

2021

UNAUDITED
ACCOUNT

FOURTH QUARTER



www.jaizbankplc.com

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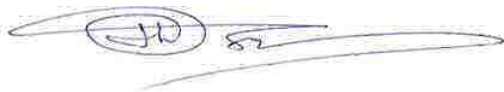
INTRODUCTION

Jaiz Banks unaudited Financial Statements for the period ended 31 December 2021 comply with the applicable legal Requirements of the Securities and Exchange Commission regarding interim Financial Statements. These financial statements contain extract of the unaudited financial statements prepared in accordance with IAS 34 Interim Financial Reporting, its interpretation issued by the International Accounting Standards Board and adopted by the Financial Reporting Council of Nigeria.

CERTIFICATION PURSUANT TO SECTION 60(2) OF INVESTMENT & SECURITIES ACT NO. 29 OF 2007

We the undersigned hereby certify the following with regards to our financial report for the period ended 31 December 2021 that;

- (a) We have reviewed the report and to the best of our knowledge, the report does not contain;
 - (i) Any untrue statement of a material fact, or
 - (ii) Omit to state a material fact which would make the statements misleading in the light of the circumstances under which such statements were made;
- (b) To the best of our knowledge, the financial statements and other financial information included in the report fairly present in all material respects the financial condition and results of operations of the Company as of, and the periods presented in the report.
- (c) We;
 - (i) Are responsible for establishing and maintaining internal controls;
 - (ii) Have evaluated the effectiveness of the company's internal controls as of the date with 90 days prior to the reports;
- (iii) Have presented in the report our conclusions about the effectiveness of our internal controls based on our evaluation as that date;
- (e) We have disclosed to the audit committee;
 - (i) All significant deficiencies in the design or operation of internal controls which would adversely affect the company's ability to record, process, summarize and report financial data and have identified for the company's auditors any material weakness in internal controls, and
 - (ii) Any fraud whether or not material, that involve management or other employees who have significant role in the company's internal controls;
- (f) We have identified in the report whether or not there was significant changes in the internal controls or other factors that could significantly affect internal controls subsequent to the date of our evaluation, including any corrective actions with regards to significant deficiencies and material weakness.



Hassan Usman, FCA, FCIQB
Managing Director/CEO
FRC/2013/ICAN/00000003984



Ahmed A. Hassan, FCA
Chief Financial Officer
FRC/2018/ICAN/00000004528



JAIZ BANK PLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DEC 2021

		DEC 2021	3 month Ended DEC 2021	3 month Ended DEC 2020	December 2020
	Notes	N'000	N'000	N'000	N'000
Income:					
Income from financing contracts	28	15,205,240	4,513,639	2,649,042	10,757,796
Income from investment activities	29	8,972,187	2,115,957	2,253,175	8,003,175
Gross income from financing & Investment transactions		24,177,427	6,629,595	4,902,217	18,760,971
Net impairment (charges)/writeback	37	(3,862,392)	(1,441,558)	(1,366,380)	(3,027,892)
Net income from financing & Investment transactions		20,315,035	5,188,037	3,535,837	15,733,079
Return on equity of investment account holders	30(i)	(4,939,957)	(1,601,844)	(879,633)	(3,789,440)
Bank's share as equity investor/ mudarib		15,375,078	3,586,193	2,656,204	11,943,639
Other Income					
Fees and commission	31	1,108,774	244,301	396,483	500,930
Other operating income	32	557,162	181,821	76,594	352,040
Total Income		17,041,014	4,012,315	3,129,281	12,796,609
Expenses:					
Staff costs	34	7,233,561	1,859,221	1,427,557	4,902,366
Depreciation and amortisation	35	812,248	233,776	225,979	811,624
Operating expenses	36(i)	4,789,475	981,079	528,122	4,016,643
Total expenses		12,835,283	3,074,076	2,181,657	9,730,633
Profit before tax		4,205,731	938,239	947,623	3,065,976
Income tax expenses		(372,632)	(121,971)	(123,191)	(162,764)
Profit for the period after tax		3,833,099	816,268	824,432	2,903,212
Other comprehensive income					
Item that may be reclassified to profit or loss					
Foreign currency translation difference	33	280,230	21,201	60,592	273,825
Total comprehensive income for the period		4,113,329	837,469	885,025	3,177,036
Earnings per share					
Basic Earnings per share (Kobo)		11.98 kobo			9.85 kobo
Diluted Earnings per share (Kobo)		11.98 kobo			9.85 kobo

JAIZ BANK PLC
STATEMENT OF FINANCIAL POSITION
AS AT 31 DEC 2021

	Notes	2021 N'000	2020 N'000
Assets			
Cash and balances with Central Bank of Nigeria	3	48,172,426	45,869,170
Due from banks and other financial institutions	4	22,264,390	14,839,178
Investment in sukuk	5	63,473,239	73,795,575
Investment in Musharaka	6	38,058	-
Murabaha receivables	6	64,381,288	40,907,082
Investment in Bai Mu'ajjal	7	2,486,441	1,979,088
Investment in istisna	8	14,129,274	3,662,628
Investment in ijara assets	9	33,250,146	24,962,636
Qard hassan	10	34,754	97,301
Investment in Salam	11	505,727	11,393
Investment properties	12	-	1,603,513
Investment in assets held for sale	13	19,203,461	18,975,452
Property, plant and equipment	14	6,043,271	2,926,153
Leasehold improvement	15	41,462	47,526
Intangible Assets	16	560,599	475,815
Other assets	17	4,005,098	2,611,415
Deferred tax asset		832,253	832,253
Total assets		279,421,887	233,596,177
Liabilities			
Customer current deposits	19a	111,360,669	74,580,714
Other financing	20	31,657,269	15,405,242
Other liabilities	21	17,869,276	24,273,971
Tax payable		503,660	558,770
Total liabilities		161,390,874	114,818,696
Equity of investment account holders			
Customers' unrestricted investment accounts	19b	97,530,112	100,932,427
Total equity of investment account holders		97,530,112	100,932,427
Owners' equity			
Share capital	22	17,270,586	14,732,125
Share premium	23	1,348,446	627,365
Retained earnings	24	(3,422,816)	(2,538,887)
Risk regulatory reserve	25	2,175,084	2,175,084
Statutory reserve	26	2,108,625	2,108,625
Other reserves	27	1,020,977	740,742
Total equity		20,500,901	17,845,054
Total equity and liabilities		279,421,887	233,596,177

The accompanying notes form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 26th Jan, 2022 and signed on its behalf by

Dr. Umaru A. Mutallab, FCA, CON (Chairman)
FRC/2013/ICAN/00000004391



Hassan Usman, FCA (Managing Director/CEO)
FRC/2013/ICAN/00000003984



Ahmed A. Hassan, FCA (Chief Finance Officer)
FRC/2013/ICAN/00000004528



JAIZ BANK PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DEC 2021

31 December 2021

	Other Reserves									Total
	Share Capital	Share Premium	Retained Earnings	Risk Regulatory Reserve	CBN (AGSMEIS) Reserve	Other Comprehensive income	Statutory Reserve	Foreign Currency Translation Reserve		
Opening balance	14,732,125	627,365	(2,538,887)	2,175,084	354,605	112,313	2,108,625	273,825		17,845,053
Additions during the year	2,538,461	721,081	-	-	-	-	-	-	-	3,259,543
Transfer to risk regulatory reserve	-	-	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	-
Transfer to AGSMEIS	-	-	-	-	-	-	-	-	-	-
Dividend Paid	-	-	(883,929)	-	-	-	-	-	-	-883,929
Foreign currency translation difference	-	-	-	-	-	-	-	280,235	-	280,235
Profit for the period	-	-	-	-	-	-	-	-	-	-
As at 31 DEC 2021	17,270,586	1,348,446	(3,422,816)	2,175,084	354,605	112,313	2,108,625	554,059		20,500,901

31 December 2020

	Other Reserves									Total
	Share Capital	Share Premium	Retained Earnings	Risk Regulatory Reserve	CBN (AGSMEIS) Reserve	Other Comprehensive income	Statutory Reserve	Foreign Currency Translation Reserve		
Opening balance	14,732,125	627,365	(4,081,114)	2,714,153	209,444	112,313	1,237,661	-	-	15,551,947
Transfer to risk regulatory reserve	-	-	539,069	(539,069)	-	-	-	-	-	0.00
Transfer to statutory reserve	-	-	(870,964)	-	-	-	870,964	-	-	-
Transfer to AGSMEIS	-	-	(145,161)	-	145,161	-	-	-	-	-
Dividend Paid	-	-	(883,929)	-	-	-	-	-	-	-883,929
Foreign currency translation difference	-	-	-	-	-	-	-	273,825	-	273,825
Profit for the period	-	-	2,903,212	-	-	-	-	-	-	2,903,212
As at 31 December 2020	14,732,125	627,365	(2,538,887)	2,175,084	354,605	112,313	2,108,625	273,825		17,845,053

Statutory Reserve

Nigerian banking regulations require Banks to make an annual appropriation to a statutory reserve. As stipulated by section 16(1) of the Banks and Other Financial Institutions Act of 1991 (amended), an appropriation of 30% of profit after tax is made if the statutory reserve is less than the paid up share capital and 15% of profit after tax if the statutory reserve is greater than the paid up capital

Non Distributable Regulatory Reserve

This is a reserve created by comparing impairment of risk assets under IFRS and provisions for risk assets using CBN Prudential Guidelines. Where the impairment amount under IFRS is lower than the provisions amount under Prudential Guidelines, the IFRS impairment figure is used in the accounts. However, the difference between the IFRS impairment and Prudential guidelines provisioning is charged to the retained earnings and transferred to a non distributable reserve.

