



JAIZ BANK

**UNAUDITED HALF YEAR ACCOUNT
FOR THE PERIOD ENDED
30 JUNE 2019**

TABLE OF CONTENT

	Pages
TABLE OF CONTENT	1
STATEMENT OF DIRECTORS' RESPONSIBILITIES REPORT	2
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	4
STATEMENT OF CHANGE IN EQUITY	5
STATEMENT OF CASH FLOW	6
NOTES TO THE FINANCIAL STATEMENTS	7 - 46

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Statement of Directors' responsibilities in relation to the Unaudited Financial Statements for Second Quarter ended June 30, 2019

The Directors accept responsibility for the preparation of the financial statements that give a true and fair view in accordance with the requirements of the International Financial Reporting Standards (IFRS), the Financial Accounting Standards issued by AAOIFI and in the manner required by the Companies and Allied Matters Act Cap C20, Laws of the Federation of Nigeria 2004, the Financial Reporting Council of Nigeria Act 2011, the Banks and Other Financial Institutions Act, CAP B3, LFN 2004, and relevant Central Bank of Nigeria (CBN) Guidelines and circulars.

The Directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act of Nigeria and for such internal control as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Going Concern:

The Directors have made assessment of the Bank's ability to continue as a going concern and have no reason to believe that the Bank will not remain a going concern in the years ahead. Resulting from the above, the directors have a reasonable expectation that the company has adequate resources to continue operations for the foreseeable future. Thus, directors continued the adoption of the going concern basis of accounting in preparing the annual financial statements.

SIGNED ON BEHALF OF THE DIRECTORS BY:



Hassan Usman, FCA
Managing Director/CEO
FRC/2013/ICAN/0000003984



Abdufattah O. Amoo, FCA
Chief Financial Officer
FRC/2018/ICAN/00000017779

JAIZ BANK

STATEMENT OF FINANCIAL POSITION AS AT 30-Jun-2019

		6 Months June-19	12 Months December-18
	Notes	N'000	N'000
Assets			
Cash and Balances with Central Bank of Nigeria	3	29,357,008	23,409,751
Due from Banks and Other Financial Institutions	4	13,254,730	7,408,063
Sukuk Investment	5	39,942,163	19,819,872
Murabaha Receivables	7A	24,685,224	25,330,697
Investment in Bai Mu'ajjal	7B	201,314	59,186
Investment in Istisna	8	1,231,094	1,865,656
Investment in Ijara Assets	9	16,439,611	15,264,911
Qard Hassan	10	173,610	171,948
Investment Properties	10ii	1,603,513	1,603,513
Investment in Assets Held for Sale	11i	10,507,089	7,699,830
Property, Plant and Equipment	12	2,690,968	2,578,588
Leasehold Improvement	13	78,995	58,118
Intangible Assets	14	465,154	370,748
Other Assets	15	3,359,373	2,809,209
Deferred Taxation Asset	16b	12,369	12,368
Total Assets		144,002,215	108,462,458
Liabilities			
Customer Current Deposits	(17a)	56,368,384	45,950,138
Other Financing	18a	12,935,032	2,000,000
Other Liabilities	18b	11,373,736	8,229,960
Tax payable	16a	94,474	90,344
Total liabilities		80,771,626	56,270,442
Equity of Investment Account Holders			
Customers' Unrestricted Investment Accounts	(17b)	27,324,474	36,716,950
Mudaraba Term Deposit	(17b)	22,796,953	2,365,904
		50,121,427	39,082,854
Owners' Equity			
Share Capital	19	14,732,125	14,732,125
Share Premium	20	627,365	627,365
Retained Earnings	21	(4,574,108)	(4,574,108)
Risk Regulatory reserve	22	1,619,336	1,619,336
Statutory Reserve	22i	504,826	504,826
Other Reserves	22ii	199,618	199,618
Total Equity		13,109,162	13,109,163
Total Equity and Liabilities		144,002,215	108,462,458
Guarantee And Other Contingent Assets & Liabilities	42	26,353,816	29,110,417

The accounting policies and the accompanying explanatory notes form part of these unaudited account. This account were approved by the Board of Directors for issue on 17th July, 2019 and signed on its behalf by



Abdulfattah O. Amoo, FCA (Chief Finance Officer)
FRC/2018/ICAN/00000017779



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

JAIZ BANK**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE****INCOME FOR THE PERIOD ENDED 30-Jun-2019**

		3 Months June-19	6 Months June-19	3 Months June-18	6 Months June-18
	Notes	N'000	N'000	N'001	N'000
Income:					
Income from Financing Contracts	23	1,682,180	3,336,932	1,522,100	3,089,119
Income from Investment Activities	24	1,472,353	2,409,280	293,389	599,787
Gross Income from financing transactions		3,154,534	5,746,213	1,815,489	3,688,906
Return on Equity of Investment Account Holders	25(i)	(713,542)	(1,194,319)	(530,008)	(1,009,155)
Bank's share as a Mudarib/Equity investor	25(ii)	2,440,992	4,551,895	1,285,481	2,679,751
Net impairment (charges)/Writeback for the year	32	(174,143)	(294,143)	(40,000)	(70,000)
Net Spread after Provision		2,266,850	4,257,752	1,245,481	2,609,751
Other Income					
Fees and Commission	26	291,772	575,717	371,216	616,573
Other Operating Income	27	(58,088)	(11,844)	136,835	165,078
Total Income		2,500,534	4,821,624	1,753,532	3,391,402
Expenses:					
Staff Costs	29	900,710	1,662,244	638,070	1,272,014
Depreciation and Amortisation	30	173,192	340,577	147,368	283,538
Operating Expenses	31(i)	996,174	1,911,882	883,450	1,604,635
Total Expenses		2,070,076	3,914,702	1,668,888	3,160,187
Operating Profit/(Loss) Before Tax		430,458	906,922	84,644	231,215
Income Tax Expenses	16a	(47,780)	(91,274)	(2,539)	(24,525)
Profit/(Loss) for the Year after Tax		382,678	815,648	82,105	206,690
Other Comprehensive Income					
Item that may be reclassified to profit or loss					
Net Gain on Gifted Property	28	-	-	-	-
Total comprehensive income for the year		382,678	815,648	82,105	206,690
Earnings Per Share					
Basic and diluted Earnings per share (Kobo)		1.62 kobo	2.77 kobo	.31kobo	.78 kobo

