
	Profit/(loss) before taxation		225,444,752	197,709,933
	Adjusted for:			
	Unrealised (profit)/loss on derivatives		8,417,953	13,948,349
	Unrealised (profit)/loss on loans designated as at fair value		(7,967,913)	(12,287,602)
	Depreciation		5,245,196	5,179,931
	Bad debts written off/(recovered)		-	(83,024)
	Increase/(decrease) in impairments against advances		3,050,529	1,019,659
	Increase/(decrease) in portfolio provision against advances		2,843,472	9,567,425
	Operating profit before working capital changes		237,033,989	215,054,671
	Working capital changes			
	(Increase)/decrease in accounts receivable		(10,052,227)	(3,971,139)
	(Increase)/decrease in fee debtors		(12,245,772)	(137,758)
	Increase/(decrease) in accounts payable		2,571,226	13,577,332
	Cash generated from/(utilised by) operations		217,307,216	224,523,106
B.	RECONCILIATION OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			
	Cash and short term funds at the end of the year	13	7,653,106,603	7,423,728,329
	Deposits held with SARB for regulatory purposes	13	(241,093,000)	(169,218,000)
	Cash and cash equivalents		7,412,013,603	7,254,510,329
	Cash and cash equivalents comprise:			
	Current account balances		3,609,686,610	4,156,379,155
	Interbank deposits		3,802,326,993	3,098,131,174
			7,412,013,603	7,254,510,329

GRINDROD BANK LIMITED
ACCOUNTING POLICIES
For the year ended 31 December 2017

The annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council 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.

These financial statements are separate financial statements prepared in accordance with IAS27 - Separate Financial Statements. Separate consolidated financial statements are prepared by the Company. The company's ultimate holding company, Grindrod Limited, operating from Durban, South Africa, prepares consolidated financial statements for public use that comply with International Financial Reporting Standards. Those consolidated financial statements are obtainable from Grindrod Limited's website, www.grindrod.co.za.

At the date of authorisation of the financial statements the following applicable standards were in issue but not yet effective:

Annual Improvements to IFRS Standards 2014–2016 Cycle

The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018.

IFRS 9 - Financial Instruments: Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition - Applies to annual periods beginning on or after 1 January 2018

Under the current business model financial assets are measured at amortised cost, that is held to collect the contractual cash flows rather than held to realise fair value gains. Certain assets are designated at FVTPL under the fair value option. No change is anticipated for initial recognition of either assets or liabilities. An impairment model has been designed to quantify expected losses where the credit risk of a financial instrument has increased significantly since initial recognition. The adjustment to the portfolio provision, to meet the estimated stage 1 provision on implemetation of IFRS 9, is not expected to exceed R5m. The stage 2 & 3 provisioning levels are not expected to differ from the current specific provision level.

IFRS 9 (Amendments) - Prepayment Features with Negative Compensation

The amendments are expected to have a limited impact which has not yet been fully quantified.

IFRS 15 - Revenue from contracts with customers - Applies to annual periods beginning on or after 1 January 2018

The recognition of revenue from contracts with customers is not expected to differ materially with the implementation of IFRS 15.

IFRS 16 - Leases - Applies to annual periods beginning on or after 1 January 2019

The recognition of right-of-use assets (subject to depreciation) and the corresponding lease liabilities, representing the obligation to make lease payments, are not expected to materially impact retained earnings at inception or profitability in subsequent years. Based on existing leases, the initial impact on profitability is estimated at less than R1m.

IFRIC 23 Uncertainty over Income Tax Treatments - Applies to annual periods beginning on or after 1 January 2019

The directors do not anticipate early adoption of applicable standards and interpretations. The latter are expected to have an impact on the future financial statements of the Company but this has not yet been fully quantified. The Standards and Amendments adopted in the current year have had no material impact on the financial statements of the Company.

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

Due to the nature of its operations the Company is not managed or internally structured for management reporting purposes on a segmented basis and as a result no segmental information has been provided.

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. Key areas where judgement has been used to determine valuations include specific impairments, portfolio provisioning and share based incentive schemes.

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

1. 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 or 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 sale/repurchase 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 held 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.

2. Investments

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

3. Loans and advances

Loans and 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 economically hedged are designated held at fair value through profit and loss and are remeasured to fair value through the statement of profit or loss 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.

Significant areas of judgement relate to the probablility of default resulting in a loss and the expected realisable value of security held against impaired loans.

Impairments
Loans and advances are assessed for indicators of impairment which include signs of liquidity and servicing problems, difficulty in obtaining financial data, collateral deterioration, adverse economic or industry specific trends, adverse management changes or litigation issues. Impairments are accounted for through profit and loss when there is objective evidence that the estimated future cash flows from the asset(s) have been negatively impacted by events occurring subsequent to initial recognition. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cashflow estimates are sensitive to interest rate and specific business risk changes. Loans and 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 asset 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 the reporting date. In raising the provision the Company uses judgement relating to the impact of macro economic factors on the portfolio geographically, by industry and product group taking into consideration concentration risk and interest rate risk.

4. 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.

5. 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 or loss using market prices at each subsequent reporting date.

6. Property and equipment

Fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is accounted for through profit and loss and 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	6
Motor vehicles	4
Computers and computer hardware	3

7. Intangible assets

Intangible assets are recognised at cost less accumulated amortisation and any impairment. Amortisation is accounted for through profit and loss and 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.

Computer software is amortised over a 3 year period

8. 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.

9. 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.

10. 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.

11. Cash/share settled share based incentive schemes

Share appreciation rights granted to employees for services 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. Judgement in relation to leavers from the schemes is used in the valuations.

12. Retirement benefits

Current contributions to the defined contribution retirement benefit plans are the current service costs and are charged in profit or loss as incurred.

13. 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.

14. 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.

15. 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.

16. Impairment

The carrying amounts of tangible and intangible assets are assessed at each reporting date to determine whether any assets are impaired. Where there is evidence of impairment the asset value is written down to the recoverable 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 reversal is recognised in profit or loss for the period.