JAIZ BANK PLC
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DEC 2021

	2021 N'000	2020 N'000
Cash flow from operating activities		
Total comprehensive income for the period	4,113,329	3,177,036
Adjustments for non -cash items:		
Depreciation	692,107	697,252
Profit on Disposal of Non-Current Asset- Motor Vehicle	-	-
Amortization of Intangible Assets/Leasehold Improvement	120,140	114,372
Provision for financing impairment	3,862,392	3,027,892
Amortisation of prepaid rent	414,761	377,319
Income Tax	372,632	162,764
Foreign currency translation Reseve	(280,230)	(273,825)
Operating profit before changes in operating asset and liabilities	9,295,131	7,282,811
Working capital adjustment:		
Sukuk	10,322,336	(32,709,106)
Murabaha receivables	(25,232,113)	(11,251,798)
Qard hassan	74,700	(58,927)
Investment in Musharaka	(38,058)	
Investment in Salam	(494,334)	(11,722)
Istisna	(10,476,923)	(2,601,497)
Bai Muajjal	(613,080)	(970,474)
Ijara rental receivables	(9,131,535)	(3,876,433)
Investment in trading assets	(228,009)	(9,510,584)
Other assets	(2,684,821)	(572,062)
Customers' current account	36,779,955	4,976,831
Other financing	16,252,027	3,441,476
Other liabilities	(10,236,009)	11,831,839
Tax paid	(427,742)	(94,312)
Net cash from/(used in) operating activities	13,161,527	(34,123,960)
Investing activities		
Purchase of property, plant & equipment	(2,205,714)	(1,075,432)
Purchase of intangible assets	(178,039)	(108,821)
Improvement on leasehold properties	(20,822)	17,771
Net cash provided by/(used in) Investing activities	(2,404,574)	(1,166,482)
Financing activities		
Customers investment accounts	(3,402,315)	43,342,832
Equity	2,375,617	(883,929)
Net cash provided by/(used in) financing activities	(1,028,484)	42,457,399
Increase/(decrease) In cash and cash equivalents	9,728,469	7,166,957
Cash and cash equivalents at beginning of period	60,708,347	53,541,390
Cash and cash equivalents At '31 DEC 2021	70,436,816	60,708,347

JAIZ BANK PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 Dec, 2021

1. Reporting entity

Jaiz Bank Plc (the "Bank") is the first fully fledged non-interest financial institution in Nigeria. The Bank was granted a banking license to carry on the business of non interest banking and commenced operation on January 6th, 2012 with three branches in two states and the Federal Capital Territory. It was established as a private limited liability Company but was converted to a Public limited liability company in April 2016 and now trades its Stock on the Nigeria Stock Exchange.

The address of the Bank's registered office is Kano House, Plot 73, Ralph Shodeinde Street, Central Business District, and Abuja, Nigeria. The Financial Statement of the Bank as at 06th April 2021, is only for the Bank as it has no subsidiary and/or Associate company.

These financial statements were approved and authorized for issue by the Board of Directors on 28 Jan 2022. The Directors have the power to amend and issue the financial statements.

2.0 Basis of preparation

a Statement of compliance with International Financial Reporting Standards

The financial statements have been prepared in accordance with the requirements of International Financial Reporting standards (IFRS) as issued by International Accounting standards Board (IASB). For matters on which no IFRS standard is applicable or IFRS conflicts with Shari'ah rules and principles, the bank uses the relevant Financial Accounting Standard as issued by the Accounting & Auditing Organization for Islamic Financial Institutions (AAOIFI) and shariah rulings as determined by the shariah supervisory committee of the Bank.

b Functional and presentation currency

The Bank presented its Financial Statements in its functional currency the Nigeria Naira. All values is rounded to the naira's thousands of Naira (N'000) except where otherwise stated.

2 Basis of measurement

The Bank's financial statements are to be prepared under the historical cost convention, and may be modified by their valuation of certain investment securities, property, plant and equipment. Financial statements are to be prepared mainly in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). For matters that are peculiar to Islamic Banking and Finance, the Bank shall rely on the Statement of Financial Accounting ("SFA") and Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI"), Standards issued by the Islamic Financial Services Board ("IFSB") and Circulars issued by the Central Bank of Nigeria ("CBN") shall also be of guidance. Except for the following

- . Financial assets measured at fair value through profit or loss.
- . Financial instruments measured at fair value through other comprehensive income
- . Financial assets measure at fair value though other comprehensive income.
- . Equity investments measured at fair value through profit or loss

Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and core 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.

Information about significant areas of estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in this financial statements are described as follows:

Property, plant and equipment

The management's estimate is used in determining the depreciation rates and useful lives of these assets at the end of the period. Further details of property, plant and equipment are disclosed in Note 14.

Impairment on financial assets

The measurement of the expected credit loss(ECL) allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- i Determining criteria for significant increase in credit risk;
 - ii Choosing appropriate models and assumptions for the measurement of ECL
- The: Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and associated ECL; and
- iv Establish groups of financial assets for the purposes of measuring ECL

Detailed information about the judgements and estimates made by the Bank are disclosed in note 37.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax planning strategies. Details of the Bank's recognised deferred tax assets and liabilities are as disclosed in note 18.

2 New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial period except as noted below which became effective January 2021. Adoption of the standard did not result in changes in the amounts previously recognised in the financial statements. However the standard affected disclosures of the Bank.

Standards and interpretations effective during the reporting period

i **Amendment to IAS 1 (Presentation of Financial Statements) and IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors)**

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. These amendments are effective for reporting periods beginning on or after 1 January 2020, with early application permitted.

The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The Bank has incorporated this definition in preparing its financial statement

ii **Amendments to IFRS 16 Leases relating to COVID-19 related rent concessions.**

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

The Bank had no such Covid -19 related rent concessions, there is no impact on the Bank's financial statements.

Standards and interpretations issued/amended but not yet effective

The following standards have been issued or amended by the IASB but are yet to become effective for annual periods beginning on or after 1 January 2020:

Standard	Content	Effective date
IAS 37	Provisions, Contingent Liabilities and Contingent Assets relating to onerous contracts.	1 January, 2022
IAS 16	Property, plant and equipment relating to proceeds before intended use	1 January, 2022
IAS 1	Presentation of Financial Statements relating to classification of Liabilities as Current or Non-Current	1 January, 2023

JAIZ BANK PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 December, 2021

Standards and interpretations issued/amended but not yet effective (continued)

i Amendments to IAS 1

IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The impact of this amendment on the Bank's financial statements is currently under evaluation.

ii Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment - Proceeds before Intended Use, which prohibits entity to deduct proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management from the cost of an item of property, plant and equipment. Entities are however allowed to recognize the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendment is effective for annual periods beginning on or after 1 January 2022. Early adoption is permitted

The Bank is currently evaluating the impact of this amendment on the Bank's financial statements.

iii Amendments to IAS 37 (Onerous Contracts – Costs of Fulfilling a Contract)

In May 2020, the IASB issued amendments to IAS 37 to specify which cost of fulfilling a contract comprises the costs that relate directly to the contract. The standard further states that costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The Bank is currently evaluating the impact of this amendment on the Bank's financial statements.

2 Accounting policies

a Transactions in foreign currencies

The financial statements are presented in Nigerian Naira, which is the reporting currency in line with IAS21 (Effects of foreign exchange) Transactions in foreign currencies are recorded in the books at the rate of exchange ruling on the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are converted into Naira at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated into Naira using the exchange rates as at the dates of the initial recognition. Non-monetary items measured at fair value in a foreign currency are translated into Naira using the exchange rates at the date when the fair value is determined. Exchange gains and losses on non-monetary items classified as "fair value through statement of income" are taken to the income statement and for items classified at "fair value through equity" such differences are taken to the statement of comprehensive income

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

b Cash and cash equivalent

- i) Cash in hand
- ii) Balance held with Central Bank of Nigeria
- iii) Balance with banks in Nigeria and outside Nigeria
- iv) Demand deposit denominated in Naira and other foreign currencies

Cash equivalent are short term, highly liquid instruments which are:

- i) readily convertible into cash, whether in local and foreign currencies; and
- ii) so near to their maturity dates as to present insignificant risk of changes in value as a result of changes in profits rates.

c Financial instrument

i Initial recognition and measurement

Financial assets and liabilities, with the exception of financing to customers, deposits to customers and banks, are initially recognised on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. Financing to customers are recognised when assets purchased are transferred to the customers. The Bank recognises deposits from customers and banks when funds are received.

Financial instruments are recognised initially when the Bank becomes a party to the contractual provisions of the instruments.

JAIZ BANK PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 December, 2021

2 Accounting policies (continued)

c Financial instrument

ii Classification and measurement

Financial asset or liability are measured initially at fair value plus or minus, for an item not at fair value through profit or loss, direct and incremental transaction costs that are directly attributable to its acquisition or issue. Transaction costs of financial assets and liabilities carried at fair value through profit or loss are expensed in income statement at initial recognition.

Financial assets are classified into one of the following measurement categories:

- those to be measured at amortised cost.
- those to be measured at fair value through other comprehensive income
- those to be measured at fair value through profit or loss

The classification depends on the Bank's business model (i.e. business model test) for managing financial assets and the contractual terms of the financial assets cash flows (i.e. solely payments of principal and return – SPPI test).

Debt instruments

Amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL

i The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

ii The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and return on the principal amount outstanding

The gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in income statement when the asset is derecognised or impaired. Returns from these financial assets is determined using the effective rate of return (ERR) method and reported in income statement as 'income'.