JAIZ BANK

STATEMENT OF CHANGE IN EQUITY FOR THE PERIOD ENDED 30-Jun-2019

	Jun-2019							Total N'000
	Share Capital N'000	Share Premium N'000	Retained Earnings N'000	Risk Regulatory Reserve N'000	CBN (AGSMEIS) Reserve N'000	Other Comprehensive Income N'000	Statutory Reserve N'000	
Balance at 1 January 2019	14,732,125	627,365	(4,574,108)	1,619,336	87,305	112,313	504,826	13,109,161
Balance at 30 June 2019	14,732,125	627,365	(4,574,108)	1,619,336	87,305	112,313	504,826	13,109,161

	31 December 2018							Total N'000
	Share Capital N'000	Share Premium N'000	Retained Earnings N'000	Risk Regulatory Reserve N'000	CBN (AGSMEIS) Reserve N'000	Other Comprehensive Income N'000	Statutory Reserve N'000	
Balance at 1 January 2018	14,732,125	627,365	(4,244,307)	2,267,029	42,420	-	254,516	13,679,147
Adjustment on IFRS 9 initial recognition			-	(1,516,664)		-		(1,516,664)
Restated Opening Balance under IFRS 9	14,732,125	627,365	(4,244,307)	750,364	42,420	-	254,516	12,162,483
Revaluation Reserve	-	-	-	-	-	112,313	-	112,313
Transfer to Risk Regulatory Reserve	-	-	(868,971)	868,971	-	-	-	-
Transfer to Statutory Reserve	-	-	(250,310)	-	-	-	250,310	-
Transfer to AGSMEIS	-	-	(44,885)	-	44,885	-	-	-
Profit for the year	-	-	834,366	-	-	-	-	834,366
Balance at 31 December 2018	14,732,125	627,365	(4,574,108)	1,619,336	87,305	112,313	504,826	13,109,161

JAIZ BANK
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30-Jun-2019

	Notes	6 Months	12 Months
		Jun-19	Dec-18
		N'000	N'000
Cash flow from operating activities			
Total comprehensive income for the year		815,648	946,678
Adjustments for non cash items:		0	0
Depreciation	12	244,567	502,007
Amortization of Intangible Assets	14	39,137	64,204
Amortisation of leasehold Improvement	13	10,146	20,832
Provision for financing impairment	32	294,143	0
Amortisation of prepaid rent	31(i)	160,708	326,041
Tax	16a	0	90,345
Gifted Item	28	0	-112,313
Operating profit before changes in operating asset and liabilities		1,564,349	1,837,795
Working capital adjustment:			
Interbank Murabaha	5a	-	-
Sukuk	5	(20,122,291)	(13,431,955)
Murabaha receivables	7A	645,472	(5,773,997)
Investment in Musharaka	6	-	1,200,000
Qard Hassan	10	(1,663)	(26,849)
Istisna	8	634,562	(505,057)
Bai Muajjal	7B	(142,129)	(59,186)
Ijara rental receivables	9	(1,174,700)	321,518
Investment Properties	10ii	-	-
Investment in trading assets	11i	(2,807,259)	(1,816,542)
Other assets	15	(550,164)	(1,112,814)
Customers' current account	(17a)	10,418,246	12,243,779
Other Financing	18a	10,935,032	2,000,000
Other liabilities	18b	2,033,985	2,854,095
Tax paid	16a	4,130	(135,677)
Net cash from/(used in) operating activities		1,437,571	(2,404,889)
INVESTING ACTIVITIES			
Purchase of property, plant & equipment	12	(356,946)	(656,964)
Purchase of intangible assets	14	(60,013)	(87,391)
Improvement on leasehold properties	13	(265,261)	(51,295)
		(682,220)	(795,649)
FINANCING ACTIVITIES			
Distribution to charity	SUCF	0	-6,664
Customers investment accounts	(17b)	11,038,573	4,673,957
Net cash provided by (used in) financing activities		11,038,573	4,667,292
Increase (Decrease) In Cash And Cash Equivalents		11,793,924	1,466,754
Cash and cash equivalents at beginning of year		30,817,814	29,351,060
Cash And Cash Equivalents At 31 December		42,611,738	30,817,814

The accounting policies and the accompanying explanatory notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the Year period ended 30th June, 2019

I Reporting entity

Jaiz Bank Plc (the “Bank”) is the first fully fledged non-interest financial institution in Nigeria. The Bank was granted a banking licence 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.

The Bank's Corporate Headquarter address is Kano House, Plot 73, Ralph Shodeinde Street, Central Business District, Abuja, Nigeria.

The Financial Statement of the Bank as at 31 December 2018, is only for the Bank as it has no subsidiary and/or Associate company.

2 Change in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as noted below.

During the year the Bank has adopted the following new standards / amendments to the standards effective for the annual period beginning on or after 1 January 2018.

(a) IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognizing revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g. IFRS 9, and IFRS 16 Leases).

Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferrer anticipates entitlement to goods and services. The following five step model in IFRS 15 is applied in determining when to recognise revenue, and at what amount:

- i) Identify the contract(s) with a customer
- ii) Identify the performance obligations in the contract
- iii) Determine the transaction price
- iv) Allocate the transaction price to the performance obligations in the contract
- v) Recognise revenue when (or as) the entity satisfies a performance obligation

The standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and the corresponding cash flows with customers. This standard does not have any significant impact on the Bank.

