GRINDROD BANK LIMITED AND ITS SUBSIDIARIES
Registration No. 1994/007994/06

AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2018

GRINDROD BANK LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2018

INDEX

CERTIFICATE BY COMPANY SECRETARY

GFS Holdings Proprietary Limited, in its capacity as company secretary, hereby certifies that, in terms of section 88(2) of the Companies Act No.71 of 2008, as amended, the company has lodged with the Companies and Intellectual Property Commission of South Africa all such returns and notices as are required of a public company in terms of this Act and that all such returns are true, correct and up to date in respect of the financial year ended 31 December 2018.

GFS Holdings Proprietary Limited
Company Secretary
30 April 2019

GRINDROD BANK LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2018

DIRECTORS' RESPONSIBILITY AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The directors are required by the Companies Act 71 of 2008, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the affairs of the Group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE debt listing requirements and the Companies Act of South Africa. The external auditors are engaged to express an independent opinion on the annual financial statements.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risks cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Group's cash flow forecast for the year to 31 December 2019 and, in the light of this review and the current financial position, they are satisfied that the Group has or has access to adequate resources to continue in operational existence for the foreseeable future.

A sound corporate governance framework commits the Group 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 Group 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.

The annual financial statements set out on pages 14 - 63, which have been prepared on the going concern basis, were approved by the board of directors on 30 April 2019, and are signed on their behalf by:-

D A Polkinghorne
Managing Director

Deloitte.

PO Box 243
Durban 4000
South Africa

Deloitte & Touche
Registered Auditors
Audit & Assurance - KZN
Deloitte Place
2 Pencarrow Crescent
Pencarrow Park
La Lucia Ridge Office Estate
La Lucia 4051
Docex 3 Durban

Tel: +27 (0)31 560 7000
Fax: +27 (0)31 560 7351
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF GRINDROD BANK LIMITED GROUP

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Grindrod Bank Limited and its subsidiaries (the Group) set out on pages 14 to 63, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements* section of our report. We are independent of the Group 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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
Credit impairment against advances and related IFRS 9 Expected Credit Loss ("ECL")	
Significant judgement is required by the Directors in assessing the impairment against advances. Impairment amounting to R54 206 250 against an advances balance of R7 478 907 487, disclosed in note 10 to the consolidated financial statements, represents the expected credit loss ("ECL") based on the requirements of IFRS 9: 'Financial Instruments' ("IFRS 9"). The ECL is calculated by multiplying the loss given default ("LGD"), probability of default ("PD") and applicable discount factors. The significant judgements applied in determining the impairment included: • The expected realisable value of the collateral securing the advance; • The probability that an advance will default (PD); • Credit risk changes (Significant Increase in Credit Risk ("SICR")); • The size of credit exposures (Exposure at Default ("EAD")); and • The loss on default (LGD). Accordingly, impairment against advances is considered a key audit matter.	We utilised our internal credit specialists in evaluating the impairment against advances, which includes the opening balance transition as at 1 January 2018. We assessed the significant judgements applied by the Directors and our audit procedures included the following: • Assessing the design and implementation of key controls relating to the ECL model; • Reviewing and assessing the adequacy of the impairment raised, as well as, the reasonableness of assumptions and variables used in determining the ECL model, which measures credit impairment against loans in accordance with IFRS 9; • Assessing the completeness, accuracy and validity of data and inputs used during the development and application of the credit impairment model; • Performing a retrospective review of the credit risk impairment raised in the prior year financial statements; • Assessing the methodologies and assumptions applied, and disclosures made, to ensure compliance with IFRS 9, including the determination of the PD, EAD and LGD; • Assessing the valuation of collateral for accuracy; • Re-performing management's calculation of the stage allocation (Stage 1, 2 or 3 depending upon SICR); • Re-performing management's calculation of the ECL; • Evaluating the methodology used to incorporate forward-looking information in the calculation of expected credit loss; and • Evaluating the disclosure of the ECL in the financial statements in accordance with IFRS 9. We found that the assumptions and judgements used by the Directors in determining the impairment against advances were appropriate in the circumstances. We consider the credit impairment against advances to be appropriate. We found the disclosure requirements required by IFRS 9 were sufficient and appropriate in all material respects.

Key audit matter	How the matter was addressed in the audit
IFRS 9 Implementation	
Significant judgement is required by the Directors in implementing IFRS 9 effective from 1 January 2018. As a result of the adoption of IFRS 9, judgement is applied in the recognition, classification and measurement of financial instruments in accordance with the requirements of IFRS 9, particularly regarding the development of a new ECL model as set out in accounting policy Note 2 and Note 10, Loans and advances and the determination of the IFRS9 implementation adjustment. Accordingly, the implementation of IFRS 9 is considered a key audit matter.	In evaluating the implementation of IFRS 9, we assessed the significant judgements applied by the Directors in the recognition, classification and measurement of financial instruments. Our audit procedures included the following: • Assessing management's recognition and classification of financial instruments in accordance with IFRS 9; • Use of internal credit specialists to review the and assess the methodologies and assumptions applied in developing the ECL model, and to re-perform management's calculation of the IFRS9 implementation adjustment; and • Reviewing any classification and measurement adjustments arising from any financial instrument reclassification and or re-measurement. We found that the judgements applied in the recognition, classification and measurement of financial instruments were appropriate.
Fee income	
Significant judgement is applied by the Directors in determining whether fees earned are in respect of services performed where the fee can be recognised upfront, and should be accounted for in accordance with IFRS 15: 'Revenue from Contracts with Customer' ("IFRS 15"); or whether the fees are related to loan origination and recognised as an adjustment to the effective interest rate accounted for in accordance with IFRS 9. Fee income amounting to R123 427 429 disclosed in note 3 to the consolidated financial statements relates to fees earned. Accordingly, the determination of fee income is considered a key audit matter.	In evaluating the accounting treatment of fee income in accordance with IFRS 9 and IFRS 15, our audit procedures included the following: • Assessing the design and implementation of key controls relating to fee income recognition; • Reviewing the revenue recognition accounting policies to ensure consistent and appropriate application in accordance with the Standards; • Inspecting a sample of underlying loan facility agreements to establish the purpose of the fee earned and whether it relates to the origination of a related loan facility or services performed; and • Performing detailed substantive audit procedures over fee income and fee debtors, including the testing of significant, or unusual, transactions. We found the accounting treatment of fee income to be in accordance with IFRS 9 or IFRS 15.

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

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report, Audit and Compliance Committee Report and the Certificate by Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this report and the integrated report, which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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.

Responsibilities of the Directors for the Consolidated Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Bank'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 Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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 group'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 consolidated 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 group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

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 consolidated 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 24 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: Gavin Kruger CA (SA), RA
Partner

30 April 2019

GRINDROD BANK LIMITED AND ITS SUBSIDIARIES
AUDIT AND COMPLIANCE COMMITTEE REPORT
For the year ended 31 December 2018

Role and key functions
The audit and compliance committee is a statutory board sub-committee that assists the board in its corporate governance supervision responsibilities, appointed by the shareholders in terms of section 94(2) of the Companies Act and section 64A of the Banks Act. The committee operates independently of management, is free of any organisational restraint or pressure and acts in accordance with its statutory duties and the delegated authority of the board, within formally approved terms of reference, reviewed and approved annually by the board.

Role of the committee
The committee ensures that accurate financial reporting and adequate systems, controls and financial risk-management policies, procedures and standards are in place. The committee is responsible to ensure appropriate corporate governance and compliance within the scope of its mandate, with a specific focus on the potential risks to the Group within the framework of a combined assurance model, and for IT governance as related to financial reporting and the going concern of the Group.

The committee composition adheres to the requirements of the Companies Act and Banks Act. Members of the committee are appointed following an assessment, by the directors' affairs committee, of their collective qualifications and experience. The chairman of the board may not serve as chairman or as a member of the committee.

The committee is also, subject to board approval, authorised to investigate any activity within the scope of its terms of reference and to interact with the directors, management, employees and assurance providers and to obtain independent professional advice to ensure effective governance.

Composition of the committee
The committee composition adheres to the requirements of the Companies Act, the JSE Listing requirements and the Banks Act. Members of the committee are appointed following an assessment, by the directors' affairs committee, of their collective qualifications and experience. The chairman of the board may not serve as chairman or as a member of the committee.

Following the issue of directive 4 of 2018 by the Prudential Authority in October 2018 the committee identified that certain directors are not deemed independent as a result of their directorships at a Grindrod Group level. The board has resolved to implement remedial action to ensure compliance with the directive.

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

Name	Designation	Date of Appointment	Date of Resignation
W D Geach	Non Executive Chairman	May 2015	
W D Geach	*Non Executive Director*	*May 2010*	
J H Beare	Non Executive Director	December 2010	August 2018 *
R S M Ndlovu	Non Executive Director	May 2016	
Z N Malinga	Non Executive Director	May 2017	

* *resigned from the committee on appointment as chairman of the Board of Directors*

Two meetings were held during the year and the committee met formally with the Prudential Authority ("PA").

The committee has decision-making authority regarding its statutory duties and is accountable to the board and the Group's shareholders.

The company secretary serves as secretary to the committee.

The independence of the committee and performance of its members were evaluated by the directors' affairs committee during 2018. Based on the recommendation of the committee, the board proposed the re-election of the members to the shareholders at the forthcoming annual general meeting.

The committee invites the managing director, the chief financial officer, head of internal audit, head of risk and representatives of the external auditors and ultimate holding company (where approved by the Prudential Authority) to attend its meetings as required.

The internal and external auditors have unrestricted access to the chairman and members of the committee. In 2018, the committee met with the internal auditors and with the external auditors without management being present.

The committee has satisfied itself that the chief financial officer has the appropriate expertise and experience and that the finance function is effective. The committee is cognisant of the additional reporting requirements and is in the process of reviewing the resources within the finance function to ensure that it remains effective.

Key activities
In terms of its mandate, matters considered by the audit and compliance committee based on its annual work plan for 2018 included:

- reviewing and recommending to the board publicly disclosed financial information;
- reviewing the annual financial statements and results for the year ended 31 December 2018 in line with applicable legislative and regulatory compliance and recommendation thereof for approval by the board of directors;
- reviewing the combined assurance model and the effectiveness of the process for identifying, assessing and reporting on significant internal financial-control and tax and fraud risks as related to financial reporting and reporting to the risk and capital management committee on its performance in this regard;
- reviewing implementation of the Group's tax strategy;
- assessing the suitability, expertise and experience of the chief financial officer and the expertise, experience and resources of the Group's finance function;
- evaluation and appointment of the new internal audit manager;
- evaluation of the independence, effectiveness and performance of the internal audit manager;
- reviewing and approving the internal audit plan;
- recommending the independent external auditor and designated audit partner and the approval of their terms of engagement and fees for audit services, for approval by shareholders at the annual general meeting;
- reviewing the extent of non-audit services provided by the independent external auditor and other auditors and the approval of the related terms of engagement and fees;
- reviewing the external auditors' work plan, staffing, independence, effectiveness, audit findings, key audit risks and external audit report;
- reviewing legislative and statutory compliance within the scope of its mandate;
- reviewing compliance with the Group's code of ethics and conduct;
- reviewing IT risks, and evaluation of audit assessments of IT-related controls performed by the internal and external auditors together with the appropriateness of actions taken by management to address key issues identified, and reporting on its findings to the risk and capital management committee;
- reviewing and confirming the going concern status;
- evaluating the performance of the audit committee;
- approving its annual work plan for 2019; and
- approving this committee report for presentation to the shareholders.

External audit
Deloitte & Touche served as the Group's registered external auditors for the 2018 financial year. The terms of engagement, independence, expertise, audit quality, objectivity and the appropriateness of rotation of key partners in Deloitte & Touche as the external auditor are appraised by the audit and compliance committee, which includes an annual evaluation. The Deloitte & Touche audit team includes relevant financial services experts and Deloitte & Touche has committed to involving a specialist financial services partner on the audit.