The amortised cost of a financial instrument is defined as the amount at which it was measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the 'effective rate of return method' of any difference between that initial amount and the maturity amount, and minus any loss allowance. The effective rate of return method is a method of calculating the amortised cost of a financial instrument (or group of instruments) and of allocating the income or expense over the relevant period. The effective rate of return (ERR) is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the instrument or, when appropriate, a shorter period, to the instrument's net carrying amount.

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- i The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual return revenue, maintaining a particular return rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- ii How the performance of the portfolio is evaluated and reported to management;
- iii The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- iv How managers of the business are compensated e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- v The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessment of whether contractual cash flows are solely payments of principal and return

The Bank assesses the contractual terms of financial to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount). 'Return' is include consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

The most significant elements of return within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the return rate is set.

JAIZ BANK PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 December, 2021

2 Accounting policies (continued)
Business model assessment (continued)
Financial liabilities

The Bank's holding in financial liabilities is in financial liabilities at fair value through profit or loss and financial liabilities at amortised cost. Financial liabilities are derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in income statement.

i Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are financial liabilities held for trading. A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by the Bank.

Gains and losses arising from changes in fair value of financial liabilities classified as held for trading are included in the income statement and are reported as 'Net gains/(losses) on financial instruments classified as held for trading'. Return expenses on financial liabilities held for trading are included in 'Net income'.

ii Financial liabilities at amortised cost

Financial liabilities that are not classified at fair value through profit or loss fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are deposits from banks or customers, debt securities in issue for which the fair value option is not applied, convertible bonds and subordinated debts

Modifications of financial assets and financial liabilities

i Financial assets

When the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value. Any difference between the amortised cost and the present value of the estimated future cash flows of the modified asset or consideration received on derecognition is recorded as a separate line item in income statements as 'gains and losses arising from the derecognition of financial assets measured at amortised cost'.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective rate of return (or credit-adjusted effective rate of return for purchased or originated credit-impaired financial assets). The amount arising from adjusting the gross carrying amount is recognised as a modification gain or loss in income statement as part of impairment charge for the period.

ii Financial liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. This occurs when the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate of return, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in income statement. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment (i.e. the modified liability is not substantially different), any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Offsetting of financial instruments

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right and under Sharia'a framework to set off the recognized amounts and the Bank intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

JAIZ BANK PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 December, 2021

2 Accounting policies (continued)
Business model assessment (continued)
Impairment of financial assets

The Bank recognizes allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 periods' expected credit loss (12mECL)

The 12m ECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 periods after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments

Loss allowances for accounts receivable are always measured at an amount equal to lifetime ECL. The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank groups its financing facilities into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and t

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, wh

Stage 3: Loans considered credit-impaired. The Bank records an allowance for the LTECLs

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and return is subsequently recognised based on a credit-adjusted ERR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, depending on the stage of the lifetime 2 or stage 3 of the ECL bucket, the Bank would continue to monitor such financial assets for a probationary period of 90 days to confirm if the risk of default has decreased sufficiently before upgrading such exposure from Lifetime ECL (Stage 2) to 12-periods ECL (Stage 1). In addition to the 90 days probationary period above, the Bank also observes a further probationary period of 90 days to upgrade from Stage 3 to 2. This means a probationary period of 180 days will be observed before upgrading financial assets from Lifetime ECL (Stage 3) to 12-periods ECL (Stage 1).

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amou

Measurement of ECLs

The Bank calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the expected profit rate. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- **PD:** The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- **EAD:** The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and return, whether scheduled by contract or otherwise, expected draw downs on committed facilities, and accrued return from missed payments
- **LGD:** The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Bank considers three scenarios (a base case, an upside and downside). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

JAIZ BANK PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 December, 2021

2 Accounting policies (continued)

Impairment of financial assets (continued)

The mechanics of the ECL method are summarised below:

Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 periods after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 periods following the reporting date. These expected 12-period default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR

Stage 3: For loans considered credit-impaired, the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

POCI: POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit-adjusted EIR.

Loan commitments and letters of credit: When estimating LTECLs for undrawn loan in cash flows if the loan is drawn down, based on a probability-weighting of the four scenarios commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

Forward looking information

The Bank's expected credit losses for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Exchange rate
- House price indices
- Inflation
- Crude Oil prices

To evaluate a range of possible outcomes, the bank formulates three scenarios: a base case, an upward and a downward scenario

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Definition of default and credit impaired financial assets

The Bank considers a financial asset to be in default when:

- it is established that due to financial or non-financial reasons the borrower is unlikely to pay its credit obligations to the Bank in full without recourse by the Bank to actions such as realising security (if any is held);
- the borrower is past due 90 days or more on any material credit obligation to the Bank

In assessing whether a borrower is in default, the Bank considers indicators that are

- i qualitative - e.g. material breaches of covenant;
- ii quantitative - e.g. overdue status and non-payment on another obligation of the same customer/customer group to the banks; and
- iii based on data developed internally and obtained from external sources
- iv Disappearance of an active market for a security because of financial difficulties
- v Others include death, insolvency, breach of covenants, etc

Inputs into the assessment of whether a financing exposure is in default and their significance may vary over time to reflect changes in circumstances.

JAIZ BANK PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 December, 2021

2 Accounting policies (continued)
Renegotiated financing facilities

Where possible, the Bank seeks to restructure financing facilities rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new conditions. Management continually reviews renegotiated facilities to ensure that all future payments are highly expected to occur.

When the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the finance customer, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the exiting asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition.

This amount is included in calculating the cash shortfalls from the existing financial asset. The cash shortfalls are discounted from the expected date of derecognition to the reporting date using the original effective profit rate of the existing financial asset.

Presentation of allowance for ECL in the statement of financial position

Loan allowances for ECL are presented in the statement of financial position as follows

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

Presentation of allowance for ECL in the statement of financial position (continued)

- Debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Bank's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same as it was under IAS 39. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position.

However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Collateral repossession

In certain circumstances, a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

Write-off

After a full evaluation of a non-performing exposure, in the event that either one or all of the following conditions apply, such exposure is recommended for write-off (either partially or in full):

- continued contact with the customer is impossible
- recovery cost is expected to be higher than the outstanding debt
- amount obtained from realisation of credit collateral security leaves a balance of the debt
- It is reasonably determined that no further recovery on the facility is possible

All credit facility write-offs require endorsement by the Board Investment Committee, as defined by the Bank. Credit write-off approval is documented in writing and properly initialed by the Board Investment Committee

A write-off constitutes a derecognition event. The write-off amount is used to reduce the carrying amount of the financial asset. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amount due. Whenever amounts are recovered on previously written-off credit exposures, such amount recovered is recognised as income on a cash basis only

JAIZ BANK PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 December, 2021

2 Accounting policies (continued)

d Property plant and equipment

The bank recognizes items of property, plant and equipment at the time the cost is incurred. They are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Bank and the cost of the asset can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Construction cost in respect of offices is carried at cost as work in progress. On completion of construction, the related amounts are transferred to the appropriate category of fixed assets. Payments in advance for items of fixed assets are included as Prepayments in Other Assets and upon delivery are reclassified as additions in the appropriate category of property and equipment.

Depreciation

Depreciation is to be provided on a straight-line basis to write off the cost of asset over their estimated useful live. The annual rate which should be applied consistently over time are as follows:

Motor vehicle	(5 years)
Furniture and fittings	(5 years)
Equipment	(5 years)
Computer Equipment- General	(3 years)
Computer Equipment- Special	(5 years)
Computer software	(10 years)
Freehold Buildings	(50 years)
Leasehold building	over the expected life of the lease
Right of use assets	Lower of lease term or the useful life for the specified class of item
Leasehold improvement	over the expected life of the lease

Property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from it use. Gain and losses are recognised in the income statement.

Depreciation is charged when the assets are available for use irrespective of whether they are put to use. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the statement of income for the period.

e Intangible assets

Software licenses acquired by the Bank are stated at cost less accumulated amortization and accumulated impairment loss (if any). Expenditure incurred on internally developed software is recognized as an asset when the Bank is able to complete the software development and use it in such a manner that it will be able to generate economic benefit to the Bank, and that the cost to complete the development can reliably be measured by the Bank.

Internally developed software cost that is capitalized includes cost directly attributable to developing the software, and is amortized over the useful economic life of the software.

Amortization is recognized in the income statement on a straight line basis over the estimated useful life of the software.

f Inventory

Inventory of stationery and consumables held by the Bank are to be stated at the lower of cost and net realizable value in line with IAS 2. When inventories become old or obsolete, an estimate is to be made of their net realizable value. For individually significant amounts, this estimation is to be performed on an individual basis. For amounts that are not individually significant, collective assessment shall be made and allowance applied according to the inventory type and degree of ageing or obsolescence based on historical selling prices.

