GRINDROD BANK LIMITED
Registration No. 1994/007994/06

AUDITED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2014

THE POWER OF HUMAN CAPITAL

GRINDROD BANK LIMITED
ANNUAL FINANCIAL STATEMENTS
31 December 2014

INDEX

	Page
Directors' responsibility and approval of annual financial statements	2
Independent auditor's report	3 - 4
Audit and compliance committee report	5
Directors' report	6 - 7
Annual financial statements	
Statement of profit or loss and other comprehensive income	8
Statement of financial position	9
Statement of changes in equity	10
Statement of cash flows	11
Notes to the statement of cash flows	12
Accounting policies	13 - 17
Notes to the annual financial statements	18 - 35
Corporate Governance, Risk Management and Internal Control	36 - 45

CERTIFICATE BY COMPANY SECRETARY

Grindrod Management Services Proprietary Limited, in its capacity as Company Secretary of Grindrod Bank Limited, hereby certifies that to the best of its knowledge and belief, all returns required by a public company, in terms of the Companies Act, 2008 for the year ended 31 December 2014 have been lodged with the Registrar of Companies and that all such returns are true, correct and up to date.

Grindrod Management Services Proprietary Limited
(Company Secretary)
18 February 2015

DIRECTORS' RESPONSIBILITY AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS
Consolidated financial statements have not been presented as the company is a wholly-owned subsidiary of Grindrod Financial Holdings Limited, a company incorporated in the Republic of South Africa. Consolidated financial statements are presented by Grindrod Limited.

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

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

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

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

The annual financial statements set out on pages 5 - 45 were approved by the board of directors on 18 February 2015, and are signed on its behalf by:-

D A Polkinghorne
DIRECTOR

Deloitte.

PO Box 243
Durban 4000
South Africa

Deloitte & Touche
Registered Auditors
Audit - KZN
Deloitte Place
2 Pencarrow Crescent
Pencarrow Park
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INDEPENDENT AUDITOR'S REPORT

To the shareholder of Grindrod Bank Limited

We have audited the financial statements of Grindrod Bank Limited, set out on pages 8 - 45, which comprise the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Grindrod Bank Limited as at 31 December 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

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

Other reports required by the Companies Act
As part of our audit of the financial statements for the year ended 31 December 2014, we have read the Directors' Report, the Audit and Compliance Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements.

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

Deloitte - Touche

Deloitte & Touche
Registered Auditor

Per Brian Botes CA (SA)
Partner

16 March 2015

AUDIT AND COMPLIANCE COMMITTEE REPORT

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

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

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

IM Groves	(Chairman)
WD Geach	
JH Beare	

Two meetings were held during the year 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, 2008. Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence.

The committee ensured that the appointment of the auditor complied with the Companies Act, 2008, and any other legislation relating to the appointment of auditors. The committee has nominated, for election at the annual general meeting, Deloitte & Touche as the external audit firm and Gavin Kruger as the designated auditor responsible for performing the functions of auditor, for the 2015 year.

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

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

I M Groves
Audit And Compliance Committee Chairman
18 February 2015

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 2014.

NATURE OF BUSINESS

Banking, financial services and investment holdings.

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

AUTHORISED AND ISSUED SHARE CAPITAL

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

DIVIDENDS

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

DIRECTORS

At 31 December 2014, and the date of this report, the board of directors comprised the following:

A K Olivier	(Chairman)	*
I A J Clark		* (retired as Chairman 26 May 2014)
D A Polkinghorne		
S A Blades		
J H Beare		*
W D Geach		*
I M Groves		*
B Ntuli		*
PJ Uys		*
		* Non Executive

COMPANY SECRETARY

Grindrod Management Services Proprietary Limited

COUNTRY OF INCORPORATION

South Africa

DIRECTORS' REPORT (continued)

RELATED PARTIES

ULTIMATE HOLDING COMPANY

Grindrod Limited

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

Grindrod Financial Holdings Limited

SUBSIDIARY COMPANIES (governed by the Banks Act)

Grincap Proprietary Limited

Commerce Square Corporate Finance Proprietary Limited

INDIRECT MINORITY SHAREHOLDERS

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

CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS

Deloitte & Touche

PREPARER OF ANNUAL FINANCIAL STATEMENTS

Susan Scott, Head of Finance & Administration

REGISTERED OFFICE

Company

5 Arundel Close, Kingsmead Office Park, Durban, 4001

Ultimate holding company producing consolidated annual financial statements

Quadrant House, 115 Margaret Mncadi Avenue, Durban, 4001

SUBSEQUENT EVENTS

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

GRINDROD BANK LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2014

	Notes	31 Dec 2014 R	31 Dec 2013 R
Interest income	1	492,952,104	386,212,613
Interest expense	2	356,922,805	273,065,101
NET INTEREST INCOME		136,029,299	113,147,512
Other operating income	3	164,074,217	159,052,420
Operating expenditure	4	(169,234,845)	(150,310,541)
Provision for credit losses	5	(3,988,017)	(10,170,011)
PROFIT BEFORE TAXATION		126,880,654	111,719,380
Taxation	6	(21,872,621)	(17,788,714)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		105,008,033	93,930,666

GRINDROD BANK LIMITED
STATEMENT OF FINANCIAL POSITION
At 31 December 2014

	Notes	31 Dec 2014 R	31 Dec 2013 R
ASSETS			
PROPERTY AND EQUIPMENT	7	11,498,518	10,722,864
INVESTMENT IN SUBSIDIARIES	8	1	1
INVESTMENTS	9	18,309	18,309
LOANS AND ADVANCES	10	3,957,633,059	3,347,729,709
OTHER ASSETS	11	265,643,940	274,087,638
LIQUID ASSETS AND SHORT TERM NEGOTIABLE SECURITIES	12	990,023,880	1,044,432,268
CASH AND SHORT TERM FUNDS	13	4,031,337,538	4,662,790,943
TOTAL ASSETS		9,256,155,245	9,339,781,732
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	145,000,000	120,000,000
Distributable reserves		307,458,160	228,208,746
TOTAL EQUITY		701,037,160	596,787,746
DEFERRED TAXATION	17	11,446,875	10,651,780
DEPOSITS AND FUNDING INSTRUMENTS	18	8,457,289,867	8,634,795,310
DERIVATIVE INSTRUMENTS	19	5,412,624	10,198,816
OTHER LIABILITIES	20	77,248,372	81,474,386
TAXATION		3,720,347	5,873,694
TOTAL EQUITY AND LIABILITIES		9,256,155,245	9,339,781,732