In assessing the auditor's independence, the committee considered guidance contained in King IV as well as IRBA publications and the JSE Listings Requirements and the related commentary thereon. Deloitte & Touche have been auditors of the Group for 24 years and have demonstrated an institutional knowledge, deep expertise and experience of the Group in all the related areas in which the Group operates.

The committee is satisfied that in discharging its duties in terms of its mandate, together with the robust internal Deloitte independence processes that Deloitte & Touche's independence is maintained and has not been impacted by tenure.

The Deloitte & Touche internal independence processes include periodic internal quality reviews as well as those conducted by IRBA, the rotation of the audit partner at least every five years, independence audits on all partners, established safeguards and procedures and independence training and monitoring of non-audit services. The committee is satisfied that adequate steps have been taken by Deloitte & Touche and management to ensure independence is maintained.

The committee is satisfied that the auditors do not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefits from the Group. External audit fees approved for the 2018 financial year to Deloitte & Touche amounted to R3.2m (2017: R2.8m). No non-audit services were performed.

Following review the committee satisfied itself that the auditors' independence was not prejudiced by any consultancy, advisory or other work undertaken or as a result of any previous appointment as auditor.

GRINDROD BANK LIMITED AND ITS SUBSIDIARIES
AUDIT AND COMPLIANCE COMMITTEE REPORT
For the year ended 31 December 2018

Significant areas of judgement

Many areas within the financial statements require judgement, which are set out in the accounting policies of the annual financial statements. The committee has considered the quantum of the assets and liabilities on the statement of financial position and other items that require significant judgement and the following are highlighted:

credit impairment against advances and related IFRS 9 Financial Instruments Expected Credit Loss;
IFRS 9 implementation;
fee income;

Significant judgement is required in assessing the impairment processed against advances in terms of the new requirements of IFRS 9 Financial Instruments (IFRS 9), relating to Expected Credit Loss (ECL). The significant judgements applied in determining the impairment include the expected realisable value of the collateral securing the advance, the probability that an advance will default (Probability of Default ("PD"), credit risk changes (Significant Increase in Credit Risk ("SICR")), the size of credit exposures (Exposure at Default ("EAD")), and the expected loss on default (Loss Given Default ("LGD")). The committee agreed with the adjustment processed relating to ECL and assessed the key judgments and assumptions made in arriving at this adjustment. Please refer to note 10 of the annual financial statements.

Significant judgement is required by the directors in assessing compliance with IFRS 9 effective from 1 January 2018. As a result of the adoption of IFRS 9, judgement is applied in the recognition, classification and measurement of financial instruments in accordance with the requirements of IFRS 9. The committee agreed that the judgements applied in the determining the recognition, classification and measurement of financial instruments were appropriate.

Significant judgement is applied by the directors in determining whether fees earned are in respect of services performed where the fee can be recognised upfront, and should be accounted for in accordance with IFRS 15: 'Revenue from Contracts with Customer' ("IFRS 15"); or whether the fees are related to loan origination and recognised as an adjustment to the effective interest rate accounted for in accordance with IFRS 9. The committee agreed that the accounting treatment of fee income to be in accordance with IFRS 9 and IFRS 15. Please refer to note 3 of the annual financial statements.

Annual financial statements

Following the committee's review of the annual financial statements for the year ended 31 December 2018, it is of the opinion that, in all material respects, they comply with the relevant provisions of the Companies Act, Banks Act, JSE Listings Requirements and IFRS as issued by the IASB, and fairly present the results of operations, cash flows and the financial position of the Group. On this basis, the committee recommended that the board of directors approve the annual financial statements of the Group for the year ended 31 December 2018.

WD Geach
Audit And Compliance Committee Chairman
30 April 2019

GRINDROD BANK LIMITED AND ITS SUBSIDIARIES
DIRECTORS' REPORT
For the year ended 31 December 2018

The directors have pleasure in presenting their report which forms part of the consolidated financial statements of the Group for the year ended 31 December 2018.

NATURE OF BUSINESS
Banking and financial services.

The operating results and state of affairs of the Group are fully set out in the attached consolidated 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 34 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 2018, and the date of this report, the board of directors comprised the following:

Name	Gender	Designation	Meeting Attendance	Date of Appointment	Date of Resignation
J H Beare	M	Non Executive Chairman *	4/4	December 2010	
D A Polkinghorne	M	Managing Director	4/4	January 1999	
S A Blades	M	Executive Director	3/4	July 2006	
J H Beare	M	Non Executive Director	4/4	December 2010	
A S P Dambuza	F	Non Executive Director	2/2	August 2018	
W D Geach	M	Non Executive Director	4/4	August 2010	
M J Hankinson	M	Non Executive Director *	4/4	September 2017	
Z N Malinga	F	Non Executive Director	3/4	April 2017	
M S Mbatha	F	Non Executive Director	2/2	June 2018	
R S M Ndlovu	M	Non Executive Director	4/4	May 2016	
B Ntuli	F	Non Executive Director	0/2		August 2018
S P Scott	F	Chief Financial Officer	4/4	June 2016	
P J Uys	M	Non Executive Director	2/4	January 2014	
Changes to Directors subsequent to 31 December 2018					
S P Scott	F	Chief Financial Officer			February 2019
P J Uys	M	Non Executive Director			February 2019
A Waller	M	Non Executive Director		March 2019	

** substitution of Chairman in August 2018*

COMPANY SECRETARY
GFS Holdings Proprietary Limited

COUNTRY OF INCORPORATION
South Africa

GRINDROD BANK LIMITED AND ITS SUBSIDIARIES
DIRECTORS' REPORT
For the year ended 31 December 2018

HOLDING COMPANY AND SUBSIDIARIES

ULTIMATE HOLDING COMPANY

Grindrod Limited
(a company listed on the Johannesburg Stock Exchange)

IMMEDIATE HOLDING COMPANY

Bank holding company governed by the Banks Act and regulations relating to banks

Grindrod Financial Holdings Limited

SUBSIDIARY COMPANIES

Governed by the Banks Act and regulations relating to banks

Grincap Proprietary Limited
Commerce Square Corporate Finance Proprietary Limited

INDIRECT MINORITY SHAREHOLDERS

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

GOING CONCERN

The directors have assessed the business risks and financial forecasts of the Group and have no reason to believe the business will not continue as a going concern in the year ahead.

SUBSEQUENT EVENTS

Refer note 38.

The directors are not aware of any matter or circumstance, other than as disclosed in note 38, arising since the end of the financial year that has a material impact on the annual financial statements.

COMMITTEE MEETINGS

The Financial Director of the Grindrod Limited Group, Mr X Mbambo, has been given approval by the Prudential Authority to attend the committee meetings listed below:

Credit risk committee
Asset and liability committee
Audit and compliance committee
Risk and capital management committee
Social & ethics committee

AUDITORS

Deloitte & Touche

PREPARER OF ANNUAL FINANCIAL STATEMENTS

Susan Scott, Chief Financial Officer

REGISTERED OFFICE

5 Arundel Close, Kingsmead Office Park, Durban, 4001

ADDITIONAL PUBLIC DISCLOSURE

Additional public disclosure as required in terms of the Banks Act can be found on the Group's website https://www.grindrodbank.co.za/Library. This disclosure has not been audited or reviewed by Deloitte & Touche. The December 2018 additional public disclosure is not yet available due to operational delays experienced in implementing additional reporting requirements. Consequently this additional public disclosure will not be published concurrently with the publication of the annual financial statements as required by the regulations to the Banks Act. The Group has applied to the South African Reserve Bank for an extension of this reporting deadline and awaits the outcome of that application.

GRINDROD BANK LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Notes	31 Dec 2018 R	Restated (Refer note 39) 31 Dec 2017 R
Interest and similar income	1	910,568,247	929,267,372
Interest and similar expense	2	(701,592,426)	(652,151,517)
NET INTEREST AND SIMILAR INCOME		208,975,821	277,115,855
Other operating income	3	333,219,196	203,710,111
Operating expenditure	4	(307,762,063)	(249,487,213)
Provision for credit losses	5	(17,871,787)	(5,894,001)
PROFIT BEFORE TAXATION		216,561,167	225,444,752
Taxation	6	(28,973,477)	(37,669,119)
PROFIT AFTER TAXATION		187,587,690	187,775,633
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		187,587,690	187,775,633

GRINDROD BANK LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2018

	Notes	31 Dec 2018 R	31 Dec 2017 R
ASSETS			
INTANGIBLE ASSETS	7	-	12,377
PROPERTY AND EQUIPMENT	8	6,513,439	10,138,486
INVESTMENT IN SUBSIDIARIES	9	-	-
LOANS AND ADVANCES	10	7,424,701,237	6,911,974,409
OTHER ASSETS	11	378,111,682	340,448,226
LIQUID ASSETS AND SHORT TERM NEGOTIABLE SECURITIES	12	2,843,540,996	1,763,875,170
CASH AND SHORT TERM FUNDS	13	2,238,790,676	7,653,106,603
TOTAL ASSETS		12,891,658,030	16,679,555,271
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	285,000,000
Distributable reserves		847,831,621	689,684,115
TOTAL EQUITY		1,381,410,621	1,223,263,115
DEFERRED TAXATION LIABILITY	17	4,938,209	6,804,887
DEPOSITS AND FUNDING INSTRUMENTS	18	11,374,873,480	15,319,301,415
DERIVATIVE INSTRUMENTS	19	7,910,914	18,939,404
OTHER LIABILITIES	20	122,524,806	107,294,479
TAXATION		-	3,951,971
TOTAL EQUITY AND LIABILITIES		12,891,658,030	16,679,555,271

GRINDROD BANK LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Notes	Ordinary Share Capital R	Ordinary Share Premium R	Preference Share Capital R	Distributable Reserves R	Total R
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	34	-	-	-	(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
IFRS 9 implementation adjustment *					(4,143,740)	(4,143,740)
Balance at 1 January 2018		650,000	247,929,000	285,000,000	685,540,375	1,219,119,375
Total comprehensive income for the year		-	-	-	187,587,690	187,587,690
Preference share dividends		-	-	-	(25,296,444)	(25,296,444)
Balance at 31 December 2018		650,000	247,929,000	285,000,000	847,831,621	1,381,410,621

** IFRS 9 implementation adjustment to Distributable Reserves comprises*		
Provision for credit losses	10	(5,755,195)
Deferred taxation		1,611,455
Distributable Reserves		(4,143,740)

GRINDROD BANK LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	Notes	31 Dec 2018 R	Restated (Refer note 39) 31 Dec 2017 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and similar income		910,568,247	929,267,372
Interest and similar expense		(701,592,426)	(652,151,517)
Other operating income		296,974,966	181,862,152
Cash payments to employees and suppliers		(289,028,785)	(241,670,791)
Cash generated from operations	35	216,922,002	217,307,216
(Increase)/decrease in operating assets:			
Loans and advances to customers		(545,218,561)	(1,307,950,738)
Deposits held for regulatory purposes		(224,199,202)	(414,018,162)
Other short term negotiable securities		(878,733,624)	379,333,256
Increase/(decrease) in operating liabilities:			
Deposits from customers		(3,944,427,935)	1,324,759,263
Dividends paid - ordinary shares		-	(32,131,000)
Dividends paid - preference shares		(23,436,239)	(21,714,000)
Normal tax paid		(36,763,635)	(34,384,392)
Net cash inflow/(outflow) from operating activities		(5,435,857,194)	111,201,443
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(1,725,733)	(3,698,169)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of preference share capital		-	50,000,000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(5,437,582,927)	157,503,274
Cash and cash equivalents at the beginning of the year		7,412,013,603	7,254,510,329
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	36	1,974,430,676	7,412,013,603

BASIS OF PREPARATION

The consolidated annual financial statements of the Group 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 the Financial Reporting Standards Council, the JSE debt listing requirements 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.