JAIZ BANK PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 December, 2021

2 Accounting policies (continued)

g Islamic financing and investing contracts

The Bank engages in Sharia'a compliant Islamic banking activities through various Islamic instruments such as Ijarah, Murabaha, Musharaka, Istisna'a and Wakala.

i Ijarah

The Bank shall comply fully with the requirements of Sharia in recognition and measurement of Ijarah financing. The periodic lease rentals receivable are treated as rental income during the period they occur and charge thereon is included in operating expenses while initial direct cost incurred are written off to the income statement in the period they are incurred.

ii Murabaha

This is a sale contract whereby the Bank sells to a customer commodities and other assets at an agreed upon profit mark up on cost. The Bank purchases the assets based on a promise received from customer to buy the item purchased according to specific terms and conditions. Profit from Murabaha is quantifiable at the commencement of the transaction. Such income is recognised as it accrues over the period of the contract on effective profit rate method on the balance outstanding.

ii Musharaka

Musharaka contracts represents a partnership between the Bank and a customer whereby each party contributes to the capital in equal or varying proportions to establish a new project or share in an existing one, and whereby each of the parties becomes an owner of the capital on a permanent or declining basis and shall have a share of profits or losses. These are stated at the fair value of consideration given less any amounts written off and provision for impairment, if any.

iv Istisna'a

A sale contract between two parties whereby the Bank (the "Sani" or "Seller") undertakes to construct, for its customer (the "Mustasni" or "Purchaser"), a specific asset or property (being "Al-Masnoo") according to certain pre-agreed specifications to be delivered during a pre-agreed period of time in consideration of a pre-determined price, which comprises the cost of construction and a profit amount. The work undertaken is not restricted to be accomplished by the Sani' alone and the whole or part of the construction/development can be undertaken by third parties under the control and responsibility of the Sani'. Under an Istisna'a contract the Bank could be the Sani' or the Mustasni'. Istisna'a profit (difference between the sale price of Al-Masnoo to the customer and the Bank's total Istisna'a cost) is internally accounted for on a time-apportioned basis over the period of the contract based on the principal amount outstanding.

v Wakala

A contract between a Bank and a customer whereby one party (the principal: the Muwakkil) appoints the other party (the agent: Wakil) to invest certain funds according to the terms and conditions of the Wakalah for a fixed fee in addition to any profit exceeding the expected profit as an incentives for the Wakil for the good performance. Any losses as result of the misconduct or negligence or violation of the the terms and conditions of the Wakalah are borne by the Wakil for otherwise, they are by the principal.

v Sukuk

Certificates which are equal in value and represent common shares in the ownership of a specific physical asset (leased or to be leased either existing or to be constructed in future), or in the ownership of cash receivables of selling an existing-owned asset, or in the ownership of goods receivables, or in the ownership of the assets of Mudaraba or Partnership companies. In all these cases, the Sukuk holders shall be the owners of their common shares in the leased assets, or in the cash receivables, or the goods receivable, or in the assets of the Partnership or the Mudaraba. These comprise asset backed, Sharia'a compliant trust certificates.

vi Qard hasan

Are non profit bearing financing whereby the customer borrows funds for a period of time with an understanding that the same amount shall be repaid at the end of agreed period.

h Income recognition

The Bank recognised income on Sharia'a compliant Islamic banking activities through various Islamic instruments such as Ijarah, Murabaha, Musharaka, Istisna'a and Wakala.

i Ijarah

Ijarah income is recognized on a time-apportioned basis, over the lease term. Accrual of income is suspended when the bank believes that the recovery of these amounts may be doubtful.

JAIZ BANK PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 December, 2021

2 Accounting policies (continued)

ii Murabaha

Where the income is quantifiable and contractually determined at the commencement of the contract, income is recognized on a time-apportioned basis over the period of the contract based on the principal amounts outstanding. Accrual of income is suspended when the bank believes that the recovery of these amounts may be doubtful.

iii Musharaka

Income on Musharaka Contracts is recognized when the right to receive payment is established or on distribution by the Musharek.

iv Wakala

Estimated income from Wakala is recognised on an accrual basis over the period, adjusted by actual income when received. Losses are accounted for on the date of declaration by the agent.

v Sukuk

Income is accounted for on a time apportioned basis over the terms of the Sukuk.

vi Fees and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers.

vii Dividend

Dividends from investments in equity securities are recognized when the right to receive the payment is established. This is usually when the dividend has been declared.

viii Non-credit related fee income

This is recognized at the time the services have been performed and delivered or the transaction has been completed.

ix Sale of property under development

Where property is under development and agreement has been reached to sell such property when construction is complete, the bank considers whether the contract comp

- Contract to construct a property; or
- Contract for the sale of completed property

Where a contract is judged to be for the construction of a property, revenue is recognized using the percentage of completion method, as construction progresses. The percentage of work completed is measured based on the costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred.

Where the contract is judged to be for the sale of a completed property, revenue is recognized when the significant risks, rewards and control of ownership of the property are transferred to the buyer.

x Foreign income

Commission on negotiation of various letters of credit and overdue Profit on delayed foreign payments are accounted for on receipt.

Other Profit and income earned on the Bank's own funds held outside Nigeria are accounted for on receipt.

xi Service income

Revenue from rendering of services is recognized when the services are rendered

xii Revenue from sale of goods

Revenue from sales of goods is recognized when the significant risks, rewards and control of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

xiii Bank's share as a mudarib

The Bank's share as a mudarib for managing the equity of investment account holders is accrued based on the terms and conditions of the related mudaraba agreements whereas, for off balance sheet equity of investment accounts, mudarib share is recognized when distributed

JAIZ BANK PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 December, 2021

2 Accounting policies (continued)

i Expense recognition

a Profit on mudaraba payable (banks and non-banks)

Profit on these is accrued on a time-apportioned basis over the period of the contract based on the principal amounts outstanding.

b Return on equity of investment accountholders

Return on equity of investment account holders is based on the income generated from jointly financed assets after deducting Mudarib share and is accrued based on the terms and conditions of the underlying Mudaraba agreement. Investors' share of income represents income generated from assets financed by investment account holders net off allocated administrative expenses and provisions. The bank's share of profit is deducted from the investors' share of income before distribution to investors.

j Taxation

a Current income taxation

Income tax is the amount of income tax payable on the taxable profit for the period determined in accordance with current statutory rate. Income tax payable on profits, based on the applicable tax law, is recognized as an expense in the period in which the related profits arise. All taxes related issues including deferred tax are treated in accordance with IAS 12 (Income taxes).

b Deferred taxation

Provision for deferred taxation is made by the liability method and calculated at the current rate of taxation on the temporary differences between the net book value of qualifying fixed assets and their corresponding tax written down value in accordance with IAS 12 (Income taxes). The principal temporary differences arise from depreciation of property, plant and equipment, provisions for pensions and other post-retirement benefits, provisions for Investment losses and tax losses carried forward. The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax.

Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the timing differences can be utilized.

k Investment

i Investment securities

Investment securities are initially measured at fair value plus, in case of investment securities not at fair value through profit or loss, incremental direct transaction costs and subsequently accounted for depending on their classification as amortised cost, fair value through profit or loss or fair value through other comprehensive income

ii Investments in subsidiaries

Investments in subsidiaries are reported at cost less any impairment (if any).

A subsidiary not consolidated but is classified as 'held for sale' if it is available for immediate sale in its present condition and its sale is highly probable. A sale is 'highly probable' where: there is evidence of management commitment; there is an active programme to locate a buyer and complete the plan; the asset is actively marketed for sale at a reasonable price compared to its fair value; the sale is expected to be completed within 12 periods of the date of classification; and actions required to complete the plan indicate that it is unlikely that there will be significant changes to the plan or that it will be withdrawn.

l Employee benefits

Defined contribution plans

A defined contribution plan is a pension plan under which the Bank pays fixed contributions to a separate entity. The rate of contribution by the Bank and its employee is 10% and 8% respectively of basic salary, housing and transport allowance in line with the new Pension Reform Act, 2014. The Bank has no legal or constructive obligations to pay further contributions. Membership of the scheme is automatic upon resumption of duty with the Bank. The Bank has no further payment obligations once the contributions have been paid to Pension Fund Administrators (PFA).

The Bank's liabilities in respect of the defined contribution are to be charged to statement of profit or loss for the period in which they become payable. Payments are made to Pension Fund Administrator (PFA) are financially independent of the bank.

m Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows, at a pre-tax rate, that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

JAIZ BANK PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 December, 2021

2 Accounting policies (continued)

n Financial guarantees and loan commitments

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. After initial recognition, guarantee contracts are subsequently measured at the higher of:

i The amount of the loss allowance, and

ii

The amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

Financial guarantees, principally consisting of letters of credit are included within other liabilities.

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. The Bank recognises a provision in accordance with IAS 37 if the contract was considered to be onerous.

Transactions that are not currently recognized as assets or liabilities in the balance sheet, but which nonetheless give rise to credit risks, contingencies and commitments are reported off balance sheet. Such transactions included letters of credit, bonds, guarantees, acceptances, trade related contingencies such as documentary credits etc. Outstanding and unexpired commitments at period end in respect of these transactions are to be shown by way of note to the financial statements.

o Borrowings

i Murabaha and Due to Banks

This represents funds received from banks on the principles of murabaha contracts and are stated at fair value of consideration received less amounts settled

ii Murabaha and due to non-banks

These are stated at fair value of consideration received less amounts settled. Profit paid on borrowings is recognized in the statement of income for the period

p Fiduciary activities

The Bank acts as trustee in its capacity as a Mudarib when managing the equity of investment account holders. Equity of investment account holders is invested in murabaha and due from banks, sukuk and financing contracts with customers. Equity of investment account holders is carried at fair value of consideration received less amounts settled. Expenses are allocated to investment accounts in proportion of average equity of investment account holders to total average assets of the Bank.

Income is allocated proportionately between equity of investment account holders and owners' equity on the basis of the average balances outstanding during the period and share of the funds invested. Equity and assets of restricted investment account holders are carried off-balance sheet as they are not assets and liabilities of the Bank.

q Segment reporting

The Bank prepares its segment information based on geographical and business segments as primary and secondary reporting segments, respectively in accordance with IFRS 8 (Operating segments).

A business segment is a Bank of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns different from those of segments operating in other economic environments.