GRINDROD BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2014

	Notes	Ordinary Share Capital R	Ordinary Share Premium R	Preference Share Capital R	Distributable Reserves R	Total R
Balance at 31 December 2012		650,000	247,929,000	120,000,000	157,680,080	526,259,080
Total comprehensive income for the year		-	-	-	93,930,666	93,930,666
Ordinary dividends declared and paid	24	-	-	-	(14,426,000)	(14,426,000)
Preference share dividends		-	-	-	(8,976,000)	(8,976,000)
Balance at 31 December 2013		650,000	247,929,000	120,000,000	228,208,746	596,787,746
Total comprehensive income for the year		-	-	-	105,008,033	105,008,033
Ordinary dividends declared and paid	24	-	-	-	(15,674,000)	(15,674,000)
Preference share dividends		-	-	-	(10,084,619)	(10,084,619)
Issue of preference share capital		-	-	25,000,000	-	25,000,000
Balance at 31 December 2014		650,000	247,929,000	145,000,000	307,458,160	701,037,160

GRINDROD BANK LIMITED
STATEMENT OF CASH FLOWS
For the year ended 31 December 2014

	Notes	31 Dec 2014 R	31 Dec 2013 R
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES			
Interest income		492,952,104	386,212,613
Interest expense		(356,922,805)	(273,065,101)
Fee and other income		172,423,102	99,271,147
Cash payments to employees and suppliers		(170,796,471)	(128,078,105)
Cash generated from / (utilised by) operations	A	137,655,930	84,340,554
(Increase)/decrease in operating assets:			
Proceeds on sale of securities and equities		-	27,104,428
Purchase of securities and equities		-	(19,999,999)
Loans and advances to customers		(618,582,748)	(507,256,421)
Deposits held for regulatory purposes		(62,078,702)	(127,030,136)
Other short term negotiable securities		103,047,091	(337,915,909)
Increase/(decrease) in operating liabilities:			
Deposits from customers		(177,505,443)	3,272,897,738
Dividends paid - ordinary shares		(15,674,000)	(14,426,000)
Dividends paid - preference shares		(9,195,880)	(7,237,337)
Normal tax paid		(23,230,873)	(20,941,089)
Net cash inflow/(outflow) from operating activities		(665,564,625)	2,349,535,829
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(4,328,780)	(9,260,844)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES			
Issue of preference share capital		25,000,000	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(644,893,405)	2,340,274,985
Cash and cash equivalents at the beginning of the year		4,525,896,943	2,185,621,958
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	B	3,881,003,538	4,525,896,943

GRINDROD BANK LIMITED
NOTES TO THE STATEMENT OF CASH FLOWS
For the year ended 31 December 2014

	31 Dec 2014 R	31 Dec 2013 R
A. RECONCILIATION OF NET PROFIT BEFORE TAXATION TO CASH (UTILISED) / GENERATED FROM OPERATIONS		
Profit/(loss) before taxation	126,880,654	111,719,380
Adjusted for:		
Realised (profit)/loss on sale of equities	-	(6,545,106)
Unrealised (profit)/loss on equities	-	(250,800)
Unrealised (profit)/loss on derivatives	(4,786,192)	(11,897,766)
Unrealised (profit)/loss on loans designated as at fair value	4,691,381	11,341,215
Depreciation	3,553,126	1,471,776
Bad debts	-	5,556,856
Increase/(decrease) in impairments against advances	3,817,182	1,412,581
Increase/(decrease) in portfolio provision against advances	170,835	3,200,574
Operating profit before working capital changes	134,326,986	116,008,710
Working capital changes		
Decrease/(Increase) in accounts receivable	710,669	(3,808,022)
Decrease/(Increase) in fee debtors	7,733,027	(48,620,794)
(Decrease)/Increase in accounts payable	(5,114,752)	20,760,660
Cash generated from/(utilised by) operations	137,655,930	84,340,554
B. RECONCILIATION OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
Cash and short term funds at the end of the year	4,031,337,538	4,662,790,943
Deposits held with SARB for regulatory purposes	(150,334,000)	(136,894,000)
Cash and cash equivalents	3,881,003,538	4,525,896,943
Cash and cash equivalents comprise:		
Current account balances	430,209,992	528,148,950
Interbank call deposits	3,450,793,546	3,997,747,993
	3,881,003,538	4,525,896,943