RECENT ACCOUNTING DEVELOPMENTS

At the date of authorisation of the financial statements the following applicable standards were in issue but not yet effective. The Group will apply such IFRS standards from their respective effective dates.

IFRS 9 (Amendments) - Prepayment Features with Negative Compensation - Applies to annual periods beginning on or after 1 January 2019

The amendments are expected to have a limited impact on the recognition and measurement of financial assets.

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 per annum.

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

The standard provides clarity on how to incorporate and disclose taxation where there is uncertainty regarding treatment by tax authorities.

The amendments are expected to have a limited impact on the measurement and disclosure of taxation.

After due consideration to all known and reasonably estimable information, forthcoming IFRS standards (including changes to existing IFRS standards) that are not yet effective are not expected to have a material impact on the Group in their respective periods of initial application.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods or on any forseeable future transactions.

The directors do not anticipate early adoption of applicable standards and interpretations.

APPLICATION OF NEW IFRS STANDARDS

In the current year, the Group has, where applicable, applied a number of new and/or revised IFRS standards issued by the International Accounting Standards Board that are mandatorily effective for an accounting period that begins on or after 1 January 2018. The impact of the application of the new standards (and/or revisions to existing standards) are detailed below.

IFRS 9 - Financial Instruments - Applies to annual periods beginning on or after 1 January 2018
IFRS 9 replaces the provisions of IAS 39: Financial Instruments that relate to the recognition, classification, measurement and de-recognition of financial assets and financial liabilities, and the impairment of financial assets.

The adoption of IFRS 9 on 1 January 2018 (the date of initial application) resulted in changes in the Group's accounting policies for the i) recognition, ii) classification and iii) measurement of financial assets and financial liabilities, as well as the impairment of financial assets. IFRS 9 adoption also resulted in amendments to other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures' (which disclosures have been presented in the notes to the annual financial statements).

In accordance with the transitional provisions in IFRS 9 comparative figures have not been restated. Furthermore, the Group did not elect to early adopt any of the provisions of IFRS 9 in previous financial reporting periods. Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

Further information on the classification, measurement, impairment and derecognition of financial instruments under IFRS 9 can be found in the notes to the annual financial statements.

Classification and measurement of financial instruments
Loans and advances
In respect of the Group's portfolio of advances, the primary objective of the Group's business model is to "hold to collect" contractual cash flows. Furthermore, the principal amount represents the fair value of the advance at initial recognition. That principal amount may change over the life of the asset (e.g. if there are repayments (decrease) or readvances (increase) of capital). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The contractual cash flows are therefore considered solely payments of principal and interest (SPPI).

Where advances fail the SPPI test due to additional revenue arrangements attached to them they are classified as held at fair value through profit and loss. Loans with special revenue arrangements include terms which entitle the Group to a fee or dividend, derived from specified asset values, upon facility expiry or upon early settlement due to realisation of the specified asset.

Cash
In respect of cash and reserve accounts, the objective of the Group's business model is to "hold to collect" contractual cash flows. Furthermore, the principal amount represents the fair value of the cash balance at initial recognition. That principal amount may change over the life of the asset (e.g. if there are withdrawals (decrease) or deposits (increase) of capital). Interest consists of a market related consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time. The contractual cash flows are therefore SPPI.

The only change to the statement of financial position from IAS 39 to IFRS 9 related to the Expected Credit Loss (ECL) provision, as detailed in the loans and advances note 10.

The impact of IFRS 9 transitional adjustments on retained earnings as at 1 January 2018 is reflected below the statement of changes in equity, refer page 16.

Financial assets reclassified to/from the amortised cost category as a result of the initial application of IFRS 9 on 1 January 2018 are detailed in the table below.

The main effects resulting from reclassification and remeasurement related to loans and advances provisioning and can be found in the notes to the annual financial statements.

Financial Assets	**IFRS 9 Category**	**R**	**IAS 39 Category**	**R**	**Note**
Loans and Advances	Amortised cost	5,203,979,943	Amortised cost (L&R**)	6,242,945,625	10
Loans and Advances	FVTPL	1,038,965,682	Amortised cost (L&R**)	-	10
Loans and Advances	Designated at FVTPL	669,028,784	Designated at FVTPL	669,028,784	10
		6,911,974,409		**6,911,974,409**	
Derivative Financial Assets	FVTPL	18,939,404	FVTPL (HFT*)	18,939,404	19
Accounts Receivable	Amortised cost	217,141,588	Amortised cost (L&R**)	340,448,225	11
Accounts Receivable	FVTPL	123,306,637	Amortised cost (L&R**)	-	11
		340,448,225		**340,448,225**	
Cash and Reserve Accounts	Amortised cost	7,653,106,603	Amortised cost (L&R**)	7,653,106,603	13

*HFT - Held for Trading
**L&R - Loans and Receivables
FVTPL - Fair Value Through Profit or Loss

There were no changes to the classification and measurement of financial liabilities as a result of the initial application of IFRS 9.

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 did not differ materially with the implementation of IFRS 15, refer note 3.

Annual Improvements to IFRS Standards 2014-2016 Cycle (IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 28 Investments in Associates and Joint Ventures). - Applies to annual periods beginning on or after 1 January 2018
The amendments had no impact on the Group.

IFRS 2 - Classification and measurement of share-based payment transactions - Applies to annual periods beginning on or after 1 January 2018
The amendments had no impact on the Group.

IAS 40 - Transfers to Investment Property - Applies to annual periods beginning on or after 1 January 2018
The amendments had no impact on the Group.

The Group changed its accounting policies and made certain transitional adjustments following the adoption of IFRS 9 and IFRS 15. The changes/adjustments are disclosed as detailed above. The other amendments listed above did not have a material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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:

	Policy
expected credit loss provisioning	2
loans and advances	2
share based incentive schemes	10
assessment of control	3

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

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

Other than the changes arising from the adoption of new accounting standards as noted above and the change in accounting as set out in note 39, the following principal accounting policies have been consistently applied in all material respects:

1. Financial instruments

   Financial Instruments: classification and measurement and impairment
   The Group adopted IFRS 9 on 1 January 2018 and revised its accounting policies based on the requirements of IFRS 9. The Group has applied the IFRS 9 requirements with respect to the measurement of Expected Credit Loss (ECL) retrospectively at the date of initial application, being 1 January 2018. In accordance with IFRS 9 transitional provisions, the Group has not restated its comparative financial statements for the adoption of IFRS 9. Accordingly, the impact of adopting IFRS 9 has resulted in an adjustment to the Group's opening reserves at 1 January 2018.

   On implementation of IFRS9 there was no change relating to initial recognition of either assets or liabilities. An impairment model has been designed to quantify expected credit losses (ECLs) where the credit risk of a financial instrument has increased significantly since initial recognition. The adjustment to meet the stage 1 & 2 provisions on implementation of IFRS 9 is detailed in the notes to the annual financial statements. The stage 3 provisioning level did not differ from the pre-implementation specific provision level.

   Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs and fees that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

   All recognised financial assets are subsequently measured at amortised cost or fair value based on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:
Financial assets (including advances, cash and reserve accounts and short-term receivables) that are held within a business model whose objective is to collect the contractual cash flows, and have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;
All other financial assets are subsequently measured at FVTPL
Where the Group designates a financial asset that meets the amortised cost or FVTOCI criteria as measured at FVTPL, when doing so eliminates or significantly reduces an accounting mismatch, subsequent measurement is at FVTPL.

Reclassifications
If the business model under which the Group holds financial assets changes, the affected financial assets are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the financial assets. There were no changes in the business model under which the Group holds financial assets and therefore no reclassifications were made in either of the current or previous financial reporting periods. Changes in contractual cash flows are considered under the accounting policy on modification and derecognition of financial assets described below.

There were no financial assets or financial liabilities in the current or prior year statement of financial position that were previously designated as measured at fair value through profit or loss but are no longer so designated.

Loans and advances

Initial measurement

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 advances. Loans and advances are recognised at the transaction price as this represents the fair value at origination of the loan.

Loan origination fees relating to future services to be performed are recognised as an adjustment to the effective interest rate over the life of the loan.

Subsequent measurement

Fixed rate advances: The Group has irrevocably decided to hold fixed rate loans at fair value through profit and loss. The Group enters into interest rate swap agreements to economically hedge its fixed rate loans. Therefore, as the Group has used these instruments as hedging tools, it has chosen to recognise fixed rate loans at their fair value. The Group does not apply hedge accounting.

Variable rate advances are held at amortised cost as the business model is to hold the assets for the collection of contractual cash flows. These advances' contractual cash flows represent solely payments of principal and interest (SPPI).

Special revenue arrangements: There are certain advances that have additional revenue arrangements attached to them in terms of which the Group is entitled to a fee or dividend derived from specified asset values upon facility expiry or upon early settlement due to realisation of the specified asset. Where such loans meet the SPPI test they are classified as held at amortised cost and where they fail the SPPI test they are classified as held at fair value through profit and loss.

Renegotiated terms

Changes to credit risk of a borrower resulting in renegotiation of key terms of the advance (interest rate, repayment terms or expiry date) are treated as a de-recognition of the advance, and recognition of a new advance as any modifications to existing advances are subject to a new credit assessment, scoring and approval.

Derecognition
Loans and advances are only derecognised when the balance is repaid or renegotiated, as there is no longer a right to contractual cash flows or if an advance is written off.

Modification
The Group is sometimes required to modify the terms of advances provided to customers. The risk of default of such advances after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition. When the modification is not substantial it does not result in derecognition of the original asset.

Other receivables (including fee debtors)
Initial Measurement
Sundry debtors: Are recognised at transaction price as this represents the fair value. There is no significant financing component given the receivables are short term in nature and thus the transaction price does not differ significantly from the fair value.

Fee debtors: Fees from Corporate and Investment Banking and Property Solutions (origination fees) are recognised over the life of the loan and are initially recorded at their present value and subsequently recognised as an adjustment to the effective interest rate of the loan.

Fees from the other business units (Retail, Treasury, Corporate Finance and General Bank fees) are recognised at their transaction price as it represents the fair value of the fee receivable. These fees are not attached to a loan as they are for compensation for services performed. These fees are recognised as the service is performed in accordance with the requirements of IFRS 15.

Subsequent measurement
Sundry debtors and fee debtors are subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents
Cash and cash equivalents consists of money held with the South African Reserve Bank (SARB) and funds held with other South African banks.

Initial Measurement
Cash and cash equivalents are recognised at transaction price as this represents the fair value.

Subsequent measurement
Cash and cash equivalents are subsequently measured at amortised cost using the effective interest method.

Preference share investments
Preference share investments consist of investments held in various preference shares that accrue dividends in a similar way to interest. The Group holds these investments in order to collect the contractual cash flows in the form of dividends and the principal amount initially invested.

Initial Measurement
Preference share investments are recognised at transaction price as this represents the fair value on the date of the investment.

Subsequent measurement
Preference share investments are held at amortised cost using the effective interest rate method as these assets are held to collect contractual cash flows in the form of dividends received and the contractual principle originally invested.

Derecognition
Preference share investments are derecognised once the investment has matured and the capital repaid.

Financial liabilities
Financial liabilities include deposits and funding instruments, interest rate swaps, accounts payable and sundry creditors.

Initial Measurement
All financial liabilities are recognised at the transaction price, which is representative of the fair value of the financial liability.

Subsequent measurement
All financial liabilities with the exception of interest rate swaps are classified and measured as amortised cost.

The Group has chosen to measure the interest rate swaps at their fair value as it eliminates the measurement inconsistency as the interest rate swap agreements are linked to a market related reference rate.

Derecognition
Financial liabilities are derecognised only when the obligation specified in the contract is discharged or cancelled or expires.

2. Loans and advances - expected credit loss

A financial asset that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the Group. If a significant increase in credit risk ("SICR") since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired (unless an event of default has occurred). Refer below for key considerations by the Group in determining when a significant increase in credit risk has occurred.