17. Taxation

The charge for current taxation is based on the results for the year as adjusted for income that is exempt and expenses that are not deductible using tax rates that are applicable to taxable income.

Deferred taxation is recognised in profit or loss except when it relates to items credited or charged directly to equity, in which case it is also recognised in equity.

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 2017	31 Dec 2016
	R	R
1. INTEREST INCOME		
Loans and receivables (effective interest method)	887,338,553	740,625,940
Loans held at fair value through profit or loss	52,829,179	41,595,403
	940,167,732	782,221,343
Advances	558,681,991	439,996,212
Preference share dividends, advances portfolio	91,775,056	89,195,674
Balances at banks and short term funds	236,378,068	209,909,472
Other short term securities	50,222,198	40,312,162
Preference share dividends, negotiable securities portfolio	8,746,668	7,696,354
Interest income received\(paid) on derivative hedges	(5,636,249)	(4,888,531)
	940,167,732	782,221,343
Interest income from related parties:		
Grindrod Group companies	16,807,918	15,265,172
Directors and key management personnel (directly and indirectly)	1,321,260	1,104,766
	18,129,178	16,369,938
Interest income on impaired loans	5,236,855	5,618,196

Refer to note 3 for details of other income regarded as interest in terms of IFRS.

	31 Dec 2017	31 Dec 2016
2. INTEREST EXPENSE		
Calculated using the effective interest method		
Call deposits - corporate banking	255,060,967	228,870,349
Call deposits - retail banking	51,766,907	47,620,681
Notice and fixed deposits	243,217,764	123,657,219
Prime linked notice deposits	56,039,268	115,656,403
Preference share funding	20,961,554	8,675,245
Bond issue	21,607,494	14,951,430
Funding guarantee fees	3,497,562	3,233,425
	652,151,516	542,664,752
Interest paid to related parties:		
Grindrod Group companies	4,871,061	17,612,123
Directors (directly and indirectly)	1,134,078	681,247
Guarantee fees paid to related parties:		
Grindrod Group companies	3,497,562	3,233,425

	31 Dec 2017	31 Dec 2016
	R	R
3. OTHER OPERATING INCOME		
Fee income		
Retail Banking	85,838,448	81,182,932
Corporate Banking	28,203,744	16,593,355
Corporate Banking (property)	63,476,004	41,294,858
Loan origination fees deferred #	(45,637,399)	(23,749,192)
Loan origination fees recognised over the average life of the loan #	32,217,621	20,922,481
Fee debtor accretion #	4,074,949	2,787,943
Corporate Finance	6,134,213	10,000,916
Other banking related	6,879,159	11,132,859
Dividends received - other preference share	2,449,662	10,032,916
Residual beneficiary distribution	9,432,374	12,810,537
Mark-to-market of derivatives #	(8,226,937)	(13,411,989)
Mark-to-market of loans held at fair value through profit or loss #	7,967,913	12,287,602
	192,809,751	181,885,218

Other income has been disclosed in its legal form and the items annotated with # are regarded as interest on financial instruments ito IFRS.

Included in fee income are fees from related parties:		
Grindrod Bank subsidiaries	186,698	266,464
Grindrod Group companies	848,497	13,436,703

	31 Dec 2017	31 Dec 2016
	R	R
4. OPERATING EXPENDITURE		
Auditors remuneration		
- audit fees	2,888,997	1,962,035
- other services	-	90,000
Internal audit - non Deloitte professional service providers	-	562,784
Banking and transactional related costs	6,604,523	6,355,815
Computer related costs	20,882,542	16,882,941
Depreciation and amortisation	5,245,196	5,179,931
Legal and professional fees	3,134,431	4,758,460
Marketing	10,905,447	8,984,836
Premises		
- rental	10,077,368	9,143,325
- other premises related costs	7,118,705	4,506,659
Staff expenses		
- salaries	116,289,145	97,141,415
- incentive schemes	27,782,837	30,632,433
- forfeitable share plan and cash-settled share based schemes	13,039,497	4,572,339
- sign-on, retention and severance payments	1,441,600	-
- other	1,077,348	1,040,131
Travel	4,154,668	3,585,801
Other expenses	12,733,986	11,461,738
Indirect taxation	6,110,923	6,367,174
	249,487,213	213,227,817
Related party operating expenditure:		
Grindrod Group companies	24,190,159	21,358,387
Included in staff expenses:		
Key executive management remuneration (13 staff members, 2016:10)		
Managerial services - salaries	22,340,620	18,043,468
Managerial services - incentive schemes	15,307,940	12,961,809
Managerial services - cash-settled share based payments	8,705,605	6,205,516
Sign-on, retention and severance payments	1,441,600	-
Post retirement benefits	2,897,445	2,734,924
	50,693,210	39,945,717

			31 Dec 2017	31 Dec 2016
			R	R
Executive director remuneration	Salary	Post retirement benefits	Sign-on, retention and severance payments	Bonus & Incentive Schemes
Current year				
D A Polkinghorne	3,831,035	314,473	1,441,600	4,962,170
S A Blades	2,800,298	323,458	-	5,203,215
S P Scott	1,872,725	227,275	-	3,516,088
	8,504,058	865,206	1,441,600	13,681,473
Prior year				
D A Polkinghorne	3,519,118	353,971	-	3,824,095
S A Blades	2,560,751	349,822	-	2,714,731
S P Scott	1,731,568	211,230	-	1,953,367
	7,811,437	915,023	-	8,492,193

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

	31 Dec 2017	31 Dec 2016
Directors' Emoluments		
Non-executive - directors fees	1,156,453	1,142,210
Executive - managerial services	23,627,131	16,303,631
Executive - post retirement benefits	865,206	915,023
	25,648,790	18,360,864
Non-executive director emoluments paid by the Company:		
J H Beare	332,583	466,976
W D Geach	258,997	293,945
Z N Malinga	130,373	-
R S M Ndlovu *	310,500	177,080
T Nyoka (previously Fubu)	-	77,907
P J Uys *	124,000	126,302
	1,156,453	1,142,210
Director emoluments paid by the Grindrod Group, inclusive of the Company:		
Executive directors		
M J Hankinson	9,790,000	-
A K Olivier	5,108,000	9,404,000
B Ntuli	7,011,000	4,924,000
Non-executive directors		
J H Beare	332,583	466,976
W D Geach	666,000	561,000
Z N Malinga	477,000	46,000
R S M Ndlovu *	593,000	247,000
T Nyoka (previously Fubu)	-	178,000
P J Uys *	824,000	493,000
	24,801,583	16,319,976