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

At the date of authorisation of the financial statements the following standards and interpretations were in issue but not yet effective:
IFRS 9 - Financial Instruments: 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
IFRS 14 - Regulatory deferral accounts - Applies to annual periods beginning on or after 1 January 2016
IFRS 15 - Revenue from contracts with customers - Applies to annual periods beginning on or after 1 January 2017
IFRS 3 - Business Combinations: Amendments to Accounting for contingent consideration in a business combination - Applicable to annual periods beginning on or after 1 July 2014
IFRS 11 – Joint Arrangements: Accounting for acquisitions of interests in joint operations - Applicable to annual periods beginning on or after 1 January 2016
Amendments to IFRS 10 - Investment Entities, IAS 28 – Investments in Associates and Joint Ventures - Applicable to annual periods beginning on or after 1 January 2016
IAS 12 – Disclosure of Interests in Other Entities for applying the consolidation exception - Applicable to annual periods beginning on or after 1 January 2016
IAS 27 -Equity Method in Separate Financial Statements - Applicable to annual periods beginning on or after 1 January 2016
IAS 16 - Property, Plant and Equipment: clarification of acceptable methods of depreciation and amortisation - Applicable to annual periods beginning on or after 1 January 2016
IAS 38 - Intangible Assets: clarification of acceptable methods of depreciation and amortisation - Applicable to annual periods beginning on or after 1 January 2016
IAS 1 - Presentation of Financial Statements - Applicable to annual periods beginning on or after 1 January 2016
IAS 24 - Related party disclosure: Amendments to key management personnel - Applicable to annual periods beginning on or after 1 July 2014
IFRS 2 - Share based Payments : Amendments to definition of vesting condition - Applicable to annual periods beginning on or after 1 July 2014
IAS 19 - Defined Benefit Plans: Employee Contributions - Applicable to annual periods beginning on or after 1 July 2014

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Company.

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

Critical judgements and key sources of measurement uncertainty

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

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

1. Associated companies and joint ventures

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

2. Financial instruments

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

   Loans and receivables

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

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

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

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

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

3. Investments

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

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

4. Loans and advances

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

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

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

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

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

5. Property in possession

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

6. Derivative instruments

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

7. Property and equipment

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

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

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

8. Intangible assets

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

9. Deferred taxation

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

10. Foreign currencies

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

11. Provisions

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

12. Cash settled share based payment

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

13. Retirement benefits

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

14. Operating leases

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

15. Gross revenue

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

16. Revenue recognition

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

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

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

17. Impairment

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

18. 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.

19. 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.

GRINDROD BANK LIMITED
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2014

	31 Dec 2014	31 Dec 2013
	R	R
1. INTEREST INCOME		
Loans and receivables (effective interest method)	480,832,036	371,851,373
Loans held at fair value through profit and loss	12,120,068	14,361,240
	492,952,104	386,212,613
Advances	313,200,819	261,488,907
Preference share dividends, advances portfolio	33,169,798	29,629,428
Balances at banks and short term funds	125,547,001	83,514,475
Other short term securities	17,949,222	11,406,218
Preference share dividends, negotiable securities portfolio	8,949,796	7,824,255
Interest income received\(paid) on derivative hedges	(5,864,532)	(7,650,670)
	492,952,104	386,212,613
Interest income from related parties:		
Grindrod Group companies	5,870,596	5,263,812
Directors (directly and indirectly)	3,727,941	3,918,757
	9,598,537	9,182,569
Interest income on impaired loans	616,506	257,895
2. INTEREST EXPENSE		
Calculated using the effective interest method		
Call deposits - corporate banking	100,898,400	83,468,432
Call deposits - retail banking	26,128,817	18,529,255
Notice and fixed deposits	62,868,756	39,678,218
Prime linked notice deposits	116,847,872	84,948,551
Preference share funding	6,076,782	5,473,645
Bond issue	37,452,178	34,610,836
Funding guarantee fees	6,650,000	6,356,164
	356,922,805	273,065,101
Interest paid to related parties:		
Grindrod Group companies	5,718,952	6,186,558
Directors (directly and indirectly)	459,190	971,125
Guarantee fees paid to related parties:		
Grindrod Group companies	6,650,000	6,356,164

	31 Dec 2014	31 Dec 2013
	R	R
3. OTHER OPERATING INCOME		
Fee income		
Private Client Services	-	91,751
Investment Products	-	92,500
Retail Banking	64,534,378	56,968,251
Corporate Banking	28,541,578	29,689,031
Corporate Banking (property)	27,372,448	22,628,871
Fee debtor accretion	3,249,223	3,564,171
Corporate Finance	12,774,780	16,764,870
Other banking related	14,881,399	5,602,452
Dividends received - other preference	3,480,000	8,000,000
Residual beneficiary distribution	9,429,385	8,452,550
Fair valuation of financial instruments		
Mark-to-market of derivatives	4,502,407	11,743,282
Mark-to-market of loans held at fair value through profit and loss	(4,691,381)	(11,341,215)
Mark-to-market of investment and negotiable securities		
- Unrealised profit/(loss)	-	250,800
- Realised profit/(loss)	-	6,545,106
	164,074,217	159,052,420
Included in fee income are fees from related parties:		
Grindrod Bank subsidiaries	299,203	263,032
Grindrod Group companies	1,584,991	2,667,720

	31 Dec 2014	31 Dec 2013
	R	R
4. OPERATING EXPENDITURE		
Auditors remuneration		
- audit fees	2,309,999	2,190,269
Audit fees - Pricewaterhouse Coopers/Other	23,897	977,059
Banking and settlement related costs	5,249,991	4,392,900
Computer related costs	11,613,545	10,047,095
Depreciation		
- owned assets	3,553,126	1,471,776
Legal and professional fees	4,626,597	1,035,251
Marketing	7,509,415	7,977,151
Premises		
- rental	7,821,362	6,121,415
- other premises related costs	3,032,465	2,617,617
Staff expenses		
- salaries	69,503,858	62,375,171
- incentive schemes	21,862,094	24,100,334
- cash-settled share based schemes	15,149,683	10,791,391
- other	839,284	549,677
Travel	3,106,818	3,201,663
Other expenses	8,853,674	8,854,824
Indirect taxation	4,179,037	3,606,948
	169,234,845	150,310,541

Included in staff expenses:		
Executive Management Remuneration (10 staff members)		
Managerial services - salaries	15,974,500	15,116,240
Managerial services - incentive schemes	13,148,605	11,723,175
Managerial services - cash-settled share based payments	5,109,220	1,979,210
Post retirement benefits	2,587,885	2,209,868
	36,820,210	31,028,493