If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3. An advance is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows have occurred. Evidence of credit-impairment includes observable data that typically indicate one or more of the following:

- significant financial difficulty of the borrower
- a default event

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Financial assets in Stages 2 or 3 have their ECL measured based on expected credit losses that result from default events that may arise on a remaining lifetime basis.

The Group measures credit risk of advances using assumptions with regards to Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) on an individual loan by loan basis. Refer to the detail below for more information regarding inputs, assumptions and estimation techniques, which have been applied consistently throughout the reporting period.

Collateral valuation
Collateral is measured at fair value at inception of the loan or advance and the valuation is reviewed periodically depending on the collateral type. Collateral held against Stage 2 loans and advances is reviewed when a significant increase in credit risk (SICR) since initial recognition is identified and collateral held against Stage 3 loans and advances is monitored on an on-going basis.

Significant increase in credit risk (SICR)
Qualitative considerations:

Facility is in Arrears
Facility is in Default
Classification and appearance on watch list
Significant changes in value of collateral
Acts of Insolvency (Liquidation / Business Rescue proceedings)

Derecognition
Loans are derecognised once settlement occurs or when a loan is written-off i.e. when the contractual rights to the cash flows from the financial asset expire or are transferred.

Curing
Due to the nature of the Group's clients and composition of the loan book, clients are placed under managed accounts once default occurs or if any evidence comes to light affecting the recovery of the loan. When a loan cures it ceases to be classified as a managed account once the relevant period passes. If a re-default happens to occur, the above process is once again followed.

Default
Loans are derecognised once settlement occurs or when a loan is written-off i.e. when contractual rights to the cash flows from the financial asset expires or are transferred.

Loan modifications
The nature of the loan book is such that loans are modified infrequently. Any modifications to existing loans are subject to a credit assessment, scoring and approval. Credit risk changes will feed into the IFRS 9 provisioning via the new credit score. Modified loans are derecognised once settlement occurs or when a loan is written-off i.e. when the contractual rights to the cash flows from the financial asset expire or are transferred.

Loan restructures
All loans restructured are monitored and reported in line with the banking regulations. These are monitored and classified according to the Group's credit policy.

Period of Exposure
The period of exposure used in this model for all types of facilities is the expiry date of the facility granted. This is deemed appropriate for the Group's book since behavioural patterns of individual facilities cannot consistently reflect the average behavioural patterns across products. For example, overdrafts can be used for various purposes which include bridging facilities, working capital, purchase of shared portfolios, etc. As such the probability that the facility will be renewed varies significantly across the loan book. Furthermore, no open-ended rolling facilities are granted. All facilities are granted with a defined expiry date and with no guarantee of renewal. Renewals are subject to the normal credit evaluation process.

Effective Interest rate

Determined at initial recognition
The rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset
If closely correlated with the contractual rate, contractual rate may be used
The Group is for the most part a price taker in the market. As such, risk is not considered in interest rate pricing of a deal and contractual rates are used to discount ECL's.

Probability of Default (PD)

Probability of default is determined primarily based on professional judgement using knowledge of the loan book and the Group's client base. Probabilities are subject to debate and approval by the Credit Risk Committee, Risk and Capital Committee and Board. PD's are assigned according to product type. It should be noted that the Group has a low history of debt write-off.

Stress scenario analysis	+20% PD	-20% PD
Stage 1	4,638,761	(4,638,761)
Stage 2	1,275,314	(1,280,012)
Stage 3	-	-
	5,914,075	(5,918,773)

Exposure at default (EAD)

EAD is calculate based on the following factors:

- Type
- Access level
- Repayment type

Depending on the above, three measurement types are possible:

- Average utilisation
- Interest roll-up
- Amortisation

Loss Given Default (LGD)

LGD is per period and is calculated considering the projected exposure less the security value valued according to the established and approved credit policy.

Where security is held to secure multiple facilities the general practice of the Group is as follows:

- Where multiple facilities are structured for a single lending transaction, the security is apportioned proportionately across the facilities
- Where security for a single lending transaction is used to later secure another transaction, the security is allocated to the original loan and thereafter allocated to the new loan

Incorporating forward looking scenarios:

The LGD calculated above is then adjusted for forward looking economic scenarios according to the industry applicable to the exposure. Three economic scenarios are utilised (poor, stable and good) and the applicable adjustment is based on judgement using freely available forecast economic indicators applicable to that industry.

Utilising the factors above the following overall probabilities and LGD adjustments are assigned to the applicable industries. Both the impact on exposure as well as security are considered.

Stress scenario analysis	+20% LGD	-20% LGD
Stage 1	4,638,761	(4,638,761)
Stage 2	1,289,468	(1,289,468)
Stage 3	-	-
	5,928,229	(5,928,229)

Expected Loss
Expected loss is calculated by multiplying the loss given default by the relevant probability of default and thereafter discounting the result by the relevant interest rate.

Significant areas of judgement and key assumptions
Due to the Group's history of low credit default limited numeric data is available to make reasonable assumptions regarding the various aspects required to determine forward looking information (FLI) and Expected Credit Losses (ECL). Consequently, various elements of the model (key elements detailed below) require the use of experience and professional judgement.

- Determining probability of default (PD) across all product types including when PD's are different
- Quantitative Triggers for significant increase in credit risk (SICR)
- Qualitative Triggers for SICR
- Security Valuation Methodology
- FLI impact on loss given default (LGD)

Key economic variables	One Year Range	Three Year Range
GDP	1.2 - 1.7	1.5 - 3
Inflation Rate	5 - 6	5 - 6.5
Prime Lending Rate	10 - 11	9.5 - 11.25
Unemployment Rate	25 - 30	22 - 28

Key economic varaibles beyond the three year forecast period equate to a long-run average expectation.

3. Investment in subsidiaries

A subsidiary is a company or entity controlled by the Group.
Control is achieved when a Group meets all three of the below criteria:

- has power over the investee
- is exposed, or has rights, to variable returns from its involvement with the investee, and
- has the ability to use its power to affect its returns

Grincap Proprietary Limited currently holds preference shares in various entities as a result of financing activities. Some of the entities financed have defined investment related activities including holding shares in both listed and unlisted entities. Grincap does not have any voting rights in these entities. The Grindrod Group has equity interests of between 20%-50% in some of these entities. In some instances the preference share agreements in place with the issuers of the preference shares are structured to ensure Grincap, as the preference share holder, has protective rights. In accordance with IFRS 10 an assessment of the facts, circumstances, significant judgements and assumptions has been performed to ensure that there is no control over these entites.

Significant judgement is applied by management when determining whether the requirements of control as defined by IFRS 10, consolidated financial statements, are met. These judgements are set out below.

- The purpose and design of the entity
- The determination of relevant activities of the entity. Relevant activities have been identified as decisions surrounding early redemption and/or repayment on funding and decisions relating to the increase and exit of investments
- How decisions surrounding relevant activities are made
- Assessment of the ability to direct these activities
- Whether rights defined in funding agreements are protective or substantive in nature

4. Derivative instruments

   It is not the policy of the Group 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.

5. 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

6. 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

7. 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.

8. Foreign currencies

   Foreign currency transactions are recorded at the exchange rate ruling on the transaction date.

9. Provisions

   Provisions are recognised when the Group 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.

10. Incentive schemes - medium term share based

    Medium term share based incentives payable 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 at least 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.

11. 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.

12. 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 Group's benefit. Contingent rentals are recognised in profit or loss as they accrue.

13. Revenue recognition

    Revenue from financial instruments is recognised in terms of IFRS9 and revenue from other service contracts is recognised in terms of IFRS15.

    Interest and preference share financing revenue and interest expense and preference share funding costs are recognised using the effective interest rate method, including the amount of amortisation of any discount or premium.

    Fee income earned on origination for credit risk related to advances is deferred and recognised using the effective interest rate method over the expected life of the relevant advances.

    The effective interest rate method discounts the future cashflows over the expected life of the financial instrument to the carrying amount of the instrument. The effective interest rate is determined on initial recognition of the financial instrument and is not subsequently remeasured.

    Administration, service and advisory fees are recognised as the services are transferred or performed. Advisory contracts with customers are not standardised and may include contingent conditions. The contracts are analysed individually to assess the extent of the services performed and the appropriate level of revenue recognition.

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

14. 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.

15. 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.

	31 Dec 2018	Restated (Refer note 39) 31 Dec 2017
	R	R
1. INTEREST AND SIMILAR INCOME		
Loans and receivables (effective interest method)		
Advances	463,425,608	505,852,812
Preference share dividends, advances portfolio	93,014,700	91,775,056
Balances at banks and short term funds	239,332,138	236,378,068
Other short term securities	71,789,678	50,222,198
Preference share dividends, negotiable securities portfolio	3,260,791	8,746,668
Loan origination fees recognised over the expected life of advances	38,202,588	32,217,621
Fee receivable accretion	1,542,744	4,074,949
	910,568,247	929,267,372
Interest and similar income from related parties:		
Grindrod Group companies	3,337,258	2,000,945
Grindrod Group investee companies/entities	123,766,536	71,526,289
Directors and key management personnel (directly and indirectly)		
Grindrod Group (excluding Grindrod Bank)	15,528,318	16,311,110
Grindrod Bank	813,958	1,321,260
	143,446,070	91,159,604
Interest income on impaired loans	7,059,709	5,236,855

	31 Dec 2018	Restated (Refer note 39) 31 Dec 2017
	R	R
2. INTEREST AND SIMILAR EXPENSE		
Calculated using the effective interest method		
Call deposits - corporate banking	271,019,693	255,060,967
Call deposits - retail banking	22,904,963	51,766,907
Notice and fixed deposits	340,999,469	299,257,033
Preference share funding	20,488,088	20,961,554
Bond issue	43,570,943	21,607,494
Funding guarantee fees	2,609,270	3,497,562
	701,592,426	652,151,517
Interest paid to related parties:		
Grindrod Group companies	3,525,049	4,871,061
Grindrod Group investee companies/entities	1,466,882	1,255,906
Directors and key management personnel (directly and indirectly)		
Grindrod Group (excluding Grindrod Bank)	20,894	45,110
Grindrod Bank	502,575	1,134,078
	5,515,400	7,306,155
Guarantee fees paid to related parties:		
Grindrod Group companies	2,609,270	3,497,562

	31 Dec 2018 R	Restated (Refer note 39) 31 Dec 2017 R
3. OTHER OPERATING INCOME		
Fee income		
Corporate Banking		
Fee income	44,785,642	28,203,744
Fee income treated as deferred interest iro lending credit risk	(11,644,528)	(16,441,935)
Corporate Banking (property)		
Fee income	35,377,515	63,476,004
Fee income treated as deferred interest iro lending credit risk	(30,197,500)	(29,195,464)
Retail Banking	65,471,223	85,838,448
Corporate Finance	6,684,176	6,134,213
Other banking related	12,950,901	6,879,159
Dividend income		
Dividends other - Grincap (Pty) Ltd	40,083,508	2,449,662
Residual beneficiary distribution	9,038,856	9,432,374
Fair value gains/(losses) on FVTPL loans and advances		
Loans held at fair value through profit or loss	86,319,541	-
Loans designated at fair value through profit or loss	80,460,178	52,829,179
Fair value gains/(losses) on FVTPL financial instruments		
Mark-to-market of derivatives	10,692,504	(8,226,937)
Mark-to-market of loans held at fair value through profit or loss	(8,864,751)	7,967,913
Interest paid on derivative hedges	(7,938,069)	(5,636,249)
	333,219,196	203,710,111
Included in fee income are amounts from related parties:		
Grindrod Group companies	1,154,000	848,497
Grindrod Group investee companies/entities	18,104,475	19,873,947
Directors and key management personnel (directly and indirectly)		
Grindrod Group (excluding Grindrod Bank)	321,044	1,345,500
	19,579,519	22,067,944

GRINDROD BANK LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2018

4. OPERATING EXPENDITURE

	31 Dec 2018 R	31 Dec 2017 R
Auditors remuneration		
- audit fees	4,647,158	2,888,997
Other professional service provider reviews	1,547,590	-
Banking and transactional related costs	7,761,550	6,604,523
Computer related costs	31,503,481	20,882,542
Depreciation and amortisation	5,363,157	5,245,196
Legal and professional fees	4,656,753	3,134,431
Marketing	11,639,424	10,905,447
Premises		
- rental	11,085,260	10,077,368
- other premises related costs	6,681,704	7,118,705
Non-executive director emoluments	2,165,037	1,156,453
Staff expenses		
- salaries	133,533,701	113,977,083
- leave pay	819,722	1,155,609
- incentive schemes	40,390,349	27,782,837
- forfeitable share plan and cash-settled share based schemes	4,264,485	13,039,497
- sign-on, retention and severance payments	3,421,000	1,441,600
- other	2,419,015	1,077,348
Travel	4,677,763	4,154,668
Other expenses	13,150,439	12,733,986
Penalties and fines	10,000,000	-
Indirect taxation	8,034,475	6,110,923
	307,762,063	249,487,213

Refer to additional incentive scheme disclosure per note 31.