* Fees ceded to Remgro Limited

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

GRINDROD BANK LIMITED
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2017

	31 Dec 2017	31 Dec 2016
	R	R
5. PROVISION FOR CREDIT LOSSES		
Increase/(decrease) in impairments against advances	3,050,529	1,019,659
Increase/(decrease) in portfolio provision	2,843,472	9,567,424
Bad debts written off/(recovered)	-	(83,024)
	5,894,001	10,504,059

	31 Dec 2017	31 Dec 2016
6. TAXATION		
SA Normal taxation		
Current Tax	35,945,037	20,314,774
Deferred Tax	1,724,082	4,043,396
	37,669,119	24,358,170
RECONCILIATION OF RATE OF TAXATION	%	%
Standard rate	28.0	28.0
Dividends	(11.4)	(15.7)
Other	0.1	0.0
Effective rate	16.7	12.3

7. PROPERTY AND EQUIPMENT

	31 Dec 2017 R	31 Dec 2016 R
Furniture, fittings, office equipment and motor vehicles		
Cost	12,349,328	9,905,007
Accumulated depreciation	(7,307,527)	(5,809,589)
	5,041,801	4,095,418
Computer software		
Cost	3,673,710	3,673,710
Accumulated depreciation/amortisation	(3,661,333)	(3,628,711)
	12,377	44,999
Computers and computer hardware		
Cost	20,885,815	19,631,967
Accumulated depreciation	(15,789,130)	(12,074,494)
	5,096,685	7,557,473
Total assets	36,908,853	33,210,684
Total accumulated depreciation	(26,757,990)	(21,512,794)
	10,150,863	11,697,890

MOVEMENT IN PROPERTY AND EQUIPMENT

	Furniture, fittings, office equipment and motor vehicles	Computer software	Computers and computer hardware	Total
Current year				
Net book value at beginning of year	4,095,418	44,999	7,557,473	11,697,890
Purchases	2,444,321	-	1,253,848	3,698,169
Depreciation/amortisation	1,497,938	32,622	3,714,636	5,245,196
Net book value at end of year	5,041,801	12,377	5,096,685	10,150,863
Prior year				
Net book value at beginning of year	5,370,163	142,865	5,950,646	11,463,674
Purchases	90,070	-	5,324,077	5,414,147
Depreciation/amortisation	1,364,815	97,866	3,717,250	5,179,931
Net book value at end of year	4,095,418	44,999	7,557,473	11,697,890

	31 Dec 2017 R	31 Dec 2016 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

	31 Dec 2017 R	31 Dec 2016 R
9. INVESTMENTS		
Unlisted Investments		
Held at fair value through profit or loss using year end market prices		
Opening balance	-	18,309
Disposals	-	(18,309)
Closing balance	-	-

10. LOANS AND ADVANCES

	31 Dec 2017 R	31 Dec 2016 R
At amortised cost	6,242,945,625	5,019,965,613
Designated at fair value through profit or loss using year end market related interest rate yield curves to discount expected future cash flows	669,028,784	581,984,146
	6,911,974,409	5,601,949,759

Loans and advances - companies and close corporations	5,228,813,335	4,282,707,108
Loans and advances - unincorporated businesses and other	535,838,464	238,313,546
Loans and advances - household	90,394,649	95,890,375
Preference shares	1,012,022,880	964,620,184
Interest accrued	61,871,478	50,476,747
Revaluation of loans designated at fair value through profit or loss	17,243,114	9,275,201
Less portfolio provision against advances	(30,540,015)	(27,696,543)
Less impairments against advances	(3,669,496)	(11,636,859)
	6,911,974,409	5,601,949,759

Maximum exposure to credit risk	6,946,183,920	5,641,283,161

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 and suretyships. The book is considered to be well secured and impairments have been raised where impairment indicators exist. The carrying value of loans at amortised cost approximates fair value.

Contractual maturity analysis

Maturity on demand	788,827,012	772,068,403
Maturing within one month	1,005,667,270	346,425,734
Maturing after one month but within three months	236,165,723	359,647,277
Maturing after three months but within six months	420,329,293	95,654,661
Maturing after six months but within one year	370,729,956	466,136,591
Maturing after one year but within three years	1,395,410,486	1,537,603,314
Maturing after three years but within five years	1,614,120,068	1,253,725,700
Maturing after five years but within ten years	979,826,420	670,204,196
Maturing after ten years	55,993,100	80,065,337
Interest accrued	61,871,478	50,476,747
Revaluation of loans held at fair value through profit or loss	17,243,114	9,275,201
Less portfolio provision against advances	(30,540,015)	(27,696,543)
Less impairments against advances	(3,669,496)	(11,636,859)
	6,911,974,409	5,601,949,759

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.

Refer to the loans and advances policy for critical judgements and key sources of measurement uncertainty in determining impairments and the portfolio provision against advances.

	31 Dec 2017 R	31 Dec 2016 R
Sectoral analysis		
Agriculture, hunting, forestry and fishing	75,831,396	32,052,068
Mining and quarrying	29,148,116	29,154,272
Manufacturing	228,339,747	239,758,516
Construction	39,325,654	39,465,695
Wholesale and retail trade, repair of specified items, hotels and restaurants	248,030,864	130,347,435
Transport, storage and communication	302,483,597	154,796,085
Financial intermediation and insurance	190,360,855	275,494,478
Real estate	3,002,039,166	2,588,423,430
Business services	186,682,423	129,238,502
Community, social and personal services	33,050,314	298,123
Private households	71,800,810	87,137,229
Other	2,535,421,482	1,923,480,469
Less portfolio provision against advances	(30,540,015)	(27,696,543)
	6,911,974,409	5,601,949,759
Geographical analysis		
South Africa	6,911,974,409	5,601,949,759
Included in advances are fixed rate loans held at fair value through profit or loss:		
Nominal value of loans held at fair value through profit or loss	651,785,670	572,708,945
Revaluation of loans held at fair value through profit or loss	17,243,114	9,275,201
Fair value of loans held at fair value through profit or loss	669,028,784	581,984,146

The above loans and advances have been hedged with derivative instruments and may include forward start fixed rate loans (see note 19).