The Bank has appointed the Management committee charged with the responsibility of allocating resources and assessing performance as the Chief Operating Decision Maker as required under IFRS 8.

r Gifted assets

The recording of the gift would be based on nature, lifetime and materiality of the gift. If the gift is usable or has a material value addition to the business like Property, plant and equipment would be recognized in an asset of appropriate category hence a debit, In terms of credit several approaches are acceptable recognizing it to Owners equity via Profit or Loss Account or Other Comprehensive Income. The Bank adapted recognition through other comprehensive income to the owners' equity.

JAIZ BANK PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 December, 2021

2 Accounting policies (continued)

s Investment property

An Investment Property is an investment in land or buildings held primarily for generating income or capital appreciation and not occupied substantially for use in the operations of the Bank. A piece of property is treated as an investment property if it is not occupied substantially for use in the operations of the Bank, an occupation of more than 15% of the property is considered substantial.

The initial Recognition is to be at its cost price while for subsequent measurement the Bank adapted the fair value model which carry the investment properties in the balance sheet at their market value and revalued periodically on a systematic basis at least once in every three periods in accordance in (IAS 40). Investment properties are not subject to periodic charge for depreciation.

When there is a decline in value of an investment property, the carrying amount of the property is written down to recognize the loss. Such a reduction is charged to the statement of income. Reductions in carrying amount are reversed when there is an increase, following a revaluation in accordance with the Bank's policy, in the value of the investment property, or if the reasons for the reduction no longer exist.

An increase in carrying amount arising from the revaluation of investment property is credited to owners' equity as revaluation surplus. To the extent that a decrease in carrying amount offsets a previous increase, for the same property that has been credited to revaluation surplus and not subsequently reversed or utilized, it is charged against that revaluation surplus rather than the statement of income.

An increase on revaluation which is directly related to a previous decrease in carrying amount for the same property that was charged to the income statement is credited to income statement to the extent that it offsets the previously recorded decrease.

Investment properties are disclosed separate from the property and equipment used for the purposes of the business in line with IAS 40 (Investment Properties)

t Share capital and reserves

i Share issue cost

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds

ii Dividend on ordinary shares

Dividends on the Bank's ordinary shares are recognised in equity when approved by the Bank's shareholders.

Dividends for the period that are declared after the end of the reporting period are dealt with in the subsequent events note.

iii Share premium

Share premium is the excess paid by shareholders over the nominal value for their shares.

iv Statutory reserve

Financial Institutions Act of 1991 (amended), an appropriation of 30% of profit after tax is made if the statutory reserve is less than the paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid-up share capital.

iv AGSMIES reserve

The AGSMIES reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside 5% of their annual profit after tax for equity investments in permissible activities.

v Retained earnings

Retained earnings comprise the undistributed profits from previous periods which have not been reclassified to any specified reserves.

vi Regulatory risk reserve

The reserve warehouses the difference between the impairment balance on financing facilities as determined in accordance with the provisions of Prudential guidelines of Central Bank of Nigeria (CBN) when compared with the assessment in line with the requirement of IFRS 9 Expected credit loss model. The key component of Prudential Guidelines (PG) is the setting aside of additional 2% provision on all performing loans assessed under the PG. This reserve is not available for distribution to shareholders.

u Earning per share

The Bank presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for effects of all dilutive potential ordinary shares.

v Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.
Right-of-use assets

The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease obligations recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right-of-use assets are subject to impairment.

JAIZ BANK PLC
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3 Cash and balances with Central Bank of Nigeria	DECEMBER 2021	DECEMBER 2020
	N '000	N '000
Cash	7,062,729	7,799,167
Current account with CBN	7,102,020	15,301,510
Deposit with CBN	33,670,498	22,590,165
CBN AGSMEIS Balance	337,179	337,179
Balance as at 31 Dec	48,172,426	46,028,021

a Cash on hand constitutes the aggregate cash balances in the vaults of the Bank branches while Deposits with the Central Bank of Nigeria represent Mandatory Reserve Deposits (as prescribed by the CBN) and are not available for use in the bank's day to day operations.

b Differentiated Cash Reserve Requirement (DCRR) is included in this Deposit with CBN: Under this Programme, Deposit Money Banks (DMBs) may request from the CBN, a release of funds under their Cash Reserve Requirement (CRR) to finance eligible projects subject to DMBs providing evidence that the funds shall be directed to the projects approved by the CBN.

4 Due from banks and other financial institutions	DECEMBER 2021	DECEMBER 2020
	N '000	N '000
Balances with banks within Nigeria:		
First Bank Plc	1,886	4,737
	a	4,737
Balances with banks outside Nigeria:		
First Bank UK	6,755,589	5,565,902
AFRIXIM	109,139	-
Banco De Sabadel	86,501	45,141
Standard Chartered	10,949,907	6,314,792
Bank Al-Bilad	227,010	214,962
Zenith Bank UK	4,060,475	1,109,697
FCMB UK	54,009	68,393
Bank of Beirut	19,873	1,515,554
	b	14,834,441
Balance as at 31 Dec	a+b	14,839,178

The balances held with Banks outside Nigeria substantially represent the Naira equivalent of Foreign currency balances held on behalf of customers in respect of letters of credit, cash collaterals and bank's induced transactions. The corresponding Liability is included in customers' domiciliary deposit and margin deposits under "Other

5 Investment in sukuk	DECEMBER 2021	DECEMBER 2020
	N '000	N '000
Opening Balance	66,914,638	37,866,824
Addition during the period	9,254,152	30,905,153
Disposal/Redemption	(18,430,000)	(1,857,338)
Gross investment in Sukuk	57,738,790	66,914,639
Premium	5,094,392	5,848,786
Rental Receivable	640,057	1,032,152
Balance as at 31 Dec	63,473,239	73,795,575

The total sukuk investment is broken down into i and ii below:

i Corporate & State Sukuk	DECEMBER 2021	DECEMBER 2020
	N '000	N '000
Opening Balance	-	557,338
Addition during the period	973,354	-
Disposal/Redemption	-	(557,338)
Gross investment in Sukuk	973,354	-
Premium	-	-
Rental Receivable	56,602	-
Balance as at 31 Dec	1,029,956	-

ii	FGN Sovereign Sukuk	DECEMBER 2021	DECEMBER 2020
		N '000	N '000
	Opening Balance	66,914,638	37,309,485
	Addition during the period	8,280,798	30,905,153
	Disposal/Redemption	(18,430,000)	(1,300,000)
	Gross investment in Sukuk	56,765,436	66,914,638
	Premium	5,094,392	5,848,786
	Rental Receivable	583,455	1,032,152
	Balance as at 31 Dec	62,443,283	73,795,575
6	Investment in Musharaka	DECEMBER 2021	DECEMBER 2020
		N '000	N '000
	Gross Investment in Musharaka	38,058	-
	Allowance for impairment	-	-
	Balance as at 31 Dec	38,058	-
6	Murabaha receivables	DECEMBER 2021	DECEMBER 2020
		N '000	N '000
	Murabaha retail	11,446,168	13,031,873
	Murabaha corporate	45,754,083	22,778,170
	Commercial Agric. Credit Scheme	458,561	2,111,192
	Paddy Aggregation scheme	691,132	2,162,226
	Murabaha staff	160,913	28,377
	Murabaha SME	16,918,764	8,804,367
	Gross receivables	75,429,620	48,916,205
	Allowance for impairment	(4,547,376)	(3,436,052)
	Deffered profit	(6,500,956)	(4,573,070)
	Balance as at 31 Dec	64,381,288	40,907,082
7	Investment in Bai Mu'ajjal	DECEMBER 2021	DECEMBER 2020
		N '000	N '000
	Bai Mu'ajjal corporate	3,369,836	2,682,254
	Gross receivables	3,369,836	2,682,254
	Allowance for impairment	(276,412)	(170,686)
	Deffered Profit	(606,983)	(532,480)
	Balance as at 31 Dec	2,486,441	1,979,088
8	Investment in istisna	DECEMBER 2021	DECEMBER 2020
		N '000	N '000
	Istisna receivable	16,219,598	3,922,127
	Allowance for impairment	(26,850)	(16,580)
	Deffered Profit	(2,063,474)	(242,919)
	Balance as at 31 Dec	14,129,274	3,662,628
9	Investment in ijara assets	DECEMBER 2021	DECEMBER 2020
		N '000	N '000
	Ijara wa iqtina	24,477,745	17,961,051
	Ijara home finance	12,881	16,380
	Ijara auto & others	5,616,697	3,636,770
	Gross investment in ijara	30,107,323	21,614,200
	Ijara accrued profit	3,744,115	3,413,218
	Impairment allowance	(601,292)	(64,782)
	Balance as at 31 Dec	33,250,146	24,962,636
10	Qard hassan	DECEMBER 2021	DECEMBER 2020
		N '000	N '000
	Balance at 1 Jan	126,201	158,376
	Granted to customers	-	-
	Gross qard hassan	126,201	158,376
	Repayments		
	Staff repayment	36,929	12,484
	Customer repayment	37,771	19,690
	Total repayment during the period	74,700	32,174
	Gross receivables	51,502	126,201
	Impairment allowance	(16,747)	(28,899)
	Balance as at 31 Dec	34,754	97,301

11 Investment in Salam	DECEMBER 2021	DECEMBER 2020
	N '000	N '000
Salam Corporate	519,510	11,722
Gross Investment in Salam	519,510	11,722
Allowance for impairment	(19)	(12)
Deffered Profit	(13,765)	(317)
Balance as at 31 Dec	505,727	11,393

12 Investment properties	DECEMBER 2021	DECEMBER 2020
	N '000	N '000
Investment properties	-	1,603,513
Balance as at 31 Dec	-	1,603,513