	31 Dec 2018	31 Dec 2017
Related party operating expenditure, including Grindrod Group support services and premises costs:		
Grindrod Group companies	14,717,222	24,190,159

	31 Dec 2018	31 Dec 2017
	R	R
Included in staff expenses (on a payment and not an accrual basis):		
Key executive management personnel remuneration (13 staff members, 2017:13)		
Managerial services - salaries	25,207,592	22,340,620
Managerial services - incentive schemes	17,928,330	15,307,940
Managerial services - cash-settled share based payments	6,422,734	8,705,605
Sign-on, retention and severance payments	3,421,000	1,441,600
Post retirement benefits	3,121,990	2,897,445
	56,101,646	50,693,210

Executive director remuneration	Salary	Post retirement benefits	Sign-on, retention* and severance payments	Incentive Schemes
Current year	R	R	R	R
D A Polkinghorne	4,953,345	296,655	2,703,000	4,814,635
S A Blades	3,015,221	315,958	-	3,527,037
S P Scott	2,064,177	247,490	-	2,297,968
	10,032,743	860,103	2,703,000	10,639,640
Prior 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

* The retention amount was paid in June 2017 and expensed over the period to December 2018.
The managing director has a service contract with a six month notice period and no predetermined compensation on termination.

	31 Dec 2018	31 Dec 2017
Directors' Emoluments		
Non-executive - directors fees	2,165,037	1,156,453
Executive - managerial services	23,375,382	23,627,131
Executive - post retirement benefits	860,103	865,206
	26,400,522	25,648,790

	31 Dec 2018	31 Dec 2017
Non-executive director emoluments paid by the Group:		
J H Beare	531,833	332,583
A S P Dambuza	95,833	-
W D Geach	349,999	258,997
Z N Malinga	364,405	130,373
M S Mbatha	112,500	-
R S M Ndlovu *	485,242	310,500
P J Uys *	225,225	124,000
	2,165,037	1,156,453

	31 Dec 2018 R	31 Dec 2017 R
Director emoluments paid by the Grindrod Group to Grindrod Bank directors, excluding payments by Grindrod Bank:		
Executive directors of Grindrod Limited		
M J Hankinson	20,149,040	9,790,000
A K Olivier	-	5,108,000
B Ntuli	14,585,408	7,011,000
Non-executive directors		
W D Geach	412,001	407,003
Z N Malinga	474,404	346,627
R S M Ndlovu *	359,704	282,500
P J Uys *	812,418	700,000
	36,792,975	23,645,130

* Fees ceded to Remgro Limited
Refer to Grindrod Limited annual financial statements, as disclosed on their website www.grindrod.co.za, for full disclosure of total remuneration paid by Group companies to directors.

5. PROVISION FOR CREDIT LOSSES

	31 Dec 2018	31 Dec 2017
Increase/(decrease) in credit loss provisioning		
Stage 1 & 2 expected credit loss (ECL) provision	(6,654,067)	2,843,472
Stage 3 expected credit loss (ECL) impairments against advances	20,895,611	3,050,529
Bad debts written off	3,630,243	-
	17,871,787	5,894,001
IFRS 9 retained earnings opening balance adjustment:		
Increase in stage 1 & 2 expected credit loss (ECL) provision, (refer note 10)	5,755,195	

6. TAXATION

	31 Dec 2018	31 Dec 2017
SA Normal taxation		
Current Tax	30,840,155	35,945,037
Deferred Tax	(1,866,678)	1,724,082
	28,973,477	37,669,119

RECONCILIATION OF RATE OF TAXATION	%	%
Standard rate	28.0	28.0
Adjusted for:		
Dividends	(16.2)	(11.4)
Penalties and fines	1.3	0.0
Operating expenditure	0.2	0.1
Effective rate	13.4	16.7

	31 Dec 2018 R	31 Dec 2017 R
7. INTANGIBLE ASSETS		
Computer software		
Cost	3,673,710	3,673,710
Accumulated amortisation	(3,673,710)	(3,661,333)
	-	12,377
Movement in intangible assets		
Net book value at beginning of year	12,377	44,999
Amortisation	(12,377)	(32,622)
Net book value at end of year	-	12,377
8. PROPERTY AND EQUIPMENT		
Furniture, fittings, office equipment and motor vehicles		
Cost	12,895,036	12,349,328
Accumulated depreciation	(9,076,124)	(7,307,527)
	3,818,912	5,041,801
Computers and computer hardware		
Cost	22,065,840	20,885,815
Accumulated depreciation	(19,371,313)	(15,789,130)
	2,694,527	5,096,685
Total assets	34,960,876	33,235,143
Total accumulated depreciation	(28,447,437)	(23,096,657)
	6,513,439	10,138,486

MOVEMENT IN PROPERTY AND EQUIPMENT	Furniture, fittings, office equipment and motor vehicles R	Computers and computer hardware R	Total R
Current year			
Net book value at beginning of year	5,041,801	5,096,685	10,138,486
Purchases	545,708	1,180,025	1,725,733
Depreciation	1,768,597	3,582,183	5,350,780
Net book value at end of year	3,818,912	2,694,527	6,513,439
Prior year			
Net book value at beginning of year	4,095,418	7,557,473	11,652,891
Purchases	2,444,321	1,253,848	3,698,169
Depreciation	1,497,938	3,714,636	5,212,574
Net book value at end of year	5,041,801	5,096,685	10,138,486

	31 Dec 2018 R	31 Dec 2017 R

9. INVESTMENT IN SUBSIDIARIES

Name of Entity	*Percentage* 2018	*holding* 2017	*Principal Activity*
Commerce Square Corporate Finance Proprietary Limited	100%	100%	Corporate Finance
Grincap Proprietary Limited	100%	100%	Preference share financing

The subsidiaries are incorporated and operate in South Africa.

The principal place of business of these subsidiaries is 5 Arundel Close, Kingsmead Office Park, Durban, 4001.

10. LOANS AND ADVANCES

	31 Dec 2018 R	31 Dec 2017 R
At amortised cost	5,325,345,144	6,242,945,625
At fair value through profit or loss	1,302,437,881	-
Designated at fair value through profit or loss using year end market sourced interest rate yield curves to discount expected future cash flows	796,918,212	669,028,784
	7,424,701,237	6,911,974,409
Loans and advances - companies and close corporations	5,665,523,356	5,228,813,335
Loans and advances - unincorporated businesses and other	561,200,704	535,838,464
Loans and advances - household	79,204,949	90,394,649
Preference share financing	1,099,109,801	1,012,022,880
Accrued income	65,490,314	61,871,478
Revaluation of loans designated at fair value through profit or loss	8,378,363	17,243,114
Expected credit loss provision against advances (ECL Stage 1 & 2)	(29,641,144)	(30,540,015)
Impairments against advances (ECL Stage 3)	(24,565,106)	(3,669,496)
	7,424,701,237	6,911,974,409
Maximum exposure to credit risk	7,478,907,487	6,946,183,920

Loans and 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.

	31 Dec 2018	31 Dec 2017
	R	R
Collateral		
Property	3,564,904,843	3,095,541,060
Listed Shares	701,299,409	720,912,998
Unlisted Shares	429,905,688	265,670,101
Debtors	177,316,442	426,982,833
Guarantee / Letter of Undertaking	677,209,551	427,984,363
Other	255,426,217	51,038,401
Fair value of collateral held	5,806,062,150	4,988,129,756
Unsecured	1,763,748,972	2,138,011,029
Revaluation of loans designated at fair value through profit or loss	8,378,363	17,243,114
Expected credit loss provision against advances (ECL Stage 1 & 2)	(29,641,144)	(30,540,015)
Impairments against advances (ECL Stage 3)	(24,565,106)	(3,669,496)
Security for financing guarantees (refer note 32)	(99,281,998)	(197,199,979)
	7,424,701,237	6,911,974,409

	31 Dec 2018	31 Dec 2017
Contractual maturity analysis		
Maturity on demand	714,950,975	788,827,012
Maturing within one month	287,755,014	1,005,667,270
Maturing after one month but within three months	995,522,371	236,165,723
Maturing after three months but within six months	463,237,954	420,329,293
Maturing after six months but within one year	506,407,278	370,729,956
Maturing after one year but within three years	1,762,017,845	1,395,410,486
Maturing after three years but within five years	1,270,703,039	1,614,120,068
Maturing after five years but within ten years	1,320,604,360	979,826,420
Maturing after ten years	83,839,974	55,993,100
Interest accrued	65,490,314	61,871,478
Revaluation of loans held at fair value through profit or loss	8,378,363	17,243,114
Expected credit loss provision against advances (ECL Stage 1 & 2)	(29,641,144)	(30,540,015)
Impairments against advances (ECL Stage 3)	(24,565,106)	(3,669,496)
	7,424,701,237	6,911,974,409

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

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

	31 Dec 2018	31 Dec 2017
	R	R
Sectoral analysis		
Agriculture, hunting, forestry and fishing	84,058,447	75,831,396
Mining and quarrying	29,148,108	29,148,116
Manufacturing	300,328,624	228,339,747
Electricity, gas and water supply	3,803,404	-
Construction	39,975,104	39,325,654
Wholesale and retail trade, repair of specified items, hotels and restaurants	290,073,914	248,030,864
Transport, storage and communication	164,466,928	302,483,597
Financial intermediation and insurance	194,793,158	190,360,855
Real estate	3,477,211,812	3,002,039,166
Business services	6,115,776	186,682,423
Community, social and personal services	53,161,065	33,050,314
Private households	69,752,630	71,800,810
Other	2,741,453,411	2,535,421,482
Expected credit loss provision against advances (ECL Stage 1 & 2)	(29,641,144)	(30,540,015)
	7,424,701,237	6,911,974,409
Geographical analysis		
South Africa	7,424,701,237	6,911,974,409
Included in advances are fixed rate loans held at fair value through profit or loss (level 2)		
Nominal value of loans held at fair value through profit or loss	788,539,849	651,785,670
Revaluation of loans held at fair value through profit or loss	8,378,363	17,243,114
Fair value of loans held at fair value through profit or loss	796,918,212	669,028,784

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

	31 Dec 2018	31 Dec 2017
Revaluation of loans held at fair value through profit or loss (level 2)		
Changes in fair value during the period attributable to changes in:		
Market risk	8,378,363	17,243,114
Fair value movement (level 3)		
Opening balance - 31 December 2017	-	-
Loans and receivables designated at fair value on I January 2018	1,038,965,682	-
Additions	191,660,532	-
Settlements	(51,928,230)	-
Fair value adjustments	123,739,897	-
Closing balance - 31 December 2018	1,302,437,881	-

	31 Dec 2018	31 Dec 2017
	R	R
Related party loans and advances:		
Grindrod Group companies	-	22,767,366
Grindrod Group investee companies/entities	1,635,491,295	1,438,776,745
Directors and key management personnel (directly and indirectly)		
Grindrod Group (excluding Grindrod Bank)	-	164,691,572
Grindrod Bank	8,003,535	14,150,297
	1,643,494,830	1,640,385,980

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

	31 Dec 2018	31 Dec 2017
Direct and indirect loans and advances to Grindrod Group investee companies/entities and entities conrolled by investee companies:		
Passive investments acquired for nil or a nominal amount		
Property owning entities	616,194,704	421,465,384
Investment entities	372,079,625	389,380,348
Passive investments acquired for fair value		
SPVs without significant influence over underlying investment	152,180,150	150,215,676
Investment entities	116,351,798	35,959,679
Asset management entities	234,779,828	306,387,126
Other operating entities	143,905,189	135,368,533
	1,635,491,295	1,438,776,745

These entities form part of Grindrod Financial Services' portfolio of equity investments. The 3rd party investees are managed and operated by clients of the Bank, but are classified as associate companies in accordance with IFRS due the Grindrod Group holding between 20% and 50% of the shares in the entities.

