

GRINDROD BANK LIMITED
(Registration no 1994/007994/06)
Incorporated in the Republic of South Africa
JSE alpha code: GNDI
("Grindrod Bank" or the "Group" or the "Bank")

NOTICE OF AVAILABILITY OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

Grindrod Bank hereby notifies its debt investors that it has publicly released its audited consolidated annual financial statements ("2019 AFS") for the year ended 31 December 2019 and that the audit report relating to the 2019 AFS is unqualified.

Debt investors are advised that the 2019 AFS contain restatements of the 2018 statement of financial position (SOFP) and statement of comprehensive income (SOCl) as a result of the identification of prior period errors.

The restatements arose as a result of:

- 1) a revised interpretation of IFRS 10: Consolidated Financial Statements, resulting in the assets and liabilities of the vesting trusts (Grindrod Investments Trust (GIT) and Grindrod Preference Share Investment Trust (GPSIT)) being consolidated for the first time. In prior years, the Group did not consolidate GIT and GPSIT, hence this correction represents a prior period error. The consolidation has led to the Group breaching its large exposure threshold as prescribed by the Banks Act, No. 94 of 1990 (the Banks Act) and a resultant breach in its minimum capital adequacy ratio. The Group is in the process of remediating the breach. Refer to note 30 of the 2019 AFS for further details;
- 2) fee income on Corporate Banking, Investment Banking and Property Solutions portfolios being recognised over the life of the financial instrument in accordance with IFRS 9: Financial Instruments using the effective interest rate method. This fee receivable was previously included in other assets instead of being capitalised to the financial instrument. In addition, certain profit sharing integrally linked to certain loans and advances classified at fair value were included in other assets instead of being capitalised to the financial instrument;
- 3) the Bank not complying with IFRS 13: Fair Value Measurement when measuring its portfolio of loans classified at fair value. This resulted in the Bank presenting expected credit losses on fair value loans in the SOFP. The correction did not have any impact on the retained earnings or the consolidated SOCI for 2018; and
- 4) certain loans being incorrectly classified as per the requirements of IFRS 9. The error in loan classification arose as a result of the future cash flows being dependent on a portfolio of assets that did not represent principal and interest on the outstanding balance and hence resulted in the solely payments of principal and interest requirement of IFRS 9 not being met. The prior period error resulted in certain loans being reclassified from amortised cost to fair value through profit and loss.

Full details of the restatements are set out in note 40 of the 2019 AFS.

The AFS are available on the Grindrod Bank website at <https://www.grindrodbank.co.za/Library> and for inspection at Grindrod Bank's registered office at 5 Arundel Close, Kingsmead Office Park, Durban, 4001.

The December 2019 additional public disclosure, as required in terms of regulation 43 of the Banks Act, is not yet available due to operational delays experienced as a result of COVID-19. Consequently, this additional public disclosure will not be published concurrently with the publication of the 2019 AFS, as required by the regulations to the Banks Act. Grindrod Bank has applied to the Prudential Authority for an extension of this reporting deadline.

Date: 30 April 2020

Debt Sponsor: Nedbank CIB, a division of Nedbank Limited