		31 Dec 2014	31 Dec 2013
		R	R

Executive director remuneration	Salary	Post retirement benefits	Bonus & Incentive Schemes
Current year			
D A Polkinghorne	3,131,083	400,599	4,383,238
SA Blades	2,122,428	425,670	2,857,354
	5,253,511	826,269	7,240,592
Prior year			
D A Polkinghorne	2,866,201	378,374	3,373,090
SA Blades	2,001,032	347,523	2,152,870
	4,867,233	725,897	5,525,960

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

	31 Dec 2014	31 Dec 2013
Directors' Emoluments		
Non-executive - directors fees	938,138	689,588
Executive - managerial services	12,494,103	10,393,193
Executive - post retirement benefits	826,269	725,897
	14,258,510	11,808,678
Non-executive - directors fees paid by the Company		
I A J Clark	367,010	123,928
J H Beare	209,742	202,578
W D Geach	141,974	131,086
I M Groves	219,412	202,578
M A Mun-Gavin	-	29,418
	938,138	689,588

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

GRINDROD BANK LIMITED
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2014

	31 Dec 2014	31 Dec 2013
	R	R
5. PROVISION FOR CREDIT LOSSES		
Increase/(decrease) in impairments against advances	3,817,182	1,412,581
Portfolio provision	170,835	3,200,574
Bad debts written off / (recovered)	-	5,556,856
	3,988,017	10,170,011

6. TAXATION

	31 Dec 2014	31 Dec 2013
SA Normal taxation		
Current Tax	21,077,526	26,713,328
Deferred Tax	795,095	(8,806,206)
	21,872,621	17,907,122
Loan account contribution - current year	-	(118,408)
	21,872,621	17,788,714

RECONCILIATION OF RATE OF TAXATION	%	%
Standard rate	28.0	28.0
Loan account contribution	0.0	(0.1)
	28.0	27.9
Adjusted for:		
Dividends	(10.8)	(12.1)
Lease premium	0.0	0.1
Other	0.0	0.1
Effective rate	17.2	16.0

	31 Dec 2014 R	31 Dec 2013 R
7. PROPERTY AND EQUIPMENT		
Furniture, fittings, office vehicles and equipment		
Cost	10,143,838	9,023,976
Accumulated depreciation	(3,779,909)	(2,437,409)
	6,363,929	6,586,567
Computer software and hardware		
Cost	15,414,950	12,206,032
Accumulated depreciation	(10,280,361)	(8,069,735)
	5,134,589	4,136,297
Total assets	25,558,788	21,230,008
Total accumulated depreciation	(14,060,270)	(10,507,144)
	11,498,518	10,722,864

MOVEMENT IN PROPERTY AND EQUIPMENT	Furniture, fittings and office equipment	Computer software and hardware	Total
Net book value at beginning of year	6,586,567	4,136,297	10,722,864
Purchases	1,119,862	3,208,918	4,328,780
Depreciation	1,342,500	2,210,626	3,553,126
Net book value at end of year	6,363,929	5,134,589	11,498,518

	31 Dec 2014 R	31 Dec 2013 R
8. INVESTMENT IN SUBSIDIARIES		
Measured at cost		
Commerce Square Corporate Finance Proprietary Limited		
- wholly owned 462,298 shares of R1 each at cost	-	-
Grincap Proprietary Limited		
- wholly owned 2,600 shares of R1 each at cost	1	1
	1	1
Directors' valuation of subsidiaries (at cost)	1	1

9. INVESTMENTS

	31 Dec 2014	31 Dec 2013
	R	R
Investment banking portfolio		
Listed Equities		
Held at fair value through profit and loss using year end market closing prices		
Opening balance	-	205,200
Disposals	-	(163,960)
Fair value adjustments	-	(41,240)
Closing balance	-	-
Unlisted Investments		
Held at fair value through profit and loss using year end market prices provided by issuers		
Opening balance	18,309	33,516
Disposals	-	(15,207)
Closing balance	18,309	18,309
Portfolio analysis		
Investment portfolio	18,309	18,309
	18,309	18,309

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

10. LOANS AND ADVANCES

	31 Dec 2014 R	31 Dec 2013 R
Loans and receivables	3,819,868,953	3,172,125,471
Designated at fair value through profit and loss using year end market related interest rate yield curves to discount expected future cash flows	137,764,106	175,604,238
	3,957,633,059	3,347,729,709
Loans and advances - companies and close corporations	2,994,382,494	2,573,727,688
Loans and advances - unincorporated businesses and other	288,329,757	314,633,710
Loans and advances - household	118,911,211	132,537,361
Preference shares	536,684,753	305,786,382
Interest accrued	32,690,831	25,731,157
Revaluation of loans designated at fair value through profit and loss	5,188,349	9,879,729
Less portfolio provision against advances	(12,924,573)	(12,753,737)
Less impairments against advances	(5,629,763)	(1,812,581)
	3,957,633,059	3,347,729,709
Maximum exposure to credit risk	3,976,187,395	3,362,296,027

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

Contractual maturity analysis	31 Dec 2014	31 Dec 2013
Maturity on demand	621,383,340	554,684,236
Maturing within one month	251,562,181	252,125,939
Maturing after one month but within three months	373,852,345	361,989,265
Maturing after three months but within six months	335,117,289	174,647,526
Maturing after six months but within one year	281,521,953	337,254,078
Maturing after one year but within three years	887,494,203	763,062,409
Maturing after three years but within five years	633,425,175	436,986,061
Maturing after five years but within ten years	525,020,630	373,148,696
Maturing after ten years	28,931,099	72,786,931
Interest accrued	32,690,831	25,731,157
Revaluation of loans held at fair value through profit and loss	5,188,349	9,879,729
Less portfolio provision against advances	(12,924,573)	(12,753,737)
Less impairments against advances	(5,629,763)	(1,812,581)
	3,957,633,059	3,347,729,709