	31 Dec 2017 R	31 Dec 2016 R
Revaluation of loans held at fair value through profit or loss		
Changes in fair value during the period attributable to changes in:		
Market risk	17,243,114	9,275,201
Related party loans and advances:		
Grindrod Group companies - advances	251,744,973	183,290,434
Directors and key management personnel (directly and indirectly)	14,150,297	11,742,789
	265,895,270	195,033,223

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

	31 Dec 2017 R	31 Dec 2016 R
Analysis of portfolio provision		
Provision at the beginning of the year	27,696,543	18,129,119
Net increase/(decrease) in provision	2,843,472	9,567,424
Provision at the end of the year	30,540,015	27,696,543

GRINDROD BANK LIMITED
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2017

	31 Dec 2017	31 Dec 2016
	R	R
Analysis of impairments		
Impairments at the beginning of the year	11,636,859	10,617,200
Net increase/(decrease) in impairments	3,050,529	1,019,659
Written off against impairments	(11,017,892)	-
Impairments at the end of the year	3,669,496	11,636,859
Analysis of classified, impaired or non-performing loans and advances		
Advances classified as special mention	35,113,955	257,997,407
Advances classified as sub-standard	10,421,939	13,584,170
Advances displaying significant weakness	39,051,936	6,404,404
Carrying amount of impaired advances	84,587,830	277,985,981
Collateral held against impaired or non-performing loans and advances	80,918,335	266,349,122
Age Analysis of classified, impaired or non-performing loans and advances		
Current	-	2,732,917
< 3 months overdue	-	169,640,802
3 - 6 months overdue	-	-
6 - 12 months overdue	13,677,239	6,446,196
> 12 months overdue	70,910,591	99,166,066
	84,587,830	277,985,981
Sectoral analysis of classified, impaired or non-performing loans and advances		
Agriculture, hunting, forestry and fishing	-	562,222
Manufacturing	-	24,068,736
Wholesale and retail trade, repair of specified items, hotels and restaurants	13,677,239	-
Real estate	23,223,293	194,680,467
Private households	269,998	285,349
Other	47,417,300	58,389,207
	84,587,830	277,985,981
Geographical analysis of classified, impaired or non-performing loans and advances		
South Africa	84,587,830	277,985,981

	31 Dec 2017	31 Dec 2016
	R	R
11. OTHER ASSETS		
Debtors measured at amortised cost	308,047,058	277,824,008
Present value recognised at inception and accreted on a straightline basis	32,401,167	40,326,218
	340,448,225	318,150,226
Sundry debtors	29,730,892	19,678,665
Fee debtors	310,717,333	298,471,561
	340,448,225	318,150,226
The carrying value of other assets approximates fair value.		
Maturity analysis of fee debtors		
Maturing within one year	201,573,505	188,854,186
Maturing after one year	109,143,828	109,617,375
	310,717,333	298,471,561
Included in fee debtors are amounts with contractually deferred receipt dates:		
Deferred fee debtors	203,209,644	184,617,375
Included in fee debtors are amounts due from related parties, including overhead recoveries:		
Grindrod Bank subsidiaries	1,082,210	1,735,513
Grindrod Group companies	7,353,671	8,018,348

12. LIQUID ASSETS AND SHORT TERM NEGOTIABLE SECURITIES

	31 Dec 2017	31 Dec 2016
Held at fair value through profit or loss using year end market prices		
Measured at amortised cost		
Money Market Investments	820,068,253	1,083,724,658
Preference shares	33,491,218	149,168,069
Statutory Liquid Assets at amortised cost		
Treasury bills	910,315,699	517,734,593
SARB Debentures	-	50,437,944
	1,763,875,170	1,801,065,264

The carrying value of liquid assets and short term negotiable securities approximates fair value.

	31 Dec 2017	31 Dec 2016
	R	R
13. CASH AND SHORT TERM FUNDS		
Measured at amortised cost		
Regulatory deposits with the S A Reserve Bank	241,093,000	169,218,000
Other deposits with the S A Reserve Bank	3,609,686,610	4,156,379,155
Interbank deposits	3,802,326,993	3,098,131,174
	7,653,106,603	7,423,728,329
14. ORDINARY SHARE CAPITAL		
Authorised		
500,000,000 (2016: 150,000,000) ordinary shares of 1 cent each	1,500,000	1,500,000
Issued		
65,000,002 (2016: 65,000,002) 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.

	31 Dec 2017	31 Dec 2016
15. ORDINARY SHARE PREMIUM		
Arising on the issue of 65,000,002 (2016: 65,000,002) ordinary shares of 1 cent each	247,929,000	247,929,000
16. PREFERENCE SHARE CAPITAL		
Authorised		
750,000 (2016: 250,000) non-cumulative, non-redeemable, non-participating, non-convertible par value shares of 1 cent each		
Issued		
245,000 (2016: 235,000) non-cumulative, non-redeemable, non-participating, non-convertible par value shares of 1 cent each	285,000,000	235,000,000

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

The preference shares qualify as additional tier 1 regulatory capital in terms of The Banks Act and accordingly shall, at the discretion of the relevant authority, be written off upon the occurrence of a “trigger event” rendering the Bank non-viable, as envisaged in Regulations 38 (13)(b)(i) and Guidance Note 7/2013 (paragraphs 2, 4 and 6).