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

	31 Dec 2018 R	31 Dec 2017 R
Analysis of expected credit loss provision (ECL Stage 1 & 2)		
Provision at the beginning of the year	30,540,015	27,696,543
IFRS 9 opening balance adjustment	5,755,195	-
Net increase/(decrease) in provision	(6,654,066)	2,843,472
Provision at the end of the year	29,641,144	30,540,015
Analysis of impairments (ECL Stage 3)		
Impairments at the beginning of the year	3,669,496	11,636,859
Net increase in impairments	24,525,853	3,050,529
Written off against impairments	(3,630,243)	(11,017,892)
Impairments at the end of the year	24,565,106	3,669,496
Expected credit loss (ECL) provision analysis		
Stage 1 - 12-month ECL provision	23,193,805	30,540,015
Stage 2 - lifetime ECL provision	6,447,339	-
Stage 3 - lifetime ECL impairments	24,565,106	3,669,496
	54,206,250	34,209,511

IFRS9 adjustment (1 January 2018)	1 January 2018	Adjustment	31 Dec 2017
Stage 1 (2017: portfolio provision)	30,175,061	(364,954)	30,540,015
Stage 2 (2017: portfolio provision)	6,120,149	6,120,149	-
Stage 3 (2017: specific impairments)	3,669,496	-	3,669,496
	39,964,706	5,755,195	34,209,511

Current year	Stage 1	Stage 2	Stage 3	Total
Gross Carrying Amount	7,011,088,389	399,172,655	68,646,443	7,478,907,487
Less: ECL provision	(23,193,805)	(6,447,339)	(24,565,106)	(54,206,250)
Net Carrying Amount	6,987,894,584	392,725,316	44,081,337	7,424,701,237

Current year	Stage 1	Stage 2	Stage 3	Total
ECL provision at 1 January 2018	30,175,061	6,120,149	3,669,496	39,964,706
Transfer to/from Stage 1	(106,978)	106,978	-	-
Transfer to/from Stage 2	15,397	(15,397)	-	-
Transfer to/from Stage 3	(244,929)	-	244,929	-
Movements with P&L impact				-
Originated "New" impairments raised	8,933,973	5,768,560	-	14,702,534
Subsequent changes in ECL	(6,303,193)	(1,674,597)	24,281,314	16,303,523
Derecognised incl. write offs	(9,275,525)	(3,858,545)	(3,630,243)	(16,764,313)
Total net P&L charge during the period	(6,644,746)	235,419	20,651,071	14,241,744
Other changes	0	190	(390)	(200)
ECL provision at 31 December 2018	23,193,805	6,447,339	24,565,106	54,206,250

Stress scenarios based on forward looking information (FLI)

	Stress impact %	Stress impact R	Total ECL
Base FLI			54,206,250
Positive FLI	-12.2%	(6,621,463)	47,584,787
Negative FLI	15.1%	8,205,937	62,412,187

The most significant macro-economic variables have been stressed against the final ECL result in order to determine the sensitivity of the model to changes in forward looking information.

	31 Dec 2018 R	31 Dec 2017 R
Analysis of classified, impaired or non-performing loans and advances		
Advances classified as special mention	240,358,766	35,113,955
Advances classified as sub-standard	32,325,171	10,421,939
Advances displaying significant weakness	98,222,531	39,051,936
Carrying amount of classified advances	370,906,468	84,587,830
Collateral held against classified, impaired or non-performing loans and advances	346,341,362	80,918,335
Age Analysis of classified, impaired or non-performing loans and advances		
Current	240,438,398	-
6 - 12 months overdue	18,004,604	13,677,239
> 12 months overdue	112,463,466	70,910,591
	370,906,468	84,587,830
Sectoral analysis of classified, impaired or non-performing loans and advances		
Manufacturing	32,242,669	-
Wholesale and retail trade, repair of specified items, hotels and restaurants	17,446,530	13,677,239
Financial intermediation and insurance	9,305,095	-
Real estate	113,654,849	23,223,293
Private households	-	269,998
Other	198,257,325	47,417,300
	370,906,468	84,587,830
Geographical analysis of classified, impaired or non-performing loans and advances		
South Africa	370,906,468	84,587,830
Credit impaired loans and advances		
Carrying value	68,646,443	41,669,496
Expected credit loss allowance (ECL Stage 3)	24,565,106	3,669,496
Carrying value (net)	44,081,337	38,000,000
Fair value of collateral held	44,081,337	38,000,000

11. OTHER ASSETS

	31 Dec 2018 R	31 Dec 2017 R
At amortised cost		
Receivables	211,807,138	308,047,058
Present value recognised at inception and accreted on a straightline basis	10,664,364	32,401,167
At fair value through profit or loss		
Fee and dividend receivables	155,640,180	-
	378,111,682	340,448,225
South African Revenue Services	3,582,964	-
Sundry receivables	25,971,715	29,730,892
Fee and dividend receivables	348,557,003	310,717,333
	378,111,682	340,448,225

The carrying value of other assets approximates fair value.

	31 Dec 2018 R	31 Dec 2017 R
Maturity analysis of fee and dividend receivables		
Maturing within one year	138,380,470	201,573,505
Maturing after one year	210,176,533	109,143,828
	348,557,003	310,717,333
Included in fee and dividend receivables are amounts with contractually deferred receipt dates:		
Deferred fee debtors	240,080,984	203,209,644
Included in other assets are amounts due from related parties, including overhead recoveries:		
Grindrod Group companies	41,013,640	16,271,078
Grindrod Group investee companies/entities	46,831,559	1,167,456
	87,845,199	17,438,534
Fair value movement (level 3)		
Opening balance - 31 December 2017	-	-
Loans and receivables designated at fair value on I January 2018	123,306,637	-
Fair value adjustments	32,333,543	-
Closing balance - 31 December 2018	155,640,180	-

12. LIQUID ASSETS AND SHORT TERM NEGOTIABLE SECURITIES

	31 Dec 2018 R	31 Dec 2017 R
Measured at amortised cost		
Money Market Investments	1,714,036,599	820,068,253
Preference shares	18,256,496	33,491,218
Statutory Liquid Assets at amortised cost		
Treasury bills	1,111,247,901	910,315,699
	2,843,540,996	1,763,875,170

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

Statutory Liquid Assets are held to meet liquid asset requirements in terms of the Banks Act.

	31 Dec 2018	31 Dec 2017
	R	R
13. CASH AND SHORT TERM FUNDS		
Measured at amortised cost		
Regulatory deposits with the S A Reserve Bank	264,360,000	241,093,000
Other deposits with the S A Reserve Bank	319,988,689	3,609,686,610
Interbank deposits	1,654,441,987	3,802,326,993
	2,238,790,676	7,653,106,603
14. ORDINARY SHARE CAPITAL		
Authorised		
500,000,000 (2017: 500,000,000) ordinary shares of 1 cent each	5,000,000	5,000,000
Issued		
65,000,002 (2017: 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 2018	31 Dec 2017
15. ORDINARY SHARE PREMIUM		
Arising on the issue of 65,000,002 (2017: 65,000,002) ordinary shares of 1 cent each	247,929,000	247,929,000
16. PREFERENCE SHARE CAPITAL		
Authorised		
750,000 (2017: 750,000) non-cumulative, non-redeemable, non-participating, non-convertible par value shares of 1 cent each		
Issued		
245,000 (2017: 245,000) non-cumulative, non-redeemable, non-participating, non-convertible par value shares of 1 cent each	285,000,000	285,000,000

The preference shares issued are held by Grindrod Limited.

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 LIABILITY

Temporary Differences Asset/(Liability)	Deferred Tax Income/(Expense) R	31 Dec 2018 R	31 Dec 2017 R
Expected credit loss provision	(1,565,617)	6,985,587	8,551,204
Leave pay provision	229,522	2,084,376	1,854,854
Bonus/Incentive provisions	929,153	16,711,973	15,782,820
Income accruals	2,273,620	(30,720,145)	(32,993,765)
	1,866,678	(4,938,209)	(6,804,887)

ANALYSIS OF TEMPORARY DIFFERENCES

CURRENT YEAR	Carrying Amount	Tax Base	Temporary Differences
Expected credit loss provisions	24,948,524	-	24,948,524
Leave pay provision	7,444,200	-	7,444,200
Bonus/Incentive scheme provisions	59,685,618	-	59,685,618
Income & sundry accruals	(109,714,802)	-	(109,714,802)
Balance at 31 December 2018	(17,636,460)	-	(17,636,460)
Deferred Tax Asset/(Liability) at 28%			(4,938,209)

PRIOR 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)

18. DEPOSITS AND FUNDING INSTRUMENTS

	31 Dec 2018 R	31 Dec 2017 R
Measured at amortised cost		
Call deposits - corporate banking	4,132,636,823	3,808,366,896
Call deposits - retail banking	1,613,522,884	6,799,311,073
Notice and fixed deposits	4,718,214,443	4,028,842,753
Preference share funding	341,380,000	233,950,000
Domestic medium-term note (DMTN) - bond issue	461,000,000	365,000,000
Accrued interest and dividends	108,119,330	83,830,693
	11,374,873,480	15,319,301,415
Amounts owed to depositors	11,233,163,403	15,200,344,035
Amounts owed to banks	141,710,077	118,957,380
	11,374,873,480	15,319,301,415
Contractual maturity analysis		
Withdrawable on demand	5,774,775,703	10,633,731,306
Maturing within one month	1,398,649,612	1,418,371,848
Maturing after one month but within three months	1,941,792,045	1,467,434,606
Maturing after three months but within six months	588,234,186	383,782,415
Maturing after six months but within one year	670,263,069	1,032,683,885
Maturing after one year	1,001,158,865	383,297,355
	11,374,873,480	15,319,301,415

The maturity analysis of deposits is based on the remaining contractual periods to maturity from the year end date.

Preference share funding Dividend rate	Maturity date 31 Dec 2018	Maturity date 31 Dec 2017		
75% of prime	20/07/2019	20/07/2018	47,691,746	39,477,109.87
75% of prime	02/11/2019	02/11/2019	100,000,000	100,000,000
75% of prime	28/03/2020	28/03/2020	100,000,000	100,000,000
75% of prime	16/08/2021	16/08/2021	100,000,000	-
			347,691,746	239,477,110

Preference share dividends are payable bi-annually and are accrued at 75% of the prime rate of interest.

			31 Dec 2018 R	31 Dec 2017 R
Bond issue (DMTN Programme)	Maturity date 31 Dec 2018	Maturity date 31 Dec 2017		
3 month JIBAR plus 2.20%	-	15/10/2018	-	260,000,000
3 month JIBAR plus 3.00%	16/11/2020	16/11/2020	225,000,000	105,000,000
3 month JIBAR plus 3.00%	04/06/2021	-	236,000,000	-
Accrued interest			4,614,645	6,392,003
			465,614,645	371,392,003

A JSE listed three year bond was originally issued on 15 October 2012 with subsequent taps, rollovers and new issues.
Interest is payable quarterly and is linked to the three-month JIBAR rate plus a spread.