13 Investment in assets held for sale	DECEMBER 2021	DECEMBER 2020
	N '000	N '000
Advances for LC murabaha	3,180,623	4,220,174
Inventory for sale - (note 13 (i))	18,070,562	16,053,100
Impairment allowance	(1,605,337)	(1,297,822)
Deffered Profit	(442,386)	-
Balance as at 31 Dec	19,203,461	18,975,452

13(i) Schedules of inventory for sale	N '000	N '000
	Repossessed property	1,305,011
Inventory - other properties	110,909	569,410
Mur Inv financing	16,654,642	13,324,167
Total inventory for sale	18,070,562	16,053,100

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14 Property, plant and equipment

	Freehold Land N' 000	Building Freehold N' 000	Office Equipment N' 000	Motor Vehicle N' 000	Furnitures & Fixtures N' 000	Computer Equipment N' 000	Fixed Assets WIP N' 000	Total N' 000
Cost								
1st Jan 2021	67,203	769,201	1,109,028	742,679	257,923	2,724,924	629,101	6,300,059
Additions/Reclassification	21,000	188,926	182,320	487,555	181,503	831,029	1,852,944	3,745,278
Disposals	-	-	-	-	-	-	-	-
31 Dec 2021	88,203	958,127	1,291,348	1,230,234	439,427	3,555,953	2,482,045	10,045,337
Accumulated depreciation								
1st Jan 2021	-	92,700	738,211	395,140	196,974	1,950,882	-	3,373,907
Depreciation	-	14,424	162,095	108,426	29,377	372,371	-	686,694
Disposals	-	-	-	58,535	-	-	-	58,535
31 Dec 2021	-	107,124	900,306	446,758	224,623	2,323,253	-	4,002,066
DECEMBER 2020								
	Freehold Land N' 000	Building Freehold N' 000	Office Equipment N' 000	Motor Vehicle N' 000	Furnitures & Fixtures N' 000	Computer Equipment N' 000	Fixed Assets WIP N' 000	Total N' 000
Cost								
1st Jan 2020	57,086	674,490	997,514	597,499	248,651	2,386,646	222,623	5,184,510
Additions/ Reclassification	10,117	94,711	111,514	145,180	9,273	338,278	406,477	1,115,550
Disposals	-	-	-	-	-	-	-	-
31-Dec-20	67,203	769,201	1,109,028	742,679	257,923	2,724,924	629,101	6,300,059
Accumulated depreciation								
1st Jan 2020	-	39,653	586,211	297,269	168,739	1,544,667	-	2,636,539
Depreciation	-	53,047	152,000	97,871	30,519	406,215	-	739,652
31-Dec-20	-	92,700	738,211	395,140	196,974	1,950,882	-	3,373,907
Net book Amount								
31 December 2021	88,203	851,002	391,042	783,476	214,803	1,232,700	2,482,045	6,043,271
31 December 2020	67,203	676,501	370,817	347,539	60,949	774,042	629,101	2,926,153

JAIZ BANK PLC
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15 Leasehold improvement	DECEMBER 2021	DECEMBER 2020
	N '000	N '000
Cost		
Opening balance	890,699	878,153
Addition	20,822	12,546
31 Dec 2021	911,521	890,699
Amortisation and impairment losses		
Opening balance	843,173	812,855
Amortisation for the period	26,886	30,316
31 Dec 2021	870,059	843,173
Carrying amount		
31 Dec 2021	41,462	47,526
16 Intangible Assets	DECEMBER 2021	DECEMBER 2020
	N '000	N '000
Computer software		
Cost		
Opening balance	925,006	880,494
Addition	178,039	44,513
31 Dec 2021	1,103,045	925,006
Amortisation and impairment losses		
Opening balance	449,192	399,128
Amortisation for the period	93,255	50,064
31 Dec 2021	542,446	449,192
Carrying amount		
31 Dec 2021	560,599	475,815

JAIZ BANK PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 2021

17 Other assets

	DECEMBER 2021	DECEMBER 2020
	N '000	N '000
Sundry debtors	1,148,408	30,737
Right of use asset	374,531	331,752
Other prepayments	6,108	34,473
Prepaid staff	107,787	122,401
Inventory and other security items	116,598	142,414
Branch development expenditure	582,950	25,128
Account receivables	729,118	1,021,393
Settlement suspense	2,536,010	1,336,563
Investment in financial inclusion centres	175,918	167,350
Interbranch	1,515	3,324
Total	5,778,942	3,215,534
Impairment allowance	(1,773,844)	(604,119)
Balance as at 31 Dec	4,005,098	2,611,415

Movement in other assets:

	DECEMBER 2021	DECEMBER 2020
	N '000	N '000
Opening balance	2,611,415	2,400,175
Changes in the period	3,167,527	815,359
Impairment allowance	(1,773,844)	(604,119)
Balance as at 31 Dec	4,005,098	2,611,415

JAIZ BANK PLC
NOTES TO THE FINANCIAL STATEMENTS
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19a	Customers' current account	DECEMBER 2021	DECEMBER 2020
		N '000	N '000
	Analysis by type of account		
	Current account	111,360,669	74,580,714
	Balance as at 31 Dec	111,360,669	74,580,714
19b	Unrestricted investment account		
	Savings account	66,354,380	56,925,493
	JAPSA term deposit (note 19 d)	31,175,732	44,006,934
	Balance as at 31 Dec	97,530,112	100,932,427
19c	Analysis by type of customer	DECEMBER 2021	DECEMBER 2020
		N '000	N '000
	Government	6,302,432	9,030,071
	Corporate	74,417,078	46,874,042
	Individual	128,171,271	119,609,028
	Balance as at 31 Dec	208,890,781	175,513,141
19d	Analysis of JAPSA maturity by product	DECEMBER 2021	DECEMBER 2020
		N '000	N '000
	JTD 30 days	19,664,600	28,071,521
	JTD 60 days	1,154,476	2,483,673
	JTD 90 days	6,538,364	9,678,044
	JTD 180 days	2,353,460	2,365,563
	JTD above 360 days	1,464,832	1,408,134
	Balance as at 31 Dec	31,175,732	44,006,934
	The Bank has different JAPSA tenored deposits which give customers the opportunity to choose from a basket of return available for different tenors.		
19e	Total Deposit		
	Customers' current account	111,360,669	74,580,714
	Unrestricted investment account	97,530,112	100,932,427
	Balance as at 31 Dec	208,890,781	175,513,141
20	Other financing	DECEMBER 2021	DECEMBER 2020
		N '000	N '000
	1 Central Bank of Nigeria	23,386,188	8,732,916
	2 Bank of Agriculture		2,000,000
	3 Bank of Industry	348,035	1,496,984
	4 Islamic Corporation for Development for the Private Sector(ICD)	4,606,424	133,480
	5 SMEDAN	235,330	9,422
	6 FMBN	3,081,293	-
		31,657,269	15,405,242
21	Other liabilities	DECEMBER 2021	DECEMBER 2020
		N '000	N '000
	Managers' cheque	229,955	284,012
	Letter of credit margin deposits	6,516,633	7,450,097
	Accounts payable	84,637	154,469
	Vendors payable	380,128	187,466
	Other tax liabilities	261,978	262,661
	Profit payable in Suspense	343,003	32,635
	E-banking payables	2,443,458	1,513,597
	Due to charity	25	-
	Sundry payables	1,634,334	10,449,031
	Accruals	1,737,690	17,284
	Sundry deposit	93,475	3,571,143
	Impairment allowance on Off Balance sheet items	170,230	170,230
	Unearned income	92,095	157,932
	Unaudited YTD Profit	3,833,099	-
	Other payables	48,536	23,415
	Balance as at 31 Dec	17,869,276	24,273,971

JAIZ BANK PLC
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FOR THE PERIOD ENDED 31ST DECEMBER 2021

22 Owners' equity

A Share capital

(i) Authorised	DECEMBER 2021	DECEMBER 2020
	N '000	N '000
50,000,000,000 ordinary shares of N0.50 each	25,000,000	25,000,000
Balance as at 31 Dec	25,000,000	25,000,000

(ii) Issued and fully paid share capital	DECEMBER 2021	DECEMBER 2020
	N '000	N '000
29,464,249,300 ordinary shares of N0.50 each at 1 January	14,732,125	14,732,125
Movement during the period(5,076,923,077@ N0.50 each)	2,538,461	-
Balance as at 31 Dec	17,270,586	14,732,125

During the period, Jaiz Bank Plc raised additional capital in the sum of N3.3billion through private placement. This translated to additional shares of 5,076,923,077 at unit price of 65kobo.

The holders of ordinary shares are entitled to receive dividends and each shareholder is entitled to a vote at the meetings of the Bank. All ordinary shares rank equally.

23 Share premium	DECEMBER 2021	DECEMBER 2020
	N '000	N '000
Opening balance	627,365	627,365
Movement during the period	721,082	-
Balance as at 31 Dec	1,348,446	627,365

Share premium is the excess paid by shareholders over the nominal value for their shares. There was movement in share premium account during the period.