17. DEFERRED TAXATION

Temporary Differences	Deferred Tax Income/(Expense) R	31 Dec 2017 R	31 Dec 2016 R
Deferred Tax Asset on Portfolio provision	796,172	8,551,204	7,755,032
Deferred Tax Asset on Leave pay provision	323,571	1,854,854	1,531,283
Deferred Tax Asset on Bonus/Incentive provisions	(1,572,226)	15,782,820	17,355,046
Deferred Tax Asset/(Liability) on Income accruals	(1,271,599)	(32,993,765)	(31,722,166)
	(1,724,082)	(6,804,887)	(5,080,805)

ANALYSIS OF TEMPORARY DIFFERENCES

CURRENT YEAR	Carrying Amount	Tax Base	Temporary Differences
Portfolio provision	30,540,016	-	30,540,016
Leave pay provision	6,624,477	-	6,624,477
Bonus/Incentive scheme provisions	56,367,214	-	56,367,214
Income & sundry accruals	(117,834,875)	-	(117,834,875)
Balance at 31 December 2017	(24,303,168)	-	(24,303,168)
Deferred Tax Asset/(Liability) at 28%			(6,804,887)

PRIOR YEAR	Carrying Amount	Tax Base	Temporary Differences
Portfolio provision	27,696,544	-	27,696,544
Leave pay provision	5,468,868	-	5,468,868
Bonus/Incentive scheme provisions	61,982,306	-	61,982,306
Income & sundry accruals	(113,293,451)	-	(113,293,451)
Balance at 1 January 2017	(18,145,733)	-	(18,145,733)
Deferred Tax Asset/(Liability) at 28%			(5,080,805)

18. DEPOSITS AND FUNDING INSTRUMENTS

	31 Dec 2017 R	31 Dec 2016 R
Measured at amortised cost		
Call deposits - corporate banking	3,808,366,896	3,917,122,543
Call deposits - retail banking	6,799,311,073	6,678,435,809
Notice and fixed deposits	4,028,842,753	2,987,226,758
Preference share funding	233,950,000	188,000,000
Bond issue (DMTN Programme)	365,000,000	160,000,000
Interest accrued	83,830,693	63,757,042
	15,319,301,415	13,994,542,152
Amounts owed to depositors	15,200,344,035	13,798,891,683
Amounts owed to banks	118,957,380	195,650,469
	15,319,301,415	13,994,542,152
Contractual maturity analysis		
Withdrawable on demand	10,633,731,306	10,624,112,284
Maturing within one month	1,418,371,848	408,404,759
Maturing after one month but within three months	1,467,434,606	1,349,401,894
Maturing after three months but within six months	383,782,415	870,158,652
Maturing after six months but within one year	1,032,683,885	244,386,276
Maturing after one year	383,297,355	498,078,287
	15,319,301,415	13,994,542,152

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

	31 Dec 2017 R	31 Dec 2016 R
Sectoral analysis		
Banks	118,957,380	195,650,469
Government and public sector	73,761,090	72,552,011
Individuals	7,543,268,390	8,180,350,675
Business sector and other	7,583,314,555	5,545,988,996
	15,319,301,415	13,994,542,151
Geographical analysis		
South Africa	15,319,301,415	13,994,542,152
Related party deposits:		
Grindrod Group	68,036,323	107,481,762
Grindrod Bank subsidiaries	108,491	108,491
Directors (directly and indirectly)	13,564,493	8,792,028

Deposits from related parties earn market related rates of interest

	31 Dec 2017 R	31 Dec 2016 R
19. DERIVATIVE INSTRUMENTS		
At fair value through profit or 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	19,266,903	10,686,793
Mark-to-market asset	(327,499)	(165,342)
Net mark-to-market (asset)/liability	18,939,404	10,521,451
Current year movements		
Mark-to-market liability	8,580,110	9,844,941
Mark-to-market asset	(162,157)	4,103,408
Net mark-to-market loss/(gain)	8,417,953	13,948,349
Interest rate swaps (market valuation)		
Contracts economically hedging fixed rate loans and advances (note 10)	18,939,404	10,521,451
	18,939,404	10,521,451
Interest rate swaps (nominal value)		
Contracts with negative mark-to-market value (liability)	550,169,529	506,347,712
Contracts with positive mark-to-market value (asset)	96,831,741	62,092,769
	647,001,270	568,440,481

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.

	31 Dec 2017 R	31 Dec 2016 R
20. OTHER LIABILITIES		
Measured at amortised cost		
Accounts payable	31,001,987	24,812,239
Leave pay provision	6,624,477	5,468,868
Bonus provision*	31,236,500	34,113,341
Cash-settled share based incentive schemes*	25,130,714	21,890,835
Cash/share-settled share based incentive scheme*	-	5,978,130
Forfeitable share plan*	2,450,943	1,609,982
Preference share dividends payable	10,849,858	10,946,236
	107,294,479	104,819,631
Related party accounts payable:		
Grindrod Group	11,596,945	1,631,912
Analysis of leave pay provision		
Provisions at the beginning of the year	5,468,868	6,155,727
New provision raised	1,155,609	(686,859)
Provisions at the end of the year	6,624,477	5,468,868

Leave pay provisoning is regarded as contractual and the timing of cashflows is variable.

Analysis of incentive schemes/provisions*		
Provisions at the beginning of the year	63,592,288	61,760,583
Utilised or reversed during year	(45,596,464)	(33,373,068)
New provision raised	40,822,333	35,204,773
Provisions at the end of the year	58,818,157	63,592,288

Refer to additional incentive scheme disclosure under Risk Management: Remuneration Committee, on page 48.

Cash-settled share based incentive schemes

The Company has offered share appreciation rights linked to the growth in the combined consolidated 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 terminated upon leaving the employment of the Company.	25,130,714	21,890,835

The fair market value of shares is determined using the greater of:
the combined consolidated net asset values of the Grindrod Financial Holdings Limited and GFS Holdings Proprietary Limited; or
approximately seven times the combined consolidated 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.
and takes into account shares in issue and notional shares in respect of dividends that have been recapitalised into the Company.