(b) IFRS 9 Financial Instruments

In July 2014, the IASB issued IFRS 9 Financial Instruments (“IFRS 9”), which replaces IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 addresses all aspects of financial instruments including classification and measurement, impairment and hedge accounting.

The adoption of IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instrument Disclosures.

The transitional provisions of IFRS 9 permitted the Bank to elect not to restate comparative figures. Adjustments to the carrying amounts of financial assets and financial liabilities at the date of the transition were recognised in the opening retained earnings and other reserves of the current period.

2.1 New standards, interpretations and amendments to existing standards that are not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank’s financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

IFRS 16: Leases

The standard was issued in January 2016 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognise:

- assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

For lessor accounting, it substantially carries forward the requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. An entity shall apply this Standard for annual reporting periods beginning on or after 1 January 2019.

The Bank is currently assessing the impact of the standard.

2.2 Significant Accounting Policies

(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) Basis of Preparation and Accounting

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.

2.3 Use of estimates and judgments.

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Significant items where the use of estimates and judgments are required are outlined below:

(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

Cash comprises:

- 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:

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

(c) Going Concern

The Bank's management shall be making assessment of the Bank's ability to continue as a going concern and where satisfied that the Bank has the resources to continue in business for the foreseeable future shall form a judgment and prepare accounting information based on that. In any situation whereby the Board of Directors is aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern such issues shall be disclosed in the annual report.

(d) Financial instrument

The Bank applied the classification and measurement requirements for financial instruments under IFRS 9 '*Financial Instruments*' for the year ended 31 December 2018. The 2017 comparative period was not restated, and the requirements under IAS 39 '*Financial Instruments: Recognition and Measurement*' were applied. The key changes are in the classification and impairment requirements.

Recognition and initial measurement

All the financial assets and financial liabilities of the Bank are initially recognised on the trade date for regular way contracts, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is 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.

Classification

The Bank classifies its financial assets under IFRS 9, into the following measurement categories:

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

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).

The Bank also classifies its financial liabilities as liabilities at fair value through profit or loss and liabilities at amortised cost. Management determines the classification of the financial instruments at initial recognition.

Subsequent measurements

Financial assets or financial liabilities carried at amortised cost

(i) Debt instruments

The subsequent measurement of financial assets depend on its initial classification:

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:

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

Fair value through other comprehensive income (FVOCI): Investment in debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- 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 debt instrument is subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment gains or losses, return revenue and foreign exchange gains and losses are recognised in profit and loss. Upon disposal or derecognition, the cumulative gain or loss previously recognised in OCI is reclassified from equity to income statement and recognised in net gains on investment securities while the cumulative impairment loss recognised in the OCI and accumulated in equity will be reclassified and credited to income statement. Income from these financial assets is determined using the effective rate of return method and recognised in income statement as 'income'. The measurement of credit impairment is based on the three-stage expected credit loss model as applied to financial assets at amortised cost.

Fair value through profit or loss (FVTPL): Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. The gain or loss arising from changes in fair value of a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is included directly in the income statement and reported as 'Net gains/(losses) from financial instruments held for trading' in the period in which it arises. Returns from these financial assets is recognised in income statement as 'income'.

(ii) Equity instruments

The Bank subsequently measures all equity investments at fair value. For equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. Where the Bank's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to income statement. Dividends from such investments continue to be recognised in income statement as dividend income when the company's right to receive payments is established unless the dividend clearly represents a recovery of part of the cost of the investment. Changes in the fair value of financial assets measured at fair value through profit or loss are recognised in 'Net gains/(losses) from financial instruments held for trading'.

All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the

requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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:

- 1) 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;
- 2) How the performance of the portfolio is evaluated and reported to management;
- 3) 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;
- 4) 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
- 5) 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.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

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

As a second step of its classification process 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' includes 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.

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'.

From 1 January 2018, under IFRS 9, where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Bank's own credit quality is calculated by determining the changes in credit spreads above observable market return rates and is presented separately in other comprehensive 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

If 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 year.

(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.

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 months' expected credit loss (12mECL)

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months 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 loans 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 the loan has been reclassified from Stage 2.
- **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, where the credit risk has improved and the loan has been reclassified from Stage 3.
- **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-months 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-months 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 amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

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.

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 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month 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 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 in cash flows if the loan is drawn down, based on a probability-weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

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
- 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.

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 existing 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.

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 repossessed

The Bank's accounting policy under IFRS 9 remains the same as it was under IAS 39. The Bank's policy is to determine whether 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.

In its normal course of business, the Bank does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet.

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; or
- it is reasonably determined that no further recovery on the facility is possible.

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

Forward looking information

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

- GDP growth
- Unemployment rates
- Central Bank base rates
- House price indices

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. Detailed information about these inputs and sensitivity analysis are provided in Note 4 in the pro-forma financial statements.

Financial guarantees and loan commitments

The date that the entity becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of applying the impairment requirements. Financial guarantees issued are initially measured at fair value and the fair value is amortised over the life of the guarantee. Subsequently, the financial guarantees are measured at the higher of this amortised amount and the amount of expected loss allowance. The premium received is recognised in the income statement in Net fees and commission income on a straight line basis over the life of the guarantee.

The Bank also recognises loss allowance for its loan commitments. The expected loss allowance for the Loan commitment is calculated as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive.

The Bank has issued no loan commitment that is measured at FVTPL.

iii Impairment Provisions against Financing Contracts with Customers

The Bank shall review its financing contracts at each reporting date to assess whether an impairment provision should be recorded in the financial statements. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes to the provisions. In addition to specific provisions against individually significant financing contracts, the Bank also shall make a collective impairment provision of 2% against exposures which, although not specifically identified as requiring a specific provision, have a greater risk of default than when originally granted. This takes into consideration, factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

iv Impairment of Investments at Fair Value through Equity

The Bank shall treat investments carried at fair value through equity as impaired when there is a significant or prolonged decline in the fair value below their costs or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Bank would evaluate factors, such as the historical share price volatility for comparable quoted equities and future cash flows and the discount factors for comparable unquoted equities.

v Liquidity

The Bank shall manage its liquidity through consideration of the maturity profile of its assets and liabilities on daily basis. This requires judgment when determining the maturity of assets and liabilities with no specific maturities.