24 Retained earnings	DECEMBER 2021	DECEMBER 2020
	N '000	N '000
Opening balance	(2,538,887)	(4,081,114)
Transfer to risk regulatory reserve	-	539,069
Transfer to statutory reserve	-	(870,964)
Transfer to AGSMEIS	-	(145,161)
Dividend Paid	(883,929)	(883,929)
Profit for the period	-	2,903,212
Balance as at 31 Dec	(3,422,816)	(2,538,887)

25 Risk regulatory reserve	DECEMBER 2021	DECEMBER 2020
	N '000	N '000
Opening balance	2,714,153	2,714,153
Adjustment against retained earnings	-	(539,069)
Balance as at 31 Dec	2,175,084	2,174,153

The regulatory risk reserves warehouses the difference between the allowance for impairment losses on financing and investment based on Central Bank of Nigeria prudential guidelines compared with the expected credit loss model used in calculating the impairment under IFRSs. (See note 37)

26 Statutory reserve	DECEMBER 2021	DECEMBER 2020
	N '000	N '000
Opening balance	2,108,625	1,237,662
Adjustment against retained earnings	-	870,964
Balance as at 31 Dec	2,108,625	2,108,625

JAIZ BANK PLC
NOTES TO THE FINANCIAL STATEMENTS
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27 Other reserves

(a) Other comprehensive income	DECEMBER 2021	DECEMBER 2020
	N '000	N '000
Opening balance	386,137	112,313
Movement in the period	280,235	273,825
Balance as at 31 Dec	666,372	386,137

(b) Agricultural /small and medium enterprises investment scheme	DECEMBER 2021	DECEMBER 2020
	N '000	N '000
Opening balance	354,605	209,445
Provision for the period	-	145,161
Balance as at 31 Dec	354,605	354,605
Total (a + b)	1,020,977	740,742

JAIZ BANK PLC
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	3 Month Ended DEC 2021	YTD DEC 2021	3 Month Ended DEC 2020	YTD DEC 2020
28 Income from financing contracts				
Murabaha transactions	N'000	N'000	N'000	N'000
Murabaha profit - corporate	1,957,224	6,600,398	1,026,903	4,618,263
Murabaha profit - retail	836,235	2,870,485	672,641	1,833,197
Murabaha income - LC	194,348	625,314	30,906	228,562
Bai Mu'ajjal	163,255	593,618	118,775	369,147
Total profit from murabaha transactions	3,151,062	10,689,815	1,849,225	7,049,169
Ijara transactions				
Ijara wa iqtina	936,639	3,290,817	611,829	3,108,774
Ijara finance lease	166,310	591,693	101,774	388,639
Ijara home finance	170	899	210	914
Ijara others	6,192	19,933	3,500	10,164
Total profit from Ijara transactions	1,109,311	3,903,341	717,313	3,508,490
Others				
Istisna	196,948	608,680	81,972	199,233
Salam Profit	53,376	3,259	529	905
Musharaka	0	145	3	-
Interbank murabaha	-	-	-	-
Total profit from other financing/investment contracts	250,323	612,084	82,504	200,138
Total income from financing contracts	4,510,697	15,205,240	2,649,042	10,757,796
29 Income from investment activities	3 Month Ended DEC 2021	YTD DEC 2021	3 Month Ended DEC 2020	YTD DEC 2020
	N'000	N'000	N'000	N'000
Trading assets	271,899	1,028,756	178,510	1,009,976
Sukuk	1,844,058	7,943,432	2,074,664	6,862,168
Rental	-	-	-	131,031
Total income from investing activities	2,115,957	8,972,187	2,253,175	8,003,175
30 (i). Return on equity investment account holders	3 Month Ended DEC 2021	YTD DEC 2021	3 Month Ended DEC 2020	YTD DEC 2020
	N'000	N'000	N'000	N'000
Profit from financing investments paid to mudarabah account holders	1,601,844	4,939,957	879,633	3,789,440
(ii) Mudarib Fees/Profit of Joint Investments	5,185,095	20,315,035	4,022,584	14,971,531
Bank's Fees as Mudarib/Profit from Bank Joint Investments	5,185,095	20,315,035	4,022,584	14,971,531
31 Fees and commission	3 Month Ended DEC 2021	YTD DEC 2021	3 Month Ended DEC 2020	YTD DEC 2020
	N'000	N'000	N'000	N'000
Banking services	104,286	466,912	280,007	214,041
Net income from E-Business	24,406	197,757	21,290	68,050
LC/ trade finance income	115,609	444,105	95,185	218,839
Total	244,301	1,108,774	396,483	500,930
32 Other operating income	3 Month Ended DEC 2021	YTD DEC 2021	3 Month Ended DEC 2020	YTD DEC 2020
	N'000	N'000	N'000	N'000
Wakala income	98,075	359,795	14,530	289,975
Miscellaneous income	81,523	197,367	62,064	62,065
Total	179,598	557,162	76,594	352,040
33 Other comprehensive income	3 Month Ended DEC 2021	YTD DEC 2021	3 Month Ended DEC 2020	YTD DEC 2020
	N'000	N'000	N'000	N'000
FC Revaluation	195,225	280,230	60,592	273,825
Total	195,225	280,230	60,592	273,825

JAIZ BANK PLC
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	3 Month Ended DEC 2021 N'000	YTD DEC 2021 N'000	3 Month Ended DEC 2020 N'000	YTD DEC 2020 N'000
34 Staff costs				
Salaries	1,745,330	675,1754	1,348,484	4,609,690
Staff pension	65,230	231,488	42,820	117,650
Training and seminar expenses	23,824	5,9098	20,060	83,896
Other staff expenses	24,838	19,1220	16,192	91,130
Balance for the period ended 31 Dec	1,859,221	723,3561	1,427,557	4,902,366
35 Depreciation and amortisation				
Depreciation of property, plant & equipment	205,543	692,107	209,800	697,252
Amortisation of leasehold improvement	6,327	26,886	6,862	24,192
Amortisation of intangible assets	21,907	93,255	9,317	90,180
Balance for the period ended 31 Dec	233,776	812,248	225,979	811,624
36(i) Operating expenses				
Advertising and marketing	- 28,855	220,530	9,008	170,960
Administrative - note 36 (iii)	663,387	2,165,056	311,499	1,557,114
Subscription and professional fees	88,926	206,524	30,822	149,588
ACE's Expense	6,999	28,879	8,808	24,519
Right-of-use assets amortisation- note 36 (ii)	106,974	414,761	113,520	377,319
Licences	39,830	501,039	- 1,064	603,326
Bank charges	16,877	126,816	45,489	118,493
Audit fee & other expenses	9,659	36,081	7,668	30,806
Deposit insurance premium	171,517	720,488	136,024	556,778
Bandwith and connectivity	- 27,016	27,632	- 147,720	164,564
Directors expenses	- 67,218	341,668	14,068	263,176
Balance for the period ended 31 Dec	981,079	4,789,475	528,122	4,016,643
36(ii) Right-of-use amortisation/ Rental charges				
Right-of-use assets amortisation	110,201	414,761	113,520	377,319
Balance for the period ended 31 Dec	110,201	414,761	113,520	377,319
36(iii) Administrative				
Telephone expenses	637	3,685	1,037	6,398
SWIFT/NIBBS charges	9,113	38,832	9,384	38,339
Courier charges	9,679	29,776	9,272	20,275
Service contract (HR and Admin)	183,818	765,927	132,590	608,705
Local and foreign travels	29,990	90,121	30,585	75,026
Printing & Stationaries	29,966	121,405	24,328	95,750
Repairs and maintenance	19,786	264,076	24,286	282,878
Security related expenses	23,421	93,644	23,566	87,673
Money and other Insurance	12,694	49,429	187	43,120
Fuel expense	37,467	140,258	27,943	100,366
Data recovery & IT related expenses	163	181	425	-
Newspaper, magazine & periodicals	18	2,238	440	1,376
Entertainment	6,381	24,506	7,403	18,332
Communications & Support expenses	147,095	359,257	2,529	20,351
Sundry expenses	151,820	173,010	6,790	150,664
Cash shortage w/o	1,339	6,002	698	2,560
Listing expenses	-	2,709	588	2,352
Industry certification	-	-	9,449	2,949
Balance for the period ended 31 Dec	663,387	2,165,056	311,499	1,557,114

JAIZ BANK PLC
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38 Related parties

Jaiz Bank Plc has some exposures that are related to its Directors. The Bank however follows a strict process before granting such credits to its Directors. The requirements for creating and managing this category of risk assets include the following amongst others:

						2021	
NAME	RELATED PARTY	RELATIONSHIP WITH THE BANK	N'000 LIMIT	N'000 AMOUNT	RECEIVABLE	CLASSIFICATION	
ABDULFATTAH OLANREWAJU AMOO	ABDULFATTAH OLANREWAJU AMOO	EXECUTIVE DIRECTOR	59,400		43,564	PERFORMING	
ABDULMUTALLAB MUHAMMAD HADI	DR. UMARU ABDULMUTALLAB	CHAIRMAN	40,000		31,583	PERFORMING	
AHMED ALHAJI HASSAN	AHMED A. HASSAN	EXECUTIVE DIRECTOR			51,003	PERFORMING	
BELLMARI ENERGY LIMITED	DANGOTE INDUSTRIES LTD	SIGNIFICANT SHAREHOLDER	899,895		760,515	WATCHLIST	
BELLO MUHAMMAD SANI	HRH ENGR. SANI BELLO	NON-EXECUTIVE DIRECTOR	80,250		77,750	PERFORMING	
FOUNTAIN UNIVERSITY OSOGBO NIGERIA	DR. UMARU ABDULMUTALLAB	CHAIRMAN	25,113		21,798	PERFORMING	
FURSA FOODS LTD	ALH. AMINU ALHASSAN DANTATA	SIGNIFICANT SHAREHOLDER	1,295,666		247,341	PERFORMING	
HASSAN USMAN	HASSAN USMAN	MANAGING DIRECTOR	34,114		8,353	PERFORMING	
NOBLE HALL LIMITED	DR. UMARU ABDULMUTALLAB	CHAIRMAN	279,995		2,657,365	PERFORMING	
AT 31st Dec 2021			2,714,433		3,899,270		
OFF BALANCE SHEET							
DANGOTE CEMENT PLC	DANGOTE INDUSTRIES LTD	SIGNIFICANT SHAREHOLDER			18,592	PERFORMING	
AT 31st Dec 2021					18,591.99		