	31 Dec 2017	31 Dec 2016
	R	R
Cash/share-settled share based incentive scheme		
In terms of the plan participants were allocated notional shares at an approved allocation price in Select Industrial Real Estate UK Fund Limited (SIRE). Grindrod Property Private Equity Proprietary Limited, a co-subsidiary, had agreed subject to exchange control regulations prevailing in March 2018 to facilitate delivery of the shares to the participants. Where the latter was impractical the Bank agreed to pay a share appreciation bonus equal to the difference between the allocation price of the shares and the fair market value at vesting date in March 2018. Early vesting in terms of the scheme was agreed in 2017 and a share appreciation bonus was paid. An employee's right to participate in the scheme terminated upon leaving the employment of the Company.	-	5,978,130

21. FINANCIAL INSTRUMENT FAIR VALUE HIERARCHY

	Total	Level 1	Level 2	Level 3
31 Dec 2017				
Assets				
Loans and receivables	669,028,784	-	669,028,784	-
	669,028,784	-	669,028,784	-
Liabilities				
Derivative instruments	18,939,404	-	18,939,404	-
	18,939,404	-	18,939,404	-
31 Dec 2016				
Assets				
Loans and receivables	581,984,146	-	581,984,146	-
	581,984,146	-	581,984,146	-
Liabilities				
Derivative instruments	10,521,451	-	10,521,451	-
	10,521,451	-	10,521,451	-

There were no transfers between the levels during the year.
Refer to note 10 and the respective policies for a description of the valuation processes used by the entity for level 2 financial assets.
Refer to note 19 and the respective policies for a description of the valuation processes used by the entity for level 2 finamcial liabilities.
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

Financial Instruments Risk Management
Risks arising from financial instruments are addressed in the Corporate Governance, Risk Management and Internal Control reports set out on pages 39 - 48. The following disclosures form part of the financial statements:

Credit risk	*page 41*
Liquidity risk	*page 42*
Interest rate risk	*page 43*
Market risk	*page 44*

	31 Dec 2017 R	31 Dec 2016 R
22. COMMITMENTS AND GUARANTEES		
Financing guarantees	197,199,979	119,526,852
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	189,184,179	138,866,515
Irrevocable unutilised facilities are approved lending facilities which cannot be unconditionally withdrawn, prior to facility expiry, by the Bank.		
Maximum exposure to credit risk	386,384,158	258,393,367
Related party guarantees:		
Grindrod Group companies	451,654	451,654
Operating lease commitments		
Due within one year	11,091,983	11,518,723
Due after one year but not later than five years	19,583,079	27,057,256
Operating lease commitments	30,675,062	38,575,979
Operating lease commitments are based on the contractual period from the balance sheet date to due date and relate to regional premises occupied by the Bank.		
Related party operating lease commitments:		
Grindrod Group companies	2,725,579	7,677,199

23. RETIREMENT BENEFIT INFORMATION

Contributions to provident fund	13,314,481	11,596,663

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 2017 163 employees (2016:156 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 PAID

Dividends paid	32,131,000	-
	Cents per share	Cents per share
Dividend No. 39	49.432	-
Total Dividend	49.432	-

25. SUBSEQUENT EVENTS

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

GRINDROD BANK LIMITED
CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL
For the year ended 31 December 2017

The directors are responsible for sound corporate governance and for ensuring the 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.

A sound corporate governance framework commits the Company to high standards of business ethics. The framework guides the board, as the custodian of responsible corporate governance, in the formulation and implementation of the company strategy to achieve targeted performance and create sustainable value to the benefit of all stakeholders. The framework comprises appropriate policies, procedures and power of execution to ensure that governance objectives are properly implemented, managed, reviewed and adjusted. This ensures responsible corporate citizenship through regulatory and best-practice adherence, effective and ethical leadership and sustainable value creation. Additional disclosure in this regard, including disclosures relating to the King IV report, can be found in the Grindrod Limited Integrated Annual Report, published on their website www.grindrod.co.za.

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 and compliance 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 and compliance committee.

The Audit and Compliance Committee meets periodically with management and the internal 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 are operating effectively. Both the internal and the external auditors have access to the audit and compliance committee. The committee also reviews the annual financial statements of the Company prior to approval by the board of directors.