(e) 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.

(f) Non-Current Assets

Non-current (fixed) assets are initially recorded at cost. They are to be subsequently stated at historical cost less depreciation and any accumulated impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

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.

Asset that do not reach a limit of N25,000 (Twenty Five Thousand Naira Only) are expensed immediately in the income statement, but capitalized if above limit.

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)	20%	
Furniture and fittings	(5 years)	20%	
Equipment	(5 years)	20%	
Computer Equipment- General	(3 years)	33%	
Computer Equipment- Special	(5 years)		20%
Computer software	(10 years)	10%	
Freehold Buildings	(50 years)	2%	
Leasehold building over the expected life of the lease			

Leasehold improvement over the period of the lease

Property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its 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 year.

(g) 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.

(h) Ijarah (Leasing)

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.

(i) Murabaha Receivables from Banks

These are interbank commodity Murabaha transactions. The Bank arranges a Murabaha transaction by buying a commodity (which represents the object of the murabaha) and then resells this commodity to the beneficiary murabeh (after adding a profit margin). The sale price (cost plus the profit margin) is paid either lump sum at Maturity or in installments by the Murabeh over the agreed period. Murabaha receivables from banks are stated net of deferred profits and provision for impairment, if any.

(j) Murabaha Receivables from Customers

Customer Murabaha receivables consist of deferred sales transaction agreements and are stated net of deferred profits, any amounts written off and provision for impairment, if any. Promise made in the Murabaha to the purchase Orderer is obligatory upon the customer and the bank can claim damages to the exact amount of loss suffered.

(k) 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.

(l) Wakalah

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.

(m) Income Recognition

Income is recognised on the above Islamic products as follows:

i 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.

ii Ijarah Muntahia Bittamleek

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.

iii Musharaka

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

iv Dividends

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.

v Fees and Commission Income

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

vi Sukuk

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

vii 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 comprises:

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.

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 Foreign Income

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

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

x Earnings Prohibited by Shari 'a

The bank is committed to avoid recognizing any income generated from non-Islamic sources. Accordingly, all non-permissible income is transferred to charity.

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.

xiv 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 Account Holders

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

(n) Taxation

i 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)

ii 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.

(o) Investments

i Investment Securities

Investment securities are initially recognized at cost and management determines the classification at initial investment. Investments in securities are classified, measured and recognize in accordance with IAS 39 (Financial Instruments measurement and recognition).

ii Investments at Fair Value through Equity

Investments at fair value through equity are those which are designated as such or are not classified as carried at fair value through statement of income. These include investments in equity securities and managed funds.

After initial measurement, investments at fair value through equity are subsequently measured at fair value. Unrealised gains and losses are recognised in statement of comprehensive income and then transferred to the available for sale reserve in the consolidated statement of changes in equity. When the investment is disposed of or determined to be impaired, the cumulative gain or loss, previously transferred to the available for sale, reserve is recognised in the consolidated statement of income. Where the Bank holds more than one investment in the same security they are deemed to be disposed off on a weighted average basis. Profit earned whilst holding investments at fair value through equity is reported as 'Income from investment activities' using the effective profit rate method. Long-term investments are investments held over a long period of time to earn income. Long-term investments may include debt and equity securities.

iii Investments in Subsidiaries

Investments in subsidiaries are carried in the company's balance sheet at cost less provisions for impairment losses. Where, in the opinion of the Directors, there has been impairment in the value of an investment, the loss is recognized as an expense in the period in which the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of income.

(p) Employee benefits

A defined contribution plan is a pension plan under which the Bank pays fixed contributions to a separate entity. A defined contribution scheme, which is funded by contribution from the bank and employees. The rate of contribution by the by the employee is 8.0% and 10% by the Bank based on annual basic salary, housing and transport allowances in line with the new Pension Reform Act, 2014. 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.

The Bank's liabilities in respect of the defined contribution are to be charged against the profit of the year in which they become payable. Payments are made to Pension Fund Administration companies, who are financially independent of the bank.

(q) Provisions, Contingent Assets and Contingent Liabilities

Provision is recognized when the Bank has a present obligation whether legal or constructive as a result of a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount can be reliably measured, in accordance with the International Financial Reporting Standards (IAS 37).

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 year end in respect of these transactions are to be shown by way of note to the financial statements.

Income on off-balance sheet engagement is in form of commission and fees.

Commission and fees are recognized when transactions are executed.

(r) 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 year.

(s) 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 year 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.

(t) 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. The CODM is reviewed and advised by the Board for decisions on significant transactions and or events.

(u) Ordinary Share Capital

i Share Issue Costs

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

ii Dividend on Ordinary Shares

Dividends on ordinary shares are recognised in revenue reserve in the period they are approved by the Bank's shareholders.

Dividends for the year that are approved by the shareholders after the balance sheet date are dealt with in the subsequent events note.

Dividends proposed by the Directors but not yet approved by members are disclosed in the financial statements in accordance with the requirements of the Company and Allied Matters Act 1990.

(v) 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.