	31 Dec 2018 R	31 Dec 2017 R
Sectoral analysis		
Banks	141,710,077	118,957,380
Government and public sector	49,824,835	73,761,090
Individuals	2,305,853,864	7,543,268,390
Business sector and other	8,877,484,704	7,583,314,555
	11,374,873,480	15,319,301,415
Geographical analysis		
South Africa	11,374,873,480	15,319,301,415
Related party deposits:		
Grindrod Group companies	55,054,801	68,036,323
Grindrod Group investee companies/entities	16,322,488	8,442,144
Directors and key management personnel (directly and indirectly)		
Grindrod Group (excluding Grindrod Bank)	155,385	5,511,481
Grindrod Bank	7,190,389	6,759,584
	78,723,063	88,749,532

Deposits from related parties earn market related rates of interest

19. DERIVATIVE INSTRUMENTS

	31 Dec 2018 R	31 Dec 2017 R
At fair value through profit or loss using year end market sourced interest rate yield curves to discount expected future cash flows		
Interest rate swaps (market valuation)		
Mark-to-market liability	10,424,360	19,266,903
Mark-to-market asset	(2,513,446)	(327,499)
Net mark-to-market (asset)/liability	7,910,914	18,939,404
Current year movements		
Mark-to-market liability	(8,842,543)	8,580,110
Mark-to-market asset	(2,185,947)	(162,157)
Net mark-to-market loss/(gain)	(11,028,490)	8,417,953
Interest rate swaps (market valuation)		
Contracts economically hedging fixed rate loans and advances (note 10)	7,910,914	18,939,404
	7,910,914	18,939,404
Interest rate swaps (nominal value)		
Contracts with negative mark-to-market value (liability)	526,775,796	550,169,529
Contracts with positive mark-to-market value (asset)	255,905,106	96,831,741
	782,680,902	647,001,270

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

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 the exposure to derivative

20. OTHER LIABILITIES

	31 Dec 2018 R	31 Dec 2017 R
Measured at amortised cost		
Trade and other payables	38,684,436	31,001,987
Leave pay provision	7,444,199	6,624,477
Bonus provision*	40,000,000	31,236,500
Cash-settled share based incentive schemes*	19,685,618	25,130,714
Forfeitable share plan*	4,000,489	2,450,943
Preference share dividends payable	12,710,063	10,849,858
	122,524,805	107,294,479
Related party accounts payable:		
Grindrod Group companies	13,579,074	11,596,945
Analysis of leave pay provision		
Provisions at the beginning of the year	6,624,477	5,468,868
New provision raised	819,722	1,155,609
Provisions at the end of the year	7,444,199	6,624,477

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

	31 Dec 2018 R	31 Dec 2017 R
*Analysis of incentive schemes/provisions**		
Provisions at the beginning of the year	58,818,157	63,592,288
Utilised or reversed during year	(39,786,884)	(45,596,464)
New provision raised	44,654,834	40,822,333
Provisions at the end of the year	63,686,107	58,818,157

* Refer to additional incentive scheme disclosure per note 31.

	31 Dec 2018	31 Dec 2017
	R	R

21. FINANCIAL INSTRUMENT FAIR VALUE HIERARCHY

	Total	**Level 1**	**Level 2**	**Level 3**
31 Dec 2018				
Assets				
Loans and receivables	2,254,996,273	-	796,918,212	1,458,078,061
	2,254,996,273	-	796,918,212	1,458,078,061
Liabilities				
Derivative instruments	7,910,914	-	7,910,914	-
	7,910,914	-	7,910,914	-
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	-

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

There were no transfers between the levels during the year.

	31 Dec 2018 R	31 Dec 2017 R
Level 3 reconciliation		
Opening balance - 31 December 2017	-	-
Loans and receivables designated at fair value on 1 January 2018	1,162,272,319	-
Additions	191,660,532	-
Settlements	(51,928,230)	-
Fair value adjustments through profit or loss	156,073,440	-
Closing balance - 31 December 2018	1,458,078,061	-

Level 2 supplementary information
The financial assets and liabilities are fair valued using year end market sourced interest rate yield curves to discount expected future cash flows.

Level 3 supplementary information
The financial assets are fair valued due to the fact that they do not meet the SPPI test, solely payments of principal and interest, as a result of additional revenue arrangements attached to the assets/loans. These assets are fair valued at year end using the combined value of:
the loan, valued by using year end market sourced interest rate yield curves to discount expected future cash flows
the additional revenue arrangement, valued per the specified arrangement and based on the specified underlying asset
The specified underlying assets include:
property, supported by a professional valuation; and
unlisted investments, supported by a valuation using either the net asset value of the underlying investment, a price earnings multiple or a discounted projected income/present value approach.
The fair value measurement of unlisted investments is based on significant inputs that are not necessarily observable in the market. Key inputs used in valuations include discount rates and future profit assumptions based on historical performance of the specified asset but adjusted for expected growth. Management reassess the earnings or yield multiples at least annually based on their assessment of the macro and micro economic environment.

22. FINANCIAL INSTRUMENTS RISK MANAGEMENT: 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. Credit risk is monitored at an individual and at an aggregated exposure level. New deal approval is subject to specified limits of authority which are aggregated at a client group level i.e. Credit Risk (R10m), Credit Exco (R30m), Credit Risk (R50m) and the Board (above R50m).

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 Group 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 Group is not considering renewal of the facility or where expected cashflows on the facility are more than two months 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.

The Group has had a low default and bad debt history and as a result has limited internal statistics for the calculation of expected credit losses. The Group's expected credit loss model includes various factors and key areas of professional judgement which are reviewed and approved by both the Credit Committee and Risk and Capital Management Committee.

Credit Risk Mitigation
The Group does not have material netting arrangements and it does not currently use credit derivatives to mitigate credit risk.

The Group 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 significant reliance is placed on the security.

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

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

The Group has adopted the Basel III 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 Group monitors concentration risk on an on-going basis and ensures adequate diversification of exposure at account and underlying security level.

23. FINANCIAL INSTRUMENTS RISK MANAGEMENT: 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 Group 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 Group is exposed to a maturity mismatch due to the duration of the lending book when compared against the duration of the funding book. The Group has been well served by its prudent liquidity management policy, the stability of its deposit base and the high quality of the advances book and intends to continue to adopt a conservative liquidity policy in the future.

Contractual maturity analysis

31 Dec 2018	**< 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	-	41,482	-	5,241,890	2,627,542	-	7,910,914
Deposits & funding instruments	9,115,217,360	588,234,186	670,263,069	1,001,158,865	-	-	11,374,873,480
Other liabilities	-	-	-	-	-	122,524,806	122,524,806
Taxation (normal & deferred)	-	-	-	-	-	4,938,209	4,938,209
	9,115,217,360	**588,275,668**	**670,263,069**	**1,006,400,755**	**2,627,542**	**127,463,015**	**11,510,247,409**
Operating lease commitments	3,497,822	3,497,822	6,027,862	11,349,260	-	-	24,372,766
Financing guarantees	99,281,998	-	-	-	-	-	99,281,998
Irrevocable unutilised facilities	182,749,527	-	-	-	-	-	182,749,527
	9,400,746,707	**591,773,490**	**676,290,931**	**1,017,750,015**	**2,627,542**	**127,463,015**	**11,816,651,700**
Estimated future contractual interest payable	17,747,733	33,676,275	81,231,580	176,105,091	-	-	308,760,679
	9,418,494,440	**625,449,765**	**757,522,511**	**1,193,855,106**	**2,627,542**	**127,463,015**	**12,125,412,379**

31 Dec 2017	**< 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	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**

The liquidity maturity analysis is prepared on an undiscounted basis 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.

24. FINANCIAL INSTRUMENTS RISK MANAGEMENT: 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 Group 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 2018	**< 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	11,166,703,883	551,789,176	3,308,885	406,400,327	378,830,638	384,625,121	12,891,658,030
Equity and liabilities	(10,367,543,502)	(243,457,073)	(433,643,878)	(338,139,941)	-	(1,508,873,636)	(12,891,658,030)
Interest rate hedging activities	782,680,902	(4,187,708)	-	(403,328,102)	(375,165,092)	-	(0)
Repricing profile	**1,581,841,283**	**304,144,395**	**(430,334,993)**	**(335,067,716)**	**3,665,546**	**(1,124,248,515)**	**-**
Cummulative repricing profile	**1,581,841,283**	**1,885,985,678**	**1,455,650,685**	**1,120,582,969**	**1,124,248,515**	**-**	
Expressed as a percentage of total assets	12.3%	14.6%	11.3%	8.7%	8.7%		

31 Dec 2017	**< 3 months**	**> 3 months < 6 months**	**> 6 months < 1 year**	**> 1 year < 5 years**	**> 5 years**	**Non-rate sensitive**	**Total**
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%		

Interest Income Sensitivity

31 Dec 2018	**< 3 months**	**> 3 months < 6 months**	**> 6 months < 1 year**	**Cumulative impact on net interest income**
	R	**R**	**R**	**R**
2% interest rate increase	12,204,912	12,060,488	26,509,960	50,775,360
2% interest rate decrease	(12,090,734)	(11,839,079)	(25,478,495)	(49,408,309)
31 Dec 2017				
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)

Interest 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 individual 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 per individual transaction is R200,000).

25. FINANCIAL INSTRUMENTS RISK MANAGEMENT: MARKET RISK

The risk that the market price of an asset may change, resulting in a loss on realisation of that asset.

The business does not have any regulatory market risk as a result of trading activities. 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.

26. FINANCIAL INSTRUMENTS RISK MANAGEMENT: 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).

Where the business is exposed to investment risk reports are tabled at the monthly Asset and Liability Committee (ALCO) meetings. Exposures tend to be short term in nature.

27. FINANCIAL INSTRUMENTS RISK MANAGEMENT: 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 Group.

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

Sensitivity analysis	**31 Dec 2018**	**31 Dec 2017**
	R	**R**
10% increase in listed equity prices	-	-
10% decrease in listed equity prices	-	-

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

28. FINANCIAL INSTRUMENTS RISK MANAGEMENT: 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 2018	**31 Dec 2017**
	R	**R**
Foreign currency exposure	**-**	**-**

29. FINANCIAL INSTRUMENTS RISK MANAGEMENT: SOLVENCY/CAPITAL ADEQUACY RISK

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

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

Capital Management
The Group projects balance sheet growth on a monthly basis in order to assess liquidity and capital adequacy. The shareholders continue to support the business in order to ensure that a prudent risk asset ratio is maintained.

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

Dividend policy
The Group has a bi-annual dividend payment policy of 3 times cover (33.33%). 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 maintain capital levels.

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

Subsequent to the yearend the Prudential Authority has indicated that the risk weighting on specific loans and advances should be 150% and not 100% due to the underlying nature of the security and the financing arrangements. The Bank does not expect the final impact of any changes to result in a breach of the 12.375% minimum regulatory capital adequacy requirement at 31 December 2018.

Restrictions or other major impediments on the transfer of funds or qualifying capital within the banking entities
The only restriction on the transfer of funds or qualifying capital is in terms of the Banks Act.

Additional public disclosure as required in terms of the Banks Act can be found on the Group's website https://www.grindrodbank.co.za/Library. This disclosure has not been audited or reviewed by Deloitte & Touche. The December 2018 additional public disclosure is not yet available due to operational delays experienced in implementing additional reporting requirements. Consequently this additional public disclosure will not be published concurrently with the publication of the annual financial statements as required by the regulations to the Banks Act. The Group has applied to the South African Reserve Bank for an extension of this reporting deadline and awaits the outcome of that application.