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

	31 Dec 2014 R	31 Dec 2013 R
Sectoral analysis		
Agriculture, hunting, forestry and fishing	42,441,007	35,074,366
Mining and quarrying	29,123,553	29,105,133
Manufacturing	281,307,631	208,280,767
Electricity, gas and water supply	-	-
Construction	-	-
Wholesale and retail trade, repair of specified items, hotels and restaurants	96,229,880	119,110,704
Transport, storage and communication	156,995,024	188,748,527
Financial intermediation and insurance	307,343,296	242,711,157
Real estate	1,511,163,118	1,432,204,276
Business services	119,925,258	130,669,143
Community, social and personal services	16,121,575	18,936,528
Private households	98,960,280	80,156,057
Other	1,310,947,010	875,486,788
Less portfolio provision against advances	(12,924,573)	(12,753,737)
	3,957,633,059	3,347,729,709
Geographical analysis		
South Africa	3,957,633,059	3,347,729,709
Included in advances are fixed rate loans held at fair value through profit and loss:		
Net book value of loans held at fair value through profit and loss	132,575,757	165,724,509
Revaluation of loans held at fair value through profit and loss	5,188,349	9,879,729
Fair value of loans held at fair value through profit and loss	137,764,106	175,604,238

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

	31 Dec 2014 R	31 Dec 2013 R
Revaluation of loans held at fair value through profit and loss		
Changes in fair value during the period attributable to changes in:		
Market risk	5,188,349	9,879,729
	5,188,349	9,879,729
Related party loans and advances:		
Grindrod Group companies - advances	53,455,011	37,517,066
Directors (directly and indirectly)	2,617,268	89,330,664
	56,072,279	126,847,730

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

GRINDROD BANK LIMITED
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2014

	31 Dec 2014 R	31 Dec 2013 R
Analysis of impairments		
Impairments at the beginning of the year	1,812,581	400,000
Net increase/(decrease) in impairments	3,817,182	6,969,437
Written off against impairments	-	(5,556,856)
Impairments at the end of the year	5,629,763	1,812,581
Analysis of impaired or non-performing loans and advances		
Advances classified as special mention	56,518,253	65,885,622
Advances classified as sub-standard	17,698,137	16,109,460
Advances displaying significant weakness	4,629,763	-
Carrying amount of impaired advances	78,846,153	81,995,082
Collateral held against impaired or non-performing loans and advances	73,216,390	80,182,501
Age Analysis of impaired or non-performing loans and advances		
< 3 months overdue	36,017,266	8,007,484
6 - 12 months overdue	20,500,987	27,000,511
> 12 months overdue	22,327,900	46,987,087
	78,846,153	81,995,082
Sectoral analysis of impaired or non-performing loans and advances		
Agriculture, hunting, forestry and fishing	452,412	488,343
Manufacturing	10,624,900	10,354,883
Wholesale and retail trade, repair of specified items, hotels and restaurants	481,389	2,716,560
Real estate	25,518,839	60,353,567
Community, social and personal services	5,041,954	4,602,102
Private households	2,074,922	-
Other	34,651,737	3,479,627
	78,846,153	81,995,082
Geographical analysis of impaired or non-performing loans and advances		
South Africa	78,846,153	81,995,082

	31 Dec 2014 R	31 Dec 2013 R
11. OTHER ASSETS		
Loans and receivables measured at amortised cost	233,796,445	225,159,731
Present value recognised at inception and accreted on a straightline basis	31,847,495	48,927,907
	265,643,940	274,087,638
Accounts receivable	15,542,296	16,252,967
Fee debtors	250,101,644	257,834,671
	265,643,940	274,087,638
Maturity analysis of fee debtors		
Maturing within one year	200,245,185	187,037,046
Maturing after one year	49,856,459	70,797,625
	250,101,644	257,834,671
Included in fee debtors are amounts with contractually deferred receipt dates:		
Deferred fee debtors	154,719,585	160,501,421
Included in fee debtors are amounts due from related parties, including overhead recoveries:		
Grindrod Bank subsidiaries	2,474,967	2,175,765
Grindrod Group companies	13,018,860	3,853,715
12. LIQUID ASSETS AND SHORT TERM NEGOTIABLE SECURITIES		
Held at fair value through profit and loss using year end market prices provided by issuers		
Money Market Investments	467,334,064	515,447,169
Measured at amortised cost		
Preference shares	192,862,571	247,796,556
Statutory Liquid Assets		
Treasury bills	284,668,546	-
SARB Debentures	45,158,699	281,188,543
	990,023,880	1,044,432,268

	31 Dec 2014 R	31 Dec 2013 R
13. CASH AND SHORT TERM FUNDS		
Measured at amortised cost		
Regulatory deposits with the S A Reserve Bank	150,334,000	136,894,000
Other deposits with the S A Reserve Bank	378,422,028	484,387,056
Current account balances	51,787,964	43,761,894
Interbank call deposits	3,450,793,546	3,997,747,993
	4,031,337,538	4,662,790,943

14. ORDINARY SHARE CAPITAL

	31 Dec 2014 R	31 Dec 2013 R
Authorised		
150,000,000 (2013: 150,000,000) ordinary shares of 1 cent each	1,500,000	1,500,000
Issued		
65,000,002 (2013: 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.