(w) 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 years in accordance with (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)

JAIZ BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30-Jun-19

3	Cash and Balances with Central Bank of Nigeria	6 Months	12 Moths
		June-19	December-18
		N '000	N'000
	Cash	5,179,714	3,969,149
	Current account with CBN	7,317,339	8,593,192
	Deposit with CBN	15,010,963	8,998,417
	CBN Special Intervention Reserve	1,806,573	1,806,573
	CBN AGSMEIS Balance	42,420	42,420
	As at 30 June 2019	29,357,008	23,409,751

branches while Deposits with the Central Bank of Nigeria represent Mandatory Reserve Deposits(as prescribed

4	Due from Banks and Other Financial Institutions	6 Months	12 Moths
		June-19	December-18
		N'000	N'000
	Balances with banks within Nigeria:		
	Unity Bank Plc	-	236,096
	a	695,217	236,096
	Balances with banks outside Nigeria:		
	First Bank UK	10,835,883	6,320,529
	Habib Bank UK	-	-
	Banco De Sabadel	138,128	200,980
	Standard Chartered	988,403	153,932
	Bank Al-Bilad	186,577	189,307
	Zenith Bank UK	410,523	307,218
	b	12,559,514	7,171,967
	As at 30 June 2019	13,254,730	7,408,063

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 transactions. The corresponding Liability is included in Margin Deposits under "Other Liabilities" (see Note 18). The amount is not available for the day to day operations of the Bank.

JAIZ BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30-Jun-19

5	Total Sukuk Investment	June-19	December-18
		N'000	N'000
	Opening Balance	18,914,665	6,068,953
	Addition during the year	17,982,480	13,325,033
	Disposal/Redemption	(2,800)	(479,321)
	Gross investment in Sukuk	36,894,344	18,914,665
	Premium	2,264,404	473,967
	Rental Receivable	783,415	431,241
	As at 30 June 2019	39,942,163	19,819,872

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

i	Osun State Sukuk	June-19	December-18
		N'000	N'000
	Opening Balance	989,180	902,648
	Addition during the year	-	565,853
	Disposal/Redemption	-	(479,321)
	Gross investment in Sukuk	989,180	989,180
	Premium	-	52,930
	Rental Receivable	91,263	38,333
	As at 30 June 2019	1,080,443	1,080,443

ii	FGN Sovereign Sukuk	June-19	December-18
		N'000	N'000
	Opening Balance	17,925,485	5,166,305
	Addition during the year	17,982,480	12,759,180
	Disposal/Redemption	(2,800)	-
	Gross investment in Sukuk	35,905,165	17,925,485
	Premium	2,264,404	421,037
	Rental Receivable	692,152	342,561
	As at 30 June 2019	38,861,720	18,689,083

During the year, the Bank invested N17.98billion in Sukuk issued by the Federal Government of Nigeria (FGN). The Sukuk has 7 Years tenor which is due in 2025 at a return of 15.743%. The Bank also purchased, through the secondary market, Sukuk worth N0.00billion. The rental payment is semi-annually while the principal redemption is a bullet payment on maturity.

JAIZ BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30-Jun-19

7A	Murabaha Receivables	June-19	December-18
		N'000	N'000
	Murabaha Retail	9,019,364	7,030,831
	Murabaha Corporate	19,345,311	21,642,820
	Murabaha Staff	158	1,125
	Murabaha SME	147,963	44,425
	Gross Recievable	28,512,797	28,719,201
	Allowance for impairment	(2,004,321)	(1,724,308)
	Deffered Profit	(1,823,250)	(1,664,196)
	As at 30 June 2019	24,685,224	25,330,697
7B	Investment in Bai Mu'ajjal	June-19	December-18
		N'000	N'000
	Bai Mu;ajjal Corporate	255,042	79,968
	Gross Receivables	255,042	79,968
	Allowance for impairment	-	-
	Deffered Profit	- 53,728	- 20,782
	As at 30 June 2019	201,314	59,186
8	Investment in Istisna	June-19	December-18
		N'000	N'000
	Istisna Recievable	1,320,538	2,024,325
	Allowance for impairment	(11,827)	(11,827)
	Deffered Profit	(77,617)	(146,841)
	As at 30 June 2019	1,231,094	1,865,656
9	Investment in Ijara Assets	June-19	December-18
		N'000	N'000
	Ijara wa Iqtina	12,386,963	12,102,569
	Ijara home finance	20,672	22,475
	Ijara Auto & Others	260	260
	Ijara Others	1,656,371	741,093
	Gross investment in Ijara	14,064,267	12,866,397
	Ijara accrued Profit	2,433,157	2,454,197
	Allowance for impairment	(57,812)	(55,683)
	As at 30 June 2019	16,439,611	15,264,911

JAIZ BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30-Jun-19

10 Qard Hassan		June-19	December-18
		N'000	N'000
Balance at 1 June		232,260	149,082
Granted to Staff		-	-
Granted to customers		-	83,178
Total during the month		232,260	232,260
Repayments			
Staff Repayment		1,036	16,043
Customer Repayment		500	41,620
Total Repayment during the month		1,536	57,663
impairment Allowance	note 32b(ii)	(2,649)	(2,649)
As at 30 June 2019		173,610	171,948
10ii Investment Properties		June-19	December-18
		N'000	N'000
Investment Properties Corporate		1,603,513	1,603,513
Gross Investment Properties		1,603,513	1,603,513
Allowance for impairment		-	-
As at 30 June 2019		1,603,513	1,603,513
11i Investment in Assets Held for Sale		June-19	December-18
		N'000	N'000
Advances for LC Murabaha		2,067,911	3,045,817
Inventory for Sale		8,439,178	4,654,012
As at 30 June		10,507,089	7,699,830
(ii) Schedules Inventory for Sale		N'000	N'000
Repossessed Property		974,513	831,513
Other Properties		1,217,000	1,444,221
Oil & Gas		-	1,310,000
Inventory Purchase-Fertilizer		450,451	749,417
Inventory Hide & Skin		1,888,721	144,861
Inventory JAMB Computers		3,908,493	-
Total Inventory for Sale		8,439,178	4,654,012