						2020	
NAME	RELATED PARTY	RELATIONSHIP WITH THE BANK	N'000 LIMIT	N'000 AMOUNT	RECEIVABLE	CLASSIFICATION	
ABDULFATTAH OLANREWAJU AMOO	ABDULFATTAH OLANREWAJU AMOO	EXECUTIVE DIRECTOR	59,400		49,410	PERFORMING	
AHMAD RUF'A'I SANI	HRH ENGR. SANI BELLO	NON-EXECUTIVE DIRECTOR	510,000		238,130	PERFORMING	
BELLMARI ENERGY LIMITED	DANGOTE INDUSTRIES LTD	SIGNIFICANT SHAREHOLDER	1,091,775		1,177,377	PERFORMING	
BELLO MUHAMMAD SANI	HRH ENGR. SANI BELLO	NON-EXECUTIVE DIRECTOR	80,250		80,250	PERFORMING	
FURSA FOODS LTD	DANGOTE INDUSTRIES LTD	SIGNIFICANT SHAREHOLDER	1,295,666		538,686	PERFORMING	
HASSAN USMAN	HASSAN USMAN	MANAGING DIRECTOR	30,000		12,290	PERFORMING	
NOBLE HALL LIMITED	DR. UMARU ABDULMUTALLAB	CHAIRMAN	279,995		265,736	PERFORMING	
AT 31ST DECEMBER 2020			3,347,085		2,361,879		
OFF BALANCE SHEET							
DANGOTE CEMENT PLC	DANGOTE INDUSTRIES LTD	SIGNIFICANT SHAREHOLDER			401,154	PERFORMING	
AT 31ST DECEMBER					401,154		

JAIZ BANK PLC
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39 SIGNIFICANT SHAREHOLDING (5% & ABOVE)

	Dec 2021		Dec 2020	
	Holdings	%	Holdings	%
Dr.Muhammadu Indimi	8,310,736,121	24.06	3,233,813,044	13.58
Dantata Investment & Securities Limited	4,484,157,327	12.98	4,204,369,327	14.27
Dr. Umaru Abdul Mutallab	4,000,000,000	11.58	4,000,000,000	10.98
Altani Investment Limited	2,600,000,000	7.53	2,600,000,000	8.51
Islamic Development Bank	2,506,666,588	7.26	2,506,666,588	8.48
Dangote Industries ltd	2,500,000,000	7.24	2,500,000,000	8.83
Balance as at 31 Dec 2021	24,401,560,036	70.65	19,910,059,475	64.64

40 Insider Trading & Market Abuse Prohibition

The Bank has in place a policy which prohibits the unauthorized disclosure of any price sensitive non public information (price information) requested from the Bank by its Directors, employees and members of their immediate family and household and the misuse of such information with regard to securities trading. The policy sets standard terms and conditions similar to the standards set out by the Nigerian Stock Exchange on Insider Trading. The Bank ensures that all Directors and Staff are kept informed about the policy as it is periodically circulated to Directors and Staff to serve as a reminder of their obligations under it.

Directors, insiders and related parties are therefore prohibited from disposing, selling, buying or transferring their shares in the Bank during a “lock up” period commencing from the date of receipt of such insider information until such a period when the information is released to the public or any other period as defined by the Bank from time to time.

In addition to the above, the Bank commits itself to making necessary disclosures in compliance with Rule 111 of the Securities and Exchange Commission (“SEC”) Rules and Regulations which stipulates that Directors and top Management employees and other insiders of public companies shall notify the SEC of any sale or purchase of

41 Earnings per share

Basic earnings per share

Basic earnings per share of kobo 11.98 (2020: 9.85 kobo) is based on the profit of N3.83billion (30 Dec 2020: N2.90billion) attributable to shareholders with ordinary shares of 34,541,172,376 (2020:-29,464,249,300)

Profit attributable to ordinary shareholders

	December 2020	December 2020
	N'000	N'000
Profit for the period	3,833,099	2,903,212
Profit attributable to ordinary shareholders	3,833,099	2,903,212

Simple average of the closing number of ordinary shares

	Sept 2021	December 2020
	In Thousand	In Thousand
Simple average of the closing number of ordinary shares at 30 Sept	32,002,711	29,464,250

Basic Earnings per share (Kobo)

11.98 kobo

9.85 kobo

Diluted Earnings per share (Kobo)

11.98 kobo

9.85 kobo

There have been transactions during the period which caused dilution of the earnings per share.

JAIZ BANK PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 2021

46 Contingencies and commitments

(i) Litigation and claims

"Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Bank has proper controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing.

The Bank, in its ordinary course of business, is presently involved in 28 litigation suits (31 December 2020: 18). 23 cases were instituted against the Bank (31 December 2020: 14), while 5 cases were instituted by the Bank (31 December 2020: 4), 1 judgement against the Bank (31 December 2020: NIL), 4 appeal was filed by the Bank (31 December 2020: NIL) and 2 appeal against the Bank (31 December 2020: NIL).

The Directors are of the opinion that none of the aforementioned cases is likely to have a material adverse effect on the

(ii) Other contingent liabilities

In the normal course of business, the Bank enters into various types of transactions that involve undertaking certain commitments such as letter of credit, guarantees and undrawn financial commitments.

	DEC 2021	DEC 2020
	N'000	N'000
Advanced payment guarantees	6,378,876	5,295,918
Letters of credit	36,390,833	25,357,314
Bonds and guarantees	5,494,174	1,821,742
Wakala guarantee	8,164,502	9,329,970
Undrawn commitment	8,403,659	2,226,371
Balance as at 31 Dec	64,832,044	44,031,315

52 Assessing the impact of COVID-19

In spite of the continued threat posed by the sharp rise in infection rates associated with new strains of the COVID-19 virus, Jjaiz Bank has remained focused and keyed into the various strategies of the Federal Government and the Central Bank of Nigeria to mitigate the impact of the Covid-19 pandemic on our operations and our portfolio of the risk assets.

The Bank has assessed on a line-by-line basis the impact of Covid-19 and has made adjustments necessary in the financial statements and nothing has come to the attention of the Directors to indicate that the Bank will not remain a going concern in the foreseeable period.

SHAREHOLDING STRUCTURE	
Shareholding Structure/Free Float Status	
Company Name	JAIZ BANK PLC
Board Listed	Main Board
Year End	December
Reporting Period	Period Ended December 31,2021

Shareholding Structure/Free Float Status				
Description	31-Dec-21		31-Dec-20	
	Unit	Percentage	Unit	Percentage
Issued Share Capital	34,541,172,377	100%	29,464,249,300	100%
Substantial Shareholdings (5% and above)				
Mutallab Umaru Abdul	4,000,000,000	11.58%	4,000,000,000	13.58%
Dantata Investment & Securities Ltd	4,484,157,327	12.98%	4,204,369,327	14.27%
Indimi Muhammadu	8,310,736,121	24.06%	3,233,813,044	10.98%
Islamic Development Bank	2,506,666,588	7.26%	2,506,666,588	8.51%
Dangote Industries Ltd	2,500,000,000	7.24%	2,500,000,000	8.48%
Althani Investment Ltd	2,600,000,000	7.53%	2,600,000,000	8.82%
Dantata Aminu Alhassan	1,567,510,516	4.54%	1,565,210,516	5.31%
Total Substantial Shareholdings	25,969,070,552	75.18%	20,610,059,475	59.67%
Directors' Shareholdings (direct and indirect), excluding directors with substantial interests				
Mallam Falalu Bello (Indirect)	40,000,000	0.14	40,000,000	0.14
Mallam Falalu Bello (Direct)	12,496,750	0.04%	12,496,750	0.04%
HRH (Egnr.) Bello Mohammed Sani (Direct)	12,500,000	0.04%	12,500,000	0.04%
Alh, (Dr.) Umaru Kwairanga (Indirect)	2,047,448,426	5.93%	2,047,619,279	6.95%
Alh (Dr.) Umaru Kwairanga (Direct)	34,770,000	0.10%	34,770,000	0.12%
Alh Mukhtar Sani Hanga (Indirect)	-	-	-	-
Mr. Seedy Mohammed Njie (Indirect)	-	-	-	-
Alh. Ibrahim Mamun Maude	-	-	-	-
Mrs Aisha Waziri Umar	-	-	-	-
Dr. Abdullateef Bello (Direct)	4,000	0.00%	4,000	0.00%
Mallam Hassan Usman FCA (Direct)	1,450,000	0.00%	1,250,000	0.00%
Mr. Abdulfattah O. Amoo FCA (Direct)	200,000	0.00%	200,000	0.00%
Mr. Ahmed A. Hassan	962,000	0.00%	-	-
Dr. Sirajo Salisu (Direct)	-	-	-	-
Total Directors' Shareholdings	2,149,831,176	6.22%	2,148,840,029	7.29%
Other Influential Shareholdings				
NIL				
Total Other Influential Shareholdings	-	-	-	-
Free Float in Units and Percentage	6,422,270,649	18.59%	6,705,349,796	22.76%
Free Float in Value	₦ 3,596,471,563.44		₦ 4,425,530,865.36	

Declaration

Jaiz Bank PLC with free float value of N3,853,362,389.40 (18.59%) as at 31 December 2021 is not compliant with the Nigerian Exchange Group's free float Jaiz Bank PLC with free float of N4,090,263,375.56 (22.76%) as at 31 December 2020 is compliant with the Nigerian Exchange Group's free float requirements

Note;

Share price as at December 31, 2021	0.56
Share price as at December 31, 2020	0.66



Mohammed Shehu

Company Secretary/Legal Adviser
FRC/2017/NBA/00000016416