15. ORDINARY SHARE PREMIUM

	31 Dec 2014 R	31 Dec 2013 R
Arising on the issue of 65,000,002 (2013: 65,000,002) ordinary shares of 1 cent each	247,929,000	247,929,000

16. PREFERENCE SHARE CAPITAL

	31 Dec 2014 R	31 Dec 2013 R
Authorised		
250,000 (2013: 120,000) non-cumulative, non-redeemable, non-participating, non-convertible no par value shares		
Issued		
145,000 (2013: 120,000) non-cumulative, non-redeemable, non-participating, non-convertible no par value shares	145,000,000	120,000,000

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

The preference shares qualify as additional tier 1 regulatory capital in terms of The Banks Act and accordlingly 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 2014 R	31 Dec 2013 R
Deferred Tax Asset/(Liability) on Derivatives	(872,763)	1,745,524	2,618,287
Deferred Tax Asset/(Liability) on Loans designated at fair value through profit and loss	1,313,587	(1,452,737)	(2,766,324)
Deferred Tax Liability on Operating leases	730,369	1,444,763	714,394
Deferred Tax Asset on Portfolio provision	47,834	3,618,880	3,571,046
Deferred Tax Asset on Leave pay provision	114,312	1,204,608	1,090,296
Deferred Tax Asset/(Liability) on Income accruals	(2,128,434)	(18,007,913)	(15,879,479)
	(795,095)	(11,446,875)	(10,651,780)
Reconciliation			
Current charge per income statement	(795,095)		

ANALYSIS OF TEMPORARY DIFFERENCES

PRIOR YEAR	Carrying Amount	Tax Base	Temporary Differences
Derivative mark-to-market	9,351,024	-	9,351,024
Mark-to-market of loans designated at fair value through profit and loss	(9,879,729)	-	(9,879,729)
Operating leases	2,551,406	-	2,551,406
Portfolio provision	12,753,737	-	12,753,737
Leave pay provision	3,893,914	-	3,893,914
Income accruals	(56,712,424)	-	(56,712,424)
Balance at 1 January 2014	(38,042,072)	-	(38,042,072)
Deferred Tax Asset/(Liability) at 28%			(10,651,780)

CURRENT YEAR	Carrying Amount	Tax Base	Temporary Differences
Derivative mark-to-market	6,234,016	-	6,234,016
Mark-to-market of loans designated at fair value through profit and loss	(5,188,348)	-	(5,188,348)
Operating leases	5,159,869	-	5,159,869
Portfolio provision	12,924,572	-	12,924,572
Leave pay provision	4,302,170	-	4,302,170
Income accruals	(64,313,977)	-	(64,313,977)
Balance at 31 December 2014	(40,881,698)	-	(40,881,698)
Deferred Tax Asset/(Liability) at 28%			(11,446,875)

	31 Dec 2014	31 Dec 2013
	R	R
18. DEPOSITS AND FUNDING INSTRUMENTS		
Measured at amortised cost		
Call deposits - corporate banking	1,946,078,982	1,807,701,831
Call deposits - retail banking	3,136,629,257	3,905,491,966
Notice and fixed deposits	1,012,550,637	805,929,770
Prime linked notice deposits	1,726,701,647	1,501,312,975
Preference share funding	91,450,000	79,200,000
Bond issue	500,000,000	500,000,000
Interest accrued	43,879,344	35,158,768
	8,457,289,867	8,634,795,310
Amounts owed to depositors	8,222,220,742	8,399,599,927
Amounts owed to banks	235,069,125	235,195,383
	8,457,289,867	8,634,795,310
Contractual maturity analysis		
Withdrawable on demand	5,082,708,239	5,713,193,797
Maturing within one month	599,739,208	261,535,128
Maturing after one month but within three months	1,495,648,023	1,301,229,048
Maturing after three months but within six months	433,846,199	567,051,174
Maturing after six months but within one year	742,548,919	224,156,805
Maturing after one year	58,919,935	532,470,590
Interest accrued	43,879,344	35,158,768
	8,457,289,867	8,634,795,310

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

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

	31 Dec 2014	31 Dec 2013
Sectoral analysis		
Banks	235,069,125	235,195,383
Government and public sector	107,123,152	45,484,565
Individuals	3,912,776,968	4,752,068,282
Business sector and other	4,202,320,622	3,602,047,080
	8,457,289,867	8,634,795,310
Geographical analysis		
South Africa	8,457,289,867	8,634,795,310
Related party deposits:		
Grindrod Group	92,712,291	99,370,597
Grindrod Bank subsidiaries	108,491	78,164
Directors (directly and indirectly)	11,171,962	10,091,545

Deposits from related parties earn market related rates of interest

	31 Dec 2014	31 Dec 2013
	R	R
19. DERIVATIVE INSTRUMENTS		
Fair valued through profit and loss using year end market related interest rate yield curves to discount expected future cash flows		
Interest rate swaps (market valuation)		
Mark-to-market (liability)	5,670,823	10,546,541
Mark-to-market (asset)	(258,199)	(347,725)
Net mark-to-market liability	5,412,624	10,198,816
Current year movements		
Mark-to-market (liability)	(4,875,718)	(11,550,041)
Mark-to-market (asset)	89,526	(347,725)
Net mark-to-market liability	(4,786,192)	(11,897,766)
Interest rate swaps (market valuation)		
Contracts hedging fixed rate loans and advances (note 10)	5,412,624	10,198,816
	5,412,624	10,198,816
Interest rate swaps (nominal value)		
Contracts with negative mark-to-market value (liability)	117,571,140	149,216,819
Contracts with positive mark-to-market value (asset)	13,948,802	14,960,200
	131,519,942	164,177,019

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.

GRINDROD BANK LIMITED
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 December 2014

	31 Dec 2014	31 Dec 2013
	R	R
20. OTHER LIABILITIES		
Measured at amortised cost		
Accounts payable	13,217,608	26,422,015
Leave pay provision	4,302,170	3,893,914
Bonus provision	25,064,994	26,865,328
Cash-settled share based payments	27,868,858	18,921,751
Forfeitable share plan	1,381,116	846,490
Preference share dividends payable	5,413,627	4,524,888
	77,248,373	81,474,386
Analysis of provisions		
Provisions at the beginning of the year	50,527,483	35,867,693
Utilised or reversed during year	(29,330,378)	(21,376,473)
New provision raised	37,420,033	36,036,263
Provisions at the end of the year	58,617,138	50,527,483
Related party accounts payable:	2,492,669	2,362,405