JAIZ BANK

NOTES TO THE FINANCIAL STATEMENTS AS AT 30-Jun-2019

12 Property, Plant and Equipment

	Freehold Land	Building Freehold	Office Equipment	Motor Vehicle	Furnitures and Fixtures	Computer Equipment	Fixed Assets WIP	Total
Cost	₦' 000	₦' 000	₦' 000	₦' 000	₦' 000	₦' 000	₦' 000	₦' 000
1-June-2019								
Cost	57,086	559,211	842,730	475,431	214,490	2,027,518	442,763	4,619,231
Additions/Reclassification	-	123,650	119,467	89,782	27,775	158,728	120,891	398,510
Disposals	-	-	-	-	-	-	-	-
30-Jun-2019	57,086	682,861	962,197	565,213	242,265	2,186,246	321,872	5,017,740
Accumulated depreciation								
1-June-2019	-	26,735	429,220	238,253	139,362	1,207,073	-	2,040,642
Depreciation	-	-	76,483	29,944	14,407	165,296	-	286,131
Disposals	-	-	-	-	-	-	-	-
30-Jun-2019	-	26,735	505,703	268,196	153,769	1,372,369	-	2,326,773
1 January 2018								
Cost	3,086	495,327	676,346	405,207	181,608	1,608,113	276,101	3,645,788
Additions/Reclassification	54,000	63,884	166,384	70,224	32,882	419,405	166,662	973,443
Disposals	-	-	-	-	-	-	-	-
31 December 2018	57,086	559,211	842,730	475,431	214,490	2,027,518	442,763	4,619,231
Accumulated depreciation								
1 January 2018	-	16,710	302,785	178,359	113,087	910,851	-	1,521,791
Depreciation	-	10,025	126,481	64,083	26,550	296,222	-	523,362
Adjustment	-	0	(46)	(4,189)	(276)	0	-	(4,511)
Disposals	-	-	-	-	-	-	-	-
31 December 2018	-	26,735	429,220	238,253	139,362	1,207,073	-	2,040,642
Netbook value								
30-Jun-19	57,086	656,126	456,494	297,017	88,496	813,877	321,872	2,690,968
31-Dec-18	57,086	532,476	413,510	237,179	75,128	820,446	442,763	2,578,588

JAIZ BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30-Jun-2019

	6 Months June-19	12 Months December-18
13 Leasehold Improvement		
Cost	N'000	N'000
Balance at 1 June	848,458	810,819
Addition	31,023	37,639
As at 30 June	879,481	848,458
Amortisation		
Balance at 1 June	790,340	775,888
Adjustments	-	(6,380)
Amortisation for the year	10,146	20,832
As at 30 June	800,486	790,340
Carrying amounts		
As at 30 June	78,995	58,118
14 Intangible Assets	June-19	December-18
	N'000	N'000
Cost	Computer software	Computer software
Balance at 1 June	687,898	593,232
Addition	133,543	94,666
As at 30 June	821,441	687,898
Amortisation and impairment losses		
Balance at 1 June	317,150	252,946
Amortisation for the year	39,137	64,204
As at 30 June	356,287	317,150
Carrying amounts		
As at 30 June	465,154	370,748

JAIZ BANK

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30-Jun-2019**

	6 Months	12 Months
	June-19	December-18
	N'000	
15 Other Assets		
Sundry Debtors	406,020	360,499
Prepaid rent	413,390	450,254
Other prepayments	419,581	307,256
Prepaid Staff	287,169	106,658
Inventory and Other Security items	55,618	48,590
Branch development expenditure	19,365	308,905
Account receivables	254,164	319,005
Settlement Suspense	1,554,681	-
Investment in Fin. Inclusion	10,068	948,276
Interbranch	(19,733)	717
Total	3,400,323	2,850,159
Impairment of Other Assets	(40,950)	(40,950)
As at 30 June	3,359,373	2,809,209
16a Tax Payable		
Statement of Financial position	June-19	December-18
	N'000	
Balance brought forward	90,344	135,677
Charge for the year	91,274	90,345
	181,618	226,022
Less payment during the year	(87,144)	(135,677)
As at 30 June	94,474	90,344
ii) Income statement	June-19	December-18
	N'000	
Company Income Tax	83,147	82,301
Education Tax	2,626	2,599
Information Technology levy	5,501	5,445
	91,274	90,345
Deferred tax expenses		
Deferred tax expenses(Origination/(Reversal) of temporary differences)	-	(27,009)
Balance at 31 December	91,274	63,336

The total provisional tax expenses of N91.27million for the current year comprises of the Company Income Tax, Education tax and Information Technology tax.

JAIZ BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30-Jun-2019

17 Due to customers	6 Months	12 Months
	June-19	December-18
	N'000	
Analysis by type of account		
(17a) Current Account	56,368,384	45,950,138
(17b) Savings & JAPSA	27,324,474	36,716,950
(17b) Mudaraba Term Deposit	22,796,953	2,365,904
As at 30 June	106,489,811	85,032,992

Analysis by type of Depositor	June-19	December-18
	N'000	N'000
Government	428,751	906,691
Corporate	44,221,727	31,208,143
Individual	61,839,333	52,918,157
As at 30 June	106,489,811	85,032,992

(17b) Equity of Investment Accountholders	June-19	December-18
	N'000	N'000
Savings Account	22,296,094	18,603,819
Children saving Account	1,335,180	1,114,825
Jaiz premium Savings Account	3,693,199	16,998,306
Others including MTDs	22,796,953	2,365,904
As at 30 June	50,121,427	39,082,854

18a Other Financing	June-19	December-18
	N'000	N'000
Fund Sources Outside the Bank (CBN/CACS)	12,935,032	2,000,000
As at 30 June	12,935,032	2,000,000

This represents the balance on the on-lending facilities granted by the Central Bank of Nigeria in collaboration with the Federal Government of Nigeria (FGN) under the Commercial Agriculture Credit Scheme (CACS). The FGN is represented by the Federal Ministry of Agriculture and Rural Development) who has the aim of providing concessionary funding for agriculture so as to promote commercial agricultural enterprises in Nigeria. The facility is for a period of 7 years but should not exceed the exit date of the scheme in September 2025 at overall target profit rate of 9% The profit distribution ratio between the CBN as Capital Provider and the NIFI as the Implementing Party is in the ratio of 2:7.