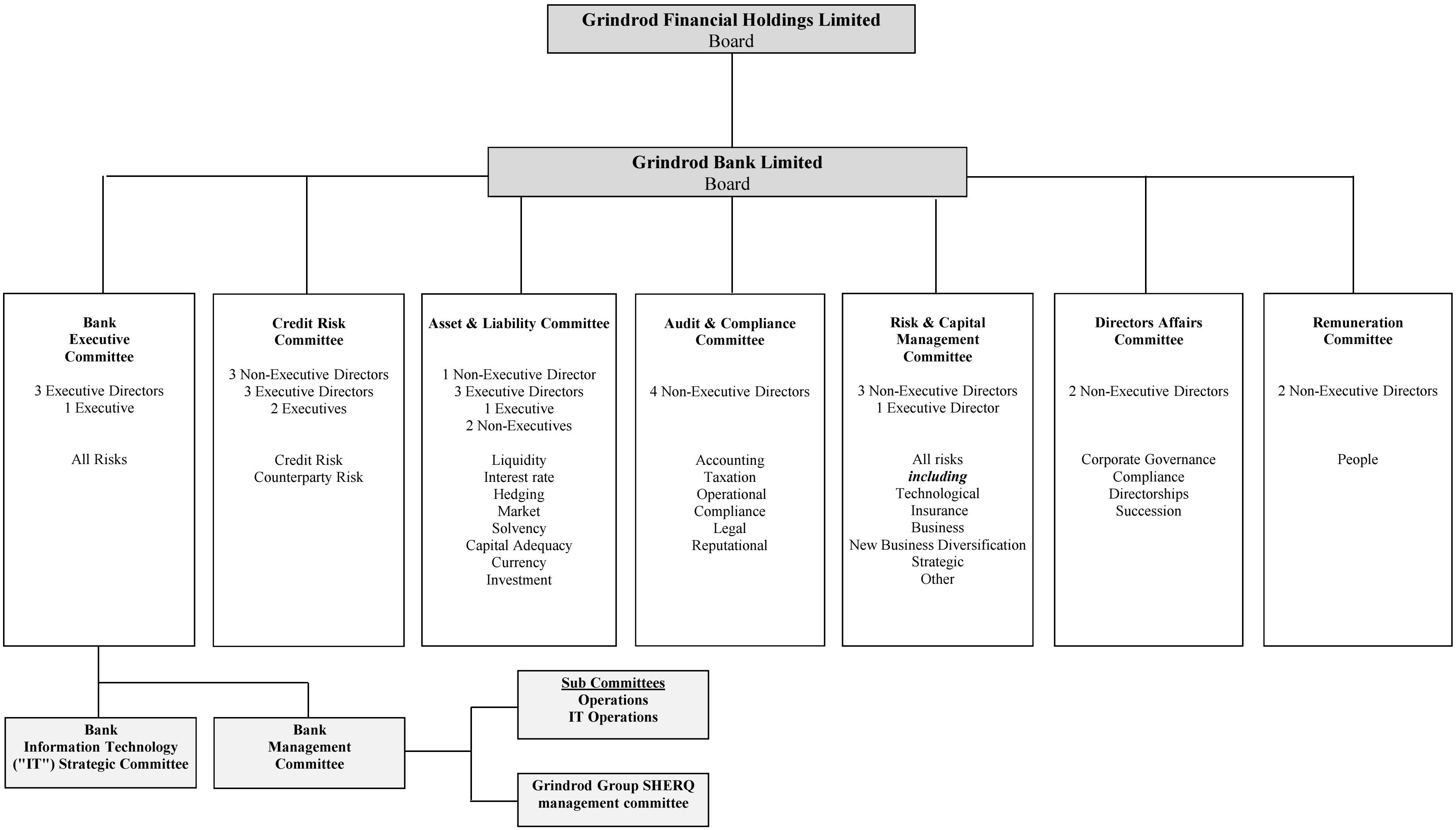
The compliance function is an independent function within the Company which is responsible for monitoring regulatory and reputational risk processes.

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 2017.

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

GRINDROD BANK LIMITED
RISK MANAGEMENT FRAMEWORK
31 December 2017



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 into 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 corresponding note. For financial commitments and guarantees the maximum exposure to 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 has limited internal statistics for the calculation of the 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.

The Bank monitors concentration risk on an on-going basis and ensures adequate diversification of exposure at account and underlying security level.

GRINDROD BANK LIMITED
RISK MANAGEMENT
For the year ended 31 December 2017

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 and 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 2017	**< 3 months**	**> 3 months < 6 months**	**> 6 months < 1 year**	**> 1 year < 5 years**	**> 5 years**	**Non-contractual**	**Total**
	R	**R**	**R**	**R**	**R**	**R**	**R**
Liabilities (excluding future interest)							
Derivative instruments	1,103,169	-	-	9,690,910	8,145,325	-	18,939,404
Deposits & funding instruments	13,519,537,760	383,782,415	1,032,683,885	383,297,355	-	-	15,319,301,415
Other liabilities	-	-	-	-	-	107,294,479	107,294,479
Taxation (normal & deferred)	-	-	-	-	-	10,756,858	10,756,858
	13,520,640,929	**383,782,415**	**1,032,683,885**	**392,988,265**	**8,145,325**	**118,051,337**	**15,456,292,156**
Operating lease commitments	2,903,304	2,996,616	5,192,063	19,583,079	-	-	30,675,062
Financing guarantees	197,199,979	-	-	-	-	-	197,199,979
Irrevocable unutilised facilities	189,184,179	-	-	-	-	-	189,184,179
	13,909,928,391	**386,779,031**	**1,037,875,948**	**412,571,344**	**8,145,325**	**118,051,337**	**15,873,351,376**
Estimated future contractual interest payable	13,432,335	29,011,780	67,816,918	104,192,543	-	-	214,453,576
	13,923,360,726	**415,790,811**	**1,105,692,866**	**516,763,887**	**8,145,325**	**118,051,337**	**16,087,804,952**

31 Dec 2016	**< 3 months**	**> 3 months < 6 months**	**> 6 months < 1 year**	**> 1 year < 5 years**	**> 5 years**	**Non-contractual**	**Total**
Liabilities (excluding future interest)							
Derivative instruments	973,528	-	-	7,465,679	2,082,244	-	10,521,451
Deposits & funding instruments	12,381,918,937	870,158,652	244,386,276	498,078,287	-	-	13,994,542,152
Other liabilities	-	-	-	-	-	104,819,631	104,819,631
Taxation (normal & deferred)	-	-	-	-	-	7,472,131	7,472,131
	12,382,892,465	**870,158,652**	**244,386,276**	**505,543,966**	**2,082,244**	**112,291,762**	**14,117,355,365**
Operating lease commitments	2,834,902	2,848,886	5,834,935	27,057,256	-	-	38,575,979
Financing guarantees	119,526,852	-	-	-	-	-	119,526,852
Irrevocable unutilised facilities	138,866,515	-	-	-	-	-	138,866,515
	12,644,120,734	**873,007,538**	**250,221,211**	**532,601,222**	**2,082,244**	**112,291,762**	**14,414,324,711**
Estimated future contractual interest payable	12,359,010	18,334,359	13,010,685	130,640,796	-	-	174,344,849
	12,656,479,744	**891,341,897**	**263,231,896**	**663,242,018**	**2,082,244**	**112,291,762**	**14,588,669,560**

The liquidity maturity analysis is prepared using the static year end balance sheet position and contractual expiry dates excluding interim contractual servicing/repayments and future interest, which is disclosed separately. Non-contractual balances relate to provisions and sundry accruals with no formal contractual arrangements.