Cash-settled share based payments

The Company has offered share appreciation rights linked to the growth in value of Grindrod Financial Holdings Limited and GFS Holdings Proprietary Limited. In terms of the plan participants are allocated notional shares at an approved allocation price and the Company is required to pay a share appreciation bonus equal to the difference between the fair market value and the allocation price of the shares to the participant at each vesting date. The share appreciation rights vest in equal tranches after 3, 4 and 5 years. An employee's right to participate in the scheme terminates upon leaving the employment of the Company.	27,868,858	18,921,751

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

	31 Dec 2014	31 Dec 2013
	R	R

21. FINANCIAL INSTRUMENT FAIR VALUE HIERARCHY

	Total	Level 1	Level 2	Level 3
31 Dec 2014				
Assets				
Unlisted investments	18,309	-	-	18,309
Loans and receivables	137,764,106	-	137,764,106	-
	137,782,415	-	137,764,106	18,309
Liabilities				
Derivative instruments	5,412,624	-	5,412,624	-
	5,412,624	-	5,412,624	-
31 Dec 2013				
Assets				
Unlisted investments	18,309	-	-	18,309
Loans and receivables	175,604,238	-	175,604,238	-
	175,622,547	-	175,604,238	18,309
Liabilities				
Derivative instruments	10,198,816	-	10,198,816	-
	10,198,816	-	10,198,816	-

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

22. COMMITMENTS AND GUARANTEES

	31 Dec 2014	31 Dec 2013
Financing guarantees	14,784,129	55,695,929

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

	31 Dec 2014	31 Dec 2013
Irrevocable unutilised facilities	146,076,036	163,540,904

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

	31 Dec 2014	31 Dec 2013
Maximum exposure to credit risk	160,860,165	219,236,833

Related party guarantees:

	31 Dec 2014	31 Dec 2013
Grindrod Group companies - guarantees	451,654	31,000,700

	31 Dec 2014	31 Dec 2013
	R	R
23. RETIREMENT BENEFIT INFORMATION		
Contributions to provident fund	8,036,899	6,782,333

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 2014 113 employees (2013:102 employees) of the company were members of either the Grindrod Provident Fund or Grindrod Unicorn Provident Fund.

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

24. ORDINARY DIVIDENDS DECLARED AND PAID

Dividends declared/paid	15,674,000	14,426,000
Total ordinary dividend	15,674,000	14,426,000
	Cents per share	Cents per share
Dividend No. 36	-	22.194
Dividend No. 37	24.114	-
Total Dividend	24.114	22.194

GRINDROD BANK LIMITED
CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL
31 December 2014

The directors are responsible 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.

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 regularly 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.

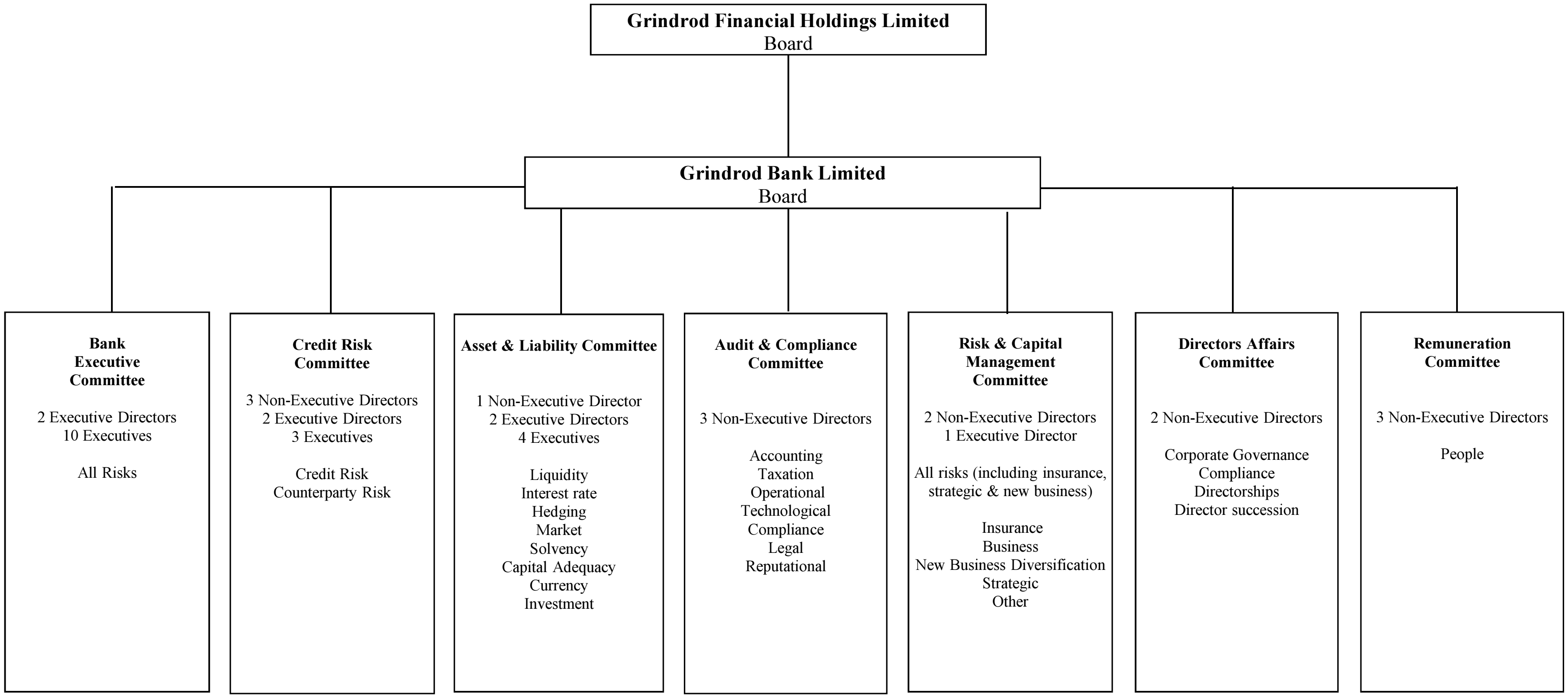
The compliance function is an independent function within the Company which is responsible for monitoring regulatory and reputational risk processes.