18b Other Liabilities	June-19	December-18
	N'000	N'000
Manager Cheque	187,871	798,008
Margin Deposits	5,759,929	5,754,137
Accounts Payable	269,817	80,010
Vendors payable	156,657	284,144
Tax Liabilities	41,282	33,896
Profit payable to Mudararaba Savings Account	171,952	63,853
e-Banking Payables	914,061	357,102
Due to Charity	1,152	3,298
Sundry Payables	2,563,258	644,436
Accrued audit fee	11,137	13,263
Sundry Deposit	22,372	29,076
Other Accruals	11,914	11,914
Unearned Income	23,549	72,171
Unaudited YTD Profit	815,648	0
Other Payables	423,138	84,651
As at 30 June	11,373,736	8,229,960

JAIZ BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30-Jun-2019

19	Owners Equity		
A	Share capital		
		6 Months	12 Months
	(i) Authorised	June-19	December-18
		N'000	N'000
	50,000,000,000 Ordinary shares of N0.50 each	25,000,000	25,000,000
	As at 30 June	25,000,000	25,000,000
	(ii) Issued and Fully paid Share capital	June-19	December-18
		N'000	N'000
	29,464,249,300 Ordinary shares of N0.50 each at 1 January	14,732,125	14,732,125
	As at 30 June	14,732,125	14,732,125
	There was no movement in the share capital account during the year. 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.		
20	Share Premium	June-19	December-18
		N'000	
	Balance as at 1 January	627,365	627,365
	Movement during the year	-	-
	As at 30 June	627,365	627,365
	Share premium is the excess paid by shareholders over the nominal value for their shares. There was no movement in share premium during the year.		
21	Retained Earnings	June-19	December-18
		N'000	N'000
	Balance at 1 January	- 4,574,108	- 4,244,308
	Adjustment	-	-
	Net profit for the year	-	834,366
	Statutory Regulatory Reserve	-	250,310
	AGSMEIS	-	44,885
	Risk regulatory reserve	-	868,971
	As at 30 June	- 4,574,108	- 4,574,108
22	Risk Regulatory Reserve	June-19	December-18
		N'000	N'000
	Balance As at 31	1,619,336	2,267,029
	Impact of adopting IFRS 9	-	1,516,664
	Restated Opening Balance under IFRS9	1,619,336	750,365
	Adjustment against retained earnings	-	868,971
	As at 30 June	1,619,336	1,619,336

JAIZ BANK**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30-Jun-2019**

22 i	Statutory Reserve	June-19	December-18
		N'000	N'000
	Balance at 1 January	504,826	254,517
	Adjustment against retained earnings	(0)	250,310
	As at 30 June	504,826	504,826
22ii(a)	Other Comprehensive Income	June-19	December-18
		N'000	N'000
	Balance at 1 January	112,313	-
	Movement in the year	-	112,313
	As at 30 June	112,313	112,313
22ii(b)	Agric-Business/Small and Medium Enterprises Investment Scheme	June-19	December-18
		N'000	N'000
	Balance at 1 January	87,305	42,420
	Provision for the year	-	44,885
	As at 30 June	87,305	87,305

JAIZ BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30-Jun-2019

	3 Months	6 Months	3 Months	6 Months
	June-19	June-19	June-18	June-18
	N'000	N'000	N'000	N'000
23 Income from Financing Contracts				
Murabaha profit Corporate	809,325	1,610,823	519,615	1,196,488
Murabaha profit Retail	235,154	392,336	234,239	407,799
Murabaha LC Income	1,079	1,691	733	1,332
Bai Mu'ajjal Income	7,521	13,155	-	-
Total profit from Murabaha transactions	1,053,079	2,018,006	754,587	1,605,619
Ijara Transactions				
Ijara wa Iqtina Profit	531,919	1,109,137	595,987	1,163,784
Ijara Finance Lease Profit	65,777	106,312	23,630	42,434
Ijara profit home finance	264	489	317	605
Ijara Others	94	193	265	426
Total profit from Ijara transactions	598,054	1,216,129	620,199	1,207,249
Others				
Istisna Profit	31,046	102,795	82,812	133,544
Salam Profit	-	-	-	-
Musharaka Profit	1	2	60,022	120,145
InterBank Murabaha Income	-	-	4,480	22,562
Total profit from other Financing/Investment Contracts	31,047	102,797	147,314	3,089,119
	-	-	-	-
Total Income from financing Contracts	1,682,180	3,336,932	1,522,100	5,901,987
24 Income from investment activities				
	June-19	June-19	June-18	June-18
	N'000	N'000	N'000	N'000
Trading Assets Income	270,028	363,642	37,544	90,280
Sukuk	1,176,448	1,993,883	255,845	509,507
Rental Income	25,878	51,756	-	-
Total Investment income	1,472,353	2,409,280	293,389	599,787
25 (i). RETURN ON EQUITY OF INVESTMENT AC				
	June-19	June-19	June-18	June-18
	N'000	N'000	N'000	N'000
Profit paid to Unrestricted Mudarabah Account Holders	713,542	1,194,319	530,008	1,009,155
Profit from Financing Investments paid to Mudarabah	713,542	1,194,319	530,008	1,009,155
(ii) Mudarib fees/ profit of Joint Investments				
Bank's fees as Mudarib.	1,038,725	1,983,272	902,278	1,737,597
Profit from the Bank's Joint Financing investments	1,402,267	2,568,623	383,203	942,154
Bank's fee as Mudarib/Profit of owned Joint Investm	2,440,992	4,551,895	1,285,481	2,679,751
<p>The Bank operates the Unrestricted type of Mudaraba Investment, in which the Mudarib (the Bank) is authorized by the providers of Funds (Rabbul Mal) to invest their funds in the manner which the Mudarib deems appropriate. Profits are shared as a common Percentage Rate rather than a Fixed amount. The Investments were jointly funded by the Bank and the Equity of Investment Account holders. The amount of N1.19Billion was paid by the Bank to the Mudaraba Account Holders for 43617 financial Year.</p>				
26 Fees and Commission				
	June-19	June-19	June-18	June-18
	N'000	N'000	N'000	N'000
Banking Services	76,350	160,741	63,634	131,739
Net Income from E-Business	104,907	198,061	198,482	286,778
LC/ Trade Finance Income	110,515	216,915	109,100	198,058
	291,772	575,717	371,216	616,574