GRINDROD BANK LIMITED
RISK MANAGEMENT
For the year ended 31 December 2017

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 2017	**< 3 months**	**> 3 months < 6 months**	**> 6 months < 1 year**	**> 1 year < 5 years**	**> 5 years**	**Non-rate sensitive**	**Total**
	R	**R**	**R**	**R**	**R**	**R**	**R**
Assets	15,174,106,586	503,063,927	-	369,811,806	281,973,863	350,599,089	16,679,555,271
Equity and liabilities	(14,157,618,864)	(383,782,415)	(652,492,185)	(144,347,355)	-	(1,341,314,452)	(16,679,555,271)
Interest rate hedging activities	647,001,270	-	-	(396,029,001)	(250,972,269)	-	-
Repricing profile	**1,663,488,992**	**119,281,512**	**(652,492,185)**	**(170,564,550)**	**31,001,594**	**(990,715,363)**	**-**
Cummulative repricing profile	**1,663,488,992**	**1,782,770,504**	**1,130,278,319**	**959,713,769**	**990,715,363**	**-**	
Expressed as a percentage of total assets	10.0%	10.7%	6.8%	5.8%	5.9%		

31 Dec 2016	**< 3 months**	**> 3 months < 6 months**	**> 6 months < 1 year**	**> 1 year < 5 years**	**> 5 years**	**Non-rate sensitive**	**Total**
Assets	14,074,349,438	190,184,280	-	357,867,997	204,341,637	329,848,117	15,156,591,469
Equity and liabilities	(12,859,955,189)	(757,065,237)	(244,386,276)	(143,656,901)	-	(1,151,527,866)	(15,156,591,469)
Interest rate hedging activities	557,289,322	-	-	(383,809,395)	(173,479,927)	-	0
Repricing profile	**1,771,683,571**	**(566,880,957)**	**(244,386,276)**	**(169,598,299)**	**30,861,710**	**(821,679,749)**	**-**
Cummulative repricing profile	**1,771,683,571**	**1,204,802,614**	**960,416,338**	**790,818,039**	**821,679,749**	**-**	
Expressed as a percentage of total assets	11.7%	7.9%	6.3%	5.2%	5.4%		

Interest Income Sensitivity

31 Dec 2017	**< 3 months**	**> 3 months < 6 months**	**> 6 months < 1 year**	**Cumulative impact on net interest income**
	R	**R**	**R**	**R**
2% interest rate increase	8,517,000	13,105,000	28,935,000	50,557,000
2% interest rate decrease	(8,139,000)	(13,113,000)	(28,503,000)	(49,755,000)
31 Dec 2016				
2% interest rate increase	5,553,000	7,182,000	17,113,000	29,848,000
2% interest rate decrease	(5,532,000)	(7,122,000)	(16,636,000)	(29,290,000)

Intererst rate sensitivity is based on the static repricing profile of assets and liabilities at the end of the reporting period and determined by applying market related rates of interest and a parallel interest rate shock.

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 economically 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
For the year ended 31 December 2017

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 2017**	**31 Dec 2016**
	R	**R**
10% increase in listed equity prices	-	-
10% decrease in listed equity prices	-	-

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 2017	**31 Dec 2016**
	R	**R**
Foreign currency exposure	-	-
Sensitivity analysis		
10% increase in listed equity prices		
10% decrease in listed equity prices		

GRINDROD BANK LIMITED
RISK MANAGEMENT
For the year ended 31 December 2017

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 2017	**31 Dec 2016**
		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*	285,000,000	235,000,000
		533,579,000	**483,579,000**
Distributable reserves - formally appropriated	*Common Equity Tier I capital*	665,366,963	520,366,963
Distributable reserves - unappropriated		24,317,152	35,290,141
Total Equity		**1,223,263,115**	**1,039,236,104**
Less: Retained earnings (unappropriated)		(24,317,152)	(35,290,141)
Prescribed deductions against capital and reserve funds		(12,000)	(45,000)
Total qualifying tier 1 capital and reserve funds		**1,198,933,963**	**1,003,900,963**
Secondary capital and reserve funds			
General allowance for credit impairment	*Tier 2 capital*	30,540,015	27,696,543
Total qualifying capital and reserve funds		**1,229,465,978**	**1,031,589,506**
Risk weighted exposure		8,945,725,500	7,509,756,000
Minimum required capital and reserve funds		1,073,487,060	873,009,135
Tier 1 capital and reserve funds			
Tier 1 Capital Adequacy Ratio		13.40%	13.37%
Total qualifying capital and reserve funds			
Total Capital Adequacy Ratio		13.74%	13.74%
Minimum regulatory capital adequacy ratio		9.50%	9.75%
Additional bank specific regulatory capital requirement		1.25%	1.25%
Add-on: conservation buffer		1.25%	0.625%
Total minimum required ratio		**12.000%**	**11.625%**
Tier 1 capital ratio		97.5%	97.3%
Tier 2 capital ratio		2.5%	2.7%

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

The Audit and Compliance Committee has specific responsibility for the below listed risks and for ensuring the risks are adequately monitored and managed.

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.

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 a 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 monitored and managed.

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 and cyber security management is a significant focus area. Technological upgrade is seen to be an ongoing process.

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, ethical 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 deferral 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 where an incentive 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 performance 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
- BB-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 based 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 incentive schemes

The Company has offered share appreciation rights linked to the growth in the combined consolidated 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 terminated upon leaving the employment of the Company.

Cash/share-settled share based incentive scheme

In terms of the plan participants were allocated notional shares at an approved allocation price in Select Industrial Real Estate UK Fund Limited (SIRE). Grindrod Property Private Equity Proprietary Limited, a co-subsidiary, had agreed subject to exchange control regulations prevailing in March 2018 to facilitate delivery of the shares to the participants. Where the latter was impractical the Bank agreed to pay a share appreciation bonus equal to the difference between the allocation price of the shares and the fair market value at vesting date in March 2018. Early vesting in terms of the scheme was agreed in 2017 and a share appreciation bonus was paid. An employee's right to participate in the scheme terminated upon leaving the employment of the Company.

Forfeitable share plan (FSP)

In terms of the Grindrod Limited 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 equal tranches after 3, 4 and 5 years. 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.