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 2014.

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

GRINDROD BANK LIMITED
RISK MANAGEMENT FRAMEWORK
31 December 2014



CREDIT COMMITTEE

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

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

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

Definitions
Past Due
Exposures are considered past due where the facility has expired and the Bank is not considering renewal of the facility or where expected cashflows on the facility are more than one month in arrear. Past due exposures are considered impaired and a specific impairment is raised based on the carrying amount less the expected realisable value of the security held, but as a minimum the impairment is equivalent to any regulatory requirement.
Impaired Exposure
Advances are assessed for indicators of impairment and impairments are accounted for when there is objective evidence that the estimated future cash flows from the investment have been negatively impacted by events occurring subsequent to initial recognition. The amount of the impairment is the difference been the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Advances considered to be irrecoverable are written off to the extent that the loss can be reliably measured.

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

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

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

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

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

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

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

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

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

ASSET AND LIABILITY COMMITTEE (ALCO)

Liquidity Risk

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

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

Contractual maturity analysis

31 Dec 2014	< 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							
Derivative Instruments	-	-	1,551,059	2,159,561	1,702,004	-	5,412,624
Deposits	7,221,974,814	433,846,199	742,548,919	22,301,430	36,618,505	-	8,457,289,867
Other liabilities	-	-	-	-	-	77,248,372	77,248,372
Taxation	-	-	-	-	-	15,167,221	15,167,221
	7,221,974,814	**433,846,199**	**744,099,978**	**24,460,991**	**38,320,509**	**92,415,593**	**8,555,118,084**
Operating lease commitments	2,225,521	2,213,284	4,513,626	26,870,133	-	-	35,822,564
Financing guarantees	14,784,129	-	-	-	-	-	14,784,129
Irrevocable unutilised facilities	146,076,036	-	-	-	-	-	146,076,036
	7,385,060,500	**436,059,483**	**748,613,604**	**51,331,124**	**38,320,509**	**92,415,593**	**8,751,800,813**

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

The liquidity gap is prepared on a contractual maturity basis.

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 2014	< 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	8,846,418,721	-	43,978,625	48,027,603	40,569,529	277,160,767	9,256,155,245
Equity and liabilities	(7,422,813,645)	(257,419,992)	(742,548,919)	(3,301,430)	(36,618,505)	(793,452,754)	(9,256,155,245)
Interest rate hedging activities	131,519,942	-	(43,466,226)	(48,151,943)	(39,901,774)	-	-
Repricing profile	1,555,125,019	(257,419,992)	(742,036,520)	(3,425,770)	(35,950,750)	(516,291,987)	-
Cummulative repricing profile	1,555,125,019	1,297,705,026	555,668,506	552,242,737	516,291,987	-	
Expressed as a percentage of total assets	16.8%	14.0%	6.0%	6.0%	5.6%		

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

Interest Income Sensitivity

31 Dec 2014	< 3 months	> 3 months < 6 months	> 6 months < 1 year	Cumulative impact on net interest income
	R	R	R	R
2% interest rate increase	5,714,000	6,442,000	14,960,000	27,116,000
2% interest rate decrease	(5,681,000)	(6,348,000)	(14,465,000)	(26,494,000)
31 Dec 2013				
2% interest rate increase	4,814,000	4,674,000	10,659,000	20,147,000
2% interest rate decrease	(4,767,000)	(4,572,000)	(10,176,000)	(19,515,000)

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

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

GRINDROD BANK LIMITED
RISK MANAGEMENT
31 December 2014

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 2014**	**31 Dec 2013**
	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 2014	**31 Dec 2013**
	R	**R**
Foreign currency exposure	**-**	**-**

Sensitivity analysis
10% increase in listed equity prices
10% decrease in listed equity prices

GRINDROD BANK LIMITED
RISK MANAGEMENT
31 December 2014

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 2014	**31 Dec 2013**
		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*	145,000,000	120,000,000
		393,579,000	**368,579,000**
Distributable reserves - formally appropriated	*Common Equity Tier I capital*	295,371,963	217,379,963
Distributable reserves - unappropriated		12,086,197	10,828,783
Total Equity		**701,037,160**	**596,787,746**
Less: Retained earnings (unappropriated)		(12,086,197)	(10,828,783)
Prescribed deductions against capital and reserve funds		(297,000)	(160,000)
Total qualifying tier 1 capital and reserve funds		**688,653,963**	**585,798,963**
Secondary capital and reserve funds			
General allowance for credit impairment	*Tier 2 capital*	9,305,693	9,182,691
Total qualifying capital and reserve funds		**697,959,656**	**594,981,654**
Risk weighted exposure		5,356,287,500	4,538,709,500
Minimum required capital and reserve funds		549,019,469	442,524,176
Tier 1 capital and reserve funds			
Tier 1 Capital Adequacy Ratio		12.86%	12.91%
Total qualifying capital and reserve funds			
Total Capital Adequacy Ratio		13.03%	13.11%
Minimum regulatory capital adequacy ratio		10.00%	9.50%
Additional bank specific regulatory capital requirement		0.25%	0.25%
		10.25%	9.75%
Tier 1 capital ratio		98.7%	98.5%
Tier 2 capital ratio		1.3%	1.5%

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

Capital Management

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

Retained earnings appropriation

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

Dividend policy

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

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

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

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

AUDIT AND COMPLIANCE COMMITTEE

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

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

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

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

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

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

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

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

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

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

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

RISK AND CAPITAL MANAGEMENT COMMITTEE

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

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

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

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

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

DIRECTORS AFFAIRS COMMITTEE

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

REMUNERATION COMMITTEE

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

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

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

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

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

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

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

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

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

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

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

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