JAIZ BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30-Jun-2019

27 Other Operating Income	June-19	June-19	June-18	June-18
	N'000	N'000	N'000	N'000
Wakala income	23,370	66,114	136,835	143,320
Miscellaneous Income	27,190	30,691	-	21,758
Foreign Exchange Gain/Losses	- 154,893 -	108,649	-	-
	- 104,332 -	11,844	136,835	165,078

28 Other Comprehensive Income	June-19	June-19	June-18	June-18
	N'000	N'000	N'000	N'000
Gifted Assets Income	-	-	-	-
	-	-	-	-

JAIZ BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30-Jun-2019

29 Staff Costs	June-19	June-19	June-18	June-18
	N'000	N'000	N'000	N'000
Salaries	858,561	1,539,761	398,880	809,677
Staff pension	9,661	43,182	-	49,886
Training and Seminar expenses	13,762	30,656	225,471	265,737
Other Staff Expenses	18,726	48,645	13,719	146,714
	900,710	1,662,244	638,070	1,272,014

30 Depreciation and Amortisation	June-19	June-19	June-18	June-18
	N'000	N'000	N'000	N'000
Depreciation of Property, Plant & Equipment	147,989	290,454	126,626	244,567
Amortisation of Leasehold Improvement	5,493	10,986	4,629	7,782
Amortisation of Intangible Assets	19,710	39,137	16,113	31,189
	173,192	340,577	147,368	283,538

31(i) Operating Expenses	June-19	June-19	June-18	June-18
	N'000	N'000	N'000	N'000
Advertising and marketing	38,518	65,403	24,045	61,347
Administrative - note 31 (i)	541,677	1,031,818	576,761	995,232
Subscription and Professional fees	27,503	37,188	28,315	44,299
ACE's Expense	25,927	54,294	12,297	22,624
Rental charges (Occupancy Cost)	83,242	160,708	69,076	167,818
Licences	198,150	396,849	64,396	134,409
Bank Charges	10,290	25,850	17,758	28,340
Audit fee & Other Expenses	7,710	15,210	8,200	14,200
Directors expenses	63,158	124,561	82,602	136,366
	996,174	1,911,882	883,450	1,604,635

JAIZ BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30-Jun-2019

31(ii) Administrative	June-19	June-19	June-18	June-18
	N'000	N'000	N'000	N'000
Telephone expenses	1,067	2,348	1,380	2,494
Bandwith Connectivity	78,459	154,041	65,926	125,282
SWIFT/NIBBS Charges	8,372	18,313	3,113	6,468
Courier charges	4,265	6,869	2,991	7,634
Local and foreign travels	27,556	40,860	11,162	23,873
Printing & Stationaries	18,661	36,956	17,620	33,655
Repairs and maintenance	42,063	120,728	51,173	108,840
Security Related Expenses	20,653	39,267	16,165	31,725
Money and other Insurance	6,101	13,668	14,857	23,263
NDIC Premium	97,921	187,921	66,604	133,209
Fuel Expense	30,497	53,066	176,788	20,608
Service contract (HR and Admin)	123,305	222,102	92,593	178,447
Data Recovery & IT Related Expenses	296	779	4,983	45,565
Newspaper, Magazine & Periodicals	375	835	1,559	1,911
Entertainment	4,549	6,446	1,518	2,732
Penalty & Regulatory Expenses	51,208	60,136	6,147	6,147
Sundry expenses	19,703	49,387	1,911	194,616
Cash shortage W/O	561	1,287	619	670
Listing Expenses	814	2,455	36,212	39,107
Industry Certification	5,250	14,355	3,440	8,986
	541,677	1,031,818	576,761	995,232

JAIZ BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30-Jun-2019

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32 Impairment Expense

32 (a) IMPAIRMENT CHARGES OF FINANCING AND INVESTMENT

(i) Impairment Loss Credit	Jun-19 N'000
Murabaha	280,014
Musharaka	-
Istisna	12,000
Ijarah	2,129
Qard Hassan	-
Salam	-
Off Balance Sheet	-
Total	294,143
Impairment WriteBack	-
Net impairment charges for the year	294,143

(iia) impairment by Products (IFRS) 2019

	Murabaha N'000	Qard Hassan N'000	Istisina N'000	Ijara N'000	Off Balance Sheet Item N'000	Other Assets N'000	Total N'000
Opening Balance	1,724,308	2,649	11,827	55,683	11,914	40,950	1,847,331
Impairment for the current year	280,014	0	12,000	2,129	0	-	294,143
Write-Offs	0	-	(12,000)	0	0	-	(12,000)
Balance at 31 December	2,004,321	2,649	11,827	57,812	11,914	40,950	2,129,473
Notes	7	10	8	9	11	15	
	466,123	510	69,965	29,424	-	-	

JAIZ BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30-Jun-2019

33 Earnings per share

Basic earnings per share

Basic earnings per share of 2.77 kobo (2018:-.78 kobo) is based on the profit of N906.92million (2018: N231.22million) attributable to

Profit attributable to ordinary shareholders	6 Months	6 Months
	June-19	June-18
	N'000	N'000
Profit for the period	815,648	206,690
Profit attributable to ordinary shareholders	815,648	206,690

Weighted average number of ordinary shares

	June-19	June-18
	In Thousand	In Thousand
Issued ordinary shares at 1 January	29,464,249	29,464,249
Effect of share options exercised	-	-
Weighted average number of ordinary shares at 30 June 2019	29,464,249	29,464,249

Basic and diluted earnings per share

There was no transaction during the year which could cause dilution of the earnings per share.

2.77 kobo **0.7 kobo**