30. FINANCIAL INSTRUMENTS RISK MANAGEMENT: 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 Group has adopted the Basel III basic indicator approach for the measurement of exposure to operational risk.

31. 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 Group.

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

No employees of the Group are considered to be material risk takers and the main business areas of the Group are:

- Corporate Banking
- Treasury (activities limited to deposit taking and investment of surplus liquidity)
- Corporate Finance
- Retail Banking

Incentive schemes - variable short term

Performance bonuses for key executives are based on the achievement of stretch profit targets and specified strategic and non-specified value-added objectives approved by the remuneration committee annually. Short-term performance incentives for executives are capped at 100 percent of TCOE. All other employees who have performed according to predetermined criteria are incentivised where an incentive pool is justified and created.

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 and alignment with medium term strategy
- BB-BEE - Broad-Based Black Economic Empowerment criteria
- Transformation
- SHERQ - Safety Health Environment Risk and Quality
- Compliance with FICA and other applicable regulations
- 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.

Incentive schemes - medium term share based

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

Grindrod Financial Services Group cash-settled share based incentive schemes

The Group 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 vesting in equal tranches after 3, 4 and 5 years. The Group is required to pay a share appreciation bonus to each participant on each vesting date equal to the difference between the lower of the fair market and the capped value and the allocation price of the shares.

The fair market value of the 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 financial year in respect of which audited financial results have been prepared.
and takes into account shares in issue and notional shares in respect of dividends that have been capitalised into the entities.

The capped value of the shares is:
10% of the combined after tax profits of Grindrod Financial Holdings Limited and GFS Holdings Proprietary Limited, for the latest financial year in respect of which audited financial results have been prepared, taking into account shares in issue and notional shares in respect of dividends that have been capitalised into the entities.

An employee's right to participate in the scheme terminates upon leaving the employment of the Group.

Vesting may, in exceptional circumstances and subject to the approval of the remuneration committee, occur earlier than the five-year vesting period.

Grindrod Limited 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 forfeit all unvested awards.

	31 Dec 2018 R	31 Dec 2017 R
32. COMMITMENTS AND GUARANTEES		
Financing guarantees	99,281,998	197,199,979
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	182,749,527	189,184,179
Irrevocable unutilised facilities are approved lending facilities which cannot be unconditionally withdrawn, prior to facility expiry, by the Bank.		
Maximum exposure to credit risk	282,031,525	386,384,158
Related party guarantees:		
Grindrod Group companies	661,453	451,654
Grindrod Group investee companies/entities	63,873,303	12,323,473
	64,534,756	12,775,127
Operating lease commitments		
Due within one year	13,023,506	11,091,983
Due after one year but not later than five years	11,349,260	19,583,079
Operating lease commitments	24,372,766	30,675,062
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	3,302,397	2,725,579

33. RETIREMENT BENEFIT INFORMATION

	31 Dec 2018 R	31 Dec 2017 R
Contributions to provident fund	15,466,524	13,314,481

The Group contributes to the Grindrod Provident Fund, a defined contribution plan. Contributions to the Grindrod Unicorn Provident Fund ceased in December 2017. The funds are registered under and governed by the Pension Funds Act, 1956.

As at 31 December 2018 178 employees (2017:163 employees) of the Group were members of the Grindrod Provident Fund.

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

34. ORDINARY DIVIDENDS

	31 Dec 2018 R	31 Dec 2017 R
Dividends paid	-	32,131,000
Total ordinary dividend	-	32,131,000
	Cents per share	Cents per share
Dividend No. 39	-	49.432
Total Dividend	-	49.432

	Notes	31 Dec 2018 R	Restated (Refer note 39) 31 Dec 2017 R
35. RECONCILIATION OF NET PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS			
Profit before taxation		216,561,167	225,444,752
Adjusted for:			
Unrealised (profit)/loss on derivatives		(11,028,490)	8,417,953
Unrealised (profit)/loss on loans designated at fair value		8,864,751	(7,967,913)
Depreciation and amortisation		5,363,157	5,245,196
Bad debts written off/(recovered)		3,630,243	-
Increase/(decrease) in stage 3 ECL impairments against advances		20,895,611	3,050,529
(Decrease)/Increase in stage 1 & 2 ECL provisions		(6,654,066)	2,843,472
Operating profit before working capital changes		237,632,373	237,033,989
Working capital changes			
Decrease/(Increase) in sundry receivables		3,759,178	(10,052,227)
(Increase)/decrease in fee and dividend receivables		(37,839,670)	(12,245,772)
Decrease/(Increase) in accounts payable		13,370,121	2,571,226
Cash generated from operations		216,922,002	217,307,216
36. RECONCILIATION OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			
Cash and short term funds at the end of the year	13	2,238,790,676	7,653,106,603
Deposits held with SARB for regulatory purposes	13	(264,360,000)	(241,093,000)
Cash and cash equivalents		1,974,430,676	7,412,013,603
Cash and cash equivalents comprise:			
Current account balances		319,988,689	3,609,686,610
Interbank deposits		1,654,441,987	3,802,326,993
		1,974,430,676	7,412,013,603

37. RELATED PARTIES

The Group conducts business with the following related parties.
Related party transactions are disclosed in the individual notes where applicable.

Entities governed by the Banks Act and regulations relating to banks

Immediate Bank Holding Company
- Grindrod Financial Holdings Limited

Subsidiary Companies
- Grincap Proprietary Limited
- Commerce Square Corporate Finance Proprietary Limited

Advances to and deposits from the entities listed above are not always conducted on ordinary commercial terms.

Related parties not governed by the Banks Act and regulations relating to banks

Ultimate Holding Company
- Grindrod Limited
(a company listed on the Johannesburg Stock Exchange)

Indirect Minority Shareholders
- Amber Bay Investments 3 Proprietary Limited - 3.45% (483 shares)
(shareholders include members of management)

Grindrod Group companies
- Entities in the Grindrod Limited Group, other than all entities held directly or indirectly by the Bank Holding Company, Grindrod Financial Holdings Limited (which have been separately identified above).
- The grouping includes subsidiaries within the Financial Services Segment of the Grindrod Limited Group that invest in property and private equity:
- Grindrod Property Private Equity Proprietary Limited
- GFS Holdings Proprietary Limited

Grindrod Group investee companies/entities
- These entities form part of Grindrod Financial Services portfolio of equity investments. These investees are managed and operated by 3rd party clients of the Group, but are classified as associate companies in accordance with IFRS due to the Grindrod Limited Group holding between 20% and 50% of the shares in the entities. The Grindrod Financial Services investments are passive and various investments were acquired as part of a financing arrangement for a nominal value whilst others were investment opportunities acquired at fair value.

Directors and key management personnel (directly and indirectly)
- Including close family members and any entity controlled or jointly controlled by directors/key management personnel, split between
- Grindrod Group (excluding Grindrod Bank)
- Grindrod Bank

Advances to and deposits from the above groups of related parties are all on normal business terms and at market related rates of interest.

38. SUBSEQUENT EVENTS

A R10 million regulatory administrative sanction was issued in February 2019 against Grindrod Bank Limited by the Prudential Authority ("PA") relating to the publication of a redacted version of the annual financial statements. The Group has fully provided for the sanction in the 2018 financial year, refer notes 4 and 20.

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

39. RESTATED FINANCIAL RESULTS

Correction of error
In previous periods income was classified based on the legal or commercial form with additional disclosure in the notes to show the IFRS classifications. In the current year, various comparative figures were reallocated between interest and similar income or expense and other operating income to be consistent with the current period classifications.

The changes are reflected in the note below and the more significant changes related to:
Fee income regarded as interest in respect of lending credit risk, reallocated from other operating income

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Prior year Restated 31 Dec 2017 R	Reallocation R	Prior year as presented originally 31 Dec 2017 R
Interest and similar income	1	929,267,372	(10,900,360)	940,167,732
Interest and similar expense	2	(652,151,517)	-	(652,151,517)
NET INTEREST AND SIMILAR INCOME		277,115,855	(10,900,360)	288,016,215
Other operating income	3	203,710,111	10,900,360	192,809,751
Operating expenditure		(249,487,213)	-	(249,487,213)
Provision for credit losses		(5,894,001)	-	(5,894,001)
PROFIT BEFORE TAXATION		225,444,752	-	225,444,752
Taxation		(37,669,119)	-	(37,669,119)
PROFIT AFTER TAXATION		187,775,633	-	187,775,633
Other comprehensive income		-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		187,775,633	-	187,775,633

STATEMENT OF CASH FLOWS

	Notes	Prior year Restated 31 Dec 2017 R	Reallocation R	Prior year as presented originally 31 Dec 2017 R
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest and similar income		929,267,372	(10,900,360)	940,167,732
Interest and similar expense		(652,151,517)	-	(652,151,517)
Other operating income		181,862,152	10,900,360	170,961,792
Cash payments to employees and suppliers		(241,670,791)	-	(241,670,791)
Cash generated from operations		217,307,216		217,307,216

39. RESTATED FINANCIAL RESULTS (continued)

	Notes	Prior year Restated 31 Dec 2017 R	Reallocation R	Prior year as presented originally 31 Dec 2017 R
INTEREST AND SIMILAR INCOME	1			
Loans and receivables (effective interest method)				
Advances		505,852,812	(52,829,179)	558,681,991
Preference share dividends, advances portfolio		91,775,056	-	91,775,056
Balances at banks and short term funds		236,378,068	-	236,378,068
Other short term securities		50,222,198	-	50,222,198
Preference share dividends, negotiable securities portfolio		8,746,668	-	8,746,668
Loan origination fees recognised over the expected life of advances		32,217,621	32,217,621	-
Fee receivable accretion		4,074,949	4,074,949	-
Interest income received\(paid) on derivative hedges		-	5,636,249	(5,636,249)
		929,267,372	(10,900,360)	940,167,732
INTEREST AND SIMILAR EXPENSE	2			
Calculated using the effective interest method				
Call deposits - corporate banking		255,060,967	-	255,060,967
Call deposits - retail banking		51,766,907	-	51,766,907
Notice and fixed deposits		299,257,033	56,039,269	243,217,764
Prime linked notice deposits		-	(56,039,269)	56,039,269
Preference share funding		20,961,554	-	20,961,554
Bond issue		21,607,494	-	21,607,494
Funding guarantee fees		3,497,562	-	3,497,562
		652,151,517	-	652,151,517

39. RESTATED FINANCIAL RESULTS (continued)

	Notes	Prior year Restated 31 Dec 2017 R	Reallocation R	Prior year as presented originally 31 Dec 2017 R
. OTHER OPERATING INCOME	3			
Fee income				
Corporate Banking				
Fee income		28,203,744	-	28,203,744
Fee income treated as deferred interest iro lending credit risk		(16,441,935)	(16,441,935)	-
Corporate Banking (property)				
Fee income		63,476,004	-	63,476,004
Fee income treated as deferred interest iro lending credit risk		(29,195,464)	16,441,935	(45,637,399)
Loan origination fees recognised over the expected life of the loan		-	(32,217,621)	32,217,621
Fee debtor accretion		-	(4,074,949)	4,074,949
Retail Banking		85,838,448	-	85,838,448
Corporate Finance		6,134,213	-	6,134,213
Other banking related		6,879,159	-	6,879,159
Dividend income				
Dividends - other preference share ex Grincap (Pty) Ltd		2,449,662	-	2,449,662
Residual beneficiary distribution		9,432,374	-	9,432,374
Fair value gains/(losses) on FVTPL loans and advances				
Loans held at fair value through profit or loss		-	-	-
Loans designated at fair value through profit or loss		52,829,179	52,829,179	-
Fair value gains/(losses) on FVTPL financial instruments				
Mark-to-market of derivatives		(8,226,937)	-	(8,226,937)
Mark-to-market of loans held at fair value through profit or loss		7,967,913	-	7,967,913
Interest paid on derivative hedges		(5,636,249)	(5,636,249)	-
		203,710,111	10,900,360	